

CENTRALNA BANKA
BOSNE I HERCEGOVINE



ЦЕНТРАЛНА БАНКА
БОСНЕ И ХЕРЦЕГОВИНЕ

Annual Report

2012

Central Bank of Bosnia and Herzegovina
Annual Report 2012

Contents

INTRODUCTION BY GOVERNOR	4
LEGAL STATUS AND RESPONSIBILITY OF THE CENTRAL BANK OF BOSNIA AND HERZEGOVINA	6
1. ECONOMIC TRENDS IN 2012	11
1.1 INTERNATIONAL ENVIRONMENT	11
1.2 ECONOMIC TRENDS IN BH	14
1.2.1 Gross Domestic Product	14
1.2.2 Industrial Production	15
1.2.3 Construction	18
1.2.4 Prices	19
1.2.5 Employment and Wages	22
1.2.6 Public Finance	26
1.2.7 External Debt of the Government Sector	31
1.2.8 Balance of Payments	33
1.2.9 Nominal and Real Effective Exchange Rate of KM	41
1.2.10 Foreign Direct Investment	43
2. MONETARY POLICY AND FOREIGN EXCHANGE RESERVES	47
2.1 IMPLEMENTATION OF MONETARY POLICY	47
2.2 MONETARY TRENDS	48
2.3 MONETARY AGGREGATES	48
2.4 MONETARY POLICY INSTRUMENTS: REQUIRED RESERVES	52
2.5 FOREIGN CURRENCY RESERVES	54
3. PAYMENT TRANSACTIONS OF CBBH AND COMMERCIAL BANKS	61
4. CASH MANAGEMENT AND TREASURY OPERATIONS	67
5. CENTRAL BANKS OF BOSNIA AND HERZEGOVINA AS THE BANKING AND FISCAL AGENT	73
6. INTERNAL AUDIT	77
7. INTERNATIONAL COOPERATION AND EUROPEAN INTEGRATION	81
8. FINANCIAL SECTOR	87
8.1 CHARACTERISTICS OF THE BANKING SECTOR	87
8.2 STRUCTURE OF THE BANKING SECTOR	89
8.3 LOANS	90
8.4 DEPOSITS	92
8.5 BANK ASSET QUALITY	94
8.6 BANK PROFITABILITY	94
8.7 BANKS' CAPITAL	95
8.8 INTEREST RATES	96
8.9 FOREIGN INVESTMENT INTO THE BANKING SECTOR	100
8.10 OTHER SEGMENTS OF THE FINANCIAL SECTOR	101
9. FINANCIAL REPORTS	109
10. APPENDIX	167
10.1 MAJOR EVENTS IN 2012	167
10.2 CBBH GOVERNANCE AND STAFF STRUCTURE	169
10.3 PUBLICATIONS AND WEBSITE	173
10.4 ACRONYMS	174
11. STATISTICAL TABLES	175

Introduction by Governor



Dear Reader,

Article 64 of the Law on the Central Bank of Bosnia and Herzegovina („Official Gazette of Bosnia and Herzegovina“ ref: I/97) defines the obligation of the Central Bank of Bosnia and Herzegovina (CBBH) to submit, within three months after the end of the financial year, to the Parliamentary Assembly of Bosnia and Herzegovina the following documents:

- Financial statement certified by auditors
- Report on its operations during the year and
- Report on the situation in the economy.

The Annual Report of the CBBH for 2012 has been adopted at the 3. meeting of the Governing Board of the CBBH, held in Sarajevo on 29 March 2013.

Unfortunately, 2012 can be estimated as the year of economic stagnation in Bosnia and Herzegovina which was marked by the decline of Gross Domestic Product (GDP) in the amount of 0.5%, which was a direct consequence of additional deepening of the crisis in the euro area and other key foreign trade partners of our country, and also insufficient economic activities in the country.

Although it operated in a very complex surrounding, the CBBH fully implemented its basic objectives – complete and reliable implementation of the currency board arrangement, and price, monetary and financial stability. Implementing the tasks defined by its mandate, the CBBH continued a close cooperation with the other institutions of Bosnia and Herzegovina regarding the achieving of financial stability, and the representatives of the CBBH gave their full contribution by participating in the work of the institutions such as Deposit Insurance Agency of BH, Standing Committee for Financial Stability of BH and BH Fiscal Council.

During 2012, the CBBH continued the rational management of costs and some savings. Although it is not a profit organization, the CBBH managed to end the year 2012 with the profit in the amount of KM 34.134 million, so 60% of that amount – KM 20.480 million will be transferred to the budget of Bosnia and Herzegovina.

During the entire last year, the CBBH continued the implementation of activities with purpose of constant improvement of its work and financial sector in BH on the whole. So, in cooperation with all the other

participants in the Central Credit Registry (banks, microcredit organizations, leasing companies, banking agencies...) the CBBH completed the upgrade of the existing registry, so since 01 April 2012, data have been updated on daily basis, while they were updated on monthly basis before. In this way, financial mediators will have available much more updated data in the process of analysis of potential investments, which will directly decrease credit risk and decisions on new credits will be supported by data on credit history of clients in real time.

Within the maintaining of quality of cash in circulation, a new issue of banknotes of convertible mark in denominations of KM 10, KM 20, KM 50 and KM 100 was put into circulation in the beginning of June. Besides the maintaining of the currency structure, a new issue of KM banknotes has included the improved banknote quality and application of the latest security features ensuring quality and durability, and protection against counterfeiting in accordance with the leading standards in the world.

In 2012, the CBBH celebrated the 15th anniversary of its work by the international conference "Living in the Neighbourhood of the Euro Area" organized in cooperation with St. Antony's College of University in Oxford (SEESOX), with which the CBBH signed a three year Memorandum on Cooperation. During this conference, the CBBH awarded the three best research papers by students of faculties of economics in BH on the subject of monetary policy and central banking, by which our institution confirmed its commitment to invest constantly in education.

Also, it should be mentioned that in 2012, the implementation of programme of technical cooperation with Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) within the programme of cooperation between BH and the Republic of Germany in strengthening public administration and improvement of cooperation among BH institutions has started. The purpose of cooperation between CBBH and GIZ is strengthening capacities of the CBBH with purpose of contributing to the preparations of the CBBH for joining the European System of Central Banks and support to the harmonization of the CBBH standards with the standards applied in the European Union. The implementation of recommendations regarding improving operations of the CBBH for strengthening capacities has included the management of risks related to foreign exchange reserve investments, cash management, information technology, statistics of government financial accounts and monetary statistics.

I am sure that the programmes like those mentioned above will help further development of competences and capacities of the CBBH.

Finally, I would like to thank the Governing Board of the CBBH, the CBBH Management and all the CBBH staff whose professional behaviour brought about all the results achieved during the previous year, which, despite a complex and difficult situation, can be estimated to be satisfactory.

Kemal Kozarić, Ph.D., Governor



Legal Status and Responsibility of the Central Bank of Bosnia and Herzegovina

According to the Constitution – Annex 4 of the General Framework Peace Agreement in Bosnia and Herzegovina, the Central Bank of Bosnia and Herzegovina is an institution of Bosnia and Herzegovina established by the Law on the Central Bank of Bosnia and Herzegovina adopted by the Parliament of Bosnia and Herzegovina on 20 June 1997 and it commenced its operations on 11 August 1997.¹

The basic objectives and tasks of the Central Bank of Bosnia and Herzegovina, defined by the Law on the Central Bank of Bosnia and Herzegovina, are the following:

- to achieve and maintain the stability of the local currency (convertible mark) by issuing it, with the full coverage in free convertible foreign exchange funds, according to the arrangement known as currency board, according to the fixed exchange rate: one convertible mark for one German mark. Since 01 January 2002, convertible mark has been pegged to euro at the exchange rate one convertible mark for 0.511292 euro, i.e. one euro amounts to 1.955830 convertible mark;
- to define and control implementation of monetary policy of Bosnia and Herzegovina;
- to hold official foreign exchange reserves and manage them in a safe and profitable way;
- to maintain appropriate payment and settlement systems;
- to coordinate activities of the Banking Agencies of the Entities, which are in charge of bank licensing and supervision;
- to receive deposits from institutions at the level of Bosnia and Herzegovina, i.e. deposits of Entities and their public institutions on the basis of joint decision of the Entities, and also deposits of commercial banks;
- to issue regulations and guidelines for performing the activity of the Central Bank of Bosnia and Herzegovina, within authorizations defined by the Law on the

Central Bank of Bosnia and Herzegovina;

- to participate in the work of the international organizations working on establishing financial and economic stability, and to represent Bosnia and Herzegovina in intergovernmental organizations regarding issues of monetary policy.

The Central Bank of Bosnia and Herzegovina is completely independent from the Federation of Bosnia and Herzegovina, Republika Srpska, and any public agency and body, with purpose of objective implementation of its tasks.

The Central Bank of Bosnia and Herzegovina performs its activities through the Governing Board of the Central Bank of Bosnia and Herzegovina, the CBBH Management and staff.

The Governing Board of the Central Bank of Bosnia and Herzegovina is a body of the Central Bank of Bosnia and Herzegovina in charge of defining monetary policy and control of its implementation, organization and strategy of the Central Bank of Bosnia and Herzegovina, according to the authorities defined by the Law on the Central Bank of Bosnia and Herzegovina. The Governing Board of the Central Bank of Bosnia and Herzegovina consists of five members appointed by the Presidency of Bosnia and Herzegovina and it elects the Governor from among its members, who is also the Chairman of this body and the Management of the CBBH. The Governor is the chief audit executive in charge of daily operations of the Central Bank of Bosnia and Herzegovina.

The CBBH Management, consisting of the Governor and three Vice Governors (appointed by Governor, with the approval of the Governing Board of the Central Bank of Bosnia and Herzegovina), at the request of Governor, as the chief audit executive, conducts operational activities of the Central Bank of Bosnia and Herzegovina and coordinates the activities of organizational units.

¹Official Gazette of BH¹, 1/97, 29/02, 13/03, 14/03, 9/05, 76/06 and 32/07.

For the control of risk in the Central Bank of Bosnia and Herzegovina, the Governor, with the approval of the Governing Board of the Central Bank of Bosnia and Herzegovina, appoints the Main Internal Auditor and Deputies of the Main Internal Auditor.

Operations of the Central Bank of Bosnia and Herzegovina are carried out through the Head Office based in Sarajevo, three Main Units seated in Sarajevo, Mostar and Banja Luka and two Branches based in Pale and Brčko District.

**ECONOMIC TRENDS
IN 2012**

I

1. ECONOMIC TRENDS IN 2012

1.1 International Environment

The World

Global trends in the beginning of 2012 recorded a gradual recovery, but the potential risks remained present. Decrease of confidence and financial stress were the main factors of the slow-down in the euro area, which continued in the major part of 2012. In the second half of the year, global recovery, which was not sufficiently strong in the beginning of the year either, again showed the signs of weakening, so delay and uncertainty in respect of future developments were recorded. The key reason is the fact that the economic policies in the main developed economies did not manage to return confidence and stability regarding the prospects of economic progress. Problems related to unemployment were particularly prominent. In the end of the year, global financial conditions stabilized and had a positive trend, however, indicators on the global industrial production and trade suggest that the global growth is not strong enough.

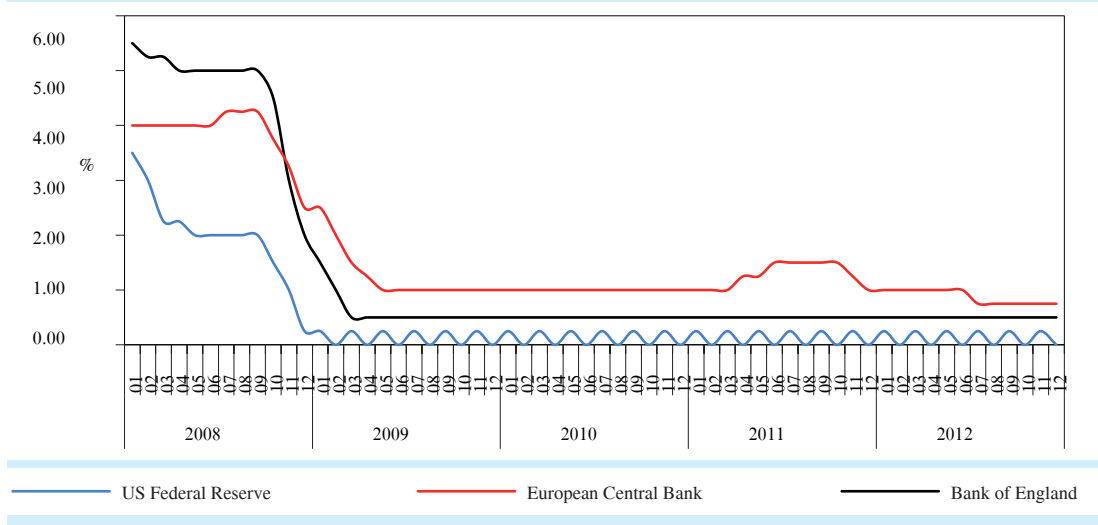
Active economic policies, to a certain extent, managed to decrease acute risks in the crisis of euro area and USA. In the first half of the year, recovery was stronger in the USA than in the countries of the euro area. Situation in the euro area during the large part of 2012 was bad, financial market was instable and additional uncertainty was related to the finding of solutions, and decrease of confidence on the markets caused a significant growth of rates for the government bonds of the countries at the periphery of the euro area.

According to IMF forecasts, global economic growth in 2013 will be intensified gradually, and it will amount to 3.5%, but it will still be slow. If the improvement of financial conditions continues, global growth could be even stronger, but the risks remain, including a longer stagnation in the euro area and excessive short-term fiscal tightening in the USA.

Key Central Banks in the world (FED and Bank of England) kept the reference rates at the record low levels. The ECB changed the reference rates during the year, and in the first half of the year it kept them at 1.0%, in order to solve the problem of growing inflation in the euro area. However, when it became obvious that the recovery in the euro area was still jeopardized, the ECB, in July 2012, decreased the rate to a record low level of 0.75% due to stimulation of growth of economic activities.

In the USA, real GDP recorded a growth of 2.2% in 2012, which indicates that the growth was higher than in 2011, when it was at the level of 1.8%. The unemployment remained at a high level, although it recorded a slight decline at the level of 7.8%, unlike in 2011, when it was 8.2%. The growth of real GDP in the USA was mainly affected by the growth of personal spending, exports and growth of foreign direct investments. With regard to the inflation, there was a stabilization, as in December 2012, it amounted to 1.7%, while at the same time of the previous year it was at the level of 3.0%. The FED is still focused on stimulating higher economic growth and employment and inflation targets are not the first priority.

US stock exchange indices recorded a growth in the end of the year, built on optimism that the agreement would be achieved in order to avoid fiscal imbalance meaning combination of reductions in government spending and increase of taxes. Regarding that, S&P 500 index in the end of the year recorded a growth of 13.4% compared to the end of the previous year, this being the highest level since 2009. NASDAQ 100 recorded even higher growth (15.9%) compared to the previous year.

Graph 1.1: Interest Rates of World's Main Central Banks

European Union

During the entire year, economic activity in the euro area and EU recorded a downward trend and second recession in the previous three years took place, after the economic activities in Germany and France failed in preventing a decline of GDP. Problems related to the public debt of Greece, and other countries of the euro area, during the entire year, remained a significant problem and contributed to further imbalance of economic activities in the entire euro area and EU.

During 2012, the GDP recorded a real decline by 0.6% in the euro area, and in EU27 GDP recorded a decline of 0.3% unlike in 2011, when the real growth of GDP amounted to 1.4% in the euro area and 1.5% in EU27.

In the end of the year, the annual inflation in the euro area was at the level of 2.2%, while the annual inflation in EU27 at the end of the year was 2.3%. The decline of inflation during the year was mainly a consequence of continued decline of oil prices on the world market.

Conditions at the labour market recorded a further downward trend compared to the previous year, so in December 2012 unemployment was recorded in the euro area in the amount of 11.8% and it represents a decline compared to the unemployment rate in 2011 which amounted to 10.6%. In EU27, the unemployment rate was growing during

the year and in December 2012 was 10.7% and in December 2011 it amounted to 10.1%.

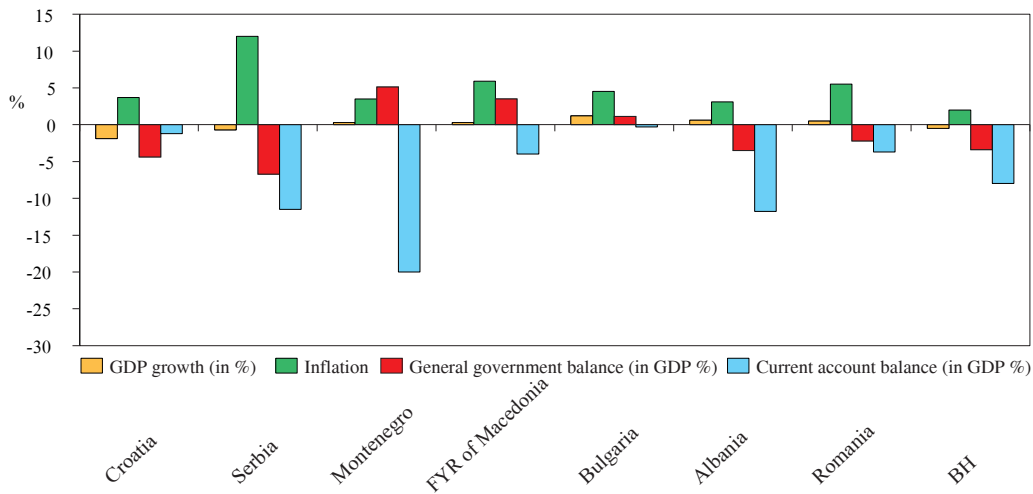
Regarding the main stock exchange indices, 2012 was quite successful, despite a large volatility on financial markets. Index Euro Stoxx increased by 13% in 2012 while French index CAC-40 increased by 15%. German DAX index had a very successful year, with the increase of 29%. Although German economy felt the impact of a slower growth in China, and recession throughout Europe, it still recorded a growth during the first three quarters of 2012.

Countries in the Region

In the countries in the region, in 2012, financial markets were in a stable period, but domestic demand remained at a low level, corporations recorded decreased profits, unemployment rates increased and fiscal position deteriorated. Accordingly, most of the countries experienced a new recession, so the decline of real GDP of -1.9% was recorded in Croatia and that of -0.7% in Serbia.

Inflation in most countries of South East Europe was growing during 2012, which was partly a reflection of the increased VAT rates and the growth of food prices. The highest inflation was recorded in Serbia, and in the end of the year it reached 12%.

Graph 1.2: Main Economic Indicators for South East European Countries in 2012



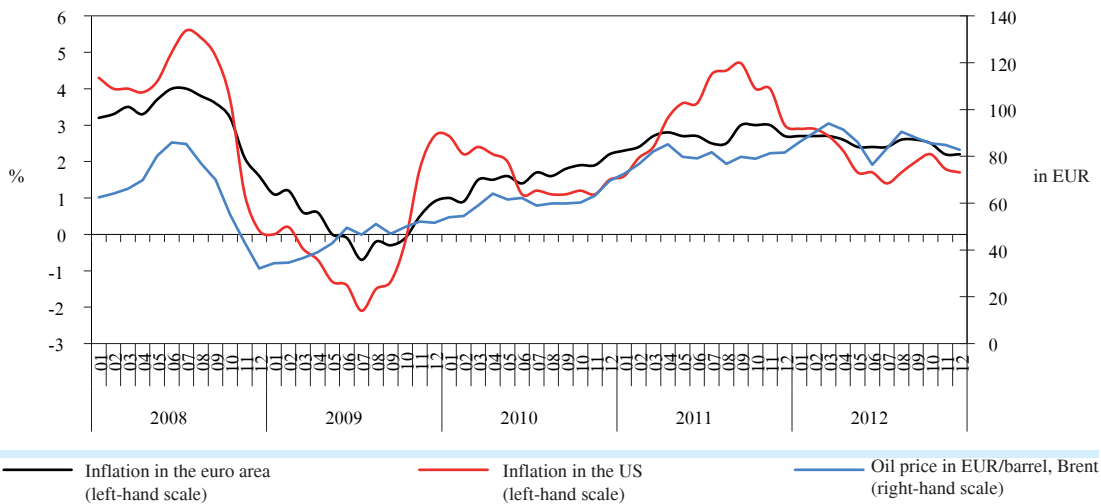
Source: IMF

Oil Prices

The price of crude oil at the world market in the first half of 2012 continuously increased, and in the second half it recorded a downward trend and in the end of the year it amounted

to EUR 83 per barrel, which had a direct impact on decreased inflationary trends in the world. In March, the barrel of oil reached a record amount of even EUR 94, but then the price started to fall due to decreased global demand.

Graph 1.3: Crude Oil Prices and Annual Inflation Rates



Source: Eurostat, Bureau of Labor Statistics

1.2 Economic Trends in BH

1.2.1 Gross Domestic Product

Positive economic trends and gradual recovery from 2011 and beginning of 2012 suddenly stopped during 2012. In the first half of the year, there was still a momentum in the activities, and it was followed by stagnation and slow-down, which was mainly caused by the recession trends in the euro area and our region. Recession in the euro area has lasted for six successive quarters, and in our economy, the situation particularly became complicated when the circumstances in German economy became worse. The main effects of economic stagnation in the euro area (and EU generally), on the local economy were reflected in the decrease of external demand for our exports and insufficient capital inflows. Also, our region was again affected by recession (primarily Croatia and Serbia), which altogether formed quite unfavourable external conditions. Internally, there were still problems related to restrictive fiscal policy, poor domestic private spending and low level of investments (particularly in the private sector). Public investments increased to some extent, but still not in the full potential. Financial mediation (financing by the financial sector) was with a low intensity, so it did not provide the necessary stimulation to general economic activities. It should be stressed that climate shocks

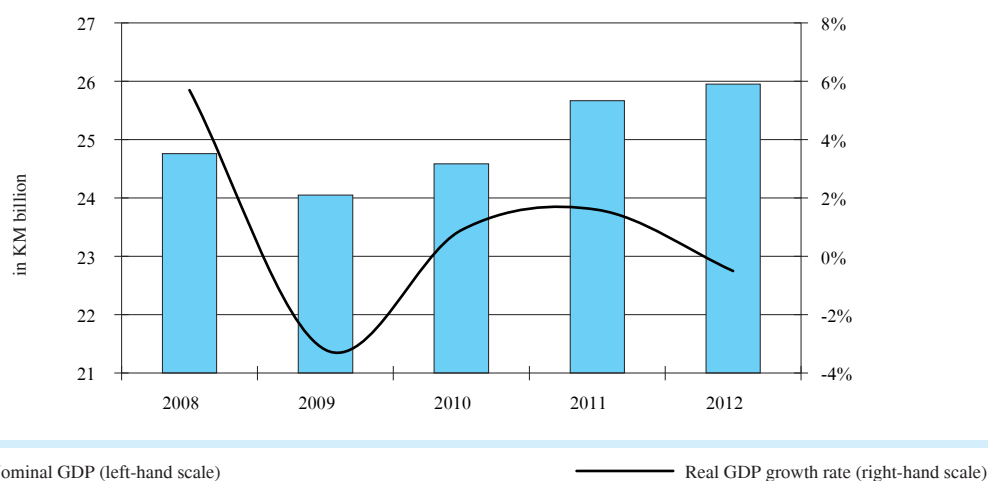
were unusually unfavourable (sharp winter, drought in summer) which were primarily reflected in the production of energy and agriculture.

Regarding production, available data speak of the enhanced decline of industrial production (in all the segments) and further decrease of the volume of works in construction. In addition, agricultural activities were strongly affected by unfavourable weather (drought), so high economic losses were recorded in this area.

All this brought about recession trends and it is estimated² that real decline of GDP in 2012 was -0.5%, and that negative risks were realized to a high extent, which were not so visible in the beginning of 2012. Domestic economy, due to its internal weaknesses, did not adapt to the new conditions quickly enough, and in the circumstances of complex political situation and delay in integration processes, effective economic measures were not applied. Nominal value of Gross Domestic Product in 2012 (until the publishing of official data) is estimated to be around KM 25,900 million.

In 2012, unlike the previous year, economy was not exposed to inflationary pressures, which should have had a positive impact on the overall economic activities. The oil price did not have such a detrimental growth as in

Graph 1.4: Nominal GDP and Real GDP Growth Rates



² Quarterly GDP is available for Republika Srpska. The data for the first three quarters indicate a real decline in the range from -0.6 to -0.9%.

2011, so to a some extent it decreased possible negative implications for the total economic effects.

1.2.2 Industrial Production

Bosnia and Herzegovina

In 2012, industrial production in BH, due to the combination of various factors, recorded a serious decline. After two years of positive growth (from 1.6% in 2010 and 5.6% in 2011), in 2012 there was a prominent decline of industrial output by 5.2%. As the added value of industrial production accounted for around 18 percents in the total Gross Added Value (GAV), it can be considered a quite reliable indicator of decline of the total economic activities in BH.

The analysis of the structure of industrial production index in BH shows that in all the three areas of economic activities, there was a decline of the production output. In mining and manufacturing industry, approximately identical decline of the production output

was recorded, so in mining decline was 4.9%, and in manufacturing industry it was 4.7%, while in supply of electric energy, gas, and water, decline of production was 7.1%.

Within mining, in exploitation of energy raw materials (coal, brown coal and peat) there was a decline of production by 3.9% and in exploitation of other ores and stone there was a decline of production by 9.2%.

Within manufacturing industry, only in two out of fourteen subareas, there was a growth of production output, in the production of chemical products and man-made fibres (8.2%) and in the production of rubber and plastic products (0.8%). On the other hand, high rates of production decline were recorded in the production of machines and devices (-26.2%), other manufacturing industry (-22.5%) and production of electric and optical devices (-19.0%). In the remaining nine sub-areas, the decline of the production output was in the range from -0.9% (production of base metals and metal products) to -15.8% (production of other products of non-metal minerals).

Table 1.1: Industrial Production Indices³

	2010/2009			2011/2010			2012/2011		
	BH	FBH	RS	BH	FBH	RS	BH	FBH	RS
C-Mining	96.2	95.7	109.1	115.6	112.3	118.2	95.1	95.9	96.1
D-Manufacturing	101.9	106.9	105.1	105.0	100.0	103.9	95.3	97.9	95.2
E-Electricity, gas and water supply	103.7	102.4	103.0	102.0	103.3	100.0	92.9	89.1	96.3
Total Industry	101.6	104.2	105.0	105.6	102.5	104.7	94.8	95.7	95.8

Table 1.2: Rates of Change of the Production Output of the Main Industrial Product Groups (%)

Main industrial groups	BH			
	2009/2008	2010/2009	2011/2010	2012/2011
Total industry	-3.3	1.6	5.6	-5.2
Intermediate goods	11.3	10.4	7.8	-3.8
Capital goods	-18.1	-39.2	-1.2	-15.2
Consumer durables	-8.3	15.1	-2.6	-23.1
Consumer non-durables	5.6	0.5	4.9	1.2
Energy	5.4	1.6	6.2	-6.4

³ Due to the methodological differences in calculating index of industrial production, there appears a difference between the indices calculated in the Entities and at BH level.

From the aspect of the intended use of products, in 2012, there was a decline of the production output in all groups of products, except for non-durable consumer goods (where the production output increased by 1.2%). So, the decline of production was recorded with intermediary products by 3.8%, energy by 6.4%, capital products by 15.2% and durable consumer goods by even 23.1%. Decline with capital products has lasted for four years successively and it reflects a decreased level of investments in the years after the beginning of the crisis.

Such a trend of industrial production indicates that the local economy is in the period of recession and urgent measures need to be taken for the economic recovery in order to initiate revival of production activities.

FBH and RS

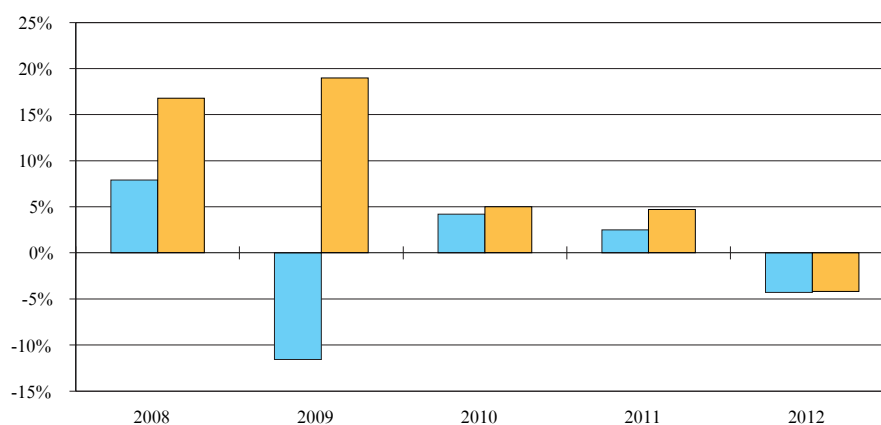
In FBH in the previous five years, there was a negative medium rate of growth of industrial production of 0.5%, and in RS there was a

positive medium growth rate of 9.6%. In FBH the growth rate varied 7.7 percentage points, and in RS the growth rate varied 9.5 percentage points around its average value (in FBH, high oscillations of the growth rate were mainly the consequence of the production decline in 2009, while in RS high oscillations were mainly the consequence of the production growth in the same year).

The trend of monthly indices of industrial production compared to the previous month, show that in both Entities there was a high rate of decline of industrial production in the first month of the observed year, arising from seasonal factors, which was particularly prominent in 2012 due to difficult weather conditions.

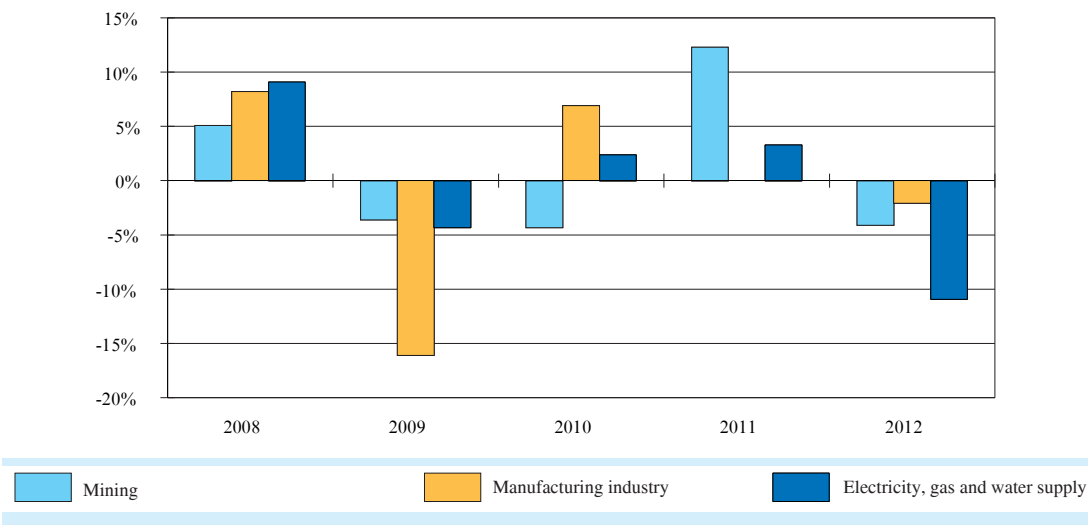
In FBH in 2012, compared to the previous year, there was a decline of industrial output by 4.3%. Analysis of the structure of industrial production index shows that in all the three areas there was a decline, in mining by 4.1%, in manufacturing industry by 2.1% and supply of electric energy, gas and water by 10.9%.

Graph 1.5: Annual Rates of Trend of Physical Volume of Industrial Production by Areas, 2008-2012



RS

FBH

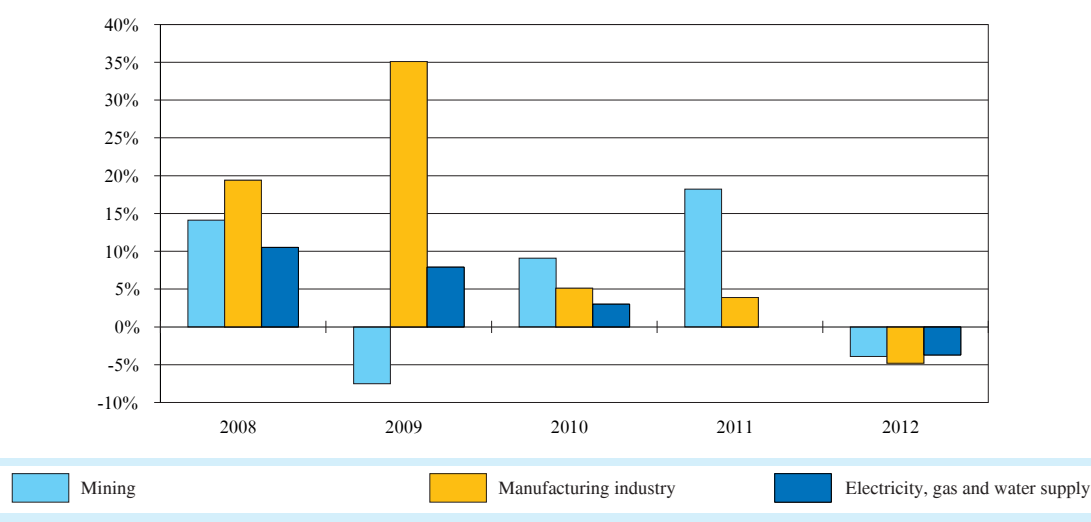
Graph 1.6: Annual Growth Rates in Main Sectors of Industrial Production in FBH

Within manufacturing industry, in nine out of 22 sub-areas, there was a growth of production output. High rates of production growth were recorded in sub-areas including production of other means of transportation (60.7%), production of furniture and other manufacturing industry (36.3%) and production of chemical products (11.9%). In other six sub-areas, there was a growth of the production output in the range from 0.1% (production of medical, precise and optical instruments and watches) to 8.2% (production of electric machines and devices).

On the other hand, high rates of decline of production output were recorded in the production of office devices (-37.8%),

production of coke and oil derivatives (-21.9%) and production of textile (-18.1%). In the other 10 sub-areas, there was a decline of the production output in the range from -0.5% (publishing activity, printing and copying of recorded media) to -16.9% (production of clothes).

In RS, in 2012, compared to the previous year, there was a decline of the industrial output of 4.2%. Analysis of the industrial production index structure shows that in all the three areas there was approximately equal decline of production, by 3.9% in mining, by 4.8% in manufacturing industry and by 5.7% in supply of electricity, gas and water.

Graph 1.7: Annual Rates of Trend of Physical Volume of Industrial Production by Areas in RS

Within manufacturing industry, in eight out of 23⁴ sub-areas, there was a growth of production. High rates of production growth were recorded in the production of radio, TV and communication equipment (134.8% due to a low volume of production in the previous year), production of other means of transportation (47.8%), and production of chemical products (19.6%). In the other five sub-areas, there was a growth of the production output in the range from 0.6% (publishing activity, printing and multiplication of recorded media) to 7.2% (production of other machines and devices).

On the other hand, high rates of decline of the production output were recorded in the production of textile cloth and yarn (-51.0%), production of tobacco products (-39.3%), recycling (-34.3%) and production of motor vehicles and trailers (-33.0%). In the other 11 sub-areas there was a decline of the production output in the range from -4.0% (production of cellulose, paper and paper products) to -23.2% (production of medical, precise and optical instruments).

1.2.3 Construction

Construction in the local economy represents a very important activity, which accounts for more than four percent in the gross added value and employs 5.0% of the total number of employees. In the period from 2005 to 2008, the value of performed works in this activity in

FBH increased by 79.2% and in RS by 97.8%. Unlike this period, when high rates of growth of the value of performed construction works were recorded, in 2009, and particularly in 2010, due to recession, there was a decline of the value of the performed construction works.

During 2011 in FBH, negative trends were stopped and moderate recovery was observed, so the value of the performed construction works was higher by 14.0% compared to the previous year. However, in 2012, in FBH, the value amounted to KM 695.5 million and again decline of the value of the performed construction works was recorded in the amount of KM 19.1 million or 2.7% compared to the previous year. Out of the total value of the performed works in 2012, civil engineering accounted for KM 396.6 million or 57.0%, and building construction accounted for KM 298.9 million or 43.0%. The value of works related to civil engineering was higher by 47.9 million or 13.7%, and the value of works related to construction building was lower by 67.0 or 18.3%.⁶

During 2011, the mentioned negative trends were stopped in RS as well, so the value of the performed works was higher by 2.6%⁷. In 2012, in RS, as well as in FBH, there was again decline of the value of performed construction works (it amounted to KM 578.5 million) which was lower by KM 49.6 million or 7.9% compared to the previous year.

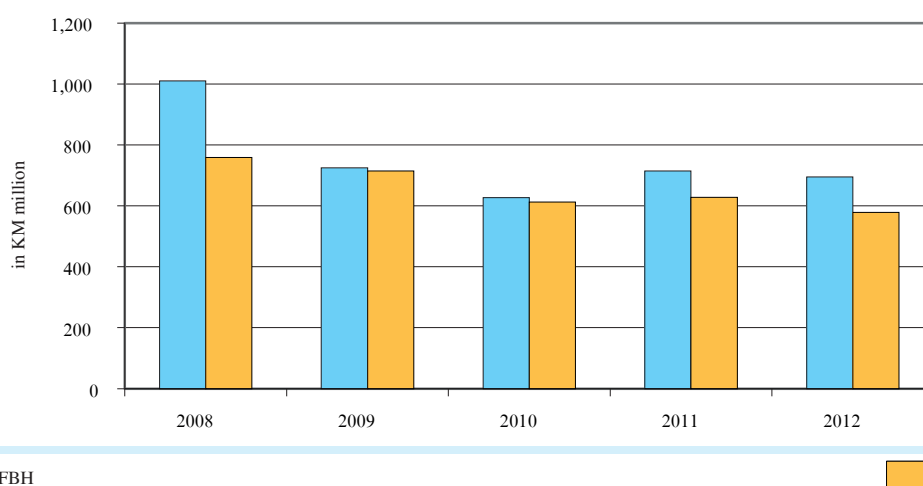
⁴One area more than in FBH, related to the production of radio, TV and communication equipment.

⁵Value of the performed construction works in 2012 in RS was calculated on the basis of the published index in 2012 and the value of the performed works in 2011.

⁶Source of data FBH Statistics Bureau.

⁷Source of data RS Statistics Bureau (meta data) and the growth rate in 2011.

Graph 1.8: Value of Construction Works Performed in FBH and RS, 2008-2012⁵



1.2.4 Prices

Consumer Price Index

Inflationary trends in 2012 were limited and stable, so the average growth of prices was 2.1%, which was lower by 1.6 pp than the average growth of prices recorded in 2011. During the year, a high growth rate of prices of alcoholic beverages and tobacco was recorded, and prices related to transport and some administered prices of goods and services, which are not subject to market competition.⁸ On the other hand, due to the fact that the prices of some categories of costs were stable (e.g. prices in education did not change) and that the prices of clothes and footwear and prices in health care were lower by 6.1%, i.e. 0.3%, the average annual rate of inflation in BH was moderate, it was within the limits considered acceptable and favourable for the country's economy.

In December 2012, the recorded annual inflation rate was 1.8% and in the beginning of the year, more precisely in January, it reached its maximum of 2.5%. The trend of decrease of the inflation was stressed until July, when the recorded annual inflation rate was 1.4%, and after that, it oscillated up to 2.3% and stood at 1.8% in the end of the year.

During 2012, a slow recovery of the world economy was recorded, accompanied by

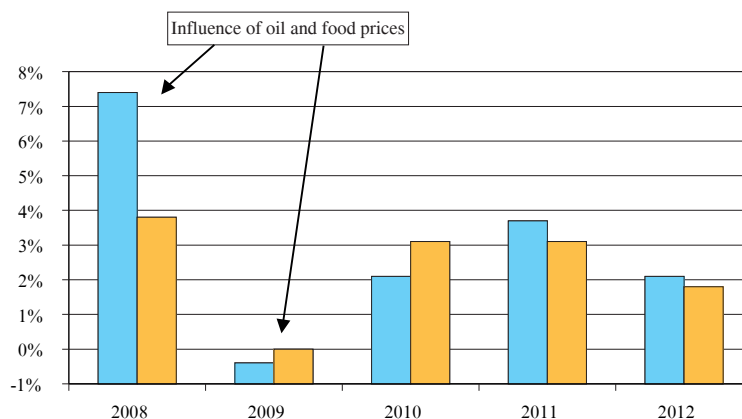
relaxing of inflationary pressures. At the same time, transition economies had different growth rates of economic activities and inflation. In such circumstances, inflation in BH in 2012 was lower than the inflation rate in the EU by 0.50 percentage points, and compared to the euro area the inflation rate was lower by 40 pp. At the same time, the average inflation rate in BH compared to two transition economies, whose monetary policy is based on the Currency Board just like BH's, (Lithuania and Bulgaria) was lower by 1.0 pp. i.e. 0.9 pp.

In addition, in all the countries in the region, the average annual inflation rates were higher than in BH⁹, and in Serbia, the inflation rate was higher by even 5.7 pp.

Table 1.3: Inflation Rate in Selected European Countries

Country	XII 2012/ XII 2011	2012/ 2011
BH	1.8	2.1
Serbia	12.2	7.8
Montenegro	5.1	4.1
Croatia	4.7	3.4
FYR of Macedonia	4.7	3.3
Bulgaria	4.2	3.0
Lithuania	2.8	3.1
Slovenia	2.7	2.6
EMU	2.2	2.5
EU	2.3	2.6

Graph 1.9: Inflation in BH, 2008-2012



■ Current year/previous year

■ December (current year)/December (previous year)

⁸In 2012, on the average, prices of tobacco products increased by 13.4%, utility services by 5.4%, electric power, gas and other sources of energy by 3.0% and transportation by 4.8%.

⁹The countries of the region are the countries of the former SFRY.

During 2012, in BH, there was an average monthly pace of price growth of 0.17%. The highest monthly growth of prices of 0.9% was in January, due to the growth of prices of tobacco and alcoholic beverages which increased by 9.1% (the prices of tobacco products increased by 12.6% due to the introduction of the increased excise duties on cigarettes)¹⁰, prices of communication services increased by 1.6% (phone service increased by 1.7%), prices of transportation by 0.8% and prices of food and non-alcoholic beverages increased by 0.6%.

During the other months in 2012, there were oscillations of prices mainly related to seasonal trends (e.g. prices in April fell by 0.4% due to seasonal decrease of electric power). The highest monthly decrease of prices by 0.5% was recorded in June and July due to the decrease of prices of food and transportation (prices of food decreased by 0.8% and 1.2%, and prices of transportation decreased by 1.7% and 0.7%).

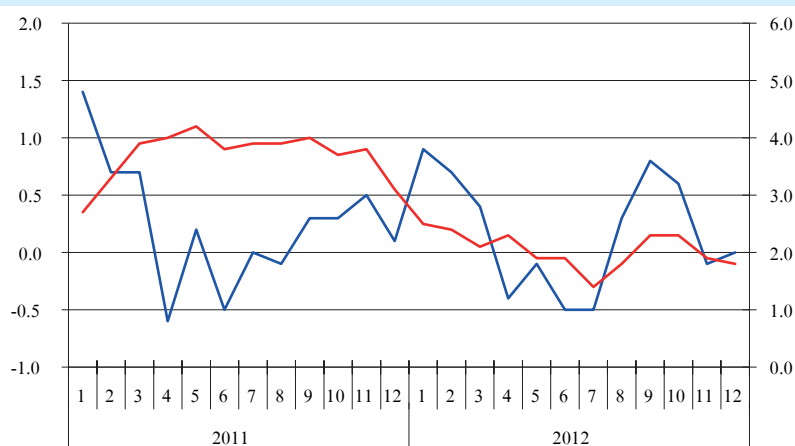
The structure of the consumer price index shows that the highest growth of prices in 2012 was recorded with alcoholic beverages and tobacco by 9.9%. In addition, a rather high growth of prices was recorded with

transportation (4.8%), caused by the growth of prices of fuel, and prices of services related to housing, water, electric power, gas and other sources of energy (2.9%), and it was caused mainly by the growth of prices of different utility services (5.4%) and of the electric power and gas (3.0%)

Growth rates of price of other components including the consumer price index were: food and non-alcoholic beverages (1.8%), restaurants and hotels (1.7%), communication services and equipment (1.5%), furniture, devices in household and regular home maintenance (1.1%), other goods and services (1.0%), recreation and culture (0.5%). Prices of health services did not change, and prices in education were lower by 6.1% compared to the previous year.

The growth of the average prices of 2.1% in 2012 was caused mainly by the growth of prices of transportation (61 bp) and food (60 bp) and due to high share of food in the structure of costs of households (around 33%). The prices of alcoholic beverages and tobacco (0.44), prices of utility service (0.34 pp) also had the significant contribution in the annual increase of prices.

Graph 1.10: Monthly and Annual Rates of Inflation in 2011 and 2012

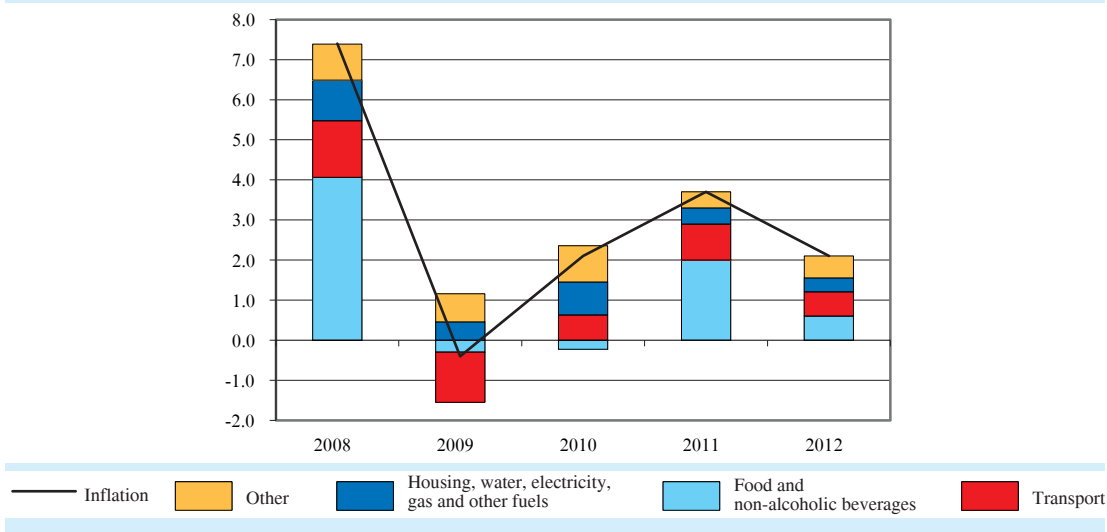


¹⁰A special excise duty on cigarettes has increased by additional fening 0.20-0.30 due to the harmonization with the special excise duty in the EU. It has been planned that, according to the European regulations, by the end of 2014, the amount of excise taxes on tobacco products should be KM 2.70.

Month/previous month of current year (left-hand scale)

Month/the same month of previous year (right-hand scale)

Graph 1.11: Inflation Components by Main Product Groups

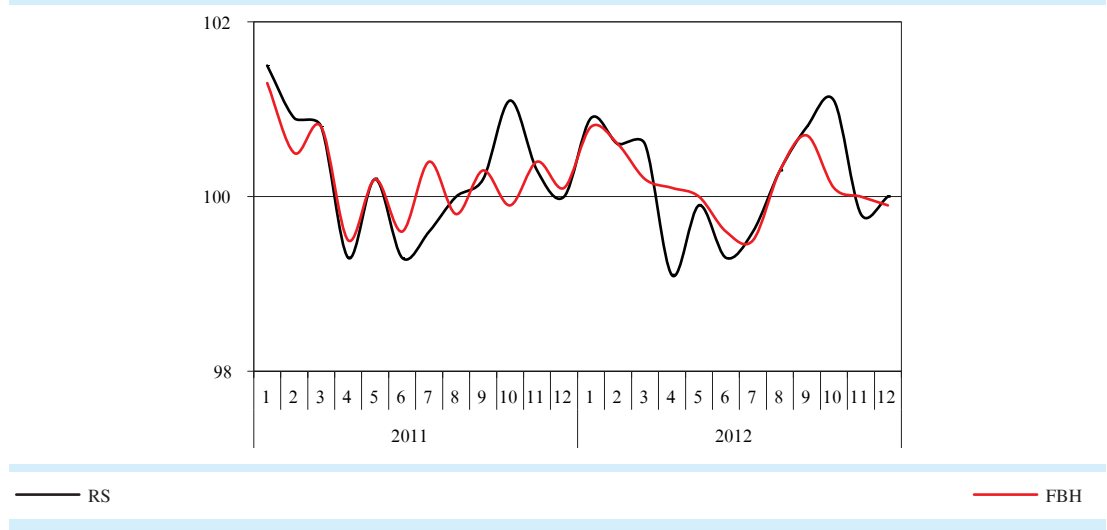


Observed by the entities, the trend of prices was rather harmonized, so in FBH and in RS in 2012, consumer prices increased, on the average, by 2.1% each.

During 2012, the average monthly pace of inflation growth in FBH was 0.16%, and in RS it was 0.15%. Accordingly,

monthly trend of prices comparing their trend in the entities was synchronized in 2012, but the intensity of oscillation was slightly stronger in RS, particularly with seasonally adjusted trend of energy prices (April and October).

Graph 1.12: FBH and RS - Consumer Price Index (CPI)



Producer Price Index

Producer price index also shows moderate inflationary trends in 2012. Primary purpose of the producer price index of industrial products is to be used as estimate of price competition of the local production and relating it to the general inflation trend.

Both indices show a similar trend of prices and decrease of the annual inflation rates over the previous two years, but the index of producer prices is subject to larger oscillations compared to the consumer price index.

In 2012, compared to 2011, producer prices increased on the average by 1.5% and their growth was lower than the growth of consumer prices by 60 basis points. However, trends within index of producer prices were not converging, as the highest growth of average prices at the annual level of 3.4% was recorded with energy. At the same time, with the non-durable consumer goods, the increase was 1.1% and with durable consumer goods it was only 0.1%. On the other hand, the decrease in prices of intermediary products by 0.9% and of capital products by 0.2% was recorded.

In December 2012, observed at the annual level, in BH, the producer price index shows the growth of these prices by 0.9% and it was lower by 90 basis points than the growth of consumer prices in December 2012.

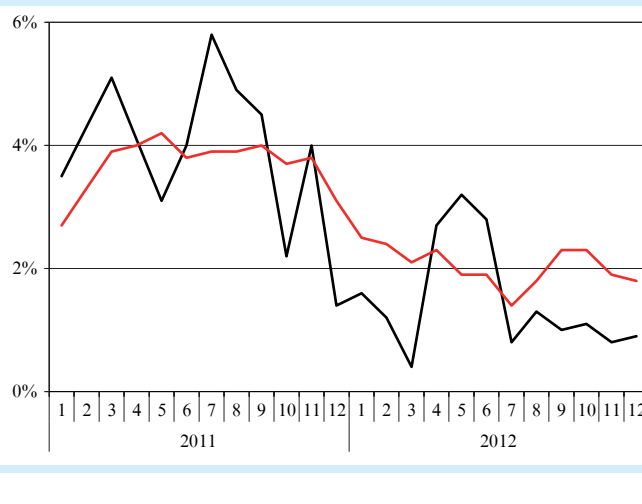
Table 1.4: Prices Volatility Rates of Main Industrial Product Groups - BH

Main Industrial Groups	2011/2010	2012/2011
Total Industry	3.7 %	1.5 %
Intermediate goods	6.3 %	-0.9 %
Capital goods	4.0 %	-0.2 %
Consumer durables	-0.5 %	0.1 %
Consumer non-durables	0.3 %	1.1 %
Energy	5.1 %	3.4 %

1.2.5 Employment and Wages

On the labour market, there was a further deterioration compared to the previous year due to the decline of economic activities. Employment decreased, unemployment increased, while the rate of active population slightly increased. Results of the poll on labour in BH¹¹ show that active population in 2012 accounted for 2.5 million citizens, being higher by around 5.3 thousand or 0.2% compared to the previous year. Out of that number, around 1.4 million or 56.0% of citizens is inactive population, and around 1.1 million or 44.0% is labour active population. Inactive population includes persons under the age of 15 and working apt persons not stating to be either employed or unemployed, while active population includes employed

Graph 1.13: BH - Consumer Price Index (CPI) and Producer Price Index (PPI)



¹¹Entities' Statistics Bureaus, together with BH Statistics Agency, have conducted for six years now, the Poll on Labour according to the methodological rules and principles of International Labour Organization (ILO) and requests of Eurostat, which provided international comparability of data in the area of labour statistics. The Poll is conducted each year in April.

Table 1.5: Number and Structure of Active Population in BH

	2008		2009		2010		2011		2012	
	in 000	structure	in 000	structure	in 000	structure	in 000	structure	in 000	structure
1 Working age population	2,649	100%	2,594	100%	2,597	100%	2,561	100%	2,566	100%
1.1 Inactive population	1,486	56.10%	1,463	56.40%	1,439	55.40%	1,433	56.0%	1,436	56.0%
1.2 Active population	1,162	43.90%	1,131	43.60%	1,158	44.60%	1,127	44.0%	1,130	44.0%

and unemployed persons. Compared to the previous year, the number of inactive population is higher by 2.1 thousand or 0.2%, and the number of active population is higher by 3.2 thousand or 0.3%.

According to this Poll, 813,683¹² persons were employed in BH, in 2012, while 816,036 persons were employed in 2011. Such trend of the number of employed people resulted in the decrease of employment rate by 0.2 percentage points and in BH it amounted to 31.7%. The employment rate was the highest in RS amounting to 35.3%, in FBH it was 30.0%, while it was the lowest in the Brčko District amounting to 24.8%. The percentage of employees in 2012 compared to 2011 in FBH was higher by 0.2 percentage points, and in the Brčko District by 1.9 pp, while in RS it was lower by 0.8pp.

The number of employees in BH in 2012 was 316,593 employees, while in 2011 there were 310,947 unemployed persons, so the unemployment rate in 2012 was higher compared to 2011 by 0.4 percentage points, amounting to 28.0%. The unemployment rate was the highest in the Brčko District, amounting to 32.5%, in FBH it was 29.4%, while in RS it was the lowest amounting to 25.6%. The percentage of unemployed persons in 2012 compared to 2011 in FBH was higher by 0.2 percentage points, in RS it was higher by 1.1 percentage point, while in the Brčko District it was lower by even 6.5 percentage points.

The structure of employees according to the areas of activities shows that 20.6% working persons are employed in agriculture, 30.4% in non-agriculture activities, and 49.0% in servicing activities.

Table 1.6: Population Activity Rates by Entities (in %)

	2011				2012			
	BH	FBH	RS	BD	BH	FBH	RS	BD
1 Activity rate	44.0	42.1	47.8	37.4	44.0	42.4	47.4	36.7
2 Employment rate	31.9	29.8	36.1	22.9	31.7	30.0	35.3	24.8
3 Unemployment rate	27.6	29.2	24.5	39.0	28.0	29.4	25.6	32.5

Table 1.7: Employment Structure by Activities in BH (in %)

Activities	2008	2009	2010	2011	2012
Agriculture	20.5	21.2	19.7	19.6	20.6
Industry	32.5	31.5	31.0	28.9	30.4
Services	47.0	47.3	49.3	51.5	49.0
Total	100	100	100	100	100

¹² Within the employed number, 37,987 persons are those without salary, but being assisting member in the household.

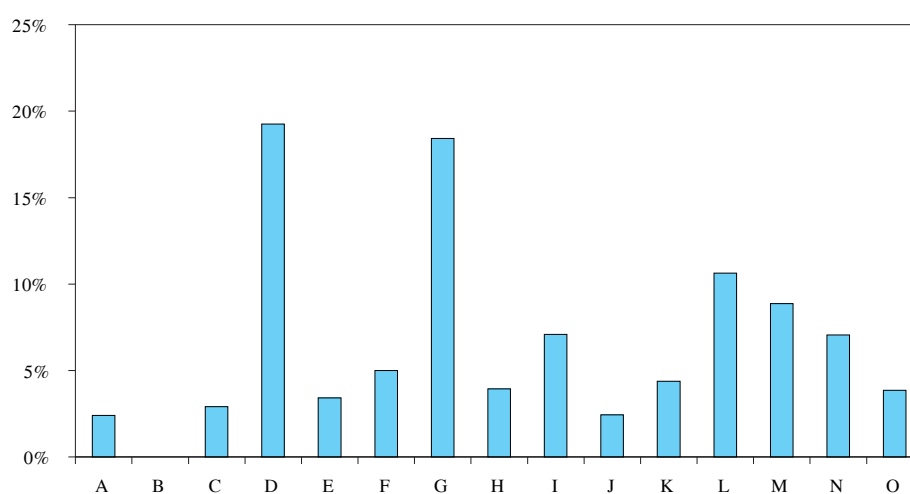
According to the area of activity, in 2012, the share of employees in agriculture increased by 1.0 percentage point, and by 1.5 percentage points in non-agriculture activities (related to industry and construction), while decrease of number of employees by 2.5 percentage points was recorded in service activities. The data that shows a decrease of employees in service activities could be an indicator of structural re-orientation of employees to agriculture in attempts to provide revenues through the use of natural resources.

The structure of employees, according to administrative data, by the activities in 2012, shows that in manufacturing industry (D) 19.2% was employed, in the activity which included wholesale trade and retail trade and repair of motor vehicles and motorcycles and things for personal use and household (G), 18.3% was employed of the total number of employed persons. The share of the

manufacturing industry in the total number of employees compared to 2011 did not change, while the share of trade decreased by 0.3 percentage points.

This is followed by the activity that encompasses public administration and defence and compulsory social insurance (L) with 10.6% and education (M) with 8.9% of employees and the share of these activities in the total number of employees increased by 0.2 percentage points each. The four mentioned activities employ 57.1% of the total number of employees in BH. The other activities employ from 0.1% (fishing – B) to 7.1% (transport, warehousing and communications – I). It is important to stress that construction (F) accounted for 5.0% of the total number of employees and the share of this activity decreased by 0.4 percentage points.¹³

Graph 1.14: Employment Structure by Activities in 2012



A Agriculture, hunting and forestry

B Fishing

C Mining and quarrying

D Manufacturing

E Electricity, gas and water supply

F Construction

G Wholesale and retail trade; repair motor vehicles, motorcycles and personal household goods

H Hotels and restaurants

I Transport, storage and communication

J Financial intermediation

K Real estate, renting and business activities

L Public administration and defence; compulsory social security

M Education

N Health and social work

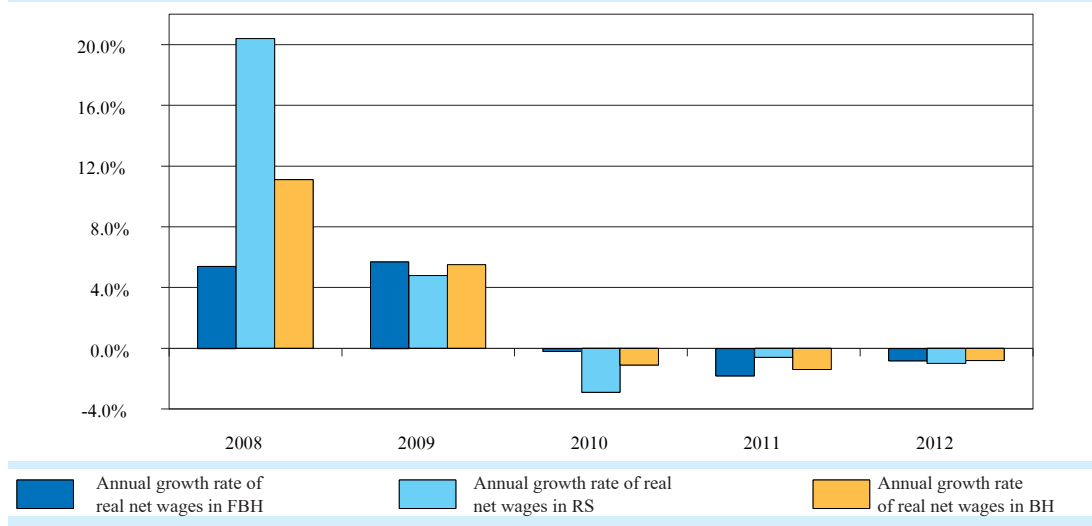
O Other community, social and personal service activities

¹³ In 2011, the share of construction in the total number of employees decreased by 0.3 pp, so the share of this activity in 2011 and 2012 was lower by 0.7 pp in the total number of employees.

According to the situation on the labour market (high unemployment) and a small number of new employments, there was no pressure on the growth of salaries. In 2012, a negative trend of real net wages continued, which was characteristic of the previous two years. At BH level, nominal amount of the average net wage in 2012 was KM 826 and it was higher by KM 10 or 1.3% compared to 2011. Due to the inflation, real growth of the average net wage was negative, i.e. real net wage in 2012 decreased by 0.8%.

wage among the activities in 2012 was 1:2.44 and it was identical to the relation recorded in 2011. As a rule, and in 2012 as well, in financial intermediation activity, the highest average net wage was recorded in the amount of KM 1,318 and it was higher than the average net wage in BH by KM 492 or 59.6%. These are followed by the activities of electric power, gas and water supply in the amount of KM 1,155, public administration and defence and mandatory social insurance in the amount of KM 1,141, other social and personal service activities in the amount of KM 1,018.

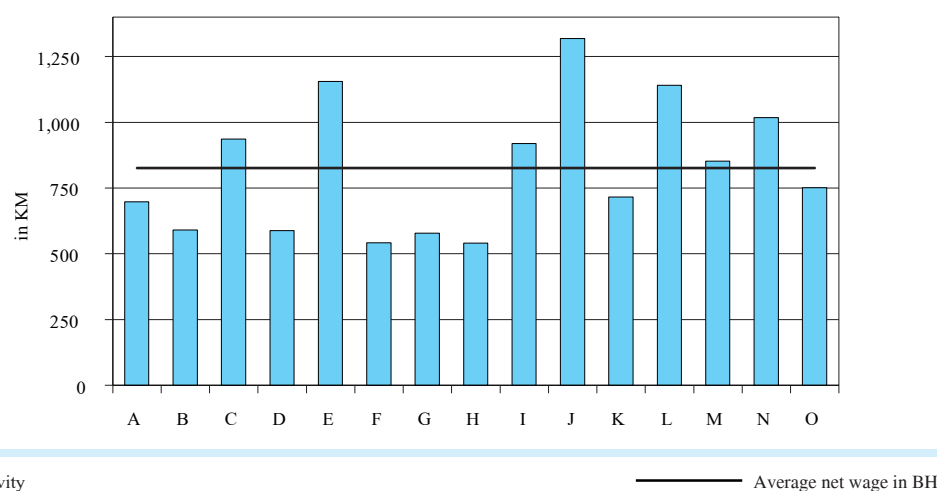
Graph 1.15: Annual Growth Rates of Real Net Wages in BH



In 2012, the wages in BH were quite harmonized, as the average net wage in FBH was KM 830, in RS KM 818 and in the Brčko District it was KM 819. Compared to 2011, in FBH the average net wage was nominally higher by 1.3%, in RS by 1.1% and in the Brčko District by 2.4%. Real growth of the average net wage due to inflation was negative, i.e. real wage in FBH was lower by 0.8%, in RS by 1.0% compared to 2011. The rates of trends of the average net wages in the entities, from 1998 to 2009 show that the trend of their harmonization was present.

Net wages were higher than net average wage recorded in mining and ore exploitation (C), in transportation in the amount of KM 936, warehousing and communication (I) KM 919 and in education (M) KM 852. On the other hand, in the activity of hotels and restaurants, the lowest average net wage was recorded in the amount of KM 541 and it was lower than the average net wage in BH by KM 285 or 34.5%. Low average net wages were recorded in construction (KM 542), wholesale trade and retail trade (KM 578) and manufacturing industry (KM 588).

The level of the average net wages according to activities shows that in 2012 there were significant differences among activities, which is a consequence of different education structure, but also profitability of an activity. The ratio of the lowest and the highest average

Graph 1.16: Average Net Wages in BH by Activities in 2012¹⁴

The highest nominal growth of net wage in 2012 was recorded in agriculture, hunting and forestry in the amount of 3.7%. Rather high nominal rates of growth of net wages were recorded in mining (3.5%), other social and personal service activities (2.6%), and in activity of transportation, warehousing and communications (2.5%). In the other activities where the growth of net wage was recorded, the growth was in the range from 2.1% (health and social protection) to 0.2% (public administration and defence and mandatory social insurance). On the other hand, the highest decline of nominal wage was recorded in construction by 1.3%. In addition, the decline of the nominal wage was recorded in the activity of real estate business (-0.5%) and education (-0.4%).

The average pensions in 2012 in FBH was KM 351, in RS it was KM 312 and in the Brčko District KM 311 and compared to 2011 in FBH it was higher by KM 2 or 0.6%, while in RS it was lower by KM 9 (2.7%) and in the Brčko District by 8 KM (2.6%). The real growth of the average net pension was negative due to inflation, i.e. real pensions in FBH was lower by 1.5%, and in RS it was lower by 4.7% compared to 2011.

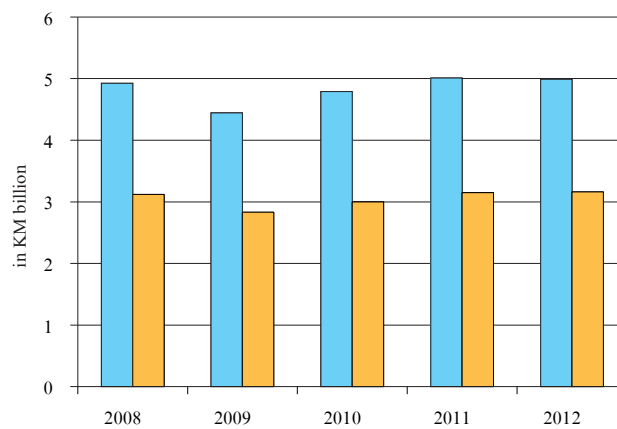
¹⁴ See the activities in Graph 1.13.

¹⁵ Taking into account also foreign donation funds (such calculation of the deficit is applied by the IMF for the estimate of the total deficit in BH).

1.2.6 Public Finance

Regarding public finance, globally speaking, and in 2012, the trend of restricting spending was continued, with purpose of decreasing a fiscal deficit. According to fiscal plans, adopted through the arrangement with the IMF, it was planned that fiscal deficit¹⁵ should be at approximately at the same level as in 2011 (2.55 of GDP), but it was expected that due to the worsening of economic circumstances and weaker revenues, the deficit will finally be slightly higher. During the previous year, the functioning of BH Fiscal Council was more efficient and all the decisions, after a longer period of time, were made by consensus.

Under the pressure of realization of Stand-by Arrangement concluded with the IMF, budgets for 2013 in both entities and BH institutions were adopted in a timely manner, which was not the case in previous years. For budget financing in 2012, the authorities, on the basis of the Stand-by Arrangement concluded with the IMF, provided KM 234.2 million. The first tranche in the amount of KM 118.9 million was withdrawn in September, and the second tranche in the amount of KM 115.3 million in December 2012.

Graph 1.17: Indirect Taxes (and Funds from the Single Account) and Net VAT in the Period 2008-2012

■ Total indirect taxes

■ VAT

In 2012, a slight decline of the total collected funds on the basis of net indirect taxes was recorded and their total amount in 2012 was KM 4.99 billion, which, compared to 2011, was lower by KM 7.4 million (0.15%). On the basis of VAT; KM 3.17 billion was collected (net amount after deducting reimbursements) which was higher by 0.5% than in 2011, and KM 1.30 billion on the basis of excise duties or 2.9% higher than in 2011. On the other hand, on the basis of customs duties, the collected funds were lower by 18.5%, road-tolls by 1.3% and other revenues by 1.6%. Decline in respect of customs duties was expected as decrease of customs duties on trade with the EU was additionally planned.

Due to the needs of additional financing, the authorities in 2011 decided to start issuing debt securities on the local market and in that way to collect the funds for deficit financing. In 2012, and also in the previous one, the process of financing was continued through the issuing of government treasury bill (solving problems related to liquidity) and bonds in both entities (earlier issued bonds were intended for regulating debts on different basis).

The Government of Republika Srpska in 2012 issued treasury bills in the total value of KM 95.0 million in four editions (KM 26.7 million

in March, KM 24.6 million in July, KM 17.1 million in August and KM 26.6 million in October). Treasury bills were issued in March and were due for collection in September 2012.

Also, the Government of FBH in 2012 issued treasury bills in five editions in the total value of KM 120.00 million (KM 20.0 million in January, KM 25.0 million in March, KM 15.0 million in April, KM 30.0 million in November and KM 30.0 million in December). The first three issues (January, March and April) of treasury bills in the total value of KM 60.0 million were due for collection in 2012.

The RS Government also issued long-term bonds with maturities of seven years in the value of KM 30 million (KM 23.5 million in April and KM 6.5 million in June).

FBH Government issued bonds in the value of KM 112.8 million in three issues (KM 80 million in May with three year maturity, 12.8 million in August with five year maturity and 20 million in September with two year maturity).

Government Finance for the Period I-IX 2012

Taking into account the availability of data¹⁶, it is possible to analyse fiscal trends for nine months of 2012. As budget spending is realized differently by quarters (with the increase of spending in the last quarter) on the basis of nine-month data, a reliable conclusion cannot be passed on the total annual budget spending.

Consolidated Report for BH

According to the consolidated cumulative report for BH (all levels of authorities except for municipalities) in the period I-IX 2012 revenues were realized in the amount of KM 7.38 billion, and expenditures KM 7.15 billion. Compared to the same period of the previous year, revenues were higher by KM 129.3 million or 1.8%, while expenditures were higher by KM 91.4 million and increased at the rate of 1.3%.

In revenues, KM 3.77 billion was collected on the basis of taxes. Revenues realized on the basis of taxes were higher by KM 14.0 million (0.4%) compared to the same period of 2011. Tax revenues were the most significant item in revenues side, participating in the total revenues with 51.1%. At the same time, on the basis of contributions, KM 2.96 billion was realized, which was higher by KM 30.4 million (1.0%) compared to the same period of 2011.

Revenues on the basis of contributions took 40.1% of the total revenues. Grants and other revenues amounted to KM 650.0 million and were higher by KM 84.9 million, participating in the total revenues and earnings with 8.8%.

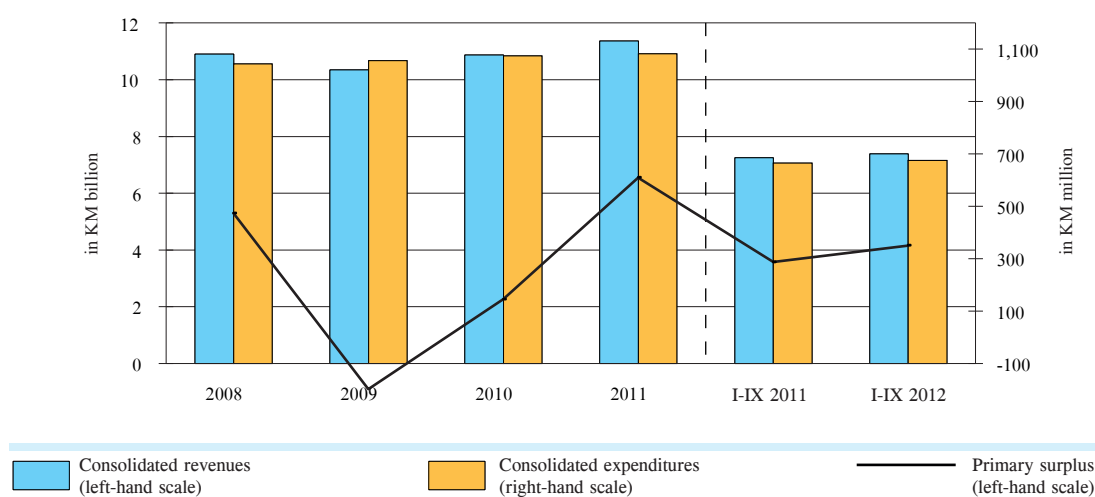
In expenditures, item related to compensations to employees (the biggest part consisting of paid wages) in the government sector was lower by KM 14.3 million or 0.7%, participating in the total expenditures with 29.4%. At the same time, item related to the costs of using goods and services was higher by KM 19.0 million or 1.6% (participating in the total expenditures with 16.7%), while the item related to social payments¹⁷ was higher by KM 20.1 million or 0.6% compared to the same period of 2011. This item included the biggest part of the total expenditures, this being 44.3%. In this period, expenditures on the basis of interest were higher by KM 25.2 million or 25.8%, while contributions on the basis of subsidies were lower by KM 13.3 million or 6.4%.

Over the observed period, gross surplus was recorded in the government sector, at BH level, in the amount of KM 227.2 million, while in the same period of the previous year, gross surplus was recorded in the amount of KM 189.4 million, so gross surplus was higher by 20.0%. As in this period, the net procurement of nonfinancial assets amounted to KM 103.2 million, the realized net surplus in the amount of KM 124.0 million was recorded and it was higher than net surplus realized in the same period of 2011 by KM 15.6 million or 14.4%.

¹⁶ GFS data for the entire 2012 will be available in June 2013. Government finance statistics for nine months of 2012 have been prepared on the basis of data from 47 reporting units (different levels of authorities and funds), without municipalities and public companies for roads. This means monitoring and recording of changes (income and expenditures sides) which took place in observed period, and they are classified according to the mentioned methodology.

¹⁷ Social payments include: payments of pensions and disability allowances, payments to war veterans, compensations to unemployed, children care, aid to refugees and other payments of social aid to individuals.

Graph 1.18: Consolidated Revenues, Expenditures and Primary Surplus at BH level



The primary or non-interest balance precisely measures the effects of current budget policy by excluding payments of interest from conventional measures of fiscal imbalance and it shows how current fiscal transactions of the government influence its net debt, so it is very important in estimating sustainability of fiscal deficit.¹⁸ In BH, the primary surplus in the period I-IX 2012 amounted to KM 350.2 million, while in the same period of 2011, it amounted to KM 287.2 million.

BH Institutions

Operative report of BH institutions shows that in the observed period, gross surplus was recorded in the amount of KM 61.7 million, while in the same period of the previous year, a gross deficit was recorded in the amount of KM 13.6 million. Net procurement of non-financial assets amounted to KM 18.5 million, so in this period, net surplus was recorded in the amount of KM 43.2 million, while in the same period of the previous year, net deficit was recorded in the amount of KM 27.2 million.

Revenues amounted to KM 754.2 million, and compared to the same period of the previous year, they were higher by KM 61.9 million or 8.6%. Expenditures amounted to KM 692.5 million and they were lower by KM 13.4 million or 1.9%. Within expenditures, the biggest item was related to wages of employees in the amount of KM 473.1 million (68.3% of the total expenditures) and compared to the same period of the previous year the amount paid for wages was lower by KM 11.9 million or 2.5%.

Federation of BH

According to the consolidated report in FBH in the period I-IX 2012, gross surplus was recorded in the amount of KM 73.1 million and it was lower by KM 74.3 million (50.4%) compared to the same period of the previous year. At the same time, the recorded net surplus was KM 41.8 million and it was lower by KM 79.8 million or 65.7% compared to the same period of the previous year. In the first nine months of 2012, net surplus was recorded in the amount of KM 41.8

million. Net surplus was recorded in the budget of FBH government in the amount of KM 105.3 million, while within the Cantons, net deficit was recorded in the amount of KM 2.7 million. Off-budget funds operated with net deficit in the amount of KM 60.9 million. Out of that amount, in the pension funds, net deficit was recorded in the amount of KM 46.0 million, in the health insurance funds net deficit amounted to KM 22.9 million, while net surplus was recorded in the employment funds in the amount of KM 8.0 million.

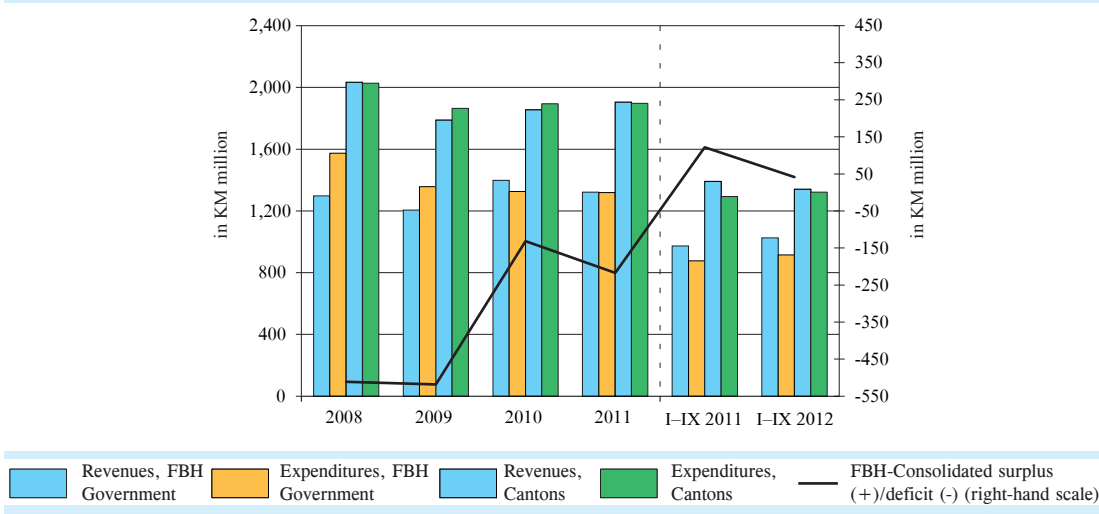
According to the consolidated report for FBH (FBH budget, Cantons, social funds) in the first nine months of 2012, revenues were realized in the amount of KM 4.35 billion and compared to the same period of the previous year, it was higher by KM 30.5 million or 0.7%. Realized expenditures in the first nine months of 2012 amounted to KM 4.28 billion and compared to the same period of the previous year, they were higher by KM 104.8 million or 2.5%.

Within revenues, the highest were revenues realized on the basis of taxes amounting to KM 2.01 billion (lower by KM 49.3 million or 2.4% compared to the previous year), participating in the total revenues with 46.1%. The second item in size are contributions (participating in the total revenues with 45.0%) amounting to KM 1.96 billion and higher by KM 2.2 million or 0.1%. Other revenues and grants amounted to KM 387.9 million and were higher by 77.7 million or 25.1% compared to the same period of the previous year.

Within expenditures, the biggest item was related to social payments, amounting to KM 1.85 billion (higher by KM 32.9 million or 1.8% compared to the previous year). The second item by size is related to compensations to employees and the government sector amounting to KM 1.02 billion, which is lower by KM 10.4 million or 1.0%. At the same time, KM 974.6 million was spent for procurement of goods and payment of services in the observed period, which was higher by KM 22 million or 2.3% compared to the same period of the previous year. In this period, expenditures on the basis of interest were higher by KM 7.6 million or 12.2% and payments on the basis of subsidies were higher by KM 16.7 million or 13.4%.

¹⁸ Generally, in order to calculate the primary balance, the total payments of interest are deducted from the total costs. However, conceptually, only net payments of interest by government should be deducted (payments on the basis of interest decreased by the received interest).

Graph 1.19: Revenues and Expenditures of FBH Government and Cantons, and Consolidated Net Surplus (+)/Deficit (-)



Republika Srpska

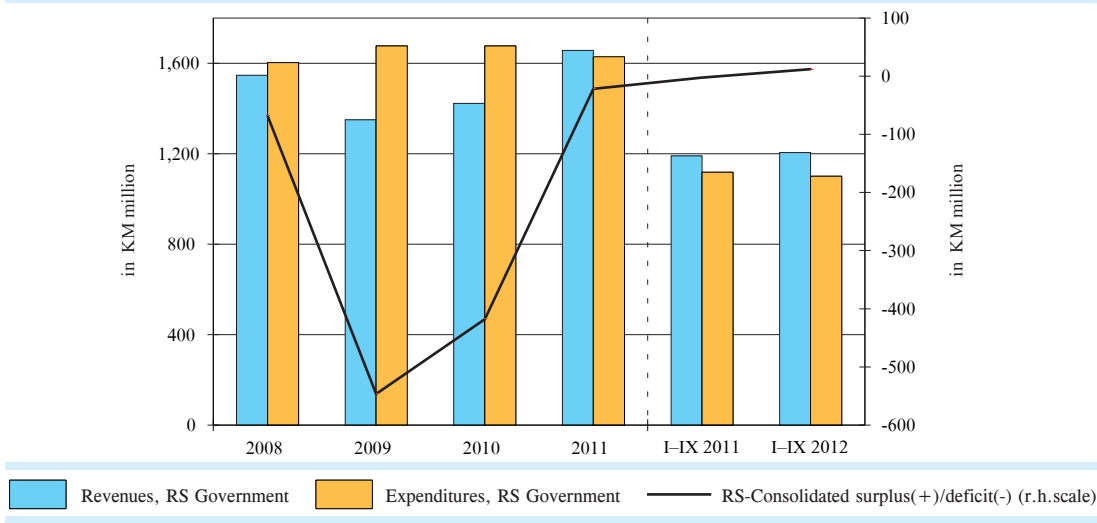
According to the operative consolidated report in RS in the period I-IX 2012, gross surplus was recorded in the amount of KM 57.5 million and it was lower by KM 30.5 million (112.5%) compared to the same period of the previous year. As net procurement of non-financial assets amounted to KM 45.7 million, in this period the net surplus was recorded, amounting to 11.8 million, while in the same period of the previous year, net deficit was recorded in the amount of KM 2.7 million.

Net surplus was recorded in the budget of RS government in the amount of KM 76.5 million, while within off-budget funds, a net deficit was recorded in the amount of KM 64.7 million. Out of it, the net deficit in the pension funds amounted to KM 42.7 million, net deficit in the health care fund was KM 29.8 million, while net surplus in children care fund was KM 434.9 thousand, and net surplus in the employment fund was KM 7.4 million.

The recorded revenues in this period amounted to KM 2.19 billion and they are higher by KM 41.2 million or 1.9%, while expenditures amounted to KM 2.13 billion, being higher by KM 10.7 million or 0.5% compared to the same period of the previous year.

Within revenues, the biggest item was revenue realized on the basis of taxes, amounting to KM 1.08 billion (higher by KM 14.9 million or 1.4% compared to the same period of the previous year) and accounting for 49.3% of the total recorded revenues. The second item by size, in revenues, were contributions amounting to KM 976 million and they were higher by KM 20.4 million (2.1%) accounting for 44.6% of the total recorded revenues. The other revenues and grants amounted to KM 134.9 million and they were higher by 5.9 million or 4.6% compared to the same period of the previous year.

Within expenditures, the biggest item was related to social payments amounting to KM 1.29 billion (higher by KM 2.6 million or 0.2%). These expenditures accounted for 60.5% in the total expenditures. For compensations to employees in the government sector, over the observed period, KM 553.6 million was spent, which was KM 6.6 million or 1.2% higher. This item accounted for 30.0% in the total recorded expenditures. At the same time, KM 72.6 million was spent for the procurement of goods and payment of services, which was higher by KM 7.0 million or 10.7%. In this period, expenditures on the basis of interest were higher by 18.0 million or 52.3%, while payments of subsidies were lower by KM 39.2 million or 48.7%. Other expenditures and grants were higher by KM 15.7 million or 14.6%.

Graph 1.20: Revenues and Expenditures of RS Government and Consolidated Net Surplus (+)/Deficit (-)

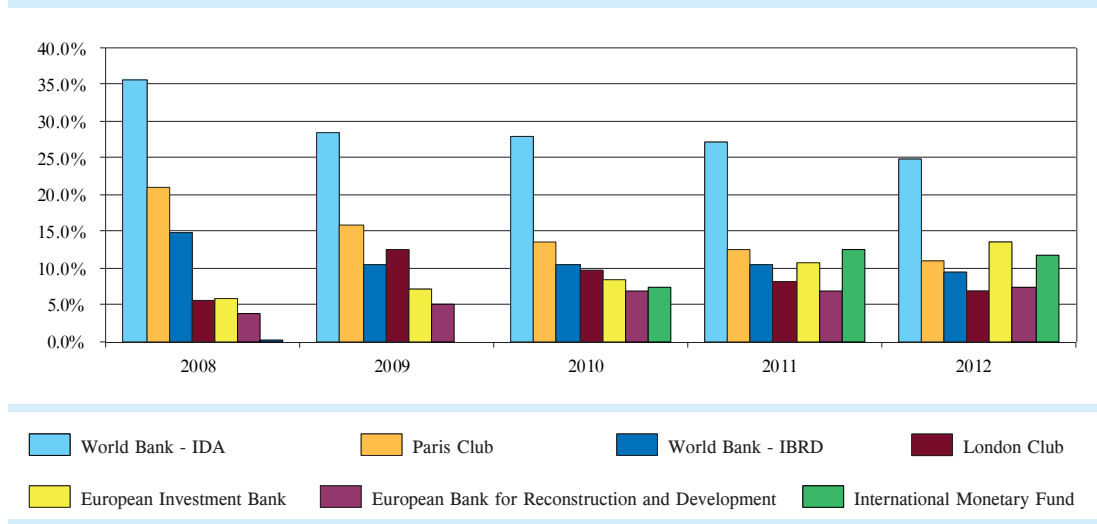
1.2.7 External Debt of the Government Sector

In 2012, external debt of BH government sector increased, so in the end of the year it amounted to KM 7.13 billion, by which the debt was higher by KM 470.8 million or 7.1% compared to the situation at the end of the 2011. Expressed in percent of GDP, situation of government external debt amounted to 27.5, which shows that in relative terms there was evident increase of debt of 1.5 pp compared to 2011.

The main part of the debt increase was related to the increase of debt with the European Investment Bank (EIB) in the amount of KM 268.7 million, and with International Monetary Fund in the amount of KM 165.6 million, European Bank for Reconstruction

and Development – EBRD in the amount of KM 141.8 million, the World Bank – IDA in the amount of KM 33.9 million.

In the total balance of external debt, the biggest part at the end of 2012 was related to the loans of the World Bank – IDA (loans withdrawn after the war under concession terms) with KM 1.77 billion or 24.8%. This is followed by a debt towards European Investment Bank in the amount of KM 973.3 million or 13.6%, to the International Monetary Fund with a debt of KM 950.4 million, Paris Club with KM 781.7 million, i.e. 11% of the share, the World Bank – IBRD (mainly debts incurred before 1992) with KM 675.7 million or 9.5% of the share and London Club with KM 479.3 million or 6.7% of the share.

Graph 1.21: Share in Public External Debt of the General Government by Creditors (%)

The amount of the contracted and not implemented loan funds (which will be withdrawn in the following period) is very high, and it will contribute to further increase of the debt in 2013 and in the subsequent years. These funds in the end of 2012 amounted to KM 1.78 billion, representing a decrease in the amount of 10.6% compared to the previous year. The biggest part of these non-implemented funds was with the European Investment Bank – EIB in the amount of KM 559.4 million or 31.5%, the European Bank for Reconstruction and Development – EBRD in the amount of KM 326.4 million or 18.4%, the World Bank - IBRD in the amount of KM 65.5 million or 3.7%, regarding non-implemented funds from the governments and government agencies, the biggest individual not implemented amount was from the Government of Japan in the amount of KM 213.9 million or 12%.

According to the currency debt structure, the biggest part was denominated in euro, being 47.1%, then in SDR (debt to the IMF) 36.9%, in US dollars 8.2% and other currencies 7.8%. Due to such currency structure of debt, volatility of the dollar exchange rate (and other currencies) did not have a strong influence on the change of the level of debt and the amount of servicing external debt.

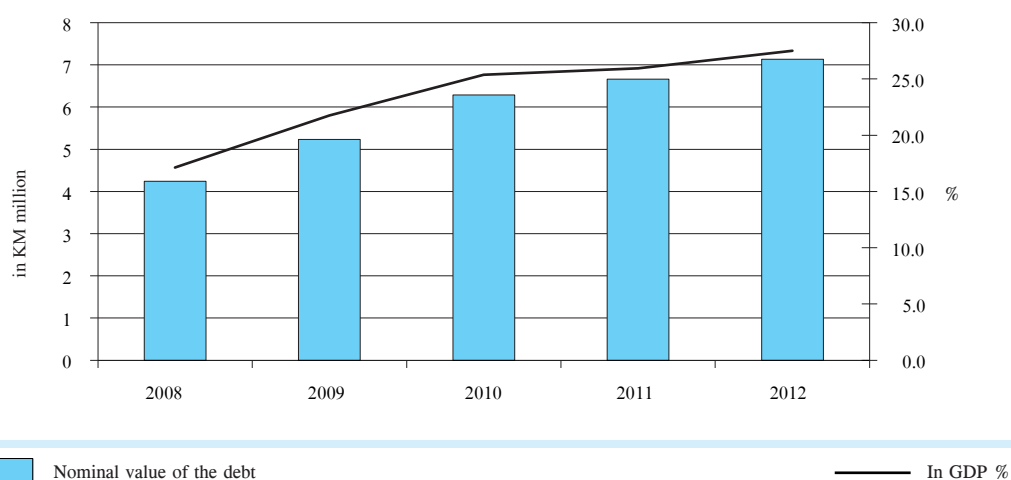
All the liabilities related to the external debt servicing were fully implemented in 2012. Repayment of external debt amounted to

KM 413.3 million, where repayment of the principal was KM 305.4 million or 73.9% of the total repaid amount, and repayment of interest was KM 107.9 million or 26.1%. Debt repayment was significantly higher compared to 2011 when the total repayment amounted to KM 340.0 million and when the repayment of the principal amounted to KM 235.5 million and repayment of interest was KM 104.5 million. Compared to 2011, the growth of repayment of principal was higher by 29.7% and interest by 3.2%.

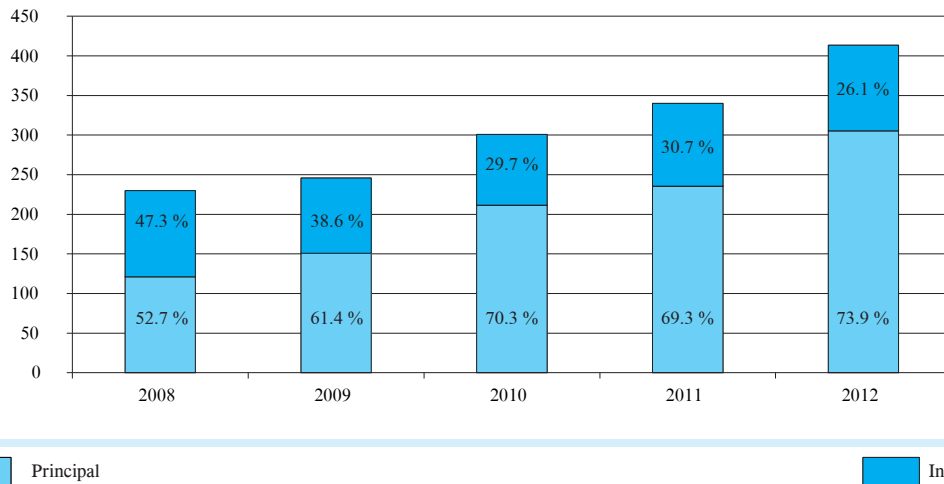
In the structure of creditors, the highest amount of due and repaid debt in 2012 was related to the European Bank for Reconstruction and Development KM 75.0 million, International Monetary fund KM 64.1 million, the World Bank KM 51.3 million and the World Bank (IDA) KM 49.5 million. Funds for the repayment of external debt to these international institutions represented 58.1% of the total funds for external debt servicing in 2012.

In addition to the international institutions, the significant amounts of funds in the structure of external debt servicing are related also to private creditors (London Club), in the amount of KM 73.7 million, and government and government agencies in the amount of KM 49.1 million, out of them, the biggest part was related to Paris Club in the amount of KM 30.5 million.

Graph 1.22: Public External Debt of the Government Sector (Nominal Values and in % of GDP)



¹⁹ SDR = Special drawing Right (with the share of euro of 37.4%); CP . Currency Unit Pool, calculation units of the IMF and the World Bank based on the exchanger rate of the main currencies in the world.

Graph 1.23: Public External Debt Servicing (in KM million)

The biggest intensity of external debt repayment in 2012 was in October (when 19.5% of the total annual amount was serviced), and the lowest was in January (0.5%). This is naturally a result of planned timing in debt repayment, and it can be noticed that the highest debt repayment were concentrated in June, October and December.

1.2.8 Balance of Payments

Current Account

Balance of payments trends in the previous year were quite similar to those in 2011. Compared to the previous year, current account deficit recorded a slight nominal increase by KM 21.0 million or 0.9% and in 2012 it amounted to KM 2.45 billion, which continued the trend of the increased deficit, that started two years ago, after a sharp contraction in the period of appearance of financial and economic crisis. In relative terms, current account deficit in 2012 amounted to 9.5% of GDP (equally as in 2011), which shows

that, despite the stagnating economic activities, the local economy in such condition relied on external funding.

The increase of current account deficit was mostly influenced by the deepening of the deficit in foreign trade of commodities and a declining surplus in the services account, while a positive impact on the trends in current account was related to the increase of surplus in accounts of primary and secondary revenues. In the capital account, there was a stable, but stagnating, inflow of funds as in the previous years.

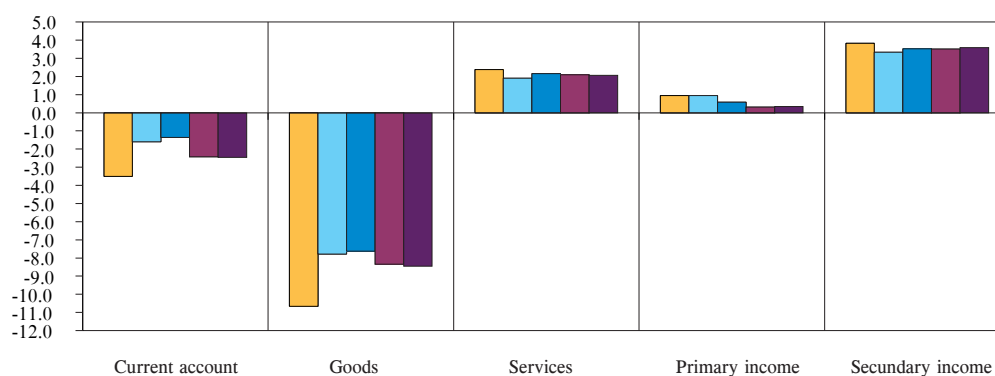
On the other hand, in the previous year, there was a slightly higher inflow of funds in the financial account, and there was evident increase of foreign direct investments, and decrease of other investments. In such circumstances, it was possible to avoid decline of foreign exchange reserves, which even recorded a modest increase.

Table 1.8: Bosnia and Herzegovina - Balance of Payments (in KM million)					
	2008	2009	2010	2011	2012
I - Current account (1+2+3+4)	-3,510.0	-1,589.3	-1,358.9	-2,429.3	-2,450.3
1. Goods	-10,664.9	-7,786.2	-7,629.1	-8,346.1	-8,445.1
Exports	3,397.4	3,213.5	4,281.5	5,134.4	5,035.9
Imports	14,062.3	10,999.7	11,910.5	13,480.5	13,480.9
2. Services	2,385.0	1,900.8	2,158.2	2,095.5	2,067.3
3. Primary income	942.9	955.2	582.6	318.9	344.7
4. Secondary income	3,826.9	3,340.9	3,529.4	3,502.4	3,582.8
II - Capital account	383.2	350.2	389.3	355.4	298.4
Current and capital account balance (I+II)	-3,126.8	-1,239.1	-969.6	-2,073.9	-2,151.9
III - Financial account	-3,241.9	-1,160.9	-806.0	-1,922.2	-1,955.0
1. Direct investment	-1,315.4	-344.2	-363.5	-532.2	-907.9
2. Portfolio investment	28.7	274.3	174.4	45.9	60.6
3. Other investment	-1,492.9	-987.0	-875.3	-1,402.8	-1,180.4
4. Reserve assets	-462.4	-104.1	258.4	-33.1	72.7
IV - Net errors and omissions	-115.1	78.2	163.5	151.8	196.9
Current account in % of GDP	-14.2	-6.6	-5.5	-9.5	-9.5

In 2012, deficit in the commodity account²⁰ amounted to KM 8.45 billion. In account of services, there was a surplus in the amount of KM 2.07 billion, balance in account of primary revenues amounted to KM 344.7 million, while the account of secondary

revenues for years has recorded a significant surplus and the account balance amounted to KM 3.58 billion. The recorded surplus in sub-balances of services, primary and secondary revenues covered 71.0% of commodity deficit.

Graph 1.24: Balance of Payments - Current Account (in KM billion)



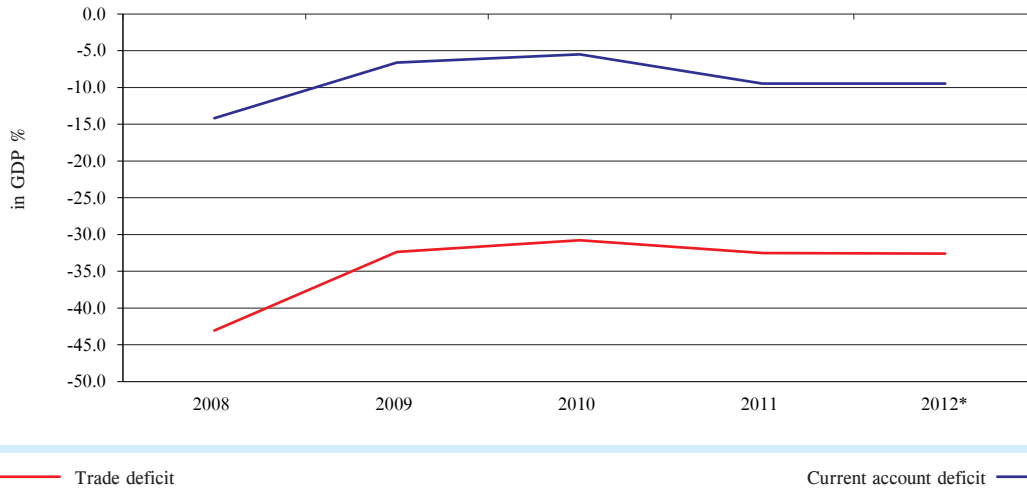
²⁰ Trade balance on the balance of payments basis includes the necessary adjustments and therefore it is different from foreign trade statistics published by BH Statistics Agency.

Source: Table 19

Compared to the previous year, the deficit in commodity trade nominally increased only by KM 98.9 million or 1.2%. Such increase was the result of decrease of exports, while imports remained at the same level as in 2011.

funds related to the providing of services of goods processing in BH in net amount (KM 22.4 million or 1.9%) and decrease of inflow from services of goods transport (4.2%). On the contrary, there was a slight recovery

Graph 1.25: Current Account and Trade Deficit as a Percentage of GDP



Source: Table 1

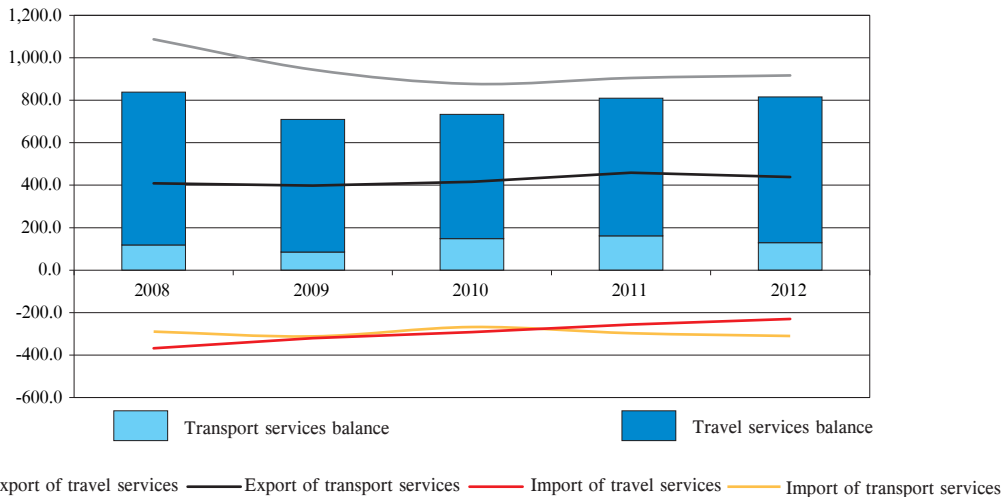
* Nominal GDP is the CBBH estimate

There was still present a demand from foreign countries for the services from BH, so in the previous year, there was a surplus in account of services, but it was lower by KM 28.2 million or 1.4% compared to 2011. The total inflows of funds recorded on the basis of services exports amounted to KM 2.85 billion and were lower by KM 57.6 million or 2.0%, mainly due to the decrease of inflow of

of demand for the construction services in foreign countries, so the inflow was higher by KM 2.5 million or 2.1%, and inflow from travel increased by KM 12.0 million or 1.3%.

Imports of services, i.e. outflows on this basis, amounted to KM 781.0 million and were also reduced compared to the previous year, by KM 29.4 million or 3.6%. The biggest decline

Graph 1.26: Travel and Transport Services (in KM million)



of outflow was related to travel (decrease in the amount of KM 26.7 million or 10.4%).

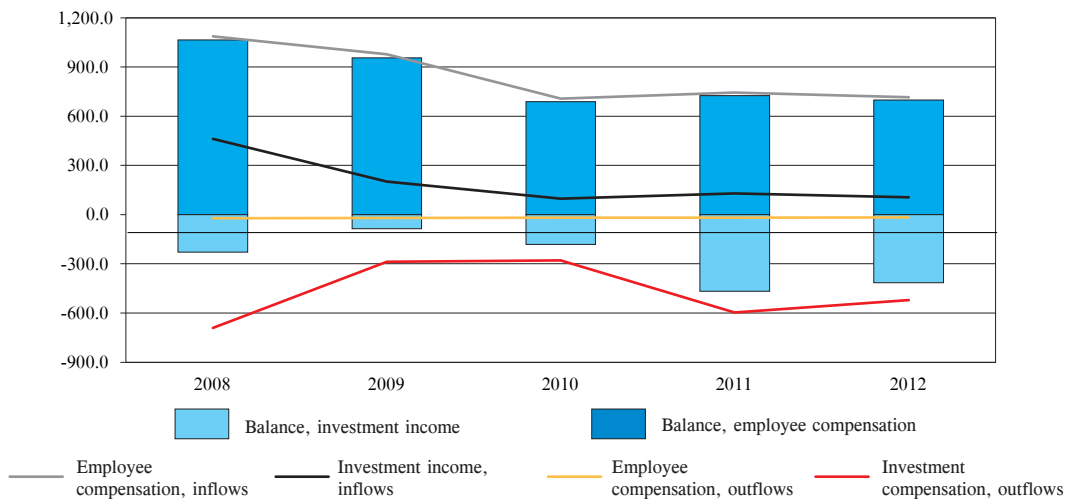
At the same time, the biggest growth of outflows within services was recorded in the account of transportation services, mainly transportation, and the one of goods, which was higher by KM 13.0 million or 4.4%.

Balance of primary revenues was KM 344.7 million and it recorded a growth of KM 25.8 million or 8.1%, so finally the trend of decrease of this component from the previous years was stopped. Compared to the previous year, there was a decline of both revenues and expenditures, but the decrease of investment expenditures had a decisive effect on the increase of inflow of this component in net amount. Revenues, i.e. inflows of funds on the basis of compensation to employees, amounted to KM 716.2 million and they were lower by 3.4% compared to the previous

year. Inflow on the basis of investment revenues was lower by 18.8 %, mainly due to the decline of revenues from interest on deposits and revenues from securities, monetary authorities and commercial banks. Expenditures, i.e. the outflows of funds on the basis of investment expenditures were lower by KM 76.0 million or 12.6% and mainly they were related to the reinvested profits, dividends and paid interest on the basis of direct investments in BH.

Balance of secondary revenues was positive amounting to KM 3.58 billion, and recorded an increase of KM 80.4 million or 2.3%, resulting from the increase of inflow on the basis of remittances, while inflows on the basis of pensions remained at the last year's level. It should be also mentioned that the surplus in secondary revenues account significantly participated in covering trade deficit in the amount of 42.4%.

Graph 1.27: Primary Income Account (in KM million)



Capital Account

In 2012, capital account balance was KM 298.4 million and it was lower by KM 57.0 million or 16.0% compared to the previous year. Within capital transfers, capital transfers to the government sector were lower, related to the capital component of development projects and investments in infrastructure by KM 21.5 million amounting to KM 193.3 million, while transfers of other sectors decreased by KM 35.5 million amounting to 105.1 million.

Financial Account

The combined deficit of the current account and capital account was financed through transactions recorded in the financial account. Financial account balance amounted to KM 1.95 billion and it was higher by KM 32.8 million or 1.7% compared to 2011. The most significant changes in the financial account were the growth of inflow of foreign direct investment and decrease of other investments in net amounts.

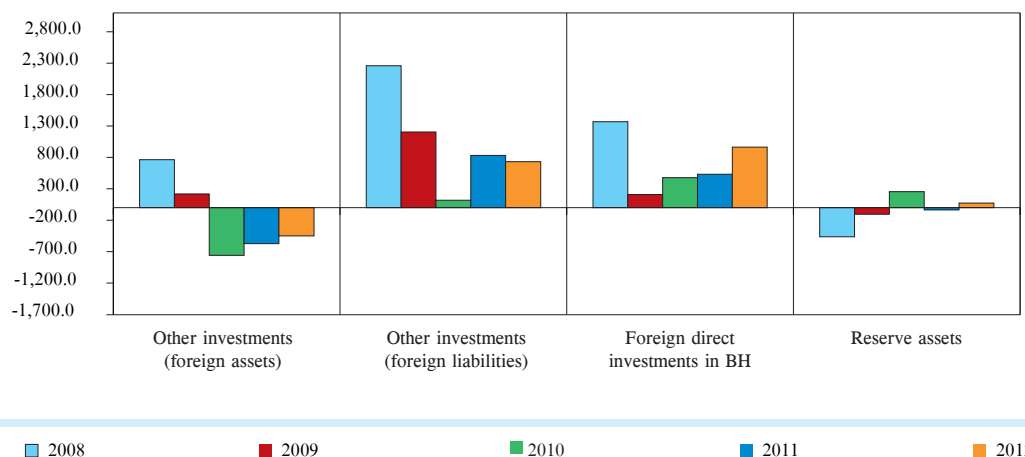
963.5 million and compared to 2011, they were higher by KM 428.9 million. Local investments in foreign countries amounted to KM 55.6 million, which was higher by KM 53.5 million compared to 2011. Due to such trend of investments, the share of net foreign direct investments in the financial account significantly increased amounting to 46.5%, which was a record share of direct investments over the previous five years.

Portfolio investments were still very low, but this year they were positive (KM 60.6 million) meaning that investments in foreign bonds and money markets instruments decreased.

Other investments in net amount amounted to KM 1.18 billion, and in the observed year, a significant decrease of KM 222.4 million was recorded compared to 2011. All the relevant changes of assets and liabilities of other investment are explained in details by items.

Foreign assets decreased by KM 448.8 million, this being a smaller decline of foreign assets by KM 120.6 million than the decline recorded in the previous year. The decline

Graph 1.28: Financial Account (in KM million)



Source: Table 21

Foreign direct investments in 2012 in net amounts amounted to KM 907.9 million and they were higher by 375.7 million than in the previous year. Inflows of foreign direct investments in the country amounted to KM

of foreign assets was caused by the decrease of foreign assets of commercial banks (KM 601.6 million). At the same time, growth of liabilities of other investments amounted to KM 731.6 million, which was lower by KM

101.8 million or 12.2% compared to 2011. In the previous year, KM 338.0 million of new loans was withdrawn, which was lower by 57.9% compared to 2011. General government in net amount increased its liabilities by KM 647.0 million (the difference between withdrawal and repayment of debt). The total withdrawals on the basis of the Stand-by Arrangement with the IMF amounted to KM 234.8 million. At the same time, other sectors decreased their liabilities in net amount by KM 309.0 million. The incurred liabilities on the basis of trade loans in 2012 amounted to KM 448.7 million, which was lower by KM 52.1 million than in 2011.

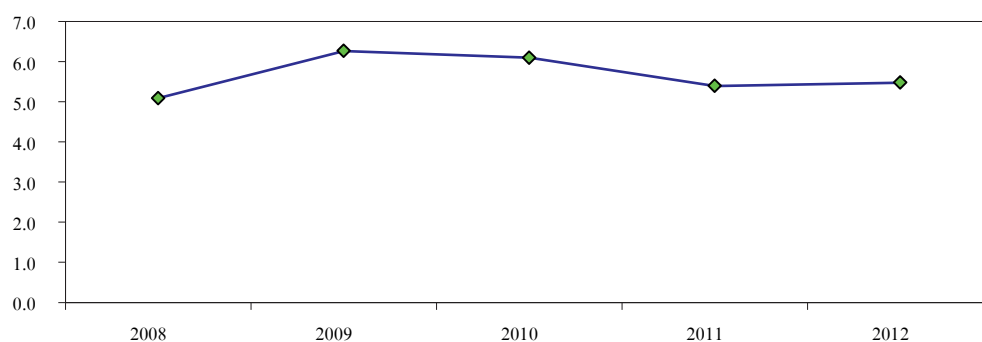
Reserve assets (measured through the realized flows and without impact of currency and other changes) in the previous year increased by KM 72.7 million. Such increase was reflected in the increase of investments in securities and parallel decrease of deposits and holding of foreign exchange funds.

All the mentioned balance of payments trends did not cause any pressure on foreign exchange reserves and they, with the mentioned increase, in the end of the year reached the level of KM 6.51 billion. In that way, foreign exchange reserves in relative terms retained the satisfactory level, because in relation between the levels of reserves (in the end of the year) according to the months of the average imports of goods and service amounted to 5.5.

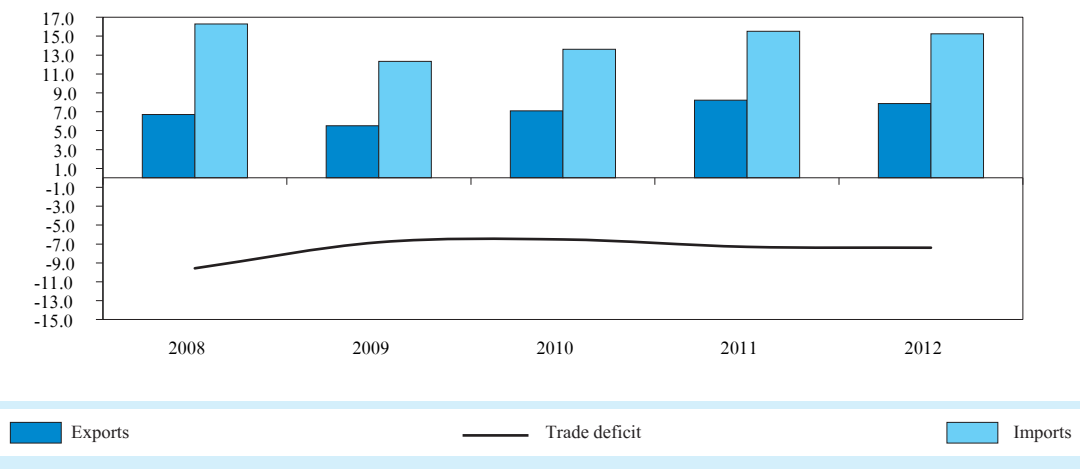
Commodity Trade²¹

The total value of foreign trade exchange in 2012 amounted to KM 23.1 billion, so, compared to the previous year, a slight decrease of the volume of trading was recorded by 2.7%. The ratio of foreign trade exchange and GDP amounted to 89.2%, which confirms that the local economy has been very open. The decreased volume of foreign trade exchange resulted from decrease of exports and imports of goods during the year. Coverage of imports by exports in the previous year was deteriorated if compared to the previous year amounting to 51.0%. The total value of imports amounted to KM 15.25 billion, which was annual decrease by KM 272.5 million or 1.7%. The value of exports amounted to KM 7.86 billion, which was lower by KM 364.2 million or 4.4%. Foreign trade deficit amounted to KM 7.39 billion (i.e. 28.5% of GDP) which was higher by 1.3% than in 2011. Observing by quarters, the biggest impact on deepening of the deficit was caused by the negative economic trends from the first quarter, when there was a stressed decline of exports, and the quarterly deficit amounted to KM 216.4 million, in the third quarter deficit increased by KM 99.5 million due to the impact of seasonal factors, while positive trends in the second and fourth quarter affected the mitigation of growth of the trade deficit.

Graph 1.29: Gross Foreign Exchange Reserves in Months of Imports of Goods and Services



²¹ Based on foreign trade data, and not in the balance of payments transactions for goods.

Graph 1.30: Exports, Imports and Trade Deficit (in KM billion)

Regarding the structure of imports, there were no significant changes over the last five years. The most exported goods were basis metals (KM 1.91 billion or 24.3% of the total exports), mineral origin products (KM 871.2 million or 11.1%), machines, devices, mechanical and electric devices (KM 791.3 million or 10.1%), and chemical industry products (KM 533.2 million or 6.8%) and furniture (KM 795.2 million or 6.2%). Out of these five main groups of products, only the furniture from the group of other products recorded a growth of exports in the previous year, and so it contributed to mitigation of decline of exports at the annual level.

Decline of exports was mainly caused by the decline of exports of mineral origin products (mineral fuels and oils, electric power) by KM 440.0 million or 33.7%. This decrease was mainly the result of twice lower volume of exports of electric power, mainly to Serbia, but the growth of export prices of electric energy to some extent mitigated the decline. The decline of exports of this group of products contributed to the total decline of exports by 5.4%. Export of chemical industry products was lower by KM 37.4 million or 6.5% while the exports of basis metals was lower by KM 25.8 million or 1.3% due to the exports decrease of steel and iron products and aluminium. Exports of machines, devices, mechanical and electric devices at the annual level were lower by KM 23.8 million or 2.9%.

Regarding imports, mineral origin products (including oil) accounted for the highest share in the total imports (KM 3.23 billion or 21.2%), followed by machines devices and mechanical devices (KM 1.88 billion or 12.3%), chemical industry products (KM 1.52 billion or 10.0%), food products (KM 1.51 billion or 9.9%) and basis metals (KM 1.33 billion or 8.7%). In the previous year, the biggest impact on the decrease of imports was that of mineral origin products, mainly oil, and basis metals. Imports, mainly oil, decreased to KM 209.2 million or 6.3%, but the growth of prices of this source of energy increased compared to the previous year, which partly compensated the imported quantity. With the chemical industry products, growth of imports was KM 47.0 million or 3.2%, where more than a half was related to imports of pharmaceutical products.

Products of mineral origin (oil and oil derivatives) and means of transportation are product groups that mainly affected the deepening of the trade deficit in 2012. Their contribution to the increase of the trade deficit amounted to 32.0% and 14.8%, respectively.

Analysis of exports according to the economic purpose shows that in the structure of exports, the biggest shares were taken by semi-finished products, even 41.2% of the total exports are production materials, and during the year, the share of this group of products in the total

exports increased. At the annual level, the exports of this group increased by 2.3%. In the structure of exports, a big share was taken by non-durable consumer goods with 20.2%, while the share of energy in the total exports decreased, as exports of energy decreased by a third due to the already mentioned decline of exports to Serbia.

Regarding imports, according to the economic purpose, the biggest shares were taken by semi-finished products (29.9%), and non-durable consumer goods (25.3%) and energy (20.5%). Compared to the previous year, the structure and share of some groups of products in the total imports remained unchanged. The share of categories of capital products was still significantly lower than in the pre-crisis period, suggesting that investment are recovering slower than general spending.

compared to the previous year of 0.5% with the simultaneous increase of imports by 4.7%.

In 2012, the share of exports into SDEE countries recorded a significant decrease compared to the previous year due to the slowdown of economic activities of the countries in the region. So, in the previous year, the share of SEE countries in exports amounted to 31.6% or KM 2.48 billion. Exports in EU amounted to KM 4.55 billion or 57.9%, so the share of EU 27 countries increased compared to 2011. The same trend was recorded regarding the share of the euro area countries. With the imports, the share of EU27 countries and the euro area slightly increased compared to the previous year by 1.5pp and the value of that imports amounted to KM 7.16 billion, while the share of SEE countries in the total imports remained almost at the same level of 25.2%, and the value of

Table 1.9: Exports and Imports by intended use

(in KM million and %)	Exports				Imports			
	2011		2012		2011		2012	
Energy	8,222	100%	7,858	100%	15,525	100%	15,253	100%
Intermediate goods, except energy	1,172	14.3%	728	9.3%	3,331	21.5%	3,123	20.5%
Capital goods	3,177	38.6%	3,251	41.4%	4,591	29.6%	4,560	29.9%
Durable consumer goods	961	11.7%	972	12.4%	2,516	16.2%	2,426	15.9%
Non-durable consumer goods	763	9.3%	793	10.1%	449	2.9%	443	2.9%
Unclassified	1,565	19.0%	1,586	20.2%	3,796	24.5%	3,861	25.3%
Total	584	7.1%	528	6.7%	841	5.4%	841	5.5%

Foreign trade exchange in 2012 regarding geographical distribution was still mainly concentrated to EU members and the neighbouring countries. The two groups of countries (EU 27 and SEE) accounted for 87.3% of entire exports, while their share in the total imports was 72.1%. Croatia and Germany stand out as the leading partners both in exports and also as the countries which BH mostly imports from. Exports to Croatia decreased by 3.3%, while imports from Croatia were lower by 1.1%. The value of exports to Germany recorded a decrease

the imports amounted to KM 3.84 billion. The share of imports from other countries decreased, where the share of Russia in the total imports decreased by 7 pp. Otherwise, BH recorded the highest trade deficit with the Russian Federation (19.4% of the total deficit), followed by Croatia (14.0%), China (11.0%) and Serbia (9.8%) and Germany (7.0%). Compared to the previous year, deficit decreased with the Russian Federation, by 4.6 percentage points, while in exchange with Serbia, the trade deficit increased by 3.4pp.

Table 1.10: Geographical Distribution of BH Exports and Imports

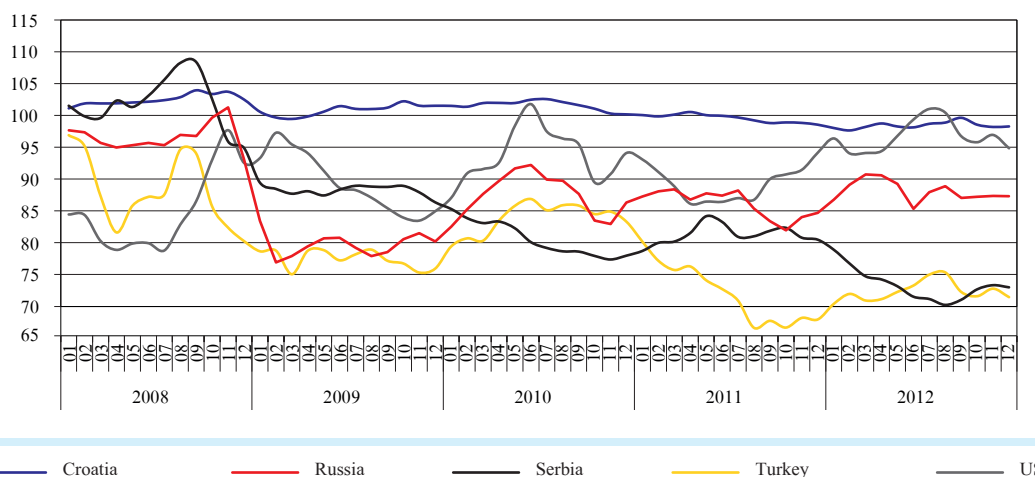
	Exports (in %)					Imports (in %)				
	2008	2009	2010	2011	2012	2008	2009	2010	2011	2012
EU 27	55.2	54.3	54.5	55.8	57.9	48.0	49.1	45.9	45.4	46.9
Eurozone	46.6	47.4	48.1	49.1	50.9	37.5	38.4	36.0	35.8	36.6
Italy	12.6	12.7	12.1	11.7	12.0	9.3	10.1	8.9	8.9	9.4
Germany	13.6	14.7	15.3	14.8	15.4	11.8	11.3	10.5	10.6	11.3
Slovenia	9.2	8.4	8.6	8.6	8.3	5.9	6.1	5.9	5.3	5.3
SEE*	37.1	38.0	35.9	35.0	31.6	28.9	26.8	27.1	25.0	25.2
Croatia	17.2	17.1	15.1	14.6	14.8	17.1	15.0	15.1	14.3	14.4
Serbia	14.0	13.4	12.6	12.2	9.0	10.6	10.4	10.5	9.4	9.4
Other countries	7.7	7.7	9.6	9.3	10.5	23.1	24.1	27.0	29.6	27.9
Russia	0.2	0.5	0.5	0.6	0.7	2.1	7.0	8.7	10.5	9.8

* Southeast Europe (Albania, Croatia, FYR of Macedonia, Moldova, Serbia, Montenegro)

1.2.9 Nominal and Real Effective Exchange Rate of KM

The trends of the nominal exchange rate of KM against the majority of the currencies' rates relevant for our economy, recorded significant variations during 2012, having in mind that the local currency depreciated against the majority of currencies. As in 2011, nominal exchange rate of dollar showed the highest volatility. In the first half of the year, dollar strengthened against euro, and consequently against KM due to the continuation of debt crisis and the slowdown of activities in the euro area. In the second part of the year, exchange rate of dollar gradually weakened and in December 2012 depreciation was recorded in relation to KM by 0.7 pp compared to the same period of 2011.

At the same time, the local currency, unlike the previous year, significantly depreciated against currencies of some of the important main trading partners, and the most prominent depreciation was against Polish zloty 7.1%, Hungarian forint 6.2%, Turkish lira 4.9% and Chinese yuan 4.7%. On the other hand, KM appreciated against Serb dinar by 10.3% unlike the previous year when KM depreciated against this currency by 3.2%. In addition, the local currency appreciated against Romanian leu by 4.0%. Changes of KM exchange rate compared to the other currencies of the countries being the main trading partners of BH were minor.

Graph 1.31: Nominal Exchange Rate of KM against Selected Currencies (2005=100)

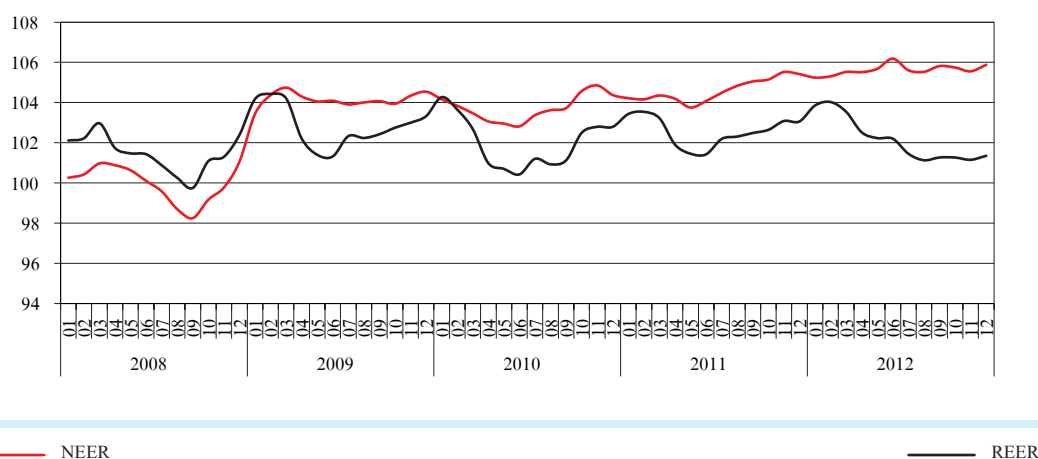
Source: Table 29

Nominal effective exchange rate (NEER) mainly increased during the first six months of the previous year. Maximal value was recorded in June, and in the second half of the year it had a downward trend. The decline of the nominal effective exchange rate represents indicator of nominal depreciation of KM against the currencies of the main trading partner. Due to such trend during the year, the average value of NEER in 2012 was higher by 85 basis points than the average value in 2011. NEER in December 2012 was by 47 bp above the level recorded in the same period of the previous year.

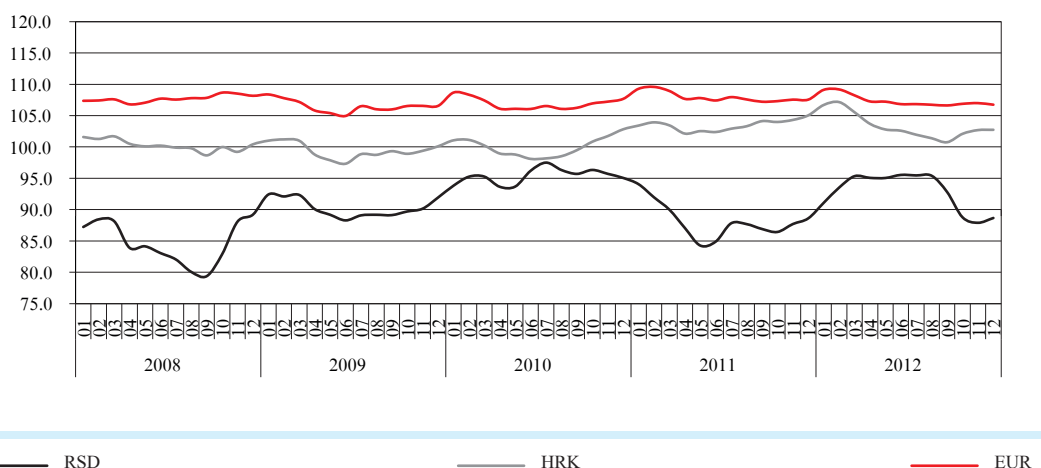
The trends of the real effective exchange rate of REER in the previous year illustrate

that during the first two months, REER was growing, while in March the downward trend of real effective exchange rate started, representing a real depreciation of KM against the currencies of the main trading partners, resulting from a lower rate of inflation in BH compared to the trading partners. On the whole, there were no significant changes of external competitiveness of the country, as the average value of real effective exchange rate in 2012 was higher by only 17 basis points compared to the average value of index in 2011, while the December value of REER at the annual level was lower by 1.71 percentage point.

Graph 1.32: Nominal (NEER) and Real (REER) Effective Exchange Rate of KM (2005=100)



Graph 1.33: Real Exchange Rates of KM in Relation to Euro, Kuna and Dinar (2005=100)

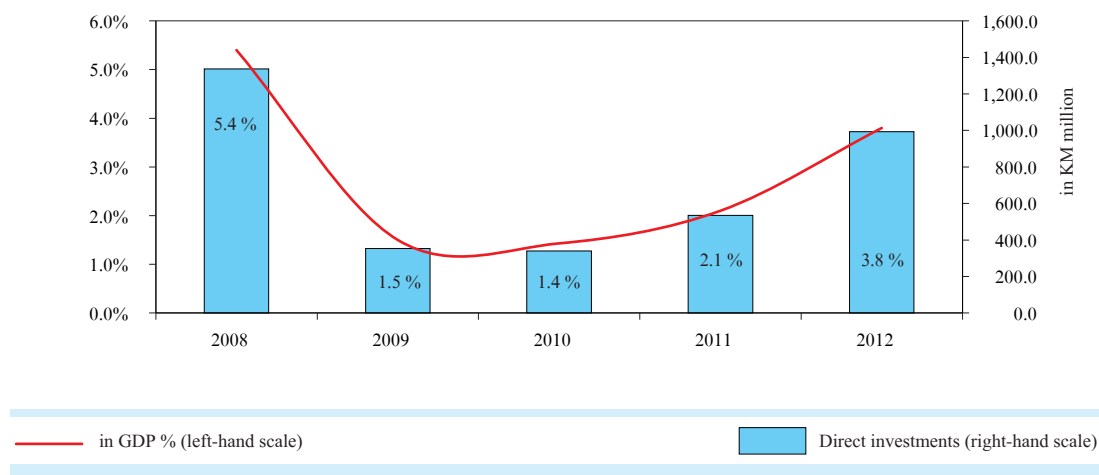


Real exchange rates of KM against the most important trade destinations were rather stable and no significant disturbances were evident in terms of competition of the local economy. More explicitly, Croatia maintained stable exchange rate towards euro, so there is no significant nominal change of the exchange rate against KM and the level of inflation was approximately at the same level, so the average value of real exchange rate in 2012 was at the same level as in 2011. Real exchange rate against Serbian dinar, despite appreciation in relation to the nominal exchange rate, was rather stable, so in 2012, its average value was higher by 5 pp, compared to the average value in 2011. The real exchange rate of KM against euro, due to the fixed nominal value and approximately synchronous price trends in the euro area and BH was mainly stable, so there was no weakening of price competitiveness at the euro area market.

1.2.10 Foreign Direct Investment

Foreign Direct Investment continued to increase with the encouraging trend in 2012 and they significantly exceeded the previous year, and the inflow of investments was mainly in nonfinancial sectors of economy. The total value, in 2012, of the inflow of direct investments was KM 992.7 million²², which was higher by 458.1 million or 85.7% more than in the previous year. Relative to GDP, foreign direct investments reached 3.8%, which was much closer to the pre-crisis recorded amounts. The biggest growth of investments was recorded in the production of basis metals and wholesale trade (presentation of investments in the banking sector was included in part 8.9).

Graph 1.34: Foreign Direct Investment



²² Provisional data. The final data with the detailed breakdown by the activities will be available in August 2012.

**MONETARY POLICY AND
FOREIGN EXCHANGE
RESERVES**

II

2. MONETARY POLICY AND FOREIGN EXCHANGE RESERVES

2.1 Implementation of Monetary Policy

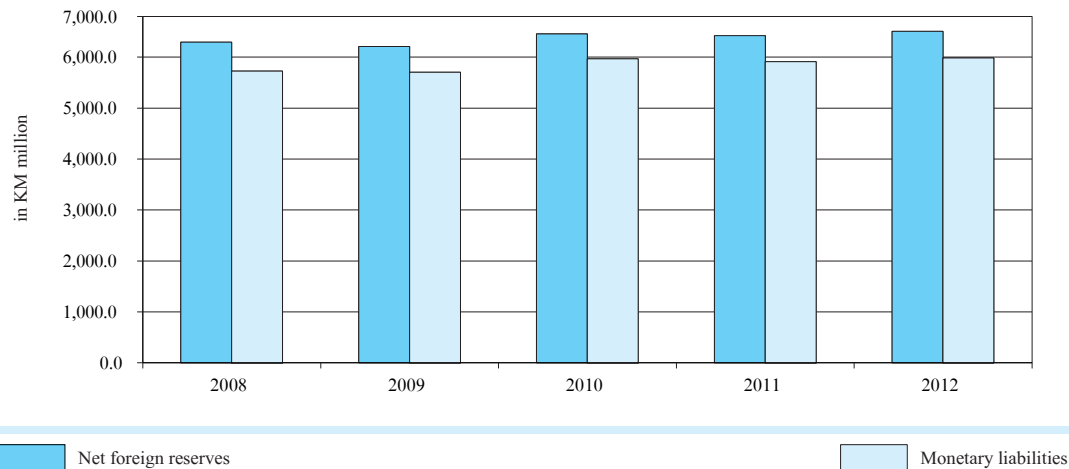
In Bosnia and Herzegovina, as a monetary policy regime, the Currency Board is applied which is based on a fixed exchange rate and the rules explicitly defined by the law. The basic purpose of the rules is establishing credibility of the Central Bank and avoiding possible losses due to adoption of inconsistent of economic policymakers, which could be harmful for the basic macroeconomic trends in the country. The basic rules of the Currency Board are included in the Law on the Central Bank.

Transactions of purchase and sale of convertible mark of the CBBH are performed with commercial banks and also with the state institutions having deposits with the CBBH, but the other economic entities receive funds in the local currency through commercial banks.

Thirdly, net foreign exchange reserves of the CBBH²³ at any moment need to fully cover its monetary liabilities inconvertible marks, including all the banknotes and coins in circulation, balances of reserve accounts of commercial banks with the CBBH and other sight deposits with the CBBH.

This rule was fully respected during the entire year (as in all the previous years), so this coverage in the end of 2012 amounted to

Graph 2.1: Coverage of Monetary Liabilities by Net Foreign Reserves (end of year)



Firstly, the exchange rate of the national currency, convertible mark is fixed in relation to euro, as a peg currency in relation 1 EUR = 1.95583 KM. The foreign exchange rate represents a fixed nominal variable, which the inflationary expectations of the public are related to, thus providing the price stability in the economy.

Secondly, full convertibility of the local currency into the peg currency – euro, and vice versa, has been guaranteed, and in this way, indirectly, into the other foreign currencies. The CBBH issues and withdraws money by purchase and sale of convertible marks in exchange for foreign currencies.

108.7%, which was the approximate relations as in the end of 2011, when the coverage amounted to 108.6%.

Absence of lending to any sector in the economy arose from the basic rules of the Currency Board and it is one of the assumptions on which its sustainability is based. The Central Bank does not have a possibility of fiscal deficit monetization or the possibility of lending to any economic entity and it does not perform the lender of last resort function for purpose of overcoming problems related to commercial banks' liquidity.

²³The CBBH net foreign exchange reserves include foreign currencies, gold and securities issued abroad and denominated in foreign currency, decreased by the liabilities of the Central Bank towards foreign countries.

2.2 Monetary Trends

Purchase and Sale of KM

As the only mechanism of issue, i.e. withdrawal of primary money, transactions of KM purchase and sale directly influence the quantity of currency in circulation. The value of the balance, as one of the most important indicators of monetary trends, was positive in the amount of KM 19.3 million. In 2011, a negative balance of purchase and sale amounted to KM 74.7 million. Observed by quarters, in the first quarter, the value of the balance was negative amounting to KM 313.7 million, as a consequence of decrease of economic activities and the usual seasonal trends, typical of the first quarter in the year under the impact of settlement of liabilities of the economic entities, purchasing foreign exchange funds through commercial banks. Negative balance was recorded in the second quarter in the amount of KM 205.2 million.

Intensified seasonal demand for the local currency, and payments of two tranches of Stand-by Arrangement had a decisive impact on the improvement of the balance in the third and fourth quarter, when positive value were recorded in the amount of 341.2 million for the third and KM 197.1 million for the fourth quarter.

2.3 Monetary Aggregates

Monetary trends in 2012 included the growth of money supply (M2) generated by the growth of quasi money with the simultaneous decrease of the most liquid component, monetary aggregate M1. The biggest increase of deposits was still recorded in the household sector.

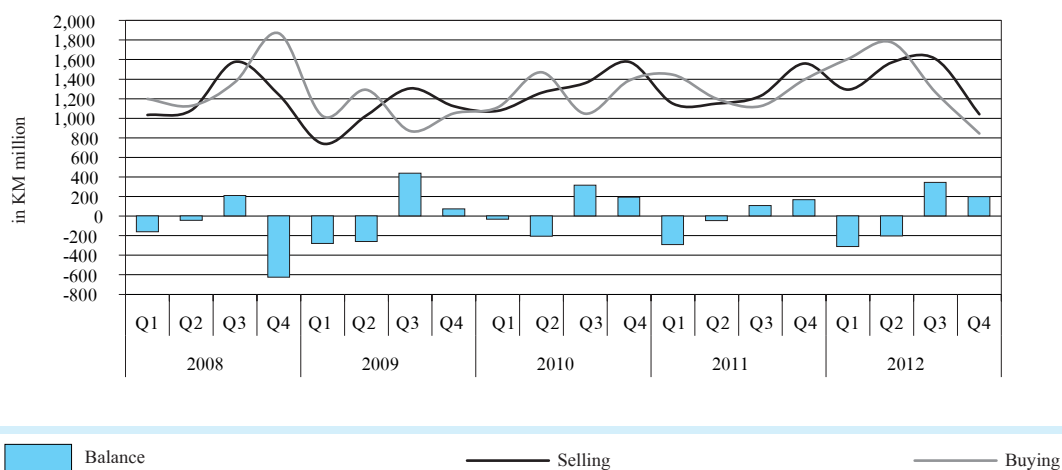
Insufficient growth of lending activities of banks, due to the weak recovery of economic activities and difficult financing conditions remained during 2012.

As a result, the banks continued to decrease their foreign liabilities, which was reflected on the balance of funds in account with the CBBH. Therefore, the monetary basis recorded a decrease at the annual level.

Due to the roughly equal decrease of monetary aggregate M1 and monetary base, monetary multiplication of currency for the mentioned aggregate slightly increased to 1.0588. The mentioned stronger growth of quasi money brought about the accelerated multiplication for monetary aggregate M2, by 0.1049. So its value in the end of the year was 2.5700.

Relative relation of M2 to gross domestic product²⁴ in the end of 2012 amounted to 57.6% and it was higher by 1.4pp compared to the end of the previous year. Such increase was the result of a prominent growth of quasi money, which

Graph 2.2: Buying and Selling of KM



²⁴ Estimate of the CBBH for 2012.

Table 2.1: Monetary aggregates as % of GDP

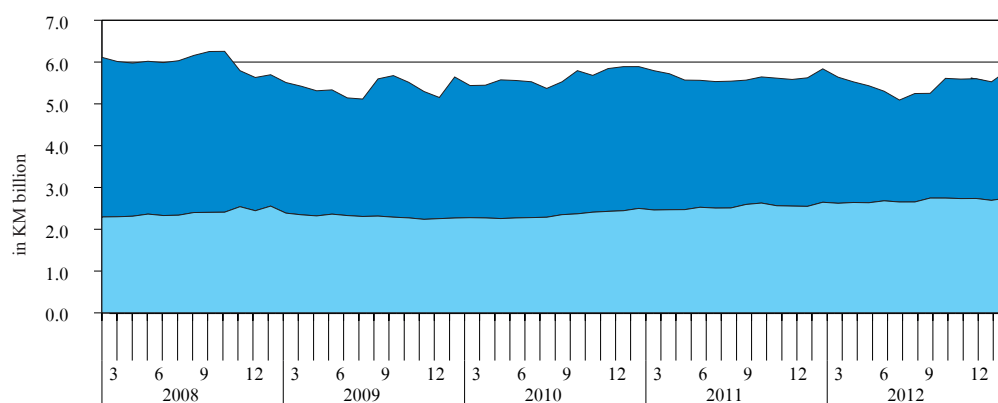
	2008	2009	2010	2011	2012
M2	50.2	52.8	55.0	56.2	57.6
QM	27.3	29.8	31.2	32.1	33.9
Other deposits in domestic currency	7.2	7.7	8.0	8.9	10.3
Transferable deposits in foreign currency	4.5	4.5	4.9	4.3	4.1
Other deposits in foreign currency	15.6	17.6	18.3	18.9	19.5
M1	23.0	23.1	23.8	24.1	23.7
Cash outside banks	9.3	8.4	8.9	9.2	9.3
Transferable deposits in domestic currency	13.7	14.7	14.9	14.9	14.4
M0	23.0	23.5	23.8	22.8	22.4
Cash outside monetary authorities	10.3	9.4	10.1	10.3	10.6
Bank's deposits with monetary authorities	12.7	14.0	13.7	12.4	11.7

recorded increase of the relation towards GDP by 1.8 pp, due to the increase of other deposits in the local and foreign currency.

Monetary aggregate M1 and monetary base, too, and also their components, kept a rather stable relation towards GDP with oscillations below 1 pp. Among them, the biggest changes were recorded by bank deposits with monetary authorities, which decreased by 0.7pp.

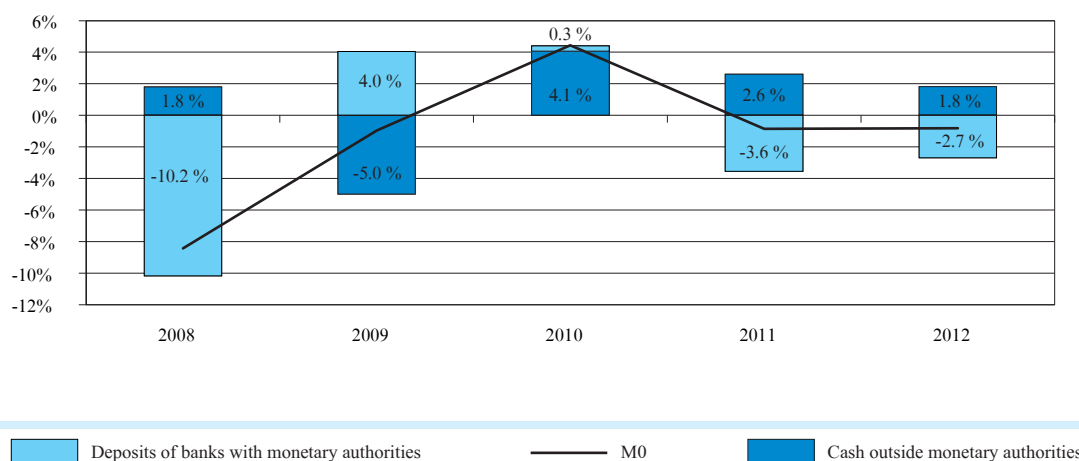
Monetary base at the end of the year amounted to KM 5.80 billion with the annual decrease in the amount of KM 47.2 million (0.8%). Cash outside monetary authorities oscillated during the year with the usual higher values during the summer months and in the end of the year. The total annual increase of the cash outside monetary authorities amounted to KM 102.5 million (3.9%).

After the banks decreased holding of funds with the CBBH in the first five months of 2012 in the total amount of KM 577.8 million, there was a slight correction in June, so bank deposits in the end of the second quarter amounted to KM 2.59 billion. In the beginning of the third quarter, there was a slight decrease, and in August there was a strong increase in the amount of KM 359.1 million, i.e. 14.3%, which was the highest annual growth in the previous three years. Inflow of funds on the basis of Stand-by Arrangement of the IMF (in September and December) and banking activities characteristic of the end of the year brought about a further increase of bank deposits with the CBBH. So, their value in the end of the year amounted to KM 3.04 billion which is similar to the level at the beginning of the year.

Graph 2.3: Aggregate M0 and its Components

■ Cash outside monetary authorities

■ Deposits of banks with monetary authorities

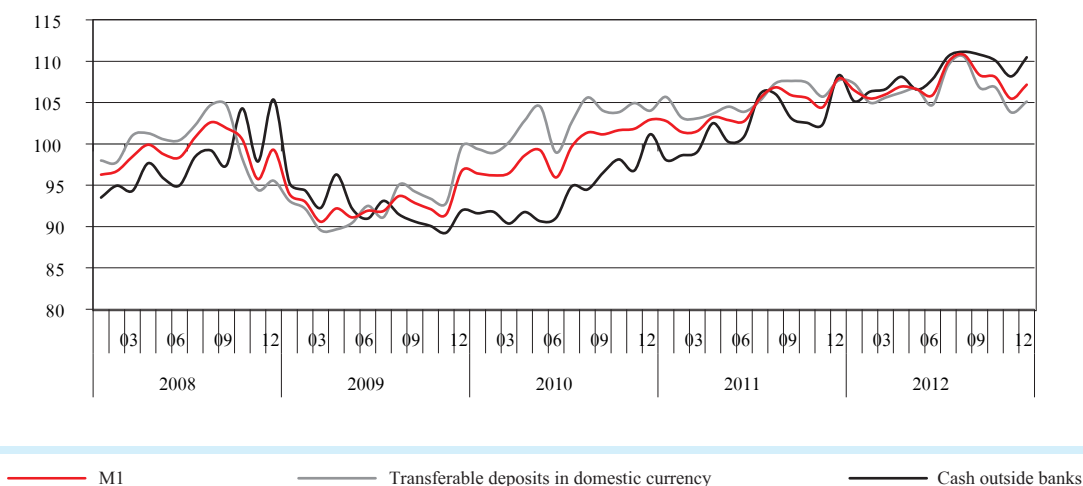
Graph 2.4: Annual Growth Rates of M0 and Contributions of Components

Such trend of the components clearly shows that cash outside monetary authorities gave a positive contribution to the growth in the amount of 1.8%, but also that decrease of bank deposits with monetary authorities had a negative contribution of 2.7%. Due to the negligible impact, other sight deposits were not considered.

The most liquid component of money supply, monetary aggregate M1 recorded an annual decrease in the amount of KM 42.8 million (0.7%) as a result of opposite trends of its components. On one hand, cash outside banks increased, but at more moderate pace compared to the previous year, and during the year it had usual seasonal changes. The total annual increase amounted to KM 47.9 million (2.0%).

On the other hand, there was a decrease of deposit money in the structure of M1 in the form of transferrable deposits in the local currency amounting to KM 90.7 million (2.4%).

The largest decrease of deposits was noticed in the public sector, with public nonfinancial companies by even KM 150.7 million (24.3%), while the government decreased deposits by KM 51.5 million (11.0%). Significant decrease of these deposits was recorded with other residents (including citizens) amounting to KM 90.3 million (6.0%). Quasi money, less liquid component of money supply recorded an increase in the amount of KM 535.1 million, i.e. 6.5%. Other deposits in the local and foreign currency increased, by KM 387.0 million (16.9%), i.e. KM 195.3 million (4.0%)

Graph 2.5: Agregate M1 and its Components (December 2007 =100)

respectively, while transferrable deposits in foreign currency decreased by KM 47.2 million (4.3%).

Such increase of quasy money was stimulated primarily by the sector of households which recorded increase of other deposits in the local currency by KM 294.2 million (26.0%) and by KM 233.4 million (5.7%). See the detailed analysis of deposits in Chapter 8.5.

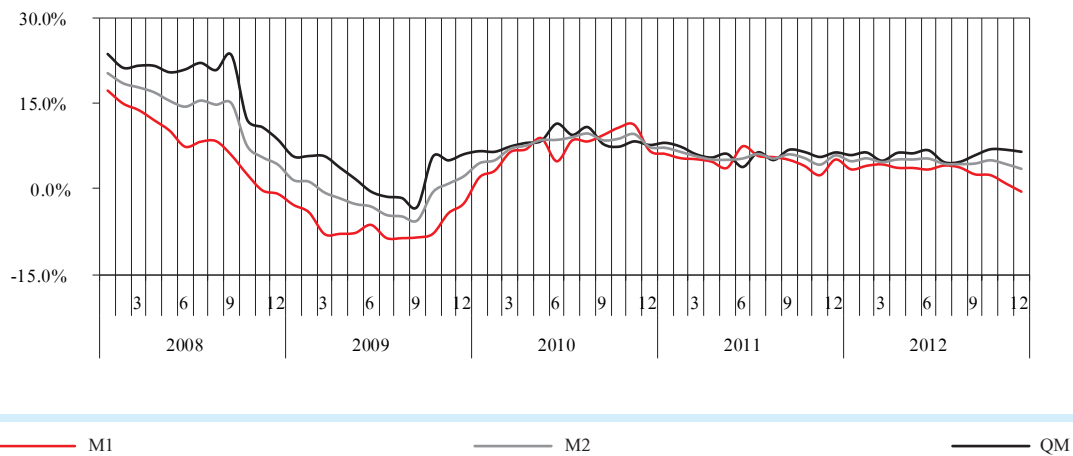
Such trend of components resulted in the growth of money supply (M2) in the amount of KM 492.3 million (3.4%). For comparison, money supply in 2011 increased at the rate of 5.8%, in the amount of KM 790.2 million. Both components recorded a growth. Monetary

aggregate M1 increased by KM 285.5 million (4.8%) and quasi money by KM 504.8 million (6.5%).

Foreign assets of the CBBH recorded increase in the amount of KM 84.9 million (1.3%). On the contrary, commercial banking sector decreased its claims towards foreign countries in the amount of KM 216.7 million (8.0%) and its liabilities towards foreign countries by KM 229.9 million (5.5%). So, the total net foreign assets increased by KM 98.0 million (2.0%).

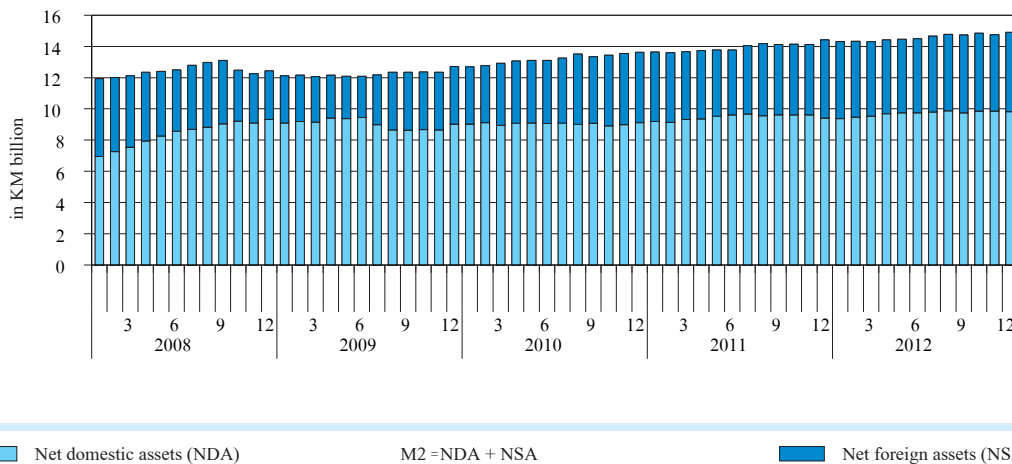
Net domestic assets increased by 394.4 million (4.2%). The claims on the local sector increased by KM 731.8 million (5.0%) and other items in liabilities taken as deduction items by KM 337.4 million (6.4%).

Graph 2.6: M1, QM and M2 - Annual Growth Rates (seasonally adjusted)



Source: Table 7

Graph 2.7: Money Supply Structure (M2)



Source: Table 7

2.4 Monetary Policy Instruments: Required Reserves

As the CBBH operates under the terms of a currency board arrangement, required reserves are the only monetary policy instrument at its disposal. During 2012, there were no changes to the regulations of the level of required reserves, and the measures the CBBH adopted in previous years remained in force. Thus the rate applied to the basis with the maturity of up to one year was 10 per cent, while the rate applied to the basis with the maturity over one year was 7 per cent. Furthermore, the measures exempting a portion of funds were also in force, and therefore the government deposits earmarked for development programs and new foreign borrowing (deposits and loans) were excluded from the basis for calculation of required reserves.

As of 20th 10-day period, the banking licence for the Herzegovina Bank d.d. Mostar was revoked and the bank's liquidation process was initiated. This reduced the number of banks in the required reserves' system from 30 to 29.

The basis for calculation of required reserves recorded a considerable decrease at the beginning of the year due to the decision of two banks to transfer loans and corresponding amounts of non-performing assets. Thereby the basis decreased by KM 597.8 million from the first to the second 10-day reserves maintenance period, while the total decrease for the year (arrived at by comparing the last 10-day periods in the two years) was KM 577.7 million (3.8 per cent).

Due to the above mentioned changes and a continued decline of commercial banks' foreign liabilities, with regard to its currency structure, the basis in foreign currency declined by KM 826.9 million (9.6 per cent) in annual terms, while the basis in domestic currency rose by KM 249.2 million (3.7 per cent).

The total government deposits for development projects, which are excluded from the basis for calculation of required reserves, were KM 735.5 million as of the 36th 10-day reserves maintenance period of 2012. Relative

to the end of the previous year, the recorded decrease was KM 7.9 million (1.1 per cent). Total excluded funds on this basis were KM 57.7 million.

The amount of new foreign borrowing by banks since 1 November 2008, which is also excluded from the basis for required reserves, was KM 1.99 billion as of the 36th 10-day reserves maintenance period, which was higher by KM 229.3 million (13.0 per cent) relative to the end of the previous year. Total funds excluded on this basis were KM 150.1 million.

Due to all above influences, average required reserves shrank by KM 52.8 million (4.0 per cent) during 2012. In 2012, the banks continued to hold significant amounts in excess of the required reserves' level with the CBBH, with the average 10-day reserves maintenance period value at KM 1.46 billion. However, the level reached in the last 10-day reserves maintenance period of 2012 was as high as KM 1.72 billion and was KM 132.6 million (8.4 per cent) higher in comparison with the same period of the previous year. As of the last 10-day reserves maintenance period, the total balance of the accounts with the CBBH was KM 2.98 billion, with the annual increase of KM 79.9 million (2.8 per cent).

The implicit required reserves rate is a ratio of the total funds in the reserve account and the basis for calculation of the required reserves and it serves as a measure of the banking sector liquidity. In the course of 2012 this rate recorded values between 16.3 per cent and 20.6 per cent, and on average it was somewhat lower than the previous year.

On 30 June 2011, the CBBH Governing Board adopted a decision that the CBBH would use the following rates to calculate the banks' remuneration for the funds held in the reserve account with the CBBH:

- for the amount of required reserves, 70 per cent of the rate set on the basis of the weighted average of interest rates that the Central Bank received during the same period in the market on deposits invested for up to one month,

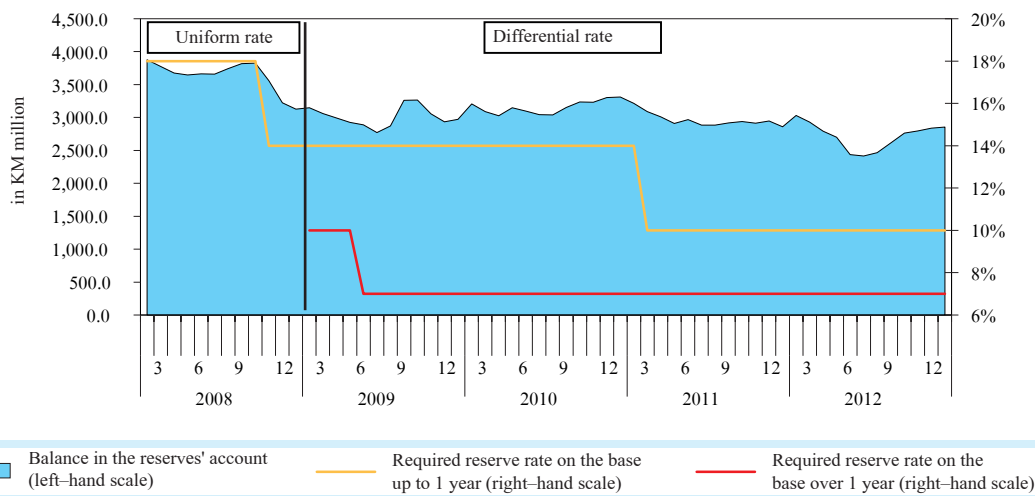
- for the amount in excess of required reserves, 90 per cent of the rate set on the basis of the weighted average of interest rates that the Central Bank received during the same period in the market on deposits invested for up to one month.

paid by the CBBH to the banks for the funds held in the accounts with the CBBH declined considerably.

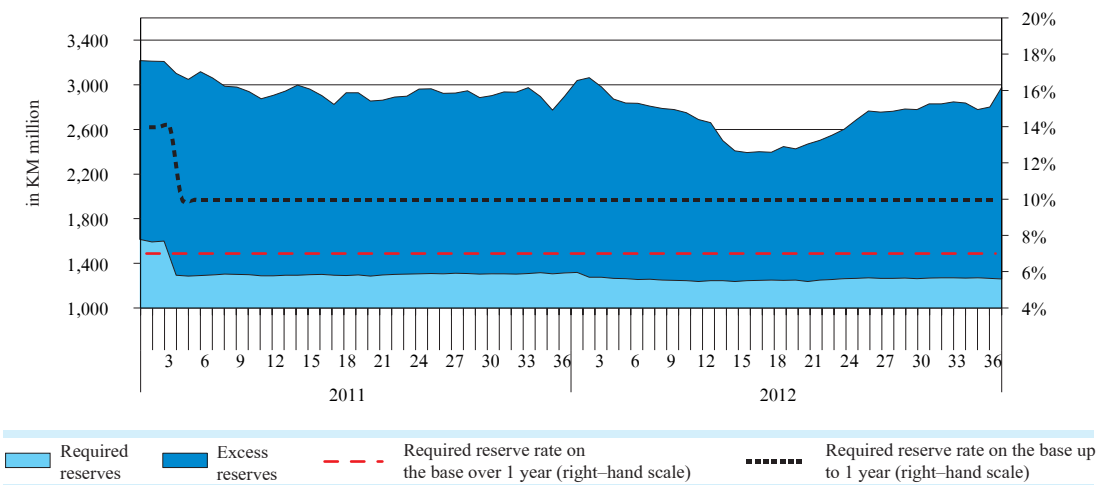
Owing to extremely low rates at the international banking market and the stricter placement criteria, the level of remuneration

The total remuneration paid to banks in 2012 was KM 992.6 thousand, with KM 396.9 thousand as remuneration paid for the amount held as required reserves, and KM 595.7 thousand for the amount in excess of required reserves.

Graph 2.8: Balance in the Reserves' Account and the Required Reserves' Rate



Graph 2.9: Liquidity of Commercial Banks by Maintenance Periods in 2011 and 2012



2.5 Foreign Currency Reserves

Management of foreign currency reserves is one of the most important functions of the CBBH, and consequently extraordinary attention is paid to their safe investing. In 2012, the CBBH foreign currency reserves were invested in accordance with the Law on the CBBH, CBBH Foreign Currency Management Guidelines and in accordance with the Operational Investment Rules, as well as the instructions of the Investment Committee.

Within the CBBH organizational structure, foreign currency management and investment decisions are made on three levels. The Governing Board approves the CBBH Foreign Currency Management Guidelines, which determine the type and the level of risk the CBBH is willing to assume and the area in which the operational management will enjoy discretionary authority. The Investment Committee guides this process within the framework established by the Guidelines and adopts the Operational Investment Rules. The Banking Department invests foreign currency reserves in accordance with the Guidelines and Operational Rules. Within these parameters, the Banking Department decides which banks and which instruments to use for investment of foreign currency reserves, as well as about the maturity of deposits or securities, and informs the Investment Committee accordingly.

In view of the fact that most CBBH revenues are generated from investment of foreign currency reserves, the Investment Committee made efforts to achieve appropriate yields through active management, while primarily respecting the fundamental principles of safety of investments, as well as the daily liquidity. During the year, the Investment Committee weekly considered all available information from relevant money and capital markets in the euro area and the world, as well as available forecasts that may affect the invested foreign currency reserves during the current year, but also in the following period. The potential and modalities of the CBBH foreign currency reserves' investment and management policies were also continuously analyzed and appropriate modifications were

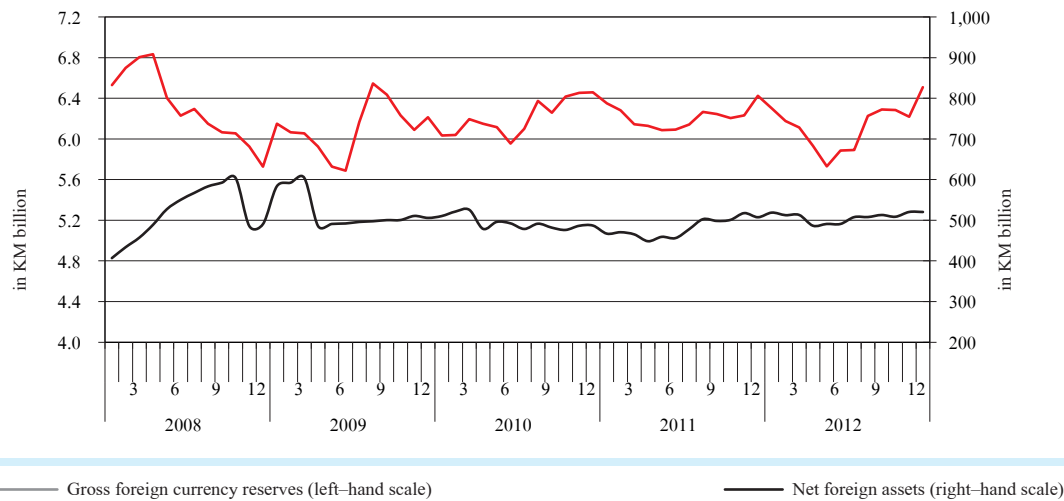
initiated to adapt to the market conditions in the euro area.

The Investment Committee continuously reviewed reports on all available information regarding the ratings of the foreign banks with which the CBBH holds time deposits and funds in the current account, as well as with the countries that issued the securities represented in the CBBH foreign currency investment portfolio, in order to minimize the credit risk.

In accordance with the Law on the CBBH and above mentioned internal documents, the CBBH manages foreign currency reserves based primarily on the principles of liquidity and safety of investments. The above approach implies the effort to achieve advantageous yields on invested foreign currency reserves, while maintaining their high liquidity and an acceptable risk exposure.

The foreign currency portfolio is exposed primarily to financial risks, including credit, market (interest rate and currency) and liquidity risks.

The CBBH limits credit risk exposure by investing into bonds of the countries with highest credit ratings, and by investing deposits with the selected euro area central banks, select foreign commercial banks and the BIS, on conditions that they meet the suitable contracting party standard and taking into account the limits of investing into any given country or commercial bank. Interest-rate risk, i.e. the risk of a drop in value of currency reserves due to changes in interest rates, is mitigated by application of so called benchmark portfolios, as well as maintaining short duration of the total foreign currency reserves' portfolio. Currency risk constitutes a possibility for the CBBH to record a loss due to a change in the value of foreign currency assets and liabilities caused by possible unfavourable movement of exchange rates of currencies in which the foreign currency reserves are maintained relative to the domestic currency. The CBBH mitigates this risk by holding foreign currency reserves mostly in euros, as the convertible mark's exchange rate is fixed relative to the euro. Instruments used to provide daily liquidity include: overnight deposits and funds in current accounts with

Graph 2.10: Foreign Currency Reserves of CBBH

Source: Table 24

foreign commercial banks that meet the credit risk criterion, overnight deposits and funds in current accounts with BIS and central banks and maturing funds across all instruments. Liquidity risk is mitigated by investing foreign currency reserves into short-maturity deposits.

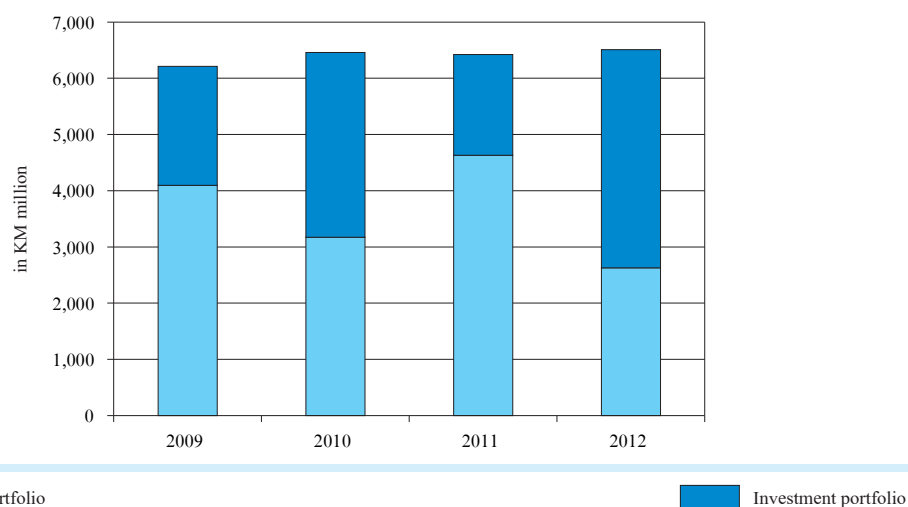
During the first six months of 2012, foreign currency reserves recorded a substantial decrease of KM 536.7 million (8.4 per cent) relative to the end of the previous year. The main reason was the negative balance of purchases and sales of KM 519.0 million. The lowest value of KM 5.73 billion was recorded as of end-May. With the start of the tourist season and of arrival of BHcitizens from abroad, the balance of purchases and sales of KM turned positive and the foreign currency reserves' growth trend emerged. The total value of the positive balance of purchases and sales of KM in the last six months of 2012 was KM 538.4 million. The disbursement of the first tranche of the IMF Stand-by Arrangement of KM 118.9 million in September also contributed to the rise in foreign currency reserves, with the level of foreign currency reserves reaching KM 6.29 billion. The disbursement of the second tranche of KM 115.3 million in December, as well as the seasonal impact of New Year's holidays and banking activities connected with the end of the year and meeting of

requirements of various regulatory bodies caused an additional increase of foreign currency reserves, which stood at KM 6.51 billion at the end of the year. Relative to end-2011, the growth was notable at KM 84.9 million, or 1.3 per cent.

The average daily balance of the CBBH foreign currency reserves in 2012 was KM 6.09 billion and it was KM 20.1 million lower relative to the average daily balance of foreign currency reserves in 2011, which was KM 6.11 billion.

Net foreign assets of the CBBH were mainly a result of the profits from investment of foreign currency reserves into bonds, deposits and gold. The level of net foreign assets of the CBBH fluctuated mildly during the year and rose to KM 520.3 million as of the end of the year, which was KM 12.9 million (2.5 per cent) more relative to the end of the previous year.

At the end of 2012, securities accounted for 59.6 per cent in the structure of foreign currency reserves, while deposits with central banks, BIS and foreign banks accounted for 35.9 per cent, foreign currency effectives in the CBBH vault for 2.0 per cent, monetary gold for 2.4 per cent and SDR with IMF for 0.1 per cent. Due to market movements, the CBBH restructured its foreign currency reserves'

Graph 2.11: Investment Structure of CBBH Foreign Currency Reserves

portfolio by reducing the deposits with non-resident banks by KM 2.05 billion (48.6 per cent) while increasing the investment into securities by KM 2.08 billion (116.4 per cent). Consequently, the share of the liquid portfolio (along with minor changes in other components) decreased from 72.1 per cent last year to 40.4 per cent, while the share of the investment portfolio increased from 27.9 per cent to 59.6 per cent.

In accordance with the Law on the CBBH, in April 2012 a KM 27.6 million portion of the 2011 profits of was transferred to the account of the BH Ministry of Finance and Treasury, which manages the budget of the BH Institutions.

The combined effect of all investments of the CBBH foreign assets into convertible foreign currency²⁵ in 2012 was KM 60.0 million, and the corresponding effective rate of return²⁶ was 0.99 per cent.

Relatively low achieved rates of return on investment into convertible foreign currencies were a consequence of low rates of return on securities and short-term deposits in euros that were prevalent in the financial markets during 2012, and that were caused by poor macroeconomic performance of the euro area and by very relaxed monetary conditions in the euro area. As in the previous

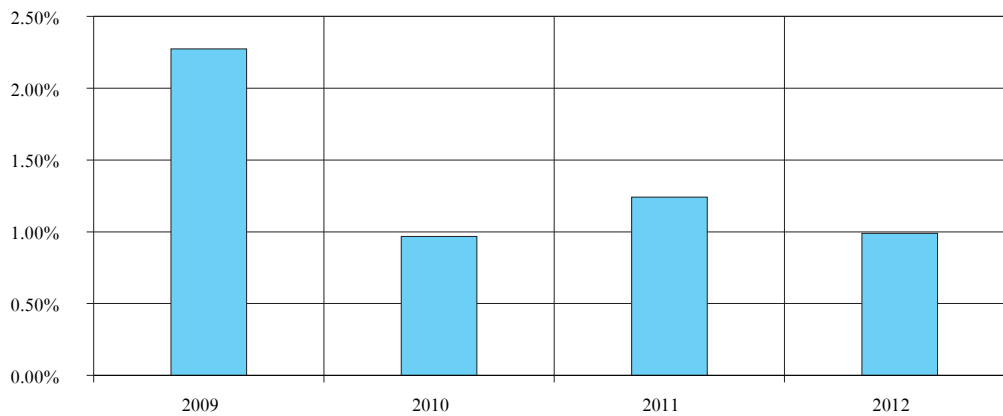
year, foreign-currency, money and capital markets were under a considerable pressure of global developments in 2012.

At its session on 5 July, ECB cut its reference rate by 25 basis points, from 1.0 per cent to 0.75 per cent, while the interest rate on overnight deposits was cut to 0 per cent, which was reflected in the decline of interest rates in the money market. With this reduction of the reference rate, ECB joined the major world central banks (US Fed, Bank of England) with the expectation that ECB will follow up with additional quantitative facilitating monetary policy measures. In early September, ECB announced a new program of sovereign bond purchases called 'Outright Monetary Transactions' (OMT) in order to normalize the borrowing conditions for countries whose bond yields were high. The above-mentioned purchases will be fully sterilized. The ECB reference rate was maintained at the 0.75 per cent level through end-2012.

Simultaneously, in September the US Fed reconfirmed its intention to maintain low interest rate in the 0.0 - 0.25 per cent ranges through mid-2015 in order to stimulate American economic growth and reduce unemployment, which represented a change of previous announcement that the interest rate would be maintained at this level through mid-2014. Furthermore, the decision was

²⁵ Investments in convertible foreign currency constituted the total value of foreign exchange reserves minus the value of monetary gold in CBBH assets.

²⁶ The effective rate of return is calculated by dividing total proceeds from investment of foreign currency reserve assets (in gold and in convertible foreign currencies) by the average level of foreign exchange reserves in the observed period. When calculating total proceeds from investment of foreign currency assets, all net receipts from interest on bonds and deposits are included, as well as the realized portion of capital gains/losses due to sales of bonds and monetary gold from the foreign currency portfolio of the CBBH.

Graph 2.12: Average Annual Return Rates on CBBH's Foreign Currency Reserves

adopted to introduce the third cycle of quantitative easing, which includes monthly purchases of USD 40 billion of mortgage bonds and a continuation of the 'Operation Twist' through end-2012.

As in previous years, decisions of leading global rating agencies to lower the credit ratings of some euro area members and banks contributed to increasing instability (fluctuation of prices and yields) in financial markets.

**PAYMENT TRANSACTIONS
OF CBBH AND
COMMERCIAL BANKS**

III

3. PAYMENT TRANSACTIONS OF CBBH AND COMMERCIAL BANKS

During 2012, the payment systems of the Central Bank of Bosnia and Herzegovina recorded growth in both the volume and value of transactions.

The legal framework and technical equipment ensured continuous operation, with a high level of stability and security of both systems - real time gross settlements and giro clearing.

In the course of the year, the total payment transactions volume in BH was 33.8 million, representing an increase of 4.1 per cent, while the total transaction value was KM 81.53 billion, which constituted a 6.4 per cent increase relative to 2011.

The share of the RTGS transactions in the total transactions volume was 2 per cent, while their share of the total value of transactions was 84 per cent in 2012. The giro clearing transactions accounted for 98 per cent of the total transactions volume and 16 per cent in terms of their total value.

In the past year, the volume of inter-bank transactions increased, as well as the volume of so-called intra-bank transaction. Some 64.7 million of intra-bank transactions (vs. 60.3 million in 2011), and 33.8 million of inter-bank transactions (vs. 32.5 million in 2011) were conducted in 2012.

Out the total value of transactions, 66 per cent were conducted within banks, vs. 34 per cent of orders executed between banks through the CBBH payment systems. The year before, this balance was 65 per cent to 35 per cent.

There were also changes in terms of value of total transactions, with KM 89.9 billion transacted through intra-bank orders in 2012 (vs. KM 93.3 billion in 2011) and KM 81.5 billion between banks (vs. KM 76.6 billion in 2011). The balance between inter-bank and intra-bank orders was in favour of intra-bank orders, as 52 per cent of transactions value was conducted within banks, vs. 48 per cent of orders executed between banks (in 2011 this balance was 55 per cent against 45 per cent).

Graph 3.1: Value of RTGS and Gyro Clearing Transactions

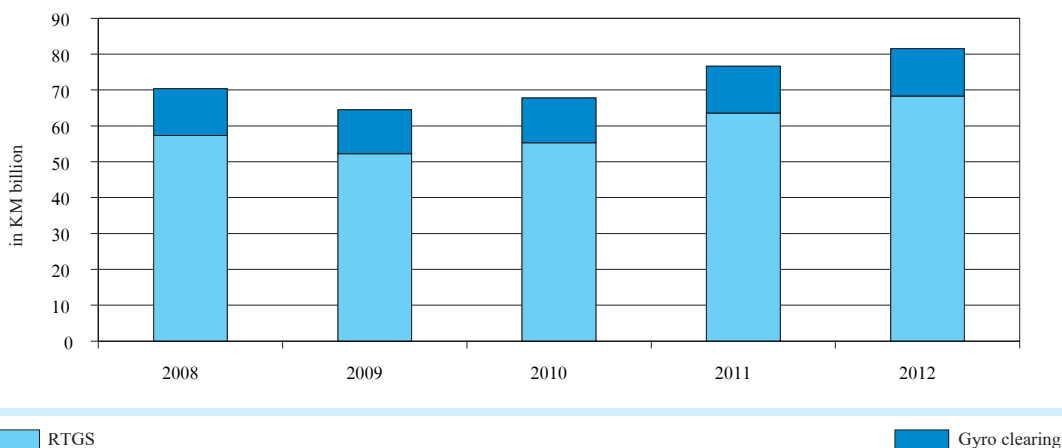


Table 3.1: Payments System Transactions

	Number of transactions	Share in the total number of transactions	Value in KM	Share in the total value of transactions
RTGS	763,522	2.00%	68,310,225,344	84,00%
Gyro clearing	33,073,839	98.00%	13,223,043,087	16,00%
Total:	33,837,361	100.00%	81,533,268,431	100,00%

Ten banks accounted for 66.5 per cent of the total value of RTGS and giro clearing intra-bank transactions, which was insignificantly less relative to the previous year (when ten banks conducted 66.8 per cent of all transactions). However, the share of top ten banks maintained a declining trend with regard to the total transactions value, at 72.6 per cent, relative to the previous year's 80.1 per cent. Consequently, for the third year in a row, the concentration of payment operations in several largest banks was reversed through dispersion among a greater number of banks.

Commercial banks benefited from pricing advantages offered by the Central Bank of Bosnia and Herzegovina for the time adjustment and scheduling in execution of payments transactions.

The utilization of the Central Credit Registry of Legal and Physical Entities was intensified in 2012, since the Registry was accessed 2,688,262 times (vs. 2,448,600 times in 2011). The total number of Registry Access Points increased to 2,134 (there were 1,730 of those points in 2011). Commercial banks accounted for most access points – 1,621, microcredit organizations – 440, leasing companies 65, insurance companies 1 and others - 7 access points.

The Single Registry of Transaction Accounts kept the records for a total of 525,661 transaction accounts, of which 216,737 were active accounts as of end-2012, with 59,122 blocked and 249,802 closed accounts. In addition to accessing the data from the Single Registry of Transaction Accounts over the Internet, interested parties could receive reports both through the CBBH main units and through the Main Bank of the RS CBBH. In the preceding year, the CBBH organizational units issued a total of 9,990 excerpts from the Single Registry of Transaction Accounts, as follows: the Sarajevo Main Unit issued 6,814, the Mostar Main Unit - 1,456 and the Republika Srpska Main Bank of the CBBH - 1,720 reports.

In 2012, the CBBH continued to extend international payments clearing services to

commercial banks. International payments clearing constituted a type of payment system established by the National Bank of Serbia and the Central Bank of Bosnia and Herzegovina. Clearing, i.e. all payments and settlements, is conducted through the clearing operator headquartered with the National Bank of Serbia.

A total of 6,819 orders (vs. 6,852 orders in 2011) were executed through the international payments clearing system with Serbia, with the total value of EUR 93.6 million (vs. EUR 84.2 million in 2011). The following five banks from Bosnia and Herzegovina participated in this effectively most inexpensive and swift payment system between two countries: Sberbank AD Banja Luka, Sberbank BH Sarajevo, Pavlović International Bank, Procredit Bank DD Sarajevo, and Balkan Investment Bank AD Banja Luka.

Card Services in BH in 2012

As of end-2012, 26 out of the total of 29 commercial banks in BH offered to their clients card services of the global brands: MasterCard, Visa, American Express and Diners. Two banks offered to citizens the only domestic card – Bamcard.

The total number of cards issued as of the end of the year was 1,830,299, which were 39,254 cards more than in 2011. This was a considerable increase, although not as high as in 2011, when 97,579 new cards were issued relative to 2010.

Transactions worth a total of KM 6,33 billion were conducted by means of these cards in the country and abroad, which constituted an increase of KM 397.4 million, or 4.9 per cent relative to 2011. Out of the total transactions value, KM 4.63 billion, or 73 per cent, accounted for cash withdrawn from ATM machines, in the country or abroad, while KM 1.70 billion, or 27 per cent, were transacted at POS (point-of-sale) machines, of which KM cash withdrawals and purchases accounted for 681.6 million and KM 1.03 billion, respectively. The average value per transaction was KM 105, while in 2011 it was 131 KM, rendering

evident a decline in the average transaction amount. An average annual turnover per card was KM 3,457 in 2012, unlike 2011, when it was KM 3,367, which constituted an increase of KM 90.

Cards issued in BH were used to withdraw KM 334.6 million of cash at ATM and POS machines abroad. Of this amount, KM 116.1 million of cash was withdrawn at ATMs, KM 1.6 million at POS machines, while KM 2.16.9 million-worth of purchases were made through POS machines, which constituted an increase of spending abroad relative to 2011.

Cards issues by foreign banks accounted for a total turnover of KM 952.5 million at the ATM

and POS machines of the banks in BH. Of this amount, cash withdrawals accounted for KM 674.6 million and the purchases paid for by cards issued by foreign banks were KM 201.2 million, with additional KM 76.6 million of cash withdrawn from POS machines.

The handling of cash over bank and shop counters is increasing, owing to the attempt of banks to introduce as many ATM and POS machines as possible, which increases benefits for clients and reduces the costs for the banks. In 2012 there were a total of 1,284 ATMs and the number of POS machines in shops increased to 19,320.

**CASH MANAGEMENT AND
TREASURY OPERATIONS**

IV



4. CASH MANAGEMENT AND TREASURY OPERATIONS

Balance and Trends of Cash in Circulation

As of December 31, 2011, the total value of cash in circulation was KM 2,747,511,841.80. There were 44.676.784 banknotes worth KM 2.627.123.740 and 234.812.340 coins worth KM 120.388.101,80 in circulation.

The total value of cash in circulation as of 31 December 2012, relative to 31 December 2011, increased by KM 103,456.333.25, or 3.9 per cent.

The quantity of banknotes in circulation, relative to the same period of the previous year, increased by 866,451, with the total value of KM 97.086.180. Relative to the previous year, the quantity of banknotes with denominations of KM 200, 100 and 20 was increased, while the quantity of KM 50 and KM 10-denominated banknotes was reduced. The quantity of coins in circulation, relative to the same period of the previous year, increased by 14.768.328 coins, with the total value of KM 5.370.153,25. The quantity of coins with denominations of 10 pfennig and 5 pfennig increased the most (by 4.4 million pieces, or 6.8 per cent, and 4.3 million pieces, or 12.7 per cent, respectively).

Table 4.1: Cash in circulation as of December 31, 2012, by denomination

Denomination in KM	Date of circulation	Pieces	Value	% of circulation
Banknotes				
200	15.05.2002	2,510,195	502,039,000.00	18.3
100	27.07.1998	11,121,368	1,112,136,800.00	40.5
50	27.07.1998	15,872,707	793,635,350.00	28.9
20	27.07.1998	6,758,745	135,174,900.00	4.9
10	22.06.1998	8,413,769	84,137,690.00	3.1
Total banknotes		44,676,784	2,627,123,740.00	95.6
Coins				
5	04.01.2006	6,994,548	34,972,740.00	1.3
2	28.06.2000	9,398,439	18,796,878.00	0.7
1	28.06.2000	35,015,480	35,015,450.00	1.3
0.50	09.12.1998	25,488,935	12,744,467.50	0.5
0.20	09.12.1998	49,844,104	9,968,820.80	0.4
0.10	09.12.1998	69,723,478	6,972,347.60	0.3
0.05	04.01.2006	38,347,358	1,917,367.90	0.1
Total coins		234,812,342	120,388,071.80	4.4
Total banknotes and coins		-	2,747,511,841.80	100.0

Table 4.2: Overview of Cash in Circulation, Withdrawn Banknotes and Counterfeits, 2008-2012

Year	Circulation	Withdrawn banknotes	Nominal value of counterfeits
2008	2,552,431,902	867,449,706	49,831
2009	2,267,734,115	573,411,726	111,438
2010	2,497,501,445	261,884,788	72,701
2011	2,645,055,508	13,809,849	63,047
2012	2,747,511,841	477,374,530	33,604

The Central Bank continuously retires worn and damaged banknotes, which are destroyed as per applicable regulations, and a considerably larger quantity of damaged banknotes was destroyed in 2012 because worn and damaged banknotes were collected in 2011, but not destroyed before banknotes printed in 2012 were delivered.

Cash Provisioning

Commercial banks were supplied with cash through the vaults of the main units and branches of the CBBH, located in Sarajevo, Banja Luka, Mostar and Brčko, with strict adherence to the currency board arrangement. Communications related to delivers of cash to commercial banks are conducted exclusively through the electronic interbank money market platform, with particular attention devoted to security measures during transport of cash to and from separate vaults. Communications related to such transports are conducted over secure channels.

New Issue of KM Banknotes in 2012

In 2012 the printing company delivered the following quantities of 2012-issue banknotes: 15,000,000 banknotes of the KM 100 denomination, 15,270,000 of KM 50 denomination, 16,440,000 banknotes of KM 20 denomination and 20,270,000 banknotes of KM 10 denomination.

Banknotes issued in 2012 were improved in terms of the quality of paper and counterfeit security features. Both the security features intended for the public and the elements for banknote procession machines were upgraded.

Banknotes Analysing and Protection from Counterfeiting

In 2012, 3,607 counterfeit KM banknotes and coins were detected, which was 48.8 per cent less than in the previous year. The total value of counterfeit banknotes and coins was KM 33,604, which was 48.8 per cent less relative to 2011. A total of 971 specimen of counterfeit banknotes was recorded in 2012, there were 971 counterfeit KM banknotes, which was 15.3 per cent less than in 2011. By denomination, most frequent counterfeit KM banknotes were KM 20-denominated banknotes (531 specimens or 54.7 per cent), followed by KM 50-counterfeit banknotes (215 specimens or 22.1 per cent), and KM 10-denominated banknotes (178 specimens or 18.3 per cent). With regard to counterfeit coins, 2,636 pieces were detected in 2012, which was 55.3 per cent less than in 2011. By denomination, the most frequently counterfeited coin in 2012 was the KM 1-denominated coin (2,038 specimens, or 77.3 per cent), followed by the KM 5 (540, or 2.5 per cent) and KM 2 denominations (58 specimen or 2.2 per cent).

Table 4.3: Detected KM Counterfeited Banknotes and Coins in 2012

Denomi- nation	KM banknotes					Total banknotes	KM coins			Total coins	Total
	200	100	50	20	10		5	2	1		
Volume	9	38	215	531	178	971	540	58	2,038	2,636	3,607
In %	0.9	3.9	22.1	54.7	18.3	100.0	20.5	2.2	77.3	100.0	-
Value	1,800	3,800	10,750	10,620	1,780	28,750	2,700	116	2,038	4,854	33,604
In %	6.3	13.2	37.4	36.9	6.2	100.0	55.6	2.4	42.0	100.0	-



**CENTRAL BANK OF BOSNIA
AND HERZEGOVINA AS THE
BANKING AND FISCAL AGENT**

V

5. CENTRAL BANK OF BOSNIA AND HERZEGOVINA AS THE BANKING AND FISCAL AGENT

In accordance with the concluded Agency Agreement between the CBBH and the BH Ministry of Finance and Treasury, in the course of 2012 the CBBH conducted the loans and grants operations arising from the agreements concluded by the Council of Ministers of Bosnia and Herzegovina with the international financial institutions (EIB, EBRD, World Bank etc.), as well as payment operations in the country and abroad, management of deposit accounts, currency conversions, investing of foreign currency assets into deposits and securities, management of letters of credit and tasks related to servicing of foreign debt.

Also in accordance with the concluded agreements between the CBBH and the FBH Ministry of Finance and RS Ministry of Finance, the CBBH continued to perform the duties of their banking and fiscal agent.

The essential task of the Central Bank of Bosnia and Herzegovina was to provide the necessary foreign currency amounts for BH Ministry of Finance and Treasury, on the basis of paid-in backing in domestic currency, to conduct required necessary international payment transactions and to provide timely reports to the BH Ministry of Finance and Treasury. Also on the basis of the above agreement, in late 2012 the BH Institutions Audit Bureau conducted the regular annual audit of the BH foreign debt servicing account for 2011 and issued the unqualified opinion.

In early 2012, during January and February, an interruption occurred in servicing of the foreign debt, which ultimately had a negative impact on the sovereign credit rating of BH. The country's liquidity was not in question, but the temporary failure to meet foreign debt obligations was caused by the differences in interpretation of the applicable regulations at a time when the budget of the BH Institutions was not adopted. With the adoption of the budget of the BH Institutions, foreign debt

servicing resumed in an orderly manner from February 2012.

Servicing of foreign debt obligations of BH in 2012 was executed completely and KM 413 million was paid. The payments were made to: the International Monetary Fund, World Bank (IDA, IBRD), Paris Club, European Bank for Reconstruction and Development, London Creditor Club, the Council of Europe Development Bank, Saudi Reconstruction and Development Fund, European Investment Bank, European Commission and to other public and private creditors.

In accordance with the concluded agreements, the CBBH continued to serve as the banking and fiscal agent of the Banking Agency of the Federation of Bosnia and Herzegovina and the Banking Agency of the Republika Srpska, as well as for the entity securities' registries.

In accordance with the agreement concluded with the BH Deposit Insurance Agency, the CBBH continued to maintain this institution's securities portfolio, which is managed by a foreign portfolio manager on the basis of a contract with the BH Deposit Insurance Agency.

In accordance with the Agreement on Execution of Tasks of the Banking and Fiscal Agent between the CBBH and the BH Indirect Tax Administration (ITA) and on the basis of the Law on Payments into the Single Account and the Distribution of Revenues, the CBBH continued to manage the single account of the ITA for collection of indirect tax revenues. As per this arrangement, commercial banks transferred all collected revenues to the single account of the CBBH on the daily basis, and then, following the ITA instructions, these revenues were allocated to multiple accounts in accordance with their different purposes established by law. On the basis of the Law on Excise Taxes, the CBBH continued the collection of motor-fuel tax revenues to the ITA account and distribution of these revenues as per ITA instructions to the entities and the Brčko District.

In order to enhance and improve its services as the banking and fiscal agent, the CBBH offered to its depositors the option of using electronic banking services in 2011 and this service continued to be offered in 2012.

The Central Bank daily executes activities to enhance its depositor operations, process automation, internal communications, all intended to improve operational efficiencies.

Credit Rating of Bosnia and Herzegovina

During 2012, the Central Bank of BH organized the missions of international rating agencies Standard & Poor's and Moody's Investor Service with the international and domestic institutions in BH relevant for assessment of the sovereign credit rating. Foreign debt servicing (its stoppage at the

start of the year), political situation, budget, relations with the international financial institutions and the financial system were the main discussion topics for the assessment of the credit rating of Bosnia and Herzegovina.

In 2012, the international credit rating agency Standard & Poor's confirmed the credit rating of Bosnia and Herzegovina and altered its outlook from "negative" to "stable". The BH credit rating with this agency as of end-2012 was "B/with stable outlook".

In the course of April, the Moody's Investor Service lowered the sovereign rating of Bosnia and Herzegovina from "B2/negative outlook" to "B3/watch - negative". In July this agency mildly increased the rating by altering the outlook from "watch - negative" to "stable outlook".

Table 5.1: BH Sovereign Credit Rating History - Standard & Poor's

Credit Rating	Date	Status
B+ / stable outlook	December 22, 2008	Rating assigned
B+ / stable outlook	December 8, 2009	Rating confirmed
B+ / negative outlook	July 28, 2011	Outlook revised
B / on watch - negative	November 30, 2011	Rating lowered
B / stable outlook	March 28, 2012	Rating confirmed/ Outlook revised

Table 5.2: BH sovereign credit rating history - Moody's Investors Service

Credit Rating	Date	Status
B3 / positive outlook	March 29, 2004	Rating assigned
B2 / stable outlook	May 17, 2006	Rating upgraded
B2 / negative outlook	May 16, 2011	Outlook revised
B3 / on review for downgrade	April 3, 2012	Rating downgraded
B3 / stable outlook	July 10, 2012	Rating confirmed/ Outlook revised

INTERNAL AUDIT

VI

6. INTERNAL AUDIT

The function of the internal audit in the BH Central Bank is performed by the Office of the Main Internal Auditor, organized as an independent organizational unit of the CBBH.

The internal audit activities in 2012 were focused on fulfilment of the duties defined by the Law on the CBBH and on implementation of duties and tasks imposed by the Central Bank's 2012 Business Plan and by the 2012 Internal Audit Annual Work Plan.

The essential goal of the work of the Internal Audit Office is to contribute to improvement of quality of operations of the Central Bank, to achievement of strategic goals and plans, to establishment of an effective risk management system, to safeguarding of assets and consistent application of the Central Bank's regulations and operational policy documents. In view of the stated goals, the Office continuously strives to improve its techniques and methods, to evaluate the efficiency and effectiveness of the system of internal controls and to establish appropriate procedures and instruments for identification, measurement, monitoring and control of risks that the Central Bank faces in its operations. The internal audit performs the risk assessment in accordance with the Central Bank Risk Assessment Methodology, which represents a framework for defining and identification of high-risk areas, processes and activities in the Central Bank and for establishment of adequate risk management measures.

The International Standards for the Professional Practice of Internal Auditing and the Internal Audit Code of Ethics, the Internal Audit Charter in the Central Bank of BH and the Manual on Internal Audit Operations in Central Bank of BH constitute the framework for execution of the internal audit function. In 2012, the Manual on the Internal Audit Operations in Central Bank of BH was updated in line with the recommendations

the De Nederlandsche Bank experts, who had conducted an assessment of the quality of the internal audit function in the Central Bank in 2011.

In accordance with the 2012 Internal Audit Plan, internal audits were conducted for some Central Bank functions, business processes and activities, with priority awarded to high-risk processes, such as management of foreign currency reserves, treasury operations, management of commercial banks reserve accounts, financial operations of the Central Bank, information systems' security and functioning of the physical and technical security systems.

Written reports were prepared about the completed audits, with proposed measures to eliminate shortcomings that were detected in the work processes and weaknesses in the operation of internal control systems. The Audit Committee considered the reports with attached recommendations and the Central Bank's Governing Board adopted them.

The Internal Audit Office continuously pursues professional education of its staff through various forms of trainings in the area of internal audit, implementation of the International Audit Standards, International Accounting Standards and International Financial Reporting Standards.

This education is conducted through international professional associations and institutions, professional associations of internal auditors, accountants and auditors at the state and regional level.

Strengthening of the internal audit function remains a permanent duty of the CBBH through directing its activities on continuous risk monitoring and assessment, as well as through assessment of adequacy of established internal controls with the aim to enhance risk management methods.

**INTERNATIONAL
COOPERATION
AND EUROPEAN
INTEGRATION**

VII

7. INTERNATIONAL COOPERATION AND EUROPEAN INTEGRATION

BH Relations with the International Monetary Fund

In December 2002, the Central Bank BH was appointed the fiscal agent for the membership and relations of BH with the International Monetary Fund, in accordance with that institution's Articles of Agreement, as well as with the special document - the Memorandum between the BH Central Bank and the BH Ministry of Finance and Treasury, Federation Ministry of Finance and Republika Srpska Ministry of Finance. The detailed financial position of the BH in the IMF is published in the CBBH annual reports, while the net financial position is published in monthly financial reports.

In 2012, in a Letter of Intent, BH asked the IMF for approval of a financial arrangement to support planned structural reforms. For the fourth time during its history of IMF membership (since 1995), a Stand-by Arrangement (SBA) was approved for Bosnia and Herzegovina in September 2012 for the total amount of 200 per cent of its quota (BH quota is SDR 169.1 million). Upon the approval of the SBA, two tranches were disbursed: the first, of SDR 50.73 million, on 26 September and, upon the completion of a review, achievement of progress and a supplementary Letter of Intent, the second one, also of SDR 50.73 million, on 21 December.

In accordance with its safeguards assessment policies (for safeguarding its loans), in November the Safeguards Assessment Department of the IMF visited and conducted an assessment of the BH Central Bank. The security of the financial arrangement that IMF approves for a member country is assessed for the following segments of the central bank of the given member country: legal framework, management system, external audit, financial reporting and internal control system.

Simultaneously, the SBA approved in 2009 matured in 2012. The repayment of maturing

liabilities (first instalment of the first tranche) began on 10 October with the amount of SDR 22.82 million.

Upon the invitation of the CBBH Governor, an IMF technical assistance mission took place in October with regard to Article VIII of the IMF's Articles of Agreement. In the first phase, the technical assistance mission was supposed to verify that in BH there are no *de jure* restrictions, and in a later phase, nor *de facto* restrictions regarding the current account balance of payments transactions. Since it became a member state of the IMF, BH opted to apply Article XIV of the IMF's Articles of Agreement, which means that for many years it has maintained temporary restrictions of current account balance of payment transactions.

BH Relations with the World Bank

In accordance with the Articles of Agreement of the World Bank, the Central Bank of Bosnia and Herzegovina serves as a depository institution for the members of the World Bank Group (IBRD, IDA and MIGA). Upon the instructions of these member institutions, it executes financial transactions on their accounts with the Central Bank.

During 2012 the World Bank approved two projects in BH within the framework of the BH 2012-2015 Partnership Strategy. An USD 120 million loan was approved for small and medium enterprises in order to improve access to finance for small and medium enterprises with support for export activities, increased sales and bolstering increased employment of inhabitants in the context of the global financial crisis. The other approved loan of USD 34.1 million was intended for development of a sustainable system of property registration along with harmonization of land registers and cadastre records in BH.

BH Relations with the EU

In 2012 the CBBH continued with the activities of harmonization with the standards of the European central banking and with the systemic strengthening of the partnership platform with the European Central Bank and member banks of the European System of Central Banks, established in earlier years within the framework of an EU technical cooperation program.

In October 2012, one year after the completion of the technical cooperation program between the CBBH and the ECB, EU assessed this project, which it had funded, as its most ambitious and most successful project implemented in BH to date. In the EU report on post-implementation monitoring of the project, the grade 5A, which it had received after the monitoring conducted during the project implementation phase, was reconfirmed. The grade 5A constitutes the highest possible evaluation grade and incorporates the grade A received on the basis of the following five criteria: 1) project relevance and design quality, 2) implementation efficiency, 3) project effectiveness, 4) project impact to date and 5) sustainability of the project's results. The key factors of this project's success were: precisely defined project goals and implementation modalities, as well as a very high level of CBBH ownership of the project, which permitted insights and acquisition of knowledge about best and most current practices and standards of the European central banking. The CBBH's proactive stance during the project provided for the sustainability of its results and for continued activities on harmonization with the European and international standards, conducted with own capacities but also with the support of other technical cooperation programs.

In 2012, the CBBH started to implement a technical cooperation program with the Deutsche Gesellschaft für Internationale Zusammenarbeit – GIZ, as part of the BH - Germany Cooperation Program for strengthening of public institutions and inter-institutional cooperation in BH. The

goal of the cooperation between CBBH and GIZ was to strengthen the capacity of the CBBH to prepare for accessing the European System of Central Banks and to support the harmonization of the CBBH standards with the standards applied in the European Union. In view of the specific areas of activity and needs of central banks, while stressing the principle of independence, CBBH signed a Memorandum of Understanding with GIZ defining the modalities of technical cooperation. The support provided to the Central Bank included advisory services of international and domestic experts on enhancing the process within the institutions, on-the-job training, development and application of software solutions. The following business segments were covered by the project: risk management and management of foreign currency reserves, cash management, IT and statistics. The project's main goal was the informatization of business processes. Strengthening of IT support, through synergies achieved across the Bank, contributes to reinforcing of the overall institutional and human resource of the CBBH.

Central Bank of Bosnia and Herzegovina in the European Integration Process in BH

In the course of the previous year, CBBH continued to contribute to the work of the BH coordination and expert structures established to implement the EU requirements.

CBBH representatives took part in the work and preparation of materials for the bodies established for implementation of the Stabilization and Accession Agreement, i.e. in the proceedings of the Subcommittee for Economic and Financial Issues and Statistics. In the EU recommendations and conclusions from the session of the EU - Bosnia and Herzegovina Committee, EU particularly lauded the operation of the Currency Board.

The CBBH took part in the drafting of the BH contribution for the 2012 Bosnia and Herzegovina Progress Report. The European Commission's report also positively assessed

the Central Bank's monetary policy within the currency board arrangement framework, for which it enjoys a great deal of reliability and trust. The European Commission confirmed that financial and monetary stability was preserved and recognizes the modern payment system maintained by the CBBH.

Furthermore, the CBBH participated in the development of the 2012-2014 Economic-Fiscal Program.

During 2012, preparatory activities continued for programming of the EU IPA 2012-13 pre-accession assistance. The terms of reference for the Financial Accounts Statistics segment were completed within the sectoral project of the EU support to statistical institutions in BH, as part of the public administration reform.

FINANCIAL SECTOR

VIII



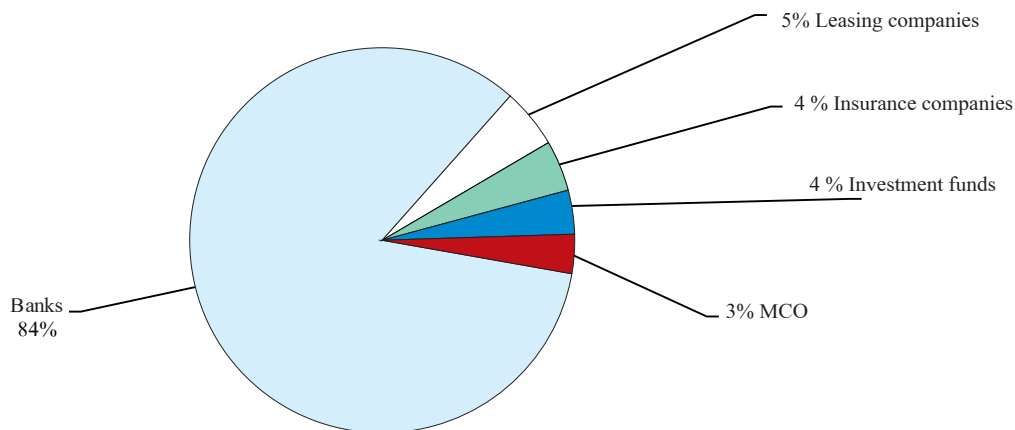
8. FINANCIAL SECTOR

In Bosnia and Herzegovina, the financial sector is comprised of commercial banks, microcredit institutions, leasing companies, investment funds and insurance companies. Commercial banks continue to account for the dominant share of the financial sector with 84 per cent of the total assets of the sector, while the rest of the financial sector is distributed approximately evenly between leasing and insurance companies, investment funds and microcredit organizations.

agencies through regular data exchanges and consultations on the banking sector. The Central Credit Registry has been established within the CBBH and it contains the data on all borrowing by legal and physical persons from commercial banks, MCOs and leasing companies in BH and provides financial institutions with more reliable information for credit risk assessment.

The BH Deposit Insurance Agency is responsible for insuring deposits of physical entities in commercial banks across the entire territory of BH, with participation of

Graph 8.1: Structure of BH Financial Sector in 2012



8.1 Characteristics of the Banking Sector

Commercial banks operated without restrictions throughout the territory of Bosnia and Herzegovina, although the banking supervision and regulation are organized on the entity level (FBH and RS). Banking sector supervision in BH is the competence of two entity banking agencies, depending on the location of the particular bank's headquarters. Entity banking operations' legislation is harmonized to a great extent, which creates equal operating environment and results in banking supervision conducted in accordance with the same standards and practices. According to the Law on the CBBH, the CBBH has a coordinating role in the banking supervision and it implements this role by cooperating with the banking

the banks that joined the deposit insurance program. The maximum insured deposit level did not change during the year and it remained at the KM 35,000 level, and the insurance program covers 26 commercial banks.

During 2012, the number of licensed commercial banks was reduced to 28, after the revocation of the banking licence of the Herzegovina Bank dd Mostar in July 2012. This bank had been in receivership since April 2001 and the process of its liquidation was initiated. One other bank in the Federation of Bosnia and Herzegovina was in receivership (Postanska Bank Sarajevo). The FBH Development Bank dd Sarajevo was defined as a special financial institution by a special law and its licence for commercial

banking was revoked in July 2008, but it is included in the statistical data, except for interest rate data.

The minimum level of starting capital for a bank remained unchanged at KM 15 million, and there were also no changes to other regulations on liquidity, maturity and currency matching during the year.

In terms of ownership, 27 banks were privately owned or predominantly privately

owned, while one bank was state-owned. Of 27 privately or predominantly privately owned banks, 19 banks were in majority foreign ownership.

In 2012, 12 banks²⁷ were registered for custodial operations, nine in FBH and three in RS. All banks held licenses for executing inter-bank transactions.

Table 8.1: Main Indicators in BH Banking Sector

	2008	2009	2010	2011	2012
Number of licensed banks	30	30	29	29	28
Assets, percentage of estimated nominal GDP	85.3	87.4	85.5	85.3	86.2
Assets, (annual growth in %)	7.7	-0.5	0.8	3.4	2.0
Lending, (annual growth in %)	22.4	-3.2	2.5	6.3	4.1
Non - performing assets, categories C-E	2.2	3.9	8.1	8.8	10.1
Net foreign assets, % of total assets	15.2	12.2	9.3	6.6	6.5
Tier 1, % of balance sum	9.0	10.3	10.7	11.0	11.5
Capital adequacy ratio	16.2	16.1	16.2	17.2	16.4
Return on average assets, ROAA, %	0.4	0.1	-0.6	0.7	0.9
Return on average equity, ROAE, %	4.3	0.8	-5.5	5.8	7.0

Source: FBH and RS Banking Agencies, (preliminary data 2012) and the CBBH.

²⁷ Source: FBH Securities Commission, RS Securities Commission.

8.2 Structure of the Banking Sector

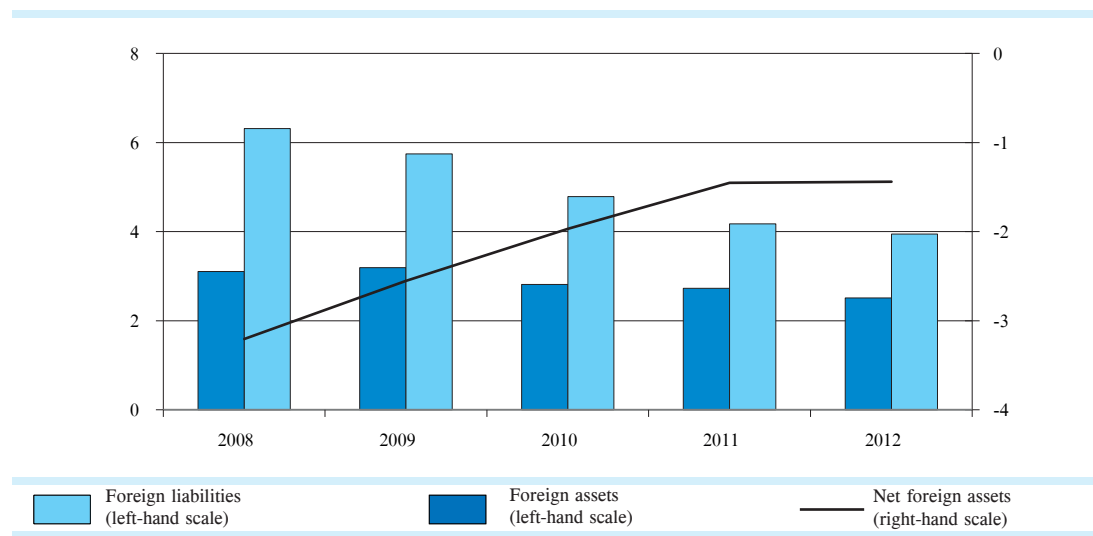
As of end-2012, the total assets of the BH banking sector were KM 22.32 billion, indicating a 2 per cent increase relative to end-2011. The table below presents the

structure of the commercial banks' balance sheets, which will be described in greater detail in the following Chapters.

	2008	2009	2010	2011	2012
ASSETS	21,118.3	21,009.6	21,177.6	21,898.1	22,324.6
1) Foreign assets	3,106.1	3,190.3	2,814.2	2,724.5	2,507.8
Transferable deposits	285.2	450.4	359.5	408.9	814.798
Other deposits	2,428.6	2,103.1	1,671.1	1,647.4	1,018.6
Loans	159.1	154.9	173.7	71.0	67.473
Others	233.2	481.9	609.8	597.2	606.9
2) Domestic assets	14,618.9	14,187.3	14,683.7	15,703.9	16,446.4
Claims on government	266.1	356.0	465.9	905.2	826.9
Claims on non-government	14,352.8	13,831.3	14,217.8	14,798.6	15,114.8
Short-term loans	3,419.7	3,323.1	3,555.1	3,922.6	4,247.0
Long-term loans	10,826.2	10,382.4	10,542.7	10,761.2	10,867.8
Other claims on non-government sector	106.9	125.7	120.0	114.8	504.7
3) Reserves	3,393.3	3,632.0	3,679.8	3,469.7	3,370.4
LIABILITIES	21,118.3	21,009.6	21,177.6	21,898.1	22,324.6
1) Foreign liabilities	6,311.9	5,744.1	4,783.2	4,176.9	3,947.0
Transferable deposits	313.9	224.7	222.0	176.5	249.018
Other deposits	3,024.1	3,003.1	2,397.6	1,960.3	1,804.425
Loans	2,854.5	2,407.5	2,054.4	1,931.7	1,780.708
Others	119.4	108.7	109.3	108.3	112.9
2) Domestic liabilities	11,875.1	12,092.1	12,530.0	12,993.0	13,326.5
Government deposits	2,291.9	2,008.1	1,665.2	1,487.3	1,319.3
Non-government deposits	9,583.2	10,084.1	10,864.8	11,505.7	12,007.2
Transferable deposits	4,013.7	4,068.4	4,405.4	4,427.1	4,341.4
Other deposits	5,569.4	6,015.6	6,459.4	7,078.5	7,665.8
3) Capital accounts	2,285.9	2,333.1	2,521.9	3,061.6	3,205.6
4) Other liabilities	645.4	840.3	1,342.5	1,666.6	1,845.5

Source: CBBH - monetary and financial statistics

Graph 8.2: External Position of Commercial Banks (in KM billion)



As of end-2012, foreign assets and foreign liabilities of commercial banks were KM 2.51 billion and KM 3.95 billion, respectively. Consequently, net foreign assets were negative KM 1.44 billion as the commercial banks' liabilities to non-residents exceeded the size of their claims.

Net foreign assets were higher by KM 216.6 million, or 8.0 per cent, in December 2012, relative to December 2011, but there were changes in the structure of foreign assets. Specifically, other deposits declined by KM 628.8 million, while transferrable deposits grew by KM 405.8 million. There were no significant changes in other categories.

On the other hand, commercial banks' liabilities to non-residents also declined during the period. Foreign liabilities dropped by KM 229.82 million, or 5.5 per cent, with the highest decrease relating to the other deposits of non-residents, which were down by a total of KM 155.8 million, or 8.0 per cent, while liabilities arising from borrowing from non-residents decreased by KM 151.0 million or 7.8 per cent. In annual terms, net foreign assets were 0.9 per cent lower in December 2012.

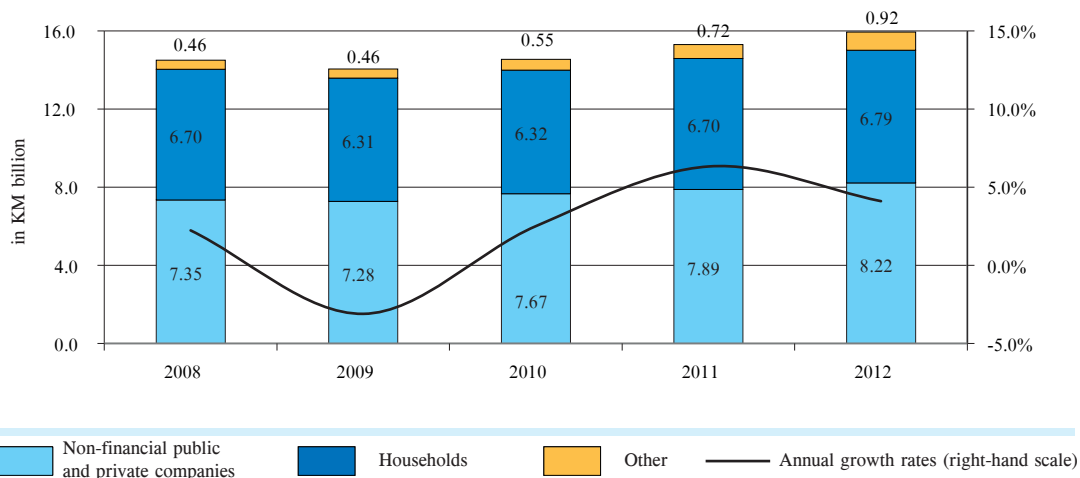
8.3 Loans

Commercial banks credit activities were considerably slower during 2012 and remained at a rather low level relative to the pre-crisis period. Total loans of commercial banks in December 2012 were KM 15.94 billion, equal to 61.5 per cent of GDP. The annual rate of growth of total loans was 4.1 per cent in December, while in absolute terms they grew by KM 630.6 million. As of end-2012, 63.2 per cent of total loans were indexed to a foreign currency, and this was a decrease relative to 66.8 per cent at end-2011. Regarding the maturity structure, the share of long-term loans in total loans continued to decline throughout the year and was 73.1 per cent in December of 2012.

In terms of sectoral structure, private and public non-financial companies accounted for 51.6 per cent, households for 42.6 per cent and the government sector for 5.2 per cent.

The loans to private and public companies at the end of the year were KM 8.22 billion, with the annual growth rate of 4.3 per cent, while during the year this rate was somewhat higher and ranged from 5 to 6 per cent. With regard

Graph 8.3: Total Loans - Sectoral Structure and Growth Rates (end of year)

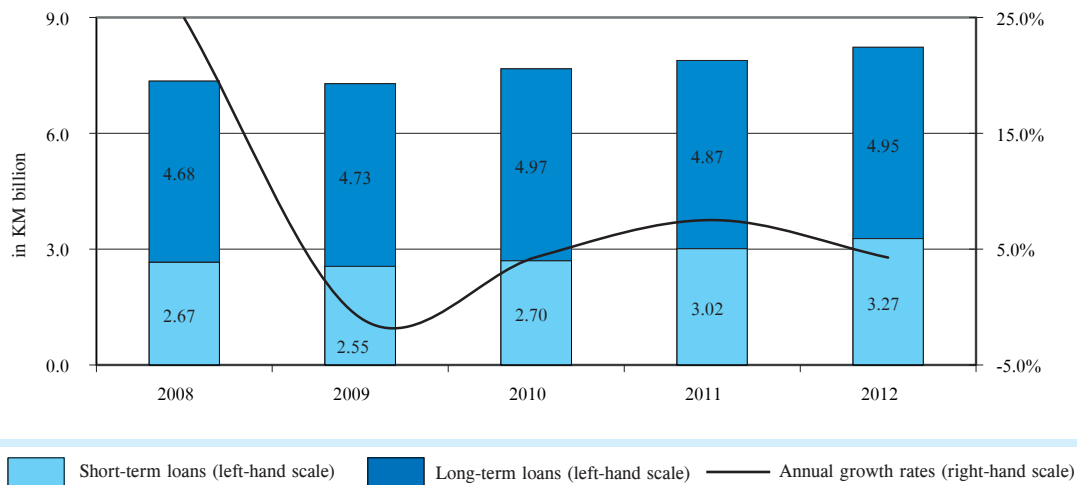


Source: Table 14 and 15

to maturity structure, long-term claims accounted for 58.3 per cent of total loans to private and public non-financial companies, and these claims grew at the annual rate of 1.6 per cent in December 2012. At the same time, the annual rate of growth of short-term claims from private and public non-financial companies was considerably higher at 8.5 per cent.

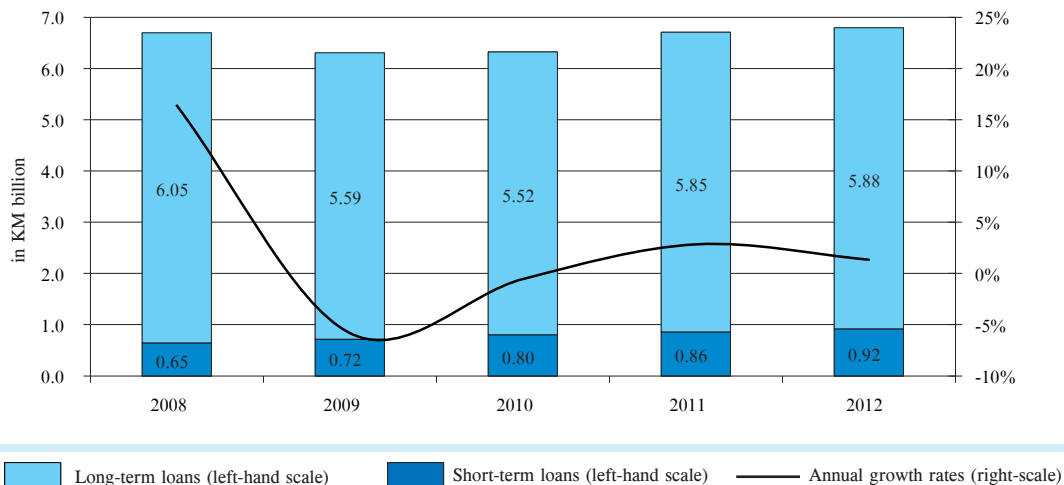
Claims on households were KM 6.79 billion as of end-2012, with the annual growth rate of 1.3 per cent. The long-term claims accounted for 86.5 per cent and short-term claims for 13.5 per cent. Short-term claims from households increased by KM 61.1 million, or 7.1 per cent, while long-term claims grew by KM 28.8 million, or 0.5 per cent, at the end of 2012.

Graph 8.4: Loans to Non-Financial Public and Private Companies (end of year)



Source: Table 14 and 15

Graph 8.5: Loans to Households (end of year)



Source: Table 14 and 15

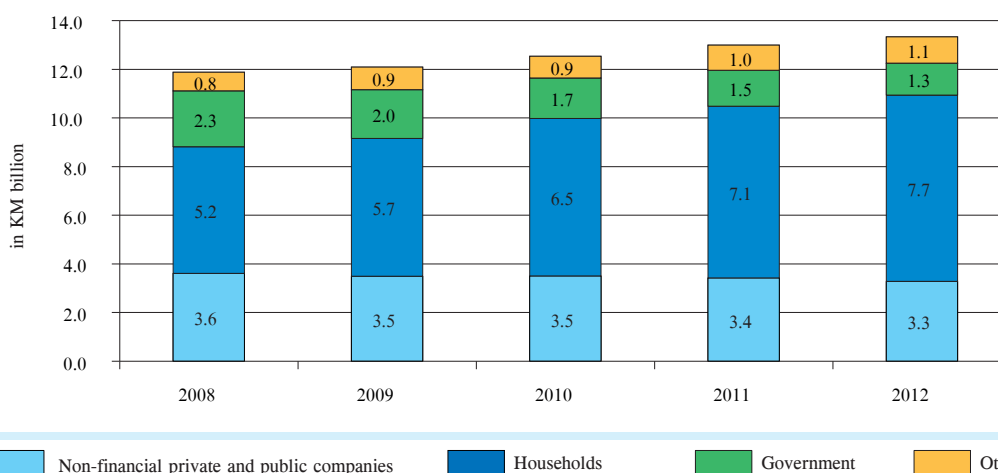
8.4 Deposits

The banks' deposit base continued its steady growth as in previous years. Total deposits of the domestic banking sector were KM 13.32 billion in December 2012, which constituted an increase of KM 333.2 million or 2.6 per cent relative to end-2011, and in relative terms were equal to 51.5 per cent of GDP. The annual rate of growth of total deposits ranged between 3 and 4 per cent during the year, which was lower than the previous year.

Sectors' wise, there was a divergence in trends. The deposits of the government sector

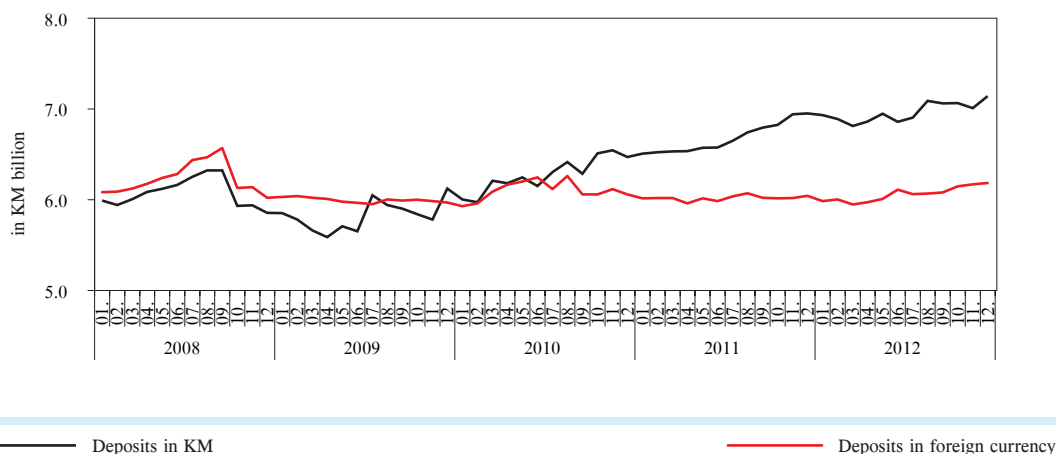
decreased relative to the previous year, so their share in total deposits also declined, and they were KM 1.32 billion in December. The total reduction was KM 168.0 million, or 11.3 per cent as of end-2012, relative to end-2011. In contrast, the deposits of the non-government sector exhibited a growth trend during the year and their share in total deposits increased by 1.5 percentage points to 90.1 per cent. Household deposits contributed the most to this increase, and these deposits accounted for 63.8 per cent of the total deposits of the non-government sector.

Graph 8.6: Deposits - Sectoral Structure (end of year)



Source: Table 12 and 13

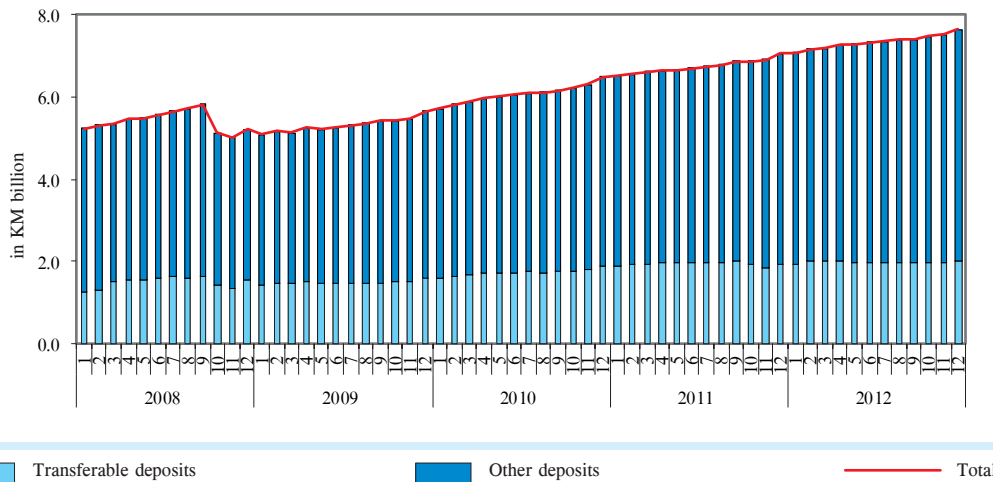
Graph 8.7: Deposits - Currency Structure (end of year)



Household deposits rose by a total of KM 603.9 million, or 8.6 per cent, relative to end-2011, to the total of KM 7.65 billion. The annual household deposits' growth rates remained rather constant during the year at 8 - 9 per cent. By currency, the household more often chose deposits in KM, which we conclude from the annual rates of growth.

Deposits of private and public companies accounted for 27.3 per cent of total deposits of the non-government sector and they were KM 3.27 billion at the end of 2012, which constituted a decrease of KM 146.5 million, or 4.3 per cent. The decline persisted throughout the year, caused by the companies' weaker liquidity and accumulation. Unlike household

Graph 8.8: Households Deposits

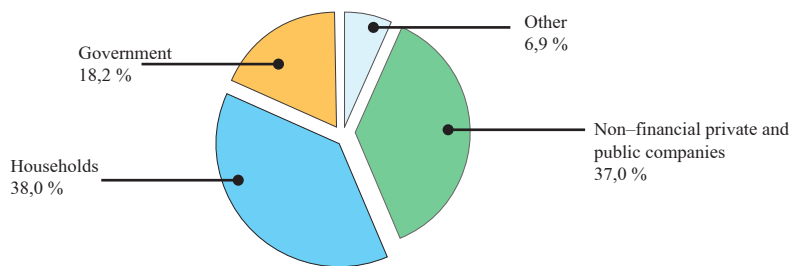


The annual rate of KM household deposits in December 2012 was 14.9 per cent, while it was 5.2 per cent for the foreign currency deposits in the same category, although the share of foreign currency deposits still remains considerably greater at 63.6 per cent of total household deposits.

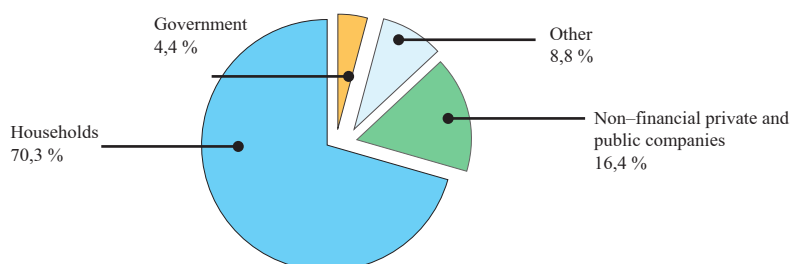
deposits, in this category KM deposits accounted for 70.8 per cent, while in terms of maturity 59.8 per cent were transferrable deposits.

Graph 8.9: Deposits - Sectoral Structure by Type in 2012

Transferable deposits:



Other deposits:



8.5 Bank Asset Quality²⁸

The banks' credit portfolio suffered further deterioration in 2012, particularly in H2. Non-performing assets of the entire BH banking system, classified in the riskiest C, D and E categories, totalled KM 2.13 billion, which was an increase of KM 288.4 million, or 15.6 per cent, relative to end-2011. As the credit portfolio was the most significant asset item, therefore non-performing loans constituted the most considerable portion of non-performing assets, accounting for 94.2 per cent of non-performing loans as of end-2012.

The total value of non-performing loans, classified in C, D and E categories, was KM 2.01 billion, which was KM 283.9 million, or 16.4 per cent, higher relative to the end of the previous year.

The share of non-performing loans in total loans rose from 11.8 per cent to 13.2 per cent at end-2012, relative to end-2011.

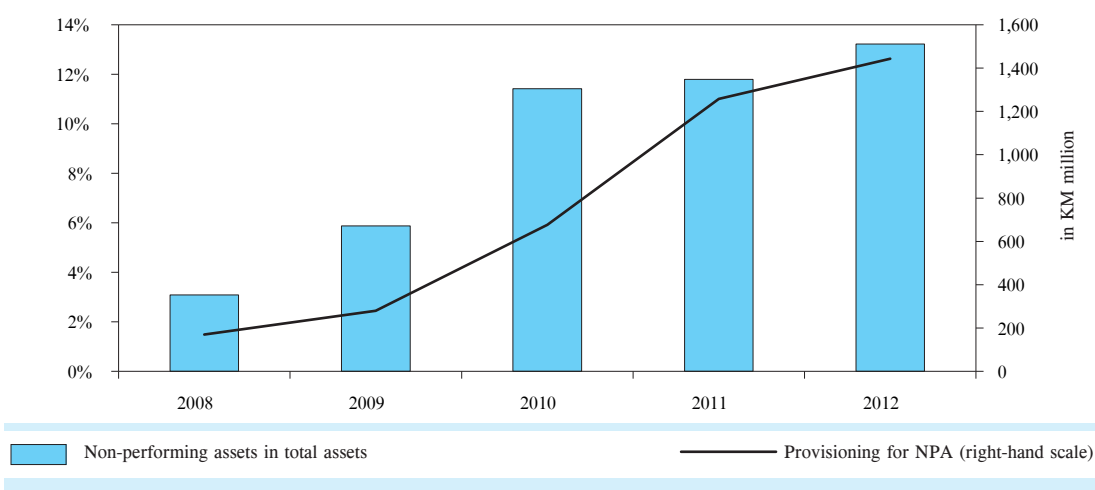
8.6 Bank Profitability²⁹

The total net revenues of the commercial banks in Bosnia and Herzegovina was KM 179.5 million as of end-2012, representing an improvement in comparison with the financial results in 2011.

The return on average equity (ROAE) rose from 5.78 per cent at the end of 2011 to 6.99 per cent, with the highest values of this ratio recorded by the foreign-owned banks - 7.64 per cent, while for domestically owned banks this ratio was 2.53 per cent.

The return on average assets (ROAA) rose from 0.67 per cent at the end of the previous year to 0.86 per cent at end-2012. For majority foreign-owned banks this ratio was 0.89 per cent, while for majority domestically owned banks it was 0.49 per cent.

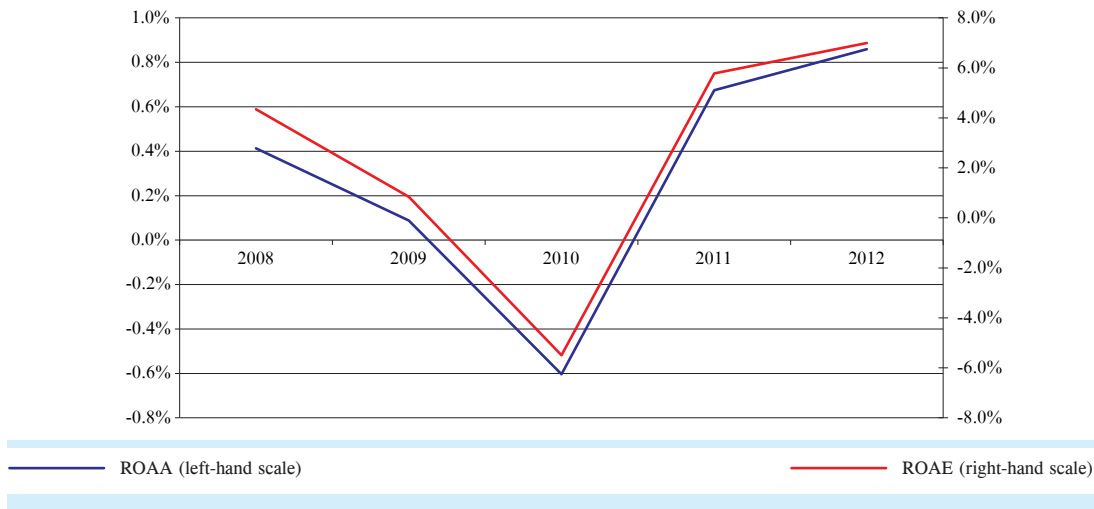
Graph 8.10: Share of Nonperforming Loans in Total Loans and Provisioning for NPA



²⁸ Preliminary Banking Agencies' data.

²⁹ Preliminary Banking Agencies' data.

Graph 8.11: Profitability of Banking Sector



8.7 Banks' Capital

As of end-2012, the net bank capital³⁰ decreased to KM 2.75 billion from KM 2.82 billion, but this did not cause any significant problems in terms of capital adequacy.

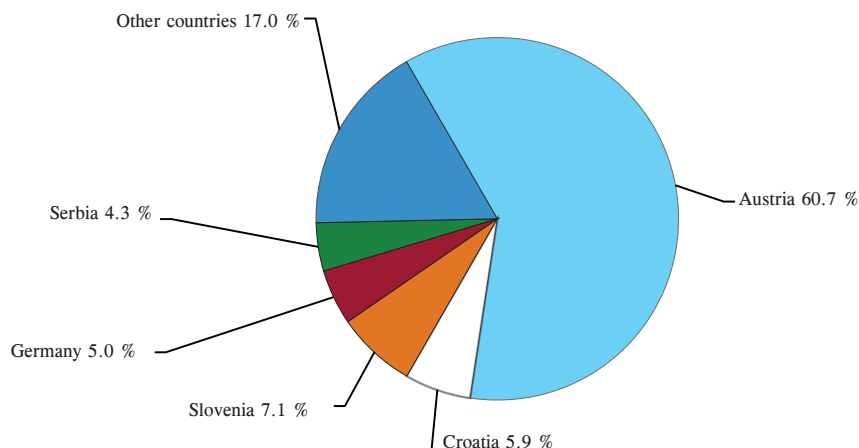
Capital adequacy ratio, representing the ratio of net capital and the risk-weighted assets, is one of the most significant indicators of capital adequacy and it was 16.41 per cent at the end of 2012, which was 0.7 percentage points lower relative to the end of the previous year and considerably above the legal minimum of 12 per cent. At the same time, the capital adequacy rate of domestic banks declined by 0.2 percentage point to 24.72 per cent.

The banks' equity totalled KM 2.56 billion and it was KM 150.7 million, or 6.2 per cent, higher relative to end-2011.

Majority foreign-owned banks continued to dominate the domestic banking system as they accounted for 87.3 per cent of the total equity and 91.9 per cent of average assets at the end of 2012.

In terms of the ownership structure of non-resident capital in commercial banks, there were no significant changes during the year. Austrian investors continue to dominate the market with a share of 60.7 per cent of the total equity, and the detailed presentation is found in the following graph.

Graph 8.12: Structure of Non-Resident's Equity in Commercial Banks by Countries



Source: CBBH

³⁰ Preliminary Banking Agencies' data.

8.8 Interest Rates

In the course of 2012, lending interest rates exhibited a declining trend, which indicates somewhat better conditions on the side of credit supply, but which ultimately did not lead to increasing credit activities. Lending interest rates for private companies recorded marked decreases of both long- and short-term rates. Lending rates for households for long-term loans trended mildly downwards, while during 2012 short-term rates rose to the level from H2 2011. Regarding deposit interest rates, there were no significant fluctuations during the year.

Interest Rates on Loans in KM

The average interest rate on loans in KM to non-financial private companies followed a declining trend that continued since 2011, throughout the year, except in May and December. In December 2012, it reached 6.73 per cent, which was 70 basis points lower than in December 2011, and this remained the lowest recorded value in 2012. At the same time, the average interest rate on short-term loans in KM to households was somewhat higher relative to 2011, and it mainly fluctuated around 10 per cent, only to reach 9.84 per cent in December 2012.

Most short-term lending to companies is in the form of loans in KM, and consequently short-term loans in KM to non-financial companies accounted for over 60 per cent of total lending during 2012. In contrast, long-term loans in KM accounted for only a very small portion of total loans (less than 3 per cent of total loans) and interest rates for this type of loans stayed very stable throughout the year. At the end of 2012, these rates were 7.72 per cent and 8.08 per cent for non-financial companies and households, respectively.

Interest Rates on Foreign-Currency Indexed Loans in KM

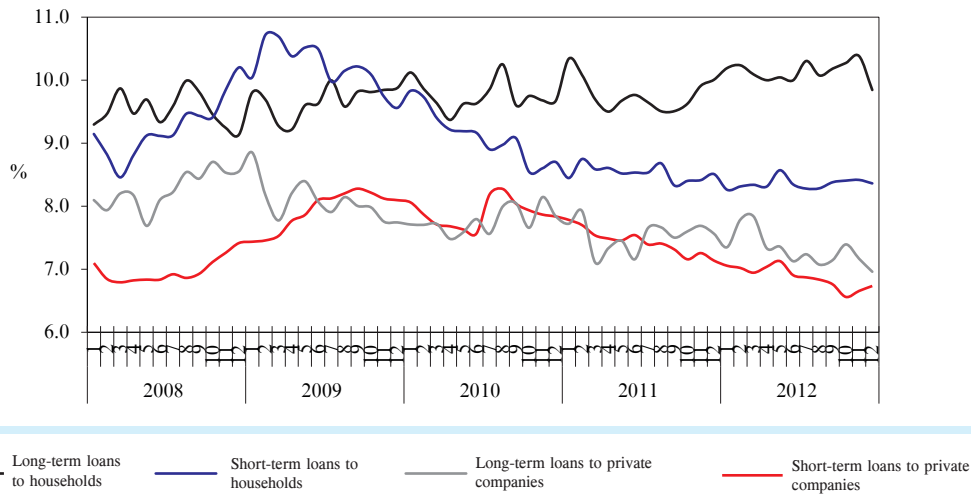
In 2012, interest rates with foreign-currency indexation exhibited exceptional stability, both for short- and long-term loans.

The share of foreign-currency indexed short-term loans in KM to non-financial private companies is relatively low (around 10 per cent of total loans), while the interest rate for this type of loans was at its lowest level of 6.94 per cent in December 2012. A very low percentage of total new short-term loans to households have foreign-currency indexation, so it is not possible to draw reliable conclusions on the movements of related interest rates.

Foreign-currency indexed loans were mostly long-term, with this type of lending accounting for around 80 per cent of all long-term loans approved during 2012. Average interest rates on foreign-currency indexed long-term loans were rather stable during the year and in December 2012 they were 6.96 per cent for non-financial companies and 8.36 per cent for household, constituting decreases of 60bp and 15bp, respectively.

Interest Rates on Loans in Foreign Currency

Interest rates on loans in foreign currency are not of great importance, as commercial banks in BH approve very few foreign-currency loans. During 2012 approved long-term loans mainly for non-financial private companies, while very few loans of this type were approved for households.

Graph 8.13: Commercial Banks' Average Lending Interest Rates

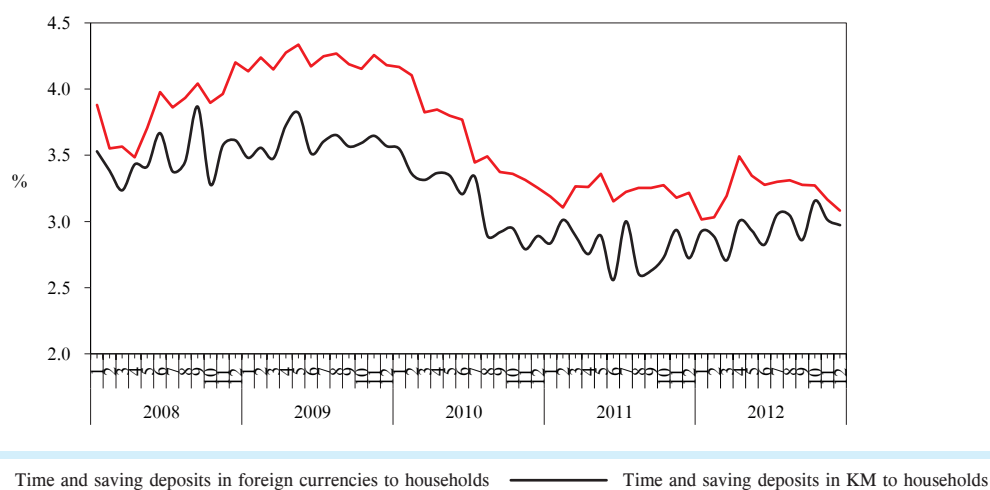
Source: Table 10a

Interest Rates on Credit Card Loans

With respect to short-term credit card loans, the average interest rate declined mildly during the year, but still remained very high at 13.19 per cent. In addition, the average interest year on long-term credit card loans remained unchanged at 14 per cent throughout the year.

Interest Rates on Demand Deposits

During 2012 there were no significant changes to average interest rates on demand deposits in KM, foreign currency-indexed loans in KM and in foreign currency, and these rates ranged up to 0.15 per cent.

Graph 8.14: Commercial Banks' Average Deposit Interest Rates

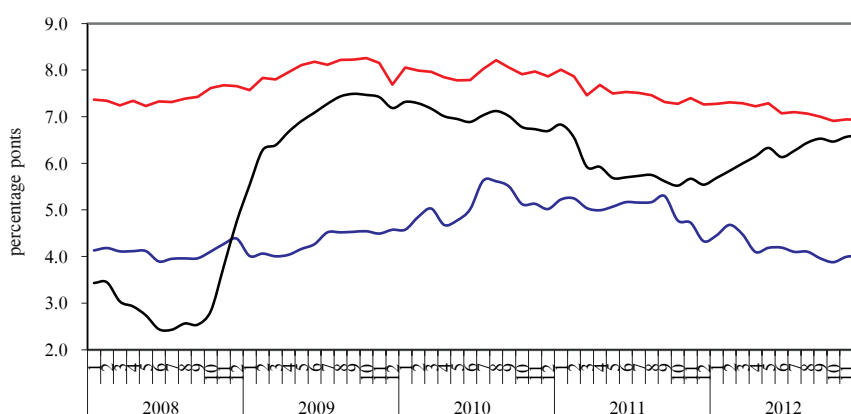
Source: Table 10b

Interest Rates on Time and Savings Deposits in KM

During 2012, interest rates on time and savings deposits changed in 2012 relative to previous years. The average interest rate on time and savings deposits in KM for non-financial private companies was 3.39 per cent in December 2012, which was the highest rate during the year, and as much as 125 basis points higher relative to the same month of 2011. The average interest rate on time and savings deposits in KM for households also followed somewhat milder rising trend and moved up to 3 per cent during the year.

contraction of the spread between lending and deposit interest rates of commercial banks in BH, which was 6.94 percentage points in December 2012, which was 33 basis points lower relative to the December 2011 level. Such movement of the spread was mostly caused by the decrease of the weighted average of lending and deposit interest rates. Over the same period, the spread between lending and deposit interest rates calculated only for time and savings deposits (which constituted a source of financing for banks' credit activities) was 4.01 percentage points, which constituted a decrease of 32 basis points relative to the end of the previous year.

Graph 8.15: Spread of Lending Versus Deposit Interest Rates



— Total loans - total deposits — Total loans - time and saving deposits — Total loans - 12 months EURIBOR

³¹ Lending interest rates are calculated as the weighted average of interest rates on short-term and long-term loans to private corporations and households in KM, foreign currency-indexed loans in KM, in foreign currency and on credit cards. Deposit interest rates are calculated as the weighted average of interest rates on demand deposits, term and savings deposits of private corporations and households in KM, foreign currency-indexed loans in KM and in foreign currency.

Interest Rates on Time and Savings Deposits in Foreign Currency

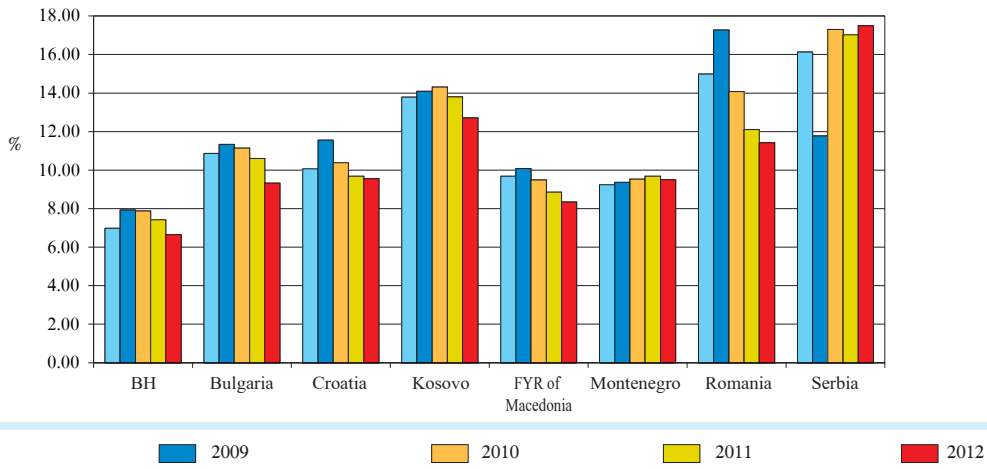
Average interest rates on time and savings deposits in foreign currency were rather stable during 2012. The average interest rate on time and savings deposits for non-financial private companies in foreign currency was reduced by 70 basis points to 2.86 per cent in December 2012, relative to December 2011, while the same rate for households was down by 14 basis points to 3.08 per cent over the same period.

The a.m. trends of lending and deposit interest rates³¹ described above led to a

In 2012, the spread between commercial banks' lending interest rates in BH and the interest rates in the euro area increased. The spread between lending interest rates and 12-month EURIBOR was 6.59 percentage points, which was 105 basis points higher relative to the end of the previous year, which in turn was mainly caused by the decline of the euro area interest rates.

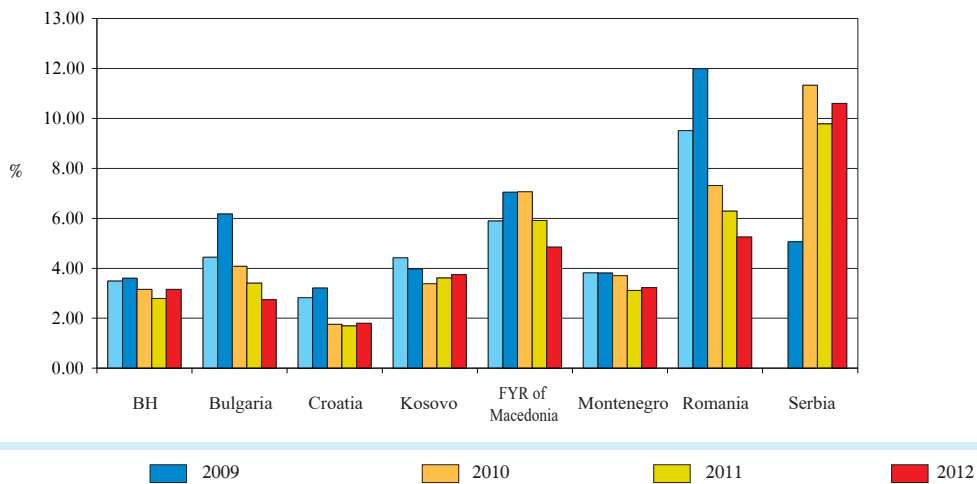
The graphs below, graphs 16 and 17, point to the conclusion that lending and deposit rates do not exhibit important differences from interest rates of the neighbouring countries.

Graph 8.16: Average Lending Interest Rates



Source: IFS

Graph 8.17: Average Deposit Interest Rates



Source: IFS

8.9 Foreign Investment into the Banking Sector

The data on foreign direct investment flows into banks indicated that stable inflows of foreign investments into the domestic banking sector continued in 2012 as well, although the profitability (retained earnings) were somewhat lower.

The total net inflow of foreign direct investments totalled to KM 123.9 million, being KM 26.1 million, or 17.4 per cent, lower relative to 2011, but also considerably higher than in 2009 (KM 60 million). Out of the total inflows, owners' equity accounted for KM 46.0 million. A recorded increase in equity was KM 9.6 million, or 26.5 per cent, relative to the previous year. 2012 retained earnings were positive KM 77.9 million, relative to KM 113.6 million in 2011.

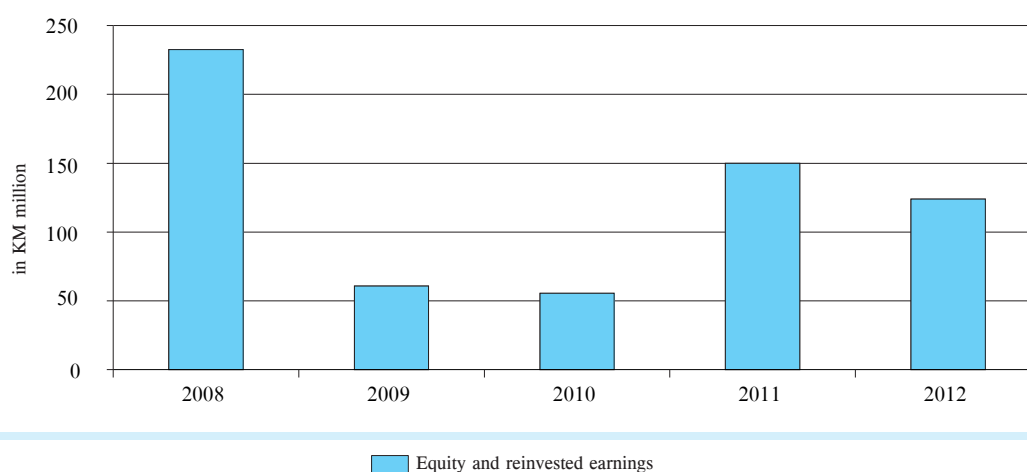
The graph below presents the breakdown of foreign direct investments in BH banks. It is noticeable that, during the period, the retained

earnings component in total FDI flows in to banks provided positive contribution and had a dominant role, while the share of owners' equity was lower, although this ratio increased relative to the preceding year. According to the new IMF methodology³², the Other capital category is excluded from direct investments and is now included under the Other investment category in the balance of payments.

An analysis of foreign investors by countries of origin indicates that there were no changes in investor positions in the banking sector in 2012, with the highest investment inflows recorded also this year came from Austria.

FDI inflows into the banking sector from Austria were around KM 76.7 million. By investment value, Austria is followed by Croatia (KM 34.8 million) and Slovenia (KM 15.9 million). The analysis of these two investors reveals that investment inflows from Croatia increased by 10.6 per cent, while inflows from Slovenia grew by 69.2 per cent relative to the previous year.

Graph 8.18: Foreign Direct Investments in the Baking Sector



³² Foreign direct investments (flows and stocks) are compiled in accordance with most recent methodological instructions and recommendations of the International Monetary Fund and the Organization for Economic Cooperation and Development (OECD). A detailed methodological approach to compilation and presentation was represented in the IMF Balance of Payments Manual, edition 6, and in the OECD Framework Concept of the Definition of Foreign Direct Investment, edition 4.

Investment of sister companies are included in direct investments in the category Other capital, while they are now excluded from the other investments category in the balance of payments. (sister companies are companies operating in different economies with the same foreign direct investor, mostly from a third economy, or from the economy where a sister company operates).

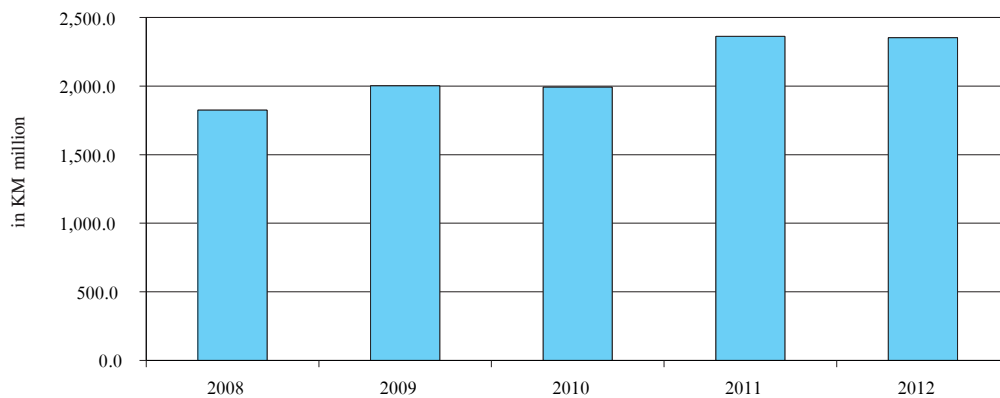
A foreign investment outflow from the banking sector of KM 29.2 million was recorded for Lithuania.

An analysis of the stock of foreign direct investments reveals that the total FDI stock in banks as of end-2012 decreased and reached KM 2.35 billion, i.e. declined by 0.4 per cent relative to the stock at the end of 2011. This decrease was caused by other economic flows (covering losses from capital), therefore the stock are lower despite positive equity inflows and retained earnings.

recorded a 3.1 per cent increase in value, while market capitalization at BLSE recorded an insignificant decline of 0.2 per cent relative to the previous year.

The stock trading on BLSE exhibited a modest declining trend, with the total turnover reaching KM 129.8 million and it was 7.3 per cent lower relative to the previous year. With the addition of the issues of treasury notes and bonds, this amount reached KM 260.9 million (with the bond and treasury note issues accounting for KM 131.0 million, or 50.2 per cent). The turnover on SASE increased by KM 128.8 million, or 52.6 per

Graph 8.19: FDI in the Banking Sector



8.10 Other Segments of the Financial Sector

Capital Markets

During 2012, there was no significant recovery in the capital markets in BH, turnover expanded somewhat, while current market capitalization grew in relative terms (totalling 32.2 per cent of GDP). At the end of the year, the relative indicator of market capitalization, expressed in % of (BH) GDP at SASE and BLSE was 17.4 per cent and 14.8 per cent, respectively, which constituted a 0.6 per cent increase for SASE and maintenance of the same level at BLSE, relative to 2011. In absolute terms, market capitalization at SASE

cent, which was to a considerable degree a consequence of issuance of government debt securities (treasury notes and bonds), whose issuance in FBH began in 2012.

At the same time, the volume of securities traded on SASE was 35.8 million and it was down 36.8 per cent, while on BLSE it was 300,2 million, which constituted a decrease of 19,3 per cent. As a result of decreased number of traded securities, the total number of transactions on SASE recorded the decrease by 25%, and the increase of 4% on BLSE compared to the previous year.

The turnover on the open segments of the market was, as in previous years, several

times greater than the turnover on the official market. Regular trading had primacy on SASE, while public offering of bonds predominated on BLSE. The value of public offering of bonds on BLSE was 50.2 per cent of the total turnover. Regular trading accounted for 26.2 per cent of total turnover on SASE and 39.3 per cent on BLSE.

In 2012, over-the-counter transactions at SASE accounted for KM 18.9 million, or 5.1 per cent of the total turnover.

On BLSE, block transactions accounted for KM 5.7 million, or 2.2 per cent of the total turnover.

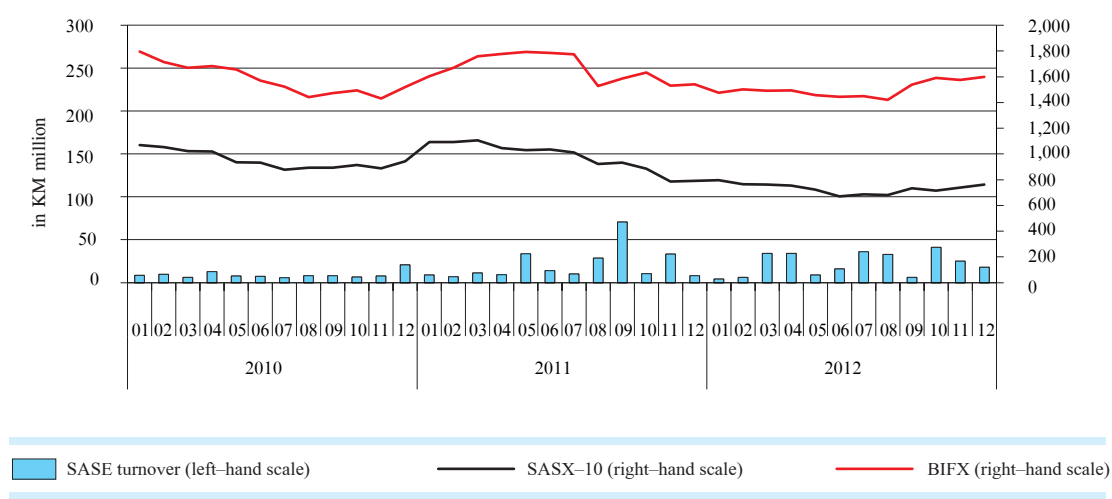
Indicator	Sarajevo Stock Exchange, SASE					Banjaluka Stock Exchange, BLSE				
	2008	2009	2010	2011	2012*	2008	2009	2010	2011	2012*
Value (in '000 KM)	477,079	219,085	108,554	244,787	373,577	275,090	180,493	176,195	425,457*	260,932
Number of traded securities ²⁾ (thousand)	17,116	19,632	76,338	56,693	35,852	552,863	171,979	291,208	372,184	300,180
Number of transactions (thousand)	39	26	18	16	12	31	18	19	26	27
Market capitalization ¹⁾ (in '000 KM)	7,808,682	7,158,679	7,210,603	4,371,013	4,504,560	3,685,730	3,756,543	3,732,304	3,835,425	3,826,612

¹⁾ 31.12.2008, 31.12.2009, 31.12.2010, 31.12.2011, 31.12.2012.

²⁾ The amount includes public bid of shares, bonds and treasury bills.

Source: SASE and BLSE

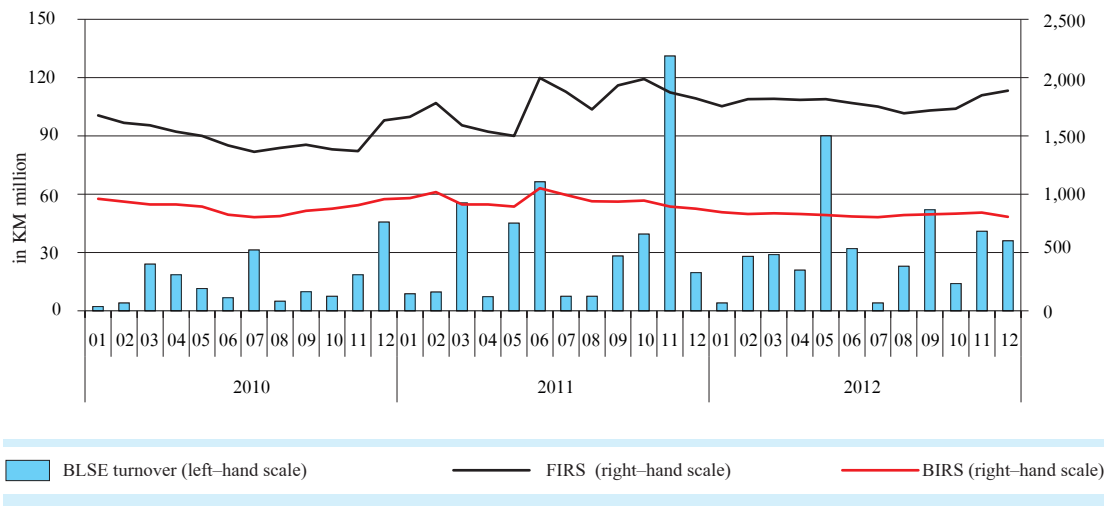
Graph 8.20: Turnover and Stock Exchange Indices on SASE



The values of the two exchange indices on SASE declined during the first half of the year, only to modestly rebound towards the year-end. Namely, SASX-10³³, stood at 761 index points at the end of the year, i.e. 36 index points, or 4.5 per cent less than at the start of the year. The BIFX³⁴ index recorded a more prominent drop in the first half of the year, only to record growth in H2, to, ending the year at 1,600 index points, or 126 index points, or 8.5 per cent higher relative to the start of 2012.

At the end of 2011, the value of the BIRS³⁵ index mainly stagnated and stood at 807 index points as of end-2012, which meant that, relative to the beginning of the year, a drop of 39 index points, or 4.6 per cent, was recorded. Concurrently, the FIRS³⁶ index followed a mainly rising trend (with some fluctuations) and reached 1,887 index points at the end of the year, which constituted an increase of 133 index points or 7.6 per cent in 2012.

Graph 8.21: Turnover and Stock Exchange Indices on BLSE



³³ Issuers included in SASX-10 must meet the following conditions: to be among top ten issuers by market capitalization and that their shares were traded at a minimum on 2/3 of possible trading days in the period since the index was last revised.

³⁴ BIFX is the index that follows the movements of the share prices of investment funds listed at SASE.

³⁵ BIRS is the stock exchange index of Republika Srpska, which includes shares by 20 issuers.

³⁶ FIRS is the acronym for the Index of Investment Funds of Republika Srpska, which includes shares of 13 funds.

Microcredit Organizations (MCO)

The MCO sector continued to shrink during 2012. The total assets of MCOs were KM 745.6 million as of end 2012. This amount constituted a 9.3 per cent drop relative to the end of 2011 and mainly reflected a drop in loans. Two new MCOs began operations in H1, while three ceased operations in H2. Consequently, as of the end-year, a total of 22 MCOs, 14 in FBH and 8 in RS, held operating licences.

Leasing Companies

During the year, nine leasing companies held operating licences, seven in FBH and two in RS. The total balance sheet sum of the leasing companies' sector was KM 911.7 million, being 3.4 % lower compared to the end of 2011. The total loans, which constituted the main source of leasing companies' funding, were KM 643.7 million and were down by 6.9%. The loans allocated by leasing companies declined by 4.6 % and stood at KM 716.2

	2008	2009	2010	2011	2012
ASSETS					
Currency and deposits	42.5	122.4	86.6	61.3	68.0
Securities other than shares	0.0	1.2	0.4	0.1	0.0
Loans	1,123.3	935.6	708.0	634.0	557.4
Shares and other equity	3.0	3.0	22.1	22.1	22.6
Other accounts receivable	11.7	16.6	18.2	14.1	7.7
Non-financial assets	66.1	82.0	83.6	90.3	89.8
Total assets	1,246.6	1,160.8	918.8	822.0	745.6
LIABILITIES					
Securities other than shares, excluded from broad money	0.0	2.1	1.4	0.7	0.0
Loans	924.5	830.9	572.9	509.4	425.0
Other accounts payable	70.4	116.5	146.9	104.8	96.1
Shares and other equity	251.7	211.2	197.6	207.1	224.6
Total liabilities	1,246.6	1,160.8	918.8	822.0	745.6

Source:CBBH

	2008	2009	2010	2011	2012
ASSETS					
Currency and deposits	97.5	77.0	22.1	30.7	29.4
Securities other than shares	0.0	0.0	0.0	0.0	0.0
Loans	1,660.5	1,316.1	996.9	751.1	716.2
Shares and other equity	0.3	0.0	0.1	0.1	0.1
Other accounts receivable	57.7	28.5	41.8	21.0	21.7
Non-financial assets	178.4	160.6	194.2	140.7	144.3
Total assets	1,994.3	1,582.3	1,255.1	943.7	911.7
LIABILITIES					
Loans	1,487.8	1,328.7	1,106.6	691.6	643.7
Other accounts payable	479.1	204.9	167.5	196.9	218.1
Shares and other equity	27.4	48.7	-19.0	55.3	49.9
Total liabilities	1,994.3	1,582.3	1,255.1	943.7	911.7

Source:CBBH

Investment Funds

In 2012 the operating licence for one IF from RS was revoked, while two new IFs received their operating licences in FBH, so as of end-2012 33 IFs held operating licences (17 in FBH and 16 in RS). At the end of 2012, the asset value of investment funds was KM 811.2 million, which was 2.0 per cent relative to end-2011.

Insurance Companies

As of end-2012, the asset value of all insurance companies was KM 1.23 billion, which was 7.2 per cent higher than at end-2011. One insurance companies ceased operations during this period, so that a total of 25 insurance companies were in business at the end of the year, 14 in FBH and 11 in RS, with the proviso that insurance companies have the potential to conduct business even in the entities where they are not registered.

	2008	2009	2010	2011	2012
ASSETS					
Currency and deposits	42.1	55.0	56.5	44.8	58.6
Securities other than shares	9.0	13.4	20.1	12.6	16.3
Shares and other equity	1,191.6	808.3	829.1	762.3	730.6
Other accounts receivable	3.6	8.3	3.6	6.1	3.8
Non-financial assets	0.0	0.0	1.3	1.8	1.8
Total assets	1,246.4	884.9	910.6	827.6	811.2
LIABILITIES					
Other accounts payable	27.3	18.0	21.2	18.3	15.4
Shares and other equity	1,219.0	866.9	889.5	809.3	795.8
Total liabilities	1,246.4	884.9	910.6	827.6	811.2

Source:CBBH

	2008	2009	2010	2011	2012
ASSETS					
Currency and deposits	271.7	364.5	387.2	435.4	502.0
Securities other than shares	14.9	19.9	39.7	34.1	42.6
Loans	117.6	60.0	60.6	68.3	65.9
Shares and other equity	65.6	67.0	45.9	46.5	46.7
Insurance technical reserves	60.1	67.9	70.6	75.4	94.9
Other accounts receivable	211.2	197.2	182.4	192.9	181.0
Non-financial assets	275.4	297.6	294.1	292.7	294.7
Total assets	1,016.5	1,074.2	1,080.5	1,145.4	1,227.8
LIABILITIES					
Securities other than shares, excluded from broad money	0.0	0.0	0.0	0.0	0.0
Loans	15.1	23.9	11.4	7.7	4.9
Insurance technical reserves	508.8	573.9	597.6	664.1	735.9
Other accounts payable	155.5	166.4	163.3	153.7	147.2
Shares and other equity	337.0	310.0	308.1	319.8	339.8
Total liabilities	1,016.5	1,074.2	1,080.5	1,145.4	1,227.8

Source:CBBH

FINANCIAL REPORTS

IX

Responsibility of the Management and Governing Board for the preparation and approval of the annual financial statements

Pursuant to the Law on the Central Bank of Bosnia and Herzegovina, the Management is required to prepare financial statements for each financial year which give a true and fair view of the financial position of the Bank and of the results of its operations and cash flows, in accordance with International Financial Reporting Standards (“IFRS”) as published by the International Accounting Standards Board (IASB), and is responsible for maintaining proper accounting records to enable the preparation of such financial statements at any time. Management has a general responsibility for taking such steps as are reasonably available to it to safeguard the assets of the Bank and to prevent and detect fraud and other irregularities.

The Management is responsible for selecting suitable accounting policies to conform to applicable legal requirements and then apply them consistently; making judgements and estimates that are reasonable and prudent; and preparing the financial statements on a going concern basis unless it is inappropriate to presume that the Bank will continue in business.

The Management is responsible for the submission to the Governing Board of its annual financial statements, following which the Governing Board is required to approve the annual financial statements for submission to the Parliamentary Assembly of Bosnia and Herzegovina for adoption.

The financial statements set out on pages 112 to 164 were authorised by the Governing Board on 29 March 2013 and are signed below to signify this, on behalf of the Bank, by:

Kemal Kozarić, Ph. D.
Governor

The image shows a handwritten signature in blue ink, which appears to be 'Kemal Kozarić'. To the right of the signature is a circular official seal of the Central Bank of Bosnia and Herzegovina. The seal features a central emblem with a shield and a sun, surrounded by the text 'BOSNIA I HERCEGOVINA' at the top and 'CENTRALNA BANKA BOSNE I HERCEGOVINE' at the bottom. The number '1' is visible at the bottom of the seal.



Independent Auditor's Report to the Governing Board of the Central Bank of Bosnia and Herzegovina

We have audited the accompanying financial statements of Central Bank of Bosnia and Herzegovina ("the Bank"), which comprise the balance sheet as at 31 December 2012, the income statement, statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Independent Auditor's Report to the Governing Board of the Central Bank of Bosnia and Herzegovina (continued)

Opinion


In our opinion the financial statements give a true and fair view of the financial position of the Central Bank of Bosnia and Herzegovina as at 31 December 2012, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG B-H d.o.o. za reviziju
Registered Auditors
Zmaja od Bosne 7-7A/III
71000 Sarajevo
Bosnia and Herzegovina

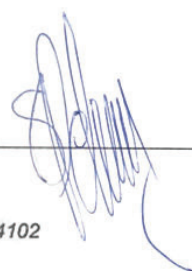
29 March 2013

On behalf of KPMG B-H d.o.o. za reviziju






Manal Bećirbegović
Director



Senad Pekmez
FBiH registered auditor
Licence number: 3090044102



Margarita Goleva
Partner, KPMG Bulgaria

INCOME STATEMENT
for the year ended 31 December

In thousands of KM	Note	2012	2011
Interest income	18	32,147	56,843
Interest expense	18	(993)	(18,241)
NET INTEREST INCOME		31,154	38,602
Fee and commission income	19	8,441	7,072
Fee and commission expense	19	(389)	(1,217)
NET FEE AND COMMISSION INCOME		8,052	5,855
Net realised gain from sale of available-for-sale financial assets	20	16,166	990
Net realised gain from sale of monetary gold	21	11,723	18,085
Net (loss)/ gain from foreign exchange differences	22	(4,526)	11,064
Other income	23	1,819	1,768
OPERATING INCOME		64,388	76,364
Personnel expenses	24	(16,204)	(17,408)
Administrative and other operating expenses	25	(11,204)	(10,339)
Depreciation and amortisation		(2,846)	(2,686)
OPERATING EXPENSES		(30,254)	(30,433)
NET PROFIT FOR THE YEAR		34,134	45,931

The accompanying notes on pages 118 to 164 are an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December

In thousands of KM	Note	2012	2011
NET PROFIT FOR THE YEAR		34,134	45,931
Other comprehensive income	27		
Fair value reserve			
Net change in fair value		42,349	14,404
Net amount transferred to profit or loss		(27,889)	(19,075)
Total other comprehensive income		14,460	(4,671)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		48,594	41,260

The accompanying notes on pages 118 to 164 are an integral part of these financial statements.

BALANCE SHEET
as at

In thousands of KM	Note	31 December 2012	31 December 2011
ASSETS			
Foreign currency in cash	4	133,195	93,608
Deposits with foreign banks	5	2,334,514	4,385,587
Special drawing rights with the International Monetary Fund		4,525	1,116
Available-for-sale financial assets	6	3,770,039	1,752,940
Monetary gold	7	158,979	151,283
Held-to-maturity investments	8	107,317	39,021
Other assets	9	10,920	5,356
Property, equipment and intangible assets	10	39,443	36,523
Other investments	11	27,813	27,813
TOTAL ASSETS		6,586,745	6,493,247
LIABILITIES, CAPITAL AND RESERVES			
Currency in circulation	12	2,747,512	2,645,056
Deposits from banks	13	3,040,616	3,192,762
Deposits from the Government and other depositors	14	198,876	77,314
Provisions for liabilities and charges	15	869	726
Other liabilities	16	23,126	29,757
TOTAL LIABILITIES		6,010,999	5,945,615
Subscribed capital		25,000	25,000
General reserves (Retained earnings)		493,518	479,864
Other reserves		31,300	31,300
Fair value reserves		25,928	11,468
Total capital and reserves	17	575,746	547,632
TOTAL LIABILITIES, CAPITAL AND RESERVES		6,586,745	6,493,247

The accompanying notes on pages 118 to 164 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2012

In thousands of KM	Subscribed capital	General reserves (Retained earnings)	Other reserves	Fair value reserves	Total
Balance as of 1 January 2012	25,000	479,864	31,300	11,468	547,632
Total comprehensive income for the year					
Profit for the year	-	34,134	-	-	34,134
Other comprehensive income	-	-	-	14,460	14,460
Total comprehensive income for the year	-	34,134	-	14,460	48,594
Distribution of profit					
Distribution of profit to the state budget (Note 26)	-	(20,480)	-	-	(20,480)
Balance as of 31 December 2012	25,000	493,518	31,300	25,928	575,746

Profit is allocated to the state budget at year end in accordance with the requirements of the Law on the Central Bank of Bosnia and Herzegovina, and paid after the approval of the financial statements by the Governing Board of the Bank. For more details please see Note 26.

The accompanying notes on pages 118 to 164 are an integral part of these financial statements.

For the year ended 31 December 2011

In thousands in KM	Subscribed capital	General reserves (Retained earnings)	Other reserves	Fair value reserves	Total
Balance as of 1 January 2011	25,000	461,492	31,300	16,139	533,931
Total comprehensive income for the year					
Profit for the year	-	45,931	-	-	45,931
Other comprehensive income	-	-	-	(4,671)	(4,671)
Total comprehensive income for the year	-	45,931	-	(4,671)	41,260
Distribution of profit					
Distribution of profit to the state budget (Note 26)	-	(27,559)	-	-	(27,559)
Balance as of 31 December 2011	25,000	479,864	31,300	11,468	547,632

The accompanying notes on pages 118 to 164 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS
for the year ended 31 December

	Note	2012	2011
In thousands of KM			
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		34,134	45,931
Adjustments for:			
Depreciation and amortisation		2,846	2,686
Net realised (gain) from sale of available-for-sale financial assets		(16,166)	(990)
Net realised (gain) from sale of monetary gold		(11,723)	(18,085)
Net loss / (gain) from foreign exchange differences on monetary gold		865	(9,823)
Income from grants		(75)	(96)
Provisions for liabilities and charges		254	174
Write-off and disposal of property and equipment		42	54
Net cash flows from operating activities before changes in operating assets and liabilities		10,177	19,851
Changes in operating assets and liabilities			
Decrease in deposits with foreign banks		275,460	374,046
(Increase) in other assets		(5,594)	(367)
Increase of currency in circulation		102,456	147,555
(Decrease) in deposits		(30,584)	(201,974)
Change in grants		184	-
Increase / (decrease) in other liabilities		339	(304)
Payout of severance payments		(111)	(103)
Net cash from operating activities		352,327	338,704
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, equipment and intangible assets		(5,808)	(3,025)
Proceeds from sale of available-for-sale financial assets		2,504,338	1,614,511
Increase in available-for-sale financial assets		(4,486,290)	(458,105)
Proceeds from sale of monetary gold		164,905	432,407
Increase of monetary gold		(166,264)	(497,698)
Proceeds from held-to-maturity investments		39,117	743,215
Increase in held-to-maturity investments		(107,413)	(401,380)
Net cash used in investing activities		(2,057,415)	1,429,925
CASH FLOWS FROM FINANCING ACTIVITIES			
Distribution of profit to the state budget		(27,559)	(19,907)
Net cash used in financing activities		(27,559)	(19,907)
Net (decrease) / increase in cash and cash equivalents		(1,732,647)	1,748,722
Cash and cash equivalents at 1 January		4,165,976	2,417,254
Cash and cash equivalents at 31 December	28	2,433,329	4,165,976

The accompanying notes on pages 118 to 164 are an integral part of these financial statements.

1. General Information

The Central Bank of Bosnia and Herzegovina (“the Bank”) was established in accordance with the Law on the Central Bank of Bosnia and Herzegovina, which was adopted by the Parliamentary Assembly of Bosnia and Herzegovina (“BiH”) on 20 June 1997, according to the General Framework Peace Agreement in Bosnia and Herzegovina.

The Central Bank of Bosnia and Herzegovina started its operations on 11 August 1997.

The main objectives and tasks of the Central Bank of Bosnia and Herzegovina are:

- to define, adopt and control the implementation of monetary policy of BiH through the issuance of local currency (Convertible Mark or “KM”) with full coverage in free, convertible foreign exchange assets;
- to keep and manage the official foreign exchange reserves of the Bank in a safe and profitable manner;
- to implement monetary policy in accordance with the Law on the Central Bank of Bosnia and Herzegovina;
- to establish and maintain adequate payment and settlement systems;
- to coordinate the activities of the banking agencies, who are in charge of issuing banking licences and supervising banks;
- to accept deposits from the state and public institutions of BiH and deposits from commercial banks;
- to issue provisions and guidelines for the performance of the Bank’s operations, in accordance with the Law on the Central Bank of BiH;
- to take part in the operations of international organisations working on strengthening the financial and economic stability of the country;
- to represent BiH in international organisations regarding monetary policy issues.

The highest body of the Bank is the Governing Board, which is in charge of defining monetary policy and the control of its implementation, and the organisation and the strategy of the Bank in accordance with the Law on the Central Bank of Bosnia and Herzegovina.

The Management of the Bank consists of the Governor and Vice-Governors, appointed by the Governor with the approval of the Governing Board. The Management operationally manages the Bank’s activities.

According to the Law on the Central Bank of Bosnia and Herzegovina, the Governor, with the approval of the Governing Board, appoints the Chief Internal Auditor and three Deputies.

The Bank operates through its Head Office, three main units located in Sarajevo, Mostar, and Banja Luka, and two branches, one in Brčko District and other in Pale, the latter of which operates under the authorisation of the Main Bank of Republika Srpska of the Central Bank of Bosnia and Herzegovina in Banja Luka.

During the course of 2012 and up to the date of this report, the Governing Board, Management, Chief Internal Auditor and Audit Committee members were:

Governing Board

Kemal Kozarić Ph.D.	Chairman
Fikret Čaušević Ph.D.	Member
Milenko Krajišnik Ph.D.	Member
Željko Šain Ph.D.	Member
Vasilj Žarković Ph.D.	Member

Management

Kemal Kozarić Ph.D.	Governor
Feriha Imamović	Vice-Governor (until 31 December 2012)
Ankica Kolobarić M.Sc.	Vice-Governor (until 30 November 2012)
Ernadina Bajrović M.Sc.	Vice-Governor (from 1 January 2013)
Radomir Božić Ph.D.	Vice-Governor

Chief Internal Auditor Office

Dragan Kulina Ph.D.	Chief Internal Auditor
Jasmina Novalija	Deputy to Chief Internal Auditor
Angela Medić	Deputy to Chief Internal Auditor
Krstinja Tošović	Deputy to Chief Internal Auditor

Audit Committee

Mila Gadžić Ph.D.	Member
Gordana Ković	Member
Kasim Omićević	Member (until 11 August 2012)
Sead Kreso Ph.D.	Member (from 11 August 2012)

2. Basis of preparation**2.1. Statement of compliance**

The financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as published by the International Accounting Standards Board (IASB).

The financial statements were authorised for issue by the Governing Board on 29 March 2013.

2.2. Basis of measurement

These financial statements have been prepared on the historical or amortised cost basis except for financial assets available for sale and monetary gold, which are stated at fair value.

2.3. Use of estimates and judgements

The preparation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements of the Bank are disclosed in Note 3.20.

2.4. 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 = EUR 1. 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 for a "currency board" to be used for issuing KM, according to which KM is issued only with the purchase of convertible foreign exchange currency with full coverage in net foreign assets.

2.5. Standards, interpretations and amendments to published standards that are not yet effective and were not used in preparation of these financial statements

Several new and altered Standards and Interpretations issued by the International Accounting Standards Board and its International Financial Reporting Interpretations Committee have been authorised for issue but are not applicable to entities reporting under IFRS for periods ended 31 December 2012, and have not been applied in preparation of these financial statements. Most new and altered Standards and Interpretations are not relevant to the Bank's business and will not affect the financial statements, except as stated below.

- IFRS 9 Financial Instruments (a complete version of which has not yet been adopted and where the International Accounting Standards Board has an active project with certain changes related to classification and measurement as well as inclusion of certain new requirements related to impairment and hedge accounting), which replaces IAS 39 Financial Instruments: Recognition and Measurement, is effective for annual periods beginning on or after 1 January 2015; early adoption is permitted. This Standard introduces significant changes with respect to the classification and measurement of financial assets. The Bank has not yet decided on the date of the initial application of the new Standard neither it has analysed the effects of its application.
- IFRS 13 Fair Value Measurement, which is effective prospectively for annual periods beginning on or after 1 January 2013, with earlier application permitted, replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains 'how' to measure fair value when it is required or permitted by other IFRSs. The Bank will adopt IFRS 13 from 1 January 2013 and does not expect that the new Standard will have significant impact on the financial statements.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

3.1. Interest income and expenses

Interest income and expenses are recognised in the income statement using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate includes all transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

Interest income and expenses presented in the income statement include interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis.

3.2. Fee and commission income and expenses

Fee and commission income and expenses that are integral part to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fee and commission income and expenses mainly comprise fees earned and spent on domestic and foreign payment transactions for financial instruments issued and received by the Bank, respectively and are recognised in the income statement upon performance of the relevant service.

3.3. Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency at the exchange rate prevailing on the settlement date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate applicable at that date. Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated using the exchange rate at the date of the transaction and are not retranslated at the reporting date.

Foreign exchange differences arising on retranslation of transactions, and the assets and liabilities denominated in foreign currencies are recognised in the income statement.

3.4. Net realised gain/(loss) from sale of available-for-sale financial assets and monetary gold

Net realised gain/(loss) from sale of available-for-sale financial assets and monetary gold includes realised fair value changes, upon sale of relevant instruments.

3.5. Dividend income

Dividend income from equity securities is recognised in the income statement when the Bank's right to receive income is established.

3.6. Financial instruments

Classification

The Bank classifies its financial instruments in the following categories: held-to-maturity investments, loans and receivables, financial assets available for sale and other financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. The Management of the Bank is responsible for determination of the classification of financial instruments upon initial recognition and re-evaluation of this classification at each reporting date.

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. Any sale or reclassification of a significant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available for sale, and prevent the Bank from classifying investment securities as held to maturity for the current and the following financial years. Held-to-maturity investments include investments into debt securities.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables include loans to employees.

Financial assets available for sale are non-derivative financial assets that are either designated as available for sale or are not classified into any of the other categories of financial assets. Financial assets classified as available for sale are intended to be held for an indefinite period of time, but may also be sold in response to needs for liquidity or changes in interest rates, foreign exchange rates or equity prices. Financial assets available for sale financial securities include investments in debt securities, equity securities and monetary gold.

Other financial liabilities comprise all financial liabilities and include currency in circulation and deposits from banks, the Government and other depositors.

Recognition and derecognition

Purchase and sales of financial assets available for sale and held-to-maturity investments are recognised and derecognised on the settlement date which is the date on which the financial instrument is delivered to or by the Bank. Loans and receivables and other financial liabilities carried at amortised cost are recognised when advanced to borrower or received from lenders. The Bank derecognises a financial assets (in full or partially) when the contractual rights to receive cash flows from the financial instrument expire or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or when it loses control over the contractual rights of those financial assets.

The Bank derecognises financial liabilities only when the financial liability ceases to exist, i.e. when it is discharged, cancelled or has expired.

Initial and subsequent measurement

Financial assets and liabilities are initially recognised at their fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent to initial recognition, the Bank measures financial assets available for sale at their fair value. The fair value of financial assets available for sale is their quoted market price at the reporting date. Equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, are stated at cost less impairment.

Loans and receivables and held-to-maturity investments are, after initial recognition, measured at amortised cost using the effective interest rate method, less any impairment. Other financial liabilities are measured at amortised 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.

Recognition of gains and losses on subsequent measurement of financial instruments

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. 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 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 the income statement.

Gains and losses on financial instruments carried at amortised cost may also arise, and are recognised in the income statement, when a financial instrument is derecognised or when its value is impaired.

Fair value measurement principles

The Bank determines the fair value of available-for-sale financial assets based on their quoted closing bid market price at the reporting date, without any deductions for selling costs. If a market for a financial instrument is not active, or if, for any other reason, the fair value cannot be reliably measured using market price, the Bank establishes fair value using a valuation technique developed by the Bank. Valuation techniques include using the prices achieved in recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same and discounted cash flow analyses, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimate and the discount rate is a market rate applicable at the reporting date for a financial instrument with similar terms and conditions.

At the reporting date the Bank did not have any financial assets or liabilities the fair value of which was measured by valuation techniques.

Impairment of financial assets

The Bank assesses at each reporting date whether there is objective evidence that a financial asset is impaired. A financial asset is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include significant financial difficulty of the issuer or obligor, a breach of contract, such as default or delinquency in interest or principal payments, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

Impairment losses on financial assets measured at amortised costs are calculated as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows, discounted at the assets' original effective interest rate. The carrying value of financial assets is reduced for impairment directly or through the use of an impairment allowance account and the amount of the loss is recognised in profit or loss. When an event occurring after the impairment was recognised causes the amount of impairment loss for a financial asset carried at amortised cost to decrease, the decrease in impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale debt securities are recognised by reclassifying the losses accumulated in the fair value reserve in equity to the income statement. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition costs, net of any principal repayment and amortisation, and the current fair value, less any impairment loss recognised previously in the income statement. Changes in impairment provisions attributable to the application of the effective interest rate method are reflected as a component of interest income.

In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the investment below its acquisition cost is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale equity securities, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement, is removed from other comprehensive income and recognised in the income statement.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed, with the amount of the reversal recognised in the income statement. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

3.7. Cash and cash equivalents

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

Cash and cash equivalents are carried at amortised cost in the balance sheet.

3.8. Monetary gold

On 31 March 2009 the Bank started to hold monetary gold as part of its foreign reserves. Gold is initially recognised 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 recognised 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 translocation 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.

3.9. Deposits with foreign banks

Deposits with foreign banks include current accounts and time deposits with foreign banks with prime credit rating and are carried at amortised cost.

3.10. Other investments

Other investments relate to investments into equity securities for which there are no active markets and which are carried at cost less impairment, if any.

3.11. Property, equipment and intangible assets

Property, equipment and intangible assets consist of assets obtained from the Bank's own funds and cash and non-cash grants. Granted assets are recognised in the balance sheet at the estimated fair value which those assets would achieve in an active market.

Property, equipment and intangible assets are stated at historical cost less accumulated depreciation and impairment losses. The cost includes expenditures that are directly attributable to the acquisition of the asset.

Subsequent cost is included in the asset's carrying amount or is accounted for as a separate asset, depending what is applicable, only if it is probable that the future economic benefits embodied within the item will flow to the Bank and the cost of the item can be measured reliably. Ongoing repairs and maintenance costs are expensed as incurred.

Property, equipment and intangible assets are periodically reviewed for impairment. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Assets in course of construction are reported at their cost of construction including costs charged by third parties. Upon completion, all accumulated costs of the asset are transferred to the relevant property and equipment category and subsequently subject to the applicable depreciation rates.

Depreciation is provided on all assets except assets in the course of construction on a straight-line basis at prescribed rate designed to write off the cost of the assets over their estimated useful lives. The estimated depreciation rates during 2011 and 2012 were as follows:

Software	20.0%
Other intangible assets	20.0%
Buildings	1.3% to 4.0%
Equipment	11.0% to 20.0%
Furniture	10.0% to 12.5%
Vehicles	15.5%

Gains and losses on disposal of property and equipment are recognised in the income statement.

3.12. Impairment of non-financial assets

The carrying amounts of the Bank's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

The recoverable amount of other assets is the greater of their value in use and fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, as if no impairment loss had been recognised.

3.13. Provisions for liabilities and charges

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events for which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provisions for liabilities and charges are maintained at the level that the Bank's management considers sufficient for absorption of incurred losses. The management determines the sufficiency of provisions on the basis of insight into specific items, current economic circumstances, risk characteristics of certain transaction categories, as well as other relevant factors.

Provisions are released only for such expenditure in respect of which provisions are recognised at inception. If the outflow of economic benefits to settle the obligations is no longer probable, the provision is reversed.

3.14. Grants

Grants related to assets, including non-cash grants, are initially recognised as deferred income at fair value and are then recognised as income from grants on a systematic basis over the useful life of the assets. Grants that compensate the Bank for expenses incurred are recognised in income statement as income from grants on a systematic basis in the same periods in which the expenses are recognised.

3.15. Taxes

According to Article 69 of the Law on the Central Bank of Bosnia and Herzegovina, the Bank is not subject to any taxes and duties on its assets, property and income, and on its operations and transactions. Payroll taxes and other taxes and duties on salaries are not covered by this exemption.

3.16. Currency in circulation

The Central Bank of Bosnia and Herzegovina administers the issue and withdrawal of domestic bank notes and coins. The corresponding liability from the issued currency in circulation is recorded in the balance sheet.

When currency is withdrawn from circulation it is recognised as a liability as part of currency in circulation, until the formal date of withdrawal. Any outstanding amount not withdrawn, after the formal due date, is recognised as income.

From 2012, costs related to the production and design of banknotes and coins are initially recognised as a deferred cost and subsequently amortised through other operating expenses over a period of three years. Previously, such costs were recognised when incurred.

3.17. Managed funds for and on behalf of third parties

The Bank maintains certain accounts in foreign currencies related to agreements concluded between the governments of Bosnia and Herzegovina and its constituent entities and foreign governments and financial organizations, as well as foreign currency accounts of state institutions and agencies, and of commercial banks, for which the Bank acts as an agent.

3.18. Employee benefits

Short-term benefits

In accordance with local regulations, the Bank is obliged to pay contributions to public pension and health funds. These obligations include contributions payable by employees and the employer in the amount calculated by applying the specific statutory rates. The Bank has a legal obligation to withhold contributions from gross salaries of employees, and on their behalf to transfer the withheld funds to appropriate public funds. Contributions paid by the employees and the employer are recognised as an expense in the period during which services are rendered by the employees.

Long-term employee benefits

According to local legal requirements, employees of the Bank are entitled to receive a one-time benefit on retirement, provided legal conditions are met, such as the age or years of service, which in accordance with the Bank's internal Acts is based on six regular monthly salaries paid to the respective employee in the last six months.

Such payments are treated as long-term employee benefits which are calculated annually by independent actuaries using the projected unit credit method. The discount rate used in the calculation of the liability is based on interest rates of domestic corporate bonds and government bonds which exist on the market.

3.19. Financial arrangements of Bosnia and Herzegovina with the International Monetary Fund

According to the financial arrangements made at the end of 2002 between Bosnia and Herzegovina and the International Monetary Fund ("IMF"), the balance sheet of the Bank includes the following items related to Bosnia and Herzegovina's membership of the IMF: holdings of special drawing rights ("SDRs"), accrued interest on such SDR holdings and the IMF No. 1 account and IMF No. 2 account.

Other assets and liabilities related to the IMF, belonging to or being the responsibility of Bosnia and Herzegovina, are recorded in a special Trust Fund within off-balance-sheet records (see also Note 32).

3.20. Use of estimates and judgements

The presentation of the financial statements requires the Bank's management to make best estimates and reasonable assumptions that affects assets and liabilities amounts, as well as disclosures of contingent liabilities and receivables as of the date of preparation of the financial statements, and the income and expenses arising during the accounting period. These estimations and assumptions are based on information available to us, as of the date of preparation of financial statements. Actual amounts may vary from these estimates.

Estimates and assumptions are reviewed on a ongoing basis. Changes to accounting estimates are recognised in the period when they are made if their impact is limited to that period or in future periods, in cases where the change impacts future periods as well.

Key assumptions and estimates relating to material balance sheet items are presented below.

Fair value of assets

The Bank's policy is to disclose fair value information on those financial assets and financial liabilities for which public market information is readily available or such value may be calculated by applying some alternative valuation techniques, and whose fair value is materially different from their recorded amounts. According to the Bank's management, amounts presented in the financial statements reflect the most reliable and useful estimate of fair value for financial reporting purposes, in accordance with IFRS.

Depreciation and amortisation charge and rates applied

The calculation of depreciation and amortisation, as well as depreciation and amortisation rates are based on the assessed economic useful life of property, equipment and intangible assets. Once a year, the Bank assesses economic useful life based on current assumptions.

4. Foreign currency in cash

Foreign currency in cash relates to:

In thousands of KM	31 December 2012	31 December 2011
Cash in vaults per currency:		
EUR	133,117	93,522
CHF	36	35
GBP	21	30
USD	21	21
TOTAL	133,195	93,608

5. Deposits with foreign banks

Term and demand deposits with foreign banks, analysed by type of currency, are as follows:

In thousands of KM	31 December 2012	31 December 2011
Term deposits:		
EUR	1,069,372	4,231,382
	1,069,372	4,231,382
Demand deposits:		
EUR	1,262,073	153,494
USD	2,876	529
- Other currencies	193	182
	1,265,142	154,205
TOTAL	2,334,514	4,385,587

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

In thousands of KM	31 December 2012	31 December 2011
Up to 1 month	618,711	2,491,208
From 1 to 2 months	372,420	855,667
From 2 to 3 months	39,124	569,930
From 3 to 4 months	39,117	79,249
From 4 to 12 months	-	235,328
TOTAL	1,069,372	4,231,382

During 2012 the interest rates on demand deposits ranged from -0.07% p.a. to 0.28% p.a. (2011: from 0.00% p.a. to 1.00% p.a.) and on term deposits from 0.01% p.a. to 0.27% p.a. (2011: from 0.25% p.a. to 1.35% p.a.). Deposits with foreign banks include accrued interest in the amount of KM 21 thousand as at 31 December 2012 (2011: KM 3,662 thousand).

The average effective yield rate on deposits amounted to 0.21% (2011: 0.87%).

Deposits with foreign banks analysed by the type of the bank invested in, are as follows:

In thousands of KM	31 December 2012	31 December 2011
Central banks	1,738,775	4,034,513
Commercial banks	595,739	351,074
TOTAL	2,334,514	4,385,587

Deposits with foreign banks can be analysed on a geographical basis as follows:

In thousands of KM	31 December 2012	31 December 2011
Germany		
Term deposits	215,142	88,017
Demand deposits	871,098	74,166
	1,086,240	162,183
Luxembourg		
Term deposits	531,490	1,911,924
Demand deposits	195,610	-
	727,100	1,911,924
France		
Term deposits	156,467	1,765,348
Demand deposits	195,583	78,227
	352,050	1,843,575
Holland		
Term deposits	166,273	117,366
Demand deposits	-	-
	166,273	117,366
Switzerland		
Term deposits	-	-
Demand deposits	2,851	1,812
	2,851	1,812
Great Britain		
Term deposits	-	348,727
Demand deposits	-	-
	-	348,727
TOTAL TERM DEPOSITS	1,069,372	4,231,382
TOTAL DEMAND DEPOSITS	1,265,142	154,205
TOTAL	2,334,514	4,385,587

6. Available-for-sale financial assets

Available-for-sale financial instruments are high quality instruments with a high degree of tradeability and liquidity, with a credit rating from AAA to A- (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	31 December 2012	31 December 2011
Debt securities	3,723,390	1,724,706
Accrued interest	46,649	28,234
TOTAL	3,770,039	1,752,940

The average effective yield rate on available-for-sale securities amounted to 0.89% (2011: 1.10%).

Available-for-sale financial assets can be analysed on a geographical basis as follows:

	31 December 2012		31 December 2011	
	KM'000	%	KM'000	%
France	1,354,866	35.94	596,778	34.04
Holland	606,650	16.09	316,131	18.03
Italy	558,785	14.82	-	-
Austria	389,287	10.33	61,467	3.51
Belgium	371,176	9.85	-	-
Germany	272,573	7.23	737,804	42.09
Finland	206,576	5.48	40,760	2.33
Luxembourg	10,126	0.26	-	-
TOTAL	3,770,039	100.00	1,752,940	100.00

7. Monetary gold

The Bank holds monetary gold in a bank in Switzerland with a 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 31 December 2012 amounts to KM 158,979 thousand, representing 64,000.000 ounces of gold at KM 2,484 per ounce (2011: KM 151,283 thousand representing 64,000.000 ounces of gold at KM 2,364 per ounce).

8. Held-to-maturity investments

All 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	31 December 2012	31 December 2011
Debt securities	106,025	39,117
Amortisation of discount and accrued interest	1,292	(96)
TOTAL	107,317	39,021

The average effective yield rate on held-to-maturity investments amounted to 1.11% (2011: 0.80%).

Held-to-maturity investments can be analysed on a geographical basis as follows:

	31 December 2012		31 December 2011	
	KM' 000	%	KM' 000	%
<i>Austria</i>	61,292	57,11	-	-
<i>Holland</i>	46,025	42,89	-	-
<i>France</i>	-	-	39,021	100,00
TOTAL	107,317	100,00	39,021	100,00

9. Other assets

The structure of other assets is presented in the following table:

In thousands of KM	31 December 2012	31 December 2011
Prepayments	7,420	100
Numismatic collections	1,224	1,160
Loans to employees	977	1,139
Receivables from domestic banks	572	450
Other miscellaneous assets	476	355
Giro accounts	212	242
Advances	39	1,910
TOTAL	10,920	5,356

Prepayments include expenditure of KM 7,246 thousand incurred on the production of banknotes. As explained in Note 3.16 such costs are initially deferred and subsequently amortised over a period of three years. Prior to 2012, such costs were charged in full in the income statement when incurred. Prior periods have not been restated for the effect of this change in policy.

10. Property, equipment and intangible assets

In thousands of KM	Software and other intangible assets	Land and buildings	Equipment and furniture	Vehicles	Other	Assets under construction	TOTAL
2012							
Cost							
As at 1 January 2012	13,411	25,457	22,998	1,855	781	4,946	69,448
Additions	158	-	841	-	4	4,805	5,808
Write offs	(110)	-	(1,080)	-	(9)	-	(1,199)
Transfers	105	-	50	-	-	(155)	-
As at 31 December 2012	13,564	25,457	22,809	1,855	776	9,596	74,057
Depreciation and amortization							
As at 1 January 2012	12,313	1,988	16,975	1,159	490	-	32,925
Charge for the year	461	367	1,702	254	62	-	2,846
Write offs	(80)	-	(1,068)	-	(9)	-	(1,157)
As at 31 December 2012	12,694	2,355	17,609	1,413	543	-	34,614
Net carrying value							
As at 1 January 2012	1,098	23,469	6,023	696	291	4,946	36,523
As at 31 December 2012	870	23,102	5,200	442	233	9,596	39,443
2011							
Cost							
As at 1 January 2011	12,928	25,457	22,121	1,849	775	3,861	66,991
Additions	583	-	739	116	8	1,579	3,025
Write offs	(114)	-	(337)	(110)	(2)	(5)	(568)
Transfers	14	-	475	-	-	(489)	-
As at 31 December 2011	13,411	25,457	22,998	1,855	781	4,946	69,448
Depreciation and amortization							
As at 1 January 2011	12,039	1,620	15,700	967	427	-	30,753
Charge for the year	388	368	1,611	254	65	-	2,686
Write offs	(114)	-	(336)	(62)	(2)	-	(514)
As at 31 December 2011	12,313	1,988	16,975	1,159	490	-	32,925
Net carrying value							
As at 1 January 2011	889	23,837	6,421	882	348	3,861	36,238
As at 31 December 2011	1,098	23,469	6,023	696	291	4,946	36,523

Assets under construction as at 31 December 2011 and 2012 relates mainly to business premises not yet put into use, which are located in Banja Luka.

11. Other investments

The structure of other investments is as follows:

In thousands of KM	31 December 2012	31 December 2011
<i>Equity securities:</i>		
Shares in Bank for International Settlements (BIS) (Note 17)	27,803	27,803
Shares in SWIFT	10	10
TOTAL	27,813	27,813

During the year the Bank received dividend income from BIS in the amount of KM 767 thousand (2011: KM 677 thousand).

12. Currency in circulation

Currency in circulation can be analysed as follows:

In thousands of KM	31 December 2012	31 December 2011
Currency placed into circulation - opening balance as of 1 January	2,645,056	2,497,501
Increase in currency in circulation during the year	102,456	147,555
Currency placed into circulation - balance as of 31 December	2,747,512	2,645,056

Of the total currency placed into circulation of KM 2,747,512 thousand as at 31 December 2012, KM 605 thousand was placed into circulation outside of Bosnia and Herzegovina.

KM	Nominal value	31 December 2012		31 December 2011	
		Pcs	Value in KM'000	Pcs	Value in KM'000
Coins	0.05	38,347,358	1,917	34,017,463	1,701
Coins	0.10	69,723,476	6,973	65,284,945	6,528
Coins	0.20	49,844,104	9,969	47,406,252	9,481
Coins	0.50	25,488,935	12,744	24,193,195	12,097
Coins	1	35,015,480	35,015	33,399,101	33,399
Coins	2	9,398,439	18,797	8,967,886	17,936
Coins	5	6,994,548	34,973	6,775,172	33,876
Banknotes	10	8,413,769	84,138	8,634,717	86,347
Banknotes	20	6,758,745	135,175	6,043,377	120,868
Banknotes	50	15,872,707	793,635	16,564,731	828,237
Banknotes	100	11,121,368	1,112,137	10,189,153	1,018,915
Banknotes	200	2,510,195	502,039	2,378,355	475,671
TOTAL		279,489,124	2,747,512	263,854,347	2,645,056

13. Deposits from banks

The structure of deposits from banks is given in the following table:

In thousands of KM	31 December 2012	31 December 2011
Deposits of local commercial banks	3,036,346	3,186,202
Special deposit of local commercial banks – blocked funds	3,863	3,863
Reserve accounts of organisational units of the Central Bank of Bosnia and Herzegovina	212	242
Other liabilities towards local commercial banks	196	2,455
TOTAL	3,040,616	3,192,762

Deposits of local commercial banks are placed in accordance with obligatory reserve requirements for those banks to meet obligations for settling debts and for the transactions between commercial banks and the Central Bank of Bosnia and Herzegovina. On 31 December 2012 the total amount of KM 3,036,346 thousand represented deposits of 29 banks (2011: 30 banks).

Interest on deposits from local commercial banks is calculated according to the Law on the Central Bank of Bosnia and Herzegovina, and the interest rate during the year ranged from 0,00% p.a. to 0.11% p.a. (2011: from 0,10% p.a. to 1.20% p.a.). Interest rates on deposits placed by local commercial banks during the year are given in Note 18.

Deposits from banks include KM 15 thousand of accrued interest as at 31 December 2012 (2011: KM 542 thousand).

14. Deposits from the Government and other depositors

The structure of deposits from the Government and other depositors is given in the following table:

In thousands of KM	31 December 2012	31 December 2011
Deposits for the budget of BiH Institutions	123,684	58,393
Deposit account under International Monetary Fund transactions	53,833	12
Deposits of public institutions	13,548	11,088
Deposits of other governments and government institutions	7,811	7,821
TOTAL	198,876	77,314

Deposits from Government and other depositors are non-interest bearing, except for the deposit account for IMF transactions (see also Note 18).

15. Provisions for liabilities and charges

Provisions for liabilities and charges relate to provisions for employees' severance payments.

Movement in provisions for liabilities and charges is presented below:

In thousands of KM	31 December 2012	31 December 2011
Opening balance as of 1 January	726	655
Compensations paid	(111)	(103)
Net charge to the income statement	254	174
Closing balance as of 31 December	869	726

16. Other liabilities

The structure of other liabilities is presented in the following table:

In thousands of KM	31 December 2012	31 December 2011
Liabilities based on allocation of profit to the state budget (Note 26)	20,480	27,559
Suppliers	1,147	898
IMF Accounts No. 1 and 2	1,002	1,021
Deferred income	193	84
World Bank deposits	154	41
Accrued expenses and other liabilities	147	149
Liabilities to employees	3	5
TOTAL	23,126	29,757

17. Capital

The structure of capital is presented in the following table:

In thousands of KM	31 December 2012	31 December 2011
Subscribed capital	25,000	25,000
General reserves (Retained earnings)	493,518	479,864
Other reserves	31,300	31,300
Fair value reserves	25,928	11,468
TOTAL	575,746	547,632

Subscribed capital

Subscribed capital represents nominal capital paid in on 12 June 1998 in accordance with the Law on Central Bank of Bosnia and Herzegovina.

General reserves (Retained earnings)

General reserves (Retained earnings) comprise accumulated undistributed profits of the Bank since the beginning of its operations on 11 August 1997. For details please see Note 26.

Other reserves

Other reserves relate to following:

- reserves from grants in the amount of KM 3,497 thousand, which relate to grants received in cash from the Council of Ministers of Bosnia and Herzegovina on 12 June 1998. The status of these reserves is regulated by the Decision of the Governing Board of the Central Bank of Bosnia and Herzegovina with the approval of the Presidency of Bosnia and Herzegovina. The right to utilise the reserves from grants fall within the competence of the Governing Board of the Central Bank of Bosnia and Herzegovina.
- amounts received in accordance with the Succession Agreement of the former Yugoslavia in the amount of KM 27,803 thousand and relates to shares in Bank for International Settlements (BIS) (see also Note 11).

Fair value reserves

Fair value reserves represent unrealised gains or losses incurred as a result of measurement of the available-for-sale financial assets at fair value including monetary gold (see Note 27).

18. Interest income and expense

In thousands of KM	For the year ended 31 December	
	2012	2011
Interest income arising from:		
- available-for-sale financial assets	25,358	24,367
- deposits with foreign banks	6,236	30,895
- held-to-maturity investments	551	1,576
- other	2	5
	32,147	56,843
Interest expense arising from:		
- deposits from local commercial banks	(993)	(18,238)
- other	-	(3)
	(993)	(18,241)
Net interest income	31,154	38,602

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 was as follows:

	(in %)
January 2011 (short-term deposits and borrowings)	14.00
February to December 2011 (short-term deposits and borrowings)	10.00
2011 (long-term deposits and borrowings)	7.00
2012 (short-term deposits and borrowings)	10.00
2012 (long-term deposits and borrowings)	7.00

Until 31 July 2011 the interest was calculated according to the rate based on the average of interest rates achieved by the Bank in the same period on "overnight" deposits. Since 1 August 2011 and during 2012 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.

Until 31 January 2011 interest on the amount exceeding the obligatory reserves was calculated according to the rate based on the average of interest rates achieved by the Bank on deposits invested up to one month. In the period from 1 February until 31 July 2011 interest was calculated according to the rate based on the average of interest rates achieved by the Bank in the same period on "overnight" deposits. Since 1 August 2011 and during 2012 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.

19. Fee and commission income and expense

In thousands of KM	For the year ended 31 December	
	2012	2011
Fee and commission income:		
- from local commercial banks	7,819	6,711
- from services for the Government and other non-banking clients	622	361
	<u>8,441</u>	<u>7,072</u>
Fee and commission expense:		
- transactions with foreign banks	(389)	(1,217)
	<u>(389)</u>	<u>(1,217)</u>
Net fee and commission income	<u>8,052</u>	<u>5,855</u>

20. Net realised gains on available-for-sale financial assets

In thousands of KM	For the year ended 31 December	
	2012	2011
Realised gains	16,166	1,201
Realised losses	-	(211)
Net realised gains	<u>16,166</u>	<u>990</u>

21. Net realised gains on monetary gold

Gains arising from changes in fair value recognised directly in the 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 gains from the sale of monetary gold in 2012 amount to KM 11,723 thousand (2011: KM 18,085 thousand).

22. Net (losses) / gains from foreign exchange differences

In thousands of KM	For the year ended 31 December	
	2012	2011
Income from foreign exchange differences	31,726	42,124
Expenses from foreign exchange differences	(36,252)	(31,060)
Net (losses) / gains	(4,526)	11,064

23. Other income

In thousands of KM	For the year ended 31 December	
	2012	2011
Dividend income (Note 11)	767	677
Income from grants	75	96
Insurance income	-	790
Other income	977	205
TOTAL	1,819	1,768

24. Personnel expenses

In thousands of KM	For the year ended 31 December	
	2012	2011
Salaries	10,150	10,977
Taxes and contributions	5,800	6,257
Provisions for severance payments	254	174
TOTAL	16,204	17,408

Personnel costs include KM 3,366 thousand (2011: KM 3,623 thousand) of defined pension contributions paid into the public pension funds in Bosnia and Herzegovina. Contributions are calculated as percentage of the gross salary.

As at 31 December 2012 the Bank had 347 employees (2011: 354 employees).

25. Administrative and other operating expenses

In thousands of KM	For the year ended 31 December	
	2012	2011
Expenses for production and design of banknotes and coins	2,204	636
Other operating expenses	9,000	9,703
TOTAL	11,204	10,339

26. Profit allocation

The allocation of the net profit is carried out in accordance with the Law on the Central Bank of Bosnia and Herzegovina.

The provisions of the above mentioned Law define the criteria of the net profit allocation, according to which the Bank allocates 60% of the current profit to the account of the institution responsible for the Budget of Bosnia and Herzegovina, provided that the amount of the subscribed capital and general reserves (retained earnings) is equal or higher than 5,00% of the total monetary liabilities.

This ratio, before the profit allocation in 2012 amounted to 8,43% (2011: 8.22%). According to the Decision of the Governing Board 60% of the net profit for the financial year of 2012 in the amount of KM 20,480 thousand (2011: KM 27,559 thousand) was allocated to the state budget, and 40%, i.e. the amount of KM 13,654 thousand was allocated to the general reserves (retained earnings) of the Bank (2011: KM 18,372 thousand).

2012**Before profit allocation** (in KM'000)

Monetary liabilities (Currency in circulation and domestic deposits)	5,987,004
Subscribed capital and general reserves (retained earnings)	504,864
Ratio - subscribed capital and general reserves (retained earnings) / monetary liabilities	8.43%

Profit allocation (in KM'000)

Net profit before allocation	34,134
Allocation of profit to the state budget	20,480
Allocation of profit to general reserves (retained earnings)	13,654

After profit allocation (in KM'000)

Subscribed capital and general reserves (retained earnings)	518,518
Ratio - Subscribed capital and general reserves (retained earnings) / monetary liabilities	8.66%

2011**Before profit allocation** (in KM'000)

Monetary liabilities (Currency in circulation and domestic deposits)	5,915,132
Subscribed capital and general reserves (retained earnings)	486,492
Ratio - subscribed capital and general reserves (retained earnings) / monetary liabilities	8.22%

Profit allocation	(in KM'000)
Net profit before allocation	45,931
Allocation of profit to the state budget	27,559
Allocation of profit to general reserves (retained earnings)	18,372
After profit allocation	(in KM'000)
Subscribed capital and general reserves (retained earnings)	504,864
Ratio - Subscribed capital and general reserves (retained earnings) / monetary liabilities	8.54%

27. Other comprehensive income

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

In thousands of KM	For the year ended 31 December	
	2012	2011
Fair value reserve – AFS financial assets		
Gains from change in fair value	35,147	5,131
Amount transferred to income statement	(16,166)	(990)
	18,981	4,141
Fair value reserve – Monetary Gold		
Gains from change in fair value	7,202	9,273
Amount transferred to income statement	(11,723)	(18,085)
	(4,521)	(8,812)
TOTAL	14,460	(4,671)

28. Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise of:

In thousands of KM	31 December 2012	31 December 2011
Foreign currency demand deposits	1,265,142	154,205
Foreign currency deposits with remaining maturity under three months	1,030,255	3,916,805
Foreign currency in cash	133,195	93,608
Special Drawing Rights in the International Monetary Fund	4,525	1,116
Giro accounts	212	242
TOTAL	2,433,329	4,165,976

29. Related Party Transactions

In the normal course of its operations, the Bank enters into transactions with related parties. Having in mind that the Bank has been established by a Legal Act passed by Parliamentary Assembly of Bosnia and Herzegovina and that the initial capital has been paid up by the Council of Ministers of Bosnia and Herzegovina, transactions performed as part of regular operations of the Bank with the state and state institutions represent related party transactions. In addition, the Bank considers that it has an immediate related party relationship with its key management personnel, close family members of key management personnel, and entities controlled, jointly controlled or significantly influenced by key management personnel and their close family members.

Transactions with the state and state institutions are disclosed in the following table:

In thousands of KM

2012	Exposure	Liabilities	Income	Expenses
State	-	188,304	-	-
State institutions				
Indirect taxation authority of Bosnia and Herzegovina	-	15,801	-	-
Deposit Insurance Agency	-	7	-	-
TOTAL	-	204,112	-	-

In thousands of KM

2011	Exposure	Liabilities	Income	Expenses
State	-	87,922	-	-
State institutions				
Indirect taxation authority of Bosnia and Herzegovina	-	4,379	-	-
Deposit Insurance Agency	-	81	-	-
TOTAL	-	92,382	-	-

Remuneration of key management members

The total remuneration of the members of the key management in 2012 amounted to KM 1,486 thousand, out of which KM 955 thousand was related to salaries and other remuneration and KM 531 thousand to taxes and contributions (in 2011 out of total amount of KM 1,688 thousand the amount of KM 1,087 thousand was related to salaries and other remuneration and KM 601 thousand was related to taxes and contributions).

30. Risk Management

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

- Liquidity risk
- Market risk
- Credit risk.

This note presents information about the Bank's exposure to each of the above risks, the Bank's objective, policies and procedures for measuring and managing risks.

Given that the primary purpose of the Bank is to preserve monetary stability in Bosnia and Herzegovina, its financial risk framework is different from those 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 short term with fixed interest rate in foreign banks with high credit ratings are the basic principles of managing liquidity risk, foreign exchange, interest rate and credit risk.

30.1. Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulties in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The ultimate responsibility for liquidity risk management lies with the Management, which has created an adequate framework for the management of liquidity risk. The Bank manages this type of risk by investing mainly in short-term deposits with foreign banks and in securities with maturities within seven years and by constantly monitoring the projected and actual cash flows.

The following table presents the Bank's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Bank can be required to pay. The table includes both interest and principal cash flows.

31 December 2012						
In thousands of KM	Carrying amount	Gross nominal (outflow)	Up to 3 months	3 to 12 months	From 1 to 3 years	Over 3 years
Currency in circulation	2,747,512	2,747,512	2,747,512	-	-	-
Deposits from banks	3,040,616	3,040,616	3,040,616	-	-	-
Deposits from the Government and other depositors	198,876	198,876	198,876	-	-	-
Other liabilities	22,844	22,844	2,364	20,480	-	-
Total	6,009,848	6,009,848	5,989,368	20,480	-	-

31 December 2011						
In thousands of KM	Carrying amount	Gross nominal (outflow)	Up to 3 months	3 to 12 months	From 1 to 3 years	Over 3 years
Currency in circulation	2,645,056	2,645,056	2,645,056	-	-	-
Deposits from banks	3,192,762	3,192,762	3,192,762	-	-	-
Deposits from the Government and other depositors	77,314	77,314	77,314	-	-	-
Other liabilities	29,576	29,576	2,017	27,559	-	-
Total	5,944,708	5,944,708	5,917,149	27,559	-	-

Maturity analysis

Tables below presents the assets and liabilities of the Bank as at 31 December 2012 and 2011 classified into relevant maturity groupings based on the remaining period from the reporting date to the contractual maturity date, except for debt securities available for sale which have been classified in accordance with their secondary liquidity characteristics as maturing within one month and currency in circulation which has been classified in the maturity period within one month. Equity securities, that are part of assets and liabilities which do not have contractual maturity, are classified as without specified maturity.

31 December 2012						
In thousands of KM	Up to 3 months	From 3 to 12 months	From 1 to 3 years	Over 3 years	Without specified maturity	Total
Foreign currency in cash	133,195	-	-	-	-	133,195
Deposits with foreign banks	2,295,397	39,117	-	-	-	2,334,514
Special Drawing Rights with the International Monetary Fund	4,525	-	-	-	-	4,525
Available-for-sale financial assets	3,770,039	-	-	-	-	3,770,039
Monetary gold	158,979	-	-	-	-	158,979
Held-to-maturity investments	-	1,292	-	106,025	-	107,317
Other assets	3,400	2,544	4,577	399	-	10,920
Property, equipment and intangible assets	-	-	-	-	39,443	39,443
Other investments	-	-	-	-	27,813	27,813
Total assets	6,365,535	42,953	4,577	106,424	67,256	6,586,745
Currency in circulation	2,747,512	-	-	-	-	2,747,512
Deposits from banks	3,040,616	-	-	-	-	3,040,616
Deposits from the Government and other depositors	198,876	-	-	-	-	198,876
Provisions for liabilities and charges	46	34	84	705	-	869
Other liabilities	2,452	20,481	-	-	193	23,126
Subscribed capital	-	-	-	-	25,000	25,000
General reserves (Retained earnings)	-	-	-	-	493,518	493,518
Other reserves	-	-	-	-	31,300	31,300
Fair value reserves	25,926	-	-	-	2	25,928
Total capital and reserves	25,926	-	-	-	549,820	575,746
Total liabilities, capital and reserves	6,015,428	20,515	84	705	550,013	6,586,745
LIQUIDITY GAP	350,107	22,438	4,493	105,719	(482,757)	-

31 December 2011	Up to 3	From 3 to	From 1	Over 3	Without	Total
In thousands of KM	months	12 months	to 3 years	years	specified	
					maturity	
Foreign currency in cash	93,608	-	-	-	-	93,608
Deposits with foreign banks	4,071,010	314,577	-	-	-	4,385,587
Special Drawing Rights with the International Monetary Fund	1,116	-	-	-	-	1,116
Available-for-sale financial assets	1,752,940	-	-	-	-	1,752,940
Monetary gold	151,283	-	-	-	-	151,283
Held-to-maturity investments	39,021	-	-	-	-	39,021
Other assets	2,303	2,076	435	542	-	5,356
Property, equipment and intangible assets	-	-	-	-	36,523	36,523
Other investments	-	-	-	-	27,813	27,813
Total assets	6,111,281	316,653	435	542	64,336	6,493,247
Currency in circulation	2,645,056	-	-	-	-	2,645,056
Deposits from banks	3,192,762	-	-	-	-	3,192,762
Deposits from the Government and other depositors	77,314	-	-	-	-	77,314
Provisions for liabilities and charges	-	101	68	557	-	726
Other liabilities	2,112	27,561	-	-	84	29,757
Subscribed capital	-	-	-	-	25,000	25,000
General reserves (Retained earnings)	-	-	-	-	479,864	479,864
Other reserves	-	-	-	-	31,300	31,300
Fair value reserves	11,466	-	-	-	2	11,468
Total capital and reserves	11,466	-	-	-	536,166	547,632
Total liabilities, capital and reserves	5,928,710	27,662	68	557	536,250	6,493,247
LIQUIDITY GAP	182,571	288,991	367	(15)	(471,914)	-

30.2. Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices and foreign exchange rates will affect the Bank's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures with acceptable parameters, while optimising the return on risk.

30.2.1. Foreign exchange risk

The Bank is exposed to currency risk through transactions in foreign currencies. This is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign currency exposure arises from deposit and investment activities.

The control and management of the foreign exchange risk is based on the strict adherence to the provisions of the Law on the Central Bank of Bosnia and Herzegovina and the Guidelines of the Central Bank on investment of the foreign exchange reserves.

The above framework defines the limits for holding assets and liabilities in each foreign currency. The biggest part of monetary assets is held in EUR, and the maximum amount that can be held in other convertible currencies, subject to the changes in the market rate, must not exceed 50% of the total amount of the capital and the reserves of the Bank.

The Bank had the following foreign currency position as at 31 December 2012 and 31 December 2011.

31 December 2012

In thousands of KM	EUR	USD	Other foreign currencies	KM	Total
Foreign currency in cash	133,117	21	57	-	133,195
Deposits with foreign banks	2,331,445	2,876	193	-	2,334,514
Special Drawing Rights with the International Monetary Fund	-	-	4,525	-	4,525
Available-for-sale financial assets	3,770,039	-	-	-	3,770,039
Monetary gold	-	158,979	-	-	158,979
Held-to-maturity investments	107,317	-	-	-	107,317
Other assets	6	-	-	10,914	10,920
Property, equipment and intangible assets	-	-	-	39,443	39,443
Other investments	10	-	-	27,803	27,813
Total assets	6,341,934	161,876	4,775	78,160	6,586,745
Currency in circulation	-	-	-	2,747,512	2,747,512
Deposits from banks	196	-	-	3,040,420	3,040,616
Deposits from the Government and other depositors	-	-	-	198,876	198,876
Provisions for liabilities and charges	-	-	-	869	869
Other liabilities	205	4	73	22,844	23,126
Subscribed capital	25,000	-	-	-	25,000
General reserves (Retained earnings)	-	-	-	493,518	493,518
Other reserves	3,497	-	-	27,803	31,300
Fair value reserves	32,500	-	-	(6,572)	25,928
Total capital and reserves	60,997	-	-	514,749	575,746
Total liabilities, capital and reserves	61,398	4	73	6,525,270	6,586,745
NET FOREIGN EXCHANGE POSITION	6,280,536	161,872	4,702	(6,447,110)	-

31 December 2011

In thousands of KM	EUR	USD	Other foreign currencies	KM	Total
Foreign currency in cash	93,522	21	65	-	93,608
Deposits with foreign banks	4,384,876	529	182	-	4,385,587
Special Drawing Rights with the International Monetary Fund	-	-	1,116	-	1,116
Available-for-sale financial assets	1,752,940	-	-	-	1,752,940
Monetary gold	-	151,283	-	-	151,283
Held-to-maturity investments	39,021	-	-	-	39,021
Other assets	1,856	15	1	3,484	5,356
Property, equipment and intangible assets	-	-	-	36,523	36,523
Other investments	10	-	-	27,803	27,813
Total assets	6,272,225	151,848	1,364	67,810	6,493,247
Currency in circulation	-	-	-	2,645,056	2,645,056
Deposits from banks	2,455	-	-	3,190,307	3,192,762
Deposits from the Government and other depositors	-	-	-	77,314	77,314
Provisions for liabilities and charges	-	-	-	726	726
Other liabilities	174	3	68	29,512	29,757
Subscribed capital	25,000	-	-	-	25,000
General reserves (Retained earnings)	-	-	-	479,864	479,864
Other reserves	3,497	-	-	27,803	31,300
Fair value reserves	13,520	-	-	(2,052)	11,468
Total capital and reserves	42,017	-	-	505,615	547,632
Total liabilities, capital and reserves	44,646	3	68	6,448,530	6,493,247
NET FOREIGN EXCHANGE POSITION	6,227,579	151,845	1,296	(6,380,720)	-

30.2.1.1. Foreign exchange risk - Sensitivity analysis

The Bank is not exposed to EUR foreign currency risk due to currency board arrangement aligning KM to EUR at fixed exchange rate of EUR 1 : KM 1.95583.

The sensitivity analysis includes outstanding foreign currency denominated monetary items at the balance sheet date and indicates the effects of the assumed changes in foreign currency rates on the reported profit and equity. The table below provides an analysis of the Bank's main currency exposures. A positive number indicates an increase in income statement and increase in equity where the KM weakens i.e. strengthens against the relevant currency.

2012	USD	CHF	GBP	SDR	Other
KM'000	+/- 3%	+/- 1%	+/- 2%	+/- 2%	+/- 2%
Foreign exchange rate risk (on P&L)	4,856/ (4,856)	2/(2)	(1)/1	91/(91)	0/(0)

2011	USD	CHF	GBP	SDR	Other
KM'000	+/- 4%	+/- 6%	+/- 2%	+/- 3%	+/- 2%
Foreign exchange rate risk (on P&L)	6,074/ (6,074)	12/(12)	(1)/1	33/(33)	0/(0)

2012	USD	CHF	GBP	SDR	Other
KM'000	+/- 3%	+/- 1%	+/- 2%	+/- 2%	+/- 2%
Foreign exchange rate risk (on Equity)	0/(0)	0/(0)	0/(0)	0/(0)	0/(0)

2011	USD	CHF	GBP	SDR	Other
KM'000	+/- 4%	+/- 6%	+/- 2%	+/- 3%	+/- 2%
Foreign exchange rate risk (on Equity)	0/(0)	0/(0)	0/(0)	0/(0)	0/(0)

30.2.2. Interest rate risk

The Bank's exposure to market risk for changes in interest rates is concentrated in its investment portfolio. The Bank's operations are subject to the risk of interest rate fluctuations to the extent that interest earning assets and interest bearing liabilities mature or reprice at different time or in different amounts.

The Bank is exposed to interest rate risk through investment of foreign currency reserves. The Bank manages its investment portfolio with the aim to minimize interest rate risk. The investments bear different interest rates, depending on the time period of the investment, with the maximum term of investment being one year for deposits and seven years for securities.

The tables below summarize the Bank's exposure to interest rate risk at yearend.

31 December 2012	Up to 3 months	From 3 to 12 months	From 1 to 3 years	Over 3 years	Non-interest bearing	Total
In thousands of KM						
Foreign currency in cash	-	-	-	-	133,195	133,195
Deposits with foreign banks	2,295,376	39,117	-	-	21	2,334,514
Special Drawing Rights with the International Monetary Fund	4,525	-	-	-	-	4,525
Available for sale financial assets	943,328	2,780,062	-	-	46,649	3,770,039
Monetary gold	-	-	-	-	158,979	158,979
Held-to-maturity investments	-	106,025	-	-	1,292	107,317
Other assets	37	108	424	399	9,952	10,920
Property, equipment and intangible assets	-	-	-	-	39,443	39,443
Other investments	-	-	-	-	27,813	27,813
Total assets	3,243,266	2,925,312	424	399	417,344	6,586,745
Currency in circulation	-	-	-	-	2,747,512	2,747,512
Deposits from banks	3,036,331	-	-	-	4,285	3,040,616
Deposits from the Government and other depositors	53,833	-	-	-	145,043	198,876
Provisions for liabilities and charges	-	-	-	-	869	869
Other liabilities	-	-	-	-	23,126	23,126
Subscribed capital	-	-	-	-	25,000	25,000
General reserves (Retained earnings)	-	-	-	-	493,518	493,518
Other reserves	-	-	-	-	31,300	31,300
Fair value reserves	-	-	-	-	25,928	25,928
Total capital and reserves	-	-	-	-	575,746	575,746
Total liabilities, capital and reserves	3,090,164	-	-	-	3,496,581	6,586,745
INTEREST RATE GAP	153,102	2,925,312	424	399	(3,079,237)	-

31 December 2011	Up to 3 months	From 3 to 12 months	From 1 to 3 years	Over 3 years	Non-interest bearing	Total
In thousands of KM						
Foreign currency in cash	-	-	-	-	93,608	93,608
Deposits with foreign banks	4,067,818	314,107	-	-	3,662	4,385,587
Special Drawing Rights with the International Monetary Fund	1,116	-	-	-	-	1,116
Available-for-sale financial assets	515,508	1,209,198	-	-	28,234	1,752,940
Monetary gold	-	-	-	-	151,283	151,283
Held-to-maturity investments	39,021	-	-	-	-	39,021
Other assets	40	117	427	541	4,231	5,356
Property, equipment and intangible assets	-	-	-	-	36,523	36,523
Other investments	-	-	-	-	27,813	27,813
Total assets	4,623,503	1,523,422	427	541	345,354	6,493,247
Currency in circulation	-	-	-	-	2,645,056	2,645,056
Deposits from banks	3,185,660	-	-	-	7,102	3,192,762
Deposits from the Government and other depositors	12	-	-	-	77,302	77,314
Provisions for liabilities and charges	-	-	-	-	726	726
Other liabilities	-	-	-	-	29,757	29,757
Subscribed capital	-	-	-	-	25,000	25,000
General reserves (Retained earnings)	-	-	-	-	479,864	479,864
Other reserves	-	-	-	-	31,300	31,300
Fair value reserves	-	-	-	-	11,468	11,468
Total capital and reserves	-	-	-	-	547,632	547,632
Total liabilities, capital and reserves	3,185,672	-	-	-	3,307,575	6,493,247
INTEREST RATE GAP	1,437,831	1,523,422	427	541	(2,962,221)	-

30.2.2.1. Interest rate risk - Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for financial assets and financial liabilities at the balance sheet date and the assumed change of interest rate taking place at the beginning of the financial year and held constant throughout the reporting period.

The table below provides an sensitivity analysis of the Bank's interest rate exposures in main currencies based on the sensitivity range of +30/-5 bp (2011: +50/-50 bp) depending on the currency (which reflects Bank's assessment of the possible change in interest rates). A positive number indicates an increase in income statement and increase in equity where the rates according to new scenario are higher, i.e. lower than as of reporting dates.

2012	KM	EUR	SDR
KM'000	+20/-1 bp	+30/-5 bp	+20/-5 bp
Interest rate risk (on P&L)	(6,073)/304	(26,705)/4,491	9/(2)

2011	KM	EUR	SDR
KM'000	+50/-20 bp	+50/-50 bp	+30/-10 bp
Interest rate risk (on P&L)	(15,928)/6,371	(7,890)/7,986	3/(1)

2012	KM	EUR	SDR
KM'000	+20/-1 bp	+30/-5 bp	+20/-5 bp
Interest rate risk (on equity)	0/0	(473)/80	0/0

2011	KM	EUR	SDR
KM'000	+50/-20 bp	+50/-50 bp	+30/-10 bp
Interest rate risk (on equity)	0/0	(143)/146	0/0

30.2.3. Price risk - Sensitivity analysis

The Bank is exposed to the commodity price risk through the investment of its foreign currency reserves in monetary gold. Monetary gold is classified as financial assets available-for-sale and hence any subsequent changes in price of gold impacts equity through fair value reserve account.

The table below provides an analysis of the Bank's gold price exposures based on the sensitivity rates of +/- 5% (2011: +/- 10%) (representing future assessment of the possible change in market price of gold). A positive number indicates an increase in equity where the price of gold according to new scenario is higher than as of reporting date.

In thousands of KM	2012	2011
	+/- 5%	+/- 10%
Price risk (on equity)	7,949/(7,949)	15,128/(15,128)

30.3. Credit risk

Credit risk is the risk of financial loss to the Bank if counterparty to a financial instrument fails to meet its contractual obligation and rises principally from the Bank's deposits with other banks and investments into securities (foreign currency reserves). The management of this risk is performed through the selection of counterparties with sound credit ratings, by limiting the maturity, and by controlling the volume and the dynamics of investment. The credit ratings are continuously monitored on a daily basis.

The second potential source of risk relates to IMF account No. 1 and account No. 2, in which the obligations of Bosnia and Herzegovina with regard to its IMF membership are recorded, and the obligations arising from the credit arrangements of Bosnia and Herzegovina with the IMF, which, in case the relevant institutions of Bosnia and Herzegovina are unable to provide the funds for the settlement of these obligations in a timely manner, would create a liability for the Bank, as well as a violation of the Provisions of the Law on the Central Bank of Bosnia and Herzegovina.

By strictly adhering to the Provisions of the Memorandum on the performance of the role of fiscal agent of Bosnia and Herzegovina to the IMF, the Bank creates conditions for the management of such risk. In case the relevant state institutions do not provide funds for the settlement of these obligations, the Bank has the authority, according to the Decision of the Bank's Governing Board on the provision of funds to the IMF, to direct all the funds from the deposit accounts of Bosnia and Herzegovina and sub-accounts of entities to the account for the settlement of the due obligations.

For the funds recorded in off-balance sheet records, the Bank is not exposed to credit risk, as all the risk, which may result from the investments of these funds, is to be borne contractually by the owners of these funds (see also Note 32).

30.3.1 Credit risk concentration

The Bank is exposed to credit risk through the deposits with foreign banks, available for sale financial assets and held to maturity investments.

Maximum exposure to credit risk before collateral held or other credit enhancements

The following table shows the maximum exposure of the Bank to the credit risk:

In thousands of KM	Maximum exposure	
	31 December 2012	31 December 2011
Balance sheet exposure		
Deposits with foreign banks	2,334,514	4,385,587
Available-for-sale financial assets	3,770,039	1,752,940
Held-to-maturity investments	107,317	39,021
TOTAL	6,211,870	6,177,548

The Bank does not hold any collateral or other credit enhancements to cover this credit risk as the Bank invests its assets with the counterparties that have the highest credit ratings.

As of 31 December 2012 Bank does not have any assets that are neither past due or impaired.

Concentration of credit risk

The deposits placed with foreign banks in total amounted to KM 2,334,514 thousand as of 31 December 2012 (2011: KM 4,385,587 thousand). The largest portion of these funds is invested in two foreign banks (2011: two foreign banks), with individual exposures exceeding total Capital and Reserves of the Bank.

Individual credit risk concentration exceeding total capital and reserves of the Bank:

Bank rating	31 December 2012		Bank rating	31 December 2011	
	Deposits in KM'000	% of total deposits		Deposits in KM'000	% of total deposits
AAA	816,094	34.96	AAA	1,911,924	43.59
AAA	727,100	31.15	AAA	1,843,574	42.04

The largest individual risk exposure as at 31 December 2012 amounts to KM 816,094 thousand (2011: KM 1,911,924 thousand).

Concentration per credit rating

Deposits with foreign banks:

Bank rating	31 December 2012		31 December 2011	
	KM'000	% of total	KM'000	% of total
AAA	1,741,627	74.60	4,036,325	92.04
A+	426,614	18.27	349,262	7.96
AA	166,273	7.12	-	-
TOTAL	2,334,514	100.00	4,385,587	100.00

Financial assets available-for-sale:

Bank rating	31 December 2012		31 December 2011	
	KM'000	% of total	KM'000	% of total
AAA	2,840,078	75.33	1,752,940	100.00
A-	558,785	14.82	-	-
AA	371,176	9.85	-	-
TOTAL	3,770,039	100.00	1,752,940	100.00

Held-to-maturity investments:

Bank rating	31 December 2012		31 December 2011	
	KM'000	% of total	KM'000	% of total
AAA	107,317	100.00	39,021	100.00
TOTAL	107,317	100.00	39,021	100.00

Geographical concentration

	31 December 2012		31 December 2011	
	KM'000	%	KM'000	%
France	1,706,916	27.48	2,479,374	40.14
Germany	1,358,813	21.87	899,987	14.57
Holland	818,948	13.18	433,497	7.02
Luxembourg	737,226	11.87	1,911,924	30.95
Italy	558,785	9.00	-	-
Austria	450,579	7.25	61,467	1.00
Belgium	371,176	5.98	-	-
Finland	206,576	3.33	40,760	0.64
Switzerland	2,851	0.04	1,812	0.03
Great Britain	-	-	348,727	5.65
TOTAL	6,211,870	100.00	6,177,548	100.00

Geographical concentration per individual financial asset is disclosed in Note 5, 6 and 8 of these financial statements.

31. Fair value of financial assets and liabilities

The following table presents a comparison of carrying values and fair values of all financial assets and liabilities as at 31 December 2012 and 2011:

In thousands of KM	Carrying value		Fair value	
	2012	2011	2012	2011
Financial assets				
Foreign currency in cash	133,195	93,608	133,195	93,608
Deposits with foreign banks	2,334,514	4,385,587	2,334,514	4,385,587
Special Drawing Rights with the International Monetary Fund	4,525	1,116	4,525	1,116
Available-for-sale financial assets	3,770,039	1,752,940	3,770,039	1,752,940
Monetary gold	158,979	151,283	158,979	151,283
Held-to-maturity investments	107,317	39,021	108,032	39,111
Other assets	1,882	1,901	1,882	1,901
Other investments	27,813	27,813	27,813	27,813
Total	6,538,264	6,453,269	6,538,979	6,453,359
Financial liabilities				
Currency in circulation	2,747,512	2,645,056	2,747,512	2,645,056
Deposits from banks	3,040,616	3,192,762	3,040,616	3,192,762
Deposits from the Government and other depositors	198,876	77,314	198,876	77,314
Other liabilities	22,844	29,576	22,844	29,576
Total	6,009,848	5,944,708	6,009,848	5,944,708

Fair value represents the amount at which an asset could be exchanged or a liability settled on an arm's length basis. Available-for-sale financial assets and monetary gold are measured at fair value. Held-to-maturity investments are recognised at amortised cost. The market value of held-to-maturity investments approximates their book value due to their short remaining maturity.

Deposits with and from banks are carried at amortised cost which approximate to their fair value, as these deposits are short-term placements at market interest rates.

Other investments are recognised at cost. The management believes that the carrying value of these instruments is not significantly different from their fair value.

The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurement:

- Level 1 – Quoted market price in an active market for an identical instrument.
- Level 2 – Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3 – Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation.

31 December 2012

	Level 1	Level 2	Level 3	Total
In thousands of KM				
Available-for-sale financial assets	3,770,039	-	-	3,770,039
Monetary gold	158,979	-	-	158,979
Total	3,929,018	-	-	3,929,018
31 December 2011				
Available-for-sale financial assets	1,752,940	-	-	1,752,940
Monetary gold	151,283	-	-	151,283
Total	1,904,223	-	-	1,904,223

32. 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	31 December 2012	31 December 2011
Third party securities and funds held with foreign banks	387,650	371,934
Deposits of USAID	19,872	19,612
Deposits of non-residents	19,872	19,612
Deposits of the Council of Ministers of BiH	108,670	127,452
Deposits of the Council of Ministers of BiH on the basis of succession	360	2,763
Deposits of the Council of Ministers of BiH regarding the servicing of foreign debt	5,051	5,152
Deposits of the Council of Ministers of BiH regarding the Budget of BiH Institutions	84,583	107,003
Other deposits of the Council of Ministers of BiH	18,676	12,534
Deposits of other residents	5,785	6,648
Deposits - Deposit Insurance Agency	731	540
Deposits - Banking Agency of Federation BiH	4,077	4,068
Deposits - Retirement allowance from Germany	-	318
Deposit accounts of banks	977	1,722
Deposits of residents	114,455	134,100
Investments related to securities – Deposit Insurance Agency	253,323	218,222
Investments of residents related to securities	253,323	218,222
Liability for third party securities and funds	387,650	371,934

Interest and fees on third party securities and funds

USAID Deposits

On the basis of the Agreement regarding financial assistance between Bosnia and Herzegovina and the United States of America for the financing of the reconstruction, special interest bearing accounts have been opened with the Bank of America. The Bank does not charge and does not collect any interest or fees on these accounts.

Residents' investments related to securities

The Bank enabled the Deposit Insurance Agency of the Bosnia and Herzegovina to invest in securities by opening cash and custodian accounts in the name of the Bank and the Deposit Insurance Agency of the Bosnia and Herzegovina. All transactions on the accounts are performed between the Deposit Insurance Agency of the Bosnia and Herzegovina and the Asset Manager. The Bank does not charge any interest or fees on such accounts.

Bosnia and Herzegovina membership in the IMF

As depositary 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 31 December 2012**

(KM'000)

<u>Assets</u>		
Quota	385,576	
SDR holdings	4,525	
Total assets	390,101	
<u>Liabilities</u>		
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
<u>Net member position with the IMF</u>		
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

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 by the IMF No. 1 and 2 accounts.

Consolidated position of BiH membership in the IMF as at 31 December 2011

(KM'000)

Assets		
Quota	392,425	
SDR holdings	1,116	
Total assets	393,541	
Liabilities		
IMF No. 1 account		986
IMF No. 2 account		34
Securities		1,176,185
Accounts of payable charges		1,551
SDR allocation		373,364
Accrued interest on SDR allocation		114
Total liabilities		1,552,234
Net member position with the IMF		
BiH obligations to the IMF arising principally from repurchase and currency valuation adjustments	1,158,693	
Net member position	1,158,693	
	1,552,234	1,552,234
Total consolidated position - assets and liabilities		
	1,552,234	1,552,234
IMF No. 1 account	(986)	(986)
IMF No. 2 account	(34)	(34)
Total gross position of BH with the IMF - assets and liabilities	1,551,214	1,551,214

33. *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	31 December 2012	31 December 2012
Foreign assets	6,508,569	6,423,555
Liabilities to non residents	1,156	1,062
Net foreign exchange reserves (foreign assets minus liabilities to non residents)	6,507,413	6,422,493
Monetary liabilities	5,987,004	5,915,132
Net foreign assets (net foreign exchange reserves minus monetary liabilities)	520,409	507,361

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.

34. *Domestic payment and settlement system*

Pursuant to the law on the Central Bank of Bosnia and Herzegovina the Bank is responsible for the establishment and maintenance of domestic payment and settlement systems. The Bank has operated two payment and settlement systems from January 2001 in order to facilitate efficient settlement of domestic interbank transactions: Real Time Gross Settlement System („RTGS“) and Giro Clearing System („GCS“).

Credit risk

RTGS enables participants, i.e. the Bank and licensed commercial banks, to effect individual and prompt settlement of one by one (gross) payments by crediting and debiting settlement accounts held with the Central Bank in domestic currency. Through GCS the Bank provides clearing services arising from transmitted payment orders in accordance with the principle of multilateral clearing.

Each participant in the payment systems is obliged to cover its settlement account held with the Bank prior to settlement of payment orders and must meet certain technical requirements.

Pursuant to the role of the Bank as defined by the Law on the Central Bank of Bosnia and Herzegovina, the Bank does not provide any credit to RTGS and GCS participants, nor provides liquidity to the system in any form.

Operational risk

With the aim of minimising operational risk within the domestic payment and settlement system, operating rules for RTGS and GCS have been issued, which define minimum security standards for operation of the systems.

Relevant security objectives, policies and procedures aim to ensure security measures and features. The computer systems and the networks are operated according to established objectives and policies. The security objectives and policies are reviewed periodically. Each direct participant is also required to have appropriate security measures and controls for processing payments.

The Bank has defined the following Contingency Settlement Procedures:

- **Contingency plans and measures:** the Bank has defined contingency measures in order to ensure continuity of reliable, correct and lawful operation of the payment and settlement systems in the event of disruption to the regular payment and settlement system, or other contingency events;
- **Backup location:** the Bank has set up backup locations comprising a primary back-up site and an additional back-up site, located in different areas, capable of operating under contingency measures, whose appropriateness and effectiveness has been regularly tested.

Management of the Bank believes that the system has sufficient capacity to maintain operational reliability, which has never been jeopardised since the implementation of the system.

APPENDIX

X

10. APPENDIX

10.1 Major Events in 2012

18 January - CBBH Governor Kemal Kozarić, Ph.D. attended a meeting of the Vienna Initiative in Austria where, among other things, concluded that parent banks would continue to provide financial support to their daughters banks, as well as to ensure the conditions for mobilization of domestic sources of funding.

27 January - CBBH and the World Bank in BH, organized a workshop to discuss the Action Plan for the protection of clients in the banking and microfinance sector in BH.

9 February –representatives of the CBBH and Deutsche Gesellschaft für Internationale Zusammenarbeit - The program of public institutions strengthening (GIZ-SPI) signed a Memorandum of Understanding in Sarajevo.

9 February - H.E. Ambassador of France to Bosnia and Herzegovina Roland Gilles visited the CBBH, where collocutors agreed on more regular exchange of information and the organization of business activities within which investors will get a complete insight into the potential of BH.

17 February - CBBH Governor Kemal Kozarić Ph.D. attended the session of the European Bank for Reconstruction and Development (EBRD) Constituency, organized by the Government of Malta, which is held as part of preparations for the Annual Assembly of the EBRD.

15 March - H.E. Ambassador of the Republic of Austria, Donatus Kock, Ph.D. visited the CBBH. Special attention is dedicated to the banking sector, and the positive effects of Austrian banks in BH business activities.

28 March - International agency Standard & Poor's has maintained the credit rating of Bosnia and Herzegovina, being B with a stable outlook (outlook improved).

1 April - CBBH in collaboration with all other stakeholders in the Central Credit Registry upgraded existing registry (available daily updating of data, as opposed to the previous being monthly).

3 April - CBBH began publishing rate of the Chinese yuan (CNY) on the exchange list.

9 April – H.E. Ambassador of Greece in BH, Karolos Gadis visited the CBBH. They discussed the possibilities of improving and promoting cooperation between the two countries.

11 April - The CBBH Governor Kemal Kozarić, Ph.D. and members of the Governing Board CBBH Vasilj Žarković, Ph.D. and Milenko Krajišnik, Ph.D. attended the opening of the Money Museum in Cetinje, as a part of anniversary celebration of the Central Bank of Montenegro,

3 May – H.E. Ambassador of the Kingdom of Spain Maria E. Aurora Mejia Errasquin visited the CBBH. Both sides expressed satisfaction with the traditionally good bilateral relations between the Kingdom of Spain and Bosnia and Herzegovina, and announced the arrival of a group of Spanish entrepreneurs, in the framework of cooperation of Chambers of Commerce.

11 May - The St. Antony's College, Oxford University, held a workshop entitled "The Effect of Euro Crisis and Investment Opportunities in Bosnia and Herzegovina." Memorandum of Understanding between the CBBH and Southeast European Studies at Oxford (SEESOX) at St. Antony's College, Oxford University, whose goal is to promote a deeper understanding of economic development in BH and Southeast Europe and the analysing of macroeconomic and financial challenges faced by countries in the region.

23 May – H.E. the Ambassador of Romania, E. Filip Teodorescu visited CBBH. It was concluded that it is necessary to take additional actions in order to define the areas in which BH and Romania have similarities in terms

of development capacities and similarities on the road to the European integration.

31 May - CBBH Governor Kemal Kozarić, Ph.D. was in Tbilisi, Georgia, at the annual meeting of the European Fund for Southeast Europe (EFSE), one of the main sources of microfinance in Bosnia and Herzegovina.

1 June - CBBH put into circulation new issue of KM banknotes in denominations of KM 10, 20 50 and 100.

15 June - H. E. Ambassador of Japan, Hideo Yamazaki and his associates visited the CBBH. He talked about the latest economic developments in Bosnia and Herzegovina, and announced several projects in foreign direct investment of Japanese companies in the manufacturing facilities in BH.

19 June - CBBH Governor Kemal Kozarić, Ph.D. took part in the work of the Regional Forum on Access to Finance “SEEnovate: Support to the Intelligent Growth”, held in Sarajevo, organized by the Secretariat of the Regional Cooperation Council (RCC), the U.S. Agency for International Development (USAID) and Swedish Development Agency (SIDA).

27 June - In Sarajevo, the Standing Committee for Financial Stability has a regular meeting, discussing the risks in the macroeconomic environment and the impact on the stability of the financial system. They estimated that the banking sector as a whole has been adequately capitalized and stressed the necessity of passing the law on factoring and agencies for the repurchase of claims.

10 July - International rating agency Moody's Investors Service maintained the credit rating for Bosnia and Herzegovina, B3 with a stable outlook (outlook improved).

17 September - CBBH Governor Kemal Kozarić, Ph.D. participated in a roundtable discussion on financial literacy, held in Sarajevo, organized by company Visa Inc.

20 September - CBBH Governor Kemal Kozarić, Ph.D. participated in the 4thSEE Management Forum, held in Belgrade, where he dealt with the problems of the economy functioning after the transition, as well as a new strategy for competitiveness and ways to fight against the economic crisis.

26 September - The CBBH account was credited with the first tranche of SDR amounting to 50.73 million based on the Stand-by Arrangement with the International Monetary Fund.

4 October - The CBBH Governing Board adopted the decision to replace KM banknotes in the denomination of 50 pfennig, 1 and 5 convertible marks, which were withdrawn from circulation and have ceased to be the legal tender. Decision stipulates replacement of these banknotes in commercial banks by 31 December 2017.

5 October - the CBBH published data on the balance of payments in accordance with new international methodological standards (Manual on the Compilation and Dissemination of Balance of Payments Statistics and International Investment Position, sixth edition (BPM6)). Therefore, the CBBH has become one of the first institutions in Europe to adopt a new balance of payments methodology.

19 October - CBBH Governor Kemal Kozarić, Ph.D. participated in the 28th meeting of Club the Governors of the Black Sea, Central Asia and the Balkan region, held in Warsaw. The major theme of this Governors' meeting was the adequacy of the regime with the national currency exchange rate during the global economic crisis and its impact on economic growth.

25 October - CBBH Vice Governor Radomir Božić, Ph.D. participated in the summit of Finance Ministers and Governors of Central Banks of Montenegro, Serbia, BH, FYR of Macedonia and Kosovo, which was held in Miločer (Montenegro).

31 October CBBH - In the post implementation monitoring period, the CBBH received the highest grade 5A from the European Union (EU), for a very successful project of technical cooperation with the ECB / Eurosystem, which is funded by the EU.

31 October - the World Savings Day was marked in the CBBH. The CBBH Governor reminded the public on the importance of saving as a key generator of lending and potentials for new investments.

2 November –the CBBH began with the publication of the list of blocked accounts of business entities in BH on its website.

2 November - CBBH Vice Governor, Ph.D. Radomir Božić participated in a conference titled “The Financial System and the Economy - Answers to the Challenges of the Crisis”, organized by the Business Information Group and held in Belgrade.

7 November - CBBH Governor Kemal Kozarić, Ph.D. and the Vice Governors spoke with the mission of the International Monetary Fund (IMF) during the IMF first review of the Stand-By Arrangement (SBA).

8 November - In Sarajevo, held a regular meeting of the Standing Committee for Financial Stability (SOFS) and concluded that the functions of all segments of the financial system continues to run smoothly, and that the weak domestic demand and

poor macroeconomic conditions remain the biggest threat to financial stability.

12 November –H.E. Ambassador of the Kingdom of the Netherlands in BH Jurriaan Kraak visited the CBBH where he discussed the current economic situation in BH.

22 November - CBBH in association with St. Antony’s College at Oxford University organized an international conference titled “Living in the Neighbourhood of the Euro Area.” Program of the conference was covered with extremely current topics such as the challenges of financial integration in the EU and the euro area, and the process of adapting and the accepting of euro.

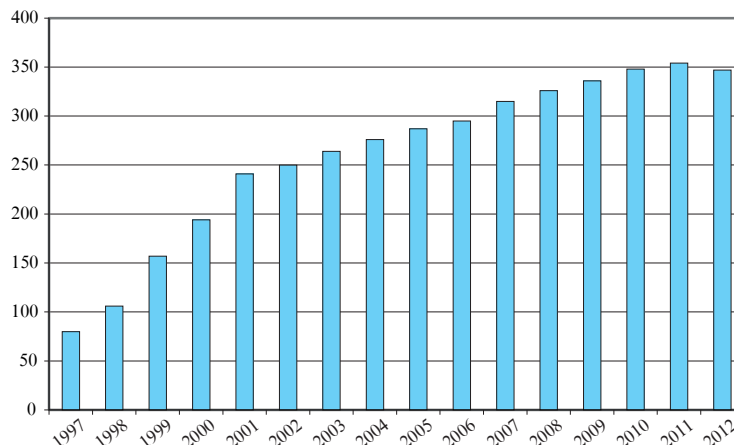
27 December - The Board approved the appointment of Mr. Ernadina Bajrović at the function of CBBH Vice Governor for Administration and Finance.

10.2. CBBH Governance and Staff Structure

Central Bank of Bosnia and Herzegovina has continued to develop the human resources management in 2012.

On 31 December 2012, the Central Bank of Bosnia and Herzegovina employed 347 staff members, out of which 55.91% women and 44.09% men. The average age of employees

Graph 10.1: Employment 1997-2012



at the same date was 44 years. Out of the employed total number, qualification structure on the a.m. date was as follows: 241 (69.45%) with academic degree, out of that seven Ph.D. and 29 master's degrees.

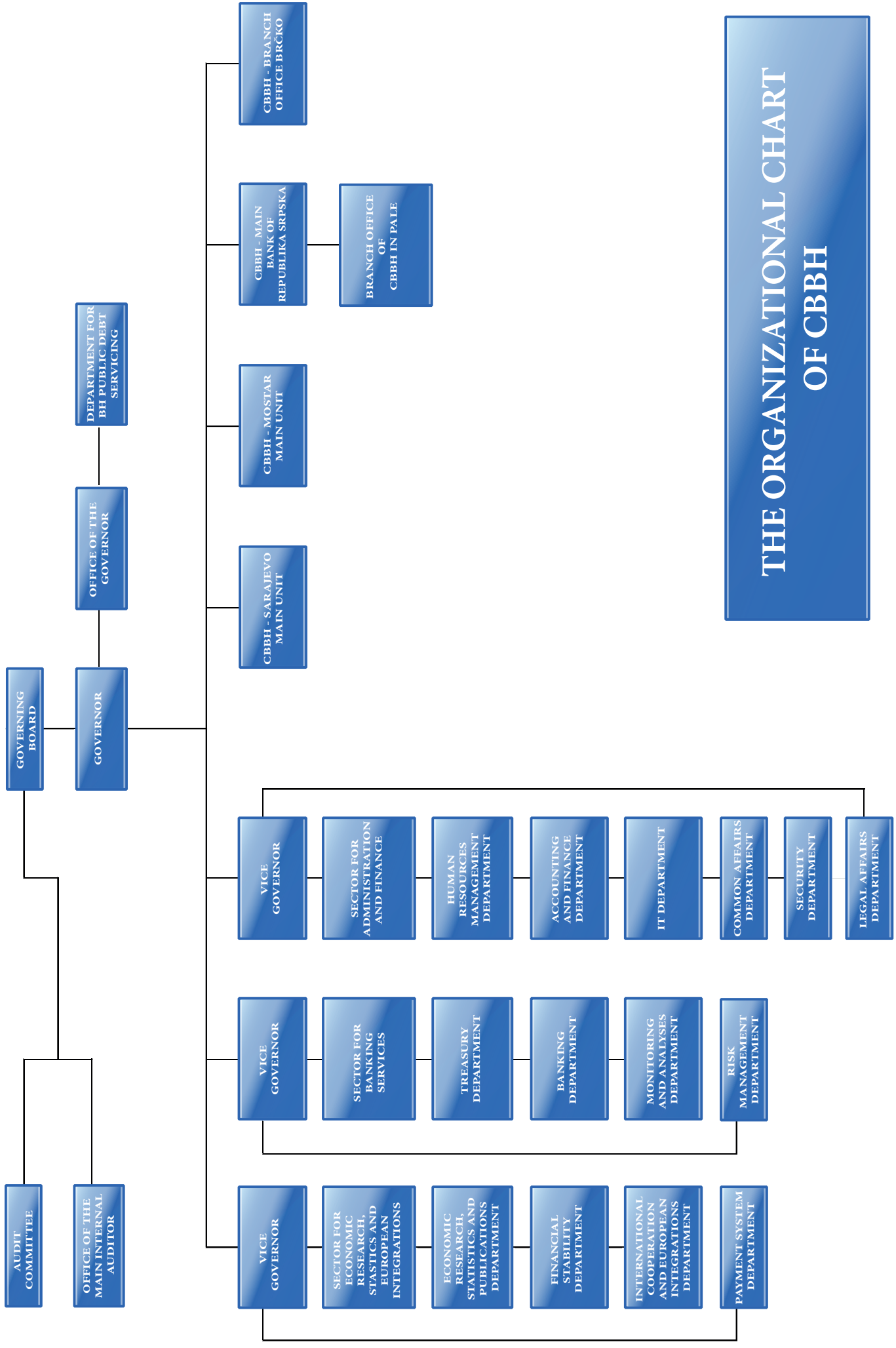
During 2012, the education and professional training of the Central Bank of Bosnia and Herzegovina continued. Employees were delegated to the sponsored training organized by other Central Banks related to the CBBH operations, being itscore business and requiring constant monitoring and application of the development trends from the environment and continued improvement. Out of the total number of educational courses and training, 68.38% were held in the country.

Central Bank of Bosnia and Herzegovina has a successful technical cooperation with other Central Banks in the region and the EU. In the framework of cooperation with Southeast European Studies at Oxford ("SEESOX") at St Antony's College, University of Oxford has organized a conference titled "Living In the Neighbourhood of the Euro Area" discussing the current topics such as the challenges of the financial integration in the EU and the euro area and the reforms that will have to be implemented by all the countries facing the EU membership.

CBBH Management and Governing Structure

Central Bank of Bosnia and Herzegovina Governing Board

Chairman	Kemal Kozarić, Ph.D. Fikret Čaušević, Ph.D., Member Milenko Krajišnik, Ph.D., Member Željko Šain, Ph.D., Member Vasilj Žarković, Ph.D., Member
Management	Kemal Kozarić, Ph.D., Governor Radomir Božić, Ph.D., Vice Governor Feriha Imamović, Vice Governor Ankica Kolobarić, M.Sc., Vice Governor
Office of the Main Internal Auditor	Dragan Kulina, Ph.D., Main Internal Auditor Angela Medić, Deputy to the Main Internal Auditor Jasmina Novalija, Deputy to the Main Internal Auditor Krstinja Tošović, Deputy to the Main Internal Auditor
Audit Committee	Mila Gadžić, Ph.D., Member Gordana Ković, Member Kasim Omičević, Member (until 11 August 2012) Sead Kreso, Ph.D., Member (from 11 August 2012)



THE ORGANIZATIONAL CHART OF CBBH

10.3 Publications and Website

Monthly economic report	Internal monthly information sheet for the CBBH management presenting trends in monetary, real and external sectors.
Bulletin	Quarterly publication, includes monetary and financial statistics, information on payment transactions, statistics on the real sector and on the balance of payments of Bosnia and Herzegovina.
Annual Report	The publication contains the report on business operations of CBBH during the year and the financial report, which CBBH submits to the Parliamentary Assembly of Bosnia and Herzegovina.
Financial Stability Report	Annual publication which contains financial stability indicators and trends in the financial sector.
Special research topics	Occasional publication published on the CBBH website.

WEBSITE

www.cbbh.ba

e-mail:

contact@cbbh.ba

The Central Bank of Bosnia and Herzegovina considers transparency and disclosure of business operations to be very important for credibility, public accountability and trust that CBBH enjoys among the population and in BH Institutions, as well as among international institutions. According to the CBBH Book of Operational Rules, CBBH is required to inform the public about its operations by publishing information in a timely manner, publishing reports, official publications, and by organizing press conferences.

CBBH has had a website since 1998. It contains basic information on CBBH, the Law on CBBH, presents the banknotes and coins of Bosnia and Herzegovina and the CBBH numismatic issues; the website also contains numerous publications and statistics (Annual Report, Monthly Balance Sheet, Quarterly Bulletins, Financial Stability Report, Balance of Payments of BH, Payments Systems Operations etc.) and the list of all commercial banks in BH. Publications and statistics are published in generally accepted formats, DOC, XLS and PDF. The website also provides the latest exchange rates, updated daily, and other relevant news and press releases.

The documents are published in Bosnian, Croatian, Serbian and English.

10.4 Acronyms

GDP	Gross Domestic Product
BH	Bosnia and Herzegovina
BIS	Bank for International Settlements
BD	Brčko District
EMU	Economic and Monetary Union
CBBH	Central Bank of Bosnia and Herzegovina
EBRD	European Bank for Reconstruction and Development
ECB	European Central Bank
EIB	European Investment Bank
ESCB	European System of Central Banks
EU	European Union
EUR	euro
FBH	Federation of Bosnia and Herzegovina
FED	US Federal Reserve System
KM	convertible mark
IMF	International Monetary Fund
RTGS	Real Time Gross Settlement
RS	RepublikaSrpska
USA	United States of America
SDR	Special Drawing Rights - the IMF calculation unit, based on the currencies' basket
USD	US dollar

STATISTICAL TABLES

XI

11. STATISTICAL TABLES

- T01: Main Economic Indicators
- T02: BH Gross Domestic Product
- T03: Industrial Output Index
- T04: Consumer Price Index for BH (CPI)
- T05: Average Gross and Net Wages and Pensions
- T06: Monetary Aggregates
- T07: Monetary Survey
- T08: CBBH Balance Sheet
- T09: Consolidated Balance Sheet of Commercial Banks in BH
- T10a: Lending Interest Rates of Commercial Banks
- T10b: Deposit Interest Rates of Commercial Banks
- T11: Total Deposits and Loans of Commercial Banks
- T12: Structure of Transferable Deposits by Sectors in Commercial Banks
- T13: Structure of Other Deposits by Sectors in Commercial Banks
- T14: Structure of Short -Term Loans by Sectors of Commercial Banks
- T15: Structure of Long -Term Loans by Sectors of Commercial Banks
- T16: KM Buying and Selling
- T17: Average Required Reserves
- T18: Payments System Transactions
- T19: BH Balance of Payments
- T20: Balance of Payments - Current Account and Capital Account
- T21: Balance of Payments - Financial Account
- T22: Government Sector Foreign Debt Servicing
- T23: Foreign Debt of BH General Government by Creditors
- T24: CBBH Foreign Reserves
- T25: BH Foreign Trade
- T26: BH Exports by Country of Destination
- T27: BH Imports by Country of Origin
- T28: Composition of Goods' Exports and Imports by Products
- T29: KM Average Exchange Rates
- T30: BH Government Finances - Government Sector Units
- T31: BH Government Finances - Structure of Consolidated Revenues and Expenditures
- T32: FBH Government Finances - Government Sector Units
- T33: RS Government Finances - Government Sector Units
- T34: Foreign Direct Investment Flows to BH, Classified by Country of Foreign Investor
- T35: Foreign Direct Investment Flows to BH, Classified by Industry
- T36: International Investment Position (IIP)
- T37: Real and Nominal Effective Exchange Rate of KM

T01: Main Economic Indicators

	2006	2007	2008	2009	2010	2011	2012*
BH Nominal GDP (in KM million)¹⁾ current prices"	19,333	21,836	24,759	24,051	24,773	25,666	25,900 ²⁾
Real GDP annual growth (in %)²⁾	6.0	6.1	5.6	-2.9	1.4	1.0	-0.5
Consumer prices growth rate in BH³⁾	in percentage						
Average annual growth rate of CPI	6.1	1.5	7.4	-0.4	2.1	3.7	2.1
Annual growth rate of CPI for December	4.6	4.9	3.8	0.0	3.1	3.1	1.8
General government budget⁴⁾	as percentage of GDP						
Revenues	44.4	45.0	44.0	43.0	43.8	44.2	...
Expenditures ⁵⁾	41.6	43.8	46.2	47.5	46.3	45.5	...
Overall balance	2.8	1.2	-2.2	-4.4	-2.5	-1.3	...
Money and credit	as percentage of GDP						
Broad money (M2) ⁶⁾	51.2	54.7	50.2	52.8	55.0	56.2	57.6
Credit to non-government sector	47.2	53.7	57.5	57.0	56.9	57.2	58.3
Balance of payments							
Gross official reserves							
In KM million	5,452	6,699	6,296	6,212	6,458	6,424	6,508
In USD million	3,496	4,686	4,710	4,416	4,372	4,568	4,274
In months of imports of goods and services	5.2	6.5	5.1	6.3	6.1	5.4	5.5
Current account balance							
In KM million	-1,532	-1,993	-3,510	-1,589	-1,359	-2,429	-2,450
In USD million	-998	-1,411	-2,638	-1,136	-914	-1,731	-1,607
As a percentage of GDP	-7.9	-9.1	-14.2	-6.6	-5.5	-9.5	-9.5
Trade balance							
In KM million	-6,661	-8,935	-10,665	-7,786	-7,629	-8,346	-8,445
In USD million	-4,296	-6,283	-8,017	-5,549	-5,160	-5,941	-5,541
As a percentage of GDP	-34.5	-40.9	-43.1	-32.4	-30.8	-32.5	-32.6
External debt of government sector							
In KM million	4,071	3,961	4,240	5,234	6,289	6,661	7,132
In USD million	2,741	2,976	3,057	3,837	4,270	4,407	4,807
As a percentage of GDP	21.1	18.1	17.1	21.8	25.4	26.0	27.5
External debt servicing⁷⁾							
In KM million	270	239	230	246	301	340	413
In USD million	173	167	172	175	204	242	271
As a percentage of exports of goods and services	3.8	4.1	3.5	4.1	4.2	4.2	5.2

Note:

1) Source: BH Agency for Statistics, press release "Gross Domestic Product of BH in 2011, Production Approach", December 2012".

2)) Estimates of the Central Bank of Bosnia and Herzegovina, preliminary data (production approach), until the official GDP statistics is published by the BH Agency of Statistics.

3) Growth rate of retail prices is presented until 2006, but for 2006 and following periods the consumer price (CP) growth rate is used. For RP growth rates, weights applied are equivalent to respective shares of FBH and RS in BH GDP.

4) Source: Central Bank of BH, IMF estimates up to 2002.

5) Expenditures also include net acquisition of fixed assets.

6) Monetary data for January 2006 - December 2012 period updated in line with new methodology.

7) Source: BH Ministry of Finance and Treasury.

* Preliminary data for 2012.

T02: BH Gross Domestic Product (Current Prices)							
	2006	2007	2008	2009	2010	2011	2012*
Nominal GDP (in KM million)	19,333	21,836	24,759	24,051	24,773	25,666	25,900
Nominal GDP (in USD million)	12,398	15,275	18,522	17,096	16,774	18,253	17,010
GDP per capita (in KM)	5,031	5,683	6,444	6,258	6,446	6,684	6,745
GDP per capita (in USD)	3,226	3,976	4,821	4,449	4,365	4,753	4,430
Real GDP annual growth (in %)	6.0	6.1	5.6	-2.9	1.4	1.0	-0.5
Population (in thousands)	3,843	3,842	3,842	3,843	3,843	3,840	3,840
Annual average exchange rate of KM/USD	1.559433	1.429542	1.336615	1.406763	1.476950	1.406117	1.522668

Source:

BH Agency for Statistics, press release “Gross Domestic Product of BH in 2011, Production Approach, December 2012”, except the data on annual average KM/USD exchange rate, provided by the CBBH.

*CBBH estimates.

T03: Industrial Output Index

Year	Month	Month/same month of the previous year			Period/same period of the previous year		
		FBH	RS	BH	FBH	RS	BH
1998	12.	115.4	115.5	...	123.8	123.0	...
1999	12.	109.1	92.7	...	110.6	101.6	...
2000	12.	105.7	103.5	...	108.8	105.6	...
2001	12.	107.4	74.6	...	112.2	87.1	...
2002	12.	113.9	119.4	...	109.2	97.5	...
2003	12.	107.8	100.9	...	104.8	105.7	...
2004	12.	109.0	113.9	...	113.2	109.7	...
2005	12.	105.1	112.9	...	106.1	119.8	...
2006	12.	106.7	128.5	...	110.4	119.1	...
2007	12.	98.4	102.0	...	108.6	101.4	106.6
2008	12.	109.4	199.6	...	107.9	116.8	107.3
2009	12.	90.1	121.0	95.5	88.4	119.0	96.7
2010	12.	112.7	114.1	108.7	104.2	105.0	101.6
2011	12.	93.6	93.9	100.4	102.5	104.7	105.6
2012	12.	99.6	98.5	95.2	95.7	95.8	94.8
2012	01.	92.8	95.4	93.0	92.8	95.4	93.0
	02.	87.8	94.5	87.8	90.4	95.0	90.9
	03.	90.4	94.6	91.4	90.4	94.9	90.6
	04.	96.8	100.8	94.2	91.9	96.3	91.5
	05.	100.4	95.4	98.9	93.6	96.1	93.0
	06.	96.1	94.4	94.4	94.0	95.8	93.3
	07.	96.1	86.6	94.6	94.4	94.4	93.5
	08.	101.2	92.1	97.0	95.2	94.1	94.0
	09.	95.2	105.8	98.0	95.2	95.4	94.4
	10.	94.2	97.3	97.8	95.1	95.6	94.7
	11.	97.2	94.5	95.4	95.3	95.5	94.7
	12.	99.6	98.5	95.2	95.7	95.8	94.8

Source:

BH Agency for Statistics, Federal Office of Statistics and RS Institute of Statistics.

Note:

Industrial Output Index for a period / the same period of the previous year for December represents a yearly index in comparison with the previous year.

T04: Consumer Price Index for BH (CPI)

Year	Month	Month/previous month of the current year	Month/same month of the previous year	Period/same period of the previous year
1998	12.	...	121.2	113.3
1999	12.	...	103.3	103.7
2000	12.	...	107.5	104.8
2001	12.	...	100.9	103.1
2002	12.	...	100.2	100.4
2003	12.	...	100.6	100.6
2004	12.	...	100.5	100.4
2005	12.	...	104.3	103.8
2006	12.	...	104.6	106.1
2007	12.	...	104.9	101.5
2008	12.	...	103.8	107.4
2009	12.	...	100.0	99.6
2010	12.	...	103.1	102.1
2011	12.	...	103.1	103.7
2012	12.	...	101.8	102.1
2012	01.	100.9	102.5	102.5
	02.	100.7	102.4	102.5
	03.	100.4	102.1	102.4
	04.	99.6	102.3	102.3
	05.	99.9	101.9	102.2
	06.	99.5	101.9	102.2
	07.	99.5	101.4	102.1
	08.	100.3	101.8	102.0
	09.	100.8	102.3	102.1
	10.	100.6	102.3	102.0
	11.	99.9	101.9	102.1
	12.	100.0	101.8	102.1

Source:

BH Agency for Statistics since 2006, but until 2006 Federal Office of Statistics and RS Institute of Statistics.

Note:

The Retail Price Index for BH is presented until 2006, and it is calculated as a weighted average of entities' monthly prices indices, where the weights are equivalent to entities' share in BH GDP (note T01).

For 2006 and the following periods, the table presents The Consumer Price Index (CPI).

The price index for a period/the same period of the previous year for December represents a yearly index in comparison with the previous year.

**T05: Average Gross and Net Wages and Pensions
- in KM -**

Year	Month	Gross wages				Net wages				Pensions		
		FBH	RS	Brčko	BH	FBH	RS	Brčko	BH	FBH	RS	Brčko
1998		507	258	...	454	329	172	...	296	153
1999		551	314	...	503	374	216	...	343	174	87	...
2000		607	387	...	539	413	277	...	372	176	115	...
2001		652	444	792	598	443	309	504	409	170	105	...
2002		710	528	1,031	660	483	347	676	446	189	120	138
2003		771	576	1,057	717	524	379	695	484	192	133	148
2004		785	643	1,076	748	533	423	707	505	203	166	169
2005		820	707	1,050	798	558	465	676	538	221	190	188
2006		887	793	1,048	869	603	521	674	586	238	215	208
2007		974	875	1,088	935	662	585	684	645	284	230	243
2008		1,105	1,132	1,139	1,113	751	755	730	752	340	309	310
2009		1,204	1,204	1,194	1,204	792	788	769	790	346	335	326
2010		1,223	1,199	1,234	1,217	804	784	797	798	341	321	316
2011		1,248	1,326	1,262	1,271	819	809	800	816	349	321	319
2012		1,266	1,349	1,271	1,290	830	818	819	826	351	312	311
2012	01.	1,263	1,350	1,280	1,287	828	819	821	826	352	326	322
	02.	1,246	1,354	1,262	1,278	818	821	817	818	353	310	310
	03.	1,263	1,342	1,255	1,286	828	814	806	823	352	311	310
	04.	1,260	1,347	1,263	1,286	827	817	814	823	352	310	310
	05.	1,283	1,364	1,283	1,306	840	826	827	836	352	310	310
	06.	1,255	1,348	1,295	1,283	823	818	835	822	352	310	310
	07.	1,264	1,358	1,280	1,292	829	823	824	827	351	311	310
	08.	1,276	1,349	1,274	1,298	836	818	822	830	351	311	310
	09.	1,246	1,325	1,246	1,268	817	804	805	813	351	311	309
	10.	1,279	1,349	1,272	1,299	837	817	819	819	350	311	309
	11.	1,279	1,351	1,264	1,300	838	819	816	832	350	311	309
	12.	1,279	1,349	1,281	1,299	837	818	823	831	350	311	308

Source:

BH Agency for Statistics, Federal Office of Statistics and RS Institute of Statistics.

Note:

Since 1 January 2006, gross and net salaries for BH level include the Brčko District.

T06: Monetary Aggregates
- end of period, in KM million -

Year	Month	Currency outside monetary authorities	Banks' deposits with monetary authorities	Transf. dep. of other resident sectors with monetary authorities	Currency outside banks	Transf. deposits in domestic currency	Other deposits in domestic currency	Transf. deposits in foreign currency	Other deposits in foreign currency	Reserve money	M1	QM	M2
1	2	3	4	5	6	7	8	9	10	11=3+4+5	12=6+7	13=8+9+10	14= 12+13
1997	12.	114.6	213.0	0.0	112.5	139.2	9.6	553.7	363.3	327.6	251.7	926.5	1,178.2
1998	12.	167.5	181.7	0.0	162.5	147.5	8.0	762.1	467.0	349.1	310.0	1,237.0	1,547.0
1999	12.	538.4	289.2	0.0	515.3	584.6	22.4	465.5	577.3	827.6	1,099.9	1,065.1	2,165.0
2000	12.	695.9	261.9	0.1	651.7	750.0	77.9	559.5	428.2	957.9	1,401.7	1,065.6	2,467.3
2001	12.	1,806.0	734.7	2.2	1,673.9	1,018.4	140.9	928.5	907.7	2,542.9	2,692.3	1,977.0	4,669.3
2002	12.	1,868.7	446.9	2.9	1,734.4	1,273.3	272.2	817.1	974.4	2,318.5	3,007.6	2,063.7	5,071.3
2003	12.	1,721.9	885.4	1.9	1,601.3	1,512.1	461.9	818.3	1,102.5	2,609.1	3,113.4	2,382.7	5,496.1
2004	12.	1,817.4	1,421.4	2.0	1,670.6	1,864.9	703.4	988.1	1,604.6	3,240.8	3,535.4	3,296.1	6,831.6
2005	12.	1,907.2	2,062.1	3.1	1,729.1	2,373.6	818.1	1,154.8	1,999.4	3,972.4	4,102.8	3,972.3	8,075.1
2006	12.	2,154.2	2,891.9	10.5	1,978.3	2,761.4	1,365.4	692.0	3,105.4	5,056.6	4,739.8	5,162.8	9,902.6
2007	12.	2,439.7	3,777.1	12.2	2,185.3	3,546.6	1,726.5	834.5	3,661.1	6,229.0	5,731.9	6,222.0	11,953.9
2008	12.	2,552.4	3,144.2	7.4	2,302.4	3,388.8	1,776.2	1,108.0	3,864.7	5,704.0	5,691.2	6,748.8	12,440.0
2009	12.	2,267.7	3,375.1	6.0	2,009.5	3,536.3	1,844.3	1,078.7	4,241.0	5,648.9	5,545.8	7,164.0	12,709.8
2010	12.	2,497.5	3,393.5	8.7	2,210.8	3,689.2	1,991.0	1,210.6	4,526.4	5,899.7	5,900.0	7,727.9	13,627.9
2011	12.	2,645.1	3,192.8	11.1	2,366.4	3,819.0	2,285.7	1,100.1	4,846.9	5,848.9	6,185.5	8,232.7	14,418.1
2012	12.	2,747.5	3,040.6	13.5	2,414.3	3,728.4	2,672.7	1,053.0	5,042.2	5,801.7	6,142.7	8,767.8	14,910.5
2012	01.	2,620.4	3,017.6	10.6	2,298.1	3,805.6	2,327.6	1,081.1	4,800.4	5,648.6	6,103.6	8,209.1	14,312.7
	02.	2,639.8	2,886.2	9.9	2,323.3	3,723.9	2,375.2	1,118.6	4,798.6	5,535.8	6,047.2	8,292.4	14,339.6
	03.	2,633.4	2,799.4	30.7	2,330.1	3,745.4	2,377.3	1,060.0	4,794.7	5,463.5	6,075.5	8,232.0	14,307.4
	04.	2,679.1	2,622.8	10.9	2,362.7	3,766.9	2,409.0	1,034.1	4,843.2	5,312.9	6,129.6	8,286.3	14,415.9
	05.	2,651.0	2,439.8	10.8	2,328.9	3,782.0	2,441.8	1,037.7	4,880.2	5,101.6	6,110.9	8,359.7	14,470.6
	06.	2,651.3	2,595.7	12.1	2,356.7	3,714.1	2,424.8	1,090.8	4,912.8	5,259.2	6,070.7	8,428.5	14,499.2
	07.	2,745.2	2,506.2	12.2	2,416.9	3,884.0	2,373.5	1,085.7	4,898.6	5,263.5	6,300.9	8,357.9	14,658.7
	08.	2,744.7	2,865.2	11.6	2,428.8	3,920.9	2,426.9	1,072.9	4,918.2	5,621.5	6,349.7	8,418.0	14,767.7
	09.	2,733.2	2,859.1	13.0	2,421.4	3,787.9	2,515.5	1,037.4	4,978.3	5,605.3	6,209.4	8,531.2	14,740.5
	10.	2,735.6	2,866.3	13.0	2,405.7	3,789.5	2,593.4	1,079.0	4,982.6	5,614.9	6,195.2	8,655.0	14,850.1
	11.	2,690.2	2,837.2	11.8	2,363.8	3,682.2	2,639.6	1,029.9	5,032.7	5,539.3	6,046.0	8,702.2	14,748.2
	12.	2,747.5	3,040.6	13.5	2,414.3	3,728.4	2,672.7	1,053.0	5,042.2	5,801.7	6,142.7	8,767.8	14,910.5

Data series for January 2006 – December 2012 period, updated in line with the new methodology.

See note on page 220.

Note:

Cash outside monetary authorities is obtained from the CBBH Balance Sheet and it represents the currency in circulation outside the central bank (monetary authorities). Deposits of commercial banks are commercial banks' assets in accounts at the CBBH. Transferable deposits of other domestic sectors with monetary authorities are deposits of other domestic sectors (except the central government deposits). The central government includes the BH Institutions, entity governments, entity social security funds and the Brčko Distrikt. Social security funds on entity level (from the Federation of BH: FBH Pension Fund, FBH Health Fund, FBH Unemployment Fund, and from Republika Srpska: RS Pension Fund, RS Health Care Fund, RS Unemployment Fund and RS Child Care Fund) are classified on the central government level. Cash outside banks is obtained from the CBBH Balance Sheet (Table 8) and consists of currency in circulation that is outside the Central Bank as well as commercial banks. Transferable deposits in domestic currency are obtained from the Monetary Survey (Table 7). They include deposits of non central government (cantons and municipalities), deposits of public and private enterprises, other financial institutions and deposits of other domestic sectors (households, nonprofit institutions and other nonclassified domestic sectors). Other deposits in the domestic currency, transferable and other deposits in foreign currency are obtained from the Monetary Survey (Table 7). They consist of deposits of non-central government, deposits of public and private enterprises, other financial institutions and deposits of other domestic sectors. Reserve money (primary money or monetary base) is carried over in full from the CBBH Balance Sheet (Table 8). It consists of cash outside monetary authorities, deposits of commercial banks and deposits of other domestic sectors (except for deposits of the central government) with monetary authorities. According to the national definition, broad money includes all transferable and other deposits of domestic non-bank and non-government sectors, as well deposits of the local government sector in domestic and foreign currency. Deposits of entity social security funds are included into the central government on entity level and are consequently excluded from broad money or monetary aggregates. Monetary aggregate M1 comprises cash outside banks and transferable deposits in domestic currency of all domestic sectors (except for deposits of the central government). Monetary aggregate QM (quasi money) is defined as the corresponding item in the Monetary Survey (Table 7). It consists of other deposits in domestic currency, transferable and other deposits in foreign currency of all domestic sectors (except for deposits of the central government). Money supply M2 comprises monetary aggregates, M1 and QM.

T07: Monetary Survey

- end of period, in KM million -

		ASSETS											
		Foreign assets (net)					Domestic credit						
Year	Month	Foreign assets	Foreign liabilities		Claims on central government (net)	Claims on non-central government	Claims on public non-financial enterprises	Claims on private non-financial enterprises	Claims on other financial corporations	Claims on other resident sectors		Total	
1	2	3	4	5 = 3+4	6	7	8	9	10	11	12 = 6+...+11	13 = 5+12	
1997	12.	1,157.8	-1,658.3	-500.5	-187.9	4.8	1,243.6	1,034.8	8.3	163.6	2,267.2	1,766.7	
1998	12.	1,170.5	-1,605.8	-435.4	-180.9	8.6	1,100.0	1,314.3	5.4	388.0	2,635.4	2,200.0	
1999	12.	1,715.5	-1,519.4	196.1	-159.1	16.6	1,003.2	1,449.4	6.3	285.5	2,601.9	2,798.1	
2000	12.	1,988.3	-1,577.3	411.0	-129.0	9.3	1,673.1	874.9	10.9	424.2	2,863.4	3,274.4	
2001	12.	4,098.9	-1,556.5	2,542.5	-318.7	25.4	1,430.8	1,142.8	20.0	712.6	3,012.8	5,555.2	
2002	12.	3,980.5	-1,794.8	2,185.7	-385.1	28.7	1,254.7	1,442.2	27.8	1,495.8	3,864.1	6,049.8	
2003	12.	4,382.6	-2,438.0	1,944.6	-467.5	21.5	1,166.7	1,859.6	40.2	2,010.3	4,630.7	6,575.3	
2004	12.	5,412.8	-2,652.1	2,760.8	-443.0	24.7	691.7	2,478.2	60.1	2,652.9	5,464.6	8,225.4	
2005	12.	6,348.9	-3,560.3	2,788.6	-552.5	31.5	695.0	3,244.0	67.9	3,488.8	6,974.6	9,763.2	
2006	12.	7,836.7	-4,075.8	3,760.8	-971.4	62.3	634.4	4,086.1	89.4	4,450.8	8,351.6	12,112.4	
2007	12.	10,285.0	-5,166.6	5,118.4	-2,377.8	96.1	626.7	5,315.7	159.6	5,793.5	9,613.8	14,732.2	
2008	12.	9,429.7	-6,312.9	3,116.8	-1,655.2	148.3	629.2	6,751.6	169.2	6,804.5	12,847.5	15,964.3	
2009	12.	9,430.9	-5,744.9	3,685.9	-1,294.1	195.6	636.1	6,682.5	103.0	6,411.3	12,734.3	16,420.2	
2010	12.	9,300.8	-4,784.6	4,516.3	-996.4	270.8	749.1	6,965.5	80.2	6,424.3	13,493.6	18,009.8	
2011	12.	9,175.9	-4,177.9	4,997.9	-439.7	323.1	768.8	7,166.9	94.0	6,770.1	14,683.2	19,681.1	
2012	12.	9,044.2	-3,948.2	5,096.0	-182.1	386.3	789.6	7,473.1	73.7	6,874.4	15,415.0	20,511.0	
2012	01.	8,974.9	-4,042.0	4,932.9	-409.0	321.2	765.4	7,185.7	86.3	6,760.3	14,709.9	19,642.8	
	02.	8,779.4	-3,901.4	4,878.0	-354.7	317.5	783.6	7,231.2	82.3	6,728.8	14,788.7	19,666.7	
	03.	8,686.0	-3,910.6	4,775.4	-321.2	312.1	796.3	7,256.5	89.1	6,760.3	14,892.9	19,668.3	
	04.	8,599.7	-3,885.7	4,714.0	-269.9	321.8	793.7	7,311.3	86.7	6,807.6	15,051.2	19,765.2	
	05.	8,681.3	-3,961.5	4,719.7	-257.8	321.5	810.2	7,353.3	99.9	6,861.3	15,188.4	19,908.2	
	06.	8,663.0	-3,903.5	4,759.5	-248.6	312.0	807.4	7,335.9	87.9	6,884.8	15,179.3	19,938.9	
	07.	8,801.5	-3,944.0	4,857.4	-126.9	365.3	810.3	7,330.3	71.3	6,892.8	15,343.1	20,200.5	
	08.	8,899.4	-4,006.6	4,892.8	-116.9	372.0	803.0	7,405.9	67.4	6,888.3	15,419.7	20,312.5	
	09.	8,899.9	-3,916.1	4,983.7	-227.3	383.7	787.4	7,437.7	69.3	6,884.9	15,335.8	20,319.5	
	10.	8,877.7	-3,891.1	4,986.6	-158.6	386.3	793.3	7,454.8	70.9	6,893.0	15,439.7	20,426.3	
	11.	8,796.9	-3,902.6	4,894.4	-142.0	387.6	786.3	7,477.1	73.2	6,881.3	15,463.6	20,357.9	
	12.	9,044.2	-3,948.2	5,096.0	-182.1	386.3	789.6	7,473.1	73.7	6,874.4	15,415.0	20,511.0	

Data series for January 2006 – December 2012 period, updated in line with the new methodology.

See note on page 220.

Note:

The Monetary Survey presents the consolidated data from the Balance Sheet of CBBH - monetary authorities (Table 8) and the Consolidated Balance Sheet of commercial banks of Bosnia and Herzegovina (Table 9). Foreign assets (net) represent the difference between total foreign assets and total foreign liabilities of monetary authorities and commercial banks. Domestic credit represents commercial banks' claims on all domestic sectors, but it should be noted that claims on the central government are presented in net amounts, i.e. they are reduced by the value of the deposits of the central government with the CBBH and with BH commercial banks. The central government consists of BH Institutions, entity social security funds and Brčko Distrikt. According to the new methodology, social security funds are classified on the central government level as entity extrabudgetary funds, which directly impacts the data on net claims by the central government in the Monetary Survey.

T07: Monetary Survey
 - end of period, in KM million -

LIABILITIES															
		Broad money (M2)													
		Money (M1)				Quasi money (QM)									
Year	Month	Currency outside banks	Transferable deposits in dom. curr.		Transferable deposits in foreign curr.	Other deposits in dom. curr.	Other deposits in foreign curr.			Securities other than shares	Loans	Shares and other equity	Other items (net)	Total	
1	2	3	4	5=3+4	6	7	8	9=6+7+8	10=5+9	11	12	13	14	15=10+...+14	
1997	12.	112.5	139.2	251.7	553.7	9.6	363.3	926.5	1,178.2	14.2	0.0	0.0	574.4	1,766.7	
1998	12.	162.5	147.5	310.0	762.1	8.0	467.0	1,237.0	1,547.0	10.6	0.0	0.0	642.5	2,200.0	
1999	12.	515.3	584.6	1,099.9	465.5	22.4	577.3	1,065.1	2,165.0	8.7	0.0	0.0	624.3	2,798.1	
2000	12.	651.7	750.0	1,401.7	559.5	77.9	428.2	1,065.6	2,467.3	4.4	0.0	0.0	802.7	3,274.4	
2001	12.	1,673.9	1,018.4	2,692.3	928.5	140.9	907.7	1,977.0	4,669.3	0.1	0.0	0.0	885.8	5,555.2	
2002	12.	1,734.4	1,273.3	3,007.6	817.1	272.2	974.4	2,063.7	5,071.3	0.1	0.0	0.0	978.5	6,049.8	
2003	12.	1,601.3	1,512.1	3,113.4	818.3	461.9	1,102.5	2,382.7	5,496.1	0.0	0.0	0.0	1,079.1	6,575.3	
2004	12.	1,670.6	1,864.9	3,535.4	988.1	703.4	1,604.6	3,296.1	6,831.6	0.0	0.0	0.0	1,393.8	8,225.4	
2005	12.	1,729.1	2,373.6	4,102.8	1,154.8	818.1	1,999.4	3,972.3	8,075.1	0.0	0.0	0.0	1,688.1	9,763.2	
2006	12.	1,978.3	2,761.4	4,739.8	692.0	1,365.4	3,105.4	5,162.8	9,902.6	0.0	114.0	1,908.9	187.0	12,112.4	
2007	12.	2,185.3	3,546.6	5,731.9	834.5	1,726.5	3,661.1	6,222.0	11,953.9	5.2	106.1	2,366.0	300.9	14,732.2	
2008	12.	2,302.4	3,388.8	5,691.2	1,108.0	1,776.2	3,864.7	6,748.8	12,440.0	17.9	264.3	2,785.2	457.0	15,964.3	
2009	12.	2,009.5	3,536.3	5,545.8	1,078.7	1,844.3	4,241.0	7,164.0	12,709.8	13.6	446.7	2,835.6	414.5	16,420.2	
2010	12.	2,210.8	3,689.2	5,900.0	1,210.6	1,991.0	4,526.4	7,727.9	13,627.9	9.1	595.1	3,055.8	721.9	18,009.8	
2011	12.	2,366.4	3,819.0	6,185.5	1,100.1	2,285.7	4,846.9	8,232.7	14,418.1	0.0	675.3	3,606.4	981.3	19,681.1	
2012	12.	2,414.3	3,728.4	6,142.7	1,053.0	2,672.7	5,042.2	8,767.8	14,910.5	0.0	712.4	3,780.4	1,107.8	20,511.0	
2012	01.	2,298.1	3,805.6	6,103.6	1,081.1	2,327.6	4,800.4	8,209.1	14,312.7	0.0	668.7	3,645.4	1,016.1	19,642.9	
	02.	2,323.3	3,723.9	6,047.2	1,118.6	2,375.2	4,798.6	8,292.4	14,339.6	0.0	672.2	3,646.3	1,008.5	19,666.7	
	03.	2,330.1	3,745.4	6,075.5	1,060.0	2,377.3	4,794.7	8,232.0	14,307.4	0.0	674.2	3,685.6	1,001.1	19,668.3	
	04.	2,362.7	3,766.9	6,129.6	1,034.1	2,409.0	4,843.2	8,286.3	14,415.9	0.0	683.0	3,665.6	1,000.7	19,765.2	
	05.	2,328.9	3,782.0	6,110.9	1,037.7	2,441.8	4,880.2	8,359.7	14,470.6	0.0	698.1	3,719.7	1,019.8	19,908.2	
	06.	2,356.7	3,714.1	6,070.7	1,090.8	2,424.8	4,912.8	8,428.5	14,499.2	0.0	714.8	3,722.0	1,002.8	19,938.9	
	07.	2,416.9	3,884.0	6,300.9	1,085.7	2,373.5	4,898.6	8,357.9	14,658.7	0.0	716.2	3,789.8	1,035.8	20,200.5	
	08.	2,428.8	3,920.9	6,349.7	1,072.9	2,426.9	4,918.2	8,418.0	14,767.7	0.0	725.1	3,806.8	1,012.8	20,312.5	
	09.	2,421.4	3,787.9	6,209.4	1,037.4	2,515.5	4,978.3	8,531.2	14,740.5	0.0	719.8	3,826.7	1,032.4	20,319.5	
	10.	2,405.7	3,789.5	6,195.2	1,079.0	2,593.4	4,982.6	8,655.0	14,850.1	0.0	717.9	3,845.4	1,012.9	20,426.3	
	11.	2,363.8	3,682.2	6,046.0	1,029.9	2,639.6	5,032.7	8,702.2	14,748.2	0.0	717.3	3,866.8	1,025.7	20,357.9	
	12.	2,414.3	3,728.4	6,142.7	1,053.0	2,672.7	5,042.2	8,767.8	14,910.5	0.0	712.4	3,780.4	1,107.8	20,511.0	

Data series for January 2006 – December 2012 period updated in line with the new methodology.

See note on page 220.

Note:

Money M1 includes cash outside banks, transferable deposits in domestic currency of all domestic sectors (except the deposits of the central government). Quasi money QM includes other deposits in domestic currency, transferable and other deposits in foreign currency of all domestic sectors (except the deposits of the central government). Money supply M2 includes monetary aggregates, money M1 and quasi money QM. Other liabilities include securities other than shares, loans, shares and other equity and other items (net). According to the new methodology, loans are presented on the liability side as separate financial instruments (with addition of accrued interest), as well as shares and other equity. Other items (net) are unallocated liability items after deduction of the unallocated asset items. Other items (net) also include restricted deposits, fund counter entries and public lending funds.

T08: CBBH Balance Sheet
 - end of period, in KM million -

		ASSETS				LIABILITIES						
						Reserve money						
Year	Month	Foreign assets	Claims on resident sectors	Total	Cash outside monetary authorities		Foreign liabilities	Deposits of central government	Shares and other equity	Other items (net)	Total	
1	2	3	4	5=3+4	6	7	8	9	10	11	12=7+...+11	
1997	12.	144.1	0.0	144.1	114.6	160.1	0.0	0.1	0.4	-16.6	144.1	
1998	12.	283.3	0.0	283.3	167.5	246.5	0.0	7.3	29.5	-0.1	283.3	
1999	12.	867.1	0.0	867.1	538.4	827.6	0.1	9.1	33.7	-3.3	867.1	
2000	12.	1,027.7	0.0	1,027.7	695.9	957.9	0.2	10.3	58.5	0.7	1,027.7	
2001	12.	2,735.0	0.2	2,735.1	1,806.0	2,542.9	30.0	48.7	121.5	-7.9	2,735.1	
2002	12.	2,511.9	0.2	2,512.0	1,868.7	2,318.5	1.2	26.7	180.7	-15.1	2,512.0	
2003	12.	2,820.7	1.0	2,821.7	1,721.9	2,609.1	1.0	18.6	214.7	-21.8	2,821.7	
2004	12.	3,506.8	1.8	3,508.5	1,817.4	3,240.8	1.0	44.6	226.5	-4.3	3,508.5	
2005	12.	4,252.3	1.9	4,254.3	1,907.2	3,972.4	1.0	37.7	245.0	-1.8	4,254.3	
2006	12.	5,479.5	2.3	5,481.8	2,154.2	5,056.6	1.0	126.1	301.0	-2.9	5,481.8	
2007	12.	6,726.3	2.2	6,728.5	2,439.7	6,229.0	0.9	74.8	386.4	37.4	6,728.5	
2008	12.	6,323.6	2.1	6,325.6	2,552.4	5,704.0	1.0	23.4	499.3	97.9	6,325.6	
2009	12.	6,239.9	1.9	6,241.8	2,267.7	5,648.9	0.9	56.7	502.5	33.0	6,241.8	
2010	12.	6,485.5	1.8	6,487.3	2,497.5	5,899.7	1.4	69.8	533.9	-17.5	6,487.3	
2011	12.	6,451.4	1.6	6,453.0	2,645.1	5,848.9	1.1	66.2	547.6	-10.8	6,453.0	
2012	12.	6,536.4	1.6	6,538.0	2,747.5	5,801.7	1.2	185.3	575.7	-25.9	6,538.0	
2012	01.	6,326.9	1.6	6,328.5	2,620.4	5,648.6	1.1	130.7	560.3	-12.1	6,328.5	
	02.	6,204.8	1.6	6,206.4	2,639.8	5,535.8	1.1	127.6	554.0	-12.1	6,206.4	
	03.	6,141.6	1.8	6,143.4	2,633.4	5,463.5	1.0	136.3	554.5	-12.0	6,143.4	
	04.	5,959.8	1.7	5,961.4	2,679.1	5,312.9	1.3	131.3	555.9	-40.0	5,961.4	
	05.	5,756.5	1.7	5,758.2	2,651.0	5,101.6	1.5	134.8	560.0	-39.6	5,758.2	
	06.	5,914.6	1.8	5,916.4	2,651.3	5,259.2	1.3	135.6	559.6	-39.2	5,916.4	
	07.	5,918.9	1.6	5,920.5	2,745.2	5,263.5	1.6	118.2	583.8	-46.7	5,920.5	
	08.	6,254.6	1.6	6,256.2	2,744.7	5,621.5	1.3	96.1	583.9	-46.6	6,256.2	
	09.	6,318.4	1.7	6,320.1	2,733.2	5,605.3	1.1	171.3	588.9	-46.5	6,320.1	
	10.	6,313.0	1.6	6,314.6	2,735.6	5,614.9	1.7	160.0	584.2	-46.2	6,314.6	
	11.	6,245.8	1.6	6,247.4	2,690.2	5,539.3	1.4	156.9	596.2	-46.5	6,247.4	
	12.	6,536.4	1.6	6,538.0	2,747.5	5,801.7	1.2	185.3	575.7	-25.9	6,538.0	

Data series for January 2006 – December 2012 period, updated in line with the new methodology.

Note:

The CBBH (monetary authorities) foreign assets comprise gold, foreign currency in the CBBH vault, foreign currency deposits with foreign banks, SDR holdings, foreign securities and other. Claims on private sector consist of claims on employees of CBBH for long-term loans extended to them and claims on commercial banks arising from settlement accounts. Reserve money (primary money or monetary base) includes cash outside monetary authorities, deposits of commercial banks and deposits of other domestic sectors (except for the central government) with monetary authorities. Cash outside banks represents cash in circulation outside the Central Bank (monetary authorities) and commercial banks. The CBBH foreign liabilities include short-term liabilities towards non-residents, deposits of non-residents and other short-term liabilities towards non-residents and liabilities towards the IMF (Accounts 1 and 2). Deposits of central government with the CBBH are deposits of BH Institutions, entity governments, entity social security funds and the Brčko District. Shares and other equity include owners' equity, current-year results, general and special reserves and valuation adjustment. Other items (net) are unallocated liability items after deduction of unallocated asset items.

T09: Consolidated Balance Sheets of Commercial Banks in BH
- end of period, in KM million -

		ASSETS								
Year	Month	Reserves	Foreign assets	Claims on general government	Claims on public non-financial enterprises	Claims on private non-financial enterprises	Claims on other financial corporations	Claims on other resident sectors	Total	
1	2	3	4	5	6	7	8	9	10 = 3+...+9	
1997	12.	239.5	657.8	133.8	1,099.1	1,034.8	8.3	163.6	3,336.9	
1998	12.	207.6	604.6	113.0	1,100.0	1,314.3	5.4	388.0	3,733.0	
1999	12.	274.7	848.4	36.7	1,003.2	1,449.4	6.3	285.5	3,904.3	
2000	12.	287.4	960.7	33.8	1,673.1	874.9	10.9	424.2	4,265.0	
2001	12.	871.9	1,364.0	32.9	1,430.8	1,142.8	20.0	712.6	5,574.9	
2002	12.	595.2	1,468.7	60.7	1,254.7	1,442.2	27.8	1,495.8	6,345.0	
2003	12.	1,004.6	1,561.9	45.6	1,166.7	1,859.6	40.2	2,009.4	7,688.0	
2004	12.	1,566.6	1,906.1	45.6	691.7	2,478.2	60.1	2,651.4	9,399.8	
2005	12.	2,233.9	2,096.6	50.1	695.0	3,244.0	67.9	3,487.2	11,874.6	
2006	12.	3,063.6	2,357.1	70.3	634.4	4,086.1	89.4	4,448.9	14,749.7	
2007	12.	4,022.9	3,558.6	128.1	626.7	5,315.7	159.6	5,791.7	19,603.2	
2008	12.	3,393.3	3,106.1	266.1	629.2	6,751.6	169.2	6,802.8	21,118.3	
2009	12.	3,632.0	3,190.3	356.0	636.1	6,682.5	103.0	6,409.8	21,009.6	
2010	12.	3,679.8	2,814.2	465.9	749.1	6,965.5	80.2	6,423.0	21,177.6	
2011	12.	3,469.7	2,724.5	905.2	768.8	7,166.9	94.0	6,768.9	21,898.1	
2012	12.	3,370.4	2,507.8	1,236.8	789.6	7,473.1	73.7	6,873.3	22,324.6	
2012	01.	3,341.0	2,648.0	958.8	765.4	7,185.7	86.3	6,759.1	21,744.3	
	02.	3,203.7	2,574.6	980.4	783.6	7,231.2	82.3	6,727.6	21,583.3	
	03.	3,103.4	2,544.4	944.6	796.3	7,256.5	89.1	6,758.9	21,493.2	
	04.	3,037.6	2,639.9	976.3	797.0	7,308.0	86.7	6,806.3	21,651.8	
	05.	2,764.7	2,924.7	1,028.1	810.2	7,353.3	99.9	6,860.1	21,840.9	
	06.	2,894.2	2,748.3	1,041.8	807.4	7,335.9	87.9	6,883.5	21,799.0	
	07.	2,832.9	2,882.6	1,097.3	810.3	7,330.3	71.3	6,891.6	21,916.2	
	08.	3,178.9	2,644.8	1,182.9	803.0	7,405.9	67.4	6,887.1	22,170.1	
	09.	3,171.8	2,581.4	1,167.9	787.4	7,437.7	69.3	6,883.7	22,099.4	
	10.	3,193.1	2,564.6	1,172.1	793.3	7,454.8	70.9	6,891.8	22,140.7	
	11.	3,159.8	2,551.1	1,212.6	786.3	7,477.1	73.2	6,880.2	22,140.4	
	12.	3,370.4	2,507.8	1,236.8	789.6	7,473.1	73.7	6,873.3	22,324.6	

Data series for January 2006 – December 2012 period, updated in line with the new methodology.

See note on page 220.

Note:

The consolidated balance sheet of commercial banks of BH includes consolidated balance sheets of commercial banks covered by the Main Unit Sarajevo, Main Unit Mostar, Main Bank RS, Brčko District (from July 2001 until November 2002), NBRS (until December 1998) and the NBBH (until November 2002). Mutual claims and liabilities between commercial banks are consolidated. Banks' reserves consist of cash in the banks' vaults and banks' deposits with the Central Bank of Bosnia and Herzegovina. Foreign assets of commercial banks include: foreign currency in vaults, transferable and other deposits with non-residents in foreign currency, loans to non-residents, securities other than shares of non-resident in foreign currency, and other claims on non-residents. Claims on general government include claims on all levels of government: the central government (BH Institutions, entity governments, entity social security funds and Brčko District) and non-central governments (canton and municipality governments). Claims on other domestic sectors include claims on public non-financial enterprises, private non-financial enterprises, other financial institutions and claims on other domestic sectors (households, nonprofit institutions and other nonclassified domestic sectors). In addition to active sub-balance sheets, balance sheets of FBH commercial banks include data from passive sub-balance sheets as well. Passive sub-balance sheets include liabilities arising from old foreign currency loans as well as liabilities arising from frozen foreign currency deposits pre-dating March 31st, 1992. These liabilities will be assumed by Ministry of Finance of Federation of BH in the privatization process, in accordance with the entity Law on Opening Balance Sheets of Enterprises and Banks and with the entity Law on Privatization.

T09: Consolidated Balance Sheets of Commercial Banks in BH
- end of period, in KM million -

		LIABILITIES											
Year	Month	Deposits of central government	Transf. dep. of other resident sectors in dom. curr.	Transf. dep. of other resident sectors in for. curr.	Other dep. of other resident sectors in dom. curr.	Other dep. of other resident sectors in for. curr.	Securities other than shares	Loans	Foreign liabilities	Shares and other equity	Other items (net)	Total	
1	2	3	4	5	6	7	8	9	10	11	12	13=3+...+12	
1997	12.	233.6	139.2	448.5	9.6	363.3	14.2	0.0	1,513.8	1,043.4	-428.5	3,336.9	
1998	12.	222.2	147.5	637.9	8.0	467.0	10.6	0.0	1,605.8	1,310.9	-676.8	3,733.0	
1999	12.	170.1	584.6	465.5	22.4	577.3	8.7	0.0	1,519.3	1,257.0	-700.6	3,904.3	
2000	12.	143.2	749.9	554.5	77.9	428.2	4.4	0.0	1,577.1	1,096.2	-366.4	4,265.0	
2001	12.	277.5	1,016.2	928.5	140.9	907.7	0.1	0.0	1,526.5	1,118.8	-341.2	5,574.9	
2002	12.	390.3	1,270.3	817.1	272.2	974.4	0.1	0.0	1,793.7	1,213.6	-386.6	6,345.0	
2003	12.	473.1	1,510.3	818.3	461.9	1,102.5	0.0	0.0	2,437.0	1,305.4	-420.4	7,688.0	
2004	12.	419.4	1,862.9	988.1	703.4	1,604.6	0.0	0.0	2,651.1	1,472.1	-301.8	9,399.8	
2005	12.	533.4	2,370.5	1,154.8	818.1	1,999.4	0.0	0.0	3,559.3	1,712.5	-273.4	11,874.6	
2006	12.	853.3	2,751.0	692.0	1,365.4	3,105.4	0.0	114.0	4,074.8	1,607.9	185.9	14,749.7	
2007	12.	2,335.0	3,534.4	834.5	1,726.5	3,661.1	5.2	106.1	5,165.7	1,979.7	255.2	19,603.2	
2008	12.	1,749.7	3,381.4	1,108.0	1,776.2	3,864.7	17.9	264.3	6,311.9	2,285.9	358.4	21,118.3	
2009	12.	1,397.9	3,530.3	1,078.7	1,844.3	4,241.0	13.6	446.7	5,744.1	2,333.1	379.8	21,009.6	
2010	12.	1,121.7	3,680.5	1,210.6	1,991.0	4,526.4	9.1	595.1	4,783.2	2,521.9	738.2	21,177.6	
2011	12.	955.7	3,807.9	1,100.1	2,285.7	4,846.9	0.0	675.3	4,176.9	3,061.6	987.9	21,898.1	
2012	12.	847.2	3,714.8	1,053.0	2,672.7	5,042.2	0.0	712.4	3,947.0	3,204.7	1,130.7	22,324.6	
2012	01.	916.0	3,795.0	1,081.1	2,327.6	4,800.4	0.0	668.7	4,040.9	3,085.1	1,029.6	21,744.3	
	02.	890.1	3,713.9	1,118.6	2,375.2	4,798.6	0.0	672.2	3,900.3	3,092.3	1,022.0	21,583.3	
	03.	817.6	3,714.7	1,060.0	2,377.3	4,794.7	0.0	674.2	3,909.6	3,131.1	1,014.1	21,493.2	
	04.	793.2	3,756.0	1,034.1	2,409.0	4,843.2	0.0	683.0	3,884.3	3,109.7	1,139.3	21,651.8	
	05.	834.9	3,771.1	1,037.7	2,436.5	4,880.2	0.0	698.1	3,960.1	3,159.7	1,062.6	21,840.9	
	06.	842.9	3,701.9	1,090.8	2,424.8	4,912.8	0.0	714.8	3,902.2	3,162.5	1,046.2	21,799.0	
	07.	740.7	3,871.8	1,085.7	2,373.5	4,898.6	0.0	716.2	3,942.4	3,206.0	1,081.3	21,916.2	
	08.	831.8	3,909.3	1,072.9	2,426.9	4,918.2	0.0	725.1	4,005.3	3,222.9	1,057.7	22,170.1	
	09.	840.3	3,774.9	1,037.4	2,515.5	4,978.3	0.0	719.8	3,915.0	3,237.9	1,080.3	22,099.4	
	10.	784.4	3,776.5	1,079.0	2,593.4	4,982.6	0.0	717.9	3,889.3	3,261.2	1,056.4	22,140.7	
	11.	810.1	3,670.4	1,029.9	2,639.6	5,032.7	0.0	717.3	3,901.1	3,270.5	1,068.8	22,140.4	
	12.	847.2	3,714.8	1,053.0	2,672.7	5,042.2	0.0	712.4	3,947.0	3,204.7	1,130.7	22,324.6	

Data series for January 2006 – December 2012 period, updated in line with the new methodology.

See note on page 220.

Note:

Central government deposits include transferable and other deposits of BH Institutions, entity governments, entity social security funds and the Brčko District in domestic and foreign currency. Transferable and other deposits of other domestic sectors in domestic and foreign currency represent banks liabilities towards non-central government (canton and municipality governments), public non financial enterprises, private non financial enterprises, other financial institutions and liabilities to other domestic sectors (households, nonprofit institutions and other nonclassified domestic sectors). Foreign liabilities of commercial banks include banks liabilities to non-residents based on transferable and other deposits, loans, securities other than shares, trade credits and advances and other accounts payable. According to the new methodology, loans are presented as a separate financial instrument on the liability side, with addition of accrued interest. Shares and other equity include owners' equity, retained earnings, current-year results, general and special reserves and valuation adjustment. Other items (net) are unallocated liability items after deduction of unallocated asset items. Restricted deposits are also included in other items (net).

T10a: Lending Interest Rates of Commercial Banks

- in percent, on annual basis -

Year	Month	LOANS IN KM				LOANS WITH A CURRENCY CLAUSE (EUR)				LOANS IN FOREIGN CURRENCY				LOANS BASED ON CREDIT CARDS		
		Short-term lending rates in KM		Long-term lending rates in KM		Short-term lending rates on loans with a currency clause		Long-term lending rates on loans with a currency clause		Short-term lending rates on foreign currency loans		Long-term lending rates on foreign currency loans		Lending rates on loans to households based on credit cards		
		To private enterprises and cooperatives	To households	To private enterprises and cooperative	To households	To private enterprises and cooperatives	To households	To private enterprises and cooperatives	To households	To private enterprises and cooperatives	To households	To private enterprises and cooperatives	To households	Short-term	Long-term	
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	
2002	12.	12.07	-	10.59	-	-	-	-	-	-	-	-	-	-	-	-
2003	12.	10.54	-	9.18	-	-	-	-	-	-	-	-	-	-	-	-
2004	12.	9.92	9.78	8.23	10.78	-	-	-	-	-	-	-	-	-	-	-
2005	12.	9.03	9.32	7.69	9.91	-	-	-	-	-	-	-	-	-	-	-
2006	12.	7.66	9.55	7.39	9.34	-	-	-	-	-	-	-	-	-	-	-
2007	12.	7.03	10.54	7.13	9.95	7.80	10.06	7.83	8.42	9.36	0.00	6.99	7.74	11.56	12.76	
2008	12.	7.42	9.14	7.36	10.93	8.93	9.88	8.55	10.20	7.37	6.30	7.01	10.43	11.44	13.96	
2009	12.	8.10	9.79	7.78	8.26	8.62	9.81	7.74	9.56	8.74	0.00	8.56	10.66	11.71	15.06	
2010	12.	7.84	9.67	8.25	9.10	8.15	9.51	7.84	8.70	0.00	0.00	8.05	0.00	11.93	14.00	
2011	12.	7.14	10.01	7.41	8.51	7.56	9.02	7.56	8.51	0.00	0.00	6.94	0.00	13.48	14.00	
2012	12.	6.73	9.84	7.72	8.07	6.94	9.13	6.96	8.36	6.59	0.00	6.20	8.70	13.19	13.99	
2012	01.	7.05	10.19	8.28	8.47	7.74	8.89	7.35	8.26	6.30	0.00	7.25	0.00	13.34	14.00	
	02.	7.02	10.24	7.80	9.02	7.37	8.55	7.79	8.31	0.00	0.00	7.75	0.00	13.35	14.00	
	03.	6.94	10.09	7.71	8.58	7.54	8.64	7.84	8.34	6.30	0.00	7.40	0.00	13.33	14.00	
	04.	7.04	10.00	7.82	8.46	7.57	8.85	7.33	8.31	6.30	0.00	6.99	0.00	13.47	13.99	
	05.	7.13	10.04	7.79	8.08	7.12	8.99	7.36	8.57	0.00	0.00	7.37	9.49	13.37	14.00	
	06.	6.91	10.00	7.99	8.03	7.29	8.96	7.13	8.35	6.19	6.70	5.72	0.00	13.33	13.99	
	07.	6.87	10.30	8.02	7.90	7.16	8.60	7.24	8.28	0.00	0.00	6.03	0.00	13.39	14.00	
	08.	6.83	10.07	7.67	8.02	7.06	8.91	7.07	8.28	0.00	8.51	6.67	8.15	13.43	14.00	
	09.	6.76	10.18	7.76	7.55	7.40	8.22	7.14	8.38	0.00	0.00	7.68	7.47	13.40	13.99	
	10.	6.56	10.27	7.42	7.96	7.35	8.36	7.39	8.41	6.90	6.15	6.20	7.50	13.39	13.98	
	11.	6.65	10.38	7.59	7.88	7.08	8.51	7.17	8.42	0.00	0.00	5.30	6.59	13.39	13.98	
	12.	6.73	9.84	7.72	8.07	6.94	9.13	6.96	8.36	6.59	0.00	6.20	8.70	13.19	13.99	

Note:

The table presents average monthly interest rates of commercial banks on short-term and long-term credits extended to private enterprises and cooperatives and households, in annual terms. Annual data show average monthly interest rates of the last month of the reporting year.

The base for calculation of weighted averages are loan volumes realized, with the accompanying interest, in the reporting month. Until December 2006, data on interest rates on loans in KM included interest rates on loans in KM and interest rates on loans in KM with a currency clause. Since January 2007, the scope of collection of data on average interest rates of commercial banks was expanded to include loans of the same sectors in KM, in KM with a currency clause, in foreign currency and credit card loans to households, following the same methodology.

*Only a few banks report data on average interest rates on loans in foreign currency to private enterprises and households, therefore this data can not be considered a relevant average indicator for BH.

T10b: Deposit Interest Rates of Commercial Banks
- in percent, on annual basis -

Year	Month	DEPOSITS IN KM				DEPOSITS WITH A CURRENCY CLAUSE (EUR)				DEPOSITS IN FOREIGN CURRENCY					
		Demand deposit rates in KM		Time and savings deposit rates in KM		Demand deposit rates with a currency clause		Time and savings deposit rates with a currency clause		Demand deposits rates in FX		Time and savings deposits rates in FX			
		Private enterprises and cooperatives	Households	Private enterprises and cooperatives	Households	Private enterprises and cooperatives	Households	Private enterprises and cooperatives	Households	Private enterprises and cooperatives	Households	Private enterprises and cooperatives	Households	Remuneration rate on required reserves with the CBBH	
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	
2002	12.	-	1.44	-	4.38	-	-	-	-	-	-	-	-	-	3
2003	12.	-	0.96	-	3.40	-	-	-	-	-	-	-	-	-	2.01
2004	12.	0.54	0.77	2.42	4.02	-	-	-	-	-	-	-	-	-	2.00
2005	12.	0.45	0.63	3.41	3.63	-	-	-	-	-	-	-	-	-	1
2006	12.	0.37	0.49	3.75	3.48	-	-	-	-	-	-	-	-	-	1
2007	12.	0.33	0.35	3.65	3.98	0.44	0.00	3.28	2.64	0.06	0.36	3.41	3.83	1	
2008	12.	0.37	0.32	2.99	3.61	0.47	0.00	2.41	6.07	0.11	0.31	4.94	4.20	1	
2009	12.	0.30	0.25	3.60	3.57	0.27	0.00	3.56	2.33	0.22	0.27	4.23	4.18	0.5	
2010	12.	0.17	0.15	3.38	2.89	0.10	0.00	2.87	3.06	0.04	0.18	3.21	3.25	0.26	
2011	12.	0.13	0.08	2.14	2.72	0.10	0.10	3.70	3.44	0.02	0.16	3.56	3.22	0.19	
2012	12.	0.07	0.06	3.39	2.97	0.00	0.00	4.13	3.56	0.03	0.15	2.86	3.08	0.01	
2012	01.	0.13	0.12	2.84	2.93	0.00	0.20	3.74	3.51	0.02	0.15	3.68	3.01	0.11	
	02.	0.11	0.12	2.01	2.89	0.00	0.10	4.38	3.51	0.02	0.16	3.57	3.03	0.11	
	03.	0.10	0.10	2.47	2.71	0.00	0.00	3.51	3.50	0.02	0.16	3.25	3.19	0.05	
	04.	0.11	0.07	2.62	3.00	0.00	0.00	3.02	3.71	0.02	0.16	3.78	3.49	0.05	
	05.	0.10	0.07	2.64	2.93	0.00	0.00	3.55	3.46	0.02	0.16	3.84	3.35	0.04	
	06.	0.11	0.07	2.12	2.82	0.00	0.00	4.03	3.32	0.02	0.16	3.68	3.28	0.04	
	07.	0.10	0.08	2.90	3.05	0.00	0.02	3.48	3.38	0.02	0.15	3.14	3.30	0.02	
	08.	0.10	0.06	2.79	3.05	0.00	0.00	4.22	3.04	0.02	0.16	3.02	3.31	0.01	
	09.	0.10	0.06	2.46	2.86	0.00	0.00	4.21	3.44	0.02	0.16	3.54	3.28	0.01	
	10.	0.10	0.06	2.45	3.16	0.00	0.00	4.25	3.68	0.03	0.14	3.01	3.27	0.01	
	11.	0.10	0.06	2.95	3.01	0.00	0.00	4.02	3.61	0.02	0.15	3.14	3.17	0.01	
	12.	0.07	0.06	3.39	2.97	0.00	0.00	4.13	3.56	0.03	0.15	2.86	3.08	0.01	

Note:

The table presents average monthly interest rates of commercial banks demand, time and savings deposits of private enterprises, cooperatives and households, in annual terms. The annual data show average monthly interest rates for the last month of the reporting year. The base for calculation of weighted averages are volumes of commercial banks' deposits, with addition of accrued interest, during the reporting month. Until December 2006, the data on interest rates on deposits in KM included interest rates on deposits in KM and interest rates on deposits in KM with a currency clause. Since January 2007, the scope of collection of average interest rates of commercial banks was expanded to include deposits of the same sectors in KM, in KM with a currency clause and in foreign currency, following the same methodology.

*Data on average interest rates on deposits of private enterprises and households in KM with a currency clause is reported only by a few banks, therefore this data can not be considered a relevant average indicator for BH.

From July 1st, 2010, the remuneration rate on the amount of required reserves was changed and has since been calculated as an average of interest rates earned by the Central Bank on overnight deposits in the same period. The average remuneration rate for required reserves with the Central Bank from July 1st, 2010 represents a weighted average of interest rates earned by the CBBH in the reporting month.

T11: Total Deposits and Loans of Commercial Banks
- end of period, in KM million -

Year	Month	Deposits			Loans		
		Transferable deposits	Other deposits	Total deposits	Short - term loans	Long - term loans	Total loans
1	2	3	4	5(3+4)	6	7	8(6+7)
1997	12.	784.1	598.3	1,382.4	956.7	1,482.9	2,439.6
1998	12.	983.8	678.7	1,662.5	1,028.2	1,892.6	2,920.8
1999	12.	1,107.7	712.1	1,819.9	852.3	1,928.9	2,781.2
2000	12.	1,385.8	568.0	1,953.7	878.3	2,138.6	3,017.0
2001	12.	2,061.5	1,209.3	3,270.7	913.3	2,425.7	3,339.0
2002	12.	2,293.8	1,430.5	3,724.3	1,097.8	3,183.3	4,281.1
2003	12.	2,553.8	1,812.3	4,366.0	1,233.5	3,888.0	5,121.5
2004	12.	3,121.7	2,456.7	5,578.4	1,576.2	4,350.9	5,927.1
2005	12.	3,876.1	3,000.1	6,876.3	1,837.0	5,707.1	7,544.2
2006	12.	4,005.1	4,758.1	8,763.2	2,068.8	7,130.4	9,199.2
2007	12.	5,106.5	6,980.7	12,087.2	2,552.7	9,298.7	11,851.4
2008	12.	4,905.1	6,970.0	11,875.1	3,439.0	11,070.5	14,509.5
2009	12.	5,215.1	6,877.0	12,092.1	3,399.7	10,650.4	14,050.1
2010	12.	5,557.7	6,972.4	12,530.0	3,626.5	10,916.9	14,543.4
2011	12.	5,518.1	7,474.9	12,993.0	3,984.0	11,327.1	15,311.1
2012	12.	5,306.9	8,019.6	13,326.5	4,283.0	11,658.7	15,941.7
2012	01.	5,383.8	7,532.9	12,916.7	4,015.5	11,339.6	15,355.1
	02.	5,318.5	7,574.7	12,893.2	4,103.8	11,279.1	15,382.9
	03.	5,221.4	7,539.7	12,761.0	4,149.4	11,300.5	15,449.9
	04.	5,232.6	7,599.6	12,832.2	4,165.0	11,383.6	15,548.6
	05.	5,300.5	7,656.7	12,957.1	4,216.8	11,457.8	15,674.6
	06.	5,271.2	7,698.8	12,970.0	4,154.0	11,522.4	15,676.3
	07.	5,344.9	7,622.2	12,967.1	4,166.1	11,563.1	15,729.2
	08.	5,458.5	7,697.3	13,155.8	4,163.8	11,710.0	15,873.8
	09.	5,264.4	7,878.7	13,143.1	4,198.6	11,715.1	15,913.7
	10.	5,308.4	7,904.2	13,212.6	4,213.3	11,727.9	15,941.3
	11.	5,205.3	7,974.1	13,179.3	4,245.9	11,702.7	15,948.6
	12.	5,306.9	8,019.6	13,326.5	4,283.0	11,658.7	15,941.7

Data series for January 2006 – December 2012 period, updated in line with the new methodology.

See note on page 220.

Note:

Total deposits represent liabilities of commercial banks of BH towards all institutional sectors in domestic and foreign currency. Total loans represent claims of commercial banks of BH to all domestic institutional sectors, in domestic and foreign currency.

T12: Structure of Transferable Deposits by Sectors in Commercial Banks
- end of period, in KM million -

DEPOSITS OF ALL DOMESTIC INSTITUTIONAL SECTORS													
Year	Month	Deposits of BH Institution	Entity governments' deposits	Cantonal government deposits	Municipal government deposits	Deposits of social security funds	Deposits of other financial institutions	Deposits of nonfinancial public companies	Deposits of nonfinancial private companies and cooperatives	Deposits of nonprofit organisations	Household deposits	Other deposits	Total
1	2	3	4	5	6	7	8	9	10	11	12	13	14 = 3+...+13
1997	12.	0.0	91.2	17.3	15.1	8.9	11.0	204.8	221.8	63.8	136.1	14.0	784.1
1998	12.	0.5	73.7	19.2	11.2	4.4	15.2	235.6	299.1	70.8	240.6	13.4	983.8
1999	12.	8.8	48.8	54.4	14.6	19.6	44.4	285.9	298.6	101.4	158.9	72.3	1,107.7
2000	12.	12.5	68.8	50.2	29.9	25.1	35.7	334.0	394.1	107.3	236.9	91.2	1,385.8
2001	12.	17.7	99.1	86.3	35.6	60.4	55.1	333.4	569.9	88.7	697.2	18.2	2,061.5
2002	12.	57.4	149.0	62.0	58.2	50.8	72.3	397.1	544.5	105.9	789.6	7.2	2,293.8
2003	12.	47.8	177.4	95.3	63.7	72.2	85.7	501.6	506.6	104.5	892.5	6.4	2,553.8
2004	12.	16.4	254.3	163.9	90.6	104.6	86.3	486.9	656.8	118.4	1,134.9	8.6	3,121.7
2005	12.	36.6	314.2	231.4	118.7	82.2	113.0	557.9	919.1	108.6	1,385.4	9.1	3,876.1
2006	12.	44.2	393.7	351.8	169.8	124.3	155.2	698.3	1,067.2	137.3	853.3	10.1	4,005.1
2007	12.	45.7	544.5	381.0	242.0	147.5	186.2	741.0	1,321.0	176.2	1,311.7	9.6	5,106.5
2008	12.	52.3	255.2	271.7	204.0	108.2	137.5	782.5	1,328.9	161.3	1,558.8	44.7	4,905.1
2009	12.	41.4	416.0	352.7	187.9	148.6	146.5	852.9	1,280.0	173.1	1,601.4	14.5	5,215.1
2010	12.	58.8	458.1	291.0	194.6	149.7	144.2	724.5	1,444.3	172.4	1,904.0	16.1	5,557.7
2011	12.	42.2	413.1	290.9	190.0	154.8	176.9	688.5	1,447.8	182.1	1,917.2	14.7	5,518.1
2012	12.	94.0	339.2	231.1	195.2	105.9	161.5	517.6	1,443.4	186.5	2,015.3	17.0	5,306.9
2012	01.	53.5	324.9	275.3	197.9	129.3	191.3	701.0	1,380.6	185.3	1,929.9	14.8	5,383.8
	02.	56.2	296.6	247.9	190.1	133.2	193.8	694.3	1,289.2	187.2	1,996.0	34.1	5,318.5
	03.	68.2	289.8	246.1	194.2	88.7	208.5	693.0	1,213.1	191.8	2,014.0	13.9	5,221.4
	04.	64.7	275.0	236.7	194.3	102.8	166.7	743.2	1,207.7	187.7	2,019.6	34.1	5,232.6
	05.	60.6	347.5	246.1	206.7	83.4	181.5	741.0	1,244.7	184.4	1,982.6	21.8	5,300.5
	06.	64.9	321.8	227.2	201.4	91.7	174.4	753.2	1,247.2	186.3	1,986.7	16.1	5,271.2
	07.	59.7	250.9	259.6	197.2	76.8	161.9	828.3	1,321.3	192.8	1,978.5	17.9	5,344.9
	08.	56.6	307.8	253.7	190.1	111.8	184.4	794.2	1,366.1	199.2	1,984.0	10.6	5,458.5
	09.	58.4	303.6	237.4	183.6	90.0	252.2	587.8	1,366.0	199.3	1,964.3	21.6	5,264.4
	10.	82.2	269.6	251.0	210.3	101.2	161.3	596.3	1,399.6	200.5	1,986.5	49.9	5,308.4
	11.	93.8	306.2	239.1	201.6	105.0	164.9	538.3	1,361.1	189.9	1,980.5	24.9	5,205.3
	12.	94.0	339.2	231.1	195.2	105.9	161.5	517.6	1,443.4	186.5	2,015.3	17.0	5,306.9

Data series for January 2006 – December 2012 period, updated in line with the new methodology.

See note on page 220.

Note:

Transferable deposits are available on demand without restrictions and penalties, directly usable for payments to third parties, special saving accounts with automatic transfer to regular transferable deposits.

T13: Structure of Other Deposits by Sectors in Commercial Banks
- end of period, in KM million -

DEPOSITS OF ALL DOMESTIC INSTITUTIONAL SECTORS													
Year	Month	Deposits of BH institutions	Entity governments' deposits	Deposits of cantonal governments	Deposits of municipal governments	Deposits of social security funds	Deposits of nonbank financial institutions	Deposits of nonfinancial public enterprises	Deposits of nonfinancial private enterprises and cooperatives	Deposits of nonprofit organisations	Household deposits	Other deposits	Total
1	2	3	4	5	6	7	8	9	10	11	12	13	14 = 3+...+13
1997	12.	0.0	225.5	24.7	5.9	5.8	17.6	40.6	128.3	10.7	137.3	1.9	598.3
1998	12.	0.5	203.3	3.9	7.1	6.3	22.1	38.1	178.1	12.4	206.3	0.6	678.7
1999	12.	0.4	112.1	10.8	1.6	2.8	19.1	43.5	255.6	18.8	245.9	1.7	712.1
2000	12.	5.3	56.5	18.0	4.4	7.6	29.7	42.8	86.8	25.8	285.5	5.6	568.0
2001	12.	10.6	150.2	33.5	4.2	8.5	36.9	60.0	120.7	18.4	750.1	16.2	1,209.3
2002	12.	23.3	160.6	41.2	12.6	4.2	87.8	59.1	182.9	21.7	831.7	5.3	1,430.5
2003	12.	29.1	218.8	54.5	22.2	3.1	103.0	127.3	195.0	19.9	1,033.4	6.0	1,812.3
2004	12.	20.0	128.6	66.3	28.4	2.6	126.2	355.9	336.1	28.3	1,354.2	10.0	2,456.7
2005	12.	8.2	174.4	58.5	18.9	19.7	190.3	339.1	341.4	41.0	1,801.9	6.7	3,000.1
2006	12.	22.7	222.3	35.6	33.0	42.4	168.3	405.0	516.0	50.9	3,246.9	15.1	4,758.1
2007	12.	11.8	1,457.4	56.4	47.4	124.0	217.5	537.8	595.4	59.8	3,854.2	18.9	6,980.7
2008	12.	16.0	1,211.7	21.3	50.1	101.5	334.0	758.5	743.7	78.1	3,647.0	8.2	6,970.0
2009	12.	4.7	725.3	20.9	48.8	61.7	478.8	753.5	606.0	100.5	4,062.0	14.8	6,877.0
2010	12.	22.5	383.2	16.8	41.2	49.2	438.8	825.0	504.5	91.2	4,580.4	19.6	6,972.4
2011	12.	62.8	237.8	24.0	30.0	41.7	567.5	817.1	471.5	79.1	5,134.1	9.2	7,474.9
2012	12.	31.7	242.0	21.4	27.6	31.0	598.3	779.7	537.8	87.1	5,639.9	23.0	8,019.6
2012	01.	62.7	291.9	23.8	27.5	50.4	560.7	811.0	469.3	81.2	5,144.8	9.6	7,532.9
	02.	68.6	282.5	27.8	28.3	49.8	575.7	831.1	460.1	80.2	5,160.8	9.8	7,574.7
	03.	69.5	253.9	27.3	28.6	44.2	583.8	812.1	468.3	74.0	5,168.2	9.8	7,539.7
	04.	64.3	237.4	21.8	27.1	45.7	584.2	818.8	474.0	76.2	5,240.1	10.1	7,599.6
	05.	68.8	224.7	21.2	25.9	41.2	587.3	814.3	478.9	78.6	5,305.5	10.2	7,656.7
	06.	67.7	245.5	21.3	29.5	47.9	576.0	799.9	472.3	80.0	5,344.4	14.4	7,698.8
	07.	65.8	247.9	14.0	37.6	36.4	564.9	720.8	471.4	79.0	5,374.2	10.3	7,622.2
	08.	69.7	247.9	23.3	38.7	34.6	581.2	707.2	482.6	82.8	5,419.6	9.7	7,697.3
	09.	70.4	280.5	22.8	38.1	34.0	595.4	817.7	494.7	83.6	5,431.8	9.7	7,878.7
	10.	55.0	238.2	22.6	34.3	35.0	593.2	829.0	502.7	84.3	5,499.9	10.1	7,904.2
	11.	27.7	235.9	21.6	33.7	38.2	611.4	825.9	533.4	88.1	5,545.9	12.4	7,974.1
	12.	31.7	242.0	21.4	27.6	31.0	598.3	779.7	537.8	87.1	5,639.9	23.0	8,019.6

Data series for January 2006 – December 2012 period, updated in line with the new methodology.

See note on page 220.

Note:

Other deposits permit automatic cash withdrawals but not payments to third parties, time and savings deposits and other deposits.

T14: Structure of Short-Term Loans by Sectors of Commercial Banks
- end of period, in KM million -

LOANS TO ALL DOMESTIC INSTITUTIONAL SECTORS													
Year	Month	Loans to BH institutions	Loans to entity governments	Loans to cantonal governments	Loans to municipal governments	Loans to social security funds	Loans to nonbank financial institutions	Loans to nonfinancial public companies	Loans to nonfinancial private companies and cooperatives	Loans to nonprofit organizations	Loans to households	Other loans	Total
1	2	3	4	5	6	7	8	9	10	11	12	13	14 = 3+...+13
1997	12.	0.0	129.0	3.0	1.4	0.3	2.7	202.1	516.6	3.4	66.9	31.0	956.7
1998	12.	0.0	104.5	4.5	2.6	1.5	0.4	199.8	535.9	6.2	42.7	130.2	1,028.2
1999	12.	0.1	20.0	8.4	2.5	5.7	1.1	189.2	548.6	2.6	61.6	12.4	852.3
2000	12.	0.7	23.9	1.9	7.2	0.2	3.2	246.6	469.5	33.4	88.3	3.6	878.3
2001	12.	0.0	7.5	13.3	8.8	3.4	11.6	215.2	544.5	22.5	84.1	2.5	913.3
2002	12.	8.6	23.3	13.7	9.5	5.5	15.3	210.5	655.9	13.2	135.1	7.2	1,097.8
2003	12.	0.6	23.5	4.8	16.7	0.0	24.8	158.9	815.2	7.4	154.0	27.6	1,233.5
2004	12.	0.0	20.9	2.5	22.2	0.0	31.4	160.6	1,056.0	5.2	270.1	7.2	1,576.2
2005	12.	0.0	18.6	3.7	27.8	0.0	41.4	116.8	1,213.8	6.1	396.4	12.5	1,837.0
2006	12.	0.1	6.8	2.2	1.4	0.1	30.1	88.8	1,453.4	11.8	466.6	7.5	2,068.8
2007	12.	0.0	6.9	2.3	0.3	0.0	53.5	84.6	1,819.0	17.0	564.5	4.6	2,552.7
2008	12.	0.0	6.6	2.3	10.4	0.1	69.8	87.4	2,579.8	32.8	645.7	4.2	3,439.0
2009	12.	0.0	9.3	2.2	31.7	33.5	33.4	90.9	2,459.8	10.6	716.4	12.0	3,399.7
2010	12.	0.0	6.7	2.3	21.9	40.6	28.1	80.3	2,624.0	13.5	801.9	7.1	3,626.5
2011	12.	0.0	12.5	1.4	21.5	26.0	37.4	81.5	2,935.2	5.9	858.4	4.2	3,984.0
2012	12.	0.0	3.2	0.7	22.2	9.9	41.1	85.0	3,188.4	6.7	919.5	6.3	4,283.0
2012	01.	0.0	12.2	1.4	22.2	7.0	30.5	81.8	2,985.3	6.0	864.9	4.2	4,015.5
	02.	0.0	11.3	1.4	22.0	12.4	27.1	94.9	3,064.9	5.4	860.0	4.5	4,103.8
	03.	0.0	11.2	1.2	22.0	14.4	36.5	101.1	3,081.4	5.2	870.1	6.3	4,149.4
	04.	0.0	11.6	1.3	22.1	12.0	35.0	97.4	3,106.3	5.5	866.8	6.8	4,165.0
	05.	0.0	10.5	1.5	22.5	16.4	41.2	97.4	3,135.8	6.1	878.4	6.9	4,216.8
	06.	0.2	10.4	2.9	23.0	17.0	31.8	96.4	3,072.9	7.3	886.2	6.0	4,154.0
	07.	0.0	2.4	1.9	23.2	17.0	37.0	104.8	3,073.8	7.2	892.3	6.6	4,166.1
	08.	0.0	4.1	1.9	23.2	8.9	32.9	99.4	3,090.5	7.2	888.0	7.6	4,163.8
	09.	0.0	4.8	1.9	23.9	6.7	37.4	94.5	3,115.8	6.8	900.1	6.8	4,198.6
	10.	0.1	3.7	0.4	23.6	6.1	38.0	89.9	3,127.1	6.5	912.1	5.9	4,213.3
	11.	0.0	4.6	0.7	23.0	6.0	41.1	85.7	3,167.8	6.8	904.3	5.9	4,245.9
	12.	0.0	3.2	0.7	22.2	9.9	41.1	85.0	3,188.4	6.7	919.5	6.3	4,283.0

Data series for January 2006 – December 2012 period, updated in line with the new methodology.

See note on page 220.

Note:

Until 2006, total claims on all level government and funds (short-term and long-term) were shown in the Table Short-term Loans (columns 3, 4, 5, 6, 7) as total amounts because the source data by maturity are not available. Short-term loans represent claims of commercial banks on all domestic institutional sectors up to one year, in domestic and foreign currency.

T15: Structure of Long - Term Loans by Sectors of Commercial Banks
- end of period, in KM million -

LOANS TO ALL DOMESTIC INSTITUTIONAL SECTORS														
Year	Month	Loans to BH institutions	Loans to entity governments	Loans to cantonal governments	Loans to municipal governments	Loans to social security funds	Loans to nonbank financial institutions	Loans to nonfinancial public enterprises	Loans to nonfinancial private enterprises and cooperatives	Loans to nonprofit organizations	Loans to households	Other loans	Total	
1	2	3	4	5	6	7	8	9	10	11	12	13	14 = 3+...+13	
1997	12.	-	-	-	-	-	5.6	897.0	518.1	3.4	54.0	4.8	1,482.9	
1998	12.	-	-	-	-	-	5.0	900.2	778.4	0.7	204.8	3.3	1,892.6	
1999	12.	-	-	-	-	-	5.2	814.0	900.8	2.1	206.4	0.4	1,928.9	
2000	12.	-	-	-	-	-	7.8	1,426.5	405.4	3.1	295.9	0.0	2,138.6	
2001	12.	-	-	-	-	-	8.4	1,215.6	598.3	5.7	597.8	0.0	2,425.7	
2002	12.	-	-	-	-	-	12.4	1,044.2	786.3	4.5	1,321.2	14.6	3,183.3	
2003	12.	-	-	-	-	-	15.4	1,007.8	1,044.3	3.9	1,812.4	4.2	3,888.0	
2004	12.	-	-	-	-	-	28.7	531.1	1,422.2	6.8	2,357.5	4.7	4,350.9	
2005	12.	-	-	-	-	-	26.5	578.3	2,030.2	10.8	3,057.0	4.4	5,707.1	
2006	12.	0.0	0.4	1.3	56.2	0.6	31.8	542.5	2,592.7	10.3	3,893.0	1.5	7,130.4	
2007	12.	0.7	8.8	1.1	92.3	15.5	77.9	539.6	3,439.2	18.5	5,104.4	0.9	9,298.7	
2008	12.	1.7	95.6	0.9	132.5	13.5	73.9	539.1	4,142.2	19.5	6,051.1	0.5	11,070.5	
2009	12.	1.4	89.2	2.1	155.5	19.7	43.6	542.9	4,186.9	17.4	5,590.8	0.9	10,650.4	
2010	12.	0.1	105.8	40.2	201.6	26.5	27.0	657.4	4,309.5	17.4	5,522.3	9.1	10,916.9	
2011	12.	0.0	233.2	42.8	251.1	38.8	25.4	682.5	4,186.7	12.7	5,846.4	7.5	11,327.1	
2012	12.	0.0	404.3	68.7	289.5	28.4	19.3	700.4	4,248.8	16.3	5,875.2	7.9	11,658.7	
2012	01.	0.0	305.9	42.4	248.8	37.9	24.7	679.3	4,155.0	12.5	5,825.8	7.3	11,339.6	
	02.	0.0	310.1	42.0	247.2	37.1	24.0	684.8	4,115.0	12.3	5,799.6	7.1	11,279.1	
	03.	0.0	309.4	39.6	244.5	36.2	24.5	691.1	4,117.3	12.2	5,818.8	6.9	11,300.5	
	04.	0.0	311.0	39.4	254.2	35.5	23.8	692.2	4,159.0	15.0	5,843.1	10.3	11,383.6	
	05.	0.0	311.4	38.8	254.1	34.5	26.0	708.5	4,172.4	13.6	5,881.4	17.2	11,457.8	
	06.	0.0	323.3	36.4	244.4	33.7	27.8	706.8	4,217.0	14.7	5,900.8	17.4	11,522.4	
	07.	0.0	326.0	66.2	268.9	32.8	22.3	701.2	4,213.3	14.4	5,909.7	8.3	11,563.1	
	08.	0.0	406.9	65.8	275.8	31.9	20.0	698.6	4,272.4	14.2	5,916.4	8.1	11,710.0	
	09.	0.0	412.5	65.3	287.2	31.1	18.7	689.4	4,279.2	14.8	5,908.9	8.0	11,715.1	
	10.	0.0	410.3	68.2	288.7	30.1	19.8	699.5	4,284.7	16.9	5,901.7	7.9	11,727.9	
	11.	0.0	412.3	69.7	288.8	29.3	19.1	696.9	4,266.3	16.6	5,895.9	7.8	11,702.7	
	12.	0.0	404.3	68.7	289.5	28.4	19.3	700.4	4,248.8	16.3	5,875.2	7.9	11,658.7	

Data series for January 2006 – December 2012 period, updated in line with the new methodology.

See note on page 220.

Note:

Until 2006, total claims on all level government and funds (short-term and long-term) were shown in the Table Short-term Loans (columns 3, 4, 5, 6, 7) as total amounts because the source data by maturity are not available. Long - term loans represent claims of commercial banks on all domestic institutional sectors, in excess of one year, in domestic and foreign currency.

T16: KM Buying and Selling
 - in KM thousand -

Year	Month	Selling	Buying	Balance	Cumulative Balance
1	2	3	4	5(3-4)	6
1997		71,484	71,160	324	324
1998		382,193	319,508	62,685	63,009
1999		1,136,535	577,983	558,552	621,561
2000		1,413,730	1,287,796	125,934	747,495
2001		3,758,768	2,141,044	1,617,724	2,365,219
2002		3,665,370	3,907,317	-241,947	2,123,272
2003		2,026,594	1,751,730	274,864	2,398,136
2004		4,295,881	3,648,609	647,273	3,045,409
2005		3,324,413	2,623,382	701,031	3,746,440
2006		3,316,074	2,181,712	1,134,362	4,880,802
2007		3,878,146	2,822,867	1,055,279	5,936,081
2008		4,933,211	5,564,318	-631,108	5,304,973
2009		4,197,642	4,234,491	-36,849	5,268,124
2010		5,273,777	5,014,550	259,227	5,527,351
2011		5,088,041	5,162,710	-74,669	5,452,682
2012		5,511,162	5,491,846	19,316	5,471,998
2012	01.	536,229	672,930	-136,701	5,315,981
	02.	365,483	478,434	-112,951	5,203,030
	03.	391,359	455,460	-64,100	5,138,929
	04.	377,002	534,993	-157,992	4,980,938
	05.	576,486	781,872	-205,386	4,775,552
	06.	617,056	458,914	158,142	4,933,694
	07.	506,652	522,597	-15,945	4,917,749
	08.	611,873	273,159	338,715	5,256,463
	09.	487,533	469,116	18,417	5,274,881
	10.	234,697	198,040	36,658	5,311,539
	11.	191,348	267,628	-76,280	5,235,259
	12.	615,443	378,704	236,739	5,471,998

T17: Average Required Reserves
- in KM thousand -

Year	Month	Base for calculation of required reserves	Average reserve requirement	Average balance in reserve accounts	Total funds for reserve maintenance*	Balance
1	2	3	4	5	6	7=6-4
1998		131,976	13,198	38,350	42,028	28,830
1999		288,950	28,895	107,506	115,974	87,079
2000		709,104	70,910	232,435	260,143	189,233
2001		979,952	97,995	242,144	340,140	242,144
2002		1,510,313	151,031	317,169	460,097	309,065
2003**						
2004		6,596,857	406,560	1,061,712	1,061,712	655,151
2005		8,456,603	885,528	1,516,182	1,516,182	630,653
2006		10,905,879	1,635,882	2,372,908	2,372,908	737,026
2007		14,328,455	2,149,268	3,309,562	3,309,562	1,160,294
2008		17,320,130	2,961,865	3,630,571	3,630,571	668,706
2009		16,194,265	1,754,398	3,010,417	3,010,417	1,256,019
2010		15,617,849	1,624,905	3,154,793	3,154,793	1,529,888
2011		15,227,393	1,323,886	2,959,315	2,959,315	1,635,429
2012		14,755,574	1,257,850	2,711,013	2,711,013	1,453,163
2012	01.	15,097,567	1,288,750	3,027,525	3,027,525	1,738,776
	02.	14,751,671	1,259,505	2,847,817	2,847,817	1,588,312
	03.	14,659,283	1,250,282	2,790,541	2,790,541	1,540,259
	04.	14,531,235	1,238,801	2,699,423	2,699,423	1,460,622
	05.	14,585,439	1,243,103	2,432,716	2,432,716	1,189,613
	06.	14,625,424	1,245,660	2,412,670	2,412,670	1,167,009
	07.	14,620,618	1,246,030	2,464,847	2,464,847	1,218,816
	08.	14,745,118	1,259,205	2,611,554	2,611,554	1,352,349
	09.	14,847,442	1,266,242	2,759,958	2,759,958	1,493,716
	10.	14,846,278	1,264,396	2,795,796	2,795,796	1,531,400
	11.	14,899,734	1,268,952	2,837,459	2,837,459	1,568,507
	12.	14,857,080	1,263,277	2,851,853	2,851,853	1,588,577

Note:

From June 1st, 2003 the following changes were made in calculation of required reserves: the required reserves rate was reduced from 10% to 5%, foreign currency deposits and borrowing were included in the base for calculation of required reserves, in addition to deposits in KM, while cash holdings in banks' vaults were eliminated as an eligible asset for maintenance of required reserves.

From September 1st, 2004 the reserve requirement was increased to 7,5% and from December 1st, 2004 it was increased to 10%.

From December 1st, 2005 the required reserves rate was 15%. The remuneration rate was calculated as follows: - on the amount a given bank is required to maintain as required reserves - 0,5%, - on the amount in excess of the required reserve on the basis of an arithmetic average and/or weighted average of interest rates which the Central Bank earned in the same period on deposits invested up to a month.

From January 1st, 2008 the required reserves rate was increased from 15% to 18%.

From October 11th, 2008 the required reserves rate was decreased from 18% to 14%.

From January 1st, 2009 the required reserves rate was 14% on deposits and borrowed assets with contracted maturity up to one year and 10% on deposits and borrowed assets with contracted maturity over one year.

From May 1st, 2009 the required reserves rate was 7% on deposits and borrowed assets with contracted maturity over one year.

From April 1st, 2009 the remuneration rate was calculated as follows:

- on the amount of required reserves it is 0,5%,

- on the amount in excess of required reserves, at the rate calculated as an average of interest rates earned by the Central Bank on deposits invested up to one month.

From July 1, 2010 the remuneration rate on the amount of required reserves is changed and calculated as an average of interest rates, which were earned by the Central Bank on overnight deposits in the same period, while the remuneration rate on the amount of excess reserves remained unchanged.

From February 1st, 2011 the required reserves rate on deposits and borrowed assets with contracted maturity up to one year was declined from 14% to 10%, while required reserves rate on deposits and borrowed assets with contracted maturity over one year was not changed.

From August 1, 2011 the remuneration rate is calculated as the weighted average interest rate which was earned by the Central Bank of BH in the market on deposits invested up to a month in the same period; 70% of this rate is applied for the amount of required reserves, and 90% of the same rate on the amount of excess reserves.

*Until 2003, the assets in banks' vaults were included in total funds for required reserves maintenance.

**Data on average required reserves for 2003 are not applicable due to a change in calculation of required reserves from June 1, 2003.

T18: Payments System Transactions
 - in KM million -

Year	Month	RTGS		GIRO CLEARING		TOTAL	
		Volume of transactions	Value	Volume of transactions	Value	Volume of transactions	Value
1	2	3	4	5	6	7=3+5	8=4+6
2001		332,622	9,701	11,583,600	7,144	11,916,222	16,845
2002		257,691	13,520	15,269,148	8,990	15,526,839	22,510
2003		293,847	14,460	17,427,404	9,883	17,721,251	24,342
2004		480,935	19,179	20,761,227	9,205	21,242,162	28,384
2005		521,014	27,237	22,388,413	8,958	22,909,427	36,195
2006		591,823	37,280	24,309,113	10,448	24,900,936	47,728
2007		704,702	48,174	27,662,395	12,018	28,367,097	60,193
2008		766,690	57,335	28,831,882	13,009	29,598,572	70,345
2009		692,669	52,283	28,346,898	12,175	29,039,567	64,458
2010		713,755	55,281	31,060,911	12,498	31,774,666	67,779
2011		760,459	63,608	31,729,367	13,046	32,489,826	76,653
2012		763,522	68,310	33,073,839	13,223	33,837,361	81,533
2012	01.	53,953	4,933	2,390,374	935	2,444,327	5,867
	02.	52,037	5,060	2,376,509	904	2,428,546	5,963
	03.	62,252	5,824	2,794,305	1,072	2,856,557	6,897
	04.	63,078	5,517	2,811,846	1,132	2,874,924	6,649
	05.	64,239	5,739	2,827,634	1,129	2,891,873	6,868
	06.	64,338	5,582	2,776,731	1,119	2,841,069	6,701
	07.	68,326	6,130	3,004,849	1,185	3,073,175	7,315
	08.	67,823	6,349	2,850,391	1,173	2,918,214	7,522
	09.	62,191	5,841	2,691,789	1,085	2,753,980	6,927
	10.	72,742	6,285	2,975,249	1,221	3,047,991	7,505
	11.	64,649	5,370	2,721,384	1,108	2,786,033	6,478
	12.	67,894	5,679	2,852,778	1,161	2,920,672	6,840

T19: BH Balance of Payments
 - in KM million -

Year	CURRENT AND CAPITAL ACCOUNT						FINANCIAL ACCOUNT	NET ERRORS AND OMISSIONS
	Current account				Capital account	Total		
	Goods	Services	Primary income	Secondary income				
2007	-8,935	2,318	723	3,901	415	-1,578	-1,682	-104
2008	-10,665	2,385	943	3,827	383	-3,127	-3,242	-115
2009	-7,786	1,901	955	3,341	350	-1,239	-1,161	78
2010	-7,629	2,158	583	3,529	389	-970	-806	164
2011	-8,346	2,095	319	3,502	355	-2,074	-1,922	152
2012	-8,445	2,067	345	3,583	298	-2,152	-1,955	197
2011 Q1	-1,716	496	105	801	83	-230	-368	-138
2011 Q2	-2,096	502	38	874	92	-590	-539	51
2011 Q3	-2,220	543	136	913	91	-537	-378	159
2011 Q4	-2,315	555	39	915	89	-716	-636	80
2012 Q1	-1,912	464	70	808	66	-503	-587	-84
2012 Q2	-2,063	525	10	899	71	-557	-533	24
2012 Q3	-2,358	586	123	923	81	-645	-483	162
2012 Q4	-2,113	492	141	953	80	-447	-352	94

Note:

Balance of BH is compiled using the latest IMF Methodology for Compiling the Balance of Payments and International Investment Position, Sixth edition - BPM6. Changes due to the use of the new methodology are associated to both the compilation and presentation of the compiled data. Due to the lack of original data, estimates of quarterly balance of payments flows, have been conducted and are available from the first quarter of 2007. Detailed methodological explanations are being prepared and will be available at the CBBH website.

The new IMF Manual for Compiling the Balance of Payments and International Investment Position, which was used, is available in its original version at the following website:

<http://www.imf.org/external/pubs/ft/bop/2007/bopman6.htm>

T20: Balance of Payments - Current Account and Capital Account
 - in KM million -

Year	CURRENT ACCOUNT											CAPITAL ACCOUNT		
	Total			Goods		Services		Primary income		Secondary income		Credit	Debit	Balance
	Credit	Debit	Balance	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit			
2007	11,482	13,474	-1,993	2,802	11,738	3,026	707	1,553	830	4,101	200	415	0	415
2008	12,249	15,759	-3,510	3,397	14,062	3,160	775	1,656	713	4,036	209	383	0	383
2009	10,850	12,440	-1,589	3,213	11,000	2,793	892	1,265	309	3,579	238	350	0	350
2010	11,905	13,264	-1,359	4,281	11,911	2,956	798	881	298	3,787	257	389	0	389
2011	12,755	15,184	-2,429	5,134	13,481	2,906	810	934	615	3,781	278	355	0	355
2012	12,626	15,077	-2,450	5,036	13,481	2,848	781	882	537	3,860	277	298	0	298
2011 Q1	2,923	3,237	-314	1,207	2,923	631	134	216	111	869	68	83	0	83
2011 Q2	3,162	3,844	-682	1,309	3,405	681	180	227	188	945	72	92	0	92
2011 Q3	3,424	4,052	-628	1,318	3,538	870	328	255	118	981	68	91	0	91
2011 Q4	3,246	4,051	-805	1,301	3,616	724	169	236	197	986	70	89	0	89
2012 Q1	2,762	3,331	-570	1,085	2,997	593	129	209	138	875	67	66	0	66
2012 Q2	3,256	3,884	-629	1,360	3,422	715	190	215	205	966	68	71	0	71
2012 Q3	3,422	4,148	-726	1,303	3,661	891	305	232	109	996	73	81	0	81
2012 Q4	3,187	3,713	-526	1,288	3,400	650	158	227	86	1,023	70	80	0	80

Note:

Balance of BH is compiled using the latest IMF Methodology for Compiling the Balance of Payments and International Investment Position, Sixth edition - BPM6. Changes due to the use of the new methodology are associated to both the compilation and presentation of the compiled data. Due to the lack of original data, estimates of quarterly balance of payments flows, have been conducted and are available from the first quarter of 2007. Detailed methodological explanations are being prepared and will be available at the CBBH website.

The new IMF Manual for Compiling the Balance of Payments and International Investment Position, which was used, is available in its original version at the following website:

<http://www.imf.org/external/pubs/ft/bop/2007/bopman6.htm>

T21: Balance of Payments - Financial Account
 - in KM million -

FINANCIAL ACCOUNT						
Year	Direct investments	Portfolio investments	Other investments	Reserve assets	Total	
2007	-2,506	4	-422	1,242	-1,682	
2008	-1,315	29	-1,493	-462	-3,242	
2009	-344	274	-987	-104	-1,161	
2010	-364	174	-875	258	-806	
2011	-532	46	-1,403	-33	-1,922	
2012	-908	61	-1,180	73	-1,955	
2011 Q1	-159	-3	76	-282	-368	
2011 Q2	-59	98	-518	-60	-539	
2011 Q3	-151	-35	-324	132	-378	
2011 Q4	-162	-14	-637	177	-636	
2012 Q1	-103	11	-180	-314	-587	
2012 Q2	-475	42	130	-230	-533	
2012 Q3	-123	-18	-735	394	-483	
2012 Q4	-207	26	-395	224	-352	

Note:

Balance of BH is compiled using the latest IMF Methodology for Compiling the Balance of Payments and International Investment Position, Sixth edition - BPM6. Changes due to the use of the new methodology are associated to both the compilation and presentation of the compiled data. Due to the lack of original data, estimates of quarterly balance of payments flows, have been conducted and are available from the first quarter of 2007. Detailed methodological explanations are being prepared and will be available at the CBBH website.

The new IMF Manual for Compiling the Balance of Payments and International Investment Position, which was used, is available in its original version at the following website:

<http://www.imf.org/external/pubs/ft/bop/2007/bopman6.htm>

T22: Government Sector Foreign Debt Servicing
 - in KM thousand -

Creditor	2009	2010	2011	2012		
				Principal	Interest	Total
Public creditors	220,367	237,153	269,064	242,809	96,792	339,601
International and regional organizations	182,214	194,974	226,021	216,390	74,103	290,493
European Investment Bank	24,476	25,148	30,871	18,185	20,051	38,236
European Bank for Reconstr. and Development	43,390	57,909	72,598	60,127	14,907	75,034
World Bank - IDA	31,984	38,642	43,102	36,303	13,244	49,547
World Bank - IBRD ¹⁾	58,713	47,811	48,164	38,763	12,527	51,290
Council of Europe Development Bank ¹⁾	4,494	654	651	331	661	991
International Fund of Agriculture Development	1,399	1,489	1,932	1,828	513	2,341
IMF	4,426	11,001	15,463	53,030	11,104	64,134
EUROFIMA	10,616	7,580	8,398	0	0	0
European Commission	2,715	4,741	4,844	7,823	1,096	8,919
Government and government agencies	38,153	42,179	43,043	26,419	22,689	49,108
Paris Club ¹⁾	25,915	27,402	28,470	16,744	13,749	30,493
Saudi Development Fund	2,708	2,721	2,607	2,315	735	3,050
Other bilateral ²⁾	9,531	12,056	11,966	7,361	8,205	15,566
Private creditors	25,481	63,680	70,927	62,569	11,113	73,682
London Club ¹⁾	25,481	63,680	70,927	62,569	11,113	73,682
Total	245,849	300,832	339,992	305,378	107,905	413,283

Source:

BH Ministry of Finance and Treasury.

¹⁾ Debt incurred before 1992.²⁾ Other bilateral includes: Fortis Bank, government of Japan, OPEC, KFW, government of Spain, Export-Import Bank of Korea, Bank Austria, Belgium, Bank for Labour and Economy (BAWAG) and Raiffaisen Bank.

T23: Foreign Debt of BH General Government by Creditors**
 - in KM thousand -

Creditor	2006	2007	2008	2009	2010	2011	Undisbursed as of	
							2012*	2012*
Public Creditors								
International and regional organizations								
European Investment Bank	234,669	233,217	246,090	368,263	537,870	704,579	973,305	559,407
European Bank for Reconstr. and Development	115,827	146,090	217,243	357,804	427,819	481,540	623,344	326,382
World Bank - IDA	1,459,031	1,430,368	1,497,781	1,497,460	1,738,590	1,803,033	1,769,155	58,051
World Bank - IBRD ²⁾	691,593	603,121	614,372	569,232	654,872	692,060	675,710	65,501
European Development Bank	12,020	19,435	29,359	31,834	35,843	37,180	36,776	37,748
International Fund for Agriculture Development	47,056	47,873	51,447	56,108	64,100	68,235	70,302	13,659
International Monetary Fund	30,129	3,152	0	388,705	767,071	784,851	950,444	0
EUROFIMA ¹⁾	22,226	21,779	23,071	13,146	7,839	0	0	0
European Commission	78,233	78,233	78,233	78,233	74,322	70,410	62,587	0
Others ²⁾	7,425	6,212	7,399	10,295	14,163	14,033	12,690	65,572
Government and Government Agencies								
Saudi Development Fund	29,865	25,208	27,188	24,428	24,424	33,780	45,524	48,833
Paris Club ¹⁾	904,582	880,376	879,236	828,455	834,959	825,224	781,672	0
Japan	51,128	48,297	61,947	57,642	69,858	73,248	62,324	213,906
Kuwait ³⁾	35,208	32,908	36,945	29,381	30,829	28,997	27,971	0
Others ³⁾⁴⁾	94,619	125,597	188,865	198,101	316,369	395,378	426,843	382,408
Private Creditors								
London Club ¹⁾	251,442	240,965	230,489	651,298	599,205	541,875	479,306	0
Others	6,012	18,515	50,727	73,717	90,687	106,621	133,936	4,546
Total	4,071,068	3,961,347	4,240,392	5,234,102	6,288,820	6,661,044	7,131,888	1,776,011

Source:

BH Ministry of Finance and Treasury database.

Note:

Debt outstanding at the end of fourth quarter (Q4) is debt outstanding at the end of the year. Debt outstanding is calculated by converting the foreign currency in which each loan is denominated into KM at exchange rates quoted by the CBBH for the given date. As of December 2009, the optional debt of KM 436,524 million to the London Club has been activated. Additionally, there are BH state guarantees for the debt of public corporations of KM 11.34 million.

1) Debt incurred before 1992.

2) Including OPEC Fund.

3) Including direct loans to the entity governments.

4) This category includes Austria, Belgium, Hungary, Portugal, Spain, Sweden, Korea, Libya, KFW Agency, Bank for Labour and Economy and Austrian Postal Saving Bank.

5) Includes old and new debt.

* Preliminary data.

**Data revised in accordance with the update of database on February 07, 2013.

T24: CBBH Foreign Reserves
- end of period, in KM million -

Year	Month	Gross foreign reserves							Net foreign reserves	Monetary liabilities	CBBH net foreign assets
		Gold	SDR holdings	CBBH foreign reserves	Deposits with non-resident banks	Other	Investment in foreign securities	9=3+...+7			
1	2	3	4	5	6	7	8	9=3+...+7	10	11	12=10-11
1997	12.	0.0	0.0	6.2	138.0	0.0	0.0	144.1	144.1	160.3	-16.1
1998	12.	0.0	0.0	32.7	250.6	0.0	0.0	283.3	283.3	253.9	29.4
1999	12.	0.0	0.0	83.5	782.2	1.3	0.0	867.0	866.9	836.7	30.3
2000	12.	0.0	0.0	38.1	983.2	6.2	0.0	1,027.5	1,027.3	973.2	54.1
2001	12.	0.0	0.0	804.9	1,891.6	11.9	0.0	2,708.4	2,678.4	2,591.6	86.8
2002	12.	0.0	5.9	58.9	2,399.6	19.7	0.0	2,484.1	2,482.9	2,345.2	137.7
2003	12.	0.0	5.3	59.1	2,716.2	12.3	0.0	2,792.9	2,791.9	2,627.7	164.1
2004	12.	0.0	0.7	37.1	3,419.7	21.5	0.0	3,479.0	3,478.0	3,303.6	174.4
2005	12.	0.0	0.5	40.5	4,154.9	28.6	0.0	4,224.5	4,223.5	4,010.1	213.4
2006	12.	0.0	0.6	55.2	4,951.4	51.3	393.3	5,451.7	5,450.7	5,182.6	268.1
2007	12.	0.0	0.4	40.1	5,971.1	80.7	606.2	6,698.5	6,697.6	6,303.9	393.7
2008	12.	0.0	0.4	212.2	4,727.9	49.9	1,305.3	6,295.7	6,294.8	5,727.5	567.3
2009	12.	63.3	5.7	107.4	3,298.0	2.2	2,735.4	6,212.1	6,211.2	5,705.5	505.7
2010	12.	66.9	0.0	102.2	3,000.8	2.7	3,285.1	6,457.7	6,456.3	5,969.6	486.8
2011	12.	151.3	1.1	93.6	4,385.6	0.0	1,792.0	6,423.6	6,422.5	5,915.1	507.4
2012	12.	159.0	4.5	133.2	2,334.5	0.0	3,877.4	6,508.6	6,507.4	5,987.0	520.4
2012	01.	0.0	3.6	45.6	4,392.6	0.0	1,857.2	6,299.1	6,298.0	5,779.3	518.7
	02.	157.7	1.2	84.0	3,563.7	0.0	2,370.4	6,177.0	6,175.9	5,663.5	512.4
	03.	156.4	1.2	71.5	3,403.7	0.0	2,481.0	6,113.8	6,112.8	5,599.9	512.9
	04.	157.4	2.8	87.5	3,204.7	0.0	2,479.4	5,932.0	5,930.6	5,444.1	486.5
	05.	156.9	0.5	94.7	2,994.0	0.0	2,482.7	5,728.7	5,727.3	5,236.4	490.8
	06.	158.9	0.5	95.1	2,957.6	0.0	2,674.8	5,886.8	5,885.6	5,394.7	490.8
	07.	164.9	2.8	69.9	2,657.4	0.0	2,996.1	5,891.1	5,889.4	5,381.7	507.7
	08.	168.7	0.4	45.6	2,588.8	0.0	3,423.2	6,226.8	6,225.4	5,717.6	507.8
	09.	171.4	3.3	30.0	2,433.5	0.0	3,652.4	6,290.6	6,289.5	5,776.6	512.9
	10.	166.1	3.3	33.9	2,458.3	0.0	3,623.6	6,285.2	6,283.5	5,774.9	508.6
	11.	165.2	1.0	81.3	2,133.2	0.0	3,837.4	6,218.0	6,216.6	5,696.2	520.4
	12.	159.0	4.5	133.2	2,334.5	0.0	3,877.4	6,508.6	6,507.4	5,987.0	520.4

Data series for January 2006 – December 2012 period, updated in line with the new methodology.

Note:

Gross foreign reserves include balance sheet positions of the CBBH short-term foreign assets (gold, CBBH SDR holdings, foreign exchange in the CBBH vault, transferable deposits in foreign currency with non-resident banks and other) and investment in foreign securities since July 2006, in accordance with the July 2006 decision of the CBBH Investment Committee. Net foreign reserves represent the difference between gross foreign reserves and liabilities to non-residents. Monetary liabilities include money outside monetary authorities and deposits of residents with monetary authorities. Net foreign assets of the CBBH represent the difference between net foreign exchange reserves and monetary liabilities of the CBBH.

T25: BH Foreign Trade
 - in KM million -

Year	Month	Exports of goods	Imports of goods	Trade balance	Exports/imports coverage, in %
1	2	3	4	5=(3-4)	6=(3/4)x100
1998		1,043	5,120	-4,077	20.4
1999		1,376	6,048	-4,672	22.7
2000		2,265	6,583	-4,318	34.4
2001		2,256	7,331	-5,076	30.8
2002		2,089	8,048	-5,958	26.0
2003		2,323	8,319	-5,996	27.9
2004		2,819	9,306	-6,487	30.3
2005		3,783	11,179	-7,395	33.8
2006		5,164	11,389	-6,224	45.3
2007		5,937	13,898	-7,962	42.7
2008		6,712	16,293	-9,581	41.2
2009		5,530	12,348	-6,818	44.8
2010		7,096	13,616	-6,521	52.1
2011		8,222	15,525	-7,303	53.0
2012		7,858	15,253	-7,395	51.5
2012	01.	560	998	-438	56.1
	02.	523	941	-418	55.6
	03.	681	1,470	-789	46.3
	04.	656	1,315	-659	49.9
	05.	706	1,316	-609	53.7
	06.	742	1,294	-552	57.3
	07.	696	1,365	-669	51.0
	08.	633	1,352	-719	46.8
	09.	685	1,360	-675	50.4
	10.	691	1,482	-790	46.6
	11.	692	1,212	-520	57.1
	12.	592	1,149	-557	51.6

Note:

Most recent data on imports of goods as per the Special Trade System provided by the BH Agency for Statistics; scope and value adjustments prepared for the BoP reporting purposes are not included.

T26: BH Exports by Country of Destination
- in KM thousand -

Year	Month	Germany	Croatia	Serbia*	Italy	Slovenia	Austria	Montene- gro	Other countries	Total
1999		144,235	202,375	244,408	269,301	96,440	62,316	-	356,544	1,375,619
2000		262,061	173,413	464,820	515,014	150,614	74,194	-	624,805	2,264,921
2001		328,378	247,278	466,386	412,797	175,634	83,190	-	541,863	2,255,526
2002		262,698	313,266	421,059	248,396	174,258	83,640	-	585,839	2,089,156
2003		289,074	406,121	382,257	340,796	249,706	82,094	-	572,797	2,322,846
2004		268,389	609,975	446,073	492,555	256,498	136,048	-	609,242	2,818,780
2005		429,036	775,428	587,960	496,275	365,199	163,432	-	965,951	3,783,280
2006		668,733	965,258	681,764	713,413	629,633	313,807	-	1,191,688	5,164,296
2007		762,169	1,090,120	770,717	779,102	645,369	369,608	155,707	1,363,793	5,936,584
2008		913,488	1,156,836	942,277	843,065	614,875	415,224	231,444	1,594,482	6,711,690
2009		814,110	944,144	741,441	702,356	463,129	325,370	229,506	1,311,143	5,531,199
2010		1,085,936	1,070,626	894,775	862,022	611,744	470,584	310,180	1,789,638	7,095,505
2011		1,215,957	1,204,440	1,001,879	963,546	706,818	619,042	300,430	2,210,001	8,222,112
2012		1,210,103	1,165,019	710,002	939,241	653,304	654,764	249,230	2,276,299	7,857,962
2012	01.	102,812	71,109	38,276	73,980	50,227	44,090	18,044	161,331	559,869
	02.	95,895	70,483	48,425	66,582	46,990	39,098	11,788	143,640	522,900
	03.	108,072	96,545	71,292	80,368	61,094	54,547	21,502	187,572	680,991
	04.	103,069	105,780	67,411	75,169	49,583	58,629	22,268	174,158	656,067
	05.	101,488	118,079	70,297	76,903	56,547	61,287	24,593	197,020	706,213
	06.	107,596	122,927	66,510	86,127	55,360	61,124	21,934	220,163	741,739
	07.	102,875	109,183	63,056	93,053	50,874	57,643	21,334	198,310	696,327
	08.	87,240	99,640	58,795	56,492	48,707	59,693	22,229	200,362	633,158
	09.	107,071	93,889	60,008	87,552	59,433	56,512	20,863	200,106	685,435
	10.	104,370	97,234	62,026	85,024	60,178	60,149	19,860	202,263	691,103
	11.	106,317	99,076	58,327	82,868	59,765	61,942	21,655	201,900	691,850
	12.	83,298	81,074	45,581	75,124	54,546	40,051	23,162	189,474	592,309

Note:

The share of BH exports to a country in the total BH exports in 2010 was used as a criterion for selecting the mode of presentation of a given country of destination. Therefore, all countries with an export share over 4% of total BH exports for 2010 are presented separately, while other countries are grouped together in the column "Other countries".

Until February 12, 2007, the data on exports to Serbia and Montenegro were presented as exports to Serbia, and since then exports to Serbia and Montenegro are presented separately.

T27: BH Imports by Country of Origin
- in KM thousand -

Year	Month	Croatia	Serbia*	Germany	Italy	Russian Federation	Slovenia	China	Austria	USA	Hungary	Other countries	Total
1999		1,020,151	384,395	633,553	978,755	...	753,158	...	288,118	...	296,611	1,693,171	6,047,912
2000		953,134	439,282	805,186	704,214	...	998,717	...	368,070	...	307,729	2,006,271	6,582,603
2001		1,104,538	523,827	772,527	957,233	...	945,602	...	416,642	...	411,652	2,199,407	7,331,428
2002		1,330,043	697,856	998,531	789,764	...	906,329	...	463,792	...	491,428	2,369,838	8,047,581
2003		1,446,124	656,626	1,007,015	852,243	116,439	774,398	132,012	360,981	106,005	510,172	2,356,925	8,318,941
2004		1,633,847	946,962	1,101,218	850,747	218,963	712,071	215,936	396,408	123,417	411,549	2,694,823	9,305,942
2005		1,886,484	1,135,162	1,605,765	1,000,500	322,357	779,943	381,513	488,104	213,567	409,603	2,955,547	11,178,545
2006		1,946,914	1,116,167	1,417,257	1,020,542	254,626	860,684	391,090	456,213	220,622	394,682	3,309,988	11,388,785
2007		2,449,198	1,408,588	1,742,880	1,255,982	277,902	884,579	597,930	535,957	298,658	478,958	3,967,610	13,898,242
2008		2,779,927	1,726,195	1,914,630	1,520,914	344,006	963,337	748,615	606,290	524,553	719,598	4,444,452	16,292,516
2009		1,855,136	1,283,006	1,395,705	1,243,234	865,684	758,953	557,106	455,395	325,140	401,304	3,214,517	12,355,179
2010		2,058,946	1,429,477	1,424,980	1,210,391	1,189,105	808,852	655,539	489,083	485,491	416,780	3,447,593	13,616,238
2011		2,226,507	1,465,645	1,648,403	1,381,687	1,635,091	828,564	774,881	491,679	626,711	379,214	4,067,045	15,525,428
2012		2,202,545	1,431,534	1,725,796	1,429,362	1,493,885	803,360	816,377	504,094	388,173	412,951	4,044,863	15,252,942
2012	01.	139,215	72,444	102,718	80,979	131,959	49,551	56,232	29,130	25,686	26,341	283,691	997,947
	02.	140,683	78,069	122,592	85,393	72,263	58,684	52,567	33,977	33,940	30,124	232,775	941,067
	03.	200,358	137,812	161,760	122,195	149,058	74,272	68,415	46,159	50,895	44,633	414,467	1,470,024
	04.	181,020	142,801	154,101	122,703	115,993	69,064	65,260	48,144	42,383	30,179	343,326	1,314,975
	05.	186,313	119,096	143,570	128,968	140,077	69,571	67,869	47,601	42,781	34,139	335,595	1,315,582
	06.	170,362	127,168	154,109	137,277	126,229	71,908	66,971	46,047	34,809	36,334	322,449	1,293,662
	07.	209,601	119,694	155,514	135,928	163,796	69,277	72,795	41,636	16,439	30,854	349,561	1,365,095
	08.	225,886	136,489	148,108	112,445	141,401	70,974	74,889	41,037	21,209	37,855	341,450	1,351,743
	09.	187,930	130,806	147,948	121,802	145,739	72,485	69,553	43,924	37,239	39,303	363,669	1,360,398
	10.	207,578	135,404	151,954	144,128	193,184	72,367	78,973	47,044	30,383	37,115	383,405	1,481,536
	11.	164,762	119,097	140,385	121,686	88,975	67,692	73,770	42,024	29,998	37,630	325,974	1,211,992
	12.	188,838	112,654	143,036	115,859	25,211	57,515	69,084	37,369	22,410	28,443	348,500	1,148,920

Note:

The share of BH imports from a country in total BH imports for 2010 was used as a criterion for selecting the mode of presentation of the given country of origin. Therefore, all countries with a share of imports over 3% of total BH imports for 2010 are separately presented, while the other countries are grouped together in the column "Other countries".

Until February 12, 2007, the data on imports from Serbia also included imports from Montenegro, and from that date the imports from Montenegro are included in the column "Other countries".

T28: Composition of Goods Exports and Imports by Products
- in KM million -

Commodity group	Exports of goods					Imports of goods				
	2008	2009	2010	2011	2012	2008	2009	2010	2011	2012
<i>Total</i>	6,711.7	5,531.2	7,095.5	8,222.1	7,858.0	16,292.5	12,355.2	13,616.2	15,525.4	15,252.9
Animals & animal products	77.5	90.8	117.8	129.0	134.3	378.4	375.4	371.7	414.6	425.0
Vegetable products	64.9	83.7	119.3	101.7	91.1	704.2	526.0	602.2	681.8	705.8
Animal or vegetable fats	47.5	44.3	55.1	58.2	75.9	126.4	111.3	103.3	146.4	171.9
Prepared foodstuffs	220.1	233.9	260.9	323.3	336.7	1,411.1	1,376.4	1,425.2	1,527.1	1,513.9
Mineral products	808.5	861.7	1,215.7	1,316.0	872.0	2,836.9	1,999.3	2,743.9	3,456.7	3,229.0
Chemical products	429.7	333.5	488.7	570.6	533.2	1,395.2	1,260.6	1,345.7	1,475.5	1,522.5
Plastic and rubber products	138.6	116.4	132.5	166.0	202.7	777.8	648.1	725.1	800.4	846.8
Hides and skin	114.2	66.2	107.8	178.9	179.8	240.2	200.0	298.0	382.1	397.8
Wood & wood products	495.0	393.6	424.2	504.4	507.4	209.9	150.5	154.3	168.2	158.0
Paper & pulp products	144.0	156.8	205.9	234.9	224.7	387.5	356.6	372.1	398.4	353.3
Textile & textile articles	332.0	323.5	316.0	353.1	332.2	737.7	664.9	708.1	754.9	734.7
Footwear, headwear and related products	369.0	345.9	412.4	461.4	476.3	235.4	212.7	226.4	252.1	251.1
Articles of stone, plaster, cement and related materials, ceramic products, glass and glassware	74.3	73.1	51.8	49.3	49.0	379.4	285.1	283.6	296.9	284.3
Pearls, precious metals and articles thereof, prec. or semi-prec. stones	1.1	1.8	3.8	12.1	19.7	13.9	11.1	12.2	14.2	11.5
Base metals & articles of base metals	1,798.6	1,047.2	1,609.0	1,934.6	1,908.8	1,974.4	1,075.0	1,209.2	1,384.0	1,330.1
Machinery & mechanical appliances	793.5	618.8	696.3	815.1	791.3	2,610.8	1,840.2	1,764.4	1,870.2	1,881.1
Transportation equipment	208.7	139.9	154.0	189.0	203.0	1,275.6	804.7	755.5	1,053.7	909.9
Clocks and watches, measurement, musical and medical instruments	21.6	21.9	16.3	19.0	19.5	237.1	182.9	242.1	191.7	211.7
Arms and ammunition; parts and accessories thereof	42.0	40.5	29.5	44.5	79.0	7.3	5.3	6.2	3.7	4.5
Miscellaneous manufactured articles	530.1	537.5	678.2	760.1	821.2	351.6	268.3	266.2	251.3	309.5
Works of art, collectors' pieces and antiques	0.1	0.2	0.3	0.8	0.0	0.9	0.4	0.7	1.3	0.5
Unclassified	0.4	0.0	0.0	0.0	0.0	0.5	0.2	0.1	0.1	0.0

Note:

- The source of this data is the Agency for Statistics of Bosnia and Herzegovina.

- The data on exports and imports of goods are classified in accordance with World Trade Organization's Harmonized System codes.

T29: KM Average Exchange Rates

Year	Month	Country	EMU	Croatia	Hungary	Slovenia	Switzerland	UK	USA	Serbia
		abbr.	EUR	HRK	HUF	SIT	CHF	GBP	USD	RSD
		unit	1	100	100	100	1	1	1	100
1998			1.972018	1.060839	1.214705	2.918182	1.761376	...
1999			1.955830	...	0.718689	1.009530	1.222682	2.967027	1.834282	...
2000			1.955830	25.617210	0.752855	0.949208	1.255752	3.206893	2.118857	...
2001			1.955830	26.193657	0.762688	0.897501	1.295163	3.146578	2.185558	...
2002			1.955830	26.407764	0.805188	0.865838	1.333166	3.112649	2.076755	3.206892
2003			1.955830	25.863200	0.772600	0.836500	1.286900	2.829700	1.733500	3.009400
2004			1.955830	26.100232	0.777071	0.818152	1.266918	2.883133	1.575463	2.699271
2005			1.955830	26.422917	0.788640	0.816393	1.263147	2.859614	1.572843	2.360525
2006			1.955830	26.703006	0.741214	0.816303	1.243337	2.869188	1.559433	2.327066
2007			1.955830	26.653716	0.778418	...	1.190857	2.858739	1.429542	2.446287
2008			1.955830	27.072193	0.778567	...	1.233196	2.462700	1.336615	2.406718
2009			1.955830	26.641714	0.698858	...	1.295257	2.195821	1.406763	2.083674
2010			1.955830	26.836049	0.710646	...	1.417637	2.280434	1.476950	1.903300
2011			1.955830	26.296474	0.702511	...	1.589068	2.253721	1.406117	1.918824
2012			1.955830	26.003868	0.676389	...	1.622699	2.412276	1.522668	1.732491
2012	01.		1.955830	25.895800	0.635372	...	1.614794	2.349826	1.516979	1.862948
	02.		1.955830	25.795074	0.672226	...	1.620378	2.337829	1.479947	1.811381
	03.		1.955830	25.942421	0.669914	...	1.621717	2.343577	1.481045	1.764117
	04.		1.955830	26.084061	0.663083	...	1.626651	2.377037	1.485576	1.752490
	05.		1.955830	25.958810	0.667903	...	1.628099	2.430372	1.523313	1.727155
	06.		1.955830	25.921496	0.664025	...	1.628452	2.426667	1.563484	1.688601
	07.		1.955830	26.071256	0.682426	...	1.628287	2.478869	1.589908	1.679944
	08.		1.955830	26.120523	0.701779	...	1.628357	2.482006	1.580794	1.658168
	09.		1.955830	26.319479	0.688518	...	1.617760	2.449593	1.522506	1.677237
	10.		1.955830	26.032506	0.693789	...	1.616704	2.426083	1.507613	1.715805
	11.		1.955830	25.938691	0.692462	...	1.622666	2.434306	1.525643	1.731257
	12.		1.955830	25.960838	0.684985	...	1.618520	2.407585	1.492657	1.723292

T30: BH Government Finances - Government Sector Units
- in KM million -

		BH Institutions	FBH	RS	Brčko	Consolidated revenues	BH Institutions	FBH	RS	Brčko	Consolidated expenditures	Net acquisition of nonfinancial assets	Net surplus / deficit
2003		270.7	3,889.1	1,853.5	199.9	6,021.0	254.6	3,706.7	1,749.7	161.8	5,680.4	237.9	102.6
2004		334.9	4,163.0	1,853.7	206.1	6,380.2	295.5	3,877.5	1,743.9	157.3	5,896.7	229.5	253.9
2005		472.5	4,488.3	2,078.5	178.7	7,122.1	399.5	4,082.6	1,810.8	162.6	6,359.5	351.8	410.8
2006		801.8	5,177.2	2,525.6	201.0	8,586.4	713.3	4,590.0	2,187.5	174.3	7,546.0	489.6	550.9
2007		885.0	5,901.0	2,919.1	241.5	9,832.7	753.9	5,532.4	2,458.9	197.5	8,828.8	745.8	258.1
2008		980.7	6,537.5	3,264.5	236.6	10,903.1	876.4	6,651.2	3,003.7	184.5	10,599.6	842.8	-539.3
2009		1,086.6	6,074.6	3,080.3	210.9	10,342.5	975.5	6,292.4	3,316.6	189.9	10,664.5	748.0	-1,070.0
2010		1,009.8	6,474.1	3,234.6	235.7	10,862.6	996.5	6,324.5	3,410.6	200.4	10,840.3	634.2	-611.9
2011		968.6	6,571.2	3,685.6	237.4	11,357.1	983.6	6,449.7	3,372.1	209.1	10,908.7	771.1	-322.7
2010	Q3	215.7	1,487.6	637.9	55.3	2,383.3	224.4	1,398.8	745.4	56.7	2,412.2	57.3	-86.2
	Q4	291.3	1,598.6	692.8	78.5	2,630.5	301.9	1,617.9	841.5	65.2	2,795.8	136.1	-301.4
2011	Q1	208.2	1,312.8	610.0	46.7	2,163.1	207.0	1,292.9	652.4	36.5	2,174.1	11.4	-22.4
	Q2	256.6	1,449.4	752.8	55.1	2,479.9	255.0	1,437.6	738.9	47.9	2,445.4	35.3	-0.8
	Q3	227.6	1,558.5	785.4	57.1	2,608.7	244.0	1,442.6	729.9	46.1	2,442.8	34.3	131.6
	Q4	276.2	1,509.3	865.1	78.5	2,692.5	277.7	1,718.0	789.2	78.7	2,826.9	144.8	-279.2
2012	Q1	207.6	1,320.0	669.7	49.7	2,230.2	208.6	1,348.7	664.7	36.4	2,241.7	28.8	-40.3
	Q2	292.0	1,476.0	759.0	54.5	2,544.9	239.5	1,446.2	743.6	45.1	2,437.8	31.4	75.6
	Q3	254.6	1,555.1	760.7	76.0	2,605.9	244.4	1,483.1	723.5	63.7	2,474.3	42.9	88.7

Note:

Administrative data collected from: Ministries of Finance of all levels of government, Social Security Funds of all levels of government, Entities' Road Reconstruction and Maintenance and Entities' Highways. Annual data for consolidated revenues/expenses include local level of government (municipalities and towns), FBH Public Enterprises for Road Reconstruction and Maintenance, Public Enterprise RS Roads, FBH Public Enterprise Highways and Public Enterprise RS Highways while Quarterly data, due to lack of source data, do not.

Difference between revenues and expenses together with net acquisition of nonfinancial assets represents net surplus/deficit.

T31: BH Government Finances - Structure of Consolidated Revenues and Expenditures
- in KM million -

	Taxes	Social contributions	Grants and other revenue	Consolidated revenues	Employee compensations	Use of goods and services	Interest	Subsidies	Social benefits	Grants and other expense	Consolidated expenditures	Net acquisition of nonfinancial assets
2003	3,223.6	1,877.8	919.6	6,021.0	1,783.5	1,518.4	107.2	154.8	1,749.7	366.7	5,680.4	237.9
2004	3,401.8	2,002.8	975.5	6,380.2	1,776.2	1,414.8	84.4	184.4	1,965.4	471.4	5,896.7	229.5
2005	4,002.4	2,100.6	1,019.1	7,122.1	1,834.7	1,601.4	96.4	217.0	2,212.2	397.8	6,359.5	351.8
2006	4,947.1	2,536.2	1,103.1	8,586.4	2,222.7	1,986.0	108.0	310.4	2,426.5	492.4	7,546.0	489.6
2007	5,536.5	2,908.9	1,387.3	9,832.7	2,534.7	2,220.9	110.8	378.2	3,030.6	553.5	8,828.8	745.8
2008	5,946.3	3,568.7	1,388.1	10,903.1	3,022.3	2,462.0	123.6	439.6	3,945.1	607.0	10,599.6	842.8
2009	5,351.9	3,638.6	1,352.0	10,342.5	3,155.2	2,489.4	123.9	418.5	3,951.0	526.5	10,664.5	748.0
2010	5,640.2	3,813.0	1,409.4	10,862.6	3,169.8	2,593.1	122.7	476.6	3,770.3	707.8	10,840.3	634.2
2011	6,032.2	4,036.4	1,288.5	11,357.1	3,336.9	2,088.2	161.4	402.8	4,330.3	589.1	10,908.7	771.1
2010 Q3	1,277.7	925.1	180.5	2,383.3	644.9	541.6	17.6	115.3	905.9	186.9	2,412.2	57.3
Q4	1,307.7	1,041.7	281.1	2,630.5	725.9	622.7	35.3	170.0	959.7	282.2	2,795.8	136.1
2011 Q1	1,118.2	890.7	154.3	2,163.1	697.1	350.8	21.8	39.4	995.2	69.9	2,174.1	11.4
Q2	1,296.2	1,004.9	178.8	2,479.9	709.3	424.3	39.1	50.2	1,061.0	161.5	2,445.4	35.3
Q3	1,342.3	1,034.3	232.1	2,608.7	712.3	400.5	37.0	116.9	1,091.1	84.9	2,442.8	34.3
Q4	1,390.5	1,106.5	195.5	2,692.5	712.5	533.9	43.1	155.4	1,094.6	287.5	2,826.9	144.8
2012 Q1	1,132.0	931.4	166.9	2,230.2	702.6	367.7	34.2	32.3	1,028.2	76.7	2,241.7	28.8
Q2	1,279.5	1,021.9	243.4	2,544.9	704.3	429.3	52.4	52.0	1,048.0	151.8	2,437.8	31.4
Q3	1,359.3	1,007.0	239.7	2,605.9	697.5	397.7	36.4	109.0	1,091.2	142.4	2,474.3	42.9

Note:

Administrative data collected from: Ministries of Finance of all levels of government, Social Security Funds of all levels of government, Entities' Road Reconstruction and Maintenance and Entities' Highways. Annual data for consolidated revenues/expenses include local level of government (municipalities and towns), FBH Public Enterprises for Road Reconstruction and Maintenance, Public Enterprise RS Roads, FBH Public Enterprise Highways and Public Enterprise RS Highways while Quarterly data, due to lack of source data, do not.

Difference between revenues and expenses together with net acquisition of nonfinancial assets represents net surplus/deficit.

T32: FBH Government Finance - Government Sector Units
- in KM million -

		Federation BH budget	Social security funds	Cantons	Consolidated revenues	Federation BH budget	Social security funds	Cantons	Consolidated expenditures	Net acquisition of nonfinancial assets	Net surplus / deficit
2003		1,011.3	1,367.6	1,244.4	3,889.1	992.1	1,315.5	1,163.6	3,706.7	92.3	90.2
2004		1,052.0	1,530.4	1,299.8	4,163.0	988.6	1,452.6	1,205.5	3,877.5	127.6	157.8
2005		1,120.9	1,659.6	1,367.3	4,488.3	912.5	1,593.8	1,332.3	4,082.6	118.3	287.4
2006		1,157.1	1,843.9	1,722.9	5,177.2	846.3	1,816.2	1,566.9	4,590.0	198.4	388.9
2007		1,319.8	2,265.9	1,895.9	5,901.0	1,254.3	2,216.5	1,815.0	5,532.4	248.1	120.5
2008		1,296.9	2,764.6	2,032.6	6,537.5	1,574.1	2,729.4	2,027.8	6,651.2	397.4	-511.1
2009		1,205.3	2,739.7	1,788.5	6,074.6	1,357.1	2,812.4	1,865.0	6,292.4	300.7	-518.5
2010		1,398.7	2,875.2	1,854.8	6,474.1	1,325.5	2,859.8	1,894.5	6,324.5	281.3	-131.7
2011		1,321.6	2,924.0	1,903.6	6,571.2	1,318.7	2,990.4	1,897.4	6,449.7	338.8	-217.3
2010	Q3	368.4	711.5	483.7	1,487.6	295.4	721.2	458.2	1,398.8	30.4	58.3
	Q4	418.6	772.5	457.3	1,598.6	406.6	741.5	519.6	1,617.9	51.4	-70.8
2011	Q1	261.6	687.1	417.4	1,312.8	248.2	695.1	402.9	1,292.9	6.2	13.7
	Q2	323.6	724.6	465.9	1,449.4	300.7	752.1	449.7	1,437.6	8.5	3.2
	Q3	388.1	736.5	507.7	1,558.5	327.7	748.3	440.4	1,442.6	11.3	104.6
	Q4	348.3	775.7	458.3	1,509.3	442.1	794.9	554.0	1,718.0	37.4	-246.1
2012	Q1	291.7	688.2	401.5	1,320.0	255.1	742.8	412.2	1,348.7	8.1	-36.8
	Q2	351.1	737.3	448.8	1,476.0	306.4	749.9	451.1	1,446.2	11.0	18.9
	Q3	382.8	768.6	489.4	1,555.1	353.2	757.1	458.6	1,483.1	12.3	59.7

Note:

Administrative data are collected from: Ministries of Finance, Social Security Funds of all levels of authorities in FBH, Public Enterprises for Road Reconstruction and Maintenance of all levels authorities in FBH and FBH Public Enterprise Highways. Annual data for consolidated revenues/expenses include local level of authorities (municipalities and towns), Public Enterprises for Road Reconstruction and Maintenance of all levels authorities in FBH and FBH Public Enterprise Highways, while Quarterly data, due to lack of source data, do not. Difference between revenues and expenses together with net acquisition of nonfinancial assets represents net surplus/deficit.

T33: RS Government Finances - Government Sector Units
 - in KM million -

		Republika Srpska budget	Social security funds	Consolidated revenue	Republika Srpska budget	Social security funds	Consolidated Expense	Net acquisition of nonfinancial assets	Net surplus / deficit
2003		1,001.5	561.9	1,853.5	904.2	596.3	1,749.7	77.7	26.1
2004		981.2	653.0	1,853.7	922.0	653.6	1,743.9	75.8	34.0
2005		1,034.0	713.5	2,078.5	912.4	720.7	1,810.8	169.4	98.3
2006		1,211.3	950.2	2,525.6	1,049.1	944.1	2,187.5	212.0	126.2
2007		1,419.8	1,030.3	2,919.1	1,324.0	1,013.1	2,458.9	433.5	26.7
2008		1,547.1	1,348.9	3,264.5	1,602.6	1,313.9	3,003.7	329.4	-68.5
2009		1,349.4	1,377.9	3,080.3	1,676.0	1,517.4	3,316.6	310.0	-546.3
2010		1,422.8	1,488.1	3,234.6	1,676.3	1,552.0	3,410.6	241.8	-417.7
2011		1,656.4	1,573.7	3,685.6	1,628.8	1,497.8	3,372.1	372.6	-59.1
2010	Q3	357.9	336.0	637.9	413.0	388.5	745.4	9.1	-116.6
	Q4	401.9	413.9	692.8	561.3	403.2	841.5	9.7	-158.4
2011	Q1	353.3	334.2	610.0	348.9	380.9	652.4	3.2	-45.6
	Q2	414.4	397.6	752.8	402.9	395.2	738.9	16.9	-3.0
	Q3	422.3	389.6	785.4	365.7	390.7	729.9	9.6	45.8
	Q4	466.4	448.5	865.1	511.2	327.7	789.2	73.0	2.9
2012	Q1	360.1	359.6	669.7	338.7	376.0	664.7	15.9	-11.0
	Q2	415.7	393.9	759.0	391.4	402.8	743.6	13.5	1.8
	Q3	428.9	382.3	760.7	370.1	403.8	723.5	16.2	21.0

Note:

Administrative data collected from: Ministry of Finance, Social Security Funds in RS, Public Enterprise RS Roads and Public Enterprise RS Highways. Annual data for consolidated revenues/expenses include local level of authorities (municipalities and towns), Public Enterprise RS Roads and Public Enterprise RS Highways while Quarterly data, due to the lack of source data, do not. Difference between revenues and expenses together with net acquisition of nonfinancial assets represents net surplus/deficit.

T34: Foreign Direct Investment Flows to BH, Classified by Country of Origin of Foreign Investor
- in KM million -

Year	Austria	Netherlands	Croatia	Italy	Germany	Russia	Slovenia	Serbia**	Switzerland	Turkey	Other countries	Total
Jan - Dec 2004*	168	24	108	30	63	...	72	6	8	12	314	805
Jan - Dec 2005*	158	30	82	26	24	...	110	39	22	17	45	552
Jan - Dec 2006*	235	41	182	42	37	...	116	39	56	48	70	865
Jan - Dec 2007*	292	29	161	23	17	333	133	1.351	66	-1	196	2.600
Jan - Dec 2008*	243	36	103	48	29	339	210	213	41	6	70	1.337
Jan - Dec 2009*	80	-17	125	4	-9	129	59	3	-122	18	82	352
Jan - Dec 2010*	-14	18	73	19	34	86	-40	34	80	36	104	431
Jan - Dec 2011*	106	10	-7	8	37	143	46	98	-6	33	99	567

Note:

Foreign direct investment (flows and stocks) are compiled in accordance with the most recent methodological standards and instructions of the International Monetary Fund (IMF) and Organization for Economic Cooperation and Development (OECD). The detailed methodological approach to compilation and dissemination of Foreign Direct Investment is presented in the IMF Balance of Payments Manual, sixth edition and the OECD Benchmark Definition of Foreign Direct Investment, fourth edition. Implementation of the new methodology resulted in the following changes:

- treatment of inter-company loans and other liabilities for financial intermediaries (transactions within this category, other capital – withdrawals and repayments of this type of debt – are excluded from Foreign Direct Investment, and are now included in the category of Other Investment);
- recording of dividends (dividends are recorded for the period when they are paid out, and not for the period when they were earned as it had been the case in accordance with the previous methodology);
- investment of related companies are included as foreign direct investment in the Other capital category, while for the BoP purposes these investments are now excluded from other investment. (Companies from different economies are related companies if both have the same foreign direct investor usually from a third economy or from the economy where the related company is based).

In accordance with these methodological changes, the 2004-2009 data series were also revised.

* Includes the value of reinvested earnings, which is only collected on the annual basis.

** Since 2007, data includes FDI from Serbia, while prior to 2007, the data included FDI from Serbia and Montenegro.

“...” in this industry/country there are less than three companies that received foreign direct investment and, in accordance with statistical standards, we are not permitted to publish the investment data.

T35: Foreign Direct Investment Flows to BH, Classified by Industry
- in KM million -

Year	Manufacture of food products and beverages	Manufacture of wood and of products of wood and cork, except furniture, manufacture of articles of straw and plaiting materials	Manufacture of coke, refined petroleum products and nuclear fuel	Manufacture of chemicals and chemical products	Manufacture of other non-metallic mineral products	Manufacture of base metals	Manufacture of motor vehicles, trailers and semi-trailers	Wholesale trade and commission trade, except of motor vehicles and motorcycles	Retail trade, except of motor vehicles and motorcycles, repair of personal and household goods	Post and telecommunications	Financial intermediation, except insurance and pension funding	Real estate activities	Other industries	Total
Jan - Dec 2004*	52	4	...	21	21	260	23	110	0	13	127	3	171	805
Jan - Dec 2005*	64	6	...	27	14	-2	18	44	0	13	177	7	185	552
Jan - Dec 2006*	121	5	...	58	49	35	13	65	30	11	283	24	170	865
Jan - Dec 2007*	110	15	316	6	0	133	17	121	15	1.317	267	41	244	2.600
Jan - Dec 2008*	25	14	215	19	93	37	21	174	113	164	222	27	213	1.337
Jan - Dec 2009*	55	-9	46	52	18	-128	15	162	20	-30	73	-22	99	352
Jan - Dec 2010*	-19	-6	34	-26	33	48	-8	81	14	-10	-26	27	290	431
Jan - Dec 2011*	27	10	46	17	-8	-24	-5	96	11	13	162	74	148	567

Note:

Foreign Direct Investment (flows and stocks) are compiled in accordance with the most recent methodological standards and instructions of the International Monetary Fund (IMF) and Organization for Economic Cooperation and Development (OECD). The detailed methodological approach to compilation and dissemination of Foreign Direct Investment is presented in the IMF Balance of Payments Manual, sixth edition and the OECD Benchmark Definition of Foreign Direct Investment, fourth edition. Implementation of the new methodology resulted in the following changes:

- treatment of inter-company loans and other liabilities for financial intermediaries (transactions within this category, other capital – withdrawals and repayments of this type of debt – are excluded from Foreign Direct Investment, and are now included in the category of other investment);
- recording of dividends (dividends are recorded for the period when they are paid out, and not for the period when they were earned as it had been the case in accordance with the previous methodology);
- investment of related companies are included as foreign direct investment in the Other capital category, while for the BOP purposes these investments are now excluded from Other investment. (Companies from different economies are related companies if both have the same foreign direct investor usually from a third economy or from the economy where the related company is based).

In accordance with these methodological changes, the 2004-2009 data series were also revised.

* Includes the value of reinvested earnings, which is only collected on the annual basis.

** Since 2007, data includes FDI from Serbia, while prior to 2007, the data included FDI from Serbia and Montenegro.

“...” in this industry/country there are less than three companies that received foreign direct investment and, in accordance with statistical standards, we are not permitted to publish the investment data.

T36: International Investment Position (IIP)
 - in KM million -

Year	Net IIP	Total assets	ASSETS											
			Total	Direct investment abroad				Financial derivative	Total	Other investment				Reserve assets
				Equity and investment fund shares	Debt instruments	Portfolio investment abroad	Currency and deposits			Loans	Trade credits and advances	Other assets		
1	2=3-15	3=4+7+8+9+14	4=5+6	5	6	7	8	9=10+11+12+13	10	11	12	13	14	
2005	-5,964.8	7,605.3	114.4	75.0	39.4	9.7	0.0	3,192.5	2,814.1	0.0	368.7	9.7	4,288.6	
2006	-5,754.4	9,596.2	245.5	79.3	166.2	21.2	0.0	3,806.7	3,181.9	130.2	461.9	32.6	5,522.8	
2007	-7,677.1	12,449.6	340.6	110.5	230.1	14.9	0.0	5,320.4	4,329.5	194.2	749.8	46.9	6,773.6	
2008	-11,556.4	12,369.1	398.8	126.0	272.9	33.2	0.0	5,561.9	4,165.0	185.7	1,164.8	46.4	6,375.2	
2009	-13,559.0	12,087.6	265.7	124.0	141.6	293.2	0.0	5,288.8	3,747.6	196.4	1,277.0	67.8	6,240.0	
2010	-14,256.3	11,812.3	376.0	186.3	189.6	414.1	0.0	4,536.6	3,137.8	230.6	1,076.3	91.9	6,485.6	
2011	-15,218.2	11,604.5	376.6	206.6	170.0	395.5	0.0	4,380.8	2,958.0	138.3	1,185.1	99.4	6,451.5	

Note:

International investment position for BH is compiled in accordance with the latest International Monetary Fund Methodology for compilation of balance of payments and international investment position statistics, sixth edition (BPM6).

T36: International Investment Position (IIP)
 - in KM million -

LIABILITIES										
Total liabilities	Direct investment abroad					Other investment				
	Total	Equity and investment fund shares	Debt instruments	Portfolio investment in BH	Financial derivatives	Total	Currency and deposits	Loans	Trade credits and advances	Other liabilities
15=16+19+20+21	16=17+18	17	18	19	20	21=22+23+24+25	22	23	24	25
13,570.0	3,846.0	3,296.2	549.8	256.7	0.0	9,467.3	1,904.1	6,670.2	691.6	201.4
15,350.6	4,911.2	4,217.5	693.7	251.5	0.0	10,188.0	2,137.2	7,048.1	769.2	233.6
20,126.7	7,380.4	6,484.5	895.9	241.4	0.0	12,505.0	2,674.5	8,743.2	823.0	264.3
23,925.5	8,817.2	7,289.8	1,527.4	231.2	0.0	14,877.1	3,338.1	10,167.6	1,101.0	270.5
25,646.6	9,419.3	7,390.3	2,028.9	651.8	0.0	15,575.5	3,227.8	10,160.0	1,564.9	622.7
26,068.6	9,892.7	7,444.2	2,448.5	599.7	0.0	15,576.2	2,619.6	10,418.3	1,968.6	569.7
26,822.7	10,661.2	7,732.9	2,928.2	542.3	0.0	15,619.2	2,136.8	10,767.7	2,168.2	546.5

Note:

International investment position for BH is compiled in accordance with the latest International Monetary Fund Methodology for compilation of balance of payments and international investment position statistics, sixth edition (BPM6).

T37: Real and Nominal Effective Exchange Rate of KM

Year	Month	NEER	REER
2005		99.99	100.01
2006		100.20	102.40
2007		99.64	99.97
2008		99.98	101.46
2009		104.15	102.81
2010		103.73	102.00
2011		104.60	102.56
2012		105.63	102.15
2012	01.	105.24	103.85
	02.	105.30	104.02
	03.	105.52	103.54
	04.	105.51	102.51
	05.	105.68	102.23
	06.	106.18	102.20
	07.	105.60	101.45
	08.	105.53	101.13
	09.	105.81	101.26
	10.	105.74	101.22
	11.	105.55	101.12
	12.	105.88	101.32

Note:

Enclosed to this Report we put the revised data for NEER and REER. The revision was caused by the changes in methodology for their calculation .

In the calculation of NEER there has been a change in weights, and in the exchange rate of KM. As a result of the new methodology, weight is calculated based on the sum of the total trade for three consecutive years (for the years 2005, 2006 and 2007 - the weight is calculated on the sum of total trade from 2005 to 2007, also in 2008, 2009 and 2010, on the sum of the total trade in 2008 - 2010. However, for 2011 and 2012 , we used the weights calculated for the period 2008 – 2010). Also, according to new methodology, the exchange rate is expressed as the number of units of foreign currency per one KM.

In the calculations of REER, apart from above changes that have reflected REER, there was a change in expressing CPI index, where the price index is set inversely. Trade partners selected in order to set up the index (Austria, Czech Republic, France, Germany, Hungary, Italy, Lithuania, the Netherlands, Poland, Slovenia, Croatia, China, United Kingdom, FYR Macedonia, Romania, Russian Federation, USA, Serbia and Montenegro (since 2007 only Serbia observed), Switzerland and Turkey).

Note:

Due to the application of International Accounting Standards (IAS) and the International Financial Reporting Standards applied in BH Federation banks and the transfer of money flows in December 2011 data, the following changes have occurred at the assets side: Decrease of loans by KM 155 million, an increase in other assets by KM 10 million, at the liabilities side: decrease of liabilities to non-residents in the amount of KM 624 million, an increase in loan losses provisioning by KM 472 million and other liabilities increased by KM 7 million.

By order of the FBH Banking Agency, in June 2010, one bank made a reclassification of about KM 300 million claims based on securities of domestic institutional sector to the claims on nonresidents. In December 2010, the same bank made this reclassification retroactive in the respective amounts for the period from August 2009 when the error occurred, until May 2010. The above reclassification reflects an increase in foreign assets and decrease in other items net.

One bank from FBH made a reclassification of financial instruments in the foreign assets amounting to about KM 40 million for the period January - August 2010. Claims on loans to non-residents were reclassified in foreign securities of non-residents, which resulted in changes in the short term and long term foreign assets.

By order of the Banking Agency of Republika Srpska, one bank made a reclassification of financial instruments on the liabilities side, for the period of September 2008- November 2010, i.e. the decrease in time and savings deposits of non-bank financial institutions and government sector, and the increase in loans from the same sectors, respectively in such amounts, per month, ranging from KM 50-150 million.

In accordance with new regulations of the RS Banking Agency, published in the Official Gazette of RS, no.136/10, which provides a new manner of recording receivables classified in category "E", accounting and bookkeeping of recording interest on non-performing assets and calculation of provisions for loan losses, RS banks implemented mentioned regulations in the data for December 2010, and the transfer of these items from off-balance records into balance sheet. The correction is reflected on the assets side, as increase of loans in the amount of about KM 144 million, and increase of accrued interest of approximately KM 36 million, and on the liabilities side, as increase in provisioning for loan losses amounting to about KM 180 million on the capital account.

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