



# Annual Report

2018





**ANNUAL REPORT  
2018**



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**Abbreviations:**

AAA.....	Financial instruments with triple A credit rating
ABSPP .....	Asset-backed securities purchase programme
ATM .....	automatic teller machine
BAM.....	currency code of convertible mark
BCC .....	Bilateral Assistance and Capacity Building Program
BD.....	Brčko District of Bosnia and Herzegovina
BH.....	(related to) Bosnia and Herzegovina
BHAS .....	Agency for Statistics of Bosnia and Herzegovina
BiH.....	ISO Country Code for Bosnia and Herzegovina
BIS .....	Bank for International Settlements
BLSE.....	Banja Luka Stock Exchange
CBBH .....	Central Bank of Bosnia and Herzegovina
CBPP3.....	Third Covered Bond Purchase Programme
cca.....	circa/approximately
CEFTA.....	Central European Free Trade Agreement
CIF .....	cost, insurance, freight
Corridor Vc .....	Corridor Vc
CPI.....	consumer price index
CRC .....	Central Registry of Credits
District.....	Brčko District of Bosnia and Herzegovina
EC .....	European Commission
ECB.....	European Central Bank
EDP .....	Excessive Deficit Procedure
EONIA.....	Euro Over Night Index Average in euro area
ERP .....	Economic Reforms Program for 2018-2020
ESA 2010.....	European Standard Accounts, 2010
ESCB .....	European System of Central Banks
EU 28.....	28 countries of European Union
EUR .....	currency of euro area
EURIBOR.....	Euro Interbank Offered Rate
Eurostat.....	Statistical Office of the European Union
EURUSD.....	Exchange rate of EUR against US dollar
FBH .....	Federation of Bosnia and Herzegovina
FED.....	Federal Reserves
FFR.....	Fed Fund Rate
FIPDI .....	Federal Institute for Pension and Disability Insurance
FOB .....	free on board
FOMC .....	Federal Open Market Committee
GDP.....	gross domestic product
GEO6 .....	6th level of geographical breakdown
GIIS.....	Graduate Institute of International Studies
GIZ.....	in German: Deutsche Gesellschaft für Internationale Zusammenarbeit/ German Corporation for International Cooperation
GVA .....	Gross value added
HICP.....	Harmonised Index of Consumer Prices
HRMIS .....	Human Resources Management Information System
IBRD.....	International Bank for Reconstruction and Development
IDA .....	International Development Association
IMF .....	International Monetary Fund
IPA .....	Instrument for Pre-Accession Assistance – Programme
ISMS.....	Information Security Management
IT .....	Information technologies
ITA .....	Indirect Taxation Authority



KM.....	Currency symbol of convertible mark
MIGA .....	Multilateral Investment Guarantee Agency
MU.....	Main Unit (of the Central Bank of BH)
NEER.....	nominal effective exchange rate
Ø .....	average
pp.....	percentage point
POS .....	point of sale
PSPP .....	Public Sector Purchase Programme
QE.....	Quantitative Easing Program
QMS.....	Quality Management System
RA.....	reserve account with the Central Bank
REER.....	real effective exchange rate
RR .....	required reserves
RS.....	Republika Srpska
RS PDIF .....	Republika Srpska Pension-Disability Insurance Fund
RTGS .....	real time gross settlement system
SASE .....	Sarajevo Stock Exchange
SBA .....	Stand-by arrangement
SCFS.....	Standing Committee for Financial Stability
SDR .....	special drawing rights
SECO.....	State Secretariat for Economic Affairs
SRTA.....	Single Registry of Transaction Accounts
TLTRO .....	targeted longer-term refinancing operations
UK.....	(related to) the United Kingdom
UN .....	United Nations
UNCTAD .....	United Nation Conference for Trade and Development
US.....	related to USA
USA .....	The United States of America
USD.....	US dollar , currency of USA
VAT .....	value added tax
WAIR .....	weighted average interest rate
WEO.....	World Economic Outlook

## INTRODUCTION BY GOVERNOR



### Dear Readers,

Pursuant to Article 64 of the Law on the Central Bank of Bosnia and Herzegovina („Official Gazette of Bosnia and Herzegovina”, 1/97), the obligation of the Central Bank of Bosnia and Herzegovina has been defined to submit to the Parliamentary Assembly of Bosnia and Herzegovina, within three months after the end of the financial year, the following documents:

- Report on the situation in the economy;
- Report on the operations during the year; and
- Financial statements verified by external auditor.

The Annual Report of the CBBH, which includes the mentioned reports and statements for 2018, has been adopted at the meeting of the CBBH Governing Board, held on 27 March 2019.

The Bank has continuously fulfilled its tasks defined by Law, and also implemented the activities to meet the goals defined in the Strategic Plan. By implementing the defined monetary policy model – currency board - consistently, the CBBH has maintained the stability of the local currency, which has contributed to financial stability. The foreign

exchange reserves were managed in accordance with the security and profitability principles, based on the applicable law and internal enactments. Throughout the year, efforts were continuously invested in maintaining and improving the quality of cash in circulation, including the timely supply of commercial banks. In addition, the Bank successfully performed its tasks as a fiscal agent of the state. Our cooperation with all the relevant domestic and international financial and other institutions was timely and successful. In the financial stability area, we continued monitoring systemic risks and active cooperation with all institutional stakeholders.

During the year, further implementation of projects aimed at improvement of the institution's operations was continued. The upgrade of the single registry of business entities' accounts in Bosnia and Herzegovina was completed, and throughout the year, activities were implemented with the aim to improve the CBBH operations in various areas. In the area of statistics, a number of activities was performed resulting in increasing the scope of published data in some categories, and the adjustment of methodologies to international standards. In addition, the CBBH was in charge of preparing the National Summary Data Page (NSDP) for improved dissemination of statistical data on Bosnia and Herzegovina.


The CBBH continued to regularly publish the standard set of publications and data on banks' online channels, and to participate in the work of local and international bodies in which the CBBH has its representatives.

In 2018, the CBBH recorded the net profit in the amount of KM 8.4 million. The recorded profit for 2018 resulted from the rational management policy of the CBBH which has still succeeded in achieving a positive financial result in the time of a negative interest rate in the euro area market.

The same as in the previous year, the year 2018 included the celebration of an important anniversary – 22 June 1998, when the first convertible mark banknotes in denominations of F 50, KM 1, KM 5 and KM 10 had been put into circulation. A month later, on 27 July, the denominations of KM 20, KM 50 and KM 100 had been added. Wishing to mark this significant anniversary, we organized an international conference „Future of Cash”, in November, in cooperation with the USAID, and respectable experts from many countries participated in the conference. A commemorative stamp was promoted in cooperation with PE BH Postal Service.

The year 2018 can be considered another successful year in the work of this institution, with a number of implemented projects and activities. Yet, this would not have been possible without a maximum engagement of all the members of our institution, so I would like to use this opportunity to thank all the members of the Governing Board, the Management

and the staff for their professionalism and contribution to the implementation of the set objectives.



Senad Softić, Ph.D. Governor

## LEGAL STATUS

Pursuant to the Constitution - Annex 4 of the General Framework Agreement for Peace 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<sup>1</sup> and it has commenced its operations on 11 August 1997. The main objectives and tasks of the Central Bank of Bosnia and Herzegovina, as 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 1 January 2002, the convertible mark has been pegged to the euro at the exchange rate: one convertible mark for 0.511292 euros or one euro is 1.955830 convertible marks;

- to define and control the implementation of the monetary policy of Bosnia and Herzegovina;

- to hold the official foreign exchange reserves and manage them in a safe and profitable manner;

- to maintain appropriate payment and settlement systems;

- to coordinate the activities of the Entity Banking Agencies responsible for issuing banking licenses and supervising banks;

- to receive deposits from institutions at the level of Bosnia and Herzegovina, i.e. deposits of the Entities and their public institutions on the basis of the joint decision of the Entities, as well as deposits of commercial banks;

- to issue regulations and guidelines for performing the activities of the Central Bank of Bosnia and Herzegovina within the authorities set by the Law on the Central Bank of Bosnia and Herzegovina;

- to participate in the work of international organizations working to strengthen financial and economic stability and to represent Bosnia and Herzegovina in intergovernmental organizations related to monetary policy issues.

The Central Bank of Bosnia and Herzegovina is completely independent from the Federation of Bosnia and Herzegovina, Republika Srpska or any public agency or body, with the purpose of objective implementation of its tasks. The Central Bank of Bosnia and Herzegovina carries out its activity through the Governing Board of the Central Bank of Bosnia and Herzegovina, the CBBH Management and the 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 as defined by the Law on the Central Bank of Bosnia and Herzegovina. The Governing Board of the Central Bank of Bosnia and Herzegovina includes five members appointed by the Presidency of Bosnia and Herzegovina and elects the Governor among its members, who is at the same time the chairman of this body and the Management of the CBBH. The Governor is the chief executive officer in charge of daily operations of the Central Bank of Bosnia and Herzegovina. The Management of the CBBH which includes Governor and three Vice Governors (appointed by Governor, upon the approval of the Governing Board of the Central Bank of Bosnia and Herzegovina) at the request of the Governor, as the chief executive officer, carries out the activities of the Central Bank of Bosnia and Herzegovina and harmonizes the activities of the organizational units.

Governor, upon the approval of the Governing Board of the Central Bank of Bosnia and Herzegovina, appoints Chief Audit Executive and Chief Audit Executive Deputies for the risk control in the Central Bank of Bosnia and Herzegovina.

The operations of the Central Bank of Bosnia and Herzegovina are carried out through the Head Office seated in Sarajevo, three main units seated in Sarajevo, Mostar and Banja Luka and two branches seated in Pale and Brčko District.

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





# **1. ECONOMIC TRENDS IN 2018**





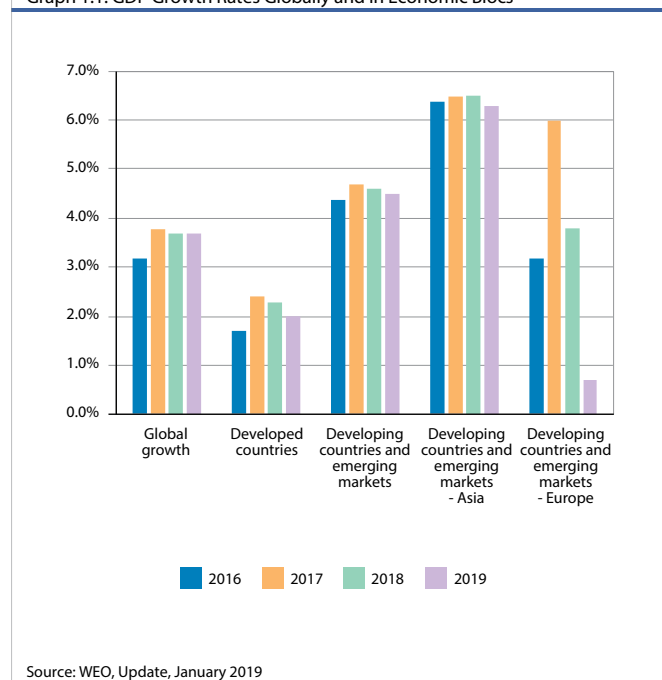
## 1.1 International Economic Environment

### 1.1.1 Real Sector Trends

Global growth in 2018 (3.7%) was lower than the growth recorded in 2017 (3.8%). The expected global growth rate of 3.9% was decreased for the first time in October 2018 due to the increase of trade protectionism and growing geopolitical risks. The global growth decrease in 2018 was affected by new/stricter standards in German car industry, the growth of financial risks in Italy, economic contraction in Turkey and also negative expectations in financial markets. This year's global economic growth (Graph 1.1) was largely determined by the Asian group of countries and emerging markets, firstly China with the economic growth rate of 6.9% and India with the economic growth of 7.3%. The developed countries' economies increased by 2.3% in 2018, and the Asian emerging market economies recorded the average growth of 6.5%.

Following an exceptionally high growth which had been achieved in the European emerging market economies during the previous year (6%), this year's growth was almost reduced by half (3.8%), with a further slow-down expected in 2019 (0.7%). Such intensity of the economic activity decline in 2019 is not expected either in developed countries or the Asian developing countries group, meaning that the European developing countries group could be the first one affected by recession.

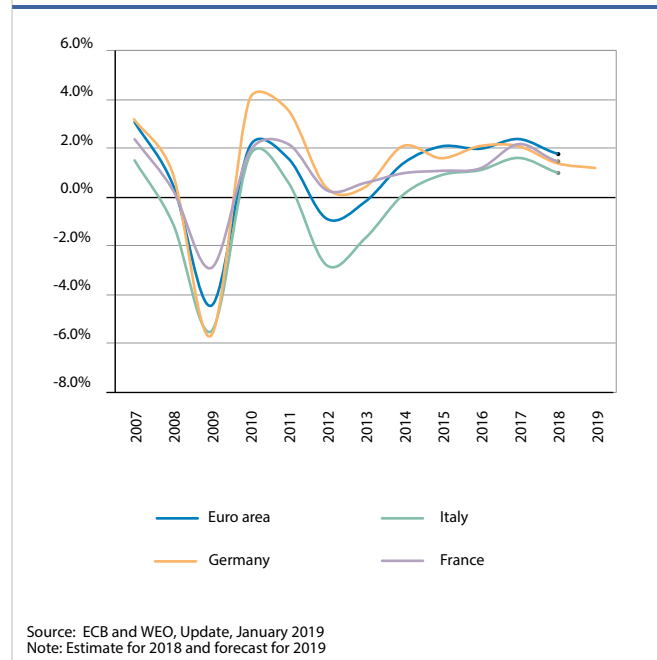
Graph 1.1: GDP Growth Rates Globally and in Economic Blocs



The achieved and expected growth rates in the euro area and some of its members indicate a slow-down of growth, but also the fall of external demand as a source of BH growth, which might imply additional decrease of the generally low living standard in BH, unless new sources of growth of BH economy are found. In 2017, the euro area recorded the highest growth rate of real GDP over the recent eight years (Graph 1.2), and the slow-down of the economic activity growth in 2018 and 2019 shows that the economic growth had reached its peak to be followed by a period of the economic activity contraction.

In the group of countries where our diaspora lives, the highest growth rates of real GDP were recorded in Serbia (4.08%), Austria (2.74%) and Slovenia (4.34%). The growth exceeded the one recorded in the previous year by 2.03 pp in Serbia, by 0.19 pp in Austria and it was slightly slowed down by 0.54 pp in Slovenia, although still remaining high.

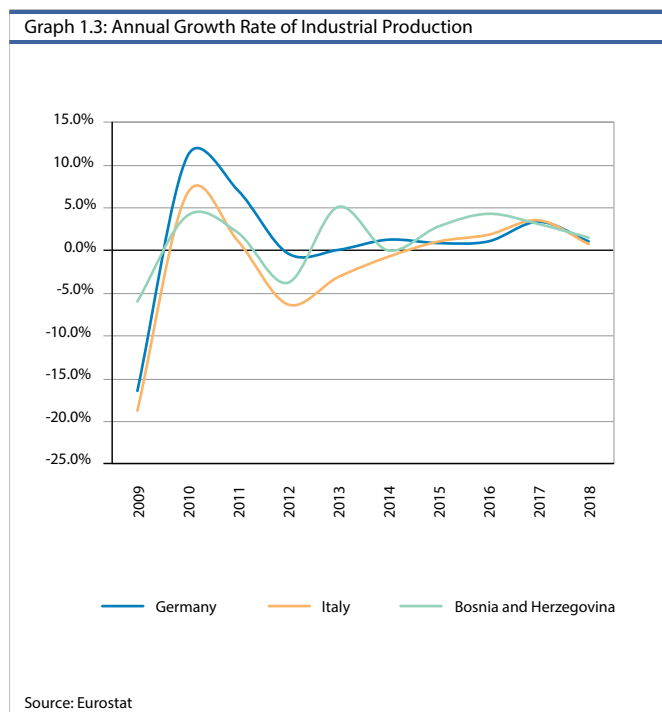
Graph 1.2: Growth Rates of Real GDP in the Euro Area and the Largest economies of the Euro Area



Most euro area economies recorded a lower or higher decrease of economic activities in 2018, and the real growth of the largest economy in the euro area (Germany) fell down from 2.16% to 1.72%, while the real GDP of Italy fell down from 1.57% to 1.15%.

The German industry growth in 2018 slowed down significantly compared to the previous year, due to the

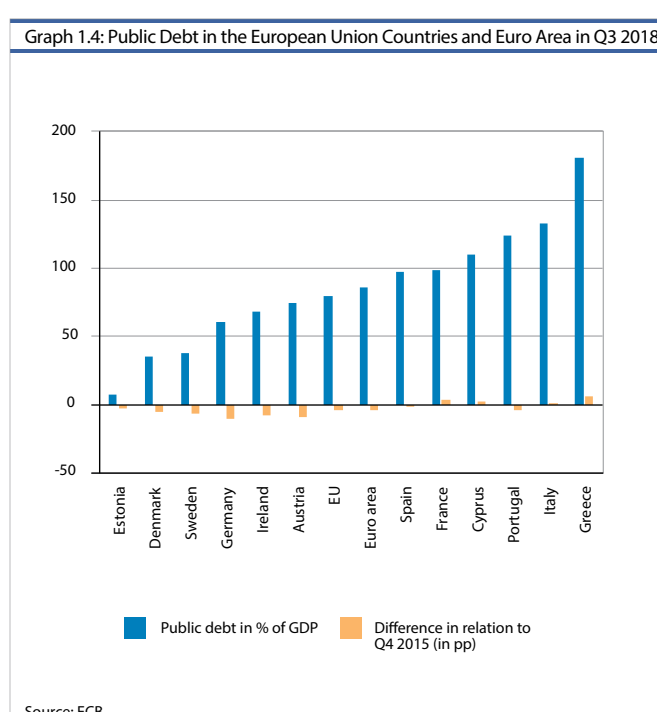
decline of industrial production in the second half of 2018. In 2017, German industrial production increased by 3.4%, and in 2018, by only 1.1% (Graph 1.3). A high interrelation between the trend of BH industrial production on one hand, and the trend of German and Italian industrial production on the other hand, and also high rates of industrial production decline in Germany in November and December 2018 reaching the annual levels of 4.5% and 3.9%, respectively, also imply the slow-down of BH industrial production, which is the leading indicator of changes in BH gross domestic product. The industrial production over the last two months in 2018 significantly decreased also in Italy (in November by 2.6%, and in December by 5.5%, at the annual level), the Italian market being the most important BH export market, following the German and Croatian markets.



Italian public debt was at approximately the same level as in the year of the beginning of the asset purchase programme, i.e. unconventional monetary policy (131.6% in Q4 2015 compared to 133% in Q3 2018), with the Italian economy facing a recession, which brought about additional negative pressure on BH export sector. The US sanctions and the growth of interest rates as a result of the efforts to stop the depreciation of lira reduced the economic growth of Turkey almost by half, which created pressure on BH exports to Turkey. The growth rate of real GDP of Turkey decreased from 7.4% in 2017 to 3.8% in 2018.

The slow-down of economic trends in the euro area occurred at the public debt level (Graph 1.4), which was slightly changed compared to 2015 when the ECB started

a highly expansionary monetary policy. Although some countries which had been through the public debt crisis (Spain, Portugal) saw their public debt decrease compared to 2015, the level still remained high, and, in some countries even higher (Greece). Public debt levels in the euro area and the EU of 86.1% and 80.8% respectively, only slightly decreased compared to Q4 2015 (it was lower by 3.8 pp in the euro area, and by 3.6 pp in the EU). New recession would again bring the question of the public debt sustainability in some euro area countries, and it would also make pressure on the existing monetary arrangement in the euro area. A bad fiscal position in the EU and the countries which are the main BH trading partners is a potential problem for BH economy in the context of the slowdown of economic growth.



The economic activity in the EU (particularly in the countries which are important for BH) slowed down, although the unemployment rates were at their lowest levels since the crisis, and wages were growing. Compared to the previous year, the unemployment rate in the euro area decreased by 0.9 pp and it was at the level of 8.2%, but it still did not reach the pre-crisis level (7.6% in 2008), and it was significantly higher than the unemployment rate in the EU (7.3%), which was back on the pre-crisis level. Other large monetary areas: Japan (2.4%), USA (3.9%), China (4%), Russia (4.8%) recorded considerably lower unemployment rates than the euro area. The lowest unemployment rate in the EU in 2018 was recorded in the Czech Republic (2.2%), and in the euro area in Germany (3.4%). In Germany, the total number of the unemployed was 1.47 million persons,

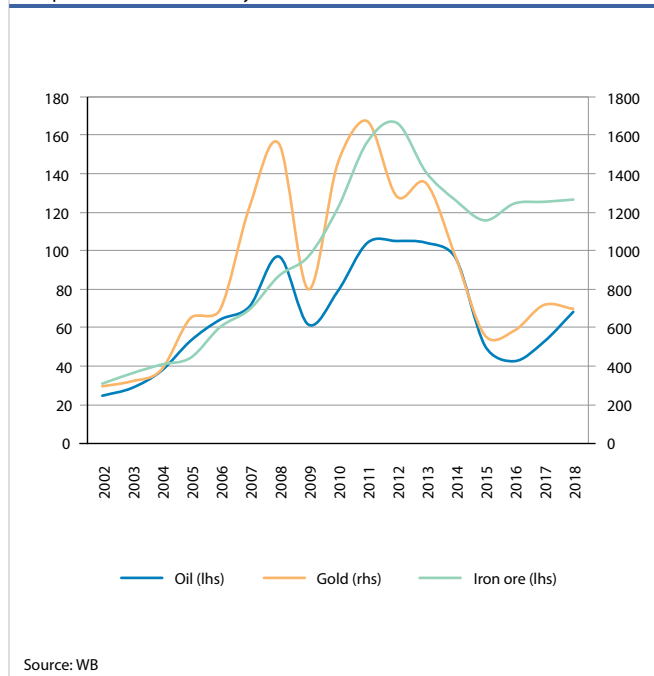
which was lower by 150 thousand compared to the previous year, and lower by 1.6 million compared to 2009. The highest unemployment rate in the euro area was recorded in Greece (around 19.3%), Spain decreased the unemployment level, which still remained high (15.3%), while the second and third economies in the euro area, Italy and France, recorded the unemployment rates of 11.2% (2017) and 9.1%, respectively. In the euro area, the total number of the unemployed in 2018 was 13.41 million, which was lower by 1.33 million than in 2017. The number of the unemployed was decreased compared to 2017 by 7.3%, and the largest contribution to the decrease came from Spain (2.97 pp) and Germany (1.02 pp).

In the first quarter of 2019 (29 March 2019) the United Kingdom is to exit the EU, but the possibility of extending the deadline should not be excluded. Brexit was the main economic issue during 2018 in the United Kingdom, but also in some countries of the EU and the euro area which have very developed economic relations with the United Kingdom, such as Ireland, the Netherlands and Portugal. The Brexit related uncertainty had already slowed down the economic growth in the United Kingdom significantly and it also threatens to endanger the economic growth in the countries with developed trade relations with it, and also to add to a higher volatility in European financial markets and decline of financial assets prices, which could finally bring about the increase of the public debt servicing costs in the euro area periphery countries. The least favourable option for the United Kingdom is „hard Brexit“, which means exiting the EU without any trade agreement, which would leave the United Kingdom outside the common European market and with customs fees on foreign trade. The medium solution is „soft Brexit“, i.e. exiting the EU but staying in the customs union with the EU. There is also a third option including the United Kingdom unilaterally revoking its decision on exiting the EU, which, according to the decision of the European Court of Law, would be a legally valid and legally binding decision for the EU.

Prices of commodities (Graph 1.5), particularly oil, in 2018, were under a constant pressure of the economic growth in China (decrease of Chinese GDP by 1 pp decreases commodity prices by 6% on the average in the next two years<sup>2</sup>) and also a degree of relaxing the US sanctions on Iran and the production policies of the OPEC countries. As the Chinese economic growth was kept at the same level as in the previous year, and the US sanctions on Iran were relaxed as early as in the end of 2018, the oil price was

increasing during the year, and in the end of the year, due to the relaxation of US sanctions against Iran, the level of prices was slightly changed. Yet, despite the slow-down of the growth in the last quarter of 2018, the crude oil price (Dated Brent) was higher by 30.7% (2018/2017).

Graph 1.5: Main Commodity Prices



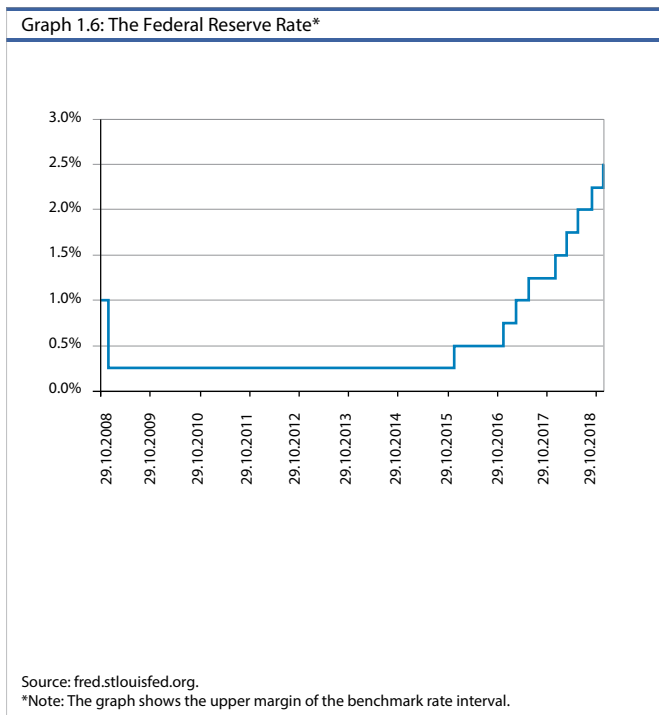
Due to the growth of demand for gold by some central banks (primarily Russia and Kazakhstan), motivated by the strategy of decreasing dollar portfolio of the foreign exchange reserves, and also due to dollar appreciation, the gold price in 2018, following the growth in 2016, remained at approximately the same level as in 2017. The price of iron ore (USD 69.75), produced in the area of Bosnia and Herzegovina in several mines was not significantly changed in the global stock exchanges during 2018 compared to 2017, still staying lower compared to the year of crisis 2009 (-13%).

### 1.1.2 Monetary Trends

During 2018, the Federal Reserves, according to expectations and announcements, continued to increase the degree of its monetary policy restrictiveness (Graph 1.6.). The growth of interest rates in the USA exposed the currencies of many emerging market economies to strong depreciation pressures and forced them to increase the benchmark rates in order to stop the capital outflow, which exposed the economies of these countries to the growth of operating costs, but also the increase of foreign trade competitiveness. The end of the ECB asset purchase programme was the third important feature of monetary

<sup>2</sup> Commodity Markets Outlook No. 16, October 2018, p. 16

trends in the currency zones which are important for Bosnia and Herzegovina.

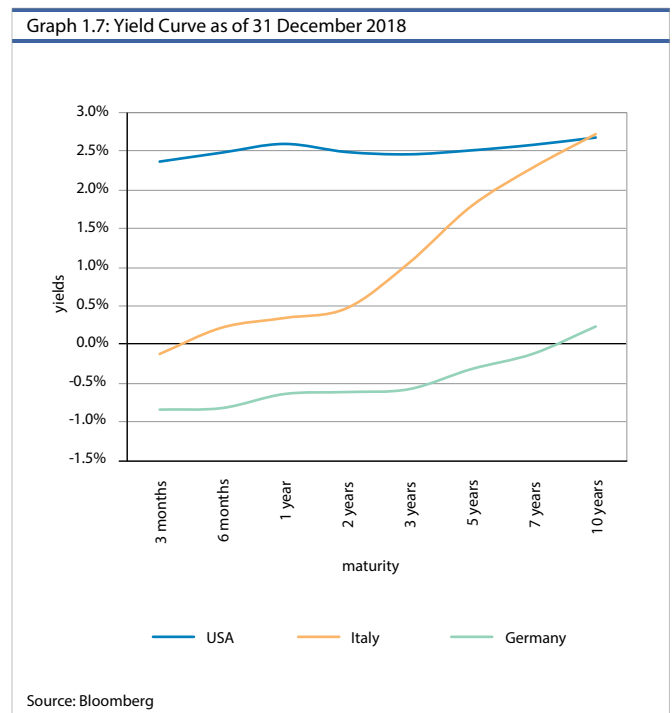


In 2017, the FED increased the benchmark rate for three times, and during 2018, there were even four increases, one in three months (March, June, September, December). Each time, the rate was increased by 25 bp, and in the end of the year, in December, it was set in the range 2.25% - 2.5%. The FED decided to carry out an accelerated normalization of monetary policy due to very good performances in the labour market (the unemployment 3.9%), a favourable price trend (the 2018/2017 annual growth of consumer prices at the level of 1.9%) and a satisfactory rate of real economic growth (3.4% in Q3 2018). As a consequence of the restrictive monetary policy of the FED, some emerging market economies, due to the flight of capital and considerable depreciation of domestic currencies against USD had to raise interest rates significantly, which decreased economic growth rates in these economies. Resulting from the growth of US interest rates, and dollar appreciation, there was a significant decline in stock exchange capitalization in emerging markets. MSCI<sup>3</sup> (Morgan Stanly Capital International Emerging Markets Index) lost 16.7% of its value in a year, while the loss on S&P 500 was only 6.24%. The appreciation of dollar had the strongest effect on Turkey, the currency of which depreciated by 28.4% (12/2017-12/2018), while the Central Bank of Turkey, in order to protect the currency and stop the outflow of capital, raised the benchmark rate from 8% (25 November 2016) to 16.5% (1 June 2018), and then to 17.75% and finally to 24% (14 September 2018). Such trend

of lira had a negative impact on the trade relations of Bosnia and Herzegovina and Turkey, as depreciation of lira makes BH exports to Turkey more expensive, and makes Turkish exports to BH less expensive.

On the other hand, depreciation of euro made pressure on the increase of the competitiveness of BH foreign trade sector. During 2018, EUR depreciated in relation to USD by 4.4%, and the depreciation was particularly strong in May and October of 2018.

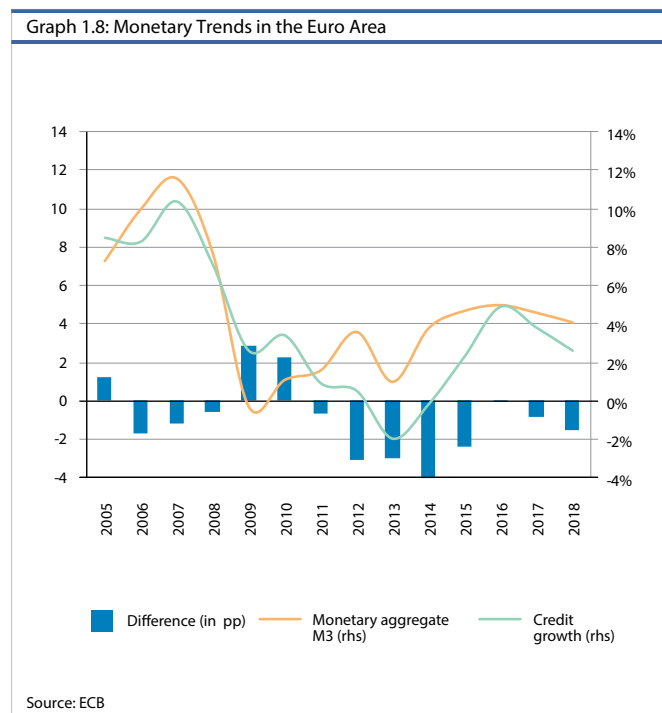
Decrease of the difference among the yields on financial instruments with various maturities (Graph 1.7) in case of Germany and USA showed that even the countries recording currently economic growth showed tendencies towards entering a recession, on the basis of signs from financial markets. The flat yield curve, the non-existence of the differences in yields among government securities of various maturities, and particularly the inverted yield curve (higher yields in a short period compared to the yields in long periods) indicate the economy's entry into recession. This was not observed in case of Italy although it had already entered recession technically as in the last two quarters of 2018 it recorded negative growth rates of real GDP (q/q-1).



Since September 2018, the ECB implemented the final stage of the asset purchase programme when it invested EUR 15 billion on monthly basis in the financial market of the euro area. After four years of the asset purchase programme implementation (since March 2015), the effects on the monetary trends in the euro area are not in accordance with

<sup>3</sup> Global index measuring stock market performances in 23 developing countries.

the size of the monetary interventions (Graph 1.8). The ECB assets increased by 102.3% (12/2014-12/2018), but the credit growth stayed low despite the favourable trend of monetary aggregate M3, being the broadest monetary aggregate in the euro area. Although loans started to grow since 2015, after they peaked in 2016 (4.9%), their growth slowed down, to reach only 2.6% in 2018.



Inflation in the euro area, which partly affects the price trend in BH, was gradually increasing during the year, but in the end of the year, due to a considerable decline of oil price, it fell below the target value, to the level of 1.5% (12/2018/12/2017). Such unfavourable price trend in the euro area was influenced by a low core inflation, which was all the time within the range from 0.9% to 1.1%. Low rates of credit growth, and also the existing deflationary pressures, shifted the expected normalization of the ECB monetary policy (the growth of the benchmark rates) to the 2019 end, as earliest.

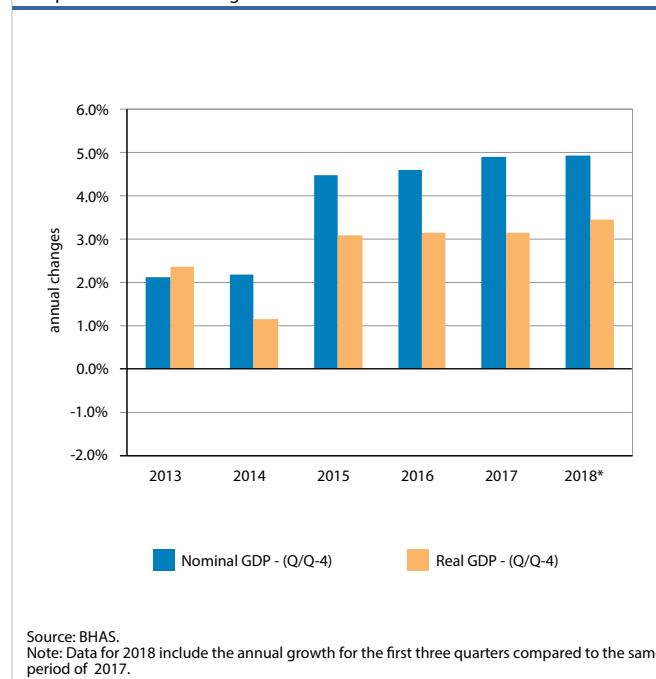
## 1.2 Report on the Situation in BH Economy

The features of the real sector of the economy in 2018 included the slow-down of industrial production growth compared to the previous year, which was particularly stressed in the second half of the year. A considerable decline of the output was recorded in manufacturing industry, while on the other hand, the growth of output was recorded in the areas of production and supply of electric power, gas, steam and air conditioning and mining. A stagnation of

construction output was recorded due to the slow-down of civil engineering works. In trade, significant growth rates were still recorded in all forms of trade activities. The general price level trend, measured by consumer price index, showed a continuation of inflationary pressure in 2018, which was mainly caused by the increase of excise duties on oil and oil products and external oil prices. At the same time, local prices, measured by GDP deflator, were in the inflation zone. In the labour market, according to administrative data and the data from the Labour survey in 2018, a significant decrease of the number of the unemployed was recorded and the growth of the number of employees, with increasingly strong negative demographic changes. Nominal net wages recorded a strong growth, while a slower growth was recorded in real net wages.

According to the official projection of the International Monetary Fund<sup>4</sup>, the nominal gross domestic product (GDP) in BH was KM 32.954 billion for 2018, which was a growth of 5.0% compared to 2017. The projected GDP real growth rate compared to the previous year was 3.2%. According to the data of the Statistics Agency of BH (BHAS)<sup>5</sup>, the real GDP in the first three quarters of 2018 compared to the same period of 2017, recorded stronger growth rates (3.5%), however the slow-down of economic activities in the fourth quarter is expected due to a decline of industrial output (Graph 1.9).

Graph 1.09: Annual Changes of Nominal and Real GDP



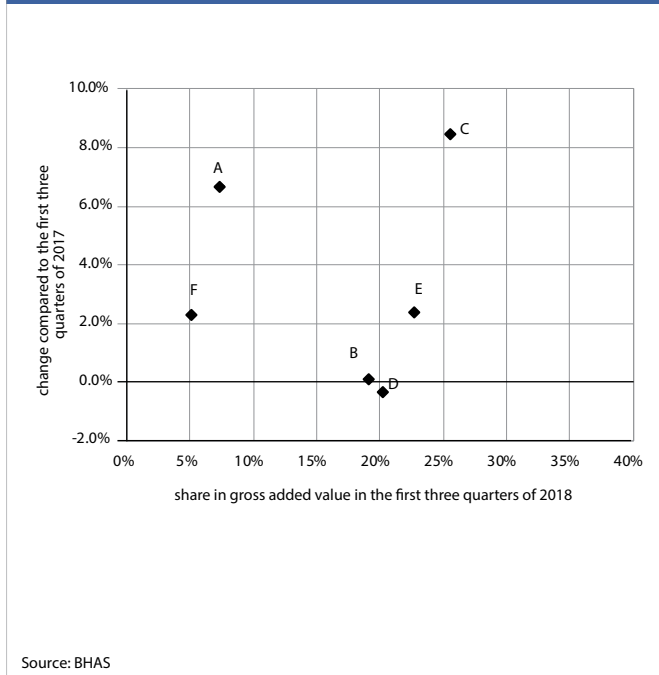
In the first three quarters of 2018, the growth of real gross added value was generated by a growth in most economic activities (Graph 1.10), and the driver of growth

<sup>4</sup> IMF, World Economic Outlook, October 2018

<sup>5</sup> Gross domestic product – quarterly data, January 2019

was the service sector, while a slowdown was recorded in production activities. The highest growth was recorded in: trade, distribution and placement (8.5%), agriculture (6.7%) and financial sector (5.6%). On the other hand, real decline of gross added value was recorded in entertainment and other service activities (-3.4%) and in public sector activities<sup>6</sup> (-0.3%).

Graph 1.10: The Basic Causes of Changes in Real GDP, in the First Three Quarters



Group A: Agriculture, statistical area of activity A (Agriculture, forestry and fishing).

Group B: Industrial production; statistical areas of activity B (Mining and quarrying), C (Manufacturing industry) and D (Production and supply of electric power, gas and air conditioning), E (Water supply).

Group C: Trade, distribution and placement; statistical area of activity G (Wholesale and retail trade, repair of motor vehicles and motorcycles), H (Transport and storage), I (Hotel industry and catering).

Group D: Budget users, statistical areas of activity O (Public administration and defence, compulsory social insurance), P (Education) and Q (Health and social care).

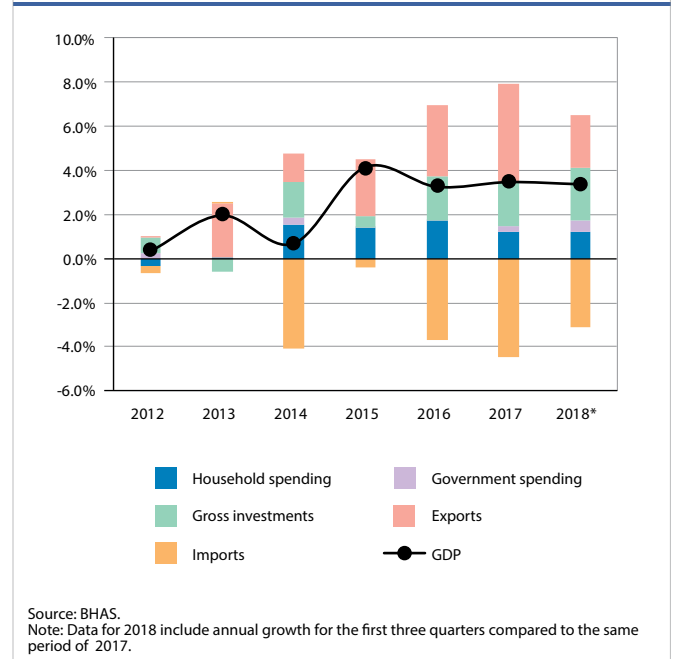
Group F: (Construction; statistical area of activity F (Construction)).

Group E: Other activities

Taking into account the real GDP structure according to the expenditure method, since 2010, the household final consumption expenditure had the strongest impact on the overall economic activity trend, amounting to 78.8% of GDP on the average, although, the decreasing trend of the mentioned consumption share was observed recently regardless of a significant growth of employment and the

growth of average wages. Regarding the government final consumption expenditure, on the average it amounted to 21.3% of GDP, with the share of this category in the total GDP also decreasing. The average expenses for gross investments were 19.0% of GDP and they were mainly related to the investments in new fixed assets. The contribution of gross investments had the most positive impact on the GDP trend in 2018 (Graph 1.11). Besides investments, exports also recorded strong growth rates in recent years, which, with the investment growth, had a positive impact on a change of the GDP structure (33.3% in the total GDP). At the same time, imports increased, which had a negative impact on the further growth of GDP.

Graph 1.11: Contributions to Annual Changes of Real GDP according to Expenditure Approach



### 1.2.1 Real Sector

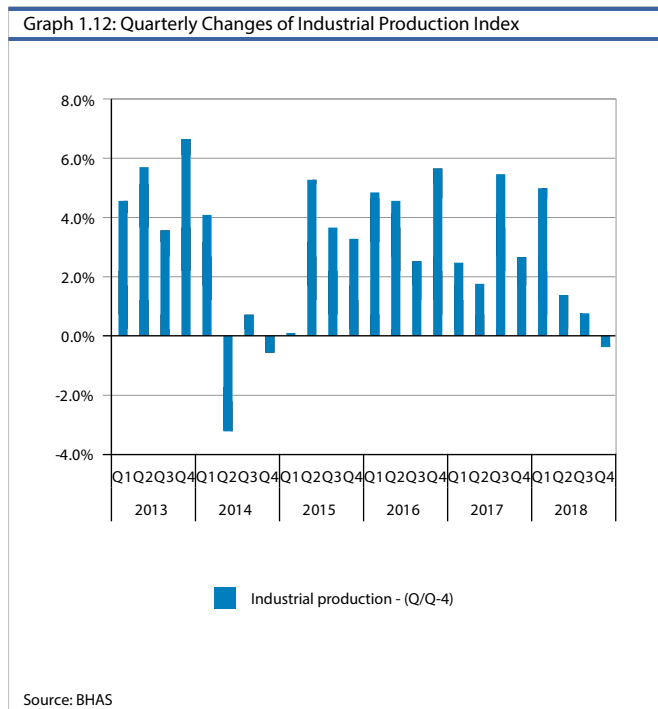
In this section, having in mind the significance for the overall economic activities of BH economy, a special stress within the core economic activities was placed on industrial production, construction and trade. Besides these activities, the basic trends of the general price level were also presented, and also the basic features of the labour market (employment and wages) in 2018.

#### I Core Economic Activities

After the disastrous floods in 2014, which had a decisive impact on slower economic activity in that period, annual decline of industrial production was for the first time recorded in the fourth quarter of 2018. Due to such quarterly

<sup>6</sup> Public sector includes: O (Public administration and defence, Compulsory social insurance), P (Education) and Q (Activities of health and social care).

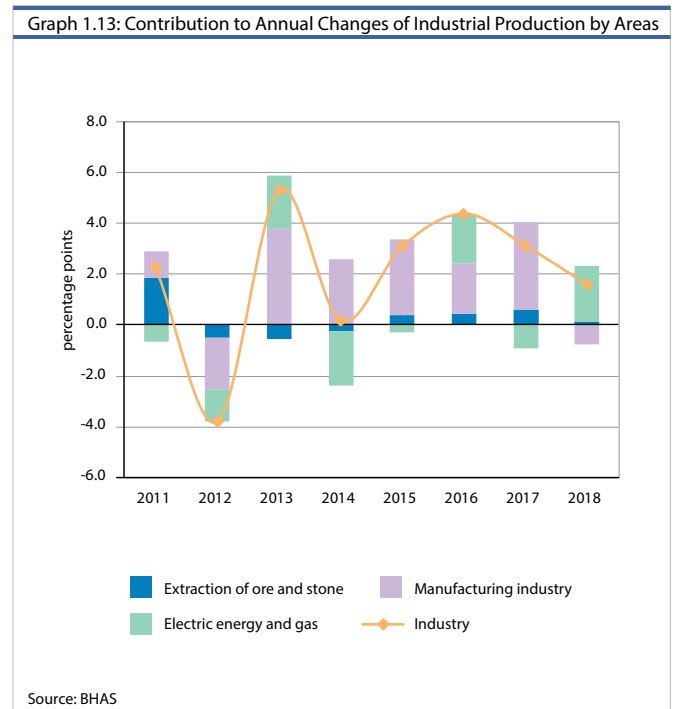
trend, the industrial output recorded in 2018 was higher by only 1.6%, which was lower by 1.5 percentage points compared to industrial production in 2017 (Graph 1.12).



In 2018, an increased output was recorded (the annual increase of 11.3%) in the industrial areas of mining and particularly production and supply of electric power and gas, while a considerable decline was recorded in manufacturing industry (the annual decline of 1.1%). The most significant contribution to the industrial output growth (Graph 1.13), observed by areas of activities, was that of the production and supply of electric power and gas, while a negative contribution to growth was that of manufacturing industry. Regarding the output in the production and supply of electric power, gas, steam and air conditioning, a positive impact on the annual growth of net production of electric power was that of hydropower plants due to favourable weather. At the same time, the exports of electric power increased significantly by 24.0% compared to 2017. The growth in the amount of 0.9% was recorded in the mining and quarrying area. Within this area, the growth was recorded in the activities of the extraction of other ores and stone and extraction of coal and lignite. The increase of the quantity of coal and lignite was closely related to the increase of exports of electric power.

The decrease of manufacturing industry was under a significant effect of the following branches: production of finished metal products, except for machines and equipment, production of textile, manufacturing of wood and production of wood and cork products, production

of coke and refined oil products and food products. The decreased output in these areas, which have significant shares in the overall industry, was due to the slow-down of economic activity of the main foreign trade partners, the increase of tariff barriers and the fact that the operations of the strategic company in aluminium industry had grown more difficult.

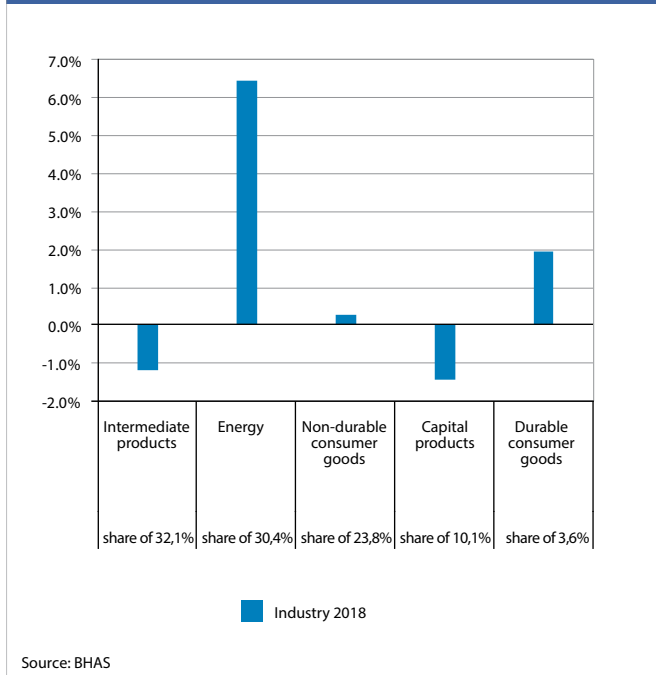


Observing the shares of the main industrial product groups (Graph 1.14), it is evident that a significant output increase was recorded in the group power in 2018, despite the fact that the production of coke and refined oil derivatives recorded a strong decline (-12.8%). Following power, the most striking growth of output was recorded with durable consumer goods, although this group, due to its low share, had a negligible contribution to the overall industry growth. Within this group, the highest share was taken by furniture production, which recorded a continuous annual growth in recent years. The production of non-durable consumer goods was stagnating, resulting from decreased annual production of food, production of leather and similar products and production of tobacco, which decreased strongly (-41.1%), due to continuous growth of excise duties on tobacco and tobacco products and the presence of informal economy. The annual decline of exports of tobacco products in 2018 was 75.8%.

Observing the shares in the total industry, a decline of production was recorded in the most important product group. The production of intermediate products is important both for domestic final production and also exports due to

the fact that intermediate products took 40.2% in the total exports in 2018. Within this group, a considerable decline of output was recorded in wood processing (-10.2%) and production of electric equipment (-2.4%). Within the group of capital products, a considerable decline was recorded in the production of finished metal products, except for machines and equipment (-6.4%). On the other hand, the repair of machines and devices (annual growth of 29.2%), the growth of production of machines and devices (5.9%) and other means of transportation (3.2%) slowed a further decline of production of this product group. The slow-down of the total production in 2018 was partly a result of the increase of intermediate products share in the total industrial production, and decrease of the share of power, which at the annual level amounted to 3.5 percentage points.

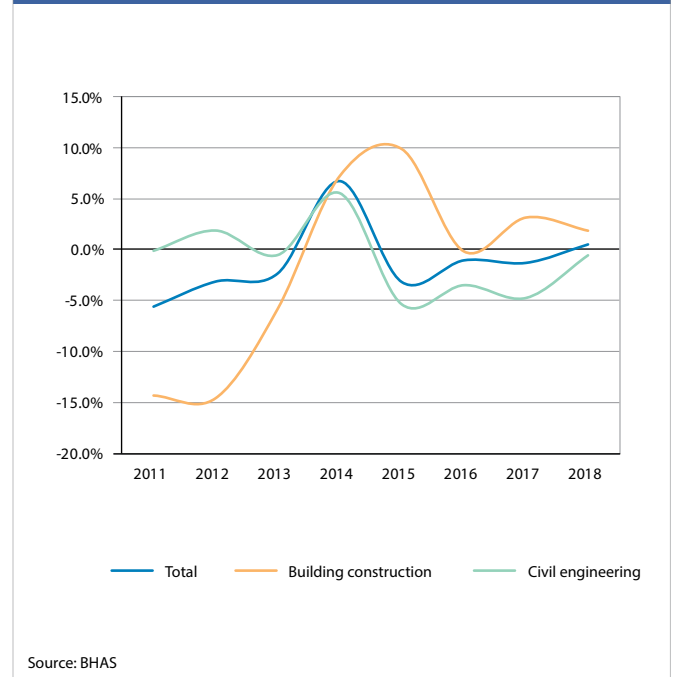
Graph 1.14: Growth Rates and Shares of the Main Groups of Industrial Products



In the economic activity of construction, the output was stagnating in 2018. Observing the annual changes of construction output (Graph 1.15), only in 2014 was a considerable growth of construction output observed, mainly due to intensive civil engineering activities. The stagnation of the construction output index was affected by a decline in civil engineering segment, which was 0.5% compared to the previous year, while building construction

increased compared to the previous year by 1.9%, resulting mainly from recovered apartment building, which increased at the annual level by 5.2%, observing the surface of newly built apartments. The decline of civil engineering activities was particularly related to the delay in the construction of Vc corridor.

Graph 1.15: Annual Changes of Construction Output



Trade as individual activity had the highest share in gross added value in recent years, which was particularly obvious in 2018 under the impact of the industrial output slow-down, while on the other hand, accelerated growth was recorded in trade and distribution. Observing the distributive trade statistics (Graph 1.16), which includes all forms of trade activities, from the procurement of goods from producer to the delivery of goods to the end user in the domestic market<sup>7</sup>, trade turnover in 2018 evidently recorded a strong growth, which at the annual level amounted to 8.5%. The activity growth was observed in wholesale trade and mediation in trade<sup>8</sup> (annual growth of 6.4%) and retail trade<sup>9</sup>, which recorded a continuous growth of turnover over the previous years, which in the end of 2018 amounted to 11.4% compared to the previous year. Wholesale trade and retail trade in motor vehicles and motorcycles, which had the lowest share in the total trade (6.0%) recorded a growth of 9.8%.

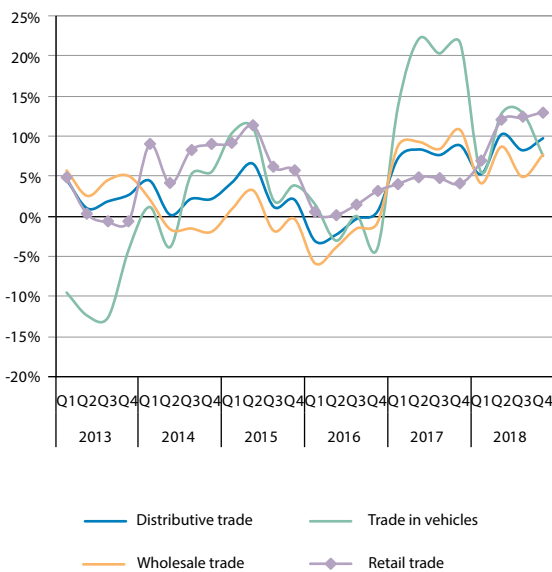
<sup>7</sup> Source : BHAS, distributive trade indices.8

<sup>8</sup> Share of wholesale trade and mediation in the total trade amounted to 55.8%.

<sup>9</sup> Share of retail trade amounted to 38.3%.

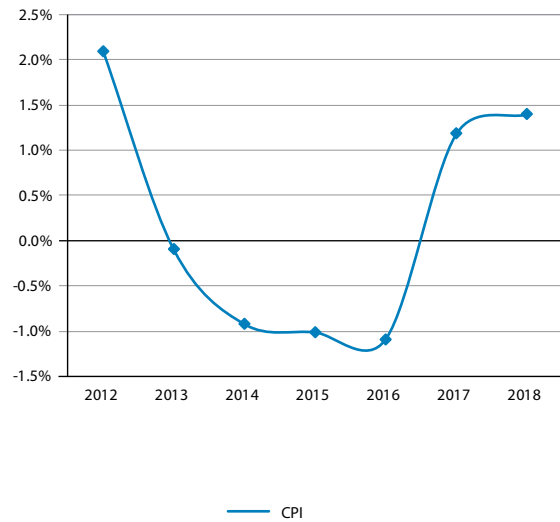


Graph 1.16: Annual Changes of Distributive Trade Index (Q/Q-4)



Source: BHAS

Graph 1.17: Annual Inflation/Deflation Rate



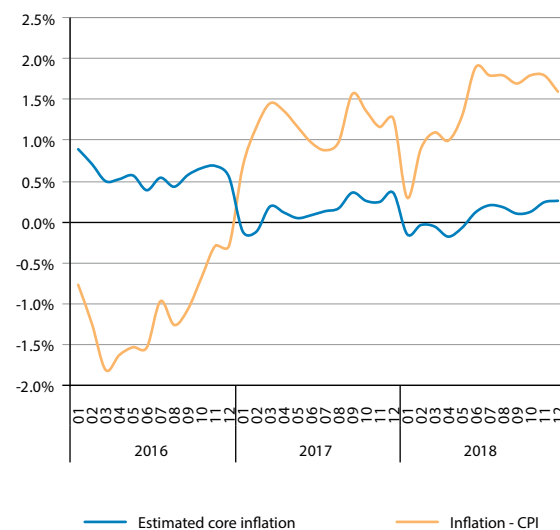
Source: BHAS

## II Prices

After the end of deflationary pressures in the beginning of 2017, the growth of consumer prices continued, which resulted in the annual inflation growth in 2018 in the amount of 1.4% (Graph 1.17), due to the trend of prices in transport, mainly due to the introduction of excise duties on oil and oil derivatives and trend of external oil prices<sup>10</sup> and the adjustment of additional excise duties on tobacco and alcohol beverages. At the same time, a positive impact on the consumer price growth came from the growth of the wage amount, as a result of a strong growth of nominal wages and also the number of employees.

Over the observed period, actual inflation was under a strong impact of two categories of prices within the consumer price index, food and non-alcohol beverages (due to food prices) and transport (due to oil prices). The categories of prices of food and non-alcohol beverages and transport had a high share in the household consumption, therefore they mainly determined the inflation/deflation trends in BH economy.<sup>11</sup> The values of estimated core inflation<sup>12</sup> indicate that the growth of prices of other goods and services included in the consumer price index was slowed down in 2018 (Graph 1.18).

Graph 1.18: Actual and Estimated Core Inflation



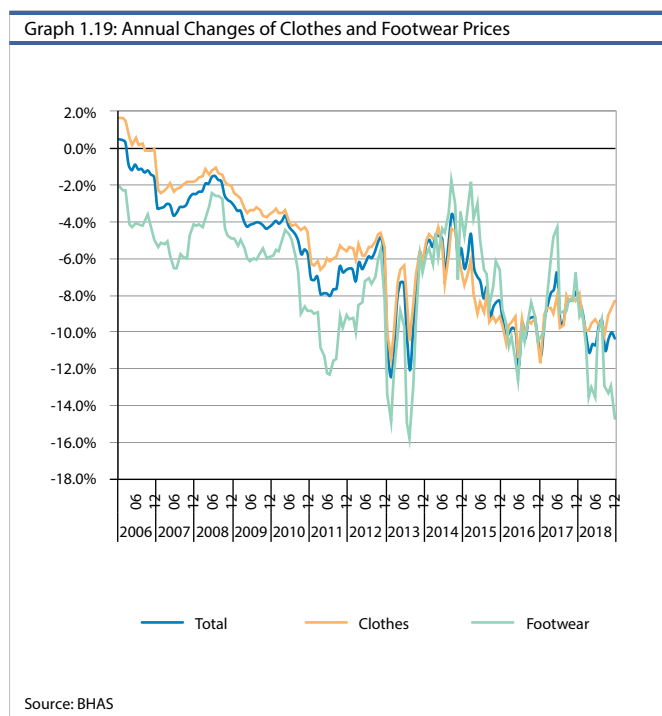
Source: BHAS and CBBH  
Note: Core inflation is an estimate by the CBBH.

<sup>10</sup> Annual growth of oil prices in 2018 amounted to 30.7%.

<sup>11</sup> According to the latest available data of BHAS from 2017, food and non-alcohol beverages accounted for 32.96%, and transport accounted for 12.89% in the total household expenses.

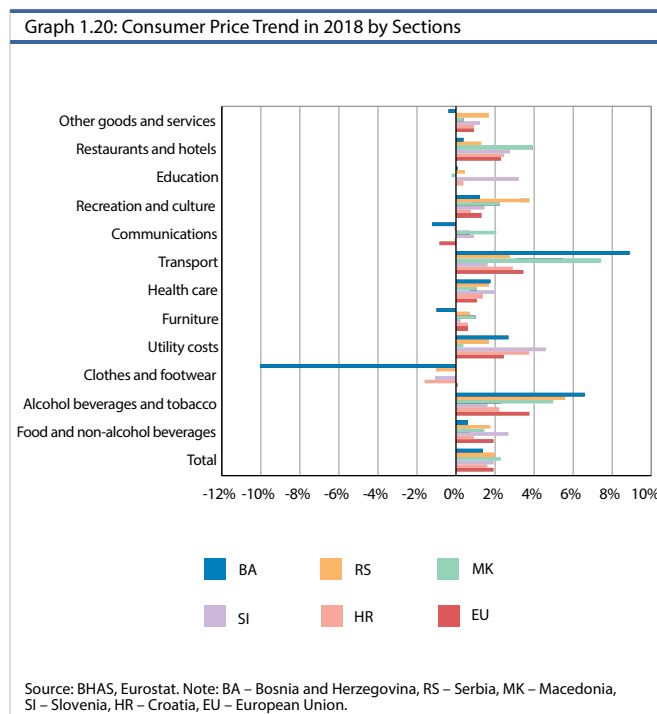
<sup>12</sup> Estimated core inflation was obtained by reducing the official inflation by the effects of price changes in these two categories. The official annual weights for price categories published by BHAS were used as weights. As in the moment of writing an Annual Report, the weights for 2018 have not been published yet, the price weights for 2017 have been used.

A considerable decline of prices was recorded in the category of clothes and footwear (the annual decline of 10.1%), which mainly affected a slower growth of the value of estimated core inflation. According to official data, a price growth was last time recorded in the mentioned category in the beginning of 2006, due to a small increase of clothes prices, while the prices of footwear recorded a continuous decline since the beginning of data collection<sup>13</sup> (Graph 1.19).



Observing the consumer price trend by categories in the selected countries<sup>14</sup> (Graph 1.20), a considerable deviation in the category of clothes and footwear was visible, where the strongest decline of prices, after BH, was recorded in Croatia (-1.6%). The average prices of clothes and footwear in the EU, as the most important foreign trade partner, recorded a small growth of 0.1% in the same period. Having in mind the non-existence of foreign exchange rate risk with the main trade partners in the EU, the decline of prices of clothes and footwear in BH can be explained only by the representative quality of the sample or high share of imported clothes and footwear from the other parts of the world, which is obviously not the feature of other countries in the region. Additionally, according to the official data, the unit import prices<sup>15</sup> of clothes and footwear in 2018,

stagnated at the annual level, which leads to the conclusion that the position of imported products in this activity has not been significantly improved.



Due to the growth of oil prices (the annual growth of 30.7%) in the global markets in 2018 and increased excise duties on oil and oil derivatives, the transport prices throughout the year brought about inflationary pressures on the general consumer price level (the annual growth of 8.9%). Despite the fact that oil prices in the global market in December recorded a decline at the annual level (-12.1%), which was continued in January 2019 (-14.1%) due to the production growth in USA, with the simultaneous depreciation of USD as the main currency in oil trade in the global market, the average domestic transport prices did not record a considerable decline<sup>16</sup>.

According to the latest available projections of oil prices<sup>17</sup>, in 2019, the growth of prices is expected compared to the end of 2018, which still will be lower (5.4% annual decline) compared to the average recorded in 2018, which will probably bring about a decrease of local transport prices with a time lag. The category of food and non-alcohol beverages, with the highest share in the household consumption, recorded an annual growth of prices of 0.6%. Due to a continuous increase of excise duties on tobacco

<sup>13</sup> Consumer price index (CPI) has been calculated since 2005, while retail price index at BH level was taken into account for earlier years.

<sup>14</sup> Eurostat used the harmonized index of consumer prices (HICP) for the data on inflation comparability, while CPI is mainly used as an inflation measure in national terms. HICP and CPI take into account the same representation baskets of goods and services, the basic difference being in coverage of population and sources for the weight structure. As HICP data are not yet officially available, CPI data are used for BH.

<sup>15</sup> BHAS official announcement: Indices of unit values of BH exports and imports, 2018.

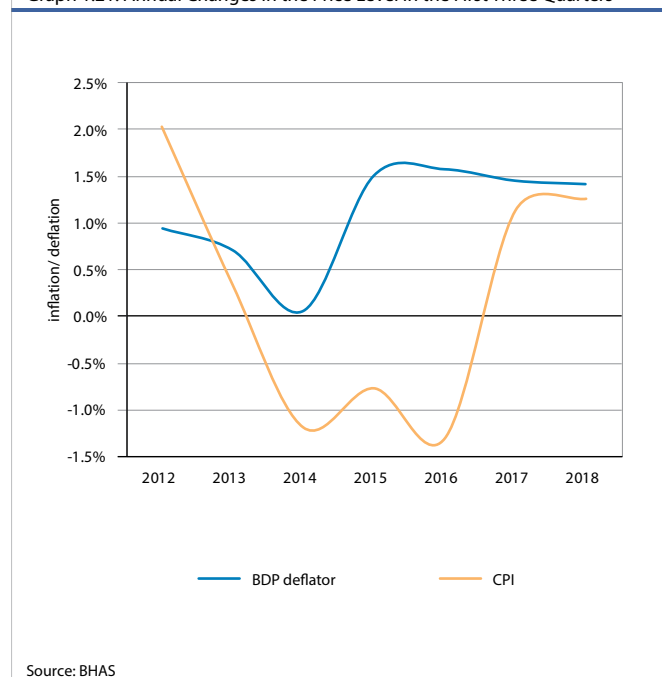
<sup>16</sup> According to the latest available data from January 2019, the transport prices recorded an annual growth rate of 8.4%.

<sup>17</sup> www.investing.com/commodities/brent-oil-forecasts (accessed on: 03 March 2019)

products and alcohol beverages, the prices in this category also recorded a significant annual growth (6.6%). Comparing the prices of transport, tobacco and alcohol beverages with the countries in the region, it is evident that the highest growth was recorded in BH, while on the other hand, the prices of food and beverages recorded the lowest growth rates, although a decreased output was recorded in food production at the annual level in the same period (-2.1%).

The inflation measured by GDP deflator indicates a balanced growth of prices in the first three quarters over the previous two years (Graph 1.21). Various price trends measured by the GDP deflator and the consumer price index can be explained by a high share of products not included in the consumer basket (including the government sector consumption), but they are sold directly to companies or, exported to foreign markets. The GDP deflator indicates that the 1.4% growth of product and service prices was recorded in domestic economy at the annual level in the first three quarters of 2018. The growth of GDP deflator in the first three quarters, compared to the same period of the previous year, was recorded in most activities, mainly in the activities related to public sector, construction, industry, trade, transport and agriculture, while a decline of deflator was recorded only in the financial sector and the activity of information and communication.

Graph 1.21: Annual Changes in the Price Level in the First Three Quarters



The GDP deflator in manufacturing industry in the first three quarters of 2018 compared to the same period of the previous year indicated the growth of domestic prices of 1.9 percentage points. Observing the quarterly trend of GDP deflator, it is evident that it followed a similar trend as the trend of CPI prices in the price category of food and non-alcohol beverages, implying that the prices in this activity adjusted to price changes in the global markets. A significant growth of domestic prices was recorded in agriculture (5.9%) and public sector (3.6%). In the public sector, there was recently a pressure by the union to increase wages, resulting in the increase of the prices of services, particularly in health care, reducing at the same time the gross added value of the activity in real terms. Observing the GDP deflator according to the expenditure method, in the first three quarters of 2018, there was a growth of prices of all the components of GDP compared to the same period of the previous year, however, the growth of the prices of exports stood out (2.3%) and also that of household consumption (1.4%), which is equal to the growth of average consumer prices in the same period.

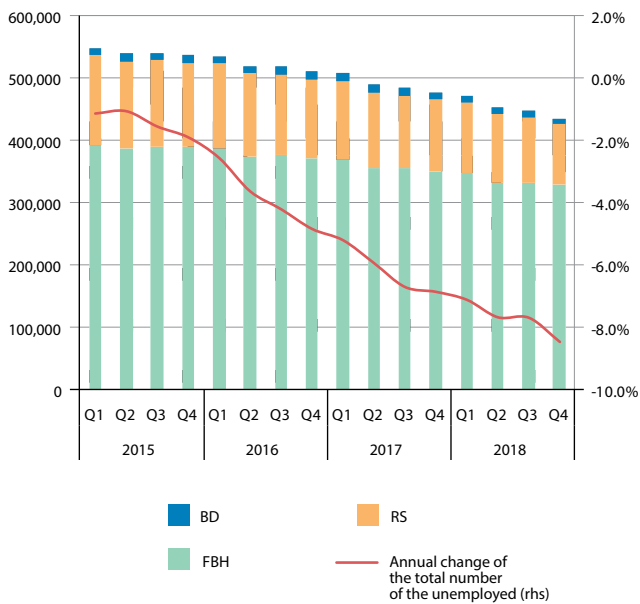
### III Employment and Wages

According to the data from the 2018 Labour survey, the unemployment rate in BH was 18.4% and it was lower compared to 2017 by 2.1%<sup>18</sup>, which was a continuation of the downward trend of the unemployment rate from earlier years. Administrative unemployment rate in December 2018 was 34.7% and it was lower by 2.7% compared to December last year. The unemployment rates differ significantly due to different approaches in definition and recording, i.e. the ways of determining the status<sup>19</sup>. According to the Labour survey, the number of the unemployed in BH in 2018 was 185 thousand persons, while, according to the registered number in the employment agencies, the number of the unemployed was significantly higher (435 thousand of the unemployed) and it best illustrates the mentioned differences in records, i.e. treatment of employees and the unemployed. Analysing administrative data, downward trend of the number of the unemployed was evident at the annual level, which was present throughout 2018 and also in earlier years (Graph 1.22). Although these changes in the number of the unemployed are based on administrative data (i.e. unemployment rates which are close to 35%), the fact is that in the end of 2018, compared to the previous year, the number of the unemployed was decreased by 39,818 persons.

<sup>18</sup> Labour survey is conducted once a year by BH Agency for Statistics, together with the statistics agencies in both Entities, according to the ILO methodology.

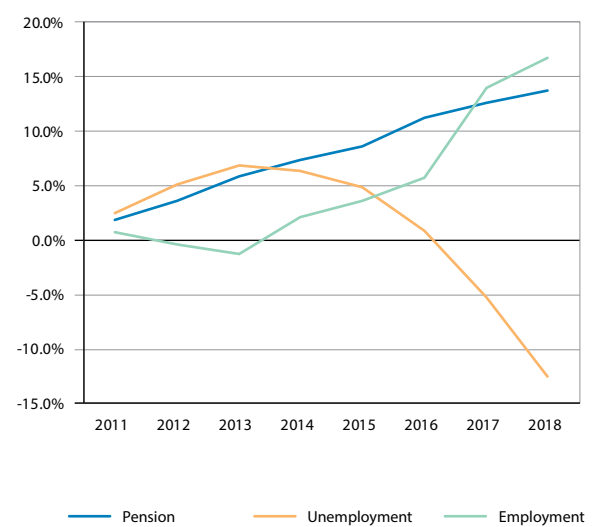
<sup>19</sup> Administrative data on the unemployed include the total number of the unemployed kept in records of BH Employment Agency, while the data on unemployment from the Labour survey are derived from the data collected by interviewing people in households, according to international definitions. Source: BHAS; 2018 Labour survey.

Graph 1.22: Number of the Unemployed according to Administrative Data



Source: BHAS, BH Labour and Employment Agency

Graph 1.23: Trend of Selected Indices in Labour Market

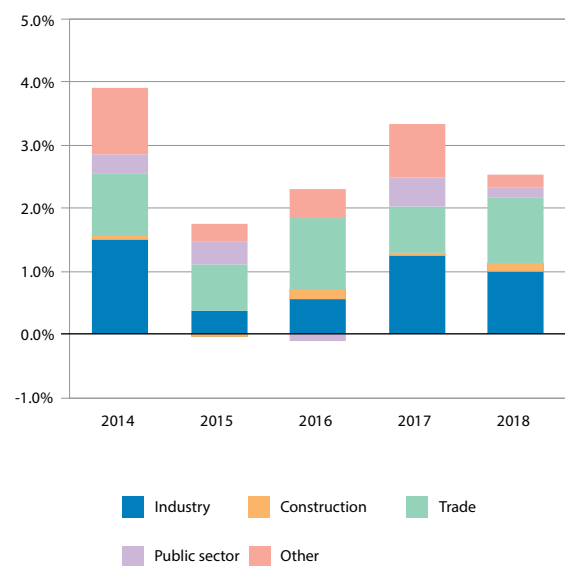


Source: BHAS, FPDII, RS PDI Fund

Observing the labour market indices trend, it is obvious that the growth of employment followed a similar trend as the growth of the number of retired persons, but the employment index over the previous two years recorded faster growth rates (Graph 1.23). Due to a faster growth of the number of employees than the number of retired persons in 2018, the ratio of the pension funds coverage was 1.2 employee per one retired person, which is a slow growth of the indicator at the annual level. The number of retired persons constantly increased since the beginning of 2010, which brought about pressure on the budget for the pension system financing. Operating of pension and social funds became more complex as a result of increasingly strong negative demographic changes reflected in a decreased share of active population and an increased share of dependent population. Regarding the unemployment index, it is visible that as early as in the end of 2016, a lower number of the unemployed was recorded compared to the base year, but the rapid decreasing trend of the number of the unemployed was continued over the previous two years.

According to administrative data, the number of employees increased, so it was higher by 23,057 persons in the end of 2018. According to the growth of the number of employees by activities, drivers of growth (Graph 1.24) of the number of employees (71.7% of the total increase) compared to the end of the previous year were the activities of manufacturing industry (the increased number of employees by 6,165 persons or 3.9%), trade (6,162 persons or 4.3%) and public sector activities (7,335 persons or 3.8%). At the annual level, decline of employment was registered only in mining (-3.0%) and other service activities (-2.8%).

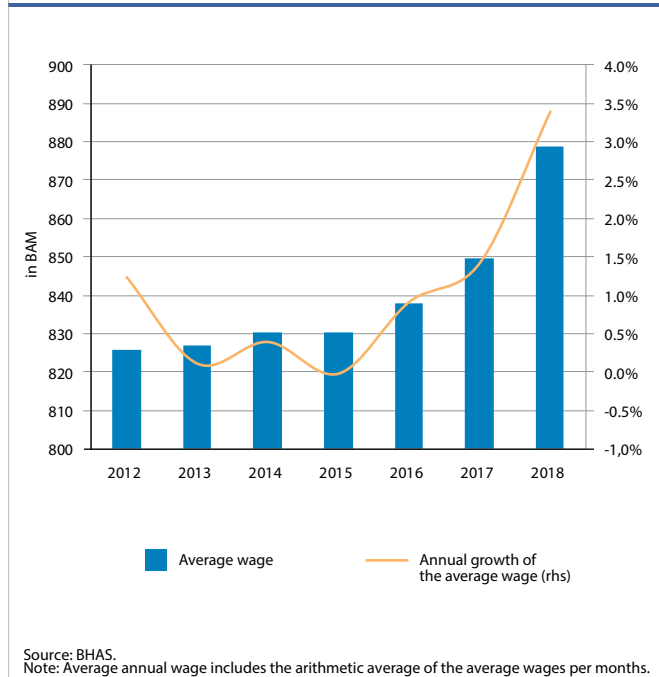
Graph 1.24: Contributions to Annual Changes of the Number of Employees by Areas



Source: BHAS

The upward trend of the average nominal net wage was continued in 2018 (Graph 1.25). At the annual level, the strongest growth of wages on the basis of new collective labour agreements was recorded in health care (7.5%), auxiliary service activities (5.6%), water supply (4.7%), education (4.2%), trade (4.1%) and manufacturing industry (4.0%). On the other hand, a decline of average wages was recorded only in the activity of real estate management (-8.5%). Taking into account the growth of the average consumer prices over the last two years, real net wages recorded slower growth rates.

Graph 1.25: Amount and Percentage of Change of the Average Annual Net Wage

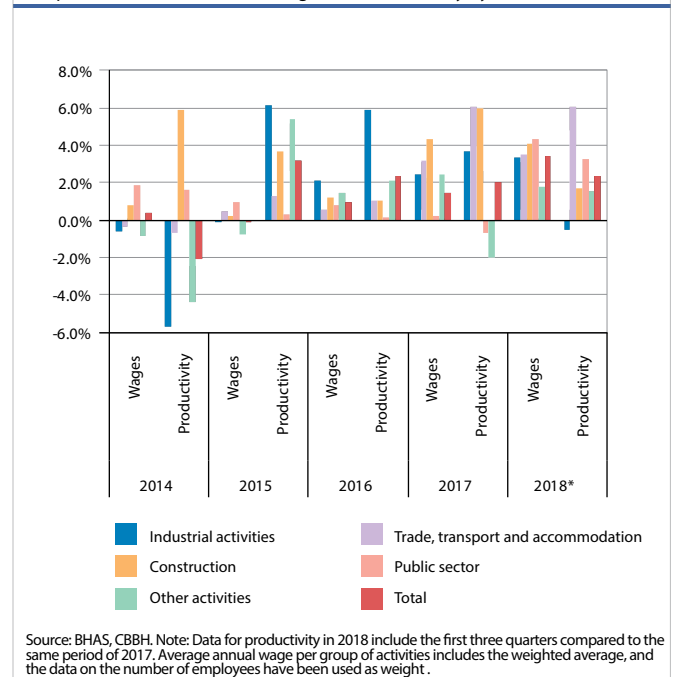


Labour market in 2018 was marked by a considerable increase of nominal wages in almost all the activities and a slower growth of productivity<sup>20</sup>. A stronger growth of wages was recorded since the second half of 2016 (Graph 1.26), mainly resulting from the amendment of the Law on Income Tax in FBH, while the increasing union pressure was present lately to sign new collective agreements including an increase of wages and other benefits. Such pressure was strong in the activities employing staff in high demand in foreign countries, which is particularly obvious in the areas of health care, construction and other services. According to the latest data, the overall productivity in the end of the third quarter recorded a growth of 2.4% compared to the same period of the previous year, while the average wages in 2018 increased by 3.3%. The overall productivity in recent years recorded equal growth rates, except for 2014 when disastrous floods took place which affected most activities,

except for the public sector and construction activities as a consequence of the growth of investment in the civil engineering area.

Observing by activities, in the first three quarters of 2018 (Graph 1.26), decrease of productivity was recorded in industry (-0.5%) as a result of a lower foreign demand due to the slow-down of the economic activities of the main foreign trade partners. The strongest increase of productivity was recorded in the sector of trade, transport and accommodation (6.0%) and public sector activity (3.3%). Regarding other activities, a strong growth of productivity was recorded in agriculture (9.4%), mainly as a result of the low base in the previous year, when unfavourable weather was recorded. According to the presented data, it is visible that the growth of wages was faster than productivity in some activities, which might bring about the growth of consumer prices. The mentioned pressure on the general price level was already recorded in some activities, which was particularly evident in health care (2.5% annual growth of prices in the end of 2018). Additionally, the annual growth of prices was recorded in producer prices in construction (1.0%)<sup>21</sup>. Having in mind the increasingly evident lack of labour in construction, without fast productivity increase, a strong growth of producer prices can be expected in the period ahead.

Graph 1.26: Annual Growth of Wages and Productivity by Activities



<sup>20</sup> Productivity is presented as an indicator of the nominal gross social value per employee

<sup>21</sup> Producer price index in construction/apartment building according to the data from the fourth quarter of 2018.

### 1.2.2 Fiscal Sector

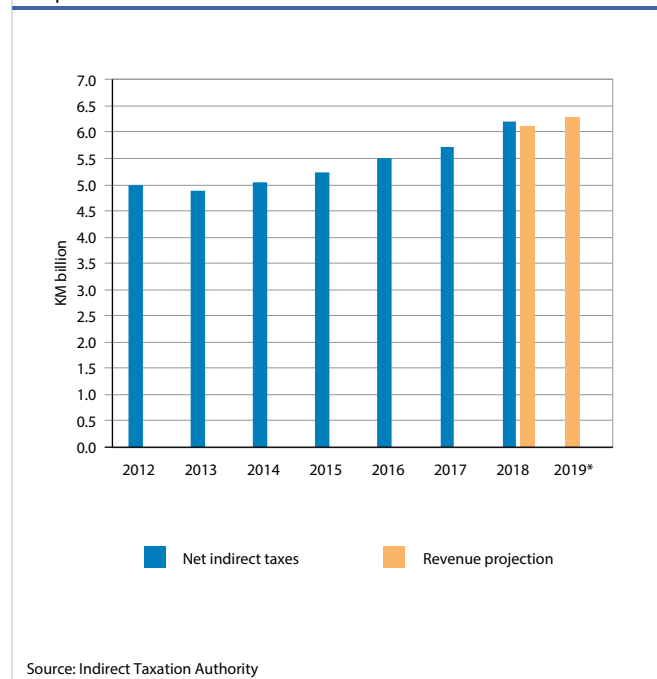
The fiscal consolidation, which had been started in earlier years, was continued at all the government levels in 2018, which is in compliance with the Reform Agenda for the period 2015 - 2018. In the mentioned period, the fiscal consolidation was carried out through the restricted growth of public spending, so, in the structure of public spending, the largest items (social payments and wages of employees) recorded a restricted growth. By restricting the current spending, the authorities at all the levels tried to create additional possibilities in order to finance capital spending and use public finance for growth, as defined in the 2019-2021 Global Fiscal Framework. In 2018, capital investments were larger compared to the previous year, particularly in road and railway infrastructure, which had a positive impact on the economic growth in BH. In earlier periods, BH had a limited access to foreign sources of financing, taking into account that the withdrawal of a large part of new assets was directly conditioned with the adoption of amendments on the Law on Excise Duties. Upon the adoption of the Law on Excise Duties and continuation of the implementation of reform measures, the growth of capital spending was recorded in 2018.

Regarding revenues in 2018, indirect tax growth exceeded the projection. A stable growing trend was recorded in collection throughout the year (Graph 1.27). The amount of the collected net revenues was the record one and the highest since the establishment of Indirect Taxation Authority (KM 6.22 billion). So, revenues on this basis, as the main source of budget financing, increased at the annual level in the amount of 8.4 % (KM 480.8 million). The main contribution to such collection came from the growth of the revenues from VAT (at the annual basis, the growth was KM 263 million), as a result of private spending growth. Due to the amendments on the Law on Excise Duties, in the part related to specified purpose tolls (increase of specified purpose toll on oil derivatives and increase of excise duties on heating oil), tolls at the annual level increased by KM 238.2 million. The collection of the revenues from customs duties had a continuing positive trend throughout the year after the end of the period of the five-year decrease and revoke of customs duties on the major part of imports from the EU. However, in the end of 2018, the growth of the revenues from customs duties slowed down resulting from the slow-down of the growth of imports from the EU. The imports from Russia also decreased as a result of decreased oil production in Bosanski Brod after the explosion in oil refinery. At the annual level, the revenues from excise duties

declined by KM 19.6 million. Multiple increase of excise duties on cigarettes in a short time period and a strong growth of retail prices of cigarettes could be the reason of the black market growth and a loss of revenues on this basis.

In 2018, a positive upward trend of the revenues from direct taxes was continued, both in the Federation of Bosnia and Herzegovina and in Republika Srpska. In the Federation of BH, KM 1.73 billion was collected (the annual growth of 6.7%) on this basis, while KM 492.6 million was collected in Republika Srpska (the annual growth of 6.0 %).

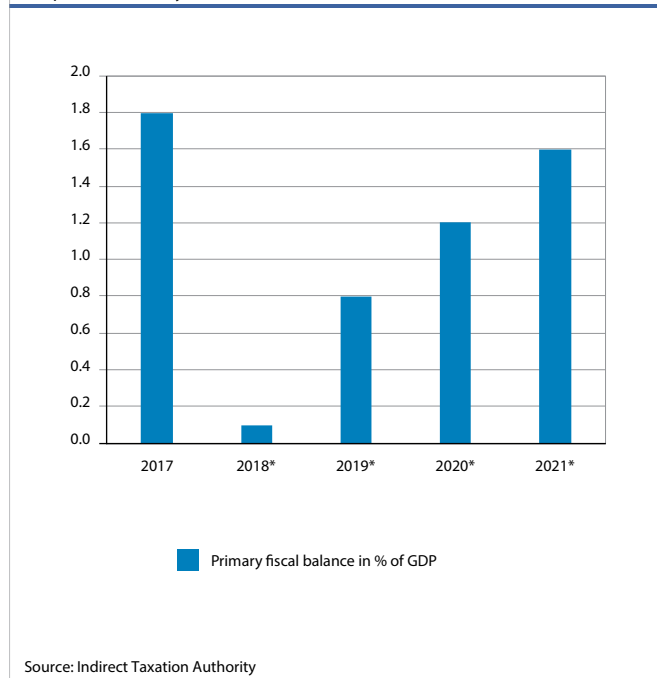
Graph 1.27: Revenues from Indirect Taxes



Positive trends in the collection of indirect tax revenues, restricted growth of current spending in favour of creating possibilities for capital spending with favourable external debt had a positive impact on a higher level of infrastructure works compared to the previous year. By continuous implementation of the adopted measures from the Reform Agenda, a higher implementation of public investments in 2018 was recorded. Also, in 2018, in the indirect taxation area, the process of the adjustment of the tobacco product taxation policy with the EU standards was continued. The process is expected to be completed in 2019 (which is earlier than 2020, as planned initially), when the overall excise duties should reach the minimum of the excise duty at the EU level. The policy of excise duties on tobacco in 2019 was defined by the Law on Excise Duties and the Decision of the Governing Board of the Indirect Taxation Authority. According to the Indirect Taxation Authority reports, all the sources of revenue growth on the basis of excise duties

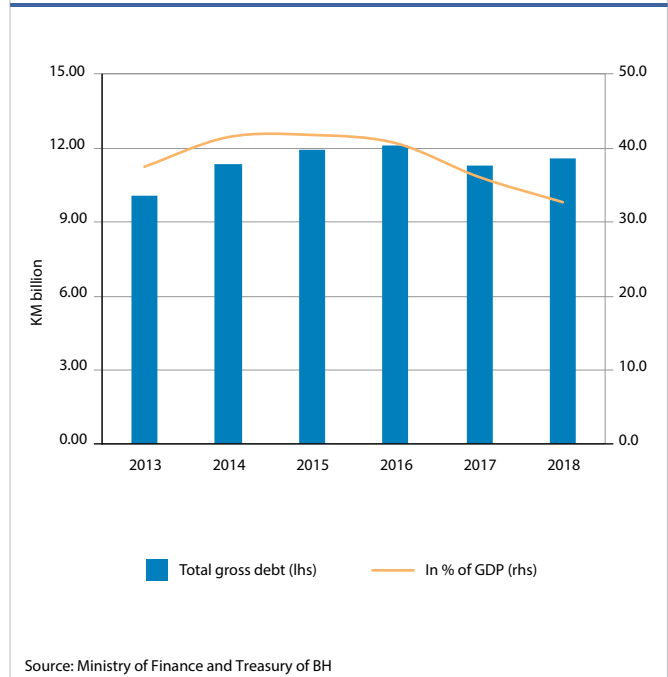
were exhausted, so in the future, only additional growth of revenues from VAT would be possible. The continuation of positive trends in the collection of indirect taxes is planned in the following years, which will partly mitigate the pressure on budget financing in the current year. In 2017, a high primary fiscal balance was recorded due to external financing restrictions. The withdrawal of foreign loans in the amount of KM 1.74 billion was planned under the 2018-2020 Economic Reform Programme, but, due to the mentioned restriction, only KM 574.9 million was withdrawn during 2017. The primary fiscal surplus for 2018 was revised compared to the earlier Economic Reform Programme projections. According to the latest 2019-2021 Economic Reform Programme, the growth of fiscal surplus was projected in the following years up to 1.6% of GDP in 2021 (Graph 1.28).

Graph 1.28: Primary Fiscal Balance in % of GDP



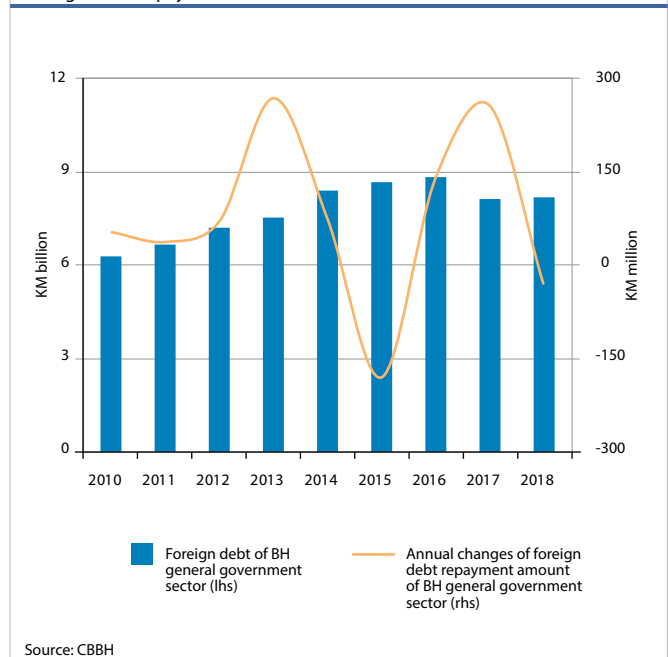
The total public debt of the government sector in 2018 slightly increased in the nominal amount, but the downward trend of the total gross debt was continued, expressed in ratio to GDP, which is in accordance with the reform agenda (Graph 1.29). The public debt of the general government sector in the end of 2018 was KM 11.62 billion. In the part of the public debt of the general government sector related to foreign debt, the debt amount repaid to foreign creditors in 2018 exceeded the amount of withdrawn new funds. However, the foreign debt balance at 2018 end slightly increased (KM 33.1 million 0.4%), mainly resulting from exchange rate differences (US exchange rate). The foreign debt of the general government sector in the end of 2018 amounted to KM 8.20 billion (Graph 1.30) and it was mainly related to concessional debt.

Graph 1.29: The Total Gross Debt of the Government Sector



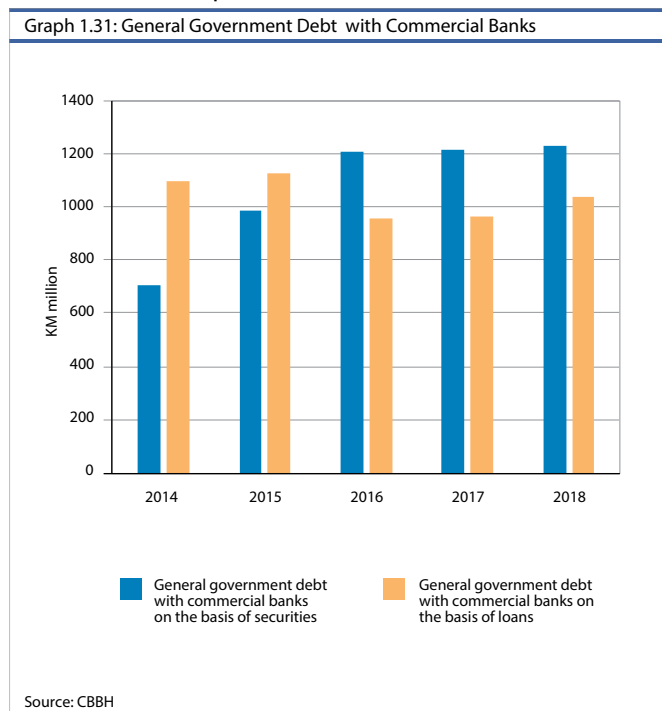
The total serviced funds to foreign creditors were KM 955.3 million, out of it, the highest individual amount of KM 353.1 million was serviced to the IMF. According to the data of the BH Ministry of Finance and Treasury, the planned amount allocated for the general government sector foreign debt servicing in 2019 was KM 825.8 million.

Graph 1.30: Foreign Debt of the Government Sector and Annual Changes of Foreign Debt Repayment Amount



The general government debt on the basis of debt securities at 2018 end amounted to KM 1.23 billion. At the same time, the debt of the general government on the basis of loans with commercial banks amounted to KM 1.04 billion. In 2018, Republika Srpska issued securities in the amount of KM 448.9 million, out of it, KM 328.6 million

was issued in the market of euro bonds for the first time in BH history. The remaining amount was issued in Banjaluka Stock Exchange. The Federation of BH issued the amount of KM 60 million (Graph 1.31).



During the year, there were only six issues of the Entity public debt (Table 1.1.). Their value was KM 508.9 million, which was lower by 22.5% compared to the previous year. Out of this value, the Federation of BH accounted for KM 60 million (11.8%), and the remaining part was the debt of Republika Srpska (88.2%).

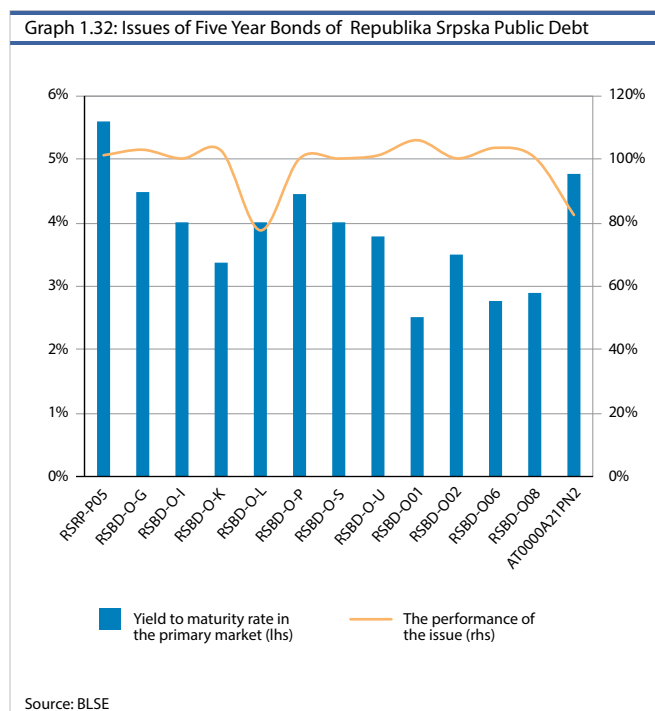
The main feature of BH financial market in 2018, besides a very low number of the Entity public debt issues, was an Entity participation in the international financial market, premature repurchase of the earlier issues, a negative rate of yield in a part of the market of treasury bills (the Federation of Bosnia and Herzegovina) and the stock index growth.

Table 1.1: Public Debt Issues of BH Entities in 2018

	1 m	3 m	6 m	9 m	12 m	36 m	60 m	84 m	120 m	Total
Republika Srpska	-	-	1	0	-	-	2	-	-	3
Federation of Bosnia and Herzegovina	-	-	-	2	-	-	1	-	-	3
<b>Total</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>3</b>	<b>0</b>	<b>0</b>	<b>6</b>

Source: BLSE, SASE

In June, Republika Srpska issued bonds in the Vienna Stock Exchange<sup>22</sup>, which was the first time in the history of Bosnia and Herzegovina that one of its Entities issued public debt on a foreign stock exchange. The planned issue amount was EUR 200 million, however, the percentage of the successful performance of the issue was only 82% (the realized issue amount was EUR 168 million), and the issue was carried out at five year period at the rate of yield to maturity of 4.75%, which was also the amount of the coupon interest rate. Beside the gap between the planned and realized value of the issue, there was also a large gap between the realized yield to maturity rate and the yield to maturity rate in the domestic market (Graph 1.32). Compared to the previous issue of five year bonds on BLSE, the rate of yield to maturity of the Vienna issue of five year bonds of Republika Srpska was higher by 186 basis points.



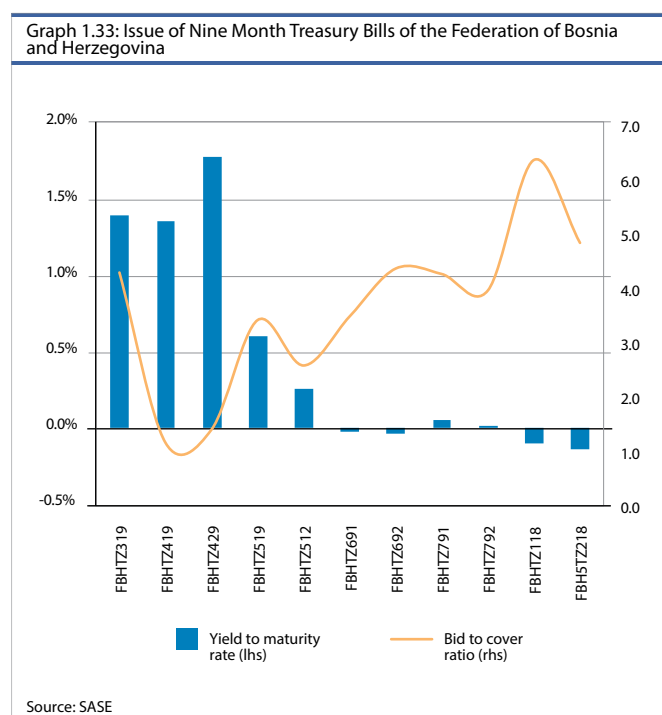
<sup>22</sup> [https://www.wienerborse.at/en/market-data/bonds/quote/?!ISIN=AT0000A21PN2&ID\\_NOTATION=222149671](https://www.wienerborse.at/en/market-data/bonds/quote/?!ISIN=AT0000A21PN2&ID_NOTATION=222149671)



The June issue at the Vienna Stock Exchange was more expensive by 225 bp compared to the cheapest issue (RSBD-O01 dated 13 March 2017) based on the yield to maturity rate, and by 97.4 bp compared to the average yield rate on five year bond issues.

Immediately after the issue of euro bonds, Republika Srpska repurchased prematurely one issue from the domestic market in the value of KM 117,730,000 at the interest rate of 5%.

The ratio of the values of treasury bill and bond issues of the Federation of Bosnia and Herzegovina in 2018 was only 2:1, and all the issues had the same value (KM 20 million). The interest rate on bonds compared to the previous year declined significantly, from 1.2% to 0.91%, this being the lowest interest rate on the market of five year bonds in the history of BH financial market. The nine month treasury bills of the Federation of Bosnia and Herzegovina were issued at a negative yield to maturity rate (Graph 1.33). The negative yield rate resulted from BH banks' high liquidity level, negative remuneration on funds exceeding required reserves, which had been introduced by the CBBH in mid-2016 and also the cancellation of several issues due to the adequate level of liquidity of the Single Treasury Account of the Federation of Bosnia and Herzegovina and decreased needs for the Federation of Bosnia and Herzegovina budget financing.



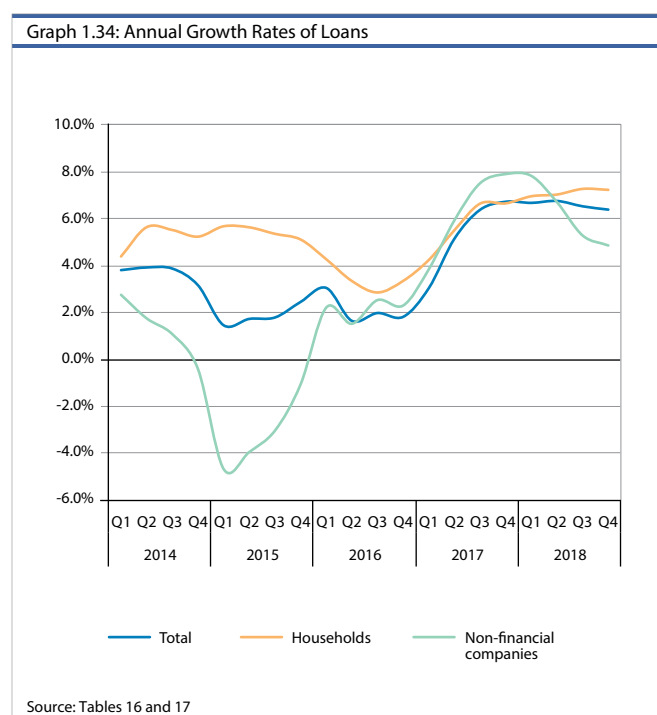
Despite very low yield to maturity rates, demand for short-term debt of the Federation of Bosnia and Herzegovina was very high. For the treasury bills issued at yield to maturity

rates of -0.105% and -0.134, the bid to cover ratio (the ratio between demand and supply for the issue) was 6.33, 4.8, respectively.

The average yield rate in the public debt market of BH Entities in 2018 was significantly lower compared to the previous year in all the maturity segments. In the market of six month treasury bills, it was lower by 21 bp, and in the market of five year bonds by 36 bp. The average yield to maturity rate at which BH Entities financed their public debts for six, nine month and five year periods in 2018 was 0.3%, -0.12% and 2.85% respectively.

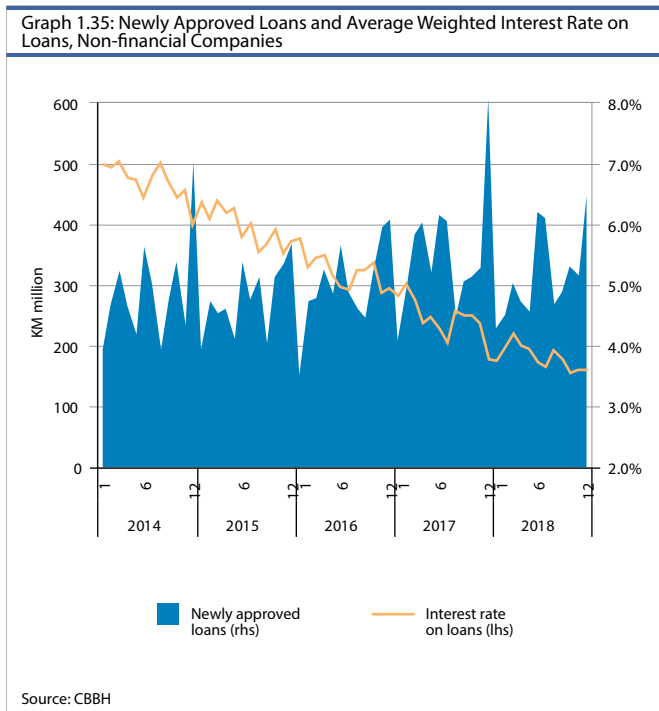
### 1.2.3 Banking Sector

The features of the BH banking sector were good capitalization, high liquidity and profitability in 2018. The balance sheet amount of BH banking sector was continuously growing during the year and reached the amount of KM 30.96 billion in the end of December 2018, which was the highest annual growth (9.7%) since 2007. The same as in the previous year, the strongest effect on the growth of the balance sheet amount of banks was that of the increase of deposits of domestic resident sectors, although deposits of non-residents significantly increased as well. Due to the moderate growth of lending, liquid items of assets increased, as well as funds in reserve accounts with the CBBH and deposits with foreign banks and a part of funds was allocated to investment in securities.



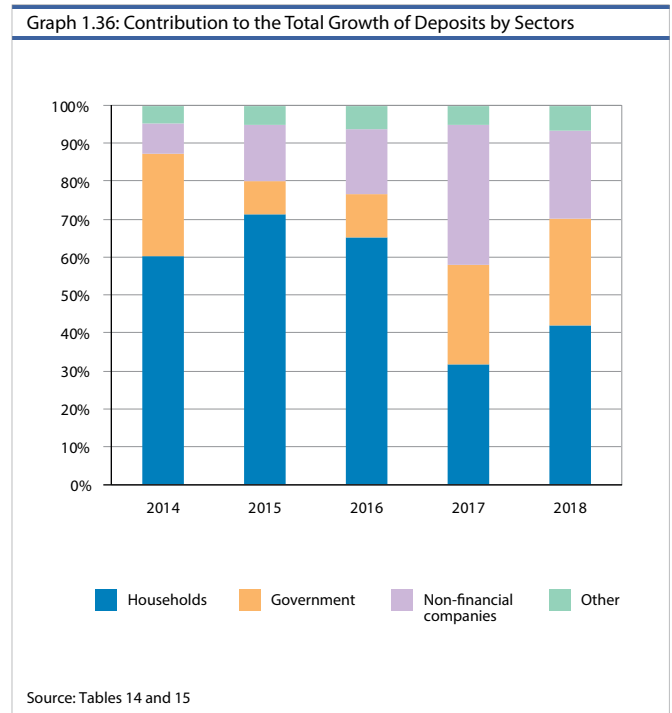
The approved loans, representing the most significant item of commercial bank assets, increased at the annual

level by 5.8%, with the highest increase (7.3%) recorded in the household sector (Tables 22 and 23). Lending to non-financial companies slightly slowed down during the year (Graph 1.34). The total amount of new loans extended to the non-financial company sector was lower by 11.8% in 2018 compared to 2017, although lending rates were at their lowest level recorded in BH (Graph 1.35). The trend of more intensive long-term lending compared to short-term lending was continued. A significant number of loan agreements was concluded at changeable interest rates, which in case of interest rate growth in the future could contribute to credit risk growth.



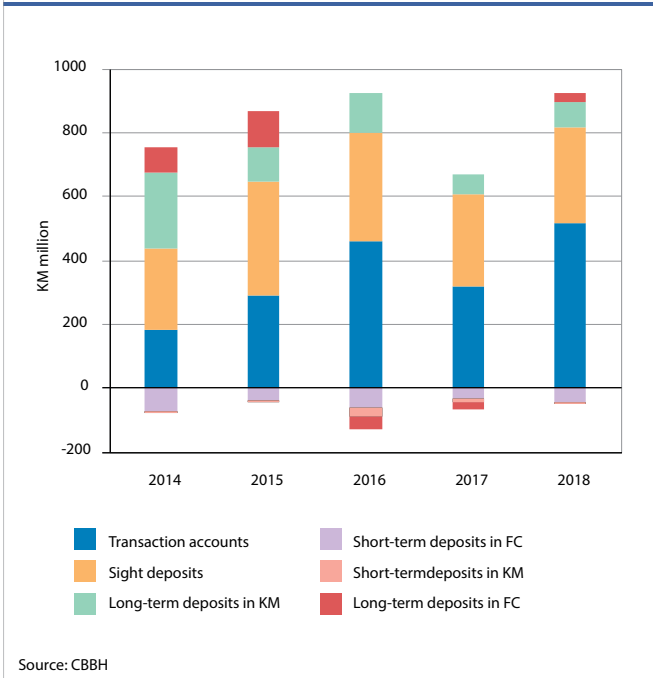
With the moderate debt of domestic sectors with banks and simultaneous faster deposit growth, the difference between the total loans and deposits continued to increase. The loan to deposit ratio amounted to 89.6% in the end of 2018, this being lower by 4.1 percentage points compared to the end of 2017. Accordingly, commercial banks mainly used domestic sources for new placements. However, the restricting factor for stable long-term financing from domestic sources was the maturity adjustment of financial sources and investments. This is particularly important for BH banking system, with a significant part of the total deposits being transferable deposits, which are available on demand without any compensations or restrictions. Transferable deposits amounted to 52.0% of the total deposits in December 2018, which was higher by 3.4 percentage points compared to December 2017.

The continued growing trend of domestic resident sector deposits in 2018 resulted in the growth of 10.6% at the annual level in December (Tables 20 and 21). Since 2017, the growth of the total deposits was significantly affected by deposits of households, and also deposits of government institutions and non-financial companies (Graph 1.36). The growth of government deposits was a reflection of stable revenues from indirect taxes at all the government levels. In the first quarter of 2018, the funds within the EEF - Extended Fund Facility of the IMF were remitted. The RS Government, besides additional debt issues in the domestic market, issued bonds in the international market in mid-year, while the FBH Government issued additional debt in the fourth quarter in the domestic market (Section 1.2.2). It can be assumed that a part of funds from the mentioned debt issues was kept in accounts with commercial banks.



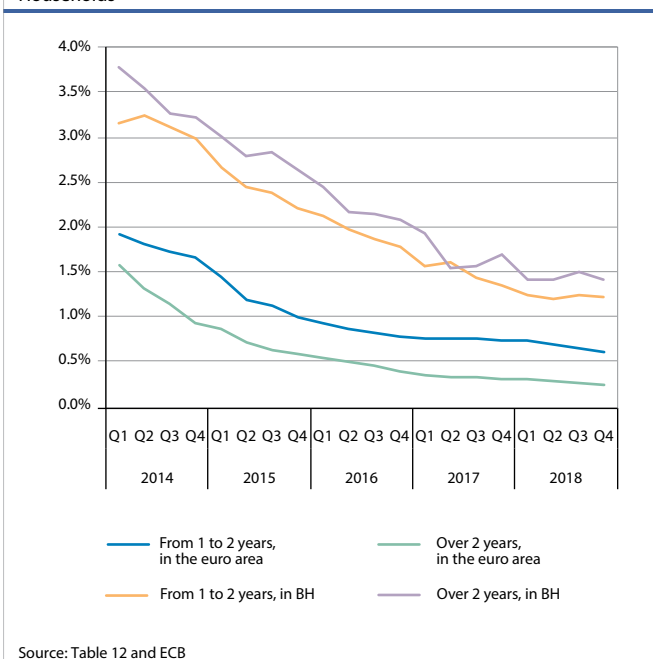
The several year long growth trend of household deposits continued, bringing them to the level above KM 12 billion. The growth of the household sector deposits at the annual level was caused mainly by the increase of deposits in transaction accounts (17.9%) and sight deposits (10.2%) (Graph 1.37). The household term-deposit level in the banking sector increased by the modest amount of 2.8% in 2018 compared to the previous year. Therefore, the increase of household deposits did not reflect increased savings but the non-existence of an investment alternative for citizens.

Graph 1.37: Household Deposits, Annual Changes



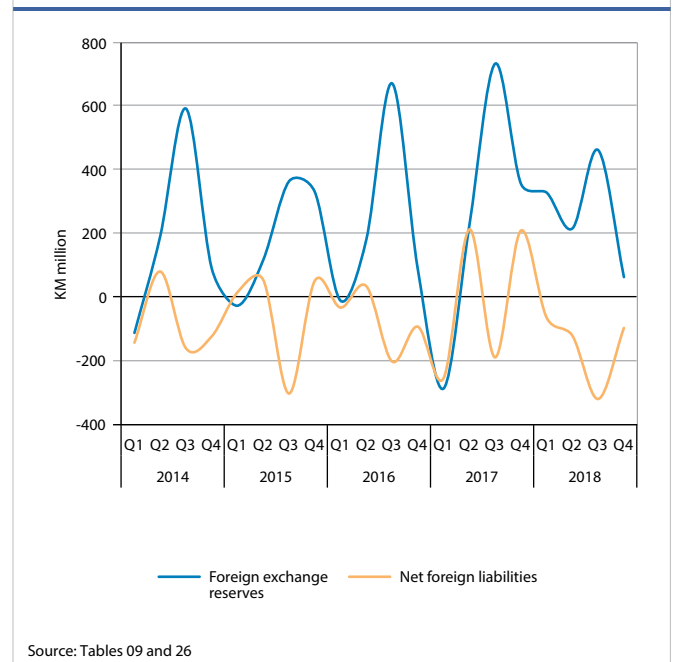
The stagnation of the average weighted deposit interest rates at a very low level, below 1.5% influenced the mentioned trend of household deposits (Graph 1.38). Households with lower savings deposits did not have a possibility to make term deposits at market average weighted interest rates, which were mainly defined on the basis of larger deposits. The deposit interest rate trend was mainly under the impact of low interest rates in international financial markets. The ECB announced the key interest rates would remain the same until the end of 2019 (Chapter 1.1).

Graph 1.38: Interest Rates on New Term Deposits with Agreed Maturities, Households



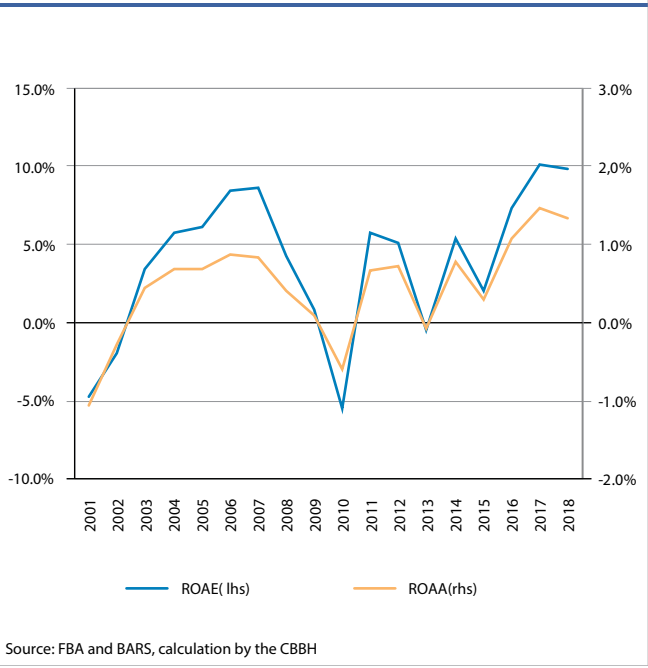
Due to the absence of a strong credit expansion, commercial banks did not need to incur significant foreign debts on the basis of loans. The deleverage pace in 2018 was slightly slower compared to earlier years. Foreign assets of commercial banks increased considerably (38.8%) compared to foreign liabilities (17.4%) in 2018 (Table 12). Accordingly, net foreign liabilities decreased by KM 615.2 million in December 2018 compared to the previous year (Graph 1.39). The trend of foreign liabilities and foreign assets of banks was mainly determined by the deposit trend. The increase of deposits with non-residents and investment in securities except for shares in foreign countries accounted for 73.4% of changes in foreign assets of commercial banks at the annual level. Non-residents' deposits accounted for 89.1% of changes in foreign liabilities of commercial banks at the annual level. New loans were recorded with few banks, which resulted in the increase of other loans with non-residents at the system level by modest 3.9%.

Graph 1.39: Quarterly Changes in Foreign Exchange Reserves and Net Foreign Liabilities of Commercial Banks



BH banking sector, the operations of which fall within the direct competence of the Entity Banking Agencies, recorded net profit in the amount of KM 342.1 million in 2018. Two banks operated with a loss in the total amount of KM 45.8 million. The same as in earlier years, the largest part of the profit was concentrated in few large banks. So, the profit of the two largest banks accounted for 63.7% of the total recorded profit of the banking sector in 2018. The trend of ROAA and ROAE indicators points out that the banking sector recorded a stable return on assets and equity over the previous three years (Graph 1.40).

Graph 1.40: Return on Average Assets (ROAA) and Return on Average Equity (ROAE)



1.2.4 External sector

I Balance of Payments

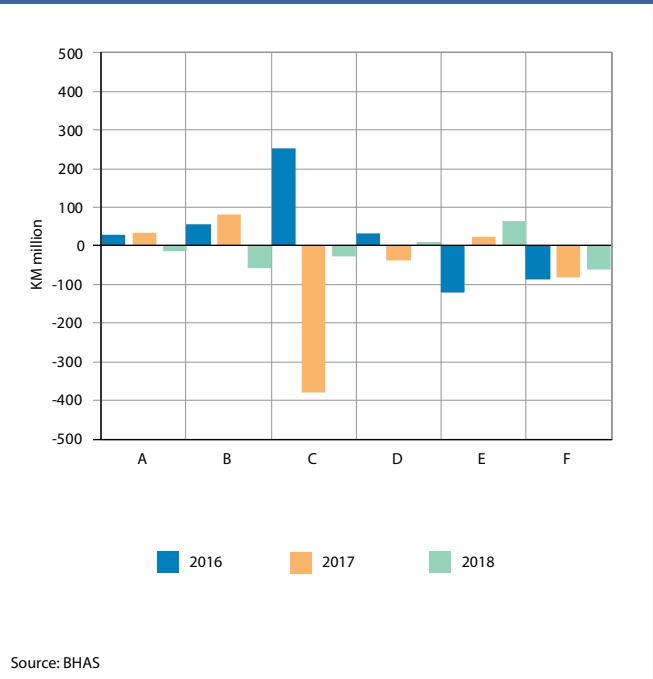
The country’s balance of payments position in 2018 has improved. More concretely, last year, the current account deficit decreased by KM 98.8 million or 6.7%, and the deficit of KM 1.38 billion was recorded on the account of current transactions with abroad (Graph 1.42). As in all previous years, the main cause of the current account deficit is the deficit on the account of goods, while there was a positive balance in the exchange of services and the secondary income with abroad.

Increase of the current transactions with abroad at the account of goods reflects an increase in economic activity in the country, i.e. a rise in GDP, which is evident through the growth of imports, with the growth of exports being evident, too. In addition to the mentioned factors, the fluctuation of energy prices in the world market has also influenced the value of imports and exports. There was a deficit of KM 7.37 billion in the goods transactions account. Compared to the previous year, trade deficit increased by KM 289.1 million or 4.1%.

Imports and exports in 2018 recorded modest growth rates of 6.0 and 7.6%, respectively. Our country is a net importer of food products, with the deficit amounting to KM 1.25 billion, of oil and petroleum products, i.e. of mineral products, where the negative balance amounts to KM 1.67 billion. Furthermore, imports of pharmaceutical products exceeded KM 420.5 million, as well as textile products by

KM 605.3 million. The trade of machinery, appliances and electrical equipment also recorded a negative trade balance of KM 1.22 billion and of transport vehicles of KM 984.3 million. On the other hand, our country is a net exporter of base metals, with a surplus of KM 86.6 million, and of wood, wood products and furniture with a surplus amounting to KM 508.1 million, with the net exports amounting to KM 849.3 million. The most significant annual increase of the deficit was recorded with the vehicle category, where the deficit was widened by KM 60.3 million and the net imports of mineral origin products, where trade deficit deepened by KM 27.1 million. (Graph 1.41). On the other hand, a positive impact on the trade deficit was realized in the trade of machinery, appliances and electrical appliances and base metals. Groups of products where we traditionally have a surplus on foreign exchange - wood ,wood products and furniture, over the past year, recorded a reduction in surplus, which negatively affected trade deficit (Graph 1.41).

Graph 1.41: Decrease/Increase of Trade Deficit by Product Groups



- Legend:**  
 A - Wood and Wood Products  
 B - Furniture  
 C - Mineral Origin Products  
 D - Machines, Appliances and Electric Devices  
 E - Base Metals  
 F - Vehicles

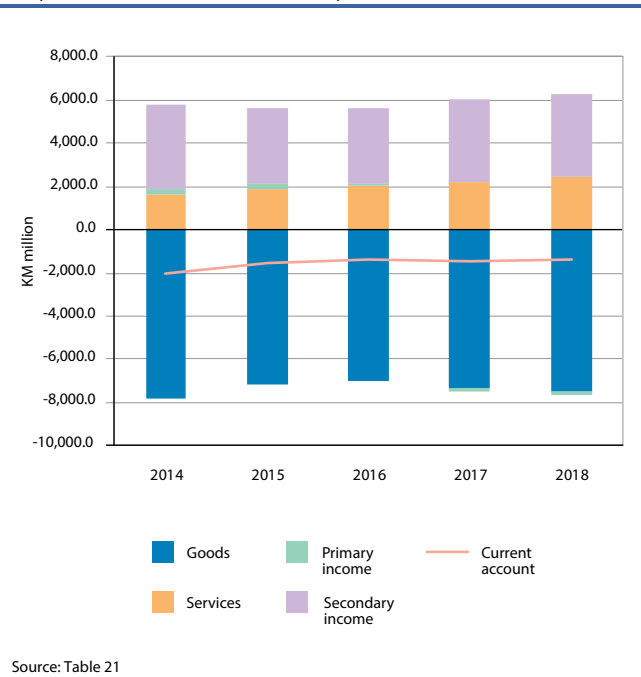
There was a surplus of KM 2.45 billion in the service account and the net inflow on the service account increased by KM 195.4 million or by 8.7% (Graph 1.42). The total inflow from services to foreigners is KM 3.48 billion. In providing services to foreigners, almost half of the inflow comes from

tourism (45.0%). Inflows from foreign tourist overnight stays amount to KM 1.56 billion, KM 725.9 million from transport services and KM 649.5 million from service of processing and refining of goods. The annual increase in inflows is the most significant in the field of tourism, where inflows from foreign tourists arrivals increased by 9.0%. The outflow of funds based on the import of services amounted to KM 1.02 billion, and the outflow of funds was increased by 4.8% compared to 2017, with the largest increase recorded in the transport of goods.

In the income account, the primary income in the previous year had a negative impact on reducing the current account deficit. Primary income was negative, i.e. the outflow of funds amounted to KM 168.9 million. The inflow from employees' earnings in foreign organizations decreased slightly. The outflow of funds from interest on loans to all sectors and the payment of dividends to foreign-owned enterprises amounted to KM 1.09 billion, and on this basis there has been a slight increase in outflow on an annual basis. Expenditures on the payment of dividends for foreign owned companies amounted to KM 912.8 million (Graph 1.42).

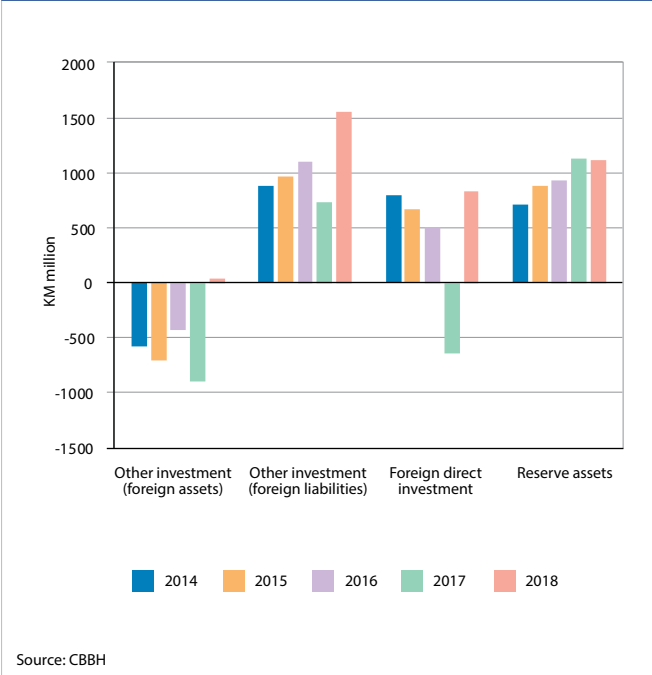
In 2018, the total inflow based on the remittances from abroad amounted to KM 2.69 billion, and the increase of inflow was recorded by KM 54.4 million (2.0%) compared to the previous year. The trend of increasing inflow on the basis of remittances has continued this year, too and stable inflows were caused by the recovery of the economies, from which we have the largest remittances' inflow. Pensions, being the second most significant inflow into the secondary income account, amounted to KM 1.19 billion and the inflow on this basis was increased by 3.2%. Thus, although there has been a significant trade deficit, the surplus on the secondary income and service account, covers almost 80% of the trade deficit.

Graph 1.42: Current Account and its Components

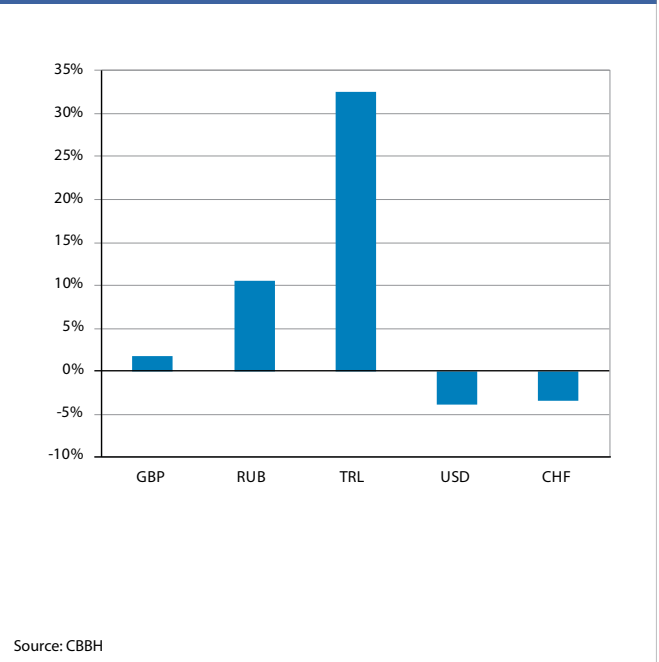


The funds missing to cover the current transactions deficit were formed from the inflows of foreign direct investments, which increased by 15.4% on an annual basis and additional borrowing from government and other sectors. Direct foreign investments in 2018 amounted to KM 799.8 million. In 2018, there was a significant increase in the inflow of funds from equity holdings of KM 565.1 million. The reinvested earnings in the previous year amounted to KM 392.1 million, while foreign-owned enterprises repaid more funds out of borrowings compared to the amount of new debt, and this repayment amounted to KM 118.8 million. Although direct foreign investment grew at an annual level, direct foreign investment in the observed year represents only a third of inflows made in the pre-crisis period. Increased volume of foreign transactions led to a decrease of the enterprises' financial assets, but also of the households by KM 970.3 million, while the banking sector increased its financial assets by KM 612.4 million. In the form of trade loans, as a form of import companies' indebteding, the inflow amounted to KM 606.0 million, with the annual inflow slightly increased. Furthermore, other forms of corporate borrowing, i.e. the long term loans, amounted to KM 460.7 million, and the sector of the corporate sector doubled its debts abroad compared to the previous year. In the observed year, the government sector paid the debts in the higher amount compared to the new made borrowings. Banking sector's financial liabilities increased by KM 402.1 million due to the increase in foreign currency deposits. The total inflow of funds was higher than the current account deficit, and there was an increase of reserve assets in the amount of KM 1.11 billion. (Graph 1.43).

Graph 1.43: Financial Account and its Components



Graph 1.44: Annual Changes of Nominal KM Exchange Rate against the Selected Currencies in December

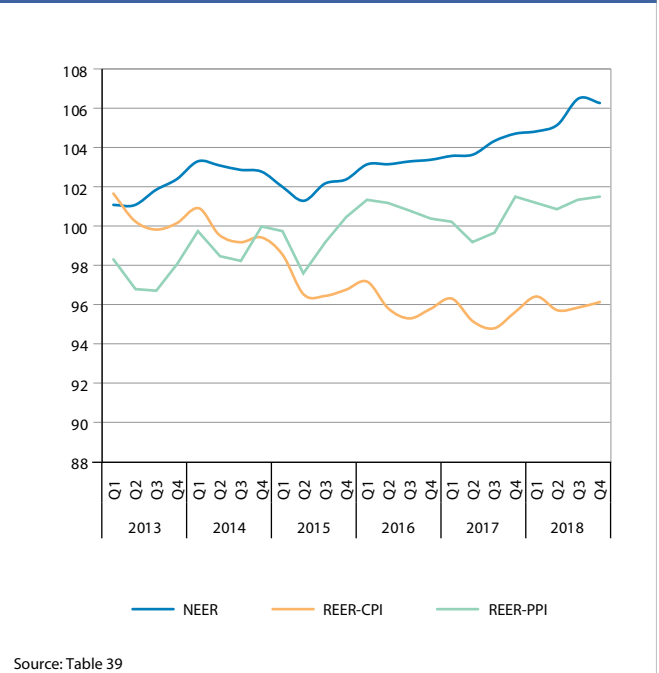


## II Nominal and Real Effective Exchange Rates

Over the past five years, the KM nominal effective exchange rate (NEER) has had an extremely growing trend. In 2018, the highest values of this index were also recorded in the last three quarters. In the last quarter (at quarter level), the NEER is lower by 23 bp and the value of the index is 106.3. All fluctuations of the KM nominal exchange rate against the currencies of our main trading partners reflect the fluctuations of EUR, our anchor currency against other currencies. Nominal appreciation of the KM is caused by the strengthening of the USD against the anchor currency, and in particular the currencies of the developing countries, which is particularly evident in the case of Turkish lira, and to a lesser extent of Russian ruble. The convertible mark nominally appreciated to Turkish lira by 32.6%, but due to the smaller volume of trade exchange with Turkey, it did not dominate the growth of NEER index. The KM appreciation against the Russian ruble was 10.6%, at the end of the year, while the largest annual level decline of Russian ruble occurred in April, when Russian ruble declined by 23.0% against KM, because of the intensification of international sanctions against Russia (Graph 1.44), which, due to the volume of trade with Russia, has influenced the growth of the NEER index.

The KM real effective exchange rate, measured by consumer prices (REER-CPI), has had a slight appreciation trend since the second half of 2017, after a several years decline of this Index value. Such REER trends are in line with inflation growth, although inflation in BH is even lower than in the countries, our major trading partners. The real effective exchange rate by consumer prices is lower than the rate measured by the producer prices, but the REER measured by producer prices has more evident appreciation trend. In December 2018, the REER-PPI and the REER-CPI were slightly increased at annual level by 5,1 bp and 6 bp, respectively. The REER measured by producer prices has a growing trend, due to the rising energy prices (Graph 1.45).

Graph 1.45: Nominal and Real Effective Exchange Rates of KM



## **2. REPORT ON THE CBBH ACTIVITIES IN 2018**

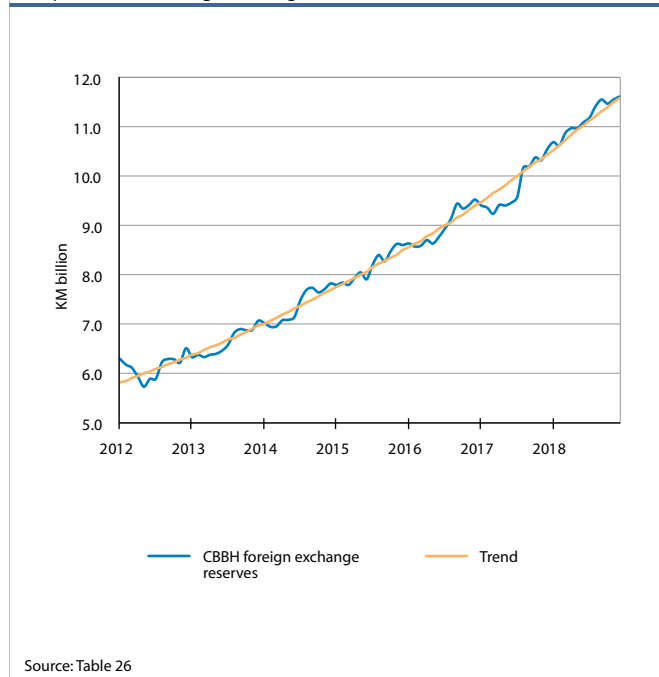




## 2. Report on the CBBH Activities in 2018

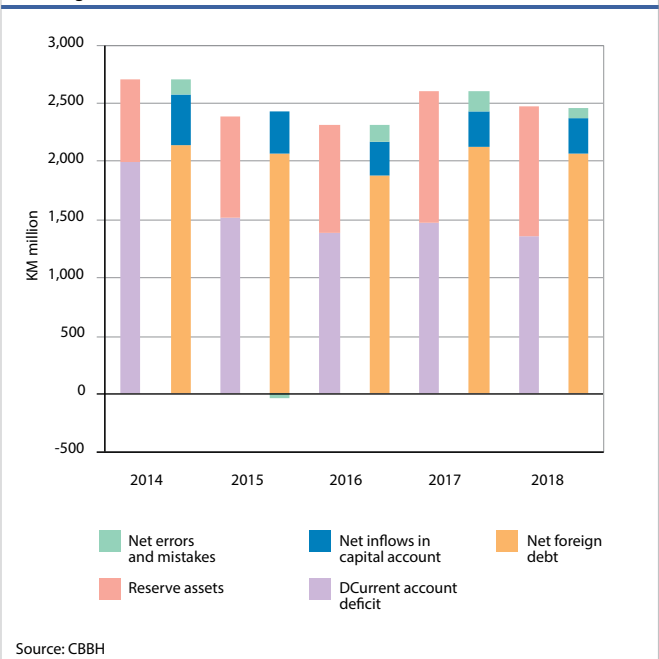
As in previous years, the growth of foreign exchange reserves continued in 2018, too. Foreign exchange reserves increased by KM 1.06 billion or 10.2% compared to the end of the previous year. Growth trend was present throughout the year, with the highest annual growth rates being recorded in the second quarter (Graph 2.1).

Graph 2.1: CBBH Foreign Exchange Reserves



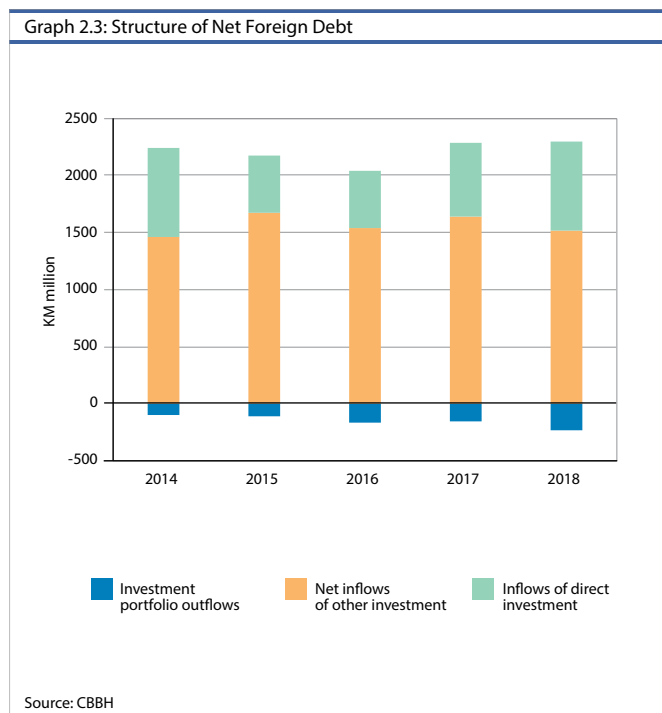
Graph 2.2 illustrates that, in general, in the case of BH, reserve assets (foreign exchange reserves) have been growing due to the growth of net external borrowing (significantly above the current account deficit). Reserve assets are shown on the left pillar for each period, along with the current account deficit, because in the BH context, they represent cash flows towards abroad. The right pillar illustrates the inflows from abroad to BH, net foreign borrowing and capital account inflows, for each referent period. Those have been at almost the same level, for years, and the net errors and omissions are also presented in the right pillar.

Graph 2.2: Impact of Balance of Payments Items on the Growth of Foreign Exchange Reserves



Net foreign borrowing is the sum of direct, portfolio and other investments. Compared to the previous year, there were some changes in the structure of net foreign borrowing. More concretely, the share of foreign direct investment in total foreign borrowing increased, while the other investments' inflows were lower (Graph 2.3). In previous years, in spite of the growth of foreign direct investment, the share of retained earnings was quite large, which did not affect foreign exchange reserves (almost half of foreign direct investment was in the form of retained earnings), but in 2018, this ratio was significantly reduced and the inflow based on equity shares is KM 958.2 million. Thus, the direct foreign investments in the form of equity shares increased their portion in total net borrowing compared to the previous year and this portion was 42.5%. In 2018, net inflows from other investments decreased compared to the previous year. Out of other forms of borrowing that had an impact on foreign exchange reserves, corporate loans abroad were significant, while the borrowing of the government sector, which in the previous years had a big impact on foreign reserves, was lacking in the past year, i.e. the net effect of government borrowing was negative, because the amount of debt repayment exceeds the government debt abroad. Currency and deposits through net financial assets and liabilities influenced the increased demand on foreign currencies. Banks increased their

placements abroad, while on the other hand, the financial liabilities increased due to increased deposits in foreign currencies.



Due to market conditions in the previous year, the impact of changes in CBBH portfolio value had a positive impact on foreign exchange reserves. More specifically, the strengthening of foreign currencies in the portfolio of foreign exchange reserves, due to exchange rate differences affected the growth, and the value of the investment portfolio, due to market conditions, increased, affecting the growth of foreign exchange reserves by KM 70.8 million.

All balance of payments transactions that had an impact on the growth of foreign exchange reserves were reflected in the purchase and sale of KM with banks and the government, resulting in a positive balance of KM purchase and sale, which CBBH realized with commercial banks and internal depositors in the amount of KM 1.01 billion.

### 2.1 Monetary Policy

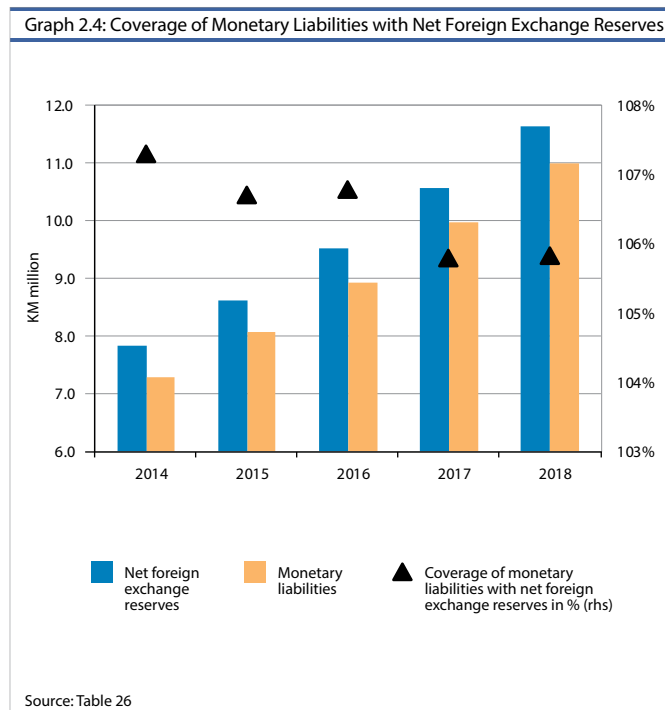
In 2018, too, the CBBH fulfilled the target defined by the Law - issuing of domestic currency under the Currency Board arrangement. Pursuant to Article 31 of the CBBH Law, the CBBH has the obligation to ensure that the total amount of its monetary liabilities never exceeds the equivalent amount of its net foreign reserves, which has been entirely fulfilled.

In accordance with the Law, the total amount of monetary liabilities of the Central Bank is always a sum of:

(A) all banknotes and coins that were put in circulation by Head Office, Main Units and Branches of the Central Bank and

(B) the debit balances of all accounts, held in the books of the Central Bank and its organizational units, from resident accounts' holders.

By the end of 2018, the net foreign assets amounted to KM 638.1 million, which is by KM 64.1 million (10.64%) higher than the balance at the end of 2017. Net foreign reserves, at the end of 2018, amounted to KM 11.62 billion and they increased by KM 927.3 million or by 8.67% compared to the end of 2017. Monetary liabilities recorded an increase of 8.56%, or KM 866.0 million in the same period. Net foreign assets represent shock protection that may have a negative impact on the market value of financial instruments in which foreign currency reserves are invested, and which may impair the value of foreign exchange reserves and jeopardize the principle of full coverage of monetary liabilities by foreign currency reserves, being one of the basic principles on which the Currency Board stability and sustainability are based. The rate of coverage of the Currency Board at the end of 2018 did not change significantly compared to the end of the previous year (Graph 2.4).



### 2.2 Reserve Accounts with the CBBH

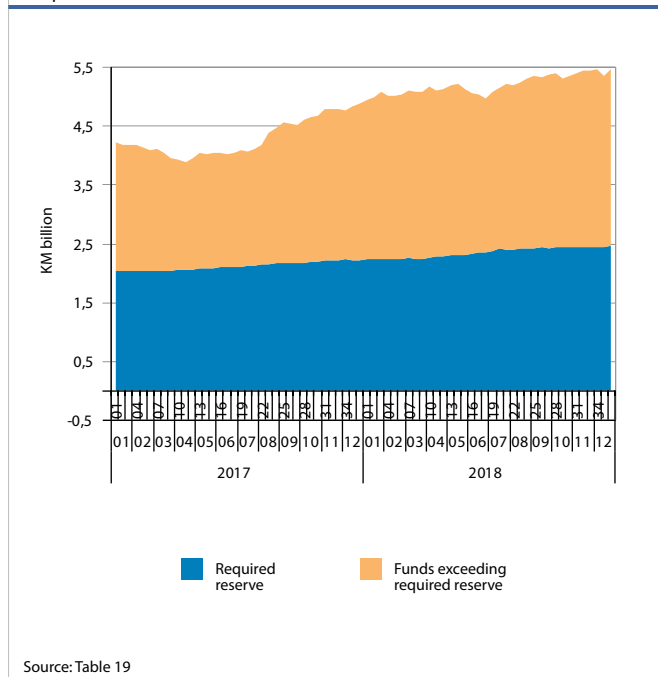
The CBBH has the required reserves as only instrument of monetary policy. In 2018, the CBBH did not change the rate of required reserves and in accordance with the 2016 Decision applied the 10% rate on the base for calculating

the required reserves consisting of deposits and borrowed funds.

The required reserves system in 2018 included 24 banks and all banks fulfilled the requirement to allocate the funds at the required reserve account. The growing trend of the base for required reserve calculation continued in 2018. At the end of 2018, the base for calculating the required reserve amounted to KM 24.65 billion, with an annual increase of KM 2.47 billion, which, applying the valid rate, resulted in a corresponding increase of the average required reserve amount in the account with the CBBH.

The balance of the reserve account amounted to KM 5.48 billion at the end of the year, thus, it increased by KM 602.8 million or 12.3% on an annual basis (Graph 2.5). Deposits of domestic sectors dominate the trends of the base for the required reserves calculation, largely due to the growth of transferable domestic currency deposits, which increased by one-third on annual level. On the other hand, the amount of the foreign currencies' base is rising, too, with an annual growth of 10.0%. For illustration sake, at the end of the year, the annual growth rate of the base for calculation in foreign currency increased by 3 pp compared to the end of December 2017. Excess reserves also have the growing trend, and at the end of the year they amounted to KM 3.01 billion. At annual level, an increase of KM 355.1 million or 13.3% was recorded.

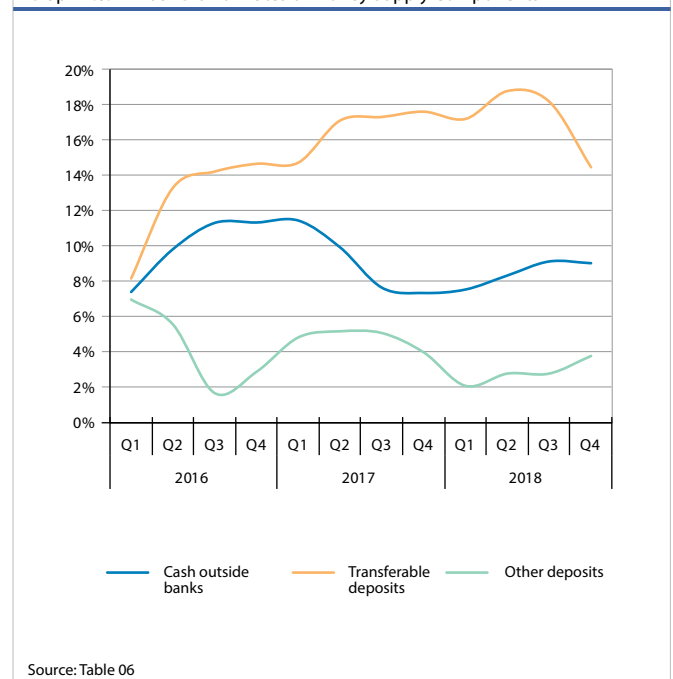
Graph 2.5: Reserve Account Balance with the CBBH



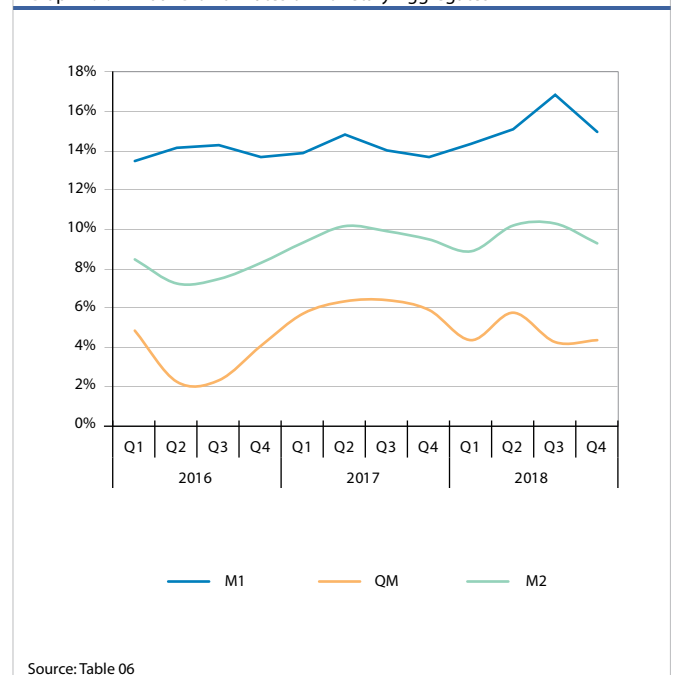
In the structure of money supply, the transferable deposits recorded the highest annual growth rates. Currency outside banks also recorded slightly higher annual growth rates compared to the previous year. Other deposits had

lower annual rates of fluctuation over the four quarters of 2018, compared to the observed period of 2017 (Graph 2.6). Therefore, M1 monetary aggregate, made of the most liquid components of money supply: currency outside banks and transferable deposits in domestic currency, continued the annual growth, and the annual growth rates were much higher than in the previous year. On the other hand, the quasi money, which includes other deposits in the domestic currency, transferable and other deposits in foreign currencies, recorded the slowdown of growth compared to the previous year. The money supply measured by the largest monetary aggregate, M2, was KM 24.19 billion at the end of the year, and it increased by 9.3% (Graph 2.7).

Graph 2.6: Annual Growth Rates of Money Supply Components



Graph 2.7: Annual Growth Rates of Monetary Aggregates



As in the previous period, the basic indicators of banking sector liquidity in BH have been at a relatively satisfactory level (Table 2.1). The growth of cash and transferable deposits, again, as in the previous year, has affected the improvement of liquidity indicators, illustrating the ratio of liquid assets to total assets. Liquid assets to short-term financial liabilities recorded a slight growth of ratio compared to the same period of the previous year. Short-term financial liabilities represent the total financial liabilities of up to one year remaining maturity and record an increase over the previous period, mainly as a result of the above-mentioned growth in transferable deposits. Thus, the ratio of short-term financial liabilities to total financial liabilities has increased. A very high percentage of short-term to the total financial liabilities of banks points to the maturity structure of the source, which currently does not suit to stronger growth of long-term credit placements. Stronger growth of deposits in relation to credit activity resulted in total deposits exceeding the total amount of loans throughout 2018<sup>23</sup>.

## 2.3 Foreign Currency Reserves Management

Process and results of foreign exchange reserves management by the CBBH in the period 2011-2018 were largely determined by developments in financial markets, where, the funds in foreign convertible currencies have been invested, in accordance with the Law on the CBBH and the defined strategic structure of the reserves. Short-term interest rates stagnated in 2017 and 2018, after a sharp fall in previous years (Table 2.2). In contrast to the stagnation of short-term interest rates over the last two years, the growth and instability of yields on mid-term and long-term government bonds of euro area countries are evident (Table 2.2).

**Table 2.1: BH Banking Sector Liquidity Indicators**

		Liquid assets to the total assets	Liquid assets to short-term financial liabilities	Deposits to loans	Short-term financial liabilities to the total financial liabilities
2017	Q1	23.5%	41.6%	101.2%	72.8%
	Q2	38.8%	42.1%	101.1%	72.8%
	Q3	20.6%	43.8%	103.5%	74.4%
	Q4	28.7%	44.3%	105.1%	75.2%
2018	Q1	29.0%	44.0%	106.0%	75.8%
	Q2	32.7%	43.2%	107.0%	78.0%
	Q3	29.2%	44.4%	108.5%	78.0%
	Q4	29.7%	44.6%	109.5%	77.3%

<sup>23</sup> Methodology for Compilation of Financial Soundness Indicators, CBBH (March 2017), [www.cbbh.ba](http://www.cbbh.ba)

Basic liquid assets, i.e. liquid assets in the narrow sense, consist of currency and deposits and other financial assets with maturity deadline less than three months, excluding interbank deposits.

Short-term financial liabilities are defined by the Report on the maturity adjustment of assets and liabilities of banks and represent the total financial liabilities of the remaining maturity of up to one year.

The total financial liabilities are defined by the Report on the maturity adjustment of assets and liabilities of banks, consisting of: a) Deposits and due outstanding off-balance liabilities, b) Borrowings from other banks, c) Liabilities towards Government, d) Liabilities from loans and other borrowings, e) Subordinated debts and subordinated bonds, and f) Other financial liabilities.

**Table 2.2: Average Weighted Interest Rate on the CBBH Foreign Exchange Reserves and Average Market Interest Rates and Yields on Government Bonds in the Euro Area**

	AWIR	ECB - Main refinancing operations rates (MROR)	in %				
			Euribor		EUR bonds		
			1m	3m	2 years	3 years	5 years
2011	0.93	1.25	1.18	1.39	2.44	2.74	3.30
2012	0.53	0.88	0.33	0.57	1.62	1.91	2.53
2013	0.48	0.55	0.13	0.22	0.88	1.19	1.85
2014	0.43	0.16	0.13	0.21	0.31	0.46	0.96
2015	0.34	0.05	-0.07	-0.02	-0.04	0.07	0.40
2016	0.22	0.01	-0.34	-0.26	-0.32	-0.25	0.01
2017	0.18	0.00	-0.37	-0.33	-0.39	-0.24	0.18
2018	0.16	0.00	-0.37	-0.32	-0.13	0.08	0.46

Source: Bloomberg, CBBH.

Thanks to the ECB quantitative easing, market yields on government bonds denominated in EUR, including the EU periphery countries, are extremely low and mostly negative. The gradual reduction and finally the abolition of the new bonds purchases, and turbulences in Italy and other Eurozone countries<sup>24</sup> and other geopolitical tensions in 2018 caused the average yields on the two-year, three-year and five-year bonds of all ratings denominated in EUR, in 2018, to increase by about 30 base points compared to the 2017 averages. Despite this increase, average market yields on these bonds in 2018 were significantly lower than their values in the periods before the introduction of quantitative easing by the ECB at the beginning of 2015.

Despite the instability of market yields and the increase in credit risk, the increase in market yields did not contribute to an increase in the net average weighted interest rate (WAIR net), since the CBBH significantly reduced its exposure to financial risks, particularly credit risk, at the beginning of 2017, resulting in lower profitability, thus the WAIR net in 2018 (0.16%), was slightly lower than in 2016 and 2017 (Table 2.2).

The CBBH manages foreign exchange reserves, primarily according to the principles of security and liquidity of investments, in accordance with the CBBH Law and relevant internal enactments (investment guidelines, strategic assets allocation and risk rules and parameters). Considering that, according to Article 34 of the CBBH Law, it is not possible to invest more than 50% of total undiscounted capital and reserves in other currencies other than EUR, the CBBH invests more than 95% of foreign exchange reserves in financial instruments denominated in EUR. Therefore, CBBH has to

accept negative and low market yields on government debt securities and negative interest rates on foreign currency deposits with foreign banks, which implies lower net income from investing the foreign exchange reserves.

Decisions on the management and investment of the foreign exchange reserves are made at three levels within the CBBH organization: Strategic - Governing Board; tactical - Investment Committee, and operational - competent departments of the Sector for Monetary Operations, Foreign Exchange Reserves and Cash Management. The Governing Board establishes investment guidelines that define maximum risk tolerance, an optimal trade-off between risk and return, strategic assets allocation, investment restrictions, investment period and benchmark for performance appraisal. The Investment Committee operates within the framework of binding legal restrictions and Investment guidelines adopted by the Governing Board in preparing the rules and risk parameters related to the investment of foreign exchange reserves. Operational level decides on and it is accountable for day-to-day management of foreign exchange reserves, operating in accordance with the guidelines and rules and risk parameters.

In the process of managing the foreign exchange reserves during 2018, the available information on relevant money and capital markets in the Eurozone and the world were continuously considered, as well as available projections that could affect the investment of foreign exchange reserves in the current year, but also in the forthcoming period. The potentials and modalities in the policies of the CBBH's foreign exchange reserves investment and management were also analyzed and appropriate

<sup>24</sup> Unstabilities in financial markets, with occasional episodes of market yields rise, are still going on, and they increased after the political turbulences in Italy and France, and the uncertainties related to correction of Italy's fiscal projections for 2019 and the doubts on sustainability of its foreign debt repayment. The a.m. uncertainties of the market yields, due to the short periods of strong growth, caused the a.m. increase of the average yields on government bonds in 2018.

changes to the investment policy were initiated in order to adapt to the market conditions in the euro area. In addition, the CBBH has continuously analysed the information on the movement of yields on the financial markets, where the foreign exchange reserves are invested, as well as the information on the rating of foreign banks, in which the CBBH has fixed term deposits and current account funds, and on the sovereign ratings of the states - issuers of securities which are the part of the CBBH foreign exchange reserves portfolio.

The portfolio of foreign exchange reserves is primarily exposed to financial risks, namely: interest rate risk, credit risk, liquidity risk and foreign exchange risk. The CBBH restricts exposure to credit risk by investing primarily in bonds of selected Eurozone countries, and by placing deposits in selected central banks in the euro area, selected foreign commercial banks, provided that they meet the standards of the counterparty's eligibility, as well as in the Bank for International Settlements (BIS). The basic principle of credit risk management is the appropriate criterion on selection of counterparties, and the debt securities with fixed income, avoiding the excessive credit risk exposure towards one individual counterparty. These standards and restrictions are reviewed and updated when necessary, taking into account the official ratings by the leading global rating agencies, as well as the indicators obtained through the use of the internal credit risk assessment methods. The interest rate risk, i.e. the risk of a decrease in the value of foreign exchange reserves portfolio, due to unfavourable interest rate trends, is controlled by so-called "benchmark portfolio", as well as by the regulation of duration of the entire foreign exchange reserves portfolio. Foreign exchange risk represents the risk of changes in the value of foreign currency assets and liabilities, due to changes of the currencies' exchange rates, in which the foreign exchange reserves are held, in relation to the local currency. Foreign exchange risk management is primarily carried out through the harmonization of the currency structure of the CBBH assets and liabilities.

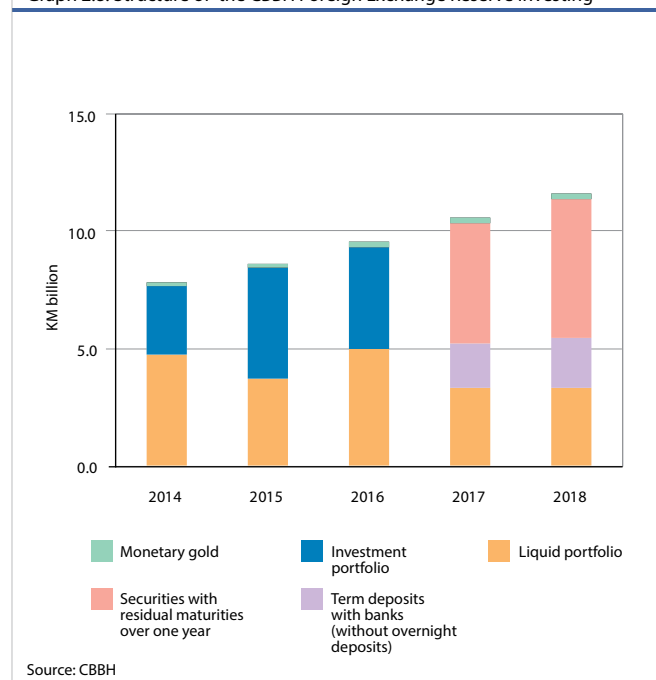
Instruments to ensure day-to-day liquidity are overnight deposits and current accounts' balances with central banks of the euro area countries, BIS and commercial banks that meet the credit risk criteria, as well as the maturing funds per all instruments. The structure of foreign currency reserves at the end of 2018 (Graph 2.8) consisted of: term deposits with banks (excluding overnight deposits) with a share of 18.22%; liquid portfolio with a share of 28.36%; a portfolio of securities with a maturity of more than a year with a share

of 51.61% and gold with a share of 1.81%. The share of the liquidity portfolio fell to 28.36% from last year's 31.45% of total foreign exchange reserves. At the end of 2018, the liquidity portfolio consisted of: current accounts with banks (6.84% of total foreign currency reserves); cash in the CBBH vaults (2.36% of total foreign currency reserves); the IMF's special drawing rights (0.02% of total foreign currency reserves) and securities with a residual maturity of one year and less (19.14% of total foreign exchange reserves). Securities with a residual maturity of one year and less, as the largest item of liquid portfolio, amounted to KM 2.22 billion at the end of 2018. Current accounts with banks, as the second largest liquidity portfolio, amounted to KM 796 million, at the end of 2018.

At the end of 2018, the fixed income securities, at market value, accounted for 70.75% of total foreign exchange reserves, which is by 34 bp more compared to the end of 2017. With the aim of hedging the credit risk, investments in the securities of selected European countries are made, with the limits on maximum participation of debt instrument for each individual country.

Deposits with non-resident banks recorded an annual increase of KM 215.31 million (7.98%), at the end of 2018, while the assets invested in fixed income securities increased by KM 751.58 million (10.06 %).

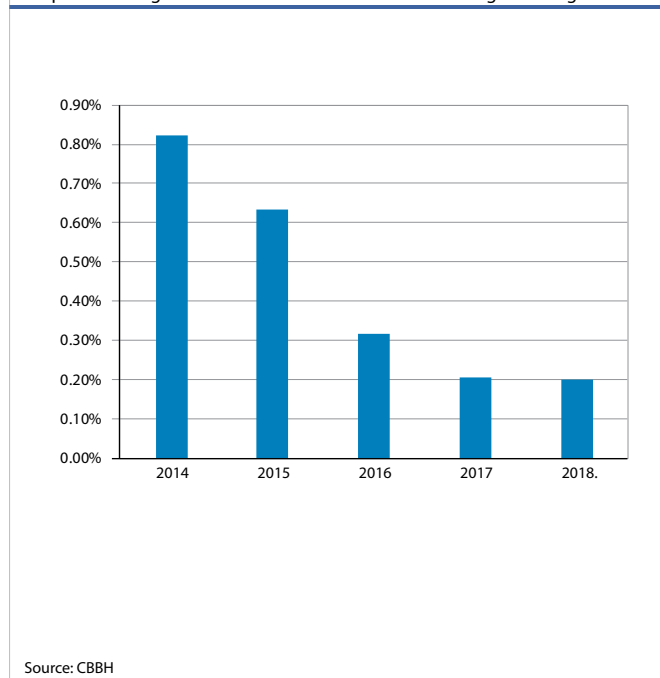
Graph 2.8: Structure of the CBBH Foreign Exchange Reserve Investing



The combined net effect on the income statement of all investments of CBBH foreign currency assets in convertible foreign currency and monetary gold (net monetary foreign

currency income) amounts to KM 22.28 million, and expressed in the effective yield rate for the period from 1 January to 31 December 2018, it was 0.20% (Graph 2.9). Relatively low return rates on investments in convertible foreign currency are results of low and / or negative yield rates on securities, negative interest rates on short-term euro deposits, which prevailed in the financial markets in 2018, and they are also the consequence of turnaround in investment policy of foreign currency reserves, in terms of reducing exposure towards Eurozone periphery countries, which have significantly higher yield rates on public debt instruments than the Eurozone average.

Graph 2.9: Average Annual Rates of Yields on the CBBH Foreign Exchange Reserves

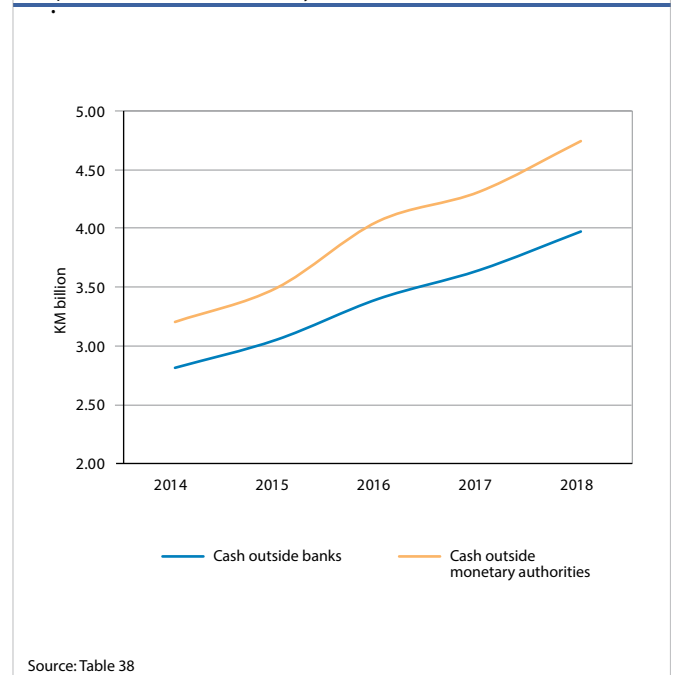


## 2.4. Cash Management

As at 31 December 2018, the cash balance in circulation (outside of the banks) amounted to KM 3.98 billion (Graph 2.10), which is by 9.03% more than in 2017. In this way, the growth trend from previous years has been continued. Banks' growing demand on cash is still primarily a result of increased customers' demands on cash. This is also evidenced by data on credit card operations, indicating still evident households' preference of cash payments. More concretely, cash amounting to KM 7.17 billion (69.65% in value) was withdrawn from ATMs, out of the total value of transactions realized using cards in the country, amounting to KM 10.29 billion. Additional demand on cash is also encouraged by exceptionally low interest rates on deposits, especially on the short term deposits, minimizing the opportunity cost of cash holdings. In 2018, the growth of KM

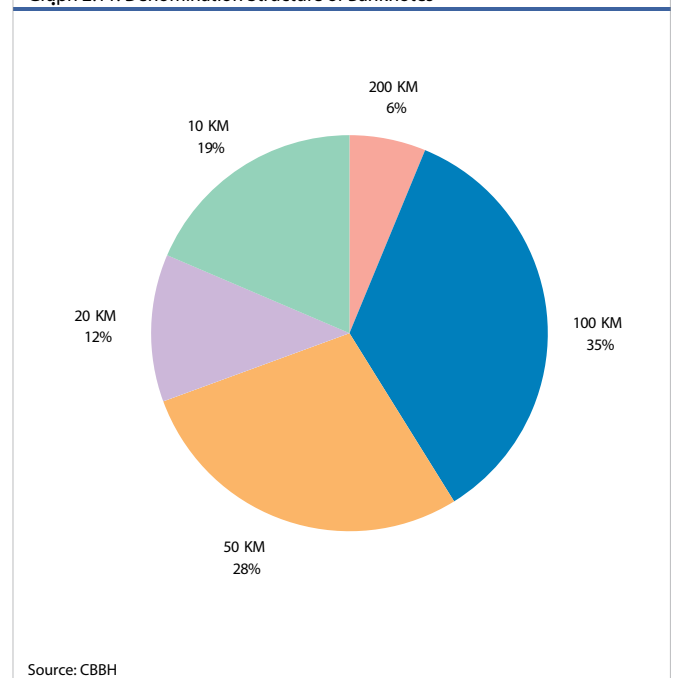
cash in the commercial banks' vaults was recorded, which is partly caused by the application of negative remuneration rate on excess required reserves.

Graph 2.10: Cash outside Monetary Authorities and Banks

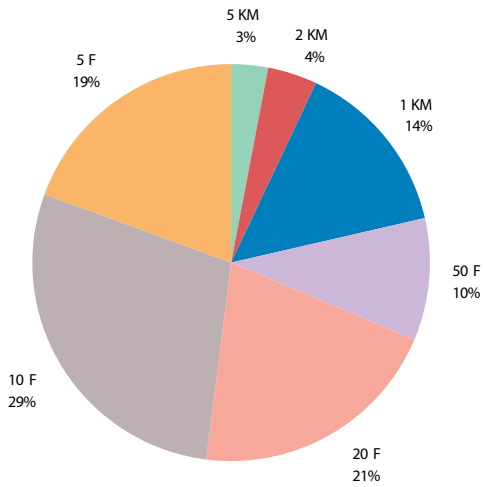


At the end of 2018, outside the CBBH, there were 69.4 million of KM banknotes pieces and 363.7 million of KM coins, totaling in value of KM 4.75 billion, which is 10.0% more than in 2017. As for the denomination structure of the currency outside the CBBH, the banknotes of KM 100 and KM 50, and the coin denomination of 10 F were mostly in use (Graphs 2.11 and 2.12).

Graph 2.11: Denomination Structure of Banknotes



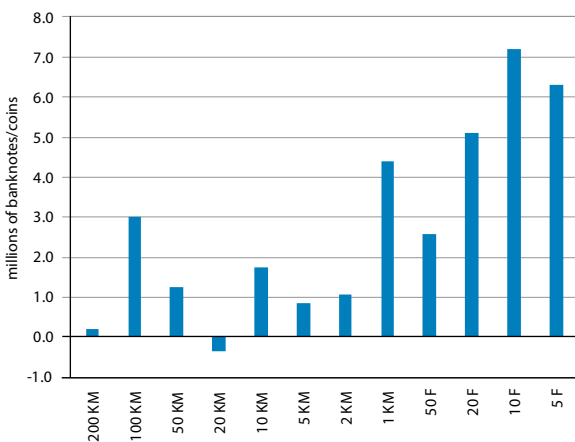
Graph 2.12: Denomination Structure of Coins



Source: CBBH

As compared to 2017, the number of banknotes outside the CBBH increased by 5.9 million pieces (9.2%), totaling in value KM 417.1 million (Graph 2.12). The amount of coins outside the CBBH increased by 27.6 million pieces (8.2%), with the total value of KM 14.2 million (Graph 2.13) in the same period.

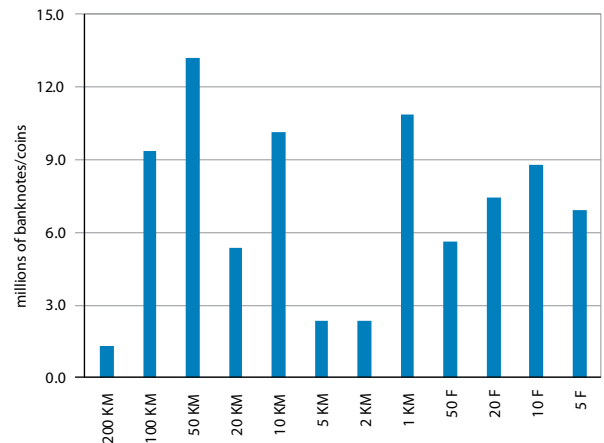
Graph 2.13: Increase of the Number of Banknotes and Coins by Denominations Compared to 2017



Source: CBBH

The supply of commercial banks with cash is carried out through the vaults of the CBBH Main Units and Branches, located in Sarajevo, Banja Luka, Mostar and Brčko, strictly adhering to the Currency Board arrangement. In 2018, commercial banks were issued 39.4 million pieces of banknotes and 44.3 million pieces of coins, total value being KM 2.10 billion (Graph 2.14).

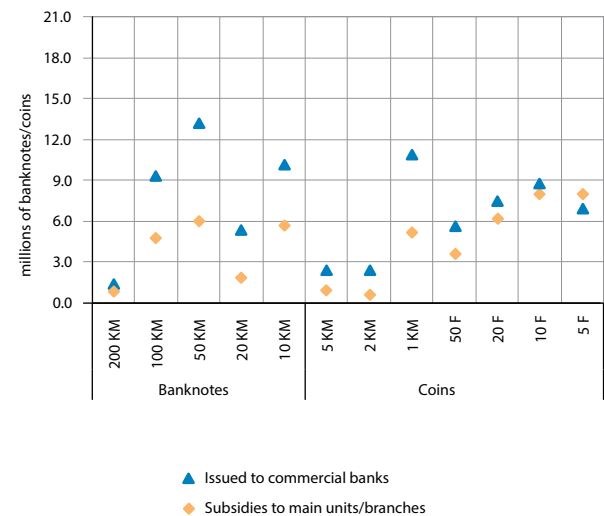
Graph 2.14: Banknotes and Coins Issued in 2018 by Denominations



Source: CBBH

In the same period, 19.1 million pieces of banknotes and 32.3 million pieces of coins, in total value of KM 1.04 billion, were issued (reallocated) from the Head Office Cash Management Department to Main Units and Brčko Branch. Graph 2.15 below implies that the CBBH took into account the commercial banks' demands on cash in the needed denominational structure. Since the commercial banks return the cash in significant amounts to the CBBH vaults, too, the reallocations of cash from CB Head Office Cash Management Department to CBBH Main Units / Branches are, as a rule, significantly lower.

Graph 2.15: Outflows of Cash (KM) in 2018



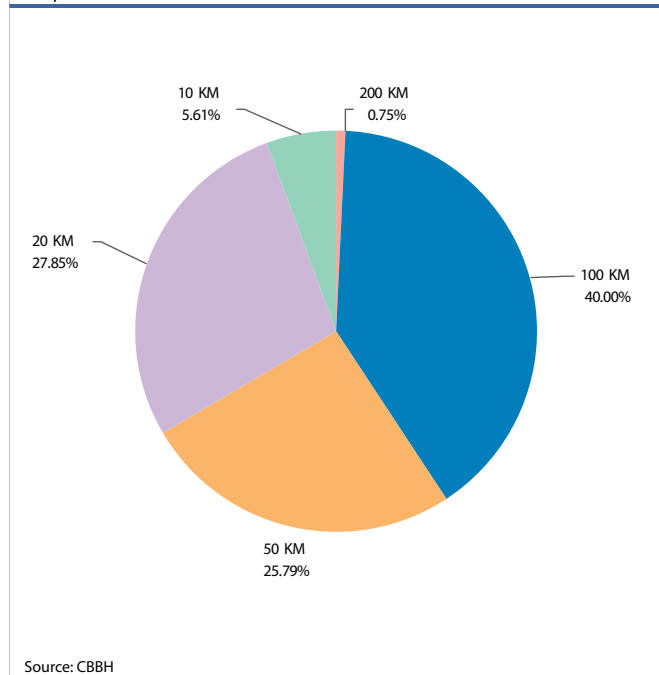
Source: CBBH



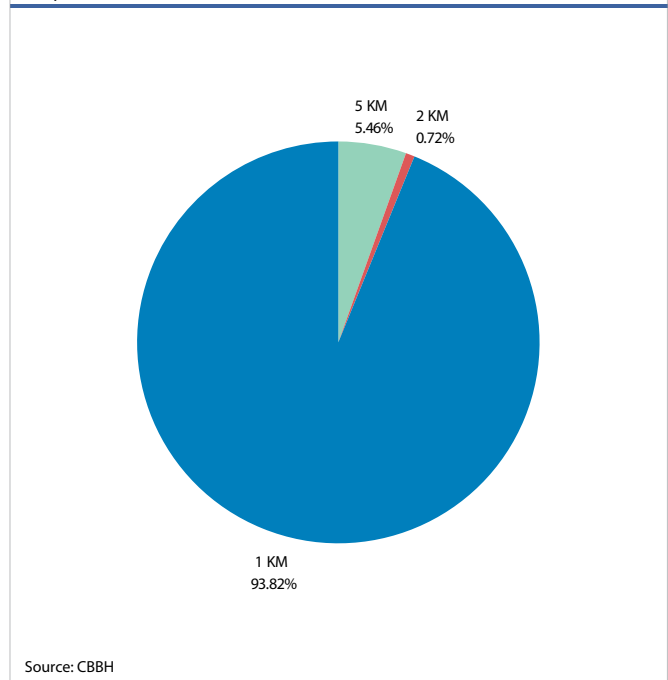
The CBBH continues to withdraw banknotes unfit for circulation, which are then destroyed in accordance with the applicable regulations. With the withdrawal of unfit banknotes and the introduction of new CBBH series banknotes, CB maintains a satisfactory quality of money in circulation. In 2018, 10.5 million pieces of banknotes and 6.164 coins unsuitable for circulation, totaling in value KM 392.2 million, were destroyed. The number of banknotes replaced in 2018 was 15.1% out of the total number of KM banknotes outside the CBBH, at the end of 2018.

In 2018, 535 pieces of counterfeit KM banknotes were recorded in the CBBH, which is by 22.6% less than in 2017. As for counterfeit convertible mark coins, the CBBH recorded 1,538 pieces, which is by 33.2% less than in 2017. According to the denominational structure, the most counterfeit banknotes were in the denomination of KM 100 (Graph 2.16) and counterfeit coins denominated in KM 1 (Graph 2.17).

Graph 2.16: Denomination Structure of Counterfeited Banknotes in 2018



Graph 2.17: Denomination Structure of Counterfeited Coins in 2018



## 2.5 Payments Systems Maintenance

The CBBH met its legal obligation to maintain the adequate payment and settlement systems, in 2018, too: payment transactions in the country were carried out without interruptions through giro clearing and real-time settlement systems (RTGS); the Central Registry of Credits (CRC) and the Single Registry of Business Entities' Accounts (SRBEA) have been maintained; and international clearing of foreign payments was made.

In 2018, there was a decrease in the number and value of total transactions in payment transactions system (Table 2.3) compared to the previous year, due to the fall in value and number of intra-banking transactions. Compared to 2017, there was a growth in the number and value of interbank transactions through both systems: giro clearing and RTGS (Table 20 in the Statistical Annex). As in earlier periods, most transactions in interbank payment transactions were carried out in a small number of banks; five banks carried out 50.99% of total value and 52.62% of total number of transactions in payment transactions system in 2018.

**Table 2.3: Payments Transactions via Commercial Banks**

	Interbank Transactions	Change compared to the last year	Intrabank transactions	Change compared to the last year	Total	Change compared to the last year
Number, in million						
2014	37.9	6.0%	59.7	2.6%	97.7	3.9%
2015	39.1	3.0%	63.2	5.8%	102.3	4.7%
2016	40.0	2.3%	63.7	0.8%	103.7	1.4%
2017	41.1	2.8%	68.4	7.4%	109.5	5.6%
2018	42.3	3.0%	58.8	-14.0%	101.2	-7.6%
Value, billion KM						
2014	87.86	14.7%	87.84	3.4%	175.70	8.7%
2015	85.11	-3.1%	99.69	13.5%	184.80	5.2%
2016	88.38	3.8%	92.74	-7.0%	181.12	-2.0%
2017	96.24	8.9%	117.10	26.3%	219.77	17.8%
2018	102.67	6.7%	115.44	-1.4%	218.11	-0.8%

Source: CBBH

Card payments have recorded a significant increase compared to 2017 (Table 2.4). Out of the total turnover increase at ATMs (automated teller machine) compared to 2017 (KM 410.5 million, Table 2.4), 58.9% is related to the turnover of cards issued in BH (Table 2.5). Contrary to 2017, the annual turnover growth at POS (point of sale) terminals per cards issued in BH is considerably higher than the growth of turnover per cards issued outside BH. Out of KM 365.1 million (Table 2.4) increase of POS turnover compared to 2017, KM 271.1 million (74.3%) refers to the annual turnover growth per cards issued in BH.

**Table 2.4: ATM and POS Cards' Turnover**

	2014	2015	2016	2017	2018
POS, in KM billion	1.83	1.96	2.55	2.76	3.12
Change compared to the last year	-19.3%	7.0%	30.2%	8.2%	13.2%
ATM, in KM billion	5.35	5.71	6.24	6.75	7.16
Change compared to the last year	8.7%	6.7%	4.9%	8.2%	6.1%
Total, in KM billion	7.18	7.66	8.79	9.51	10.29
Change compared to the last year	-0.1%	6.8%	11.3%	8.2%	8.2%

Source: CBBH

**Table 2.5: Realized Cards' Values according to Residence Principle**

Year	Cash withdrawals		Buying goods and services at POS	Total
	ATM	POS		
Realized values of foreign cards in BH, in KM million				
2014	807.9	70.9	266.1	1,144.9
2015	911.9	61.3	327.8	1,300.9
2016	995.4	79.6	394.7	1,469.7
2017	1,177.9	35.0	527.3	1,740.2
2018	1,346.7	43.7	650.2	2,040.6
The values realized abroad by cards issued in BH, in million KM				
2014	140.5	1.7	232.6	374.9
2015	145.3	8.0	277.5	430.8
2016	155.5	1.9	336.2	493.7
2017	147.4	1.7	380.3	529.5
2018	146.7	2.0	474.0	622.7

Source: CBBH

Since 2018, the most present brand of cards in BH is Mastercard (Table 2.6). Debit cards are still the largest in number, by far, with the share of 81.5% in 2018.

**Table 2.6: Participation of Cards per Brands**

Year	Visa	MasterCard	American	BamCard	Diners	Total
2014	1,268,252	645,879	6,570	11,200	453	1,932,354
2015	1,253,784	742,265	6,913	10,094	163	2,013,219
2016	1,124,181	898,914	7,471	11,714	0	2,042,280
2017	1,001,137	983,194	7,246	9,844	3,792	2,005,213
2018	870,018	1,252,486	7,123	10,369	13,350	2,153,346

Source: CBBH

In 2018, 781 new ATM and POS terminals were installed. Out of a total of 29,821 credit card and cash withdrawal devices, 1,582 were ATMs (43 more compared to 2017), 27,481 POS trading terminals (808 more compared to 2017), and 758 devices were POS cash terminals (27 less compared to 2017). There is still an emphasized upward trend of the number of Internet banking users or some type of electronic banking users, especially in the retail segment. Compared to 2017, the number of e-banking users grew by more than 176 thousand clients (36.0%), and in 2018 almost every third card issued in BH was used, inter alia, for e-banking services, too.

The CBBH contributed to the financial stability also by maintaining the Central Registry of Credits (CRC), which was updated daily, during 2018, by 26 banks (23 banks with banking license, two banks under liquidation, but with still active receivables, and Development Bank of FBiH), 30 microcredit organizations, and 19 leasing companies and other institutions. Compared to 2017, the number of access points increased by even 205 ones to a number of 1,530. The change in the number of access points is mainly caused by the increase of those in the commercial banks, which still have been, by far, the most significant users of the CRC stored data, with 1,364 access points (184 more than in 2017).

At the end of 2018, 672,897 accounts data were registered in SRBEA, out of which 234,692 active, 92,699 blocked and 345,506 closed and inactive accounts. SRBEA was accessed from 1,457 access points used by 26 banks, 19 microcredit organizations, leasing companies and insurance companies and 52 other institutions. CBBH organizational units issued a total of 10,176 reports from the SRBEA, in the past year.

In 2018, too, the CBBH performed international clearing of payments between BH and Serbian banks. A total of 10,853 orders (2.37% more compared to 2017) was carried out through the clearing system of international payments settlement with Serbia, worth EUR 224.1 million (30.20% more compared to 2017).

## 2.6 Fiscal Agent Role

According to the Law on the CBBH (Article 4) and the Law on Debt, Debt Issuance and Guarantees of BH, it has been defined that the CBBH would provide banking services, i.e. perform transactions at the order of the Ministry of Finance and Treasury of BH (MFT BH) related to BH foreign debt servicing and act as a fiscal agent for the membership of BH in international financial institutions. On the basis of the Agreement on Performance of the Banking and Fiscal Agent Operations between the CBBH and the MFT BH, the CBBH continued to carry out the banker, depository, representative in payments and fiscal agent duties in 2018. Such service in 2018 included local and foreign payment transactions, deposit account management, and the conversions of funds related to loans and donations based on contracts concluded by the BH Council of Ministers with international financial institutions, the operations arising from arrangements and membership of BH in international financial institutions and foreign debt servicing. Due to rather unfavourable conditions in international financial markets during 2018, the foreign exchange investment at the order of the Ministry was not carried out.

The CBBH provides banking services and performs transactions at the order of the MFT BH related to BH foreign debt servicing. The BH Ministry is in charge of implementing the procedures for incurring debt and managing sovereign debt, it provides the coverage of the liabilities in the local currency and keeps the data base on BH foreign debt. The roles of the CBBH and the MFT BH related to BH foreign debt servicing are defined by the CBBH Law and the Law on Debt Issuance, Debt and Guarantees of BH, the Law on BH Institutions Financing, the Law on BH Indirect Taxation System and the Law on the Payments in the Single Account and the Revenue Allocation.

The operations, tasks, competences and mutual relations between the MFT BH and the CBBH have been defined by the bilateral Agreement on BH Foreign Debt Servicing, concluded by the two institutions for the first time in 2001

(the latest version concluded in 2013). According to the provisions of the mentioned Agreement, the CBBH is in charge of:

- Timely providing of the needed amounts in foreign currencies for the payment of due liabilities;
- Timely and accurate performance of payments on the basis of orders/instructions of the BH Ministry;
- Correspondence with foreign banks and creditors related to the payment of liabilities and
- Reporting to the BH Ministry on all the performed transactions.

The funds needed for the foreign debt servicing in the local currency are provided by the MFT BH from the Indirect Taxation Authority (ITA) and/or through direct payments of the end users of loans. The Annual Plan of the funds needed for foreign debt servicing is a part of the document "Budget of BH Institutions and International Liabilities", which is adopted by the Parliamentary Assembly of BH. According to the concluded Agreement on Performance of the Banking and Fiscal Agent Operations between the CBBH and the ITA, and on the basis of the Law on the Payments in the Single Account and the Revenue Allocation, the keeping of the single ITA account for collecting the revenues from indirect taxes was continued during 2018. According to this arrangement, commercial banks transfer, on daily basis, all the collected revenues in the account for recording, holding and allocation of the ITA revenues with the CBBH, and then, those revenues, at the order of the ITA, are allocated on daily basis to several accounts based on various purposes according to the legal regulations and the order of the ITA. On the basis of the Law on Excise Duties, the process of collecting funds paid on the basis of tolls in the account of the ITA with the CBBH was continued in 2018, as well as the allocation of these funds at the order of the ITA to the Entities and Brčko District.

The CBBH is a fiscal agent and has performed transactions related to the membership and arrangements of BH with the IMF since 2002, on the basis of the decision of the Council of Ministers of BH which was published officially in the official gazettes of BH. The mutual relations, competences and proceeding of the five institutions in BH (the CBBH, the MFT BH, the Federal Ministry of Finance, the Ministry of Finance of Republika Srpska and the ITA) regarding the financial arrangements with the IMF have been defined by the Memorandum of Understanding (the first one was

concluded in 2002, the one in effect is from 2016). The CBBH is a depository for accounts (cash and securities) held by the IMF with the fiscal agents (usually central banks) of all the members according to the Articles of Agreement of the IMF. With the purpose of performing the transactions of approval of the funds from the IMF and the payment of the liabilities towards the IMF, the CBBH keeps the earmarked Deposit Account for Transactions with the IMF, with the sub-accounts of the Federation of BH, Republika Srpska and Brčko District. The CBBH performs transactions with the IMF after the competent BH institutions provide the full coverage in the local currency in the mentioned account/sub-accounts. The BH quota, which is the paid and subscribed "capital" of each member country in the General Resources of the IMF is SDR 265.2 million.

According to the World Bank Articles of Agreement, the CBBH is a depository for the members of the World Bank Group: IBRD, IDA and MIGA. At the order of the mentioned members, the CBBH carries out the transactions of purchase and sale of foreign currency for the local currency and performs payments /transfers to end users in the domestic payment system.

In 2018, according to the Agreement concluded with the Deposit Insurance Agency of BH, the CBBH performed the record keeping of this institution's securities portfolio which, according to the Agreement of the Deposit Insurance Agency with an external portfolio manager, is managed by an external portfolio manager.

Also, the CBBH, according to the concluded agreements, continued to act as a banking and fiscal agent of the FBH Banking Agency, the RS Banking Agency, Brčko District, the Federal Ministry of Finance and for the Entities Registries of Securities. The service of using e-banking, which had been introduced in 2011 with purpose of improving the banking and fiscal agent services, was provided in 2018 as well.

## **2.7 Compilation of Statistics**

The statistics activities in 2018 included continued regular compilation, processing and publishing of statistics from three broad areas (the statistics of monetary and financial sector, the balance of payment statistics and the statistics of government finance and financial accounts), which fall within the competence of the CBBH. All the data were made available to the public in the defined deadlines, and on that basis it was possible to reliably monitor and estimate macroeconomic and financial situation in BH.

Additional efforts were invested during the year to expand statistics and enhance the availability of data.

In terms of methodology, we are, to the highest extent possible, guided by the applicable international methodologies and compilation standards. On the basis of them, the CBBH is able to produce comprehensive, good quality and timely statistical indicators, which are comparable internationally. The data users include domestic government institutions, academic community, business community, international organisations and the general public, all of them using these data as the basis for following up with economic and financial trends and planning of economic policies.

The production of statistics starts with the compilation of various kinds of source data: administrative data from public institutions, the data obtained from direct compilation from many reporting units (companies and banks) and also the data from other statistical institutions. The quality of statistics largely depends on the source data, so many analyses and communications with data sources are needed in order to ensure the needed quality.

At the international level, efforts are continuously invested through participation in forums (Sub-committee of the European Commission and Bosnia and Herzegovina, the working groups of Eurostat, the ECB, the Bank for International Settlements Statistics Committee, forums in regional countries) to follow up with trends and adjust our practices. Within international obligations, the CBBH regularly submits large sets of statistics (the IMF, the World Bank, the ECB, the European Bank for Reconstruction and Development (EBRD), the UNCTAD, the Eurostat, the BIS, the UN Statistics Department). A particularly intensive exchange of information is carried out with Eurostat, as the CBBH regularly reports within the EU Statistics Requirements Compliance Monitoring (SIMS) and the annual compilation of data in two rounds for the accession countries. In this way, the obligations arising from the Stabilization and Association Agreement are met.

Several technical assistance programmes were aimed at raising the quality and adjustment with international standards in the field of statistics. The implementation of a multi-user IPA 2015 technical assistance programme for the CBBH was focused on three fields (government finance statistics -further upgrade and adjustment to the ESA 2010 and EDP, international trade in services –preparation for the regular transmission and MIP macroeconomic imbalance indicators -the development of additional indicators). The

implementation of a three year project (financed by the Swiss agency SECO, and implemented by the IMF) was continued, which will help the countries in our region to set up government finance statistics harmonized with ESA 2010 and Excessive deficit procedure (EDP). Besides regular technical missions, the CBBH participated in the organization of the Workshop on fiscal reporting in the FBH. Since the beginning of 2018, IPA 2015 Twinning Project has started within which the CBBH is working on establishing the Quality Report for the balance of payments statistics and the introduction of quarterly statistics of International investment position. Partnership institutions from Denmark and Finland helped to make significant steps, which will be completed in the second year of implementation. The IMF provided technical assistance through two missions in 2018. Firstly, the new standardized web site for data dissemination (NSDP-National Summary Data Page) was established, which improved and upgraded the access to domestic statistics. In the end of the year, there was a technical mission for monetary and financial statistics, which helped to see the way to set up quarterly statistics of other financial institutions and gradually implement the new Manual in this area.

During 2018, the answers for additional questions for Chapter 18 from the EU questionnaire were prepared and agreed with other statistical institutions. The cooperation within the local statistics system in BH requires continuous harmonization and planning. The cooperation with BH Statistics Agency is particularly strong, both at the level of strategic planning and methodologies, and in data exchange and cooperation in work.

The CBBH has undertaken a liability to support the work of other domestic institutions and prepare additional statistics reports for them (BH Fiscal Council, CEFTA Secretariat, Economic Planning Directorate, Foreign Investment Promotion Agency, Ministry of Finance and Treasury of BH, Ministry for Economic Relations and Regional Cooperation of RS, Federal Ministry of Trade of FBH).

## **2.8 Monitoring Systemic Risks in the Financial System**

The CBBH monitors financial stability which means the timely identification of vulnerabilities in the country's financial system. The purpose of the CBBH activities in this area is the improvement of the understanding of the cause and effect relations between the financial system and macroeconomic circumstances, warning the financial

institutions and other participants in the market of the existing risks, the starting of the dialogue on risks and undertaking of remedy measures which will mitigate the consequences of risk materializations. The CBBH activities in the field of monitoring the financial system stability include also the specialized communication with the relevant domestic and international institutions which ensures a continuous process of systemic risk monitoring, and also the communication on the financial stability risks with the general public. The CBBH contributes to the keeping of the financial stability through the membership in the Standing Committee for Financial Stability of BH, which, beside the Governor of the CBBH and Managers of the Banking Agencies, includes also the state Minister of Finance and Treasury and the Entity Ministers of Finance and the Manager of the Deposit Insurance Agency of Bosnia and Herzegovina.

The CBBH informs the general public on the risks for the financial stability through the regular annual publication, the Financial Stability Report, which has been published on the CBBH web site since 2007. By publishing the Financial Stability Report, the CBBH wants to point out to the public the consequences of the earlier macroeconomic trends and the trends in the financial, firstly banking sector for the risks and challenges which the financial system will face in the periods ahead.

In 2018, the CBBH continued carrying out macroeconomic stress tests. The stress tests are done on quarterly basis in the CBBH and they represent the basic tool for the quantification of the systemic risk effects on the banking system. The detailed results of stress tests are exchanged with the Banking Agencies, which also receive the Report on the stress test results, where systemic risks and future trends are described. The results of the stress tests in the appropriate form of the Report on stress test results are also reported to the Standing Committee for Financial Stability. The aggregate stress test results with the end year data are published in the Financial Stability Report.

The compilation and publishing of the set of the basic financial soundness indicators according to the IMF methodology is also an important communication channel of the CBBH with the general public. Financial soundness indicators are published on quarterly basis on the CBBH web site since mid-2009, and also on the IMF web site since September 2011.

During 2018, the cooperation with the ECB was continued related to the preparation of the European

Central Bank publication "Report on Financial Stability for Candidate and Potential Candidate Countries Applying for the EU Membership", which is reflected in submitting relevant data, information and clarifications of the current situation and developments in the domestic financial sector. This publication is aimed at contributing to better understanding of systemic risks in the region and the position of BH compared to other countries.

A continuous exchange of the information, experiences and opinions with other relevant domestic and international institutions and the upgrade of the existing analytic capacities of the CBBH in the field of financial stability through the education and technical assistance programmes ensures the compliance of the approach to systemic risk analysis with the best practices and current trends, and also a timely identification of systemic risks. At the recommendation of the IMF technical assistance mission, "Prevention of Crises and Monitoring Systemic Risks", the analytic framework for monitoring systemic risks in 2018 was expanded by two additional kinds of analyses: macro-financial risk map and network analyses of spill-over of systemic risks in the banking sector of BH. The macro-financial risk map, which is an internationally accepted tool for monitoring the development, i.e. evolution of cyclic and structural risks in the financial systems, was adjusted to specific features of our country and the levels of macro-financial risks were estimated as well as the changes in macro-financial risks in the previous periods. The purpose of this analysis is estimate of key macro-financial risks which might appear in real, fiscal, external or financial sectors or as a result of their mutual connection in a certain time, and also estimate of monetary and financial conditions and risk appetite.

With the technical assistance within the USAID FINRA project, a network analysis of systemic risks spill-over in BH banking sector was done using the 2017 end data, and the purpose of this analysis was estimate of the intensity of potential shocks due to mutual connection, and cross-border exposure of domestic commercial banks. The results of these analyses in the abbreviated form were presented in the 2017 Financial Stability Report. Also with the technical assistance within the USAID FINRA project during 2018, and in cooperation with the Entity Banking Agencies, we have started upgrading the framework for implementing macroeconomic "top-down" stress tests. These improvements are aimed at methodological adjustment of the tools for conducting stress tests with the EBA guidelines, which are also a guidance for the Banking Agencies in their

preparation of supervisory “bottom-up” stress tests and the expansion of time horizon and including additional key risks in stress tests, such as market risk and the risk of contagion among banks.

In 2018, the CBBH also performed the coordination of the Banking Agencies activities, which are related to the activities of the Entity Banking Agencies on the issues of the supervision of banks, microcredit organisations and leasing companies and informing on the situation in these institutions. The coordination included regular meetings with the representatives of the Banking Agencies according to the CBBH Law and the Memorandum on the principles of coordination of banking supervision, cooperation and the exchange of data and information, which resulted in the establishing of a stronger coordination and expanding the cooperation of the agencies and the other organizational parts of the CBBH.

The information on the situation in the banking sector, microcredit organizations and leasing companies were exchanged on quarterly basis, and the issues related to regulations from the bank supervision area and the CBBH activities and the cooperation with the Banking Agencies were discussed at the meetings of banking supervision coordination. A continuous cooperation with BH Insurance Agency and BH Banks’ Association was also achieved.

## ***2.9 The Cooperation with International Institutions and Rating Agencies***

In 2018, the same as in the previous years, the CBBH continued its active contribution to the process of Bosnia and Herzegovina accession to the EU and the fulfilment of the duties from its competence as defined by the Stabilization and Association Agreement. An important activity was the preparation of answers for additional questions of the European Commission (EC). The purpose of additional questions was clarification of the previously submitted answers to the questions from the EC questionnaire, their supplement or update of information. According to the requirement and methodology of the EC and the Decision on the system of coordination of European integration processes in BH, the CBBH updated the information and extended the time coverage of statistics in chapters of the Questionnaire where it participated as a competent institution or stakeholder, which was a completion of a very complex and demanding task of preparing answers to the EC Questionnaire.

During 2018, representatives of the CBBH continued to contribute actively to BH European integration process through the preparation of information, reports and data structured according to the requests and methodology of the EC. Within the SAA between the EU and BH, the CBBH participated in the work and prepared the materials from its competence for the meetings of the Sub-committee for economic and financial issues and statistics and Sub-committee for internal market and competition. Additionally, the CBBH participated in the regular annual activities within the preparation of the Economic Reform Programme, including the process of consultation and dialogue with the EC and the ECB as a part of the economic and financial dialogue of the EU. The CBBH also participated in the regular Annual Minister Dialogue on Economic Policy within the Council for Economic and Financial Issues of the EU (ECOFIN).

The EC changed the date of publication, so the Enlargement Package, i.e. a set of documents issued by the EC on the annual basis, determining the framework for the accession of the EU candidate and potential candidate countries was published in April 2018 instead of October 2017. For the first time, in parallel with the Progress Report, the EC also announced the annual assessment of the Economic Reform Programme stressing the economic aspects of the EU integration. The support for the currency board arrangement as a stability factor was stated in all the EU reports. At the same time, recommendations were provided related to the CBBH, requiring the strengthening of institutional, particularly analytical capacities, and also further harmonization of statistics with the EU and international standards.

Within the process of the harmonization of practices, standards and policies with the EU central banking standards, during the previous year also, the CBBH worked on the strengthening of its institutional capacities with purpose of improving the preparations for joining the European System of Central Banks (the ESCB). The continuous implementation of the EU standards in the CBBH operations is done by its own capacities, by using internal resources, but also through the access to the EU IPA funds and bilateral and multilateral cooperation with other central banks. During 2018, efforts were made in the preparation of the regional, multi-country programme “Strengthening institutional capacities of the Western Balkans central banks with purpose of the integration with the ESCB” within the macro-programme “Improving economic management and competition” with the financial support of the European

Union IPA II. The programme will be implemented by the ESCB through a coordinated approach and chairmanship of Deutsche Bundesbank. The programme is a continuation of earlier successful programmes of the ESCB and is intended for candidate and potential candidate countries from the Western Balkans included in the IPA regulation.

During 2018, the preparations were done for the continuation and the second stage of "The Bilateral Assistance and Capacity Building Programme" financed by the Swiss Secretariat for Economic Affairs –SECO, and implemented by the Graduate Institute of International and Development Studies from Geneva. The second stage of the programme will last until the end of 2022. In the preparatory part of the programme, the CBBH needs analyses was done, and priority work areas were defined, similar to the first stage, as additional capacity building is needed with purpose of implementing the results achieved in the first stage of the programme. The work fields within the Programme where, the transfer of know-how will ensure capacity building and gradual adjustment of the CBBH with the international and EU standards are the following:

- Analysis and implementation of monetary policy (foreign exchange reserve management and research capacities);
- Macroeconomic accounting and statistics (storage of data and time series methodology)
- Human resource management and
- Additional field: improvement of business continuity plans, particularly in respect of the IT system.

The programme is realized through the following activities: i) technical assistance and capacity building missions in the CBBH; ii) Research coaching and visiting programmes aimed at improving research capacities and applied research, iii) conferences in Switzerland and partner countries, as a forum for the promotion of exchange of knowledge, research results and technical assistance activities, peer-to-peer, and also by the academic community and leading international experts and practitioners. The Institute organizes an annual international conference in Geneva, and also a regional conference in one of the partner countries participating in the programme.

In the organization of the CBBH, during 2018, the missions of international rating agencies Standard & Poor's and Moody's Investors Service with the relevant international and local institutions in BH took place with

purpose of assessing the sovereign credit rating of BH. The main topics for discussion when determining the BH credit rating were political situation, budget, foreign debt servicing, relations with international financial institutions and financial stability. During 2018, both international rating agencies engaged by BH to assess the sovereign credit rating affirmed the earlier ratings as it follows: Agency Standard & Poor's affirmed the rating „B / with Stable Outlook“, and agency Moody's Investors Service affirmed the rating „B3 / with Stable Outlook“.

## 2.10 The Internal Audit Process

The legal basis for performing the internal audit function includes: the Law on the CBBH, the By-law on Internal Audit in the Central Bank, Internal Audit Operations Manual in the Central Bank and the obligatory guidelines of the International Framework of Professional Internal Audit Practice. The By-law on Internal Audit in the CBBH regulates that the Chief Audit Executive submits an annual work report of the Office of Chief Audit Executive (OCAE), which is considered by the Audit Committee and adopted by the GB CBBH. During 2018, the business activities of the OCAE were focused on performing duties as defined by the CBBH Law and the realization of operations and tasks as defined by the Strategic Plan of Internal Audit for the period 2018-2021 and the Internal Audit Plan for 2018.

In performing its duties, the OCAE assesses the efficiency and effectiveness of the management and control mechanisms, consistency in implementing applicable laws and regulations related to the CBBH and contributes by its activity to the improvement of operations, achievement of the set strategic objectives and formulation of plans, setting up an efficient system of risk management, preserving the integrity of assets and other resources and undertaking measures against potential losses due to abuses, bad management, mistakes, frauds and irregularities. The role of the OCAE is preventive, not repressive, and in that respect its role in identifying and preventing corruption and fraud should be seen. The OCAE contributes to the struggle against fraud and corruption by checking if internal control systems have been established and functioning properly so as to prevent fraud and corruption or reduce possibilities for those.

The OCAE continuously works on the improvement of techniques and work methods, the assessment of the efficiency and effectiveness of internal controls and establishing certain procedures and instruments for the



identification, measuring, monitoring and control of risk which the CBBH is exposed to when performing its business activities.

In 2018, the update of the Internal Audit Manual in the CBBH was started, based on the obligatory guidelines of the International Framework. The mentioned Manual defines the subject and area of internal audit, its purpose, objective, methods of performing internal audit, processes and responsibilities, authorities and code of internal auditors. According to the Internal Audit By-law in the CBBH, in 2018, the Programme of quality assurance and internal audit improvement was adopted.

Standards – 1300 Programme of quality assurance and improvement (IIA) define the obligation of establishing and maintaining the Programme of quality assurance and improvement, including all the aspects of internal audit activities and including occasional internal and external quality controls and also continuous internal monitoring. The programme assists internal audit in adding new value, improving operations and ensuring additional adherence with international standards for professional practice of internal audit and code of ethics.

In 2018, with purpose of estimating the internal audit work quality, we have started to use the Questionnaire for the auditee, as a tool. Interviewing the auditee by an appropriate questionnaire is used to obtain feedback from auditees where internal audit was performed in the previous 12 months. The answers obtained from auditees can stress the areas for further work in improving the internal audit operations.

The DNB experts, who carried out the external evaluation and validation of the internal self-assessment results within the programme of external quality assessment of internal

audit function, made available the report stating that the internal audit activity “Generally conforms” with the international framework, which is the highest grade in the external assessment programme.

According to the mentioned plans, audits of some functions, business processes and activities of the CBBH were carried out, in the organizational units, with purpose of the assessment of adequacy and efficiency of the internal control system, assessment of the compliance of operations with laws and regulations related to the CBBH and internal enactments, plans, set procedures, instructions and the assessment of the business process risk exposure. The audit is conducted in the way and according to the procedure defined by the Manual on Internal Audit Operations passed by the Chief Audit Executive. Legal and international professional regulations for the area of internal audit are continuously followed up with, and the mentioned Manual is adjusted accordingly.

## 2.11 Other

### 2.11.1 Human Resources Management

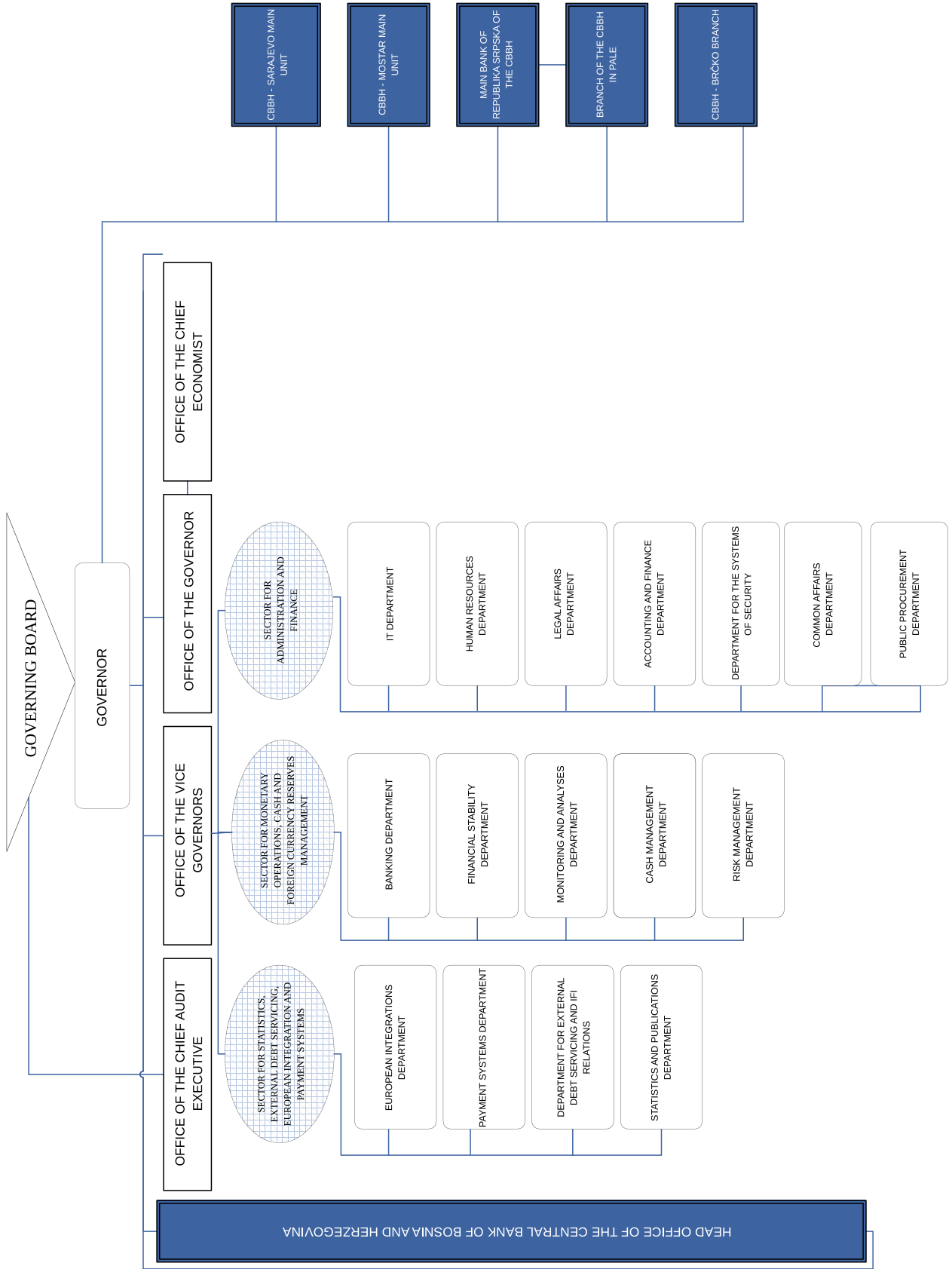
The highest body of the CBBH is the Governing Board, which is in charge of defining the monetary policy and control of its implementation, organization and strategy of the CBBH according to the authorities defined by the Law. The Governing Board features the Governor, who is the chairman of the Board and four members (Table 2.7). The Management of the Central Bank features the Governor and three Vice Governors appointed by Governor upon the approval of the Governing Board. The task of the Management is operative management of the Central Bank. Each Vice Governor is directly responsible for the operations of one sector of the Central Bank (see the organisation chart of the CBBH).

**Table 2.7: The CBBH Governing and Managing Structure at the end of 2018**

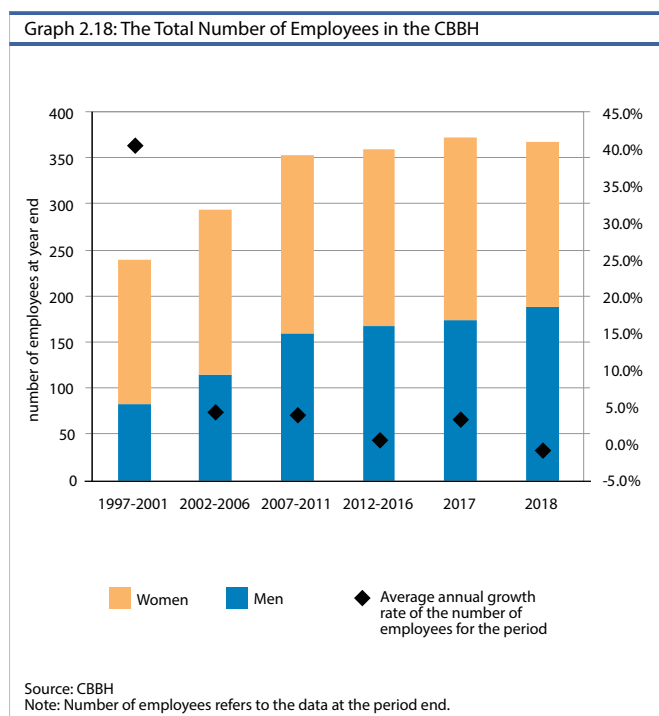
CBBH Governing Board	Senad Softić, Ph.D., Chairman Ankica Kolobarić, M.Sc., member Šerif Isović, Ph.D. member Trivo Marinković, M.Sc. member Ljubiša Vladušić, Ph.D. member
CBBH Management	Senad Softić, Ph.D., the CBBH Chief Executive Officer Ernadina Bajrović, M.A., Vice Governor in charge of Sector for Administration and Finances Milica Lakić, Ph.D., Vice Governor in charge of the Sector for Monetary Operations, Cash and Foreign Currency Reserves Management Želimira Raspudić, Vice Governor in charge of Sector for Statistics, Foreign Debt Servicing, European Integrations and Payments Systems

Source: CBBH

# Organizational Chart of the Central Bank of Bosnia and Herzegovina



On 31 December 2018, 363 employees were employed in the CBBH permanently and temporarily and there were five employees whose rights and obligations based on the permanent employment were suspended due to the use of unpaid leave. The staff number in the years immediately after the establishment of the CBBH was growing quite rapidly, as the number of the functions taken over by the CBBH was growing, as well (Graph 2.18). A moderate growth of the staff number in the period 2002-2010 made possible the development of the core functions of the CBBH through the strategic selection of staff profiles which were necessary for further improvement of the efficiency of operations. The moderate growth of the staff number in line with the working needs and operations continued also until 2017, but in 2018, there was the decrease in the total number of staff compared to 2017. The Graph also suggests that the initial gender inequity in the staff structure was corrected over time. Out of the total staff number, in the end of 2018, 51.36% were women, and the average age of employees was 46 years.



Out of the total number of staff, 76.90% were those with university education, out of them, ten with Ph.D. and 64 with master's degrees.

During 2018, the CBBH continued to invest in the development of its employees, to improve their knowledge and skills in order to upgrade business processes and overall business operations and to increase the staff motivation. Employees participated in education that deals with issues closely related to the scope of work of organizational parts

and units in which they are assigned, related to the strategic objectives of the CBBH, to the areas of special interest determined by the Training Program for 2018, as well as, to the needs and capabilities of the CBBH. The training of employees was carried out according to education programs organized by outsourced providers and the CBBH, by physical, legal persons or CBBH employees who have the necessary knowledge and skills for it. The education was approved primarily in the territory of BH, and if there was no appropriate education program in the country, for specific topics, the employees' education abroad was approved, with priority being given to fully or partially sponsored education programs offered by others central bank.

In order to ensure the transfer of knowledge and experience acquired through participation in the education, as well as for the sake of upgrading the CBBH business processes, each employee was obliged, after the training, to submit a report on education using a defined format, in which, among other things, he/she was obliged to indicate proposals for the implementation of acquired knowledge in the CBBH, to organize a presentation for the employees of other organizational units, as well as to provide electronic form of the material from the training to be published on the CBBH's intranet site.

### 2.11.2 Communication with the Public and Socially Responsible Operations

During 2018, the CBBH actively informed the public on its regular activities and also on other events which BH media were interested in.. The Action Plan for the CBBH Communication Strategy 2017-2021 and the Plan of Crises Communication of the CBBH were created.

By its activities related to public relations, as so far, the CBBH tried to preserve the reputation of a responsible and professional institution, enjoying the confidence of the highest number of citizens and economic entities. Communicating with the public, the CBBH tried to present to the public its role in preserving the monetary and financial stability, particularly in complex and difficult conditions of investment of the foreign exchange reserves in the international financial markets, which were emphasized during 2018, too, and were reflected in the CBBH incomes. According to the Communication Strategy on the effects of the trends in the financial markets on the financial operations of the CBBH, the CBBH continued to inform the public and tried to ensure the understanding and support for its activities in respect of investment of the CBBH foreign exchange reserves in changed and complex conditions.

Also, the CBBH started to organize the briefings for media representatives with the aim of exchanging opinions of journalists and banking experts, in order to provide sufficient data for easier understanding and relevant informing of the public on the CBBH competencies, its business, and the environment in which it operates.

Having in mind the fact that 2018, too, was characterized by rather intensive activities in respect of European integration at BH level, the CBBH continued to contribute to the preparation of the Action Plan for the implementation of the Communication Strategy for informing the public on the process of BH accession to the European Union.

In addition to the aforementioned improvements in business functions, during 2018, several activities were realized that significantly contributed to the visibility and promotion of the CBBH, and of which one can single out:

- Organizing an international research conference entitled "The Future of Cash", co-organized with USAID FINRA, featuring domestic and international experts, representatives of central banks from Europe and the region, and of international financial institutions;
- Marking the 20th anniversary of the KM, with the promotion of an appropriate postage stamp;

- Marking of the World Savings Day in the places where the Main Units and Branches of the CBBH are located;
- Marking the World Week of Money, by organizing the relevant debate.

Last year, too, among the younger population, there was a great interest in the work of the CBBH, and within the financial education activities of the institution, there were organized visits of students of elementary and secondary schools and faculties from all parts of BH and abroad, and during the lectures, which were adapted to different ages and areas of interest, we tried to close the CBBH to the young people with its role and activities, too. Also, representatives of the CBBH and the partner organization visited the secondary schools while organizing the educational workshops. In cooperation with the partner organization, publications were prepared on the topic of financial education and inclusion for other categories of population, too.

The Central Bank continued the practice of paying scholarships to the children of its deceased employees, and in 2018, a regular action of voluntary blood giving was organized.

### **3. FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT EXTERNAL AUDITOR**

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

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 Central Bank of Bosnia and Herzegovina (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"). The Management is responsible for maintaining proper accounting records to enable the preparation of such financial statements at any time. The 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 Governing Board is responsible for selecting suitable accounting policies to conform to applicable legal requirements and the Management is responsible for their consistent application, making judgements and estimates that are reasonable and prudent and preparing the financial statements on a going concern basis.

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.

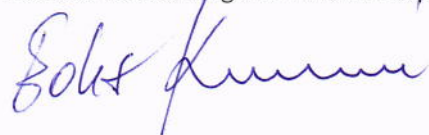
The accompanying financial statements set out on pages 64 to 139 were authorised by the Governing Board on 27 March 2019 and are signed, on its behalf by:

Senad Softić, Ph.D.  
Chairman of the Governing Board



Edis Kovačević, M.Sc.

Head of Accounting and Finance Department





## Independent Auditor's Report

**Grant Thornton d.o.o. Banja Luka**

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To the Governing Board of the Central Bank of Bosnia and Herzegovina

### Opinion

We have audited the accompanying financial statements of the Central Bank of Bosnia and Herzegovina (hereinafter: the "Bank"), which comprise the Statement of financial position as at 31 December 2018 and the Statement of profit or loss, Statement of comprehensive income, Statement of changes in equity and Statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Central Bank of Bosnia and Herzegovina as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (hereinafter: "ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements of the Bank in the Bosnia and Herzegovina, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

### Responsibilities of the Management and the Governing Board of the Bank for the Financial Statements

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



In preparing the financial statements, the Management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

The Governing Board of the Bank is responsible for overseeing the Bank's financial reporting process.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from a fraud is higher, than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



## Grant Thornton

We communicate with the Governing Board of the Bank regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.


Aleksandar Džombić, PhD



Director  
Grant Thornton d.o.o.

Banja Luka, 27 March 2019

Aleksandar Džombić, PhD



Certified Auditor  
Grant Thornton d.o.o.

Banja Luka, 27 March 2019

Suzana Stavrić, Partner



Grant Thornton d.o.o.

Skopje, 27 March 2019



Kledian Kodra, Partner



Grant Thornton sh.p.k.

Tirana, 27 March 2019

CENTRAL BANK OF BOSNIA AND HERZEGOVINA  
Financial statements for the year ended 31 December 2018

**- STATEMENT OF PROFIT OR LOSS**

In thousands of KM	Note	For the year ended 31 December	
		2018	2017
Interest income		48,186	42,996
Interest expense		(24,393)	(21,022)
<b>NET INTEREST INCOME</b>	4	<b>23,793</b>	<b>21,974</b>
Fee and commission income		17,209	15,834
Fee and commission expenses		(636)	(562)
<b>NET FEE AND COMMISSION INCOME</b>	5	<b>16,573</b>	<b>15,272</b>
Net realised gains from sale of financial assets at fair value through other comprehensive income	6	4,277	-
Net realised gains from sale of available-for-sale financial assets	7	-	2,587
Net foreign exchange gains / (losses)	8	151	(560)
Other income	9	1,522	1,549
<b>OPERATING INCOME</b>		<b>46,316</b>	<b>40,822</b>
Personnel expenses	10	(19,034)	(19,019)
Administrative and other operating expenses	11	(8,250)	(7,583)
Depreciation and amortisation	20	(2,426)	(2,035)
<b>OPERATING EXPENSES</b>		<b>(29,710)</b>	<b>(28,637)</b>
<b>FINANCIAL RESULT BEFORE PROVISIONS FOR EXPECTED CREDIT LOSSES</b>		<b>16,606</b>	<b>12,185</b>
Provisions for expected credit losses, net	12	(8,175)	-
<b>NET PROFIT FOR THE YEAR</b>		<b>8,431</b>	<b>12,185</b>

The accompanying notes on pages 71 to 139 are an integral part of these financial statements.

CENTRAL BANK OF BOSNIA AND HERZEGOVINA  
Financial statements for the year ended 31 December 2018

## STATEMENT OF COMPREHENSIVE INCOME

In thousands of KM	Note	For the year ended 31 December	
		2018	2017
<b>NET PROFIT FOR THE YEAR</b>		<b>8,431</b>	<b>12,185</b>
<b>Other comprehensive income</b>			
<i>Items that are or may be reclassified subsequently to profit or loss:</i>			
<b>Available-for-sale financial assets</b>			
Net change in fair value during the year	15	-	(15,890)
Reclassification to profit or loss	7	-	(2,587)
		-	<b>(18,477)</b>
<b>Debt instruments at fair value through other comprehensive income</b>			
Net change in fair value during the year	16	(6,390)	-
Net change in provisions for expected credit losses	12, 32.1.1	7,301	-
Reclassification to profit or loss	6	(4,277)	-
		<b>(3,366)</b>	-
<b>Monetary gold</b>			
Net change in fair value during the year	17	6,138	(1,194)
		<b>6,138</b>	<b>(1,194)</b>
<b>Total other comprehensive income / (loss)</b>		<b>2,772</b>	<b>(19,671)</b>
<b>TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR</b>		<b>11,203</b>	<b>(7,486)</b>

The accompanying notes on pages 71 to 139 are an integral part of these financial statements.

CENTRAL BANK OF BOSNIA AND HERZEGOVINA  
Financial statements for the year ended 31 December 2018

## STATEMENT OF FINANCIAL POSITION

In thousands of KM	Note	31 December 2018	As at 31 December 2017
<b>ASSETS</b>			
Foreign currency in cash	13	274,099	236,402
Deposits with foreign banks	14	2,911,448	2,698,650
Available-for-sale financial assets	15	-	6,202,071
Debt instruments at fair value through other comprehensive income	16	8,225,439	-
Monetary gold	17	209,996	203,908
Special Drawing Rights with the IMF	29, 34	2,236	1,531
Held-to-maturity investments	18	-	1,214,062
Other assets	19	10,554	11,656
Property and equipment	20	44,677	45,465
Intangible assets	20	1,342	1,072
Other investments	21	27,813	27,813
<b>TOTAL ASSETS</b>		<b>11,707,604</b>	<b>10,642,630</b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
Currency in circulation	22	4,750,614	4,319,360
Deposits from banks	23	5,523,290	5,033,065
Deposits from the Government and other depositors	24	709,367	624,708
Provisions for liabilities and charges	25	1,259	1,650
Other liabilities	26	3,227	11,212
<b>Total liabilities</b>		<b>10,987,757</b>	<b>9,989,995</b>
<b>EQUITY</b>			
Initial capital		25,000	25,000
Reserves		694,847	627,635
<b>Total equity</b>	27	<b>719,847</b>	<b>652,635</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>11,707,604</b>	<b>10,642,630</b>

The accompanying notes on pages 71 to 139 are an integral part of these financial statements.

CENTRAL BANK OF BOSNIA AND HERZEGOVINA  
Financial statements for the year ended 31 December 2018

## STATEMENT OF CHANGES IN EQUITY

In thousands of KM

	Initial capital	General reserves (Retained earnings)	Other reserves	Fair value reserves – financial assets at fair value through other comprehensive income	Provisions for expected credit losses	Fair value reserves – available-for-sale financial assets	Fair value reserves monetary gold	Total reserves	Total equity
<b>As at 31 December 2017 - as stated</b>	<b>25,000</b>	<b>542,766</b>	<b>31,300</b>	-	-	<b>93,120</b>	<b>(39,551)</b>	<b>627,635</b>	<b>652,635</b>
Impact of adopting IFRS 9 (Note 2.6. (c))	-	(36,477)	-	141,765	4,290	(93,120)	39,551	56,009	56,009
<b>As at 1 January 2018 - restated</b>	<b>25,000</b>	<b>506,289</b>	<b>31,300</b>	<b>141,765</b>	<b>4,290</b>	-	-	<b>683,644</b>	<b>708,644</b>
<b>Total comprehensive income for the year</b>	-	<b>8,431</b>	-	<b>(8,069)</b>	<b>4,703</b>	-	<b>6,138</b>	<b>11,203</b>	<b>11,203</b>
Net profit for the year (Note 28)	-	8,431	-	-	-	-	-	8,431	8,431
Other comprehensive income	-	-	-	(8,069)	4,703	-	6,138	2,772	2,772
<i>Net unrealised negative changes in fair value for debt securities</i>	-	-	-	(6,390)	-	-	-	(6,390)	(6,390)
<i>Net realised positive changes in fair value for debt securities transferred to profit or loss</i>	-	-	-	(1,679)	-	-	-	(1,679)	(1,679)
<i>Net unrealised positive changes in provisions for expected credit losses for debt securities</i>	-	-	-	-	7,301	-	-	7,301	7,301
<i>Net realised positive changes in provisions for expected credit losses transferred to profit or loss for debt securities</i>	-	-	-	-	(2,598)	-	-	(2,598)	(2,598)
<i>Net unrealised positive changes in fair value for monetary gold</i>	-	-	-	-	-	-	6,138	6,138	6,138
<b>Balance as at 31 December 2018</b>	<b>25,000</b>	<b>514,720</b>	<b>31,300</b>	<b>133,696</b>	<b>8,993</b>	-	<b>6,138</b>	<b>694,847</b>	<b>719,847</b>

The accompanying notes on pages 71 to 139 are an integral part of these financial statements.

## STATEMENT OF CHANGES IN EQUITY (CONTINUED)

In thousands of KM

	Initial capital	General reserves (Retained earnings)	Other reserves	Fair value reserves – Available-for-sale financial assets	Fair value reserves – monetary gold	Total reserves	Total equity
As at 1 January 2017	25,000	537,892	31,300	111,597	(38,357)	642,432	667,432
<b>Total comprehensive (loss) for the year</b>	-	12,185	-	(18,477)	(1,194)	(7,486)	(7,486)
Net profit for the year	-	12,185	-	-	-	12,185	12,185
Other comprehensive (loss)	-	-	-	(18,477)	(1,194)	(19,671)	(19,671)
<i>Net unrealised negative changes in fair value for debt securities</i>	-	-	-	(15,890)	-	(15,890)	(15,890)
<i>Net realised positive changes in fair value for debt securities transferred to profit or loss</i>	-	-	-	(2,587)	-	(2,587)	(2,587)
<i>Net unrealised negative changes in fair value for monetary gold</i>	-	-	-	-	(1,194)	(1,194)	(1,194)
<b>Distribution of profit</b>	-	(7,311)	-	-	-	(7,311)	(7,311)
Distribution of profit to the state budget (Note 28)	-	-	-	-	-	-	-
<b>Balance as at 31 December 2017</b>	<b>25,000</b>	<b>542,766</b>	<b>31,300</b>	<b>93,120</b>	<b>(39,551)</b>	<b>627,635</b>	<b>652,635</b>

The accompanying notes on pages 71 to 139 are an integral part of these financial statements.

CENTRAL BANK OF BOSNIA AND HERZEGOVINA  
Financial statements for the year ended 31 December 2018

## STATEMENT OF CASH FLOWS

	Note	For the year ended	
		2018	31 December 2017
In thousands of KM			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Net profit for the year</b>		<b>8,431</b>	<b>12,185</b>
Adjusted for:			
Interest income	4	(48,186)	(42,996)
Interest expense	4	24,393	21,022
Provisions for expected credit losses, net	12	8,175	-
Net realised (gains) from sale of available-for-sale financial assets		-	(2,587)
Net realised (gains) from sale of debt instruments at fair value through other comprehensive income		(4,277)	-
Net foreign exchange (gains) / losses		(151)	560
Income from grants	9	(144)	(132)
Provisions for liabilities and charges	25	(222)	226
Net (gain) on disposal of property and equipment		(3)	(43)
Dividend income recognized in profit or loss	9	(589)	(763)
Depreciation and amortisation	20	2,426	2,035
<b>Net cash flows from operating activities before changes in operating assets and liabilities</b>		<b>(10,147)</b>	<b>(10,493)</b>
<b>Changes in operating assets and liabilities</b>			
(Increase) in term deposits with foreign banks over 3 months		(641,253)	(681,284)
(Increase) in debt instruments at fair value through other comprehensive income		(729,251)	-
(Increase) in available-for-sale financial assets		-	(1,175,774)
(Increase) in held-to-maturity investments		-	(69,113)
Decrease / (increase) in other assets		1,221	(7,222)
Increase in currency in circulation		431,254	252,556
Increase in deposits		580,668	802,663
(Decrease) in other liabilities		(566)	(1,088)
Payments from provisions for liabilities and charges		(169)	(187)
Interest received		60	29
Interest paid		(8,637)	(10,477)
<b>Net cash from operating activities</b>		<b>(376,820)</b>	<b>(900,390)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sale of property and equipment		5	46
Purchases of property, equipment and intangible assets		(1,910)	(3,100)
Dividends received		589	763
<b>Net cash used in investing activities</b>		<b>(1,316)</b>	<b>(2,291)</b>

## STATEMENT OF CASH FLOWS (CONTINUED)

In thousands of KM	Note	For the year ended 31 December	
		2018	2017
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Distribution of profit to the state budget		(7,311)	(8,437)
<b>Net cash used in financing activities</b>		<b>(7,311)</b>	<b>(8,437)</b>
Effect from changes in impairment for expected credit losses on cash and cash equivalents		336	-
Effects of exchange rate fluctuations on cash and cash equivalents held		187	(679)
<b>Net (decrease) in cash and cash equivalents</b>		<b>(384,924)</b>	<b>(911,797)</b>
Cash and cash equivalents at 1 January		2,061,284	2,973,081
Cash and cash equivalents at 31 December	29	1,676,360	2,061,284

The accompanying notes on pages 71 to 139 are an integral part of these financial statements.



CENTRAL BANK OF BOSNIA AND HERZEGOVINA  
*Notes to the financial statements for the year ended 31 December 2018*

## NOTES TO THE 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 ("BH") on 20 June 1997, according to the General Framework Peace Agreement in Bosnia and Herzegovina.

The Bank started its operations on 11 August 1997.

The main objectives and tasks of the Bank are:

- to define, adopt and control the implementation of monetary policy of BH 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 currency 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 BH 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 Bosnia and Herzegovina;
- to take part in the operations of international organisations working on strengthening the financial and economic stability of the country;
- to represent BH 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 Audit Executive 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 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.

Head Office of the Bank is located in Sarajevo, Maršala Tita Street, No 25.

**1. GENERAL INFORMATION (CONTINUED)**

During the course of 2017 and 2018 and up to the date of this report, the Governing Board, Management, Office of the Chief Audit Executive and Audit Committee members are:

**Governing Board**

Senad Softić Ph.D.	Chairman
Ankica Kolobarić M.Sc.	Member
Šerif Išović M.Sc.	Member (from 1 November 2017)
Kemal Kozarić Ph.D.	Member (until 31 October 2017)
Trivo Marinković M.Sc.	Member
Ljubiša Vladušić Ph.D.	Member

**Management**

Senad Softić Ph.D.	Governor
Ernadina Bajrović M.Sc.	Vice-Governor
Milica Lakić Ph.D.	Vice-Governor (until 15 June 2017 and from 11 August 2017)
Radomir Božić Ph.D.	Vice-Governor (from 16 June 2017 until 10 August 2017)
Želimir Raspudić M.Sc.	Vice-Governor (from 1 July 2017)
Ankica Kolobarić M.Sc.	Vice-Governor (until 30 June 2017)

**Office of the Chief Audit Executive**

Anita Dujmović	Chief Audit Executive (from 24 October 2017)
Edis Kovačević M.Sc.	Chief Audit Executive (until 30 September 2017)
Marica Bulić	Deputy of the Chief Audit Executive (from 8 December 2017)
Angela Medić	Deputy of the Chief Audit Executive (until 30 November 2017)
Jasmina Novalija	Deputy of the Chief Audit Executive (until 10 August 2018 and from 18 December 2018)
Stojanka Šarović	Deputy of the Chief Audit Executive (from 4 September 2017)
Krstinja Tošović	Deputy of the Chief Audit Executive (until 21 August 2017)

**Audit Committee**

Elvir Čizmić Ph.D.	Member (from 1 September 2018)
Mila Gadžić Ph.D.	Member
Sead Kreso Ph.D.	Member (until 31 August 2018)
Radomir Repija	Member

**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").

CENTRAL BANK OF BOSNIA AND HERZEGOVINA  
Notes to the financial statements for the year ended 31 December 2018

## 2. BASIS OF PREPARATION (CONTINUED)

### 2.2. Basis of measurement

These financial statements have been prepared on a historical cost, except for the following material items:

Item	Basis of measurement
Financial assets at fair value through other comprehensive income (applicable from 1 January 2018)	Fair value
Available-for-sale financial assets (applicable before 1 January 2018)	Fair value
Monetary gold	Fair value

Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Fair value is the price that would be received to sell or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Bank takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Bank can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included in Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

More detailed disclosures on fair value measurements of financial assets and liabilities are presented in Note 33.

### 2.3. Use of judgements and estimates

The preparation of financial statements in conformity with IFRS requires Management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure contingent assets and liabilities at the date of the financial statements and their reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognized in the Bank's financial statements are included in Note 3.15.

## 2. BASIS OF PREPARATION (CONTINUED)

### 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 stated).

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 Bank's operational rule for issuing KM is disclosed in Note 30.

### 2.5. Standards, interpretations and amendments to published standards that are effective in the current period

The following standards, amendments to the existing standards and interpretations issued by the IASB are effective for the current period:

- IFRS 9: "Financial Instruments" (effective for annual periods beginning on or after 1 January 2018),
- IFRS 15: "Revenue from Contracts with Customers" (effective for annual periods beginning on or after 1 January 2018),
- IFRIC 22: "Foreign Currency Transactions and Advance Consideration" (effective for annual periods beginning on or after 1 January 2018),
- Amendments to IFRS 15: "Revenue from Contracts with Customers" (effective for annual periods beginning on or after 1 January 2018),
- Amendments to IFRS 2: "Share – based Payment" - Classification and Measurement of Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2018),
- Amendments to IFRS 4: "Insurance Contracts" - Applying IFRS 9: „Financial Instruments“ with IFRS 4 „Insurance Contracts“ (effective for annual periods beginning on or after 1 January 2018 or when IFRS 9: „Financial Instruments“ is first applied),
- Amendments to IAS 40: "Investment Property"- Transfers of Investment Property (effective for annual periods beginning on or after 1 January 2018),
- Annual improvements to IFRSs 2014 – 2016 cycle – Amendments to IFRS 1: "First time adoption of International financial reporting standards" and IAS 28: "Investments in associates and joint ventures" (effective for annual periods beginning on or after 1 January 2018).

The application of these standards, amendments and interpretations has no significant impact on the financial statements of the Bank in the current period, except for IFRS 9. More information about effects of application of IFRS 9 is provided below.

CENTRAL BANK OF BOSNIA AND HERZEGOVINA  
*Notes to the financial statements for the year ended 31 December 2018*

## 2. BASIS OF PREPARATION (CONTINUED)

### 2.6. Changes in accounting policies

From 1 January 2018, the Bank has adopted IFRS 9: "Financial instruments" and changed its accounting policy regarding the accounting treatment of monetary gold. Summary of changes in accounting policies is provided below:

#### (a) IFRS 9: "Financial instruments" (IFRS 9)

The Bank has adopted IFRS 9 as issued by IASB in July 2014, with the date of transition at 1 January 2018 which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements. This standard replaces IAS 39: "Financial instruments: Recognition and measurement" (IAS 39). The adoption of IFRS 9 has resulted in changes in the Bank's accounting policies for recognition, classification, measurement and impairment of financial assets. There were no changes to the classification and measurement of financial liabilities.

As permitted by the transitional provisions of IFRS 9, the Bank elected not to restate the comparative figures. Because of transition method chosen by the Bank, comparative information throughout these financial statements has not generally been restated to reflect its requirements. Any adjustments to the carrying amounts of financial assets at the date of transition were recognised in the opening general reserves (retained earnings) and fair value reserves of the current period.

The full impact of adopting the standard is provided below:

#### (i) Classification and measurement of financial assets and financial liabilities on the date of initial application of IFRS 9

The following table and the below accompanying notes present the reconciliation of the original classification under IAS 39 and new classification under IFRS 9 for each class of financial assets and financial liabilities of the Bank as at 1 January 2018. For more information about specific IFRS 9 accounting policies applied in the current period, see Note 3.2.

CENTRAL BANK OF BOSNIA AND HERZEGOVINA  
Notes to the financial statements for the year ended 31 December 2018

## 2. BASIS OF PREPARATION (CONTINUED)

### 2.6. Changes in accounting policies (continued)

In thousands of KM

1 January 2018

Financial asset	Measurement category under IAS 39	Measurement category under IFRS 9	Carrying amount under IAS 39	Carrying amount under IFRS 9
Foreign currency in cash	Loans and receivables	Amortised cost	236,402	236,402
Deposits with foreign banks	Loans and receivables	Amortised cost	2,698,650	2,697,015
Special drawing rights with the IMF	Loans and receivables	Amortised cost	1,531	1,531
Debt securities	Available-for-sale	Fair value through other comprehensive income	6,202,071	6,202,071
Debt securities	Held-to-maturity	Fair value through other comprehensive income	1,214,062	1,271,786
Equity securities	Available-for-sale	Fair value through other comprehensive income – irrevocable selection	27,813	27,813
Other financial assets	Loans and receivables	Amortised cost	2,728	2,698
<b>TOTAL FINANCIAL ASSETS</b>			<b>10,383,257</b>	<b>10,439,316</b>

In thousands of KM

1 January 2018

Financial liabilities	Measurement category under IAS 39	Measurement category under IFRS 9	Carrying amount under IAS 39	Carrying amount under IFRS 9
Currency in circulation	Amortised cost	Amortised cost	4,319,360	4,319,360
Deposits from local banks	Amortised cost	Amortised cost	5,033,065	5,033,065
Deposits from the Government and other depositors	Amortised cost	Amortised cost	624,708	624,708
Other financial liabilities	Amortised cost	Amortised cost	10,510	10,510
<b>TOTAL FINANCIAL LIABILITIES</b>			<b>9,987,643</b>	<b>9,987,643</b>

CENTRAL BANK OF BOSNIA AND HERZEGOVINA  
Notes to the financial statements for the year ended 31 December 2018

## 2. BASIS OF PREPARATION (CONTINUED)

### 2.6. Changes in accounting policies (continued)

(ii) Reconciliation of statement of financial position balances for financial assets from IAS 39 to IFRS 9

The Bank performed a detailed analysis of its business models for managing financial assets and analysis of their cash flow characteristics under IFRS 9. For more information about business models, see Note 3.2.2.1.

The following table reconciles the carrying amounts of financial assets, from their previous measurement categories in accordance with IAS 39 to their new measurement categories upon transition to IFRS 9 on 1 January 2018:

In thousands of KM

Ref	IAS 39 carrying amount as at 31 December 2017	Reclassifications	Remeasurement	IFRS 9 carrying amount as at 1 January 2018
<b>Financial assets</b>				
<b>Foreign currency in cash</b>				
Opening balance under IAS 39 and closing balance under IFRS 9	236,402	-	-	236,402
<b>Deposits with foreign banks</b>				
Opening balance under IAS 39	2,698,650	-	-	2,698,650
Remeasurement: Expected credit loss allowance	-	-	(1,635)	(1,635)
Closing balance under IFRS 9				2,697,015
<b>Special drawing rights with the IMF</b>				
Opening balance under IAS 39	1,531	-	-	1,531
Remeasurement: Expected credit loss allowance	-	-	-	-
Closing balance under IFRS 9				1,531
<b>Other financial assets</b>				
Opening balance under IAS 39	2,728	-	-	2,728
Remeasurement: Expected credit loss allowance	-	-	(30)	(30)
Closing balance under IFRS 9				2,698
<b>Total financial assets measured at amortised cost</b>	<b>2,939,311</b>		<b>(1,665)</b>	<b>2,937,646</b>

All classes of financial assets in the table above are reclassified from their previous classification as loans and receivables under IAS 39 to financial assets measured at amortised cost under IFRS 9 as at 1 January 2018.

CENTRAL BANK OF BOSNIA AND HERZEGOVINA  
Notes to the financial statements for the year ended 31 December 2018

2. BASIS OF PREPARATION (CONTINUED)

2.6. Changes in accounting policies (continued)

In thousands of KM

Financial assets	Ref	IAS 39 carrying amount as at 31 December 2017	Reclassifications	Remeasurement	IFRS 9 carrying amount as at 1 January 2018
<b>Held-to-maturity investments under IAS 39</b>					
Opening balance under IAS 39		1,214,062	(1,214,062)	-	-
Classification to:					
Debt instruments at fair value through other comprehensive income	A	-	1,214,062	57,724	1,271,786
Closing balance under IFRS 9		-	1,214,062	57,724	1,271,786
<b>Available-for-sale financial assets under IAS 39</b>					
Opening balance under IAS 39		6,229,884	(6,229,884)	-	-
Classification to:					
Debt instruments at fair value through other comprehensive income	B	-	6,202,071	-	6,202,071
Equity instruments at fair value through other comprehensive income	C	-	27,813	-	27,813
Closing balance under IFRS 9		-	6,229,884	-	6,229,884
<b>Total held-to-maturity investments under IAS 39</b>		<b>1,214,062</b>	<b>(1,214,062)</b>	<b>-</b>	<b>-</b>
<b>Available-for-sale financial assets under IAS 39</b>		<b>6,229,884</b>	<b>(6,229,884)</b>	<b>-</b>	<b>-</b>
<b>Total financial assets measured at fair value through other comprehensive income under IFRS 9</b>		<b>-</b>	<b>7,443,946</b>	<b>57,724</b>	<b>7,501,670</b>



CENTRAL BANK OF BOSNIA AND HERZEGOVINA  
Notes to the financial statements for the year ended 31 December 2018

## 2. BASIS OF PREPARATION (CONTINUED)

### 2.6. Changes in accounting policies (continued)

The application of Bank's accounting policies resulted in the reclassifications explained below:

(A) Part of the debt securities were originally classified as held-to-maturity under IAS 39. The Bank has reclassified all debt securities into debt instruments subsequently measured at fair value through other comprehensive income under IFRS 9. The Bank considers that these debt securities are held within a business model whose objective is achieved by both collecting cash flows and selling.

(B) Part of the debt securities were originally classified as available-for-sale under IAS 39. The Bank has reclassified these debt securities into debt instruments subsequently measured at fair value through other comprehensive income under IFRS 9. The Bank considers that these debt securities are held within a business model whose objective is achieved by both collecting cash flows and selling.

(C) For equity securities that were classified as available-for-sale under IAS 39, the Bank irrevocably selected to present subsequent changes of their fair value in other comprehensive income under IFRS 9. The Bank's equity securities do not have active market and are initially recognized at cost (see Note 3.2.2.1. and Note 21).

(iii) Reconciliation of impairment allowance balance from IAS 39 to expected credit loss allowance under IFRS 9 for financial assets:

In thousands of KM

Measurement category	Loss allowance under IAS 39 as at 31 December 2017	Reclassification	Remeasurement	Expected credit loss allowance under IFRS 9 as at 1 January 2018
<b>Loans and receivables (IAS 39) / Financial assets at amortised cost (IFRS 9)</b>				
Deposits with foreign banks	-	-	1,635	1,635
Special drawing rights with the IMF	-	-	-	-
Other financial assets	600	(600)	30	30
Classification to:				
Loss allowance under IFRS 9	-	600	-	600
<b>Total</b>	<b>600</b>	<b>-</b>	<b>1,665</b>	<b>2,265</b>
<b>Held to maturity investments (IAS 39) / Financial assets at fair value through other comprehensive income (IFRS 9)</b>				
Debt securities	-	-	804	804
<b>Total</b>	<b>-</b>	<b>-</b>	<b>804</b>	<b>804</b>
<b>Available-for-sale financial assets (IAS 39) / Financial assets at fair value through other comprehensive income (IFRS 9)</b>				
Debt securities	-	-	3,486	3,486
<b>Total</b>	<b>-</b>	<b>-</b>	<b>3,486</b>	<b>3,486</b>
<b>Total loss allowance</b>	<b>600</b>	<b>-</b>	<b>5,955</b>	<b>6,555</b>

**2. BASIS OF PREPARATION (CONTINUED)****2.6. Changes in accounting policies (continued)**

Loss allowance under IAS 39 in the amount of KM 600 thousand is related to the receivable associated with the fraud executed by the employee in the vault of the Bank's Main Unit in Sarajevo which was revealed on 8 December 2014. The Bank impaired receivable from employee in total.

Further information about the expected credit losses measurement under IFRS 9 is provided in Note 32.1.

**(b) Monetary gold**

The Bank has revised its accounting policy for monetary gold and changed the accounting treatment of monetary gold, effective from 1 January 2018. Accounting policy change for monetary gold has been applied prospectively as permitted by definition of „Impracticable“ in IAS 8 referring to the requirement to determine the existence of assumptions about what Bank's intentions would have been for monetary gold in prior period for retrospective application. For more information about accounting policy for monetary gold see Note 3.3.

The following table presents the summary of accounting policies applied for monetary gold until 31 December 2017 and from 1 January 2018:

Initial recognition	Subsequent measurement	Currency	Effects of subsequent measurement	Policy applied
Fair value	Fair value	USD	Through other comprehensive income	Until 31 December 2017
Fair value	Fair value	EUR	Through other comprehensive income throughout the year, but in the event of negative balance at the end of the year, negative amount is transferred to profit or loss (Note 3.3.)	From 1 January 2018

The following table presents the reconciliation of carrying amounts for monetary gold due to accounting policy change as at 1 January 2018:

**In thousands of KM**

	Classification	Measurement	Carrying amount
<b>Monetary gold</b>			
As at 31 December 2017	-	-	203,908
New accounting policy implementation – foreign exchange differences	-	(50)	(50)
<b>As at 1 January 2018</b>	-	<b>(50)</b>	<b>203,858</b>

CENTRAL BANK OF BOSNIA AND HERZEGOVINA  
Notes to the financial statements for the year ended 31 December 2018

## 2. BASIS OF PREPARATION (CONTINUED)

### 2.6. Changes in accounting policies (continued)

#### (c) Impact of accounting policy changes on the Bank's equity

The following tables present the impact of transition from IAS 39 to IFRS 9 and the change of accounting policy for monetary gold on the Bank's general reserves (retained earnings) and fair value reserves opening balances as at 1 January 2018:

In thousands of KM	Impact of the IFRS 9 implementation and the accounting policy change for monetary gold on the opening balance
<b>General reserves (retained earnings)</b>	
Recognition of expected credit losses under IFRS 9:	(5,955)
<i>Provisions for expected credit losses for debt instruments</i>	(4,290)
<i>Loss allowances for financial assets at amortised cost</i>	(1,665)
New effective interest rate method application under IFRS 9	9,079
New accounting policy implementation for monetary gold -fair value measurement	(39,551)
New accounting policy implementation for monetary gold –foreign exchange differences	(50)
<b>Total impact as at 1 January 2018</b>	<b>(36,477)</b>

As at 1 January 2018, The Bank decreased General reserves (Retained earnings) in the amount of KM 36,477 thousand related to IFRS 9 implementation and accounting policy change for monetary gold, which was made by the Decision of the Governing Board.

In thousands of KM	Impact of the IFRS 9 implementation on the opening balance
<b>1. Fair value reserves - financial assets subsequently measured at fair value through other comprehensive income:</b>	
<i>Reclassification of available-for-sale financial assets into financial assets subsequently measured at fair value through other comprehensive income</i>	93,120
<i>Reclassification of held-to-maturity investments into financial assets subsequently measured at fair value through other comprehensive income</i>	57,724
<i>New effective interest rate method application under IFRS 9</i>	(9,079)
<b>Total fair value reserves for financial assets subsequently measured at fair value through other comprehensive income as at 1 January 2018</b>	<b>141,765</b>
<b>2. Provisions for expected credit losses for financial assets subsequently measured at fair value through other comprehensive income as at 1 January 2018</b>	<b>4,290</b>

## 2. BASIS OF PREPARATION (CONTINUED)

### 2.6. Changes in accounting policies (continued)

In thousands of KM	Impact of the accounting policy change for monetary gold on the opening balance
<b>3. Fair value reserves – monetary gold</b>	
Balance as at 31 December 2017	(39,551)
New accounting policy implementation for monetary gold	39,551
<b>Fair value reserves for monetary gold as at 1 January 2018</b>	<b>-</b>

### 2.7. Standards and Interpretations in issue not yet adopted

As at the date of authorization of these financial statements the following standards, revisions and interpretations have been published by the IASB, but are not yet effective and have not been adopted early by the Bank:

- IFRS 16: “Leases” (effective for annual periods beginning on or after 1 January 2019),
- IFRS 17: “Insurance Contracts” (effective for annual periods beginning on or after 1 January 2021),
- IFRIC 23: “Uncertainty over tax treatments” (effective for annual periods beginning on or after 1 January 2019),
- Amendments to IFRS 9: “Financial instruments - Prepayment Features with negative compensation (effective for annual periods beginning on or after 1 January 2019),
- Amendments to IFRS 10: “Consolidated Financial Statements” and IAS 28: “Investments in Associates and Joint Ventures” – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective for annual periods beginning on or after a date to be determined),
- Annual improvements to IFRS standards 2015-2017 Cycle (effective for annual periods beginning on or after 1 January 2019),
- Amendments to IAS 19: “Employee benefits – Plan amendments, curtailment or settlement” (effective for annual periods beginning on or after 1 January 2019),
- Amendments to references to the Conceptual framework in IFRS standards (effective for annual periods beginning on or after 1 January 2020),
- Amendments to IFRS 3: „Business combinations“ – Definition of business (effective for annual periods beginning on or after 1 January 2020),
- Amendments to IAS 1: „Presentation of financial statements“ and IAS 8: „Accounting policies, changes in accounting estimates and errors - definition of material“ (effective for annual periods beginning on or after 1 January 2020).

The Bank has elected not to adopt these standards, revisions and interpretations in advance of their effective dates. The Bank anticipates that the adoption of these standards, revisions and interpretations will not have a significant impact on the financial statements of the Bank.

CENTRAL BANK OF BOSNIA AND HERZEGOVINA  
*Notes to the financial statements for the year ended 31 December 2018*

### 3. SIGNIFICANT ACCOUNTING POLICIES

Apart from the effects of the IFRS 9 adoption and accounting policy change for monetary gold, as explained in Note 2.6., accounting policies set out below have been applied consistently to all periods presented in these financial statements. Because the Bank did not restate the comparative figures due to accounting policy changes, both sets of significant accounting policies are disclosed where necessary.

#### 3.1. Income and expense recognition

##### 3.1.1. Interest income and expenses

###### Policy applicable in both periods

###### Effective interest rate

Interest income and expenses are recorded in profit or loss using the effective interest rate method. The “effective interest rate” is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- gross carrying amount of the financial assets or
- the amortised cost of the financial liability.

The “amortised cost” of a financial assets or financial liability is the amount at which the financial assets or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount and, for financial assets, adjusted for any expected credit loss allowance.

The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusted for any expected credit loss allowance.

When calculating the effective interest rate for financial instrument, the Bank estimates future cash flows considering all contractual terms of the financial instruments, but not expected credit losses. The calculation includes all fees and points paid or received between the Bank and other party that are an integral part of the effective interest rate, transaction costs, and all other discounts and premiums.

The effective interest rate method is the method that is used in the calculation of the amortised cost (gross carrying amount) of a financial assets or financial liabilities and allocation and recognition of interest income or expense in profit or loss over the relevant period.

The Bank’s interest income and expense calculated using the effective interest rate method presented in the statement of profit or loss arise from deposits with foreign banks, debt instruments, Special drawing rights with the IMF, loans to employees and deposits from local banks.

##### 3.1.2. Fee and commission income and expenses

###### Policy applicable in both periods

Fee and commission income and expense 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 and are recognized in the statement of profit or loss as the relevant services are performed.

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.1. Income and expense recognition (continued)****3.1.3. Foreign currency transactions and exchange differences****Policy applicable in both periods**

On initial recognition, a foreign currency transactions are recorded into the KM, by applying to the foreign currency amount the spot exchange rate between the KM and the foreign currency at the date of the transaction.

Monetary items denominated in foreign currencies are translated to the KM by applying the Bank's exchange rate at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated by applying the exchange rate at the date of transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous reporting date, are recognized in profit or loss when they arise. Due to Currency Board Arrangement, there are no exchange differences from monetary items denominated in EUR currency.

Middle exchange rate of most relevant currencies are provided below:

Middle exchange rate:	31 December 2018	31 December 2017
	KM	KM
USD	1.707552	1.63081
SDR	2.374847	2.322489

**3.1.4. Dividend income****Policy applicable in both periods**

Dividend income from equity securities is recognized in profit or loss when the Bank's right to receive income is established.

**3.2. Financial instruments****3.2.1. Recognition and initial measurement of financial assets and financial liabilities****Policy applicable in both periods**

Financial assets and financial liabilities are recognized in the statement of financial position when, and only when, the Bank becomes a party to the contractual provisions of the financial instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities, except those classified at fair value through profit and loss, are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized directly in profit or loss.

CENTRAL BANK OF BOSNIA AND HERZEGOVINA  
Notes to the financial statements for the year ended 31 December 2018

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.2. Financial instruments (continued)

##### 3.2.1. Recognition and initial measurement of financial assets and financial liabilities (continued)

All financial assets are initially recognised at the settlement date which is the date that an asset is obtained from, or delivered to, the Bank.

##### 3.2.2. Classification and subsequent measurement

###### 3.2.2.1. Financial assets

###### Policy applicable from 1 January 2018

From 1 January 2018, the Bank has applied IFRS 9 and classifies its financial assets in the following measurement categories:

- Fair value through other comprehensive income
- Amortised cost.

As at 31 December 2018, the Bank did not have any financial assets categorised at fair value through profit or loss.

The classification of financial asset is determined by both:

- The Bank's business model for managing the financial asset
- The contractual cash flow characteristics of the financial assets.

###### Business model

The business model reflects how the Bank manages the assets in order to generate cash flows. That is, whether the Bank's objective is solely to collect the contractual cash flows or to collect both contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable, then the financial assets are classified as part of "Other" business model and measured at fair value through profit or loss. As at 31 December 2018, the Bank manages its assets through following business models:

1. "Hold to collect contractual cash flows" model for financial assets that generate contractual cash flows during its lifetime and
2. "Hold to collect contractual cash flows and sell" model for financial assets that generate contractual cash flows during its lifetime and by selling.

Contractual cash flows from debt securities can be managed by both business models. As at 31 December 2018, the Bank's objective is to collect both contractual cash flows and cash flows arising from the sale for all debt foreign government securities.

For financial assets that are managed through these models, the Bank assesses whether the contractual cash flows associated with the financial asset are solely payments of principal and interest on the principal amount outstanding. The assessment is made at a portfolio level because this best reflects the way the business is managed and information is provided to the Bank's Management and the Governing Board. For the purpose of assessment, "principal" is defined as fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time, and for other basic lending risks and costs related to the holding the financial asset.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.2. Financial instruments (continued)

##### 3.2.2. Classification and subsequent measurement (continued)

###### 3.2.2.1. Financial assets (continued)

In assessing whether the contractual cash flows are “solely payment of principal and interest”, the Bank considers the contractual cash flows of the instrument. Only financial assets that satisfies “solely payment of principal and interest” requirement can be classified into category of financial assets measured at amortised cost or financial assets measured at fair value through other comprehensive income.

On initial recognition, the Bank’s financial assets are recognised at: amortised cost or at fair value through other comprehensive income based on assessments of the Bank’s business model. Financial assets meet the “solely payment of principal and interest” requirement as at 31 December 2018.

###### Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions:

- they are held within the business model whose objective is to hold the financial assets and collect its contractual cash flows and
- the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest of the principal amount outstanding.

After initial recognition, financial assets are measured at amortised cost using the effective interest rate method on the gross carrying amount of the asset. Effects of subsequent measurement of financial assets at amortised cost are recognised in profit or loss as interest income or interest expense in the period they occurred.

As at 31 December 2018, the Bank’s giro accounts, foreign currency in cash, deposits with foreign banks, special drawing rights with the IMF and other financial assets fall into this category of financial instruments.

###### Financial assets at fair value through other comprehensive income

Financial assets are measured at fair value through other comprehensive income if the assets meet the following conditions:

- they are held within the business model whose objective is achieved by both collecting contractual cash flows and selling financial asset and
- the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest of the principal amount outstanding.

###### Debt instruments

After initial recognition, debt instruments are measured at fair value through other comprehensive income using the effective interest rate method on the gross carrying amount of the asset and are adjusted to the fair value of the instrument at each reporting date. For the period of holding, effects of subsequent measurement of debt instruments at fair value through other comprehensive income are recognised as follows:

- Interest income or interest expense is recognised in profit or loss in the period they occurred
- Fair value adjustments are recognised in other comprehensive income in the period they occurred.



CENTRAL BANK OF BOSNIA AND HERZEGOVINA  
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### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.2. Financial instruments (continued)

##### 3.2.2. Classification and subsequent measurement (continued)

###### 3.2.2.1. Financial assets (continued)

When debt instruments at fair value through other comprehensive income are derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss, including previously recognised impairment gains or losses.

As at 31 December 2018, the Bank's debt instruments fall into this category of financial instruments.

###### Equity instruments

As permitted by IFRS 9, the Bank has made an irrevocable election to present in other comprehensive income subsequent changes in the fair value of equity instruments that are not held for trading due to their specific characteristics and absence of non-active market for trading. Equity instruments are initially measured at cost which is considered to be their fair value. For more information about fair value measurement of the Bank's equity instruments, see Note 33.

As at 31 December 2018, the Bank's all equity instruments (BIS and SWIFT shares) fall into this category of financial instruments.

###### Policy before 1 January 2018

Financial assets could be classified into the following specified categories:

- at fair value through profit or loss,
- available-for-sale,
- held-to-maturity investments, and
- loans and receivables.

The classification depended on the nature and purpose of the financial assets and was determined at the time of initial recognition. Up to 31 December 2017, the Bank had never had financial assets at fair value through profit or loss.

###### Loans and receivables

Receivables (including deposits with foreign banks) that had fixed or determinable payments that were not quoted in an active market were classified as loans and receivables.

Loans and receivables were initially recognized at fair value plus transaction costs.

After initial recognition, loans and receivables were measured at amortised cost using the effective interest rate method, less any impairment. Interest income and expense were recognized by applying the effective interest rate.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.2. Financial instruments (continued)

##### 3.2.2. Classification and subsequent measurement (continued)

###### 3.2.2.1. Financial assets (continued)

###### Held-to-maturity investments

Government debt securities with fixed or determinable payments and fixed maturity dates that the Bank had the positive intent and ability to hold to maturity were classified as held-to-maturity investments. Held-to-maturity investments were recorded at amortized cost using the effective interest method less any impairment, with revenue recognized on an effective yield basis.

###### Available-for-sale financial assets

Debt and equity securities held by the Bank were classified as being available-for-sale and were stated at fair value. Fair value was determined in the manner described in the Note 33. Unquoted equity instruments whose fair value could not be reliably determined were carried at cost, less impairment. Gains and losses arising from changes in fair value of debt and equity securities were recognized in other comprehensive income in the fair value reserve account with the exception of impairment losses, interest calculated using the effective interest rate method and foreign exchange gains and losses on financial assets, which were recognized directly in profit or loss. Where the investment was disposed of or was determined to be impaired, the cumulative gain or loss previously recognized in the fair value reserve account in other comprehensive income was included in profit or loss for the period.

Dividends on available-for-sale equity instruments were recognized in profit or loss when the Bank's right to receive payments was established.

The fair value of available-for-sale financial assets denominated in a foreign currency was determined in that foreign currency and translated at the middle exchange rate at the reporting period date. The change in fair value attributable to translation differences that resulted from a change in amortized cost of the asset was recognized in profit or loss and other changes were recognized in equity.

###### 3.2.2.2. Financial liabilities

As the accounting treatment for financial liabilities remains largely the same under IFRS 9 compared to IAS 39, the Bank's financial liabilities were not impacted by the adoption of IFRS 9. However, for completeness, the accounting policy is disclosed below.

###### Policy from 1 January 2018

The Bank classifies all its financial liabilities as measured at amortised cost using the effective interest rate method. Interest income or interest expense from financial liabilities measured at amortised cost are recognised in profit or loss.

Financial liabilities measured at amortised cost include currency in circulation, deposits from the local banks, deposits from the Government and other depositors and other financial liabilities.

CENTRAL BANK OF BOSNIA AND HERZEGOVINA  
*Notes to the financial statements for the year ended 31 December 2018*

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.2. Financial instruments (continued)

##### 3.2.2. Classification and subsequent measurement (continued)

##### 3.2.2.2. Financial liabilities (continued)

###### Policy before 1 January 2018

Financial liabilities were classified as either financial liabilities at fair value through profit or loss or "other financial liabilities". As at 31 December 2017, the Bank had no financial liabilities at fair value through profit or loss.

###### Other financial liabilities

Other financial liabilities included currency in circulation, deposits from the local banks, deposits from the Government and other depositors and other financial liabilities.

Other financial liabilities were subsequently measured at amortized cost using the effective interest method, with interest income or expense recognized on an effective yield basis.

##### 3.2.3 Impairment of financial assets

###### Policy applicable from 1 January 2018

IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses. Instruments within the scope of the new requirements include financial assets measured at amortised cost i.e. deposits with foreign banks, Special drawing rights with the IMF and debt instruments measured at fair value through other comprehensive income. The Bank uses a simplified approach in calculation of expected credit losses for other receivables. Equity instruments measured at fair value through other comprehensive income are not subject of impairment.

The Bank recognises a loss allowance for these losses at each reporting date. The measurement of expected credit losses reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes
- The time value of money and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Note 32.1. provides more information about how the expected credit loss allowance is measured.

Loss allowances for expected credit losses are calculated and presented in the statement of financial position as follows:

- Financial assets measured at amortised cost: Expected credit losses are calculated on the gross carrying amount of the assets and recorded as a deduction from the gross carrying amount of the assets and
- Debt instruments at fair value through other comprehensive income: Expected credit losses are calculated on the gross carrying amount of the assets, but loss allowance is recognised in other comprehensive income and does not reduce the carrying amount of the financial assets in the statement of financial position.

Impairment gains and losses are recorded in profit or loss regardless of classification of financial assets at each reporting date.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.2. Financial instruments (continued)

##### 3.2.3 Impairment of financial assets (continued)

###### Policy applicable before 1 January 2018

Financial assets were assessed for indicators of impairment at each reporting date. Financial assets were impaired where there was objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment had been impacted.

Objective evidence of impairment could include:

- significant financial difficulty of the counterparty; or
- default or delinquency in interest or principal payments; or
- it became probable that the borrower would enter bankruptcy or financial reorganisation.

Individually significant financial assets were tested for impairment on an individual basis. The remaining financial assets were assessed collectively. Those individually significant assets which were not identified as impaired were subsequently included in the basis for collective impairment assessment.

For the purposes of a collective evaluation of impairment, financial assets were grouped on the basis of similar credit risk characteristics.

For financial assets carried at amortized cost, the amount of the impairment was the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset was reduced through the use of an allowance account. When a receivable was considered uncollectible, it was written off against the allowance account. Subsequent recoveries of amounts previously written off were credited against the allowance account. Changes in the carrying amount of the allowance account were recognized in profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss for debt securities classified as available-for-sale decreased and the decrease could be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss was reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment was reversed did not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of available-for-sale equity securities, any increase in fair value subsequent to an impairment loss was recognized in other comprehensive income.

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### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.2. Financial instruments (continued)

##### 3.2.4. Derecognition of financial instruments

**Applicable in both periods**

##### 3.2.4.1. Derecognition of financial assets

The Bank derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

##### 3.2.4.2. Derecognition of financial liabilities

A financial liability is derecognised when it is extinguished, discharged or expires.

#### 3.3. Monetary gold

##### **Policy applicable from 1 January 2018**

Monetary gold is part of foreign currency reserves of the Bank and it is classified as a financial asset. Monetary gold is initially recognized at fair value, including transaction cost directly attributable to the acquisition of the gold.

After initial recognition, the gold is re-measured at fair value. Unrealized gains and losses arising from changes in fair value, referring to the price changes of monetary gold, are recognized in the fair value reserve account within other comprehensive income. In the event that unrealized losses exceed the balance in the fair reserve for monetary gold at the end of the financial year, the Bank shall charge the excess against the period's profit.

On the sale of gold, the Bank shall recycle existing unrealized gains and losses through profit and loss.

The fair value of monetary gold is expressed in EUR, converted at the fixed rate of KM at the reporting date, and it is measured at the last bid price for one ounce of gold (Oz) at the reporting date quoted on Reuters.

##### **Policy applicable before 1 January 2018**

Gold was initially recognized at cost, being the fair value of the consideration provided including acquisition charges associated with the investment. After initial recognition, the gold was re-measured at fair value. Gains and losses arising from changes in fair value, referring to price changes and foreign exchange differences from conversion from USD to Convertible Mark were recognized in the fair value reserve within other comprehensive income, until the gold was sold, when they were recognized as realized gains or losses in profit or loss.

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

Foreign exchange gains and losses from conversion of prices of gold from USD to Convertible Mark were recognized as a part of fair value adjustments in the fair value reserve in other comprehensive income.

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.4. Offsetting**

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position on a net basis, only where there is a legally enforceable right to offset the recognized amounts and when there is an intention to present or settle the transactions on the net basis.

Income and expenses are presented on a net basis only when permitted under IFRSs, or for gains and losses arising from a group of similar transactions.

**3.5. Cash and cash equivalents**

For the purpose of reporting cash flows, cash and cash equivalents comprise the following categories: giro accounts, foreign currency in cash, foreign currency demand deposits, foreign currency deposits with maturity up to three months or less from the date of acquisition and Special drawing rights in the IMF.

**3.6. Property, equipment and intangible assets**

Properties, equipment and intangible assets consist of assets obtained from the Bank's own funds and cash and non-cash grants.

Properties, equipment and intangible assets are stated at cost, less accumulated depreciation/amortization and any recognized accumulated impairment losses. Cost includes the purchase price and all costs directly related to bringing the asset into operating condition for its intended use. Maintenance and repairs, replacements and improvements of minor importance are expensed as incurred. Significant improvements and replacement of assets are capitalized.

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, equipment and intangible assets category and subsequently subject to the applicable depreciation rates.

Depreciation and amortization is provided on all assets, except land and 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 and amortization rates during 2017 and 2018 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 recognized in profit or loss.

The useful life of the property, equipment and intangible assets is reviewed and adjusted on an annual basis at minimum, if necessary, and it is applied prospectively.

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### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.7. 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 recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in profit or loss.

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 recognized.

#### 3.8. Provisions for liabilities and charges

Provisions are recognized 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 recognized at inception. If the outflow of economic benefits to settle the obligations is no longer probable, the provision is reversed.

#### 3.9. Grants

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

#### 3.10. Taxes

The Bank is obliged to pay Value Added Tax according to the Law on Value Added Tax for all goods and services purchased. These payables are part of the Bank's administrative and other operating expenses. According to the laws on income tax (both Federation of Bosnia and Herzegovina and Republika Srpska), the Bank is excluded from income tax payables.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.11. Currency in circulation

The Bank administers the issue and withdrawal of domestic bank notes and coins. The corresponding liability from the issued currency in circulation is recorded in the statement of financial position.

When currency is withdrawn from circulation, it is recognized 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 recognized as income.

Costs related to the production and design of banknotes and coins are initially recognized as deferred costs which are subsequently amortised through other operating expenses. From February 2017 the Bank has increased the period for amortisation of these costs from three to five years.

#### 3.12. 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 organisations, as well as foreign currency accounts of state institutions and agencies, and of commercial banks, for which the Bank acts as an agent.

#### 3.13. Employee benefits

##### *Short-term employee benefits*

In accordance with local regulations, on behalf of its employees, the Bank pays personal income tax and contributions for pension, disability, health and unemployment insurance, on and from salaries, which are calculated as per the set legal rates during the course of the year on the gross salary. The Bank pays those tax and contributions in the favour of the institutions of the Federation of Bosnia and Herzegovina (on federal and cantonal levels), Republika Srpska and Brčko District.

In addition, meal allowances, transport allowances and vacation bonuses are paid in accordance with the domestic legislation requirements. These expenses are recognized in profit or loss in the period in which the expense is incurred.

##### *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.



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### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.14. 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 statement of financial position 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 34).

#### 3.15. Assumptions and estimation uncertainties

Key assumptions and estimates relating to material statement of financial position items are presented below:

##### **Applicable to 2018 only:**

###### *Business model*

Note 3.2.2.1.: Determination of the business model within which the assets are held and assessment of contractual terms of financial assets regarding the "Solely payment of principal and interest" requirement. These assessments determine the classification of financial assets under IFRS 9.

###### *Impairment of financial assets*

From 1 January 2018, the Bank calculates the expected credit losses for certain classes of financial assets measured at amortised cost and debt instruments measured at fair value through other comprehensive income. Note 32.1 describes assumptions made in the determination of the inputs into the Expected credit losses measurement model, including the forward-looking view information that were used in 2018.

##### **Applicable in both periods**

###### *Fair value of assets and liabilities*

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.

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.16. Changes in presentation of financial statements**

In preparing financial statements for the year ended 31 December 2018, the Bank has made certain changes in presentation of its primary financial statements line items and adjusted the comparative information as follows:

- Statement of profit or loss: different presentation of Net interest income line items and presentation of Financial result before provisioning for expected credit losses,
- Statement of cash flow: reclassification of investments in debt securities from investing activities to operating activities.

The table below summarizes the change in presentation of interest income and expense from financial assets available-for-sale:

In thousands of KM	Previously presented for the year ended 31 December 2017	Effect of change in presentation	Changed presentation for the year ended 31 December 2017
Interest income from available-for-sale financial assets	16,358	9,552	25,910
Interest expense from available-for-sale financial assets	-	(9,552)	(9,552)

Corresponding notes are adjusted for these changes. Other changes in presentation of these financial statements were immaterial and were performed to enhance and improve the useful information in financial statements.

The consequential amendments to IFRS 7: "Financial instruments: Disclosures" have also only been applied to the current period, but have not been applied to the comparative information.

**4. NET INTEREST INCOME**

In thousands of KM

	For the year ended 31 December	
	2018	2017
Interest income arising from:		
Debt instrument at fair value through other comprehensive income (Note 16)	42,334	-
Available-for-sale financial assets (Note 15)	-	25,910
Held-to-maturity investments (Note 18)	-	12,621
Effect of negative deposit interest rates on deposits from local commercial banks	5,784	4,425
Deposits with foreign banks	37	18
Other financial assets at amortised cost	31	22
<b>Total interest income</b>	<b>48,186</b>	<b>42,996</b>
Interest expense arising from:		
Effects of negative interest rates - debt instrument at fair value through other comprehensive income (Note 16)	(13,613)	-
Effects of negative interest rates - Available-for-sale financial assets (Note 15)	-	(9,552)
Effects of negative interest rates - Deposits with foreign banks	(10,780)	(11,470)
<b>Total interest expense</b>	<b>(24,393)</b>	<b>(21,022)</b>
<b>Net interest income</b>	<b>23,793</b>	<b>21,974</b>

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#### 4. NET INTEREST INCOME (CONTINUED)

Effects of negative interest rates from deposits with foreign banks include the amount of KM 8,507 thousand on term deposits and the amount of KM 2,273 thousand on demand deposits (2017: included the amount of KM 8,887 thousand on term deposits and the amount of KM 2,583 thousand on demand deposits).

The base for calculation of interest on deposits from commercial banks' includes the total deposits of commercial banks on reserve accounts during the settlement period, which consists of required reserve amounts and excess above the required reserves.

The base for the required reserve calculation for commercial banks consists of deposits and borrowings regardless of fund currency expressed. Also, the unique required reserve rate of 10% is established to be applied by the Bank on the base for the required reserve calculation.

The Bank does not calculate fee on the required reserve amount while the fee on the amount exceeding the required reserve is calculated at the rate equal to 50% of the European Central Bank rate applied on commercial bank deposits.

Effects of negative interest rates from interest-bearing financial assets are result of the negative interest rates calculated on deposits with foreign banks and debt securities that could not be avoided according to current market circumstances.

Effects of negative interest rates on deposits from local commercial banks are result of the negative interest rate on the amount exceeding the required reserve which amounted to 0.20% p.a. in the reporting periods.

#### 5. NET FEE AND COMMISSION INCOME

In thousands of KM	For the year ended 31 December	
	2018	2017
Fee and commission income:		
from local commercial banks	16,047	14,720
from services for the Government and other non-banking clients	1,162	1,114
	<b>17,209</b>	<b>15,834</b>
Fee and commission expenses:		
transactions with foreign banks	(636)	(562)
	<b>(636)</b>	<b>(562)</b>
<b>Net fee and commission income</b>	<b>16,573</b>	<b>15,272</b>

#### 6. NET REALISED GAINS FROM SALE OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

In thousands of KM	For the year ended 31 December
	2018
Realised gains	4,277
Realised losses	-
<b>Net realised gains from sale of financial assets at fair value through other comprehensive income</b>	<b>4,277</b>

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**6. NET REALISED GAINS FROM SALE OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONTINUED)**

As at 31 December 2018, net realised gains from sale of financial assets at fair value through other comprehensive income include net amount comprising from closing balance in fair value reserves in the amount of KM 1,679 thousand and in provisions for expected credit losses in the amount of KM 2,598 thousand for debt instruments at fair value through other comprehensive income (See Note 32.1.1.)

**7. NET REALISED GAINS FROM SALE OF AVAILABLE-FOR-SALE FINANCIAL ASSETS**

In thousands of KM	For the year ended 31 December	
	2017	
Realised gains	2,587	
Realised losses	-	
<b>Net realized gains from sale of Available-for-sale financial assets</b>	<b>2,587</b>	

**8. NET FOREIGN EXCHANGE GAINS / (LOSSES)**

In thousands of KM	For the year ended 31 December	
	2018	2017
Gains from foreign exchange differences	727	577
Losses from foreign exchange differences	(576)	(1,137)
<b>Net foreign exchange gains / (losses)</b>	<b>151</b>	<b>(560)</b>

**9. OTHER INCOME**

In thousands of KM	For the year ended 31 December	
	2018	2017
Dividend income (Note 21)	589	763
Income from grants	144	132
Other income	789	654
<b>TOTAL</b>	<b>1,522</b>	<b>1,549</b>

**10. PERSONNEL EXPENSES**

In thousands of KM	For the year ended 31 December	
	2018	2017
Salaries	10,515	10,280
Taxes and contributions	5,977	5,846
Other employee benefits	2,694	2,667
Net provisions for severance payments (Note 25)	(152)	226
<b>TOTAL</b>	<b>19,034</b>	<b>19,019</b>

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**10. PERSONNEL EXPENSES (CONTINUED)**

Personnel expenses include KM 3,702 thousand (2017: KM 3,620 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 2018 the Bank had 368 employees (2017: 372 employees).

**11. ADMINISTRATIVE AND OTHER OPERATING EXPENSES**

In thousands of KM	For the year ended 31 December	
	2018	2017
Maintenance costs	2,695	2,494
Expenses for production and design of banknotes and coins	1,751	1,429
Other administrative and operating expenses	3,804	3,660
<b>TOTAL</b>	<b>8,250</b>	<b>7,583</b>

**12. PROVISIONS FOR EXPECTED CREDIT LOSSES, NET**

in thousands of KM	For the year ended 31 December	
	2018	
Gains from expected credit losses:		
- from financial assets subsequently measured at fair value through other comprehensive income		15,122
- from deposits with foreign banks		9,266
- from other financial assets		64
- from Special drawing rights with the IMF		3
		<b>24,455</b>
Losses from expected credit losses:		
- from financial assets subsequently measured at fair value through other comprehensive income		(22,423)
- from deposits with foreign banks		(10,165)
- from other financial assets		(39)
- from Special drawing rights with the IMF		(3)
		<b>(32,630)</b>
<b>Net increase in provisions for expected credit losses</b>		<b>(8,175)</b>

The Bank did not have gains and losses arising from impairment of financial assets according to IAS 39 in 2017.

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### 13. FOREIGN CURRENCY IN CASH

Foreign currency in cash relates to:

In thousands of KM	31 December 2018	31 December 2017
Cash in vaults per currency:		
- EUR	274,025	236,330
- CHF	38	36
- USD	20	19
- GBP	16	17
<b>TOTAL</b>	<b>274,099</b>	<b>236,402</b>

### 14. 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 2018	31 December 2017
Term deposits:		
- EUR	2,118,444	2,027,067
Less impairment for expected credit losses	(2,064)	-
	<b>2,116,380</b>	<b>2,027,067</b>
Demand deposits:		
- EUR	788,997	666,153
- CHF	3,741	2,482
- USD	2,765	2,921
- GBP	36	27
Less impairment for expected credit losses	(471)	-
	<b>795,068</b>	<b>671,583</b>
<b>TOTAL</b>	<b>2,911,448</b>	<b>2,698,650</b>

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

In thousands of KM	31 December 2018	31 December 2017
Up to 1 month	777,266	993,768
From 1 to 2 months	349,106	136,200
From 2 to 3 months	583,230	449,303
From 3 to 4 months	155,532	117,154
From 4 to 12 months	253,310	330,642
<b>Total</b>	<b>2,118,444</b>	<b>2,027,067</b>
Less impairment for expected credit losses	(2,064)	-
<b>TOTAL</b>	<b>2,116,380</b>	<b>2,027,067</b>

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#### 14. DEPOSITS WITH FOREIGN BANKS (CONTINUED)

During 2018 the negative interest rates on demand deposits denominated in EUR ranged from 0.72% p.a. to 0.08% p.a. (2017: negative interest rates from 0.74% p.a. to 0.30% p.a.) and on term deposits negative interest rates ranged from 0.48% p.a. to 0.17% p.a. (2017: from 0.65% p.a. to 0.36% p.a.).

Deposits with foreign banks include negative accrued interest in the amount KM 2,395 thousand as at 31 December 2018 (2017: included negative accrued interest in the amount KM 1,580 thousand).

The average negative effective yield rate on deposits amounted to 0.42% p.a. (2017: average negative effective yield rate 0.43% p.a.).

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

In thousands of KM	31 December 2018	31 December 2017
Central banks	2,009,539	1,268,300
Commercial banks	904,444	1,430,350
Less impairment for expected credit losses (Note 32.1.1)	(2,535)	-
<b>TOTAL</b>	<b>2,911,448</b>	<b>2,698,650</b>

**14. DEPOSITS WITH FOREIGN BANKS (CONTINUED)**

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

In thousands of KM	31 December 2018	31 December 2017
<b>Luxembourg</b>		
Term deposits	1,224,011	837,201
Demand deposits	234,620	156,307
	<b>1,458,631</b>	<b>993,508</b>
<b>Switzerland</b>		
Term deposits	484,453	525,373
Demand deposits	1,000	1,538
	<b>485,453</b>	<b>526,911</b>
<b>Germany</b>		
Term deposits	-	-
Demand deposits	479,941	434,215
	<b>479,941</b>	<b>434,215</b>
<b>Great Britain</b>		
Term deposits	409,980	97,649
Demand deposits	-	-
	<b>409,980</b>	<b>97,649</b>
<b>France</b>		
Term deposits	-	469,182
Demand deposits	78,206	78,137
	<b>78,206</b>	<b>547,319</b>
<b>USA</b>		
Term deposits	-	-
Demand deposits	1,772	1,386
	<b>1,772</b>	<b>1,386</b>
<b>Netherlands</b>		
Term deposits	-	97,662
Demand deposits	-	-
	<b>-</b>	<b>97,662</b>
<b>Total term deposits</b>	<b>2,118,444</b>	<b>2,027,067</b>
<b>Total demand deposits</b>	<b>795,539</b>	<b>671,583</b>
Less impairment for expected credit losses	(2,535)	-
<b>TOTAL</b>	<b>2,911,448</b>	<b>2,698,650</b>

**15. AVAILABLE-FOR-SALE FINANCIAL ASSETS**

Available-for-sale financial assets were quality instruments with a high degree of marketability and liquidity, with a credit rating from AAA to BBB in 2017 (See Note 32.1.). The portfolio included 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 assets were denominated in EUR.



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## 15. AVAILABLE-FOR-SALE FINANCIAL ASSETS (CONTINUED)

The structure of the financial assets available-for-sale was as follows:

In thousands of KM	31 December 2017
Debt securities	6,143,154
Accrued interest	58,917
<b>TOTAL</b>	<b>6,202,071</b>

The average effective yield rate on financial assets available-for-sale amounted to 0.35% p.a.

Financial assets available-for-sale can be analysed on a geographical basis as follows:

	31 December 2017	
	In thousands of KM	%
<i>France</i>	1,654,622	26.67
<i>Belgium</i>	976,652	15.75
<i>Germany</i>	732,285	11.81
<i>Spain</i>	728,413	11.74
<i>Austria</i>	644,753	10.40
<i>Netherlands</i>	565,017	9.11
<i>Italy</i>	552,722	8.91
<i>Finland</i>	341,643	5.51
<i>Slovakia</i>	5,964	0.10
<b>TOTAL</b>	<b>6,202,071</b>	<b>100.00</b>

Movements in fair value of financial assets available-for-sale can be analysed as follows:

In thousands of KM	2017
<b>As at 1 January</b>	<b>5,025,829</b>
Purchases during the year	3,887,900
Sales during the year	(470,089)
Interest income recognized during the year (Note 4)	25,910
Effects of negative interest rates recognized during the year (Note 4)	(9,552)
Maturities of securities	(2,155,608)
Maturities of coupon	(86,429)
Fair value adjustment	(15,890)
<b>As at 31 December</b>	<b>6,202,071</b>

## 16. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Debt instruments at fair value through other comprehensive income are quality instruments with a high degree of marketability and liquidity, with a credit rating from AAA to BBB (See Note 32.1.). 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. Debt instruments at fair value through other comprehensive income are denominated in EUR.

## 16. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONTINUED)

The structure of debt instruments at fair value through other comprehensive income is as follows:

In thousands of KM	31 December 2018
Debt securities	8,153,320
Accrued interest	72,119
<b>TOTAL</b>	<b>8,225,439</b>

The average effective yield rate on debt instruments at fair value through other comprehensive income amounted to 0.41% p.a.

Debt instruments at fair value through other comprehensive income can be analysed on a geographical basis as follows:

	31 December 2018	
	In thousands of KM	%
<i>France</i>	2,211,257	26.87
<i>Germany</i>	1,504,585	18.29
<i>Belgium</i>	1,083,041	13.17
<i>Austria</i>	950,959	11.56
<i>Spain</i>	844,614	10.27
<i>Netherlands</i>	568,172	6.91
<i>Italy</i>	549,084	6.68
<i>Finland</i>	513,727	6.25
<b>TOTAL</b>	<b>8,225,439</b>	<b>100.00</b>

Movements in fair value of debt instruments at fair value through other comprehensive income can be analysed as follows:

In thousands of KM	2018
<b>As at 1 January (Note 2.6 (a))</b>	<b>7,473,857</b>
Purchases during the year	3,766,969
Sales during the year	(653,879)
Interest income recognized during the year (Note 4)	42,334
Effects of negative interest rates recognized during the year (Note 4)	(13,613)
Maturities of securities	(2,265,677)
Maturities of coupon	(118,162)
Fair value adjustment	(6,390)
<b>As at 31 December</b>	<b>8,225,439</b>

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## 16. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONTINUED)

No expected credit loss allowance is recognised in the statement of financial position for debt instruments measured at fair value through other comprehensive income. Provisions for expected credit losses for debt instruments measured at fair value through other comprehensive income is part of the Bank's equity. Movements in provisions for expected credit losses for debt instruments measured at fair value through other comprehensive income during the year are provided in Note 32.1.1.

## 17. MONETARY GOLD

The Bank holds monetary gold with the bank in Switzerland which is physically held in a vault at the Bank of England. Fair value of the monetary gold as at 31 December 2018 amounts to KM 209,996 thousand, representing 96,000 ounces of gold at KM 2,187 per ounce (2017: KM 203,908 thousand representing 96,000 ounces of gold at KM 2,124 per ounce).

From 1 January 2018, the Bank has changed its accounting policy regarding the accounting treatment of monetary gold. For more information, see Note 2.6 and Note 3.3.

Movements in fair value of monetary gold can be analysed as follows:

In thousands of KM

	2018	2017
<b>As at 1 January - as stated</b>	<b>203,908</b>	<b>205,102</b>
Change in accounting policy	(50)	-
<b>As at 1 January - restated</b>	<b>203,858</b>	<b>205,102</b>
Purchases during the year	-	-
Fair value reserves for monetary gold (From 1 January 2018)	6,138	-
Fair value reserves for monetary gold (Before 1 January 2018)	-	(1,194)
- <i>Changes in prices of gold</i>	-	25,387
- <i>Foreign exchange (losses) from conversion USD / KM</i>	-	(26,581)
<b>As at 31 December</b>	<b>209,996</b>	<b>203,908</b>

## 18. HELD-TO-MATURITY INVESTMENTS

All held-to-maturity investments were with credit rating from AAA to BBB (See Note 32.1.) and were denominated in EUR in 2017.

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

In thousands of KM	31 December 2017
Debt securities	1,206,306
Accrued interest	7,756
<b>TOTAL</b>	<b>1,214,062</b>

The average effective yield rate on held-to-maturity investments amounted to 1.04% p.a.

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**18. HELD-TO-MATURITY INVESTMENTS (CONTINUED)**

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

	31 December 2017	
	In thousands of KM	%
<i>France</i>	411,431	33.90
<i>Italy</i>	216,636	17.84
<i>Belgium</i>	203,629	16.77
<i>Finland</i>	180,686	14.88
<i>Austria</i>	161,278	13.28
<i>Netherlands</i>	40,402	3.33
<b>TOTAL</b>	<b>1,214,062</b>	<b>100.00</b>

Movements in held-to-maturity investments can be analysed as follows:

In thousands of KM	2017
<b>As at 1 January</b>	<b>1,132,328</b>
Purchases during the year	90,720
Interest income recognized during the year (Note 4)	12,621
Maturities of coupon	(21,607)
<b>As at 31 December</b>	<b>1,214,062</b>

**19. OTHER ASSETS**

In thousands of KM	31 December 2018	31 December 2017
Prepaid expenses	6,811	7,931
Receivables from domestic banks	1,735	1,690
Numismatic collections	741	764
Other miscellaneous assets	596	598
Giro accounts	553	436
Loans to employees	122	236
Advances	1	1
Receivables from employee based on domestic currency deficit	600	600
Less impairment of other receivables	(600)	(600)
Less impairment for expected credit losses	(5)	-
<b>TOTAL</b>	<b>10,554</b>	<b>11,656</b>

As at 31 December 2018, prepaid expenses include expenditure of KM 5,816 thousand incurred on the production of banknotes and coins (31 December 2017: KM 7,564 thousand incurred on the production of banknotes and coins). As explained in Note 3.11, starting from February 2017, such costs are initially deferred and subsequently amortized over a period of five years.

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## 20. PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS

In thousands of KM	Land and buildings	Equipment and furniture	Vehicles	Other	Assets under construction	Property and equipment total	Software and other intangible assets	Intangible assets under construction	Intangible assets total
<b>Cost</b>									
<b>As at 1 January 2017</b>	42,992	22,612	1,826	933	1,829	70,192	14,262	46	14,308
Additions	-	-	-	-	2,550	2,550	-	550	550
Brought into use	162	1,257	425	45	(1,889)	-	313	(313)	-
Write offs and disposals	-	(396)	(327)	(9)	-	(732)	(121)	-	(121)
Transfers	1,214	553	-	41	(1,808)	-	46	(46)	-
<b>As at 31 December 2017</b>	44,368	24,026	1,924	1,010	682	72,010	14,500	237	14,737
Additions	-	-	-	-	1,322	1,322	-	588	588
Brought into use	-	1,190	34	36	(1,260)	-	353	(353)	-
Write offs and disposals	-	(333)	(59)	(5)	-	(397)	(24)	-	(24)
Transfers	-	704	11	-	(715)	-	188	(188)	-
<b>As at 31 December 2018</b>	44,368	25,587	1,910	1,041	29	72,935	15,017	284	15,301
<b>Accumulated depreciation and amortization</b>									
<b>As at 1 January 2017</b>	4,122	18,967	1,739	683	-	25,511	13,514	-	13,514
Charge for the year	518	1,111	80	54	-	1,763	272	-	272
Write offs and disposals	-	(393)	(327)	(9)	-	(729)	(121)	-	(121)
<b>As at 31 December 2017</b>	4,640	19,685	1,492	728	-	26,545	13,665	-	13,665
Charge for the year	755	1,198	97	58	-	2,108	318	-	318
Write offs and disposals	-	(331)	(59)	(5)	-	(395)	(24)	-	(24)
<b>As at 31 December 2018</b>	5,395	20,552	1,530	781	-	28,258	13,959	-	13,959
<b>Net book value</b>									
<b>As at 1 January 2018</b>	39,728	4,341	432	282	682	45,465	835	237	1,072
<b>As at 31 December 2018</b>	38,973	5,035	380	260	29	44,677	1,058	284	1,342

As at 31 of December 2018 and 2017, the Bank has no encumbrances over its property, equipment and intangible assets.

**21. OTHER INVESTMENTS**

The structure of equity instruments at fair value through other comprehensive income is as follows:

In thousands of KM	31 December 2018	31 December 2017
<i>Equity securities:</i>		
Shares in Bank for International Settlements (BIS), Basel (Note 27)	27,803	27,803
Shares in SWIFT	10	10
<b>TOTAL</b>	<b>27,813</b>	<b>27,813</b>

At 1 January 2018, the Bank designated these equity investments as equity instruments at fair value through other comprehensive income under IFRS 9. Up to 31 December 2017, these investments were classified as available-for-sale under IAS 39.

Equity securities are composed of ordinary Bank for International Settlements (hereinafter: BIS) shares with a nominal value of SDR 5,000 per share (paid up at 25% of their nominal value by former Yugoslavia). In accordance with the Statue of BIS, remaining 75% of the share's nominal value is payable upon call for payment from BIS by the Bank.

SWIFT shares are composed of two ordinary shares and their total value is KM 10 thousand.

BIS and SWIFT shares represent unquoted equity instruments whose fair value cannot be reliably determined and therefore are carried at cost.

During the year the Bank received dividend income from BIS in the amount of KM 589 thousand (2017: KM 763 thousand) (Note 9).

**22. CURRENCY IN CIRCULATION**

Currency in circulation can be analysed as follows:

In thousands of KM	2018	2017
Currency placed into circulation - as at 1 January	4,319,360	4,066,804
Increase in currency in circulation during the year	431,254	252,556
<b>Currency placed into circulation - as at 31 December</b>	<b>4,750,614</b>	<b>4,319,360</b>

Of the total currency placed into circulation of KM 4,750,614 thousand as at 31 December 2018, KM 605 thousand was placed into circulation outside of Bosnia and Herzegovina (2017: KM 605 thousand out of KM 4,319,360 thousand).

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## 22. CURRENCY IN CIRCULATION (CONTINUED)

	Nominal value	Pieces	31 December 2018		31 December 2017	
			Value in thousands of KM	Pieces	Value in thousands of KM	Pieces
Coins	0.05	70,591,960	3,529	64,264,227	3,213	
Coins	0.10	103,899,364	10,390	96,699,045	9,670	
Coins	0.20	75,154,592	15,031	70,032,596	14,007	
Coins	0.50	36,191,317	18,096	33,609,811	16,805	
Coins	1	52,287,706	52,288	47,884,620	47,885	
Coins	2	14,653,353	29,307	13,585,230	27,170	
Coins	5	10,871,548	54,358	10,020,723	50,104	
Banknotes	10	12,889,248	128,891	11,150,353	111,504	
Banknotes	20	8,354,535	167,091	8,718,265	174,365	
Banknotes	50	19,623,638	981,182	18,379,804	918,990	
Banknotes	100	24,249,404	2,424,940	21,225,491	2,122,549	
Banknotes	200	4,327,553	865,511	4,115,492	823,098	
<b>TOTAL</b>		<b>433,094,218</b>	<b>4,750,614</b>	<b>399,685,657</b>	<b>4,319,360</b>	

## 23. DEPOSITS FROM BANKS

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

In thousands of KM	31 December 2018	31 December 2017
Deposits of local commercial banks	5,522,701	5,032,593
Reserve accounts of organizational units of the Bank	553	436
Special deposit of local commercial banks – blocked funds	36	36
<b>TOTAL</b>	<b>5,523,290</b>	<b>5,033,065</b>

Deposits of local domestic 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 Bank. As at 31 December 2018 the total amount of KM 5,522,701 thousand represents deposits of 24 banks (2017: KM 5,032,593 thousand represented deposits of 24 banks).

Interest on deposits from local commercial banks is calculated according to the Law on the Central Bank of Bosnia and Herzegovina on the amount exceeding the required reserve. Calculation policy for interest rate on deposits placed by local commercial banks during the reporting periods is provided in Note 4.

Deposits from banks include negative accrued interest in the amount KM 513 thousand as at 31 December 2018 (31 December 2017: included negative accrued interest in the amount KM 449 thousand).

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#### 24. DEPOSITS FROM THE GOVERNMENT AND OTHER DEPOSITORS

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

In thousands of KM	31 December 2018	31 December 2017
Deposits for the budget of BH Institutions	494,575	448,079
Deposits of public institutions	125,501	76,120
Deposits of other governments and government institutions	89,286	100,503
Deposit account under International Monetary Fund transactions	5	6
<b>TOTAL</b>	<b>709,367</b>	<b>624,708</b>

#### 25. PROVISIONS FOR LIABILITIES AND CHARGES

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

##### *Litigations*

The Bank is a defendant in one legal proceeding arising from its operations. The Bank contests this claim and based on legal advice considers that no material liabilities will be incurred.

Movement in provisions for liabilities and charges is presented below:

##### In thousands of KM

	Litigations	Severance payments	2018 Total
As at 1 January	150	1,500	1,650
Released provisions	(70)	(152)	(222)
Increase in provisions	-	-	-
<b>Total recognised in profit or loss</b>	<b>(70)</b>	<b>(152)</b>	<b>(222)</b>
Amounts paid	(80)	(89)	(169)
<b>As at 31 December</b>	<b>-</b>	<b>1,259</b>	<b>1,259</b>

##### In thousands of KM

	Litigations	Severance payments	2017 Total
As at 1 January	150	1,461	1,611
Released provisions	-	(12)	(12)
Increase in provisions	-	238	238
<b>Total recognised in profit or loss</b>	<b>-</b>	<b>226</b>	<b>226</b>
Amounts paid	-	(187)	(187)
<b>As at 31 December</b>	<b>150</b>	<b>1,500</b>	<b>1,650</b>

Based on the calculation for provisions for employees' severance payments made by independent actuary for 2018 year, the Bank decreased provisions for employee's severance payments and recognised actuarial gain in personnel expenses line item.



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## 26. OTHER LIABILITIES

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

In thousands of KM	31 December 2018	31 December 2017
IMF Accounts No. 1 and 2 (Note 34)	1,628	1,593
Suppliers	1,036	1,533
World bank deposits	184	56
Accrued expenses and other liabilities	177	419
Deferred income	167	300
Liabilities to employees	35	-
Liabilities based on allocation of profit to the state budget (Note 28)	-	7,311
<b>TOTAL</b>	<b>3,227</b>	<b>11,212</b>

## 27. EQUITY

The structure of equity and reserves is presented in the following table:

In thousands of KM	31 December 2018	31 December 2017
Initial capital	25,000	25,000
General reserves (Retained earnings)	514,720	542,766
Other reserves	31,300	31,300
Fair value reserves – debt and equity instruments at fair value through other comprehensive income	133,696	-
Provisions for expected credit losses	8,993	-
Fair value reserves – financial assets available-for-sale	-	93,120
Fair value reserves – monetary gold (From 1 January 2018)	6,138	-
Fair value reserves – monetary gold (Until 1 January 2018)	-	(39,551)
<b>TOTAL</b>	<b>719,847</b>	<b>652,635</b>

### Initial capital

Initial 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. Status of General reserves (Retained earnings) is in jurisdiction of the Bank's Governing Board. General reserves (Retained earnings) are primarily used for the Bank's net loss allocation, as prescribed under the Article 28 of the Law on the Central bank of Bosnia and Herzegovina.

**27. EQUITY (CONTINUED)**Other reserves

Other reserves relate to following:

- Special 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 Bank 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 Bank.
- 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 Brussels (BIS), Basel (see Note 21).

**28. 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 initial capital and general reserves (retained earnings) is equal to 5.00% of the total monetary liabilities.

This ratio, before the profit allocation in 2018 amounted to 4.84% (2017: 5.64%). According to the Decision of the Governing Board, total amount of net profit for the 2018 financial year in the amount of KM 8,431 thousand is allocated to the general reserves (retained earnings) of the Bank (2017: 60% of the net profit for the 2017 financial year in the amount of KM 7,311 thousand was allocated to the state budget, and 40%, i.e. the amount of KM 4,874 thousand was allocated to the general reserves (retained earnings) of the Bank.

**2018****Before profit allocation**

(In thousands of KM)

<b>Monetary liabilities</b>	<b>10,983,271</b>
Initial capital and general reserves (retained earnings)	531,289
<b>Ratio - initial capital and general reserves (retained earnings) / monetary liabilities</b>	<b>4.84%</b>

**Profit allocation**

(In thousands of KM)

<b>Net profit before allocation</b>	<b>8,431</b>
Allocation of profit to general reserves (retained earnings)	8,431

**After profit allocation**

(In thousands of KM)

<b>Monetary liabilities</b>	<b>10,983,271</b>
Initial capital and general reserves (retained earnings)	539,720
<b>Ratio - Initial capital and general reserves (retained earnings)/ monetary liabilities</b>	<b>4.91%</b>

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## 28. PROFIT ALLOCATION (CONTINUED)

2017

### Before profit allocation

(In thousands of KM)

<b>Monetary liabilities</b>	<b>9,977,133</b>
Initial capital and general reserves (retained earnings)	562,892
<b>Ratio - initial capital and general reserves (retained earnings) / monetary liabilities</b>	<b>5.64%</b>

### Profit allocation

(In thousands of KM)

<b>Net profit before allocation</b>	<b>12,185</b>
Allocation of profit to the state budget	7,311
Allocation of profit to general reserves (retained earnings)	4,874

### After profit allocation

(In thousands of KM)

<b>Monetary liabilities</b>	<b>9,977,133</b>
Initial capital and general reserves (retained earnings)	567,766
<b>Ratio - Initial capital and general reserves (retained earnings) / monetary liabilities</b>	<b>5.69%</b>

## 29. CASH AND CASH EQUIVALENTS

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

In thousands of KM	31 December 2018	31 December 2017
Foreign currency demand deposits	795,539	671,583
Foreign currency deposits with maturity up to three months or less from the date of acquisition	605,552	1,151,332
Foreign currency in cash	274,099	236,402
Special Drawing Rights with the IMF	2,236	1,531
Giro accounts	553	436
<b>Total</b>	<b>1,677,979</b>	<b>2,061,284</b>
Less impairment for expected credit losses	(1,619)	-
<b>TOTAL</b>	<b>1,676,360</b>	<b>2,061,284</b>

Movements in expected credit losses on cash and cash equivalents in 2018 are provided below:

In thousands of KM	2018
<b>As at 1 January - stated</b>	-
Effects from expected credit losses on cash and cash equivalents under IFRS 9	1,283
<b>As at 1 January - restated</b>	<b>1,283</b>
Foreign currency demand deposits	(92)
Foreign currency deposits with maturity up to three months or less from the date of acquisition	428
Foreign currency in cash	-
Special Drawing Rights with the IMF	-
Giro accounts	-
<b>As at 31 December</b>	<b>1,619</b>

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### 30. CURRENCY BOARD ARRANGEMENT

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 currency reserves.

Article 31 of 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 currency reserves.

Details of compliance with the rule are as follows:

In thousands of KM	31 December 2018	31 December 2017
<b>Gross foreign currency reserves</b>	<b>11,623,218</b>	<b>10,556,624</b>
Foreign currency in cash	274,099	236,402
Deposits with foreign banks	2,911,448	2,698,650
Available-for-sale financial assets	-	6,202,071
Debt instruments at fair value through other comprehensive income	8,225,439	-
Monetary gold	209,996	203,908
Special Drawing Rights with the International Monetary Fund	2,236	1,531
Held-to-maturity investments	-	1,214,062
Liabilities to non-residents	1,812	1,649
<b>Net foreign currency reserves</b> (gross foreign currency reserves less liabilities to non-residents)	<b>11,621,406</b>	<b>10,554,975</b>
<b>Monetary liabilities</b>	<b>10,983,271</b>	<b>9,977,133</b>
Currency in circulation	4,750,614	4,319,360
Deposits from banks	5,523,290	5,033,065
Deposits from the Government and other depositors	709,367	624,708
<b>NET FOREIGN ASSETS</b> (net foreign currency reserves less monetary liabilities)	<b>638,135</b>	<b>577,842</b>

### 31. 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.

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### 31. RELATED PARTY TRANSACTIONS (CONTINUED)

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

In thousands of KM

2018	Exposure	Liabilities	Income	Expenses
State	-	505,897	-	-
<i>State institutions</i>				
Indirect taxation authority of Bosnia and Herzegovina	-	45,635	-	-
Deposit Insurance Agency of Bosnia and Herzegovina	-	90,975	-	-
<b>TOTAL</b>	<b>-</b>	<b>642,507</b>	<b>-</b>	<b>-</b>

In thousands of KM

2017	Exposure	Liabilities	Income	Expenses
State	-	492,837	-	-
<i>State institutions</i>				
Indirect taxation authority of Bosnia and Herzegovina	-	10,146	-	-
Deposit Insurance Agency of Bosnia and Herzegovina	-	45,879	-	-
<b>TOTAL</b>	<b>-</b>	<b>548,862</b>	<b>-</b>	<b>-</b>

Remuneration of key management members

The total remuneration of the members of the key personnel (members of Management and Governing Board) in 2018 amounted to KM 964 thousand, out of which KM 590 thousand was related to salaries and other remuneration and KM 374 thousand to taxes and contributions (in 2017 out of total amount of KM 991 thousand the amount of KM 626 thousand was related to salaries and other remuneration and KM 365 thousand was related to taxes and contributions).

## 32. FINANCIAL RISK MANAGEMENT

Financial instruments which represent the Bank's exposure to financial risks (credit risk, market risks and liquidity risk) are:

- Foreign currency in cash,
- Deposits with foreign banks (central banks, commercial banks and BIS bank),
- Special drawing rights with the IMF,
- Debt securities,
- Monetary gold
- Equity securities and
- Other financial assets (domestic banks' receivables, employees' loans and other receivables).

### 32.1. Credit risk

#### Applicable in both periods

Credit risk is the risk of financial loss to the Bank if counterparty to a financial instrument fails to meet its contractual obligation and arises 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 assigned by internationally recognized rating agencies, by limiting the maturity, and by controlling the volume and the dynamics of investment.

Composite credit rating is the average of current ratings assigned to a certain entity by at least two out of three rating agencies (Fitch, Standard and Poor's and Moody's). The credit ratings are monitored on a daily basis.

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 34).

#### Applicable from 1 January 2018

The adoption of IFRS 9, starting from 1 January 2018, affected the way of assessing the credit risk of the Bank. In a process of credit risk management, the Bank incorporated the expected credit losses requirement for financial assets covered by IFRS 9. The Bank's financial assets for which the expected credit losses are calculated includes: deposits with foreign banks, Special Drawing Rights with the IMF, debt securities, domestic banks' receivables, employees' loans and other receivables.

#### Expected credit loss measurement

During the credit risk assessment of the counterparty, the Bank uses composite credit rating as a criteria for determining the credit risk exposure limit. In the absence of credit rating, the Bank estimates the borrower's capacity to properly repay his contractual cash obligations.

IFRS 9 outlines a three stage model for impairment based on changes in credit quality since initial recognition as summarized below:

1. Stage 1 of exposure distribution – During initial recognition, all financial assets for which it is rated that impairment must be carried out, according to IFRS 9, are allocated in Stage 1.
2. Stage 2 of exposure distribution – If a significant increase in credit risk since initial recognition is identified, financial assets is moved to Stage 2.

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## 32. FINANCIAL RISK MANAGEMENT (CONTINUED)

### 32.1. Credit risk (continued)

3. Stage 3 of exposure distribution – The criteria for movement into the Stage 3 is assigning the default status to financial assets.

Financial instruments in Stage 1 have their expected credit losses measured on a 12-month basis, while financial instruments in Stage 2 and Stage 3 have their expected credit losses measured on a lifetime basis.

#### Significant increase in credit risk

The Bank considers that credit risk of financial instrument has not significantly increased in relation to the initially recognized credit risk, if it is established that financial instrument is a low risk instrument on a reporting date. The Bank considers that exposures, respectively financial instruments, have the low credit risk if the value of composite credit rating is AA minus (AA-) or higher, respectively if the Bank estimates that non-rated borrower has a high capacity to properly repay his contractual cash obligations.

The criteria for transfer of exposure into Stage 2, is decrease in composite credit rating for more than two notches in relation to initial recognition date and/or decrease in composite credit rating below investment level of composite credit rating, i.e. below the BBB minus (BBB-) rating.

If financial instrument is consisted of multiple tranches that were initially recognized (purchased) in different periods, and which in different periods had different composite credit ratings, by using the conservative approach the Bank will take as relevant the calculated increase in credit risk from the highest notch.

If the change in credit risk rating occurred due to the change in rating agency methodology and the significant increase in credit risk did not occur related to initially estimated risks, the exposures will not be classified into the Stage 2.

Based on its analysis, the Bank can determine the allocation of the financial instrument into the Stage 2 or Stage 3, for individual financial instruments.

The exposure can be reverted from Stage 2 to Stage 1 if the causes that led to the transfer in Stage 2 have been removed and at least 90 days after removal of the cause.

In addition to the criteria mentioned above, the rebuttable presumptions still apply, according to which if payment is delayed for 30 days, the financial instrument will transfer to the Stage 2 (underperforming), respectively if payment is delayed for 90 days, the financial instrument will transfer to Stage 3 (nonperforming), and in these cases it is considered that there has been a significant increase in credit risk.

#### Definition of default

Default criteria are objective evidences of impairment and especially:

- Significant financial difficulties of securities' issuers,
- Breach of contractual obligations in terms of delinquency on principal and interest,
- Any restructuring or modification of the existing terms of servicing obligations arising from financial instrument debt for reasons related to financial difficulties of the issuer,
- Probability of bankruptcy and/or liquidation or other form of financial reorganization,
- Disappearance of an active trading market.

## 32. FINANCIAL RISK MANAGEMENT (CONTINUED)

### 32.1. Credit risk (continued)

#### Expected credit loss calculation

The Expected Credit Loss (ECL) is calculated on either a 12-month or lifetime basis depending on the composite credit rating level, depending on if the significant increase in the credit risk occurred from initial recognition of financial assets or depending on if the financial assets is credit-impaired. Expected credit losses are calculated as the product of three variables: the Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD), defined as follows:

- Probability of Default (PD) is an estimate of the probability that an issuer/entity will not be able to meet its debt obligations. PD is calculated on a 12-month basis and lifetime basis. PD calculation in the year 2018 is based on the market prices of Credit Default Swap (CDS) or based on expert judgment.
- Loss Given Default (LGD) is an estimate of the percentage of exposure to the issuer/entity which cannot be collected if a default event occurs. For LGD the Bank uses constant value of one-year LGD, 45 per cent (45%), in accordance with the article 161. of the Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 (CRR).
- Exposure at Default (EAD) represents the book value of the financial instrument, i.e. the carrying amount at the date of the initial recognition/on the reporting date.

For impairment, according to IFRS 9, individual and collective approaches are used.

In accordance with IFRS 9, the Bank is required to calculate expected credit losses of financial instrument in a manner that reflects an objective and probability weighted amount determined by the evaluation of a number of possible outcomes/scenarios. For this reason, using the individual approach for impairment, the Bank will evaluate through three different scenarios.

In the measurement of expected credit losses, the Bank is not required to determine every possible scenario. However, it is required to consider the risk or the probability of credit loss occurrence in a manner that reflects the probability of credit loss occurrence and probability of credit loss absence, even if the probability of credit loss occurrence is very low.

Impairment amount for exposures that are the subject of individual evaluation approach is calculated as difference between the financial instrument carrying amount and probability weighted present value of the estimated cash flows, discounted at the effective interest rate. An effective interest rate is the rate at which the future cash flows are discounted during the expected period of financial assets or liabilities duration (or, as needed, during the shorter period) to its present value.

Regarding the portfolio structure and classification, the Bank will every exposure for which the objective impairment is determined, respectively the default is determined, consider as individually significant exposure and will use the individual estimation approach.

For the purpose of determining a significant increase in credit risk and the recognition of impairment provisions on a collective basis, financial instruments may be grouped on the basis of common credit risk characteristics to facilitate the timely analysis of significant increase in credit risk determination.

Impairment calculation on a collective basis for financial instruments allocated in Stage 1 is carried out on a 12-month basis, while for exposures allocated in Stage 2, the lifetime credit loss is calculated.



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## 32. FINANCIAL RISK MANAGEMENT (CONTINUED)

### 32.1. Credit risk (continued)

Forward-looking information incorporated in the ECL models

According to the IFRS 9, the purpose of the impairment is to recognize expected credit losses on a lifetime basis for financial instruments that had a significant increase in credit risk compared to initially estimated risks, whether the estimation is on individual or collective basis, taking into account all reasonable and substantiated information including those related to the future.

In accordance with the above, incorporation of forward-looking information in expected credit losses calculation is done by adjusting the probability of default.

Given that the Bank in its portfolio has financial instruments of issuers that are different by structure (e.g. governments and commercial banks), as well as by geographical distribution, the Bank relies on predicting changes in rating (outlook) for individual instruments (issuers) in its portfolio, in a way which incorporates the prediction of rating movement direction: positive, stable, negative.

#### 32.1.1. Credit risk exposure

##### **Applicable from 1 January 2018**

Classes of financial instruments through which the Bank is most exposed to credit risk are deposits with foreign banks and debt instruments measured at fair value through other comprehensive income.

The following table shows the reconciliation from the opening to the closing balance of the loss allowance for financial assets in 2018:

**32. FINANCIAL RISK MANAGEMENT (CONTINUED)****32.1. Credit risk (continued)****32.1.1. Credit risk exposure (continued)**

In thousands of KM

	Stage 1	Stage 2	Stage 3	Total
<b>1. Debt instruments at fair value through other comprehensive income</b>				
As at 1 January	4,290	-	-	4,290
Increases due to change in credit risk	22,423	-	-	22,423
Decreases due to change in credit risk	(13,841)	-	-	(13,841)
Decreases due to debt instruments matured	(1,281)	-	-	(1,281)
<i>Net increase during the year</i>	7,301	-	-	7,301
Decreases due to debt instruments sold	(2,598)	-	-	(2,598)
<b>As at 31 December</b>	<b>8,993</b>	<b>-</b>	<b>-</b>	<b>8,993</b>
<b>2. Deposits with foreign banks</b>				
As at 1 January	1,635	-	-	1,635
Increases due to change in credit risk	10,165	-	-	10,165
Decreases due to change in credit risk	(5,202)	-	-	(5,202)
Decreases due to derecognition of term deposits	(4,063)	-	-	(4,063)
<b>As at 31 December</b>	<b>2,535</b>	<b>-</b>	<b>-</b>	<b>2,535</b>
<b>3. Special drawing rights with the IMF</b>				
As at 1 January	-	-	-	-
Increases due to change in credit risk	3	-	-	3
Decreases due to change in credit risk	(3)	-	-	(3)
<b>As at 31 December</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>4. Other financial assets</b>				
As at 1 January	30	-	600	630
Increases due to change in credit risk	39	-	-	39
Decreases due to change in credit risk	(64)	-	-	(64)
<b>As at 31 December</b>	<b>5</b>	<b>-</b>	<b>600</b>	<b>605</b>
<b>Total as at 1 January</b>	<b>5,955</b>	<b>-</b>	<b>600</b>	<b>6,555</b>
<b>Total as at 31 December</b>	<b>11,533</b>	<b>-</b>	<b>600</b>	<b>12,133</b>

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## 32. FINANCIAL RISK MANAGEMENT (CONTINUED)

### 32.1. Credit risk (continued)

#### 32.1.1. Credit risk exposure (continued)

Net increase in loss allowances for deposits with foreign banks in the amount of KM 900 thousands arises from (Note 16):

- net increase in deposits during the year in the amount of KM 215,333 thousands, since opening balance of the gross carrying amount for deposits with foreign banks as at 1 January 2018 amounted to KM 2,698,650 thousands and closing balance as at 31 December 2018 amounted to KM 2,913,983 thousands,
- increase of the probability of default for deposits with foreign banks (average probability of default arose from 0.13% as at 1 January to 0.19% as at 31 December ).

Net increase in provisions for expected credit losses for debt instruments at fair value through other comprehensive income in the amount of KM 4,703 thousands arises from (Note 16):

- increase as a result of net purchases of debt securities made during the year in the amount of KM 3,113,090 thousands,
- decrease as a result of maturities of securities, including maturities of coupons, in the amount of KM 2,383,839 thousands,
- Increase as a result of increase of the probability of default of debt instruments (average probability of default arose from 0.13% as at 1 January to 0.24% as at 31 December).

## 32. FINANCIAL RISK MANAGEMENT (CONTINUED)

## 32.1. Credit risk (continued)

## 32.1.2. Credit risk concentration

## a) Maximum exposure to credit risk - financial instruments subject to impairment

The following table shows the maximum exposure to credit risk for the Bank's financial assets, analysed by the classes of financial instruments for which the expected credit losses are calculated and recognized.

In thousands of KM Classes of financial instruments	2018			Total	2017 Total
	Stage 1	Stage 2	Stage 3		
<b>Foreign currency in cash</b>					
Gross carrying amount	274,099	-	-	274,099	236,402
Loss allowance	-	-	-	-	-
Carrying amount	274,099	-	-	274,099	236,402
<b>Deposits with foreign banks</b>					
Gross carrying amount	2,913,983	-	-	2,913,983	2,698,650
Loss allowance	(2,535)	-	-	(2,535)	-
Carrying amount	2,911,448	-	-	2,911,448	2,698,650
<b>Available-for-sale financial assets</b>	-	-	-	-	6,202,071
<b>Debt instruments at fair value through other comprehensive income</b>					
Gross carrying amount	8,225,439	-	-	8,225,439	-
Provisions for expected credit losses (recognized in other comprehensive income)	(8,993)	-	-	(8,993)	-
Carrying amount	8,225,439	-	-	8,225,439	-
<b>Special drawing rights with the IMF</b>					
Gross carrying amount	2,236	-	-	2,236	1,531
Loss allowance	-	-	-	-	-
Carrying amount	2,236	-	-	2,236	1,531
<b>Held-to-maturity investments</b>	-	-	-	-	1,214,062
<b>Other financial assets</b>					
Gross carrying amount	2,693	-	600	3,293	3,328
Loss allowance	(5)	-	(600)	(605)	(600)
Carrying amount	2,688	-	-	2,688	2,728

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## 32. FINANCIAL RISK MANAGEMENT (CONTINUED)

### 32.1. Credit risk (continued)

#### 32.1.2. Credit risk concentration (continued)

As explained in Note 16, provisions for expected credit losses for debt instruments at fair value through other comprehensive income do not decrease their gross carrying amount and are recognized in other comprehensive income.

#### b) Maximum exposure to credit risk - financial instruments not subject to impairment

In thousands of KM	31 December 2018	31 December 2017
Carrying amounts		
Monetary gold	209,996	203,908
Other investments	27,813	27,813
<b>TOTAL</b>	<b>237,809</b>	<b>231,721</b>

The Bank does not hold any collateral or other credit enhancements to cover this credit risk. As at 31 December 2018 the Bank does not have any assets that are past due and does have impaired assets in the amount of KM 600 thousand (31 December 2017: the Bank had a claim amounted to KM 25 thousand which was past due and reimbursed at the beginning of 2018 year and impaired assets in the amount of KM 600 thousand).

#### Individual credit risk concentration

Deposits with foreign banks in total amounted to KM 2,911,448 thousand as at 31 December 2018 (2017: KM 2,698,650 thousand). The largest portion of these funds is invested in one foreign bank with individual exposure exceeding total equity and reserves of the Bank (2017: one foreign bank had individual exposure exceeding total equity and reserves of the Bank).

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

31 December 2018			31 December 2017		
Bank rating	In thousands of KM	% of total deposits	Bank rating	In thousands of KM	% of total deposits
AAA	1,457,747	50.07%	AAA	993,508	36.81%

Applicable in both periods

#### Concentration per credit rating

The table below presents an analysis of the Bank's concentration per credit rating for its financial assets as at 31 December 2018:

## 32. FINANCIAL RISK MANAGEMENT (CONTINUED)

## 32.1. Credit risk (continued)

## 32.1.2. Credit risk concentration (continued)

In thousands of KM

31 December 2018

Credit rating	Foreign Currency in Cash	Deposits with foreign banks	Debt instruments at fair value through other comprehensive income	Monetary Gold	Special Drawing Rights in the IMF	Other financial assets	Other investments	Total
AAA	-	2,414,436	2,072,757	-	-	-	-	4,487,193
AA+	-	-	1,464,686	-	-	-	-	1,464,686
AA	-	78,140	2,211,257	-	-	-	-	2,289,397
AA-	-	-	1,083,041	-	-	-	-	1,083,041
A+	-	-	-	-	-	-	-	-
A	-	408,951	-	-	-	-	-	408,951
A-	-	-	844,614	-	-	-	-	844,614
II <sup>1</sup>	-	1,000	-	209,996	2,236	-	27,813	241,045
BBB+	-	8,921	-	-	-	-	-	8,921
BBB	-	-	549,084	-	-	-	-	549,084
Unrated	274,099	-	-	-	-	2,688	-	276,787
<b>TOTAL</b>	<b>274,099</b>	<b>2,911,448</b>	<b>8,225,439</b>	<b>209,996</b>	<b>2,236</b>	<b>2,688</b>	<b>27,813</b>	<b>11,653,719</b>

<sup>1</sup>International institutions

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## 32. FINANCIAL RISK MANAGEMENT (CONTINUED)

### 32.1. Credit risk (continued)

#### 32.1.2. Credit risk concentration (continued)

The table below presents an analysis of the Bank's concentration per credit rating for its financial assets as at 31 December 2017:

In thousands of KM

Credit rating	31 December 2017								
	Foreign Currency in Cash	Deposits with foreign Banks	Special drawing rights in the IMF	Available for Sale Financial Assets	Monetary Gold	Held to Maturity Investments	Other Investments	Other financial assets	Total
AAA	-	1,715,536	-	1,297,302	-	40,402	-	-	3,053,240
AA+	-	-	-	986,396	-	341,964	-	-	1,328,360
AA	-	78,137	-	1,654,622	-	411,431	-	-	2,144,190
AA-	-	97,662	-	976,652	-	203,629	-	-	1,277,943
A+	-	-	-	5,964	-	-	-	-	5,964
A	-	566,831	-	-	-	-	-	-	566,831
A-	-	238,946	-	-	-	-	-	-	238,946
II <sup>2</sup>	-	1,538	1,531	-	203,908	-	27,813	-	234,790
BBB+	-	-	-	728,413	-	-	-	-	728,413
BBB	-	-	-	552,722	-	216,636	-	-	769,358
Unrated	236,402	-	-	-	-	-	-	2,728	239,130
<b>TOTAL</b>	<b>236,402</b>	<b>2,698,650</b>	<b>1,531</b>	<b>6,202,071</b>	<b>203,908</b>	<b>1,214,062</b>	<b>27,813</b>	<b>2,728</b>	<b>10,587,165</b>

#### Geographical concentration of risks of financial assets with credit risk exposure

The following table breaks down the Bank's main credit risk exposure at their carrying amounts, as categorized by geographical region as at 31 December 2018 and 2017. For the purposes of this disclosure, the Bank has allocated exposures to regions based on the country of domicile of its counterparties:

<sup>2</sup> International institutions

**32. FINANCIAL RISK MANAGEMENT (CONTINUED)****32.1. Credit risk (continued)****32.1.2. Credit risk concentration (continued)**

In thousands of KM	EU countries	Non-EU member countries	Bosnia and Herzegovina	Total
Foreign currency in cash	-	-	274,099	274,099
Deposits with foreign banks	2,424,518	486,930	-	2,911,448
Debt instruments at fair value through other comprehensive income	8,225,439	-	-	8,225,439
Monetary gold	-	209,996	-	209,996
Special drawing rights with the IMF	-	2,236	-	2,236
Other financial assets	-	-	2,688	2,688
Other investments	10	27,803	-	27,813
<b>31 December 2018</b>	<b>10,649,967</b>	<b>726,965</b>	<b>276,787</b>	<b>11,653,719</b>

In thousands of KM	EU countries	Non-EU member countries	Bosnia and Herzegovina	Total
Foreign currency in cash	-	-	236,402	236,402
Deposits with foreign banks	2,170,353	528,297	-	2,698,650
SDR with the IMF	-	1,531	-	1,531
Available-for-sale financial assets	6,202,071	-	-	6,202,071
Monetary gold	-	203,908	-	203,908
Held-to-maturity	1,214,062	-	-	1,214,062
Other investments	10	27,803	-	27,813
Other financial assets	-	-	2,728	2,728
<b>31 December 2017</b>	<b>9,586,496</b>	<b>761,539</b>	<b>239,130</b>	<b>10,587,165</b>

**32.2. Market risk**

The Bank monitors and manages both currency and interest rate risks as the basic market risk factors. Currency risk is a risk arising from decline of the value of the financial instrument denominated in foreign currency due to changes in exchange rates. The interest rate risk denotes a risk from reducing the market value of the financial instruments due to unfavourable movements of interest rates. The market risk management is performed by setting quantitative limits for foreign assets risk exposure acceptable for the Bank and they are monitored on a daily basis. The objective of market risk management is to manage and control market risk exposures with acceptable parameters, while optimising the return on risk.



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## 32. FINANCIAL RISK MANAGEMENT (CONTINUED)

### 32.2. Market risk (continued)

For the purpose of quantifying the market risks effect on the foreign reserves value, starting from 2017, the Bank applies the Value at Risk (VaR) concept. VaR represents a statistical methodology for assessing the maximum change in the foreign reserves value arising from differences in the financial instruments prices and the foreign exchange rates given a certain level of confidence and a particular time horizon. The Bank, when calculating VaR, applies a level of confidence of 99% and a 10-day horizon, as recommended in the Basel II Standard.

The fluctuation of the prices of the instruments and the foreign exchange rates are determined according to the historical changes in the prices and the foreign exchange rates for instruments and currencies comprising the foreign reserves at the end of the month.

As at 31 December 2018, the exposure of the foreign exchange reserves managed by the Bank (Value at Risk at a level of confidence of 99% for a 10-day horizon), in terms of fluctuations of the prices of instruments and foreign exchange rates against the KM equals to KM 37,739 thousands (2017: KM 36,836 thousand), or 0.32% of the total financial assets (2017: 0.35% of the total financial assets). VaR originates from the change in the prices of instruments in which the foreign reserves are invested, including change in the EUR price of monetary gold. There were no term deposits with foreign banks neither debt investments denominated in non-EUR currencies as at 31 December 2018, hence the Bank has no exposure to currency risk as at 31 December 2018 (2017: currency risk originated from change in the foreign exchange rate for the same horizon, on a diversified basis and included change in the USD price of monetary gold).

In thousands of KM	31 December 2018	31 December 2017
Currency risk	-	9,702
Interest rate risk	37,739	27,134
<b>Total VaR</b>	<b>37,739</b>	<b>36,836</b>

#### 32.2.1. 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 deposits 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 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 2018 and 31 December 2017:

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## 32. FINANCIAL RISK MANAGEMENT (CONTINUED)

## 32.2. Market risk (continued)

## 32.2.1. Foreign exchange risk (continued)

31 December 2018

In thousands of KM	EUR	USD	Other foreign currencies	KM	Total
Foreign currency in cash	274,025	20	54	-	274,099
Deposits with foreign banks	2,904,946	2,763	3,739	-	2,911,448
Debt instruments at fair value through other comprehensive income	8,225,439	-	-	-	8,225,439
Monetary gold	209,996	-	-	-	209,996
Special Drawing Rights with the IMF	-	-	2,236	-	2,236
Other financial assets	22	-	-	2,666	2,688
Other investments	10	-	-	27,803	27,813
<b>Total financial assets</b>	<b>11,614,438</b>	<b>2,783</b>	<b>6,029</b>	<b>30,469</b>	<b>11,653,719</b>
Currency in circulation	-	-	-	4,750,614	4,750,614
Deposits from banks	-	-	-	5,523,290	5,523,290
Deposits from the Government and other depositors	-	-	-	709,367	709,367
Other financial liabilities	586	13	-	2,294	2,893
<b>Total financial liabilities</b>	<b>586</b>	<b>13</b>	<b>-</b>	<b>10,985,565</b>	<b>10,986,164</b>
<b>NET FOREIGN EXCHANGE POSITION</b>	<b>11,613,852</b>	<b>2,770</b>	<b>6,029</b>	<b>(10,955,096)</b>	<b>667,555</b>

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## 32. FINANCIAL RISK MANAGEMENT (CONTINUED)

### 32.2. Market risk (continued)

#### 32.2.1. Foreign exchange risk (continued)

31 December 2017

In thousands of KM	EUR	USD	Other foreign currencies	KM	Total
Foreign currency in cash	236,330	19	53	-	236,402
Deposits with foreign banks	2,693,220	2,921	2,509	-	2,698,650
Special drawing rights with the IMF	-	-	1,531	-	1,531
Financial assets available-for-sale	6,202,071	-	-	-	6,202,071
Monetary gold	-	203,908	-	-	203,908
Held-to-maturity investments	1,214,062	-	-	-	1,214,062
Other investments	10	-	-	27,803	27,813
Other financial assets	81	-	-	2,647	2,728
<b>Total financial assets</b>	<b>10,345,774</b>	<b>206,848</b>	<b>4,093</b>	<b>30,450</b>	<b>10,587,165</b>
Currency in circulation	-	-	-	4,319,360	4,319,360
Deposits from banks	-	-	-	5,033,065	5,033,065
Deposits from the Government and other depositors	-	-	-	624,708	624,708
Other financial liabilities	902	3	-	9,605	10,510
<b>Total financial liabilities</b>	<b>902</b>	<b>3</b>	<b>-</b>	<b>9,986,738</b>	<b>9,987,643</b>
<b>NET FOREIGN EXCHANGE POSITION</b>	<b>10,344,872</b>	<b>206,845</b>	<b>4,093</b>	<b>(9,956,288)</b>	<b>599,522</b>

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.

#### 32.2.2. 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 re-price 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 ten years for securities.

The tables below summarize the Bank's exposure to interest rate risk at year-end.

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## 32. FINANCIAL RISK MANAGEMENT (CONTINUED)

## 32.2. Market risk (continued)

## 32.2.2. Interest rate risk (continued)

31 December 2018							
In thousands of KM	Up to 3 months	From 3 to 12 months	From 1 to 3 years	Over 3 Years	Non- interest bearing	Total	
Foreign currency in cash	-	-	-	-	274,099	274,099	
Deposits with foreign banks	1,399,725	1,514,118	-	-	(2,395)	2,911,448	
Debt instruments at fair value through other comprehensive income	1,879,504	6,273,816	-	-	72,119	8,225,439	
Monetary gold	-	-	-	-	209,996	209,996	
Special Drawing Rights with the IMF	2,236	-	-	-	-	2,236	
Other financial assets	20	43	59	-	2,566	2,688	
Other investments	-	-	-	-	27,813	27,813	
<b>Total financial assets</b>	<b>3,281,485</b>	<b>7,787,977</b>	<b>59</b>	<b>-</b>	<b>584,198</b>	<b>11,653,719</b>	
Currency in circulation	-	-	-	-	4,750,614	4,750,614	
Deposits from banks	3,037,591	-	-	-	2,485,699	5,523,290	
Deposits from the Government and other depositors	-	-	-	-	709,367	709,367	
Other liabilities	-	-	-	-	2,893	2,893	
<b>Total financial liabilities</b>	<b>3,037,591</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,948,573</b>	<b>10,986,164</b>	
<b>INTEREST RATE GAP</b>	<b>243,894</b>	<b>7,787,977</b>	<b>59</b>	<b>-</b>	<b>(7,364,375)</b>	<b>667,555</b>	

CENTRAL BANK OF BOSNIA AND HERZEGOVINA  
Notes to the financial statements for the year ended 31 December 2018

## 32. FINANCIAL RISK MANAGEMENT (CONTINUED)

### 32.2. Market risk (continued)

#### 32.2.2. Interest rate risk (continued)

31 December 2017						Non-	
In thousands of KM	Up to 3	From 3	From 1 to	Over 3	interest		Total
	months	to12	3 years	Years	bearing		
Foreign currency in cash	-	-	-	-	236,402		236,402
Deposits with foreign banks	1,824,495	875,735	-	-	(1,580)		2,698,650
Special Drawing Rights with the IMF	1,531	-	-	-	-		1,531
Available for sale financial assets	1,593,488	4,549,666	-	-	58,917		6,202,071
Monetary gold	-	-	-	-	203,908		203,908
Held-to-maturity investments	112,767	1,093,539	-	-	7,756		1,214,062
Other investments	-	-	-	-	27,813		27,813
Other financial assets	33	79	109	15	2,492		2,728
<b>Total financial assets</b>	<b>3,532,314</b>	<b>6,519,019</b>	<b>109</b>	<b>15</b>	<b>535,708</b>		<b>10,587,165</b>
Currency in circulation	-	-	-	-	4,319,360		4,319,360
Deposits from banks	2,550,518	-	-	-	2,482,547		5,033,065
Deposits from the Government and other depositors	-	-	-	-	624,708		624,708
Other liabilities	-	-	-	-	10,510		10,510
<b>Total financial liabilities</b>	<b>2,550,518</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,437,125</b>		<b>9,987,643</b>
<b>INTEREST RATE GAP</b>	<b>981,796</b>	<b>6,519,019</b>	<b>109</b>	<b>15</b>	<b>(6,901,417)</b>		<b>599,522</b>

### 32.3. Liquidity risk

Liquidity risk refers to the possible difficulties in liquidating a portion of assets quickly, possibly in a situation where market conditions are unfavorable and also with adverse price movement.

Liquid assets are defined as those assets whose conversion into cash causes minimal transaction costs and whose value is the closest to market value.

Considering the need of guaranteeing the KM convertibility, the daily liquidity should be provided by the maturity adjustment of the Bank foreign exchange reserves.

The liquidity framework should match the forecasted potential liquidity needs with identified liquid instruments. The liquidity of each financial instrument eligible for investment must be duly considered before the investment in the instrument is made.

**32. FINANCIAL RISK MANAGEMENT (CONTINUED)****32.3. Liquidity risk (continued)**

Maturity analysis

Tables below present the financial liabilities of the Bank as at 31 December 2018 and 2017 classified into relevant maturity groupings based on the remaining period from the reporting date to the contractual maturity date.

Currency in circulation has been classified in the maturity period within three months.

31 December 2018						
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
Currency in circulation	4,750,614	-	-	-	-	4,750,614
Deposits from banks	5,523,290	-	-	-	-	5,523,290
Deposits from the Government and other depositors	709,367	-	-	-	-	709,367
Other financial liabilities	2,893	-	-	-	-	2,893
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>10,986,164</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,986,164</b>

31 December 2017						
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
Currency in circulation	4,319,360	-	-	-	-	4,319,360
Deposits from banks	5,033,065	-	-	-	-	5,033,065
Deposits from the Government and other depositors	624,708	-	-	-	-	624,708
Other financial liabilities	3,199	7,311	-	-	-	10,510
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>9,980,332</b>	<b>7,311</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,987,643</b>

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### 33. FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The estimated fair values of the Bank's financial assets and financial liabilities have been determined using available market information, where it exists, and appropriate valuation methodologies, as explained in Note 2.2.

#### 33.1. Financial assets measured at fair value

The following table analyses financial assets measured at fair value at each reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised. These amounts are based on the values recognised in the statement of financial position. In 2018 the Bank has changed its hierarchy level for fair value measurement of debt securities and classified them into Level 1 from Level 2. This change did not result in any gains or losses from transfer between levels.

In thousands of KM

	31 December 2018			
	Level 1	Level 2	Level 3	Total
<b>Financial assets measured at fair value</b>				
Debt instruments	8,225,439	-	-	8,225,439
Monetary gold	209,996	-	-	209,996
<b>TOTAL</b>	<b>8,435,435</b>	<b>-</b>	<b>-</b>	<b>8,435,435</b>

In thousands of KM

	31 December 2017			
	Level 1	Level 2	Level 3	Total
<b>Financial assets measured at fair value</b>				
Debt instruments	6,202,071	-	-	6,202,071
Monetary gold	203,908	-	-	203,908
<b>TOTAL</b>	<b>6,405,979</b>	<b>-</b>	<b>-</b>	<b>6,405,979</b>

Financial assets are measured at fair value in statement of financial statement using the quoted bid prices in an active market which correspond to Level 1 hierarchy as at reporting dates.

## 33. FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

## 33.2. Financial assets and financial liabilities not measured at fair value

In thousands of KM

31 December 2018

	Carrying amount	Fair value
<b>Financial assets</b>		
<i>Financial assets measured at amortized cost:</i>		
Foreign currency in cash	274,099	274,099
Deposits with foreign banks	2,911,448	2,904,460
Special Drawing Rights with the IMF	2,236	2,236
Other financial assets	2,688	2,688
<i>Other investments</i>	27,813	27,813
<b>Total</b>	<b>3,218,284</b>	<b>3,211,296</b>
<b>Financial liabilities</b>		
<i>Financial liabilities measured at amortized cost:</i>		
Currency in circulation	4,750,614	4,750,614
Deposits from banks	5,523,290	5,512,943
Deposits from the Government and other depositors	709,367	708,038
Other financial liabilities	2,893	2,893
<b>Total</b>	<b>10,986,164</b>	<b>10,974,488</b>

In thousands of KM

31 December 2017

	Carrying amount	Fair value
<b>Financial assets</b>		
<i>Loans and receivables</i>		
- Foreign currency in cash	236,402	236,402
- Deposits with foreign banks	2,698,650	2,690,797
- Special Drawing Rights with the IMF	1,531	1,531
<i>Held-to-maturity investments</i>		
- Held-to-maturity investments	1,214,062	1,264,030
- Other financial assets	2,728	2,728
<i>Other investments</i>	27,813	27,813
<b>Total</b>	<b>4,181,186</b>	<b>4,223,301</b>
<b>Financial liabilities</b>		
<i>Financial liabilities measured at amortized cost:</i>		
- Currency in circulation	4,319,360	4,319,360
- Deposits from banks	5,033,065	5,021,274
- Deposits from the Government and other depositors	624,708	623,244
- Other financial liabilities	10,510	10,510
<b>Total</b>	<b>9,987,643</b>	<b>9,974,388</b>



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### **33. FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)**

#### **33.2. Financial assets and financial liabilities not measured at fair value (continued)**

The Management considers that the carrying amounts of foreign currency in cash, Special Drawing Rights with the IMF, other financial assets, currency in circulation and other financial liabilities recognized in the financial statements approximate their fair values as at reporting dates.

As at reporting dates, fair values of financial assets and financial liabilities not measured at fair value are included in Level 2 category and have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties. As discount rate, the Bank has used weighted average interest rate on corporate deposits for whole banking market in BH.

Up to 31 December 2017, the Bank's equity securities in the amount of KM 27,813 thousand were classified at Available-for-sale and measured at cost because their fair value was not considered to be reliably measurable. On the adoption of IFRS 9, these securities have been designated as at fair value through other comprehensive income. The Bank's equity instruments are neither redeemable nor transferable and there is no market for them, so the Bank considers that their carrying amounts approximates their fair values and corresponds to Level 3 category as at reporting dates (See Note 21).

### **34. 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 Bank, they have not been included within the Bank's statement of financial position.

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

**34. OFF-BALANCE SHEET ITEMS (CONTINUED)**

Off-balance sheet items consist of:

In thousands of KM	31 December 2018	31 December 2017
Deposits of USAID	3,042	2,825
<b>Deposits of non-residents</b>	<b>3,042</b>	<b>2,825</b>
Deposits of the Council of Ministers of BH:	30,964	28,785
<i>Deposits of the Council of Ministers of BH on the basis of succession</i>	44	41
<i>Deposits of the Council of Ministers of BH regarding the servicing of foreign debt</i>	9,227	12,977
<i>Deposits of the Council of Ministers of BH regarding the Budget of BH institution</i>	1,543	758
<i>Other deposits of the Council of Ministers of BH</i>	20,150	15,009
Deposits of other residents:	4,048	9,922
<i>Deposits - Retirement allowance from Germany</i>	12	247
<i>Deposit accounts of banks</i>	4,036	9,675
<b>Deposits of residents</b>	<b>35,012</b>	<b>38,707</b>
Investments related to securities – Deposit Insurance Agency of BH	37,499	2,034
<b>Investments of residents related to securities</b>	<b>37,499</b>	<b>2,034</b>
<b>TOTAL</b>	<b>75,553</b>	<b>43,566</b>

**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. 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 on such accounts.

**Bosnia and Herzegovina membership with the IMF**

According to arrangements concluded between Bosnia and Herzegovina and the IMF signed in December 2002, the Bank is designated as a fiscal agent and depository for BH membership with the IMF. The Bank's role as a fiscal agent is specific due to "Currency Board" arrangement. The Bank acts on behalf of the BH in dealing with the IMF but does not have any responsibility for assets and liabilities related to the membership.

The Bank maintains Special drawing rights with the IMF account, IMF account No.1 and IMF account No.2 in the statement of financial position. The Bank also provides a custody service for the BH Promissory notes issued to support IMF membership and repurchase obligations that are recorded off-balance.

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### 34. OFF-BALANCE SHEET ITEMS (CONTINUED)

Special drawing rights with the IMF are demand funds denominated in SDR on the account opened with the IMF for the Bosnia and Herzegovina. The Bank holds Special drawing rights as a part of its foreign exchange reserve management function. These funds are interest-bearing for the Bank. As at 31 December 2018, Special drawing rights with the IMF include accrued interest in the amount KM 4 thousand (31 December 2017: accrued interest amounted to KM 2 thousand).

IMF account No. 1 is the IMF account with the Bank that is used for transactions with the IMF related to utilization and repayment of IMF loans. IMF account No. 2 is the IMF account with the Bank that is used by the IMF for receipts and administrative disbursements in KM in the territory of Bosnia and Herzegovina. These accounts are part of the Bank's liabilities and are expressed in KM.

The quota balance is a specific type of asset which represents BH's subscription as a member of the IMF, denominated in SDR. The quota represents BH's voting powers in the IMF, the limits to access to financial resources of the IMF and a BH's share in the allocation of SDRs which are the IMF's unit of account.

Promissory notes are issued by the Ministry of Finance and Treasury of BH and are substituted for KM. These securities are payable on demand by the IMF.

SDR allocation is also interest-bearing. Ministry of Finance and Treasury of BH pays interest on SDR allocation.

The Bank uses net method in presentation of BH financial position with the IMF which is provided below:

In thousands of KM

	31 December 2018	31 December 2017
Quota	629,809	615,924
Special drawing rights with the IMF	2,236	1,531
<b>TOTAL ASSETS</b>	<b>632,045</b>	<b>617,455</b>
IMF account No.1	1,575	1,540
IMF account No.2	53	53
Securities	1,042,166	1,205,738
SDR allocation	382,080	1,898
Accrued interest on SDR allocation	685	373,656
Accounts of payable charges	1,601	447
<b>TOTAL LIABILITIES</b>	<b>1,428,160</b>	<b>1,583,332</b>
<b>BH NET POSITION WITH THE IMF</b>	<b>796,115</b>	<b>965,877</b>

**34. OFF-BALANCE SHEET ITEMS (CONTINUED)**

As at reporting dates, BH quota with the IMF amounted to SDR 265,200 thousand. The quota does not earn interest.

Promissory notes account, IMF account No.1 and IMF account No. 2 are subject of valuation adjustments whenever the currency is used in financial transactions between the IMF and Bosnia and Herzegovina. At least once each year, at the end of the IMF's financial year (30 April), all IMF currency holding are revalued based on the prevailing SDR exchange rate. These valuation adjustments are included in account balances stated.

In 2018, the Bank received the second tranche under the Extended Fund Facility ("EFF") with the IMF in the amount of KM 145,829 thousand (equivalent to SDR 63,413 thousand). After increasing the above amount by the amount of the reimbursement of the IMF's commitment fee and reducing it by the IMF service charges, the total amount for the allocation of funds was KM 145,822 thousand which was distributed under prescribed ratio.

**35. 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 established two settlement systems from January 2001 in order to facilitate efficient settlement of domestic interbank payment 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) payment by crediting and debiting settlement accounts held with the 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 credits to RTGS and GCS participants which would provide 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.

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### 35. DOMESTIC PAYMENT AND SETTLEMENT SYSTEM (CONTINUED)

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:** To support the primary location for the payment systems (RTGS, GCS and SWIFT) with redundant systems (if case of system falling, switching to another one on the primary location is done), the Bank has also established functional DR (Disaster Recovery) system located in Main Bank of Republika Srpska of the Central Bank of Bosnia and Herzegovina in Banja Luka.

Management of the Bank believes that the system has sufficient capacity to maintain operational reliability.

### 36. POST-REPORTING DATE EVENTS

The Bank has changed the methodology for Probability of Default calculation which, starting from 1 January 2019, is based on transition matrices. The Bank uses corporate transitional matrices to estimate the probability of default of foreign commercial banks, while for the exposures to foreign sovereigns (foreign central banks and governments), the Bank uses sovereign transitional matrices. As at 31 December 2018, total amount of provisions for expected credit losses amounted to KM 12,133 thousand. The change in accounting estimate resulted in recognition of release from provisions for expected credit losses in the total amount of KM 9,821 thousand in profit or loss in January 2019.

Except as disclosed above, no adjusting or other non-adjusting events have occurred between the 31 December 2018 and the date of authorization of these financial statements.



## **4. PUBLICATIONS AND WEB SERVICES**

Monthly Economic Overview	Brief information about the latest trends in the macroeconomic environment, which has been published on the website of the CBBH since May 2013. The publication had previously been internal.
Bulletin	A quarterly publication which includes monetary and financial statistics, information on payment transactions, data on the real sector and balance of payments data of Bosnia and Herzegovina.
Annual Report	The publication contains the report on the operations of the CBBH throughout the year and the financial report the CBBH submits to the Presidency of Bosnia and Herzegovina and the Parliamentary Assembly of Bosnia and Herzegovina.
Financial Stability Report	The annual publication contains an assessment of the risks arising from the macroeconomic environment and trends in the financial system, as well as an assessment of the resistance of the system to the identified risks.
Special research topics	An occasional publication published on the website of the CBBH.
CBBH Monograph	Jubilee publication prepared on the occasion of marking the 20th anniversary of the CBBH operations
WEBSITE www.cbbh.ba e-mail: <a href="mailto:contact@cbbh.ba">contact@cbbh.ba</a> <a href="mailto:pr@cbbh.ba">pr@cbbh.ba</a> TWITTER@CBBIH	<p>The openness and transparency of the operations of the CBBH is considered very important for the credibility, public accountability and trust it enjoys among the population and other institutions in Bosnia and Herzegovina and by international institutions. On the basis of the Rules of procedure of the CBBH, the CBBH has an obligation to inform the public about its work by providing timely information, publishing reports, issuing official publications and organizing press conferences.</p> <p>The website of the CBBH has existed since 1998. It contains basic information on the CBBH, the Law on the CBBH, presents the banknotes and coins of Bosnia and Herzegovina as well as numismatic issues of the CBBH; on the website, there are also numerous publications and statistical data (Annual Report, Monthly Balance Sheet, Quarterly Bulletins, Financial Stability Report, Balance of Payments of BH, Payment Operations ...) and a list of all commercial banks in BH.</p> <p>The publications and statistical data are published in generally accepted formats, DOC, XLS and PDF. On this page, the latest exchange rates, which are updated daily, and other relevant news and press releases are published.</p> <p>The material is published in Bosnian, Croatian, Serbian and English.</p> <p>In 2013, the CBBH, in order to increase openness and transparency and reach broad social classes, has launched an official profile on the social network Twitter.</p> <p>Through this profile, data are published that are normally published on the website of the Bank, www.cbbh.ba, as well as additional information and data which are estimated as relevant.</p> <p>The communication method is adapted to the target public.</p>



## **5. STATISTICAL TABLES**

<b>T01: Main Economic Indicators</b>									
	2010	2011	2012	2013	2014	2015	2016	2017	2018*
<b>BH Nominal GDP (in KM million)<sup>1)</sup> Current Prices</b>	25,365	26,231	26,223	26,779	27,359	28,589	29,904	31,376	32,954
<b>Real GDP Annual Growth (in %)<sup>1)</sup></b>	0.9	1.0	-0.8	2.4	1.2	3.1	3.1	3.2	3.2
<b>Consumer Prices Growth Rate in BH<sup>2)</sup></b>	in percentage								
Average Annual growth Rate of CPI	2.1	3.7	2.1	-0.1	-0.9	-1.0	-1.1	1.2	1.4
Annual Growth Rate of CPI for December	3.1	3.1	1.8	-1.2	-0.4	-1.3	-0.3	1.3	1.6
<b>General Government Budget<sup>3)</sup></b>	in percentage of GDP								
Revenues	42.9	43.3	43.8	42.7	43.8	43.0	42.7	43.1	...
Expenditures <sup>4)</sup>	45.3	44.6	45.8	44.8	45.8	42.3	41.5	40.5	...
Overall Balance	-2.4	-1.2	-2.0	-2.2	-2.0	0.7	1.2	2.6	...
<b>Money and Credit</b>	in percentage of GDP								
Broad Money (M2)	53.7	55.0	56.9	60.1	63.1	65.2	67.5	70.5	73.4
Credit to Non-government Sector	54.0	54.4	56.1	56.5	56.2	55.0	54.3	55.6	56.0
<b>Balance of Payments</b>									
Gross Official Reserves									
In KM million	6,458	6,424	6,509	7,068	7,826	8,606	9,531	10,557	11,623
In USD million	4,372	4,569	4,274	4,797	5,309	4,883	5,391	6,083	6,806
In Months of Imports of Goods and Services	6.0	5.3	5.3	5.8	6.1	6.8	7.3	7.2	7.5
Current Account Balance									
In KM million	-1,531	-2,483	-2,266	-1,425	-2,005	-1,513	-1,391	-1,476	-1371.2
In USD million	-1,037	-1,766	-1,488	-967	-1,360	-858	-787	-850	-827.2
As a percentage of GDP	-6.0	-9.5	-8.6	-5.3	-7.3	-5.3	-4.7	-4.7	-4.2
Trade balance									
In KM million	-7,186	-7,827	-7,779	-7,099	-7,874	-7,191	-7,061	-7,384	-7528.7
In USD million	-4,866	-5,566	-5,108	-4,817	-5,342	-4,080	-3,994	-4,255	-4542.2
As a percentage of GDP	-28.3	-29.8	-29.7	-26.5	-28.8	-25.2	-23.6	-23.5	-22.8
<b>External Debt of Government Sector **</b>									
In KM million	6,291	6,663	7,212	7,563	8,442	8,691	8,871	8,146	8,179
In USD million	4,272	4,408	4,861	5,330	5,249	4,855	4,781	4,995	4,790
As a percentage of GDP	24.8	25.4	27.5	28.2	30.9	30.4	29.2	26.0	24.8
<b>External Debt Servicing<sup>5)</sup></b>									
In KM million	301	340	413	685	761	581	723	983	955
In USD million	204	242	271	465	516	330	409	567	576
As a percentage of Exports of Goods and Services	4.0	4.0	4.9	7.6	8.2	5.8	6.8	7.8	7.0

**Note:**

1) Source: Agency for Statistics of Bosnia and Herzegovina, Gross Domestic Product by Production, Income and Expenditure approach 2017, January 2019.

\*GDP for 2018 is an assessment of International Monetary Fund and it is used as preliminary data, until the announcement of the official GDP by the BH Statistics Agency.

2) Source: BH Agency of Statistics

3) Source: GFS, Central Bank of BH

4) Expenditures also include net acquisition of fixed assets.

5) Source: BH Ministry of Finance and Treasury.

\*\* The data have been revised since 2009, in accordance with the report from BH Ministry of Finance and Treasury dated 1st. February 2019 and include the loan of PC Roads RS and direct debt of Brčko District.

**T02: Gross Domestic Product of Bosnia and Herzegovina (Current Prices)**

	2010	2011	2012	2013	2014	2015	2016	2017	2018
Nominal GDP (in KM million)	25,365	26,231	26,223	26,779	27,359	28,589	29,904	31,376	32,954
Nominal GDP (in USD million)	17,174	18,655	17,221	18,173	18,566	16,220	16,914	18,079	19,882
GDP per capita (in KM)	7,165	7,414	7,418	7,584	7,759	8,127	8,517	8,954	9,421
GDP per capita (in USD)	4,851	5,273	4,872	5,147	5,265	4,611	4,818	5,160	5,684
Real GDP Annual Growth (in %)	0.9	1.0	-0.8	2.4	1.2	3.1	3.1	3.2	3.2
Population (in thousands) <sup>1</sup>	3,541	3,538	3,535	3,531	3,526	3,518	3,511	3,504	3,498
Annual Average Exchange Rate of BAM/USD	1.476900	1.406117	1.522700	1.473557	1.474019	1.762605	1.768011	1.735482	1.657498

**Source:** Agency for Statistics of Bosnia and Herzegovina, Gross Domestic Product by Production, Income and Expenditure approach 2017, January 2019. The data on the average annual exchange rate BAM/USD, the source is the CBBH.

1) The estimate of the number of citizens for 2018 includes the available data on the natural growth in the end of September 2018; Source: BH Statistics Agency.

\* GDP for 2018 is an assessment of International Monetary Fund and it is used as preliminary data, until the announcement of the official GDP by the BH Statistics Agency.

**T03: Index of Industrial Production**

Year	Month	Month/Same Month of the Previous Year			Period/Same Period of the Previous Year		
		FBH	RS	BH	FBH	RS	BH
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
2013	12	107,7	104,7	107,0	107,4	104,1	106,4
2014	12	97,9	99,8	98,7	100,1	100,6	100,2
2015	12	101,7	99,5	101,7	102,2	103,0	101,9
2016	12	103,0	120,0	107,5	102,6	108,2	104,4
2017	12	101,5	97,3	99,6	103,8	101,2	103,1
2018	12	98,2	96,9	97,7	100,8	104,2	101,6
2018	01	113,1	98,2	108,4	113,1	98,2	108,4
	02	103,8	105,2	103,6	108,3	101,8	105,9
	03	101,4	106,3	103,3	105,8	103,4	105,0
	04	101,4	112,6	102,6	104,7	105,8	104,4
	05	99,0	121,2	105,7	103,5	108,8	104,7
	06	96,5	95,6	96,0	102,3	106,3	103,1
	07	99,5	114,1	104,1	101,9	107,5	103,3
	08	97,2	98,1	97,4	101,2	106,3	102,5
	09	99,9	103,7	100,7	101,1	106,0	102,3
	10	102,2	105,9	102,8	101,2	106,0	102,4
	11	100,0	95,1	98,3	101,1	104,9	102,0
	12	98,2	96,9	97,7	100,8	104,2	101,6

**Source:** Agency for Statistics of BiH, Federal Statistics Bureau of FBH and RS Republic Statistics Bureau.

**Note:** Index of Industrial Production 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
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
2013	12	...	98.8	99.9
2014	12	...	99.6	99.1
2015	12	...	98.8	99.0
2016	12	...	99.7	98.9
2017	12	...	101.3	101.2
2018	12	...	101.6	101.4
2018	01	100.2	100.3	100.3
	02	101.0	100.9	100.6
	03	100.4	101.1	100.8
	04	99.6	101.0	100.8
	05	100.2	101.3	100.9
	06	100.0	101.9	101.2
	07	99.3	101.8	101.2
	08	99.9	101.8	101.3
	09	100.5	101.7	101.3
	10	100.9	101.8	101.4
	11	100.1	101.8	101.4
	12	101.1	101.6	101.4

**Source:** BH Agency for Statistics since 2006, but until 2006 Federal Statistics Bureau of FBH and RS Republic Statistics Bureau.

**Note:** Retail price index is presented until 2006 at BH level, which is calculated as a weighted average of Entities' monthly prices indices where the weights are the shares of the Entities in the GDP (note T01).

For 2006 and following periods consumer price index is presented.

Price index for a period/the same period of previous year for December represents annual index in comparison to 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
2008	12	1,105	1,132	1,139	1,113	751	755	730	752	340	309	310
2009	12	1,204	1,204	1,194	1,204	792	788	769	790	346	335	326
2010	12	1,223	1,199	1,234	1,217	804	784	797	798	341	321	316
2011	12	1,248	1,326	1,262	1,271	819	809	800	816	349	321	319
2012	12	1,266	1,349	1,271	1,290	830	818	819	826	351	312	311
2013	12	1,275	1,333	1,266	1,291	835	808	817	827	348	318	310
2014	12	1,272	1,334	1,265	1,183	833	825	814	830	367	333	323
2015	12	1,269	1,339	1,275	1,289	830	831	821	830	368	343	327
2016	12	1,283	1,343	1,290	1,301	839	836	830	838	370	342	326
2017	12	1,318	1,331	1,304	1,321	860	831	838	851	372	344	326
2018	12	1,365	1,357	1,363	1,363	888	857	872	879	395	361	342
2018	01	1,363	1,321	1,338	1,351	888	825	856	870	374	351	329
	02	1,306	1,349	1,320	1,319	852	841	842	849	377	351	329
	03	1,353	1,346	1,344	1,351	881	840	860	869	384	351	332
	04	1,338	1,345	1,340	1,341	872	840	862	863	409	358	340
	05	1,378	1,356	1,365	1,371	896	847	873	881	402	358	343
	06	1,353	1,360	1,384	1,356	881	849	884	872	401	367	347
	07	1,368	1,361	1,368	1,366	891	848	875	878	401	367	348
	08	1,389	1,364	1,376	1,382	898	852	880	888	400	367	348
	09	1,344	1,368	1,363	1,351	875	881	872	877	400	367	348
	10	1,383	1,372	1,384	1,379	899	884	886	894	399	367	348
	11	1,395	1,364	1,397	1,386	907	880	892	899	399	367	348
	12	1,405	1,382	1,383	1,398	914	891	885	906	399	366	348

**Source:** BH Agency for Statistics, Federal Statistics Bureau of FBH, RS Republic Statistics Bureau and Statistics Bureau of Brčko District.

**Note:** Since 1 January 2006, gross and net wages for BH level include Brčko District.

**T06: Monetary Aggregates**

^ - end of period, in KM million -

Year	Month	Currency outside Monetary Authorities	Bank Deposits with Monetary Authorities	Transf. Dep. of other Resident Sectors with Monetary Authorities	Cash 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
2008	12	2,552.4	3,144.2	7.4	2,302.4	3,388.8	1,776.2	1,107.2	3,864.7	5,704.0	5,691.2	6,748.1	12,439.3
2009	12	2,267.7	3,375.1	6.0	2,009.5	3,536.3	1,844.3	1,078.0	4,241.0	5,648.9	5,545.8	7,163.3	12,709.1
2010	12	2,497.5	3,393.5	8.7	2,210.8	3,689.2	1,991.0	1,209.8	4,526.4	5,899.7	5,900.0	7,727.2	13,627.1
2011	12	2,645.1	3,192.8	11.1	2,366.4	3,819.0	2,285.7	1,100.1	4,846.1	5,848.9	6,185.5	8,231.9	14,417.4
2012	12	2,747.5	3,040.6	13.5	2,414.3	3,728.4	2,672.7	1,052.9	5,041.4	5,801.7	6,142.7	8,767.0	14,909.7
2013	12	2,909.9	3,475.3	15.9	2,542.3	4,153.3	3,006.3	1,189.3	5,202.4	6,401.0	6,695.6	9,398.0	16,093.6
2014	12	3,210.5	3,751.1	38.3	2,814.0	4,496.4	3,377.3	1,301.2	5,280.0	6,999.9	7,310.4	9,958.5	17,268.9
2015	12	3,499.5	4,063.5	51.7	3,055.3	5,125.6	3,562.6	1,360.4	5,543.3	7,614.7	8,180.9	10,466.3	18,647.2
2016	12	4,066.8	4,269.1	52.0	3,401.2	5,899.8	3,883.0	1,535.6	5,478.0	8,387.9	9,301.0	10,896.6	20,197.6
2017	12	4,319.4	5,033.1	76.1	3,648.1	6,924.4	4,091.6	1,816.2	5,636.1	9,428.5	10,572.5	11,543.8	22,116.3
2018	12	4,750.6	5,523.3	125.5	3,978.6	8,166.4	4,302.2	1,961.4	5,782.4	10,399.4	12,145.1	12,046.0	24,191.1
2018	01	4,282.9	5,191.4	86.5	3,532.9	7,080.7	4,084.6	1,852.9	5,674.9	9,560.8	10,613.6	11,612.4	22,226.0
	02	4,302.9	5,100.7	85.9	3,564.6	7,057.2	4,091.0	1,863.2	5,682.6	9,489.5	10,621.9	11,636.8	22,258.6
	03	4,342.7	5,205.3	85.8	3,637.7	7,085.6	4,088.1	1,889.1	5,680.9	9,633.8	10,723.3	11,658.1	22,381.4
	04	4,407.7	5,168.7	98.2	3,675.7	7,263.1	4,103.2	1,877.5	5,674.2	9,674.7	10,938.8	11,654.9	22,593.7
	05	4,452.1	5,077.4	97.8	3,680.4	7,423.4	4,130.0	1,912.5	5,681.0	9,627.3	11,103.8	11,723.6	22,827.4
	06	4,515.4	5,024.3	98.1	3,756.0	7,467.9	4,143.6	2,030.8	5,686.8	9,637.8	11,223.9	11,861.2	23,085.2
	07	4,621.4	5,191.6	110.2	3,852.6	7,751.3	4,141.8	1,944.6	5,686.0	9,923.2	11,603.9	11,772.4	23,376.3
	08	4,717.6	5,339.0	110.7	3,929.3	7,933.9	4,168.9	1,983.9	5,682.6	10,167.4	11,863.2	11,835.5	23,698.7
	09	4,717.2	5,437.8	112.6	3,946.4	8,046.8	4,140.1	1,966.6	5,740.1	10,267.6	11,993.2	11,846.8	23,840.0
	10	4,693.0	5,348.5	126.2	3,878.9	8,141.8	4,142.1	2,016.2	5,759.3	10,167.7	12,020.6	11,917.6	23,938.2
	11	4,670.3	5,432.5	125.4	3,870.6	8,075.0	4,168.9	1,954.4	5,785.0	10,228.2	11,945.6	11,908.3	23,853.9
	12	4,750.6	5,523.3	125.5	3,978.6	8,166.4	4,302.2	1,961.4	5,782.4	10,399.4	12,145.1	12,046.0	24,191.1

Monetary data updated according to the IMF methodology (Monetary and Financial Statistics Manual, 2000), from January 2006.

See note on page 187.

**Note:** The cash outside monetary authorities is taken from the CBBH Balance Sheet and it consists of cash outside the Central Bank (monetary authorities). Deposits of commercial banks are commercial banks' funds in the accounts with the CBBH. Transferable deposits of other domestic sectors with monetary authorities are deposits of other domestic sectors (except for the central government deposits). The central government consists of BH institutions, Entity governments, Entities' social security funds and those of Brčko District. Social security funds on Entity level (from Federation of BH: Pension Fund of FBH, Health Care Fund of FBH, Employment Fund of FBH, and from Republika Srpska: Pension and Disability Insurance Fund of RS, Health Care Fund of RS, Employment Fund of RS and Fund for Child Protection of RS) are classified at the central government level.

The cash outside banks is taken from the CBBH Balance Sheet (Table 08) and consists of cash in circulation out of the Central Bank (monetary authorities), as well as cash outside the commercial banks. Transferable deposits in the domestic currency are taken from the Monetary Survey (Table 07). They consist of deposits of non-central government (deposits of cantons and municipalities), deposits of public and private enterprises, of other financial institutions and deposits of other domestic sectors (households, non-profit institutions and other non-classified sectors).

Other deposits in the domestic currency, transferable and other deposits in foreign currency are taken over from the Monetary Survey (Table 07). They consist of deposits of non central government (deposits of cantons and municipalities), deposits of public and private enterprises, other financial institutions and deposits of other domestic sectors (households, non-profit institutions and other non-classified sectors).

Reserve money (primary money or monetary base) is taken entirely from the CBBH Balance Sheet (Table 08). It consists of cash outside the monetary authorities, deposits of commercial banks and deposits of other domestic sectors (except for deposits of the central government) with the monetary authorities. According to the national definition, money supply comprises all transferable and other deposits of domestic nonbank and nongovernment sectors, as well as, sectors of local government in domestic and foreign currency. Deposits of Entities' social security funds are included in those of the central government on Entity level and by that they are excluded from the Money Supply 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 is defined in the same way as the corresponding item in the Monetary Survey (Table 07). It consists of other deposits in domestic currency, transferable and other deposits in a 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)				Claims on Domestic Sectors							
Year	Month	Foreign Assets	Foreign Liabilities		Claims on Central Government (Net)	Claims on Cantons and Municipalities	Claims on Public Non-financial Enterprises	Claims on Private Non-financial Enterprises	Claims on Other Financial Institutions	Claims on Other Domestic Sectors		Total	
1	2	3	4	5 = 3+4	6	7	8	9	10	11	12 = 6+...+11	13 = 5+12	
2008	12	9,429.7	-6,000.0	3,429.7	-1,655.8	148.3	256.4	6,751.6	169.2	6,804.5	12,474.1	15,903.8	
2009	12	9,430.9	-5,386.9	4,043.9	-1,294.6	195.6	268.2	6,682.5	103.0	6,411.3	12,365.8	16,409.8	
2010	12	9,300.8	-4,397.0	4,903.8	-996.9	270.8	351.3	6,965.5	80.2	6,424.3	13,095.3	17,999.1	
2011	12	9,175.9	-3,779.7	5,396.2	-440.3	323.1	360.2	7,166.9	94.0	6,770.1	14,274.0	19,670.2	
2012	12	9,044.2	-3,559.7	5,484.4	-182.6	386.3	390.9	7,473.1	73.7	6,874.4	15,015.8	20,500.2	
2013	12	9,733.5	-3,330.9	6,402.6	-19.1	422.5	451.6	7,556.4	67.4	7,133.6	15,612.5	22,015.1	
2014	12	10,479.7	-2,961.1	7,518.6	71.0	509.1	443.6	7,452.0	61.3	7,502.5	16,039.4	23,557.9	
2015	12	11,107.9	-2,614.6	8,493.3	160.1	537.2	400.0	7,452.6	74.6	7,875.3	16,499.8	24,993.1	
2016	12	12,199.0	-2,476.4	9,722.6	101.8	517.8	375.6	7,743.9	67.2	8,155.8	16,962.0	26,684.6	
2017	12	13,372.4	-2,589.5	10,782.9	-148.7	511.5	406.2	8,354.5	96.5	8,689.3	17,909.4	28,692.2	
2018	12	15,505.5	-3,041.1	12,464.4	-464.7	496.0	428.0	8,654.6	136.8	9,306.3	18,556.9	31,021.4	
2018	01	13,305.2	-2,362.0	10,943.2	-119.0	500.7	399.6	8,314.2	85.1	8,705.3	17,885.9	28,829.1	
	02	13,184.6	-2,241.9	10,942.6	-205.5	494.9	398.9	8,443.0	87.7	8,732.1	17,951.1	28,893.7	
	03	13,601.3	-2,424.5	11,176.9	-379.1	485.5	390.0	8,543.9	93.4	8,820.8	17,954.5	29,131.3	
	04	13,908.9	-2,565.1	11,343.8	-444.1	486.5	400.8	8,532.2	92.6	8,908.7	17,976.6	29,320.4	
	05	14,193.5	-2,738.2	11,455.3	-401.0	487.4	403.2	8,506.1	97.1	8,997.6	18,090.5	29,545.7	
	06	14,447.9	-2,930.5	11,517.4	-409.0	481.3	415.6	8,601.9	122.6	9,063.3	18,275.8	29,793.2	
	07	14,664.3	-2,876.2	11,788.2	-356.5	473.8	418.4	8,609.0	124.0	9,129.5	18,398.3	30,186.5	
	08	15,007.1	-2,837.0	12,170.1	-388.8	494.5	412.2	8,556.6	124.6	9,176.1	18,375.1	30,545.3	
	09	15,082.4	-2,779.6	12,302.9	-418.5	491.9	415.8	8,577.2	127.8	9,223.4	18,417.6	30,720.4	
	10	15,016.8	-2,792.2	12,224.6	-371.8	494.5	424.7	8,680.7	125.2	9,276.2	18,629.6	30,854.2	
	11	15,196.1	-2,824.5	12,371.6	-541.7	493.3	424.3	8,602.5	127.9	9,278.8	18,385.1	30,756.7	
	12	15,505.5	-3,041.1	12,464.4	-464.7	496.0	428.0	8,654.6	136.8	9,306.3	18,556.9	31,021.4	

Monetary data updated according to the IMF methodology (Monetary and Financial Statistics Manual, 2000), from January 2006.

See note on page 187.

**Note:** The monetary survey presents the consolidated data from the Balance Sheet of the CBBH - monetary authorities (table 08) and the consolidated balance sheet of commercial banks of Bosnia and Herzegovina (table 09). Foreign assets (net) represent the difference between total CBBH foreign assets - the monetary authorities and commercial banks and CBBH total foreign liabilities - the monetary authorities and commercial banks of BH. Claims on domestic sectors represent commercial banks' claims on all domestic sectors, but it should be noted that claims on central government are presented in net amounts, i.e. they are reduced by the deposits of central government with the CBBH and with BH commercial banks. The central government consists of BH institutions, Entities' governments, Entities' social security funds and those of Brčko District. According to new methodology, social security funds are classified on the central government level as the Entities' off-budget funds, which has a direct impact on data about net claims on the central government in Monetary Survey.



**T07: Monetary Survey**

⁴ end of period, in KM million -

		LIABILITIES												
		Broad money (M2)												
		Money (M1)				Quasi money (QM)								
Year	Month	Cash Outside Banks	Transferable Deposits in Dom. Curr.		Transferable Deposits in Foreign Curr.	Other Deposits in Dom. Curr.	Other Deposits in Foreign Curr.		Securities	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
2008	12	2,302.4	3,388.8	5,691.2	1,107.2	1,776.2	3,864.7	6,748.1	12,439.3	17.9	264.3	2,770.9	411.4	15,903.8
2009	12	2,009.5	3,536.3	5,545.8	1,078.0	1,844.3	4,241.0	7,163.3	12,709.1	13.6	446.7	2,821.8	418.5	16,409.8
2010	12	2,210.8	3,689.2	5,900.0	1,209.8	1,991.0	4,526.4	7,727.2	13,627.1	9.1	595.1	3,042.3	725.4	17,999.1
2011	12	2,366.4	3,819.0	6,185.5	1,100.1	2,285.7	4,846.1	8,231.9	14,417.4	0.0	675.3	3,592.8	984.7	19,670.2
2012	12	2,414.3	3,728.4	6,142.7	1,052.9	2,672.7	5,041.4	8,767.0	14,909.7	0.0	712.4	3,767.1	1,111.1	20,500.2
2013	12	2,542.3	4,153.3	6,695.6	1,189.3	3,006.3	5,202.4	9,398.0	16,093.6	0.0	707.9	3,815.2	1,398.4	22,015.1
2014	12	2,814.0	4,496.4	7,310.4	1,301.2	3,377.3	5,280.0	9,958.5	17,268.9	0.0	681.0	3,993.5	1,614.5	23,557.9
2015	12	3,055.3	5,125.6	8,180.9	1,360.4	3,562.6	5,543.3	10,466.3	18,647.2	8.0	599.2	4,148.0	1,590.7	24,993.1
2016	12	3,401.2	5,899.8	9,301.0	1,535.6	3,883.0	5,478.0	10,896.6	20,197.6	8.0	510.0	4,440.4	1,528.6	26,684.6
2017	12	3,648.1	6,924.4	10,572.5	1,816.2	4,091.6	5,636.1	11,543.8	22,116.3	8.0	460.0	4,659.5	1,448.4	28,692.2
2018	12	3,978.6	8,166.4	12,145.1	1,961.4	4,302.2	5,782.4	12,046.0	24,191.1	8.0	467.5	4,848.9	1,505.9	31,021.4
2018	01	3,532.9	7,080.7	10,613.6	1,852.9	4,084.6	5,674.9	11,612.4	22,226.0	8.0	451.5	4,644.4	1,499.1	28,829.1
	02	3,564.6	7,057.2	10,621.9	1,863.2	4,091.0	5,682.6	11,636.8	22,258.6	7.9	438.8	4,680.9	1,507.4	28,893.7
	03	3,637.7	7,085.6	10,723.3	1,889.1	4,088.1	5,680.9	11,658.1	22,381.4	7.9	453.0	4,737.3	1,551.7	29,131.3
	04	3,675.7	7,263.1	10,938.8	1,877.5	4,103.2	5,674.2	11,654.9	22,593.7	8.0	458.8	4,731.4	1,528.5	29,320.4
	05	3,680.4	7,423.4	11,103.8	1,912.5	4,130.0	5,681.0	11,723.6	22,827.4	8.0	468.7	4,721.6	1,520.2	29,545.7
	06	3,756.0	7,467.9	11,223.9	2,030.8	4,143.6	5,686.8	11,861.2	23,085.2	8.0	466.4	4,725.3	1,508.3	29,793.2
	07	3,852.6	7,751.3	11,603.9	1,944.6	4,141.8	5,686.0	11,772.4	23,376.3	8.0	463.1	4,733.9	1,605.2	30,186.5
	08	3,929.3	7,933.9	11,863.2	1,983.9	4,168.9	5,682.6	11,835.5	23,698.7	8.0	466.9	4,828.3	1,543.4	30,545.3
	09	3,946.4	8,046.8	11,993.2	1,966.6	4,140.1	5,740.1	11,846.8	23,840.0	7.9	477.5	4,806.2	1,588.8	30,720.4
	10	3,878.9	8,141.8	12,020.6	2,016.2	4,142.1	5,759.3	11,917.6	23,938.2	8.0	474.8	4,860.2	1,573.1	30,854.2
	11	3,870.6	8,075.0	11,945.6	1,954.4	4,168.9	5,785.0	11,908.3	23,853.9	8.0	466.6	4,854.6	1,573.7	30,756.7
	12	3,978.6	8,166.4	12,145.1	1,961.4	4,302.2	5,782.4	12,046.0	24,191.1	8.0	467.5	4,848.9	1,505.9	31,021.4

Monetary data updated according to the IMF methodology (Monetary and Financial Statistics Manual, 2000), from January 2006.

See note on page 187.

**Note:** Money M1 includes cash outside banks, transferable deposits in the domestic currency of all domestic sectors (except the deposits of the central government). Quasi money QM comprises other deposits in the 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, loans, shares and other equity and other items (net). According to a new methodology, as separate financial instruments on the side of liabilities, loans (with which the calculated interest is added) are presented, along with shares and other equity. Other items (net) are unallocated items of liabilities reduced by the unallocated items of assets. Other items (net) also include restricted deposits, counter-items of funds and government lending funds.

**T08: Balance Sheet of the CBBiH**

€ - end of period, in KM million -

Year	Month	ASSETS			LIABILITIES						
		Foreign Assets	Claims on Domestic Sectors	Total	Reserve Money		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
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
2013	12	7,096.2	1.7	7,097.8	2,909.9	6,401.0	1.0	258.2	466.3	-28.7	7,097.8
2014	12	7,853.4	1.6	7,855.1	3,210.5	6,999.9	1.1	293.2	585.0	-24.2	7,855.1
2015	12	8,634.1	1.5	8,635.7	3,499.5	7,614.7	1.3	449.9	593.7	-24.0	8,635.7
2016	12	9,559.0	1.5	9,560.4	4,066.8	8,387.9	2.2	538.4	667.4	-35.5	9,560.4
2017	12	10,584.4	2.2	10,586.6	4,319.4	9,428.5	1.6	548.6	652.6	-44.8	10,586.6
2018	12	11,651.0	2.1	11,653.1	4,750.6	10,399.4	1.8	583.9	719.8	-51.8	11,653.1
2018	01	10,724.4	1.5	10,726.0	4,282.9	9,560.8	2.5	556.5	652.2	-46.1	10,726.0
	02	10,657.3	1.7	10,659.0	4,302.9	9,489.5	3.3	547.7	663.6	-45.0	10,659.0
	03	10,912.5	2.0	10,914.5	4,342.7	9,633.8	3.2	618.6	704.4	-45.5	10,914.5
	04	11,008.4	1.6	11,010.0	4,407.7	9,674.7	2.6	691.6	693.5	-52.4	11,010.0
	05	11,006.7	1.9	11,008.5	4,452.1	9,627.3	2.1	742.6	688.9	-52.4	11,008.5
	06	11,127.4	2.1	11,129.5	4,515.4	9,637.8	2.0	828.7	713.5	-52.5	11,129.5
	07	11,221.2	1.7	11,222.8	4,621.4	9,923.2	1.8	662.4	687.1	-51.8	11,222.8
	08	11,450.6	1.8	11,452.4	4,717.6	10,167.4	2.4	654.7	680.2	-52.3	11,452.4
	09	11,589.5	1.9	11,591.4	4,717.2	10,267.6	2.0	724.7	649.2	-52.1	11,591.4
	10	11,506.8	1.7	11,508.5	4,693.0	10,167.7	2.9	713.0	676.7	-51.8	11,508.5
	11	11,590.6	1.7	11,592.3	4,670.3	10,228.2	2.3	714.9	698.5	-51.6	11,592.3
	12	11,651.0	2.1	11,653.1	4,750.6	10,399.4	1.8	583.9	719.8	-51.8	11,653.1

Monetary data updated according to the IMF methodology (Monetary and Financial Statistics Manual, 2000), from January 2006.

**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 domestic sectors consist of claims on employees of the CBBH for the extended long-term loans and claims on commercial banks on the basis of settlement accounts.

Reserve money (primary money or monetary base) is comprised of 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 cash outside commercial banks. The CBBH foreign liabilities are comprised of 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 transferable and other deposits of BH Institutions, Entity Governments, Entity Social Security Funds and those of Brčko District in the local currency. Shares and other equity comprise the equity, current year result, general and special reserves and adjustment/revaluation. Other items (net) are unallocated items of liabilities reduced by the unallocated items of assets.

**T09: Consolidated Balance Sheet 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 Institutions	Claims on Other Domestic Sectors	Total	
1	2	3	4	5	6	7	8	9	10 = 3+...+9	
2008	12	3,393.3	3,106.1	265.5	256.4	6,751.6	169.2	6,802.8	20,744.9	
2009	12	3,632.0	3,190.3	355.5	268.2	6,682.5	103.0	6,409.8	20,641.1	
2010	12	3,679.8	2,814.2	465.4	351.3	6,965.5	80.2	6,423.0	20,779.3	
2011	12	3,469.7	2,724.5	904.7	360.2	7,166.9	94.0	6,768.9	21,488.9	
2012	12	3,370.4	2,507.8	1,236.2	390.9	7,473.1	73.7	6,873.3	21,925.4	
2013	12	3,843.7	2,637.3	1,379.4	451.6	7,556.4	67.4	7,131.8	23,067.7	
2014	12	4,115.0	2,626.3	1,854.5	443.6	7,452.0	61.3	7,501.7	24,054.3	
2015	12	4,511.7	2,473.8	2,161.1	400.0	7,452.6	74.6	7,874.7	24,948.5	
2016	12	4,936.6	2,640.0	2,179.1	375.6	7,743.9	67.2	8,155.4	26,097.7	
2017	12	5,711.7	2,787.9	2,197.0	406.2	8,354.5	96.5	8,688.8	28,242.7	
2018	12	6,296.9	3,854.5	2,280.9	428.0	8,654.6	136.8	9,305.9	30,957.6	
2018	01	5,948.5	2,580.7	2,261.1	399.6	8,314.2	85.1	8,705.0	28,294.1	
	02	5,847.1	2,527.2	2,239.2	398.9	8,443.0	87.7	8,731.8	28,274.9	
	03	6,017.4	2,688.8	2,217.6	390.0	8,543.9	93.4	8,820.4	28,771.5	
	04	5,907.7	2,900.5	2,234.5	400.8	8,532.2	92.6	8,908.4	28,976.7	
	05	5,865.6	3,186.8	2,322.8	403.2	8,506.1	97.1	8,997.2	29,378.9	
	06	5,801.0	3,320.5	2,546.6	415.6	8,601.9	122.6	9,062.9	29,871.0	
	07	5,965.2	3,443.2	2,345.7	418.4	8,609.0	124.0	9,129.3	30,034.8	
	08	6,137.2	3,556.6	2,369.3	412.2	8,556.6	124.6	9,175.8	30,332.2	
	09	6,211.2	3,492.9	2,363.1	415.8	8,577.2	127.8	9,223.0	30,411.1	
	10	6,163.8	3,510.0	2,375.6	424.7	8,680.7	125.2	9,276.0	30,555.9	
	11	6,235.9	3,605.5	2,322.4	424.3	8,602.5	127.9	9,278.5	30,597.0	
	12	6,296.9	3,854.5	2,280.9	428.0	8,654.6	136.8	9,305.9	30,957.6	

Monetary data updated according to the IMF methodology (Monetary and Financial Statistics Manual, 2000), from January 2006.

See note on page 187.

**Note:** Consolidated balance sheet of commercial banks includes consolidated balance sheets of commercial banks covered by 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 among the commercial banks have been consolidated. Banks' reserves consist of cash in the banks' vaults and banks' deposits with the CBBH.

Foreign assets of commercial banks include: foreign currency in the vaults, transferable and other deposits in foreign currency with nonresidents, loans to nonresidents, securities of non-residents 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, Entities' Governments, Entity Social Security Funds and those of 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, non-profit institutions and other non-classified sectors). Balance sheets of commercial banks of Federation of BH in addition to active sub-balance sheets includes data from passive sub-balance sheets as well. Passive sub-balance sheets include liabilities arising from foreign loans as well as liabilities arising from frozen foreign currency savings deposits of citizens until 31 March 1992. These liabilities will be taken over, in the process of privatisation, by Ministry of Finance of BH Federation in accordance with the Entity Law on Opening Balance Sheets of Enterprises and Banks and Entity Law on Privatisation.

**T09: Consolidated Balance Sheet of Commercial Banks in BH**

'- end of period, in KM million -

		LIABILITIES										
Year	Month	Deposits of Central Government	Transf. Dep. of Other Domestic Sectors in Dom. Curr.	Transf. Dep. of Other Domestic Sectors in For. Curr.	Other Dep. of Other Domestic Sectors in Dom. Curr.	Other Dep. of Other Domestic Sectors in For. Curr.	Securities	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
2008	12	1,749.7	3,381.4	1,107.2	1,776.2	3,864.7	17.9	264.3	5,999.0	2,271.6	312.9	20,744.9
2009	12	1,397.9	3,530.3	1,078.0	1,844.3	4,241.0	13.6	446.7	5,386.1	2,319.4	383.9	20,641.1
2010	12	1,121.7	3,680.5	1,209.8	1,991.0	4,526.4	9.1	595.1	4,395.7	2,508.4	741.7	20,779.3
2011	12	955.7	3,807.9	1,100.1	2,285.7	4,846.1	0.0	675.3	3,778.6	3,045.1	994.3	21,488.9
2012	12	847.2	3,714.8	1,052.9	2,672.7	5,041.4	0.0	712.4	3,558.6	3,191.3	1,134.1	21,925.4
2013	12	717.8	4,137.4	1,189.3	3,006.3	5,202.4	0.0	707.9	3,329.9	3,348.9	1,427.8	23,067.7
2014	12	981.3	4,458.2	1,301.2	3,377.3	5,280.0	0.0	681.0	2,960.0	3,408.5	1,606.8	24,054.3
2015	12	1,014.1	5,073.9	1,360.4	3,562.6	5,543.3	8.0	599.2	2,613.3	3,554.3	1,619.5	24,948.5
2016	12	1,021.3	5,847.8	1,535.6	3,883.0	5,478.0	8.0	510.0	2,474.2	3,773.0	1,566.9	26,097.7
2017	12	1,285.6	6,848.3	1,816.2	4,091.6	5,636.1	8.0	460.0	2,587.9	4,006.8	1,502.2	28,242.7
2018	12	1,665.9	8,040.9	1,961.4	4,302.2	5,782.4	8.0	467.5	3,039.2	4,129.1	1,560.9	30,957.6
2018	01	1,322.7	6,994.2	1,852.9	4,084.6	5,674.9	8.0	451.5	2,359.4	3,992.2	1,553.6	28,294.1
	02	1,402.1	6,971.3	1,863.2	4,091.0	5,682.6	7.9	438.8	2,238.6	4,017.3	1,562.0	28,274.9
	03	1,492.7	6,999.8	1,889.1	4,088.1	5,680.9	7.9	453.0	2,421.2	4,032.8	1,705.8	28,771.5
	04	1,500.5	7,164.8	1,877.5	4,103.2	5,674.2	8.0	458.8	2,562.4	4,037.9	1,589.3	28,976.7
	05	1,493.8	7,325.6	1,912.5	4,130.0	5,681.0	8.0	468.7	2,736.0	4,032.7	1,590.6	29,378.9
	06	1,645.6	7,369.8	2,030.8	4,143.6	5,686.8	8.0	466.4	2,928.5	4,011.8	1,579.6	29,871.0
	07	1,566.0	7,641.1	1,944.6	4,141.8	5,686.0	8.0	463.1	2,874.3	4,046.8	1,663.1	30,034.8
	08	1,608.9	7,823.2	1,983.9	4,168.9	5,682.6	8.0	466.9	2,834.6	4,148.1	1,607.1	30,332.2
	09	1,565.1	7,934.2	1,966.6	4,140.1	5,740.1	7.9	477.5	2,777.6	4,156.9	1,645.0	30,411.1
	10	1,539.8	8,015.5	2,016.2	4,142.1	5,759.3	8.0	474.8	2,789.3	4,183.5	1,627.5	30,555.9
	11	1,655.9	7,949.7	1,954.4	4,168.9	5,785.0	8.0	466.6	2,822.2	4,156.1	1,630.4	30,597.0
	12	1,665.9	8,040.9	1,961.4	4,302.2	5,782.4	8.0	467.5	3,039.2	4,129.1	1,560.9	30,957.6

Monetary data updated according to the IMF methodology (Monetary and Financial Statistics Manual, 2000), from January 2006.

See note on page 187.

**Note:** Central government deposits include transferable and other deposits in the local and foreign currency of BH Institutions, Entity Governments, Entity Social Security Funds and those of Brčko District. 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 other domestic sectors (households, nonprofit institutions and other non-classified sectors).

Foreign liabilities of commercial banks include banks liabilities to nonresidents based on transferable and other deposits, loans, securities, trade loans and advance payments and other accounts payable. According to a new methodology, loans are presented in liabilities as a separate financial instrument, with which the calculated interest is added.

Shares and other equity comprises equity, retained earnings, current year result, general and special reserves and adjustment/reevaluation. Other items (net) are unallocated items of liabilities reduced by the unallocated items of assets. Restricted deposits are also included in other items (net).

**T10: Interest Rates on Loans to Households**  
percentages per annum

		Households																
		Loans in KM				Loans in KM Indexed to Foreign Currency								Revolving Loans, Overdrafts and Credit Cards* (Loan Facility) *				
		For Consumption		For other Purposes		For Consumption		For Housing Purchases				For other Purposes		Loans in KM			Loans in KM Indexed to Foreign Currency	
Godina	Period	Floating Interest Rates up to 1 Year IRF	Over 1 up to 5 Years IRF	Floating Interest Rates up to 1 Year IRF	Over 1 up to 5 Years IRF	Floating Interest Rates up to 1 Year IRF	Over 1 up to 5 Years IRF	Floating Interest Rates up to 1 Year IRF	Over 1 up to 5 Years IRF	Over 5 Years IRF	Over 10 Years IRF	Floating Interest Rates up to 1 Year IRF	Over 1 up to 5 Years IRF	Over 5 Years IRF	Overdrafts	Credit Card with Extended Credit	Overdrafts	
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	
Weighted monthly averages																		
2012	12	8.058	7.159	8.686	8.030	8.193	...	6.626	8.288	7.425	6.990	8.969	8.905	8.149	13.123	13.825	13.742	
2013	12	7.738	...	7.664	7.018	7.248	8.542	6.360	7.497	7.375	6.056	8.429	8.412	8.599	12.442	14.622	13.907	
2014	12	7.499	7.728	7.151	7.090	5.689	8.182	6.138	6.819	6.522	6.172	8.290	7.570	7.693	11.516	14.652	13.858	
2015	12	7.797	4.790	7.236	6.819	...	6.919	5.609	6.163	6.081	5.822	7.616	7.163	7.436	12.367	14.706	12.740	
2016	12	8.150	6.060	6.986	6.214	...	7.349	5.221	5.981	5.330	5.277	7.745	6.714	6.450	12.456	14.688	11.680	
2017	12	4.159	...	5.944	6.261	...	7.169	4.327	4.240	4.617	4.705	6.384	5.992	6.364	12.253	14.668	11.191	
2018	12	5.817	3.701	5.479	5.262	...	...	3.637	3.166	3.820	4.022	6.632	5.616	5.469	12.202	14.619	10.880	
2018	1	4.410	3.721	6.279	6.334	...	...	4.118	4.102	4.409	4.576	6.409	5.591	6.482	12.305	14.668	11.140	
	2	5.400	3.562	6.184	6.160	...	6.384	4.054	...	4.140	4.517	6.469	5.484	6.042	12.321	14.699	11.139	
	3	5.559	...	6.484	5.670	...	6.939	3.983	5.045	4.040	4.352	6.046	5.679	6.095	12.389	14.704	11.144	
	4	...	3.854	6.180	5.550	...	6.775	3.935	3.566	3.919	4.178	5.987	5.774	6.056	12.345	14.703	11.156	
	5	...	5.046	5.813	5.566	...	7.268	3.752	...	3.952	3.665	6.391	5.615	5.969	12.389	14.705	11.155	
	6	4.983	5.079	5.700	5.411	...	7.282	3.922	5.523	4.175	4.095	6.220	5.343	5.721	12.375	14.695	11.137	
	7	6.096	4.330	5.690	5.439	...	6.331	3.694	4.007	4.137	4.083	6.316	5.795	6.111	12.355	14.689	11.112	
	8	5.171	4.300	5.589	5.493	...	6.761	3.720	...	3.887	4.119	6.209	5.322	5.969	12.360	14.636	11.073	
	9	6.878	4.543	5.601	5.412	...	...	3.642	...	4.177	4.095	6.494	5.335	5.734	12.362	14.664	11.065	
	10	5.132	4.271	5.451	5.499	...	6.979	3.635	3.594	3.989	3.945	6.345	5.270	5.767	12.345	14.660	11.029	
	11	5.268	4.047	5.645	5.426	...	...	3.771	...	4.104	3.754	6.765	5.577	5.520	12.237	14.626	10.963	
	12	5.817	3.701	5.479	5.262	...	...	3.637	3.166	3.820	4.022	6.632	5.616	5.469	12.202	14.619	10.880	
Loan amount (new business)																	- KM thousand -	
2012	12	1,650	95	13,330	2,196	355	...	12,884	663	2,562	3,705	89,858	13,413	3,306	611,936	160,052	53,001	
2013	12	473	...	62,268	5,512	390	422	11,481	763	2,493	2,900	105,523	17,232	7,034	538,077	114,753	49,438	
2014	12	200	507	47,019	10,525	89	1,043	13,696	385	1,067	4,948	92,582	23,137	8,174	477,047	104,227	47,031	
2015	12	51	292	34,379	18,377	...	118	10,486	432	990	4,021	112,780	14,553	15,293	530,393	100,377	56,325	
2016	12	37	207	55,519	23,435	...	491	11,206	961	1,275	5,159	64,833	23,133	18,529	521,185	93,033	59,127	
2017	12	483	...	49,832	14,785	...	569	17,187	395	3,826	8,180	74,945	23,401	36,446	522,643	89,901	56,786	
2018	12	34	346	66,009	27,336	...	...	17,610	155	3,340	9,211	47,731	10,078	27,896	526,750	85,550	55,624	
2018	1	212	169	39,637	11,440	...	...	13,971	587	2,264	4,860	57,049	18,579	28,440	532,585	89,059	55,946	
	2	122	225	47,781	15,515	...	322	15,623	...	3,774	5,049	58,245	21,594	50,775	495,676	86,605	56,057	
	3	118	...	50,679	31,146	...	513	16,417	100	4,795	5,800	100,126	9,412	36,001	522,759	86,013	55,255	
	4	...	236	57,002	39,013	...	426	16,320	166	3,745	10,213	101,440	14,645	22,295	521,775	86,153	55,292	
	5	...	266	74,087	35,748	...	1,106	20,800	...	3,558	16,428	82,170	12,856	22,987	527,666	86,224	55,325	
	6	363	521	67,108	32,318	...	396	19,818	465	6,350	62,408	71,199	18,292	31,883	523,546	85,450	55,426	
	7	63	183	68,748	29,437	...	911	17,829	451	3,408	11,056	71,329	5,007	22,824	523,790	85,285	56,284	
	8	304	160	56,968	26,790	...	817	17,261	...	4,133	10,082	60,148	11,307	21,175	528,032	85,050	56,595	
	9	406	155	66,691	27,814	...	...	16,976	...	3,177	11,140	49,770	10,152	23,291	529,440	84,821	56,699	
	10	23	447	76,058	30,712	...	800	21,278	235	4,437	10,978	54,634	13,068	25,132	538,137	85,168	56,903	
	11	84	270	70,846	21,615	...	...	15,532	...	3,956	14,416	49,741	9,458	27,896	534,276	86,436	56,211	
	12	34	346	66,009	27,336	...	...	17,610	155	3,340	9,211	47,731	10,078	27,896	526,750	85,550	55,624	

**Notes:**

\*Interest rates in table for revolving loans and credit cards and their amounts refer to the outstanding amounts.

IRF – initial rate fixation

... insufficient data to be published

The interest rate on the revolving loans and credit cards, includes data on credit cards with loan facility. Considering that credit cards with loan facility imply an interest free deferred payment (0% ir), they are not published.

No data for interest rates on loans in foreign currency based on credit cards and overdrafts to households.

**T11: Interest Rates on Loans to Non-Financial Corporations**  
 percentages per annum

		Non-financial Corporations														
		Loans in KM					Loans in KM Indexed to Foreign Currency							Revolving Loans and Overdrafts *		
		Up to an Amount of EUR 0.25 Million		Over an Amount of EUR 0.25 Million and up to EUR 1 Million	Over an Amount of EUR 1 Million	Up to an Amount of EUR 0.25 Million			Over an Amount of EUR 0.25 Million and up to EUR 1 Million			Over an Amount of EUR 1 Million				
Year	Period	Floating Interest Rates up to 1 Year IRF	Over 1 up to 5 Years IRF	Floating Interest Rates up to 1 Year IRF	Floating Interest Rates up to 1 Year IRF	Floating Interest Rates up to 1 Year IRF	Over 1 up to 5 Years IRF	Over 5 Years IRF	Floating Interest Rates up to 1 Year IRF	Over 1 up to 5 Years IRF	Over 5 Years IRF	Floating Interest Rates up to 1 Year IRF	Over 1 up to 5 Years IRF	Over 5 Years IRF	Loans in KM	Loans in KM Indexed to Foreign Currency
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15		
Weighted monthly averages																
2012	12	8.245	8.005	6.691	6.670	7.689	8.727	7.765	7.998	6.414	7.914	7.000	7.029	6.509		
2013	12	8.011	7.526	6.460	7.223	7.834	8.231	8.016	6.731	6.707	7.867	6.417	6.838	6.517		
2014	12	7.071	7.097	5.798	6.090	6.668	7.572	6.997	6.175	6.479	5.444	4.875	6.355	6.311		
2015	12	6.608	6.409	4.988	5.626	6.687	5.816	6.189	5.812	5.902	6.260	5.953	5.519	5.955		
2016	12	5.977	5.420	4.623	4.315	5.845	4.882	5.008	5.628	4.448	4.854	4.463	4.707	4.868		
2017	12	4.881	4.823	3.507	3.249	4.647	4.348	5.302	4.388	3.772	4.601	3.518	4.011	4.131		
2018	12	4.247	4.069	3.100	3.253	4.204	3.910	3.672	3.800	3.321	3.571	4.480	3.497	3.594		
2018	1	5.126	5.142	3.576	3.176	4.472	4.536	4.257	4.121	3.814	4.320	3.087	4.053	4.046		
	2	4.706	4.683	3.975	3.379	4.706	4.614	4.239	4.495	3.420	4.326	3.164	3.982	4.000		
	3	4.955	5.138	3.627	3.294	4.298	4.278	4.752	4.231	3.964	4.282	4.381	3.943	3.981		
	4	4.991	4.733	3.587	3.224	4.536	4.384	4.210	4.294	3.251	3.470	3.607	3.880	3.919		
	5	4.809	4.629	3.316	3.633	4.588	4.021	4.161	4.103	3.027	3.706	4.106	3.835	3.848		
	6	4.622	4.503	3.149	3.942	4.243	4.421	4.520	3.908	3.112	3.782	3.777	3.773	3.829		
	7	4.437	4.341	3.213	3.428	4.285	4.385	3.931	4.044	3.284	3.989	4.348	3.738	3.755		
	8	4.793	4.273	3.061	3.358	4.294	4.340	4.197	4.787	3.302	4.014	3.843	3.666	3.742		
	9	4.529	4.288	3.314	3.324	4.130	4.004	4.264	4.843	3.037	4.181	3.555	3.616	3.761		
	10	4.590	4.333	3.006	3.151	4.068	4.051	4.010	4.255	3.140	3.742	3.443	3.553	3.709		
	11	4.376	4.490	3.062	3.120	4.046	4.003	4.060	4.186	3.205	3.591	4.786	3.500	3.652		
	12	4.247	4.069	3.100	3.253	4.204	3.910	3.672	3.800	3.321	3.571	4.480	3.497	3.594		
Loan amount (new business)															- KM thousand -	
2012	12	59,827	3,218	78,180	69,492	31,020	12,444	6,103	25,115	11,663	5,238	68,638	1,804,800	598,167		
2013	12	58,148	2,808	61,373	59,503	36,938	14,643	5,331	47,739	3,490	11,397	63,237	1,712,557	593,756		
2014	12	57,589	3,428	59,350	45,951	51,005	11,580	4,490	51,621	13,600	10,177	138,835	1,562,823	574,250		
2015	12	50,117	14,157	56,173	42,450	17,594	13,003	6,571	30,490	19,323	14,047	35,546	1,667,461	534,778		
2016	12	48,482	19,022	68,596	35,951	18,266	15,794	5,580	10,638	6,238	18,458	45,779	1,865,259	461,392		
2017	12	61,618	15,167	78,915	70,622	16,356	12,180	4,747	18,699	19,145	20,480	164,874	2,127,013	418,315		
2018	12	51,404	26,718	62,726	79,085	8,815	14,021	3,637	23,544	11,311	9,906	25,588	2,367,482	686,874		
2018	1	26,284	9,334	25,642	25,775	8,604	8,503	6,613	19,042	8,240	8,569	44,073	2,153,632	691,371		
	2	36,707	16,676	39,058	29,150	9,729	10,624	6,243	10,648	11,656	8,943	34,115	2,204,575	733,008		
	3	51,176	14,649	57,455	36,120	9,275	16,077	4,421	24,825	13,245	19,409	10,724	2,303,711	750,730		
	4	45,319	16,646	35,468	27,706	9,493	12,029	4,794	20,271	15,299	8,037	19,414	2,263,626	766,690		
	5	46,397	20,005	42,641	20,000	10,627	13,404	4,489	21,480	10,120	12,983	12,350	2,229,831	782,297		
	6	47,042	22,294	57,663	39,022	9,285	12,272	7,015	15,549	15,970	19,121	36,703	2,276,166	774,501		
	7	39,743	17,053	58,112	92,605	13,556	12,689	5,795	19,497	11,490	9,490	29,832	2,254,301	774,028		
	8	38,053	15,006	42,605	25,280	7,335	6,208	4,094	24,342	7,412	6,146	28,370	2,248,486	754,618		
	9	45,339	12,695	42,496	33,906	10,667	6,788	3,180	16,040	7,470	7,156	16,860	2,260,036	727,701		
	10	42,313	18,923	59,433	46,913	8,331	6,707	3,497	15,945	9,224	15,921	34,463	2,342,848	724,913		
	11	45,727	17,506	48,056	67,616	8,480	9,818	2,579	14,953	6,940	12,307	20,560	2,349,588	717,502		
	12	51,404	26,718	62,726	79,085	8,815	14,021	3,637	23,544	11,311	9,906	25,588	2,367,482	686,874		

The revised data series on the interest rates on loans to non-financial corporates in KM indexed to EUR, up to the amount of EUR 0.25 million, floating rate and up to 1 year IRF, for the period January 2015 – November 2017, due to the exclusion of data of one bank with the interest rates which do not reflect the market trends.

\* Interest rates in table for revolving loans and credit cards and their amounts refer to outstanding amounts.

IRF – initial rate fixation

... insufficient data to be published

The interest rate on the revolving loans and credit cards, includes data on credit cards with loan facility. Considering that credit cards with loan facility imply an interest free deferred payment (0% ir), they are not published.

No data for interest rates on loans in foreign currency on the basis of credit cards and overdrafts to non-financial corporations.

**T12: Interest Rates on Deposits of Households and Non-financial Corporations**  
percentages per annum

Year	Period	Stanovništvo										Nefinansijska preduzeća								
		Deposits in KM and Indexed to Foreign Currency				Deposits in EUR				Deposits in Foreign Currency		Deposits in KM and Indexed to Foreign Currency				Deposits in EUR				Deposits in Foreign Currency
		with Agreed Maturity			Overnight Deposits *	with Agreed Maturity			Overnight Deposits *	with Agreed Maturity	Overnight Deposits *	with Agreed Maturity			Overnight Deposits *	with Agreed Maturity			Overnight Deposits *	Overnight Deposits *
		up to 1 Year Maturity	Over 1 and up to 2 Years Maturity	Over 2 Years Maturity		up to 1 Year Maturity	Over 1 and up to 2 Years Maturity	Over 2 Years Maturity				Up to 1 Year Maturity	Over 1 and up to 2 Years Maturity	Over 2 Years Maturity		up to 1 Year Maturity	Over 1 and up to 2 Years Maturity	Over 2 Years Maturity		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21
Weighted monthly averages																				
2012	12	2.079	3.163	4.407	0.140	2.384	3.298	3.993	0.342	1.953	0.092	3.467	4.540	4.063	0.176	1.456	4.026	...	0.136	0.098
2013	12	1.973	3.189	3.754	0.116	2.068	3.127	3.927	0.240	1.232	0.075	1.686	3.862	3.933	0.219	2.458	3.517	...	0.144	0.157
2014	12	1.263	2.764	2.973	0.089	1.431	2.901	3.170	0.181	0.916	0.064	0.760	2.867	3.369	0.203	1.890	...	2.319	0.132	0.094
2015	12	1.062	2.164	2.358	0.091	1.236	2.128	2.684	0.129	0.966	0.061	0.930	1.428	1.937	0.122	0.609	2.469	...	0.097	0.057
2016	12	0.548	1.698	2.102	0.093	0.545	1.525	2.211	0.106	0.423	0.057	0.456	1.393	1.822	0.085	0.915	...	2.124	0.083	0.048
2017	12	0.234	1.346	1.458	0.065	0.309	1.265	1.533	0.062	0.572	0.046	0.708	1.588	...	0.045	0.588	...	...	0.019	0.033
2018	12	0.344	1.262	1.448	0.053	0.252	1.368	1.658	0.055	1.036	0.042	0.706	1.136	1.958	0.082	1.003	0.973	...	0.027	0.043
2018	1	0.372	1.392	1.278	0.064	0.322	1.172	1.411	0.060	0.438	0.045	0.766	1.209	...	0.039	0.491	...	...	0.021	0.034
	2	0.295	1.449	1.382	0.068	0.268	1.232	1.374	0.059	0.423	0.045	0.467	1.266	...	0.037	...	...	...	0.026	0.037
	3	0.319	1.244	1.515	0.061	0.267	1.078	1.474	0.060	0.214	0.045	0.603	0.825	1.319	0.035	...	...	1.104	0.017	0.034
	4	0.246	1.152	1.257	0.059	0.324	1.131	1.566	0.057	0.465	0.046	0.461	1.399	1.988	0.036	...	...	...	0.022	0.039
	5	0.335	1.234	1.454	0.056	0.239	1.141	1.312	0.060	0.549	0.045	0.329	0.971	1.581	0.037	...	...	...	0.033	0.029
	6	0.384	1.182	1.482	0.050	0.242	1.296	1.340	0.057	0.834	0.044	0.579	1.023	1.731	0.039	...	...	...	0.024	0.032
	7	0.273	1.312	1.221	0.049	0.669	1.388	1.397	0.058	0.641	0.045	0.623	1.280	1.675	0.032	...	1.085	...	0.035	0.034
	8	0.233	1.252	1.424	0.050	0.255	1.149	1.513	0.057	0.581	0.044	0.416	1.322	1.772	0.037	0.191	...	...	0.038	0.027
	9	0.280	1.269	1.327	0.054	0.256	1.103	1.768	0.057	0.841	0.043	0.531	1.147	1.757	0.036	...	...	...	0.040	0.032
	10	0.458	1.123	1.250	0.052	0.346	1.096	1.244	0.055	0.850	0.042	0.510	1.068	1.053	0.036	...	1.428	...	0.047	0.060
	11	0.268	1.220	1.410	0.054	0.228	1.210	1.416	0.055	1.871	0.043	0.445	1.278	1.406	0.041	...	0.848	1.754	0.029	0.039
	12	0.344	1.262	1.448	0.053	0.252	1.368	1.658	0.055	1.036	0.042	0.706	1.136	1.958	0.082	1.003	0.973	...	0.027	0.043
Deposit amount (new business) - KM thousand -																				
2012	12	22,786	32,900	32,655	1,691,057	30,445	77,512	40,687	689,308	11,233	217,349	45,600	53,329	3,973	1,536,916	17,408	1,248	...	319,103	44,031
2013	12	19,637	34,381	21,954	1,923,736	29,340	74,954	57,798	731,719	5,744	235,804	20,855	22,272	5,378	1,889,799	6,398	40,153	...	427,605	42,477
2014	12	24,762	33,097	19,050	2,115,947	28,079	72,251	48,611	787,586	4,240	213,851	26,218	15,491	4,029	1,920,631	1,277	...	1,381	494,367	63,957
2015	12	15,246	29,802	27,103	2,540,711	22,363	57,842	54,185	921,532	7,180	233,901	16,591	61,505	8,118	2,029,544	3,118	10,252	...	475,393	63,119
2016	12	12,326	33,407	37,407	3,052,215	15,650	50,354	53,399	1,046,384	3,090	261,142	19,822	14,794	8,874	2,168,102	1,663	...	17,116	523,643	75,169
2017	12	11,394	24,378	19,272	3,375,019	11,119	50,394	38,014	1,248,762	3,981	287,026	9,762	16,772	...	2,653,618	1,663	...	...	677,882	89,421
2018	12	13,211	26,379	34,047	3,938,041	9,431	50,050	73,670	1,482,740	4,001	319,831	54,947	9,111	39,381	3,229,644	10,788	3,815	...	741,850	64,148
2018	1	8,183	28,996	21,758	3,438,403	16,150	39,060	38,522	1,299,171	2,742	290,644	8,470	5,778	...	2,804,911	1,057	...	...	759,431	79,593
	2	6,260	26,231	20,210	3,502,070	9,351	41,315	29,059	1,311,981	2,897	295,686	4,329	5,089	...	2,665,982	...	...	...	752,687	90,705
	3	7,953	21,689	24,673	3,536,465	9,926	36,217	55,593	1,367,209	2,399	297,614	7,319	20,240	4,770	2,620,671	...	...	38,312	724,046	106,056
	4	7,358	19,445	17,648	3,633,705	10,536	35,225	50,025	1,381,765	2,620	299,233	39,517	5,735	3,864	2,690,584	...	...	...	733,387	80,018
	5	6,997	21,251	27,033	3,639,044	9,061	37,638	30,092	1,322,493	2,375	313,928	10,109	3,135	6,554	2,771,208	...	...	...	769,402	76,225
	6	10,346	17,494	25,213	3,683,549	12,989	35,676	32,135	1,417,796	3,570	310,901	34,349	13,155	2,615	2,775,861	...	...	...	856,594	65,769
	7	5,489	19,475	19,124	3,740,431	22,843	37,059	49,435	1,419,549	3,009	313,425	27,254	9,748	10,215	3,022,843	...	1,093	...	774,677	65,493
	8	6,380	20,440	21,119	3,760,448	12,890	37,250	63,955	1,435,512	5,509	313,092	25,653	2,205	407	3,109,368	1,622	...	...	789,130	84,750
	9	7,529	18,201	21,246	3,795,835	10,098	33,653	71,290	1,439,473	4,245	318,904	12,881	12,911	3,607	3,187,829	...	...	...	784,767	73,558
	10	17,498	22,070	19,791	3,775,326	11,857	40,411	47,626	1,466,705	3,206	323,393	26,793	3,805	1,080	3,271,334	...	10,544	...	820,653	75,981
	11	6,790	22,277	28,109	3,837,010	11,483	45,164	44,313	1,462,278	22,643	319,819	8,891	39,212	33,565	3,199,713	...	24,874	24,487	751,461	71,217
	12	13,211	26,379	34,047	3,938,041	9,431	50,050	73,670	1,482,740	4,001	319,831	54,947	9,111	39,381	3,229,644	10,788	3,815	...	741,850	64,148

**Notes:**

\* Interest rates on overnight deposits and their amounts refer to the outstanding amounts.  
Interest rates on deposit with agreed maturity and their amounts refer to new business.  
Deposits in foreign currency include all foreign currencies except EUR.

**T13: 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)
2008	12	4,904.3	6,970.0	11,874.4	3,427.5	10,708.6	14,136.1
2009	12	5,214.4	6,877.0	12,091.4	3,391.5	10,293.3	13,684.8
2010	12	5,556.9	6,972.4	12,529.3	3,614.8	10,530.3	14,145.1
2011	12	5,518.1	7,474.1	12,992.2	3,972.1	10,929.9	14,901.9
2012	12	5,306.9	8,018.8	13,325.8	4,271.2	11,271.3	15,542.5
2013	12	5,771.9	8,477.3	14,249.2	4,318.6	11,707.7	16,026.4
2014	12	6,292.8	9,082.5	15,375.2	4,170.2	12,303.3	16,473.5
2015	12	7,038.7	9,492.1	16,530.8	4,164.9	12,701.9	16,866.8
2016	12	8,056.6	9,695.5	17,752.1	4,152.6	13,048.5	17,201.1
2017	12	9,558.1	10,111.0	19,669.1	4,261.5	14,160.9	18,422.4
2018	12	11,318.5	10,431.3	21,749.8	4,289.8	15,196.1	19,485.8
2018	01	9,788.6	10,132.1	19,920.7	4,206.8	14,159.5	18,366.4
	02	9,866.6	10,137.1	20,003.7	4,319.8	14,193.4	18,513.1
	03	9,980.6	10,164.4	20,145.0	4,428.4	14,266.7	18,695.1
	04	10,135.4	10,179.3	20,314.7	4,383.8	14,415.6	18,799.4
	05	10,322.3	10,215.1	20,537.4	4,382.5	14,596.8	18,979.3
	06	10,645.1	10,226.7	20,871.7	4,391.5	14,786.6	19,178.0
	07	10,750.7	10,224.1	20,974.8	4,370.2	14,856.7	19,226.9
	08	11,012.9	10,250.1	21,262.9	4,345.5	14,918.1	19,263.6
	09	11,073.9	10,268.0	21,341.9	4,345.6	14,985.8	19,331.4
	10	11,205.0	10,264.5	21,469.5	4,428.0	15,061.3	19,489.4
	11	11,206.6	10,303.8	21,510.4	4,339.3	15,069.9	19,409.1
	12	11,318.5	10,431.3	21,749.8	4,289.8	15,196.1	19,485.8

Monetary data updated according to the IMF methodology (Monetary and Financial Statistics Manual, 2000), from January 2006.

See note on page 187.

**Note:**

Total deposits represent liabilities of commercial banks of BH towards all domestic institutional sectors in domestic and foreign currency. Total loans represent claims of commercial banks of BH on all institutional sectors, in domestic and foreign currency.



**T14: Structure of Transferable Deposits in Commercial Banks by Sectors**

'- end of period, in KM million -

DEPOSITS OF 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 Other Financial Institutions	Deposits of Non-financial Public Enterprises	Deposits of Non-financial Private Enterprises	Deposits of Non-profit Organisations	Deposits of Households	Other Deposits	Total
1	2	3	4	5	6	7	8	9	10	11	12	13	14=3+...+13
2008	12	52.3	255.2	271.7	204.0	108.2	137.5	781.8	1,328.9	161.3	1,558.8	44.7	4,904.3
2009	12	41.4	416.0	352.7	187.9	148.6	146.5	852.2	1,280.0	173.1	1,601.4	14.5	5,214.4
2010	12	58.8	458.1	291.0	194.6	149.7	144.2	723.8	1,444.3	172.4	1,904.0	16.1	5,556.9
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	517.5	1,443.4	186.5	2,015.3	17.0	5,306.9
2013	12	65.3	300.8	228.1	172.4	79.0	209.7	615.2	1,667.4	194.4	2,226.8	12.8	5,771.9
2014	12	60.0	412.1	261.4	176.9	61.4	171.5	470.8	1,954.4	247.9	2,462.7	13.7	6,292.8
2015	12	102.2	468.3	312.0	209.3	33.9	198.7	498.8	2,104.8	245.0	2,841.6	24.2	7,038.7
2016	12	94.9	520.2	399.6	255.6	58.1	190.1	523.9	2,313.6	251.1	3,431.4	18.0	8,056.6
2017	12	150.8	612.8	575.2	305.9	130.0	230.2	618.1	2,775.5	281.5	3,858.3	19.6	9,558.1
2018	12	122.8	932.2	691.9	365.7	261.0	273.7	724.0	3,095.3	303.2	4,523.7	24.9	11,318.5
2018	01	156.4	661.2	550.2	336.3	123.9	232.3	653.0	2,882.8	298.0	3,872.0	22.7	9,788.6
	02	151.5	718.6	569.3	357.8	162.1	243.2	697.5	2,664.5	310.6	3,970.5	21.0	9,866.6
	03	150.2	763.6	598.0	355.2	177.9	276.4	735.0	2,586.0	306.0	4,012.3	20.1	9,980.6
	04	140.6	755.8	604.0	361.9	196.7	260.6	795.6	2,571.6	305.9	4,122.5	20.3	10,135.4
	05	143.9	774.4	627.0	363.3	165.8	296.0	787.8	2,690.3	311.9	4,141.5	20.3	10,322.3
	06	145.2	902.3	645.1	373.8	196.8	281.3	748.2	2,815.4	317.5	4,201.4	18.0	10,645.1
	07	134.4	826.4	645.1	379.4	204.2	308.0	819.0	2,845.4	326.1	4,244.3	18.4	10,750.7
	08	136.2	850.6	691.5	392.7	219.0	309.1	830.5	2,939.9	328.5	4,282.7	32.1	11,012.9
	09	142.2	809.1	718.3	406.6	221.9	295.2	875.5	2,930.5	327.2	4,326.3	21.2	11,073.9
	10	122.6	817.8	750.2	402.2	232.9	277.9	916.5	3,011.3	316.0	4,330.3	27.4	11,205.0
	11	143.5	894.7	730.7	401.1	264.5	272.0	797.5	2,990.3	306.2	4,384.9	21.4	11,206.6
	12	122.8	932.2	691.9	365.7	261.0	273.7	724.0	3,095.3	303.2	4,523.7	24.9	11,318.5

Monetary data updated according to the IMF methodology (Monetary and Financial Statistics Manual, 2000), from January 2006.

See note on page 187.

**Note:**

Transferable deposits are available on demand without restrictions and charges, directly useable for payments to third parties, special savings accounts from which funds may be transferred to transferable deposits.

**T15: Structure of Other Deposits in Commercial Banks by Sectors**

'- end of period, in KM million -

DEPOSITS OF 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 Other Financial Institutions	Deposits of Non-financial Public Enterprises	Deposits of Non-financial Private Enterprises	Deposits of Nonprofit Organisations	Deposits of Households	Other Deposits	Total
1	2	3	4	5	6	7	8	9	10	11	12	13	14 = 3+...+13
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	816.3	471.5	79.1	5,134.1	9.2	7,474.1
2012	12	31.7	242.0	21.4	27.6	31.0	598.3	778.9	537.8	87.1	5,639.9	23.0	8,018.8
2013	12	62.7	170.8	21.0	26.6	35.0	651.4	724.0	531.1	100.3	6,137.1	17.1	8,477.3
2014	12	127.1	266.0	36.8	36.0	32.0	674.0	669.6	529.3	115.6	6,579.3	16.6	9,082.5
2015	12	129.7	224.7	25.0	36.3	31.9	693.0	688.7	501.9	120.7	7,023.2	17.0	9,492.1
2016	12	73.4	226.3	26.4	22.3	34.7	771.4	695.9	474.2	123.4	7,229.7	17.6	9,695.5
2017	12	116.6	243.8	24.3	34.4	22.9	816.8	766.7	554.4	102.6	7,412.8	15.7	10,111.0
2018	12	62.6	267.5	41.9	37.4	16.7	873.7	758.4	627.8	95.7	7,622.7	26.9	10,431.3
2018	01	114.8	225.9	21.4	27.7	31.8	806.6	761.3	609.6	101.8	7,415.6	15.5	10,132.1
	02	114.8	214.5	21.2	27.4	34.2	812.5	752.3	606.1	101.4	7,430.5	22.4	10,137.1
	03	114.5	249.4	21.8	27.3	31.6	796.4	757.0	597.7	100.7	7,446.7	21.3	10,164.4
	04	113.3	257.2	38.6	26.5	31.4	801.6	771.6	593.7	94.1	7,431.3	20.1	10,179.3
	05	113.0	259.2	38.7	33.7	31.9	799.3	768.7	613.8	96.7	7,439.9	20.3	10,215.1
	06	113.3	256.5	38.6	31.1	26.5	808.9	768.9	613.9	97.5	7,450.4	21.0	10,226.7
	07	110.9	261.6	40.4	36.6	23.7	793.4	798.3	585.4	96.3	7,452.6	24.9	10,224.1
	08	110.2	262.9	40.7	36.2	25.4	842.5	768.2	574.3	94.8	7,476.1	18.7	10,250.1
	09	108.7	250.1	43.5	36.2	28.9	834.7	737.9	604.9	94.8	7,506.9	21.5	10,268.0
	10	106.9	232.9	42.0	38.3	23.3	850.0	701.8	617.2	99.2	7,534.4	18.5	10,264.5
	11	65.7	261.0	41.9	38.2	23.2	858.1	720.2	612.9	98.9	7,564.4	19.3	10,303.8
	12	62.6	267.5	41.9	37.4	16.7	873.7	758.4	627.8	95.7	7,622.7	26.9	10,431.3

Monetary data updated according to the IMF methodology (Monetary and Financial Statistics Manual, 2000), from January 2006.

See note on page 187.

**Note:**

Other deposits allow automatic withdrawals of funds but not payment to third parties, time and savings deposits, other deposits-other.

**T16: Structure of Short-Term Loans of Commercial Banks by Sectors**

'- end of period, in KM million -

		LOANS TO 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 Other Financial Institutions	Loans to Non-financial Public Enterprises	Loans to Non-financial Private Enterprises	Loans to Non-profit Organizations	Loans to Households	Other Loans	Total	
1	2	3	4	5	6	7	8	9	10	11	12	13	14=3+...+13	
2008	12	0.0	6.0	2.3	10.4	0.1	69.8	76.5	2,579.8	32.8	645.7	4.2	3,427.5	
2009	12	3.2	8.7	2.2	31.7	33.5	33.4	80.0	2,459.8	10.6	716.4	12.0	3,391.5	
2010	12	0.1	6.1	2.3	21.9	40.6	28.1	69.1	2,624.0	13.5	801.9	7.1	3,614.8	
2011	12	0.0	11.9	1.4	21.5	26.0	37.4	70.1	2,935.2	5.9	858.4	4.2	3,972.1	
2012	12	0.0	2.6	0.7	22.2	9.9	41.1	73.8	3,188.4	6.7	919.5	6.3	4,271.2	
2013	12	0.0	12.9	0.6	40.1	35.3	28.5	89.2	3,152.2	5.5	942.2	12.1	4,318.6	
2014	12	0.0	26.7	4.0	45.3	26.0	27.4	90.7	2,989.7	4.9	936.4	19.0	4,170.2	
2015	12	0.0	72.0	4.8	22.0	39.4	28.3	86.4	2,944.8	4.2	937.0	26.0	4,164.9	
2016	12	0.0	48.0	1.6	19.8	8.5	27.2	90.4	3,030.0	7.2	904.9	14.9	4,152.6	
2017	12	0.0	44.3	1.4	15.7	7.8	33.8	73.2	3,163.2	10.2	896.4	15.4	4,261.5	
2018	12	0.0	60.2	1.1	12.8	4.3	40.6	89.6	3,151.5	6.2	911.3	12.1	4,289.8	
2018	01	0.0	34.9	0.4	15.7	7.4	27.8	72.3	3,116.4	10.1	906.7	15.1	4,206.8	
	02	0.0	40.3	0.3	15.9	6.9	31.7	73.4	3,232.9	12.0	891.3	15.1	4,319.8	
	03	0.0	56.9	0.2	14.3	6.4	40.2	69.4	3,310.7	11.9	902.4	15.9	4,428.4	
	04	0.0	50.1	0.2	14.7	5.9	34.4	65.1	3,281.6	11.9	904.1	15.9	4,383.8	
	05	0.0	58.2	0.3	14.3	5.3	33.1	70.2	3,260.8	11.0	913.4	15.8	4,382.5	
	06	0.0	60.3	0.4	13.9	4.6	45.2	84.0	3,258.8	7.6	905.7	10.9	4,391.5	
	07	0.0	54.7	0.2	13.8	3.9	41.5	88.7	3,241.7	6.6	907.6	11.4	4,370.2	
	08	0.0	85.7	0.8	13.8	3.0	37.3	85.0	3,193.1	6.8	908.9	11.1	4,345.5	
	09	0.0	84.5	0.9	13.9	2.8	38.3	85.6	3,189.5	6.6	911.4	12.1	4,345.6	
	10	0.0	78.2	0.7	14.0	2.6	32.4	94.1	3,270.1	4.2	919.8	11.8	4,428.0	
	11	0.0	77.0	0.7	13.7	2.4	35.4	86.1	3,200.0	5.3	906.8	11.8	4,339.3	
	12	0.0	60.2	1.1	12.8	4.3	40.6	89.6	3,151.5	6.2	911.3	12.1	4,289.8	

Monetary data updated according to the IMF methodology (Monetary and Financial Statistics Manual, 2000), from January 2006.

See note on page 187.

**T17: Structure of Long -Term Loans of Commercial Banks by Sectors**

'- 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 other Financial Institutions	Loans to Nonfinancial Public Enterprises	Loans to Non-financial Private Enterprises	Loans to Non-profit Organizations	Loans to Households	Other Loans	Total	
1	2	3	4	5	6	7	8	9	10	11	12	13	14 = 3+...+13	
2008	12	1.7	95.6	0.9	132.5	13.5	73.9	177.2	4,142.2	19.5	6,051.1	0.5	10,708.6	
2009	12	1.4	89.2	2.1	155.5	19.7	43.6	185.8	4,186.9	17.4	5,590.8	0.9	10,293.3	
2010	12	0.1	105.8	40.2	201.6	26.5	27.0	270.8	4,309.5	17.4	5,522.3	9.1	10,530.3	
2011	12	0.0	233.2	42.8	251.1	38.8	25.4	285.3	4,186.7	12.7	5,846.4	7.5	10,929.9	
2012	12	0.0	404.3	68.7	289.5	28.4	19.3	313.0	4,248.8	16.3	5,875.2	7.9	11,271.3	
2013	12	0.0	418.6	77.9	299.4	17.5	23.4	361.5	4,369.0	15.0	6,123.0	2.5	11,707.7	
2014	12	0.0	465.2	161.2	295.2	77.1	20.0	351.4	4,429.6	9.7	6,491.7	2.3	12,303.3	
2015	12	0.0	418.3	225.5	281.7	99.0	31.8	310.3	4,473.4	12.5	6,847.2	2.2	12,701.9	
2016	12	0.0	295.5	231.5	262.0	95.7	25.2	281.5	4,673.3	11.9	7,171.4	0.5	13,048.5	
2017	12	0.0	333.7	207.8	276.3	79.5	49.6	328.4	5,156.5	11.6	7,717.3	0.2	14,160.9	
2018	12	0.0	328.5	185.7	279.4	169.9	85.0	331.7	5,471.5	14.1	8,330.0	0.4	15,196.1	
2018	01	0.0	334.4	201.3	273.5	76.9	44.5	322.7	5,163.7	11.5	7,730.9	0.2	14,159.5	
	02	0.0	328.3	198.8	269.9	74.3	41.5	320.8	5,177.5	11.5	7,770.5	0.2	14,193.4	
	03	0.0	316.1	192.0	269.6	72.2	41.9	315.9	5,200.0	11.7	7,847.1	0.3	14,266.7	
	04	0.0	356.7	186.7	269.6	69.0	46.6	330.9	5,216.3	11.9	7,927.4	0.3	14,415.6	
	05	0.0	352.3	183.2	274.6	174.5	52.2	328.2	5,209.5	12.1	8,010.0	0.3	14,596.8	
	06	0.0	352.1	176.4	275.6	177.9	65.7	326.8	5,306.8	16.8	8,088.3	0.3	14,786.6	
	07	0.0	346.4	170.7	273.9	174.9	70.6	324.9	5,329.4	16.4	8,149.3	0.2	14,856.7	
	08	0.0	339.2	185.1	280.0	175.8	75.1	322.4	5,327.2	15.5	8,197.6	0.2	14,918.1	
	09	0.0	338.2	182.1	278.7	176.9	78.0	325.5	5,347.8	15.6	8,242.7	0.3	14,985.8	
	10	0.0	340.0	181.6	280.5	173.8	81.0	325.8	5,377.0	15.5	8,285.6	0.5	15,061.3	
	11	0.0	339.5	181.5	279.8	170.9	80.4	333.4	5,367.0	15.6	8,301.6	0.4	15,069.9	
	12	0.0	328.5	185.7	279.4	169.9	85.0	331.7	5,471.5	14.1	8,330.0	0.4	15,196.1	

Monetary data updated according to the IMF methodology (Monetary and Financial Statistics Manual, 2000), from January 2006.

See note on page 187.

**T18: Purchase and Sale of Convertible Mark**

€ - in KM thousand -

Year	Month	Sale	Purchase	Balance	Cumulative Balance
1	2	3	4	5(3-4)	6
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
2013		4,588,615	3,918,598	670,017	6,142,015
2014		5,065,358	4,379,047	686,312	6,828,327
2015		5,470,552	4,699,060	771,492	7,599,818
2016		7,485,849	6,622,039	863,811	8,463,629
2017		8,476,378	7,421,186	1,055,192	9,518,821
2018		10,792,432	9,780,514	1,011,918	10,530,740
2018	01	852,932	715,889	137,043	9,655,865
	02	657,348	733,451	-76,103	9,579,761
	03	787,989	572,265	215,724	9,795,486
	04	728,905	631,048	97,857	9,893,342
	05	708,444	687,829	20,615	9,913,958
	06	1,206,578	1,164,568	42,010	9,955,968
	07	989,316	818,859	170,457	10,126,425
	08	901,336	660,206	241,130	10,367,555
	09	830,216	714,442	115,773	10,483,328
	10	1,000,186	1,059,977	-59,791	10,423,537
	11	1,043,430	976,896	66,534	10,490,071
	12	1,085,753	1,045,085	40,668	10,530,740

**T19: Average Reserve Requirements**

‘- in KM thousand -

Year	Month	Base for Required Reserve Calculation*	Average Reserve Requirement	Average Balance on the Required Reserve Accounts with the CBBH	Balance
1	2	3	4	5	6=5-4
2008		17,320,130	2,961,865	3,630,571	668,706
2009		16,194,265	1,754,398	3,010,417	1,256,019
2010		15,617,849	1,624,905	3,154,793	1,529,888
2011		15,227,393	1,323,886	2,959,315	1,635,429
2012		14,755,574	1,257,850	2,711,013	1,453,163
2013		15,162,241	1,290,758	3,103,865	1,813,107
2014		15,999,278	1,370,137	3,577,824	2,207,688
2015		16,664,525	1,432,593	3,770,500	2,337,907
2016		18,494,243	1,734,081	4,057,613	2,323,532
2017		21,224,853	2,122,485	4,303,340	2,180,855
2018		23,537,084	2,353,708	5,205,234	2,851,526
2018	01	22,408,516	2,240,852	5,005,391	2,764,539
	02	22,437,158	2,243,716	5,021,367	2,777,651
	03	22,513,890	2,251,389	5,097,692	2,846,303
	04	22,805,136	2,280,514	5,144,656	2,864,142
	05	23,098,267	2,309,827	5,184,855	2,875,028
	06	23,409,623	2,340,962	5,028,943	2,687,980
	07	23,930,408	2,393,041	5,152,205	2,759,164
	08	24,136,702	2,413,670	5,250,319	2,836,649
	09	24,316,621	2,431,662	5,354,192	2,922,530
	10	24,360,159	2,436,016	5,358,800	2,922,784
	11	24,483,363	2,448,336	5,430,886	2,982,550
	12	24,545,168	2,454,517	5,433,503	2,978,986

**Note:**

From 1 July 2016, the required reserves rate applied by the CBBH to the base for calculation of required reserves is 10%.

From 1 July 2016, the CBBH applies the new rates for the calculation of fees to the funds in the banks' reserves accounts : in the accounting period, the Central Bank does not charge a fee on the amount of required reserves in commercial banks' reserves accounts, and on the amount of excess reserves, the CBBH charges the fee at the rate equal to 50% of the rate applied to commercial banks' deposits (deposit facility rate) by the European Central Bank.

From 01 May 2015, the Central Bank has calculated the compensation for a bank on the amount of the bank's funds in the reserve account with the Central Bank in the calculation period, as it follows:

- on the reserve requirement amount – the average of EONIA recorded in the same period on the market reduced by 10 basis points, or minimum zero,
- on the amount of the funds exceeding the reserve requirement – zero rate of compensation.

The zero rate of compensation on the reserve requirement is applied in case the average EONIA decreased by 10 basis points has a negative value.

From 1 September 2014, the remuneration rate has been calculated on the basis of the weighted average interest rate which was earned by the Central Bank of BH on the market in the same period on deposits invested up to a month ; and 70% is calculated on the amount of required reserve or minimum 0, while 90% of the mentioned rate is calculated on the amount of excess reserves or minimum 0.

From August 1st 2011. the remuneration rate is calculated by the weighted average interest rate which were earned by the Central Bank on deposits invested up to a month in the same period; 70% of this rate is calculated on the amount of required reserves while 90% of the same rate is calculated on the amount of excess reserves.

From February 1st, 2011 the required reserves rate on deposits and borrowed assets with contracted term of maturity up to one year was declined from 14% to 10%,while the required reserves rate on deposits and borrowed assets with contracted term of maturity over one year is not changed.

From July 1st, 2010 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 remuneration rate on the amount of excess reserves is not changed.

From May 1st, 2009 the required reserves rate is 7% on deposits and borrowed assets with contracted term of maturity over one year.

From April 1st, 2009 remuneration rate is calculated as:- On the amount of required reserves is 0,5%,- On the amount of excess reserves on the rate calculated as an average of interest rates, which were earned by the Central bank on deposits invested up to a month.

From January 1st, 2009 the required reserves rate is 14% on deposits and borrowed assets with contracted term of maturity up to one year and 10% on deposits and borrowed assets with contracted term of maturity over one year.

From October 11th, 2008 required reserves rate was declined from 18% to 14%.

From January 1st, 2008 required reserves rate was increased from 15% to 18%.

\*The base for calculation of required reserves includes deposits and borrowed funds in domestic and other currency expressed in KM.

**T20: Payments System Transactions**

‘- in KM million -

Year	Month	RTGS		GYRO CLEARING		TOTAL	
		Number of Transactions	Amount	Number of Transactions	Amount	Number of Transactions	Amount
1	2	3	4	5	6	7=3+5	8=4+6
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
2013		773,099	63,232	35,026,526	13,373	35,799,626	76,605
2014		821,897	73,897	37,108,440	13,961	37,930,337	87,858
2015		874,575	70,655	38,212,073	14,451	39,086,648	85,106
2016		935,319	72,876	39,068,883	15,509	40,004,202	88,380
2017		996,043	79,855	40,111,318	16,388	41,107,361	96,243
2018		1,067,256	85,393	41,266,770	17,277	42,334,026	102,670
2018	01	77,607	6,288	3,176,072	1,254	3,253,679	7,542
	02	77,793	6,015	3,197,875	1,266	3,275,668	7,282
	03	84,380	6,319	3,463,291	1,377	3,547,671	7,696
	04	89,289	6,669	3,492,429	1,441	3,581,718	8,109
	05	89,501	6,893	3,510,577	1,468	3,600,078	8,360
	06	89,038	7,469	3,427,402	1,429	3,516,440	8,898
	07	93,017	7,461	3,638,794	1,513	3,731,811	8,974
	08	91,870	7,733	3,436,569	1,495	3,528,439	9,227
	09	85,155	6,771	3,235,250	1,388	3,320,405	8,159
	10	97,795	7,671	3,684,811	1,587	3,782,606	9,258
	11	92,532	7,582	3,395,550	1,480	3,488,082	9,062
	12	99,279	8,522	3,608,150	1,579	3,707,429	10,101

**T21: 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				
2008	-10,197	1,912	943	3,827	383	-3,132	-3,300	-167
2009	-7,436	1,552	955	3,341	350	-1,238	-1,131	107
2010	-7,186	1,713	413	3,529	389	-1,142	-957	184
2011	-7,827	1,593	211	3,540	357	-2,127	-2,039	88
2012	-7,779	1,631	205	3,676	334	-1,933	-1,806	127
2013	-7,099	1,624	357	3,694	337	-1,088	-909	179
2014	-7,874	1,676	224	3,969	442	-1,563	-1,428	135
2015	-7,191	1,915	194	3,570	360	-1,153	-1,190	-37
2016	-7,061	2,081	81	3,507	297	-1,094	-945	149
2017	-7,384	2,257	-139	3,790	302	-1,174	-998	176
2018	-7,529	2,458	-169	3,868	310	-1,061	-858	203
2012 Q1	-1,744	341	98	827	75	-403	-537	-134
Q2	-1,865	418	-108	930	80	-545	-409	136
Q3	-2,200	497	100	943	91	-569	-428	141
Q4	-1,969	374	115	977	88	-415	-432	-16
2013 Q1	-1,607	338	83	837	78	-272	-449	-177
Q2	-1,618	436	-106	926	80	-282	-215	67
Q3	-1,869	481	128	951	91	-218	-25	192
Q4	-2,005	370	251	980	89	-316	-220	96
2014 Q1	-1,733	388	81	833	76	-355	-472	-117
Q2	-1,912	395	-86	989	85	-528	-367	162
Q3	-2,135	509	68	1,071	153	-335	-172	163
Q4	-2,094	384	161	1,076	128	-344	-417	-72
2015 Q1	-1,564	386	52	877	99	-150	-353	-203
Q2	-1,880	514	-35	901	99	-401	-375	26
Q3	-1,938	600	-17	891	80	-384	-246	139
Q4	-1,809	415	193	901	82	-217	-216	1
2016 Q1	-1,537	408	36	745	68	-280	-256	24
Q2	-1,858	547	-20	904	77	-350	-247	102
Q3	-1,788	624	16	927	77	-145	-43	102
Q4	-1,877	501	49	931	75	-320	-399	-79
2017 Q1	-1,603	441	15	840	72	-235	-344	-109
Q2	-1,976	617	-117	993	76	-407	-233	174
Q3	-1,876	678	-71	981	77	-210	-36	174
Q4	-1,929	522	34	976	76	-321	-384	-64
2018 Q1	-1,693	433	-16	854	72	-349	-424	-75
Q2	-1,906	706	-74	1,019	76	-178	-50	128
Q3	-2,002	757	-59	1,016	81	-206	-24	182
Q4	-1,928	562	-21	979	80	-328	-359	-32

Source: CBBH; Balance of Payment Statistics.

Note: The BH Balance of Payments is compiled in accordance with the IMF methodology (Balance of Payments and International Investment Position Manual, 6th edition – BPM6).

The detailed methodological information can be found on the web, at [www.cbbh.ba/statistics](http://www.cbbh.ba/statistics)



**T22: BH Balance of Payments: Current Account and Capital Account**

- in KM million -

Period	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			
2008	12,543	16,058	-3,515	4,158	14,355	2,694	782	1,656	713	4,036	209	383	0	383
2009	11,046	12,634	-1,588	3,756	11,193	2,446	894	1,265	309	3,579	238	350	0	350
2010	12,200	13,731	-1,531	5,015	12,201	2,518	804	881	468	3,787	257	389	0	389
2011	13,157	15,640	-2,483	6,029	13,856	2,374	781	935	725	3,818	278	357	0	357
2012	13,311	15,577	-2,266	6,067	13,846	2,416	785	874	669	3,954	277	334	0	334
2013	13,873	15,297	-1,425	6,645	13,743	2,391	768	864	507	3,973	279	337	0	337
2014	14,518	16,523	-2,005	6,847	14,721	2,449	774	955	731	4,267	298	442	0	442
2015	14,807	16,319	-1,513	7,194	14,385	2,775	860	928	734	3,909	339	360	0	360
2016	15,441	16,832	-1,391	7,699	14,759	2,961	880	929	847	3,852	345	297	0	297
2017	17,685	19,161	-1,476	9,340	16,724	3,235	977	959	1,098	4,152	362	302	0	302
2018	18,768	20,139	-1,371	10,083	17,612	3,482	1,023	941	1,110	4,262	394	310	0	310
2012 Q1	2,903	3,381	-478	1,338	3,082	472	131	199	101	894	67	75	0	75
Q2	3,487	4,112	-625	1,660	3,525	611	192	218	326	997	68	80	0	80
Q3	3,588	4,248	-660	1,547	3,747	792	295	233	133	1,016	73	91	0	91
Q4	3,333	3,836	-504	1,522	3,491	541	167	223	109	1,047	70	88	0	88
2013 Q1	3,082	3,432	-350	1,491	3,098	478	141	207	123	906	70	78	0	78
Q2	3,646	4,007	-361	1,806	3,424	625	190	218	323	996	70	80	0	80
Q3	3,689	3,998	-308	1,683	3,552	755	274	231	103	1,019	68	91	0	91
Q4	3,455	3,860	-405	1,664	3,669	532	163	208	-43	1,051	71	89	0	89
2014 Q1	3,198	3,629	-432	1,546	3,279	524	136	225	144	903	70	76	0	76
Q2	3,582	4,195	-613	1,698	3,610	585	190	238	324	1,060	71	85	0	85
Q3	3,989	4,477	-488	1,792	3,927	789	280	258	190	1,151	80	153	0	153
Q4	3,749	4,222	-472	1,811	3,905	551	167	235	73	1,153	76	128	0	128
2015 Q1	3,392	3,641	-249	1,666	3,230	539	153	238	186	949	72	99	0	99
Q2	3,730	4,230	-500	1,802	3,682	720	206	219	254	989	88	99	0	99
Q3	4,021	4,485	-464	1,869	3,807	924	324	249	266	979	88	80	0	80
Q4	3,663	3,963	-300	1,858	3,667	592	177	222	28	992	91	82	0	82
2016 Q1	3,277	3,625	-348	1,657	3,194	569	160	221	186	830	85	68	0	68
Q2	3,904	4,331	-427	1,950	3,808	743	195	223	243	988	84	77	0	77
Q3	4,216	4,438	-222	1,985	3,773	965	341	256	239	1,011	84	77	0	77
Q4	4,044	4,438	-395	2,107	3,984	685	183	229	179	1,023	91	75	0	75
2017 Q1	3,809	4,117	-307	2,043	3,646	605	165	231	216	930	90	72	0	72
Q2	4,457	4,940	-484	2,302	4,278	835	218	240	357	1,080	87	76	0	76
Q3	4,888	5,176	-288	2,491	4,367	1,068	391	256	327	1,073	92	77	0	77
Q4	4,531	4,928	-397	2,505	4,434	726	204	233	199	1,068	92	76	0	76
2018 Q1	4,127	4,549	-422	2,309	4,002	637	204	235	251	946	92	72	0	72
Q2	4,856	5,111	-255	2,586	4,492	923	217	232	306	1,115	96	76	0	76
Q3	5,113	5,401	-287	2,609	4,611	1,152	394	244	302	1,109	94	81	0	81
Q4	4,672	5,079	-408	2,580	4,508	770	208	229	250	1,092	113	80	0	80

Source: CBBH; Balance of Payment Statistics.

Note: The BH Balance of Payments is compiled in accordance with the IMF methodology (Balance of Payments and International Investment Position Manual, 6th edition – BPM6).

The detailed methodological information can be found on the web, at [www.cbbh.ba/statistics](http://www.cbbh.ba/statistics)

**T23: BH Balance of Payments: Financial Account**

- in KM million -

Period	FINANCIAL ACCOUNT				Total *
	Direct Investment	Portfolio Investment	Other Investment	Reserve Assets	
2008	-1,315	29	-1,551	-462	-3,300
2009	-344	274	-957	-104	-1,131
2010	-532	173	-857	258	-957
2011	-674	46	-1,378	-33	-2,039
2012	-506	19	-1,391	73	-1,806
2013	-342	144	-1,420	709	-909
2014	-784	107	-1,463	712	-1,428
2015	-509	110	-1,671	881	-1,190
2016	-502	167	-1,541	930	-945
2017	-646	153	-1,642	1,136	-998
2018	-745	233	-1,455	1,114	-858
2012 Q1	-26	-6	-191	-314	-537
Q2	-134	45	-90	-230	-409
Q3	-107	-18	-697	394	-428
Q4	-240	-2	-413	224	-432
2013 Q1	-295	51	-37	-168	-449
Q2	-164	26	-317	241	-215
Q3	4	21	-498	447	-25
Q4	113	46	-568	189	-220
2014 Q1	-250	13	-75	-161	-472
Q2	-230	31	-330	163	-367
Q3	-116	-20	-661	625	-172
Q4	-189	83	-396	85	-417
2015 Q1	-105	-14	-183	-52	-353
Q2	-210	-44	-334	213	-375
Q3	-105	77	-595	378	-246
Q4	-89	91	-559	342	-216
2016 Q1	-162	2	-34	-62	-256
Q2	-51	46	-395	152	-247
Q3	-120	79	-695	692	-43
Q4	-169	39	-417	148	-399
2017 Q1	-306	66	152	-257	-344
Q2	-77	22	-438	260	-233
Q3	-136	62	-710	747	-36
Q4	-127	3	-646	386	-384
2018 Q1	-259	-19	-450	304	-424
Q2	-149	23	-157	233	-50
Q3	-224	72	-426	555	-24
Q4	-113	157	-421	22	-359

**Source:** CBBH; Balance of Payment Statistics.**Note:** The BH Balance of Payments is compiled in accordance with the IMF methodology (Balance of Payments and International Investment Position Manual, 6th edition – BPM6).The detailed methodological information can be found on the web, at [www.cbbh.ba/statistics](http://www.cbbh.ba/statistics)

\*The value of item Total includes also the value of financial derivatives.

**T24: Government Sector Foreign Debt Servicing**

‘- in KM thousand -

Creditor	2011.	2012.	2013.	2014.	2015.	2016.	2017.	2018.		
								Principal	Interest	Total
<b>Public creditors</b>	<b>269.064</b>	<b>339.601</b>	<b>617.207</b>	<b>693.718</b>	<b>515.617</b>	<b>648.016</b>	<b>909.078</b>	<b>793.590</b>	<b>124.650</b>	<b>918.240</b>
<b>International and regional organizations</b>	<b>226.021</b>	<b>290.493</b>	<b>559.130</b>	<b>620.692</b>	<b>425.697</b>	<b>549.724</b>	<b>785.931</b>	<b>673.205</b>	<b>100.038</b>	<b>773.242</b>
European Investment Bank	30.871	38.236	40.804	51.583	59.051	79.346	88.995	76.338	21.741	98.079
European Bank for Reconstr.and Development	72.598	75.034	90.998	112.436	121.045	112.893	89.765	110.069	7.459	117.528
World Bank - IDA	43.102	49.547	51.296	56.489	67.968	104.563	142.855	92.928	37.657	130.584
World Bank - IBRD <sup>1)</sup>	48.164	51.290	45.057	43.490	51.235	52.836	52.520	41.398	11.387	52.785
Council of Europe Development Bank <sup>1)</sup>	651	991	1.818	3.086	4.112	4.740	5.306	4.144	1.246	5.390
International Fund of Agriculture Development	1.932	2.341	6.412	2.902	3.784	4.113	4.241	3.410	623	4.033
IMF	15.463	64.134	318.723	338.799	106.677	179.498	390.523	337.094	16.021	353.116
EUROFIMA	8.398	0	0	0	0	0	0	0	0	0
European Commision	4.844	8.919	4.022	11.907	11.824	11.735	11.726	7.823	3.903	11.726
<b>Government and government agencies</b>	<b>43.043</b>	<b>49.108</b>	<b>58.077</b>	<b>73.026</b>	<b>89.919</b>	<b>98.293</b>	<b>123.147</b>	<b>120.385</b>	<b>24.613</b>	<b>144.997</b>
Paris Club <sup>1)</sup>	28.470	30.493	31.746	33.811	38.344	40.906	43.055	36.891	9.364	46.256
Saudi Development Fund	2.607	3.050	4.808	4.505	6.698	7.818	9.680	8.113	1.782	9.895
Other bilateral <sup>2)</sup>	11.966	15.566	21.523	34.710	44.877	49.568	70.411	75.380	13.466	88.846
<b>Private creditors</b>	<b>70.927</b>	<b>73.682</b>	<b>67.604</b>	<b>67.177</b>	<b>65.706</b>	<b>75.090</b>	<b>74.155</b>	<b>36.377</b>	<b>702</b>	<b>37.079</b>
London Club <sup>1)</sup>	70.927	73.682	67.604	67.177	65.706	75.090	74.155	36.377	702	37.079
<b>Total</b>	<b>339.992</b>	<b>413.283</b>	<b>684.810</b>	<b>760.895</b>	<b>581.323</b>	<b>723.106</b>	<b>983.233</b>	<b>829.967</b>	<b>125.353</b>	<b>955.319</b>

**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 (EximBank), Bank Austria, Belgium, Bank for Labour and Economy (BAWAG) and Raiffaisen Bank.

**T25: General government gross debt (Maastricht debt)**

-end of period, in millions KM -

GENERAL GOVERNMENT GROSS DEBT (Maastricht debt)				
Year	EXTERNAL DEBT			Maastricht debt
	Total	Public creditors	Private creditors	
1	2=3+4	3	4	5
2009	5,236.3	4,511.3	725.0	6,427.1
2010	6,291.0	5,601.2	689.9	7,657.6
2011	6,663.1	6,014.6	648.5	8,605.0
2012	7,211.8	6,598.6	613.2	9,576.6
2013	7,563.0	6,995.1	567.9	10,069.5
2014	8,442.3	7,928.6	513.7	11,381.0
2015	8,692.6	8,238.5	454.1	11,982.1
2016	8,872.5	8,504.4	368.1	12,094.8
2017	8,147.0	7,870.1	276.9	11,325.8
2018	8,179.1	7,916.5	262.6	10,360,1

**Note:** The statistical definition of debt is as defined in the Maastricht Treaty. The data are published on non-consolidated basis according to the Eurostat requirements.

**Source:** External debt report of BH Ministry of finance and Treasury, CBBH Data base of debt securities – Government finance statistics and financial accounts and Monetary and financial statistics

**T26: Foreign Reserves of the CBBH**

'- end of period, in KM million -

Year	Month	Gross Foreign Reserves							Net Foreign Reserves	Monetary Liabilities	Net Foreign Assets of CBBH
		Gold	Holdings of SDR	Foreign Currency in CBBH Vault	Deposits with Nonresident Banks	Other	Investment in Securities	9=3+...+8			
1	2	3	4	5	6	7	8	9=3+...+8	10	11	12=10-11
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
2013	12	164.1	2.7	91.6	2,217.6	0.0	4,592.3	7,068.3	7,067.3	6,659.2	408.1
2014	12	182.7	5.2	71.8	2,181.7	0.0	5,384.1	7,825.6	7,824.5	7,293.1	531.4
2015	12	182.3	3.8	128.5	1,003.6	0.0	7,288.1	8,606.3	8,605.0	8,064.6	540.4
2016	12	205.1	2.6	194.8	2,970.4	0.0	6,158.2	9,531.1	9,529.0	8,926.3	602.6
2017	12	203.9	1.5	236.4	2,698.6	0.0	7,416.1	10,556.6	10,555.0	9,977.1	577.8
2018	12	210.0	2.2	274.1	2,911.4	0.0	8,225.4	11,623.2	11,621.4	10,983.3	638.1
2018	01	203.3	5.2	245.2	2,571.7	0.0	7,671.3	10,696.6	10,694.1	10,117.3	576.8
	02	202.9	1.8	245.6	2,493.1	0.0	7,686.2	10,629.5	10,626.2	10,037.2	589.0
	03	202.1	1.7	245.5	2,513.1	0.0	7,922.2	10,884.7	10,881.5	10,252.4	629.1
	04	204.4	5.7	245.5	2,475.3	0.0	8,049.6	10,980.6	10,978.0	10,366.3	611.6
	05	208.5	2.0	245.7	2,392.8	0.0	8,129.8	10,978.9	10,976.7	10,369.9	606.8
	06	201.3	2.0	246.0	2,471.0	0.0	8,179.3	11,099.6	11,097.6	10,466.4	631.2
	07	196.5	6.0	245.9	2,492.1	0.0	8,252.9	11,193.4	11,191.5	10,585.7	605.9
	08	194.4	2.2	249.2	2,560.8	0.0	8,416.2	11,422.7	11,420.3	10,822.1	598.2
	09	192.8	1.5	249.1	2,625.5	0.0	8,492.8	11,561.7	11,559.7	10,992.3	567.4
	10	201.6	5.8	248.6	2,647.2	0.0	8,375.8	11,479.0	11,476.1	10,880.7	595.4
	11	202.8	2.2	248.7	2,692.6	0.0	8,416.4	11,562.8	11,560.5	10,943.1	617.3
	12	210.0	2.2	274.1	2,911.4	0.0	8,225.4	11,623.2	11,621.4	10,983.3	638.1

Monetary data updated according to the IMF methodology (Monetary and Financial Statistics Manual, 2000), from January 2006.

**Note:** Gross foreign reserves consist of balance sheet positions of short-term foreign assets of the CBBH (gold, CBBH SDR holdings, foreign currency in the CBBH vault, transferable deposits in foreign currency with non-resident banks and other) and investment in securities according to the CBBH Investment Committee Decision from July 2006. Net foreign reserves represent a difference between gross foreign reserves and liabilities to non-residents. Monetary liabilities of the CBBH include currency outside monetary authorities and deposits of residents with monetary authorities. Net foreign assets of the CBBH represent a difference between net foreign exchange reserves and monetary liabilities of the CBBH.

**T27: Foreign Trade Balance of BH**

‘- in KM million -

Year	Month	Exports of Goods	Imports of Goods	Export and Import Balance	Coverage of Imports by Exports in %
1	2	3	4	5=(3-4)	6=(3/4)x100
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
2013		8,380	15,170	-6,790	55.2
2014		8,682	16,199	-7,518	53.6
2015		8,987	15,852	-6,864	56.7
2016		9,418	16,161	-6,743	58.3
2017		11,055	18,186	-7,130	60.8
2018		11,900	19,270	-7,370	61.8
2018	01	908	1,257	-349	72.2
	02	907	1,419	-513	63.9
	03	974	1,726	-752	56.4
	04	977	1,552	-574	63.0
	05	1,015	1,734	-719	58.5
	06	1,055	1,666	-611	63.3
	07	1,076	1,755	-679	61.3
	08	909	1,577	-668	57.6
	09	1,025	1,659	-634	61.8
	10	1,069	1,797	-728	59.5
	11	1,061	1,603	-543	66.2
	12	926	1,526	-600	60.7

**Note:** The latest data of Statistics Agency of Bosnia and Herzegovina were used on exports and imports of goods in Special Trade System and the adjustments of coverage and value, done for the BoP reporting purposes, are not included.

**T28: BH Exports by Country of Destination**

'- in KM thousand -

Year	Month	Germany	Croatia	Serbia*	Italy	Slovenia	Austria	Montenegro*	Other Countries	Total
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
2013		1,310,844	1,194,637	766,745	1,003,294	686,503	687,565	270,745	2,459,942	8,380,275
2014		1,317,490	955,047	800,690	1,195,438	697,785	755,827	293,818	2,665,647	8,681,742
2015		1,412,906	925,166	770,695	1,214,930	748,870	743,062	262,844	2,908,721	8,987,194
2016		1,479,411	985,360	822,846	1,131,096	807,200	730,590	240,751	3,220,854	9,418,109
2017		1,595,704	1,284,200	1,093,685	1,209,035	973,397	899,235	352,507	3,647,618	11,055,383
2018		1,741,537	1,464,040	1,251,801	1,352,791	1,057,052	1,020,991	401,455	3,610,622	11,900,289
2018	01	141,488	108,967	85,280	105,165	78,103	75,258	27,074	286,558	907,892
	02	136,237	103,788	93,558	98,001	82,029	75,716	27,264	290,158	906,750
	03	143,064	116,106	97,736	110,234	86,619	77,729	29,782	312,538	973,807
	04	158,390	125,906	93,265	106,966	83,472	86,796	36,225	286,451	977,470
	05	138,326	123,377	101,856	120,706	90,954	80,237	35,190	323,976	1,014,622
	06	152,692	121,955	96,113	128,166	90,391	90,021	37,119	338,240	1,054,698
	07	148,152	137,541	117,047	139,243	96,389	93,662	38,220	305,629	1,075,883
	08	136,430	126,957	110,679	74,021	81,668	90,767	32,487	255,691	908,701
	09	156,479	128,682	107,931	126,923	92,733	90,042	30,595	291,488	1,024,872
	10	157,992	132,704	118,913	127,841	98,840	104,727	37,509	290,101	1,068,627
	11	155,454	121,946	115,216	122,811	93,008	92,753	32,154	327,385	1,060,728
	12	116,833	116,112	114,205	92,715	82,846	63,283	37,836	302,407	926,240

**Note:** The share of exports to the country in the total BH exports for 2010 was used as a criterion for presenting the country of exports. Thus, all the countries where exports are higher than 4% of the total BH exports for 2010 are separately presented, while the other countries are presented in the column "Other Countries".

**T29: 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
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
2013		1,956,353	1,485,608	1,734,842	1,482,256	1,505,995	754,344	914,082	519,291	384,852	441,535	3,990,634	15,169,793
2014		1,851,693	1,629,521	1,869,564	1,653,565	1,292,467	763,235	1,359,548	532,109	475,375	433,638	4,338,562	16,199,278
2015		1,673,161	1,728,490	1,914,225	1,758,289	910,072	773,559	1,091,670	560,924	441,158	411,579	4,588,564	15,851,692
2016		1,617,713	1,828,142	1,998,877	1,899,582	729,427	831,403	1,091,966	556,399	327,745	405,278	4,874,484	16,161,014
2017		1,828,432	2,029,997	2,103,758	2,062,127	907,315	912,704	1,186,073	618,743	584,798	451,831	5,499,863	18,185,642
2018		1,915,819	2,070,731	2,297,536	2,170,886	892,386	916,995	1,339,271	672,988	631,241	496,506	5,865,725	19,270,086
2018	01	133,257	124,445	146,712	137,844	35,261	63,462	98,906	41,320	37,660	32,900	405,383	1,257,150
	02	117,218	149,309	186,496	156,146	83,715	64,284	96,861	55,953	51,605	39,219	418,680	1,419,487
	03	140,779	184,704	207,947	195,015	158,299	85,042	124,850	56,574	37,294	37,002	498,456	1,725,962
	04	147,673	167,453	186,495	186,463	58,366	76,697	101,410	57,592	53,464	37,331	479,001	1,551,946
	05	165,391	184,411	195,394	199,895	132,886	79,059	107,116	62,200	63,527	39,625	504,201	1,733,705
	06	161,910	185,837	200,122	205,477	71,943	84,605	102,157	61,466	61,939	36,878	493,557	1,665,892
	07	175,321	168,099	200,795	195,818	175,258	84,031	111,555	58,228	63,347	40,782	481,691	1,754,925
	08	176,649	196,319	185,962	152,602	27,194	73,215	120,981	51,684	54,394	48,350	489,224	1,576,574
	09	166,186	175,450	194,919	175,344	37,359	82,209	130,709	57,047	47,013	46,499	546,004	1,658,739
	10	209,907	183,760	205,491	201,815	36,724	84,905	130,496	57,600	59,232	46,377	580,303	1,796,610
	11	177,179	178,528	195,947	181,874	32,815	71,629	115,082	56,488	50,019	46,803	496,950	1,603,316
	12	144,349	172,417	191,256	182,594	42,565	67,858	99,147	56,835	51,746	44,739	472,275	1,525,782

**Note:** The percentage of share of imports from the country in the total BH imports for 2010 was used as a criterion for presenting the country of imports. Thus, all the countries with higher share of imports than 3% of total BH imports for 2010 are separately presented, while the other countries are presented in the column "Other Countries".

\*Until February 12, 2007 data on imports from Serbia included also imports from Montenegro, and since then imports from Montenegro is included in the column "Other Countries".



**T30: Composition of Goods Exports and Imports by Products**  
 in KM million

Products group	Exports of Goods								Imports of Goods							
	2011	2012	2013	2014	2015	2016	2017	2018	2011	2012	2013	2014	2015	2016	2017	2018
<b>Total</b>	8,222.1	7,858.0	8,380.3	8,681.7	8,987.3	9,418.1	11,055.4	11,900.3	15,525.4	15,252.9	15,169.8	16,199.3	15,851.9	16,161.0	18,185.6	19,270.1
Animals and animal origin products	129.0	134.3	127.5	114.6	189.1	171.8	173.0	170.7	414.6	425.0	442.7	456.7	520.4	488.1	509.7	544.5
Vegetable origin products	101.7	91.1	128.8	158.9	202.1	264.7	302.4	224.4	681.8	705.8	663.6	710.3	756.8	765.6	816.0	757.8
Animal or vegetable fats and oils	58.2	75.9	92.6	93.3	118.6	142.5	170.2	113.9	146.4	171.9	162.3	150.7	167.3	206.5	262.5	207.3
Food products	323.3	336.7	324.9	282.5	307.8	355.3	363.5	319.3	1,527.1	1,513.9	1,482.8	1,434.2	1,446.5	1,489.8	1,536.8	1,576.1
Mineral origin products	1,316.0	872.0	1,091.9	947.1	738.3	748.9	1,051.1	1,298.9	3,456.7	3,229.0	3,045.2	2,813.2	2,258.0	2,036.4	2,749.0	2,974.5
Chemical products and related industry products	570.6	533.2	531.6	604.5	705.0	772.3	958.3	991.9	1,475.5	1,522.5	1,475.4	1,565.5	1,571.9	1,594.0	1,680.9	1,787.0
Plastic, caoutchouc and rubber products	166.0	202.7	229.0	249.2	284.1	319.1	359.1	415.2	800.4	846.8	858.8	949.6	1,007.3	1,075.0	1,179.0	1,254.9
Fur and leather	178.9	179.8	170.8	147.2	161.8	155.6	197.8	191.7	382.1	397.8	426.1	482.3	462.8	465.8	488.9	448.9
Wood and wood products	504.4	507.4	579.5	645.0	668.9	729.1	783.8	801.7	168.2	158.0	165.3	191.3	206.2	237.1	258.1	291.3
Cellulose, paper, cardboard and products thereof	234.9	224.7	233.5	230.1	260.1	241.2	279.1	324.7	398.4	353.3	352.3	387.4	387.7	405.4	409.6	454.4
Textile and textile products	353.1	332.2	371.4	425.2	494.7	507.4	565.8	627.2	754.9	734.7	827.3	986.2	1,023.5	1,103.2	1,192.6	1,232.5
Footwear, headwear and similar products	461.4	476.3	557.2	666.2	639.9	673.4	707.6	757.0	252.1	251.1	276.7	329.2	335.7	330.1	336.7	343.0
Stone, plaster, cement, ceramics, glass products and similar	49.3	49.0	52.3	62.7	52.9	65.6	81.4	89.8	296.9	284.3	280.8	302.9	313.8	340.3	352.5	383.4
Pearls, precious metals and products thereof, prec. or semi-prec. stones	12.1	19.7	36.2	12.9	12.1	12.3	11.4	12.2	14.2	11.5	12.5	13.9	12.7	14.3	17.2	18.4
Base metals and products thereof	1,934.6	1,908.8	1,753.9	1,749.1	1,652.0	1,571.1	1,975.8	2,290.0	1,384.0	1,330.1	1,399.8	1,500.3	1,536.0	1,574.4	1,955.0	2,203.4
Machinery and mechanical/electric appliances	815.1	791.3	859.6	939.5	1,018.1	1,046.3	1,290.1	1,437.1	1,870.2	1,881.1	1,866.6	2,338.0	2,198.3	2,243.9	2,526.1	2,664.1
Vehicles and transportation equipment	189.0	203.0	260.4	299.9	317.2	319.7	334.6	370.8	1,053.7	909.9	936.7	1,037.8	1,070.5	1,160.6	1,258.6	1,355.1
Watches, musical and medical instruments, measuring tools	19.0	19.5	17.1	17.2	20.6	25.1	29.9	31.7	191.7	211.7	181.2	192.8	218.8	220.8	222.9	290.6
Arms and ammunition; parts and accessories thereof	44.5	79.0	63.5	92.1	136.1	171.2	193.9	205.1	3.7	4.5	7.9	6.3	7.0	10.4	14.1	12.4
Miscellaneous products	760.1	821.2	898.5	944.4	1,007.7	1,125.2	1,226.7	1,227.1	251.3	309.5	305.0	350.2	350.1	399.0	419.1	469.8
Works of art, collectors' pieces and antiques	0.8	0.0	0.2	0.1	0.2	0.1	0.0	0.0	1.3	0.5	0.5	0.4	0.4	0.4	0.3	0.6
Unclassified	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	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.

**T31: KM Average Middle Exchange Rates of Convertible Mark**

€ in KM thousand -

Year	Month	EMU	Croatia	Czech R	Hungary	Japan	Switzerland	Turkey	UK	USA	China	Serbia
		EUR	HRK	CZK	HUF	JPY	CHF	TRY	GBP	USD	CNY	RSD
		1	100	1	100	100	1	1	1	1	1	100
2008		1.955830	27.072193	0.078403	0.778567	1.299707	1.233196	1.030147	2.462700	1.336615	...	2.406718
2009		1.955830	26.641714	0.074058	0.698858	1.504078	1.295257	0.904894	2.195821	1.406763	...	2.083674
2010		1.955830	26.836049	0.077335	0.710646	1.684634	1.417637	0.979613	2.280434	1.476950	...	1.903300
2011		1.955830	26.296474	0.079574	0.702511	1.765578	1.589068	0.840993	2.253721	1.406117	...	1.918824
2012		1.955830	26.003868	0.077784	0.676389	1.909803	1.622699	0.845478	2.412276	1.522668	...	1.732491
2013		1.955830	25.806786	0.075328	0.658705	1.512911	1.589326	0.775940	2.304432	1.473557	0.239647	1.729721
2014		1.955830	25.619449	0.071033	0.633710	1.393940	1.610337	0.673375	2.426325	1.474019	0.239264	1.668863
2015		1.955830	25.688577	0.071687	0.631327	1.456462	1.832914	0.650180	2.694477	1.762605	0.280568	1.619915
2016		1.955830	25.960428	0.072346	0.627987	1.628845	1.794449	0.586378	2.396405	1.768011	0.266189	1.588875
2017		1.955830	26.205454	0.074317	0.632480	1.546889	1.761597	0.476205	2.232882	1.735482	0.256628	1.611317
2018		1.955830	26.365492	0.076267	0.613697	1.500585	1.693763	0.351884	2.210985	1.657498	0.250633	1.653621
2018	01	1.955830	26.306147	0.076788	0.632318	1.445233	1.667877	0.425643	2.213129	1.605994	0.249544	1.648667
	02	1.955830	26.292364	0.077279	0.627822	1.464722	1.694417	0.418453	2.213529	1.581661	0.250277	1.651594
	03	1.955830	26.293653	0.076921	0.626250	1.496388	1.675438	0.408381	2.215036	1.586829	0.250962	1.654033
	04	1.955830	26.353356	0.077109	0.627454	1.481313	1.646714	0.392404	2.242330	1.593341	0.252947	1.654666
	05	1.955830	26.456231	0.076360	0.617894	1.506116	1.656547	0.375068	2.228834	1.651760	0.259378	1.654735
	06	1.955830	26.493736	0.075868	0.606905	1.523129	1.692140	0.362173	2.227562	1.675174	0.259482	1.655565
	07	1.955830	26.441058	0.075613	0.601840	1.503018	1.682491	0.352241	2.204270	1.674952	0.249486	1.656842
	08	1.955830	26.342139	0.076164	0.605896	1.526468	1.712256	0.292050	2.181583	1.694907	0.247438	1.656226
	09	1.955830	26.322248	0.076329	0.602164	1.499701	1.734367	0.265010	2.189926	1.677303	0.244749	1.653604
	10	1.955830	26.343141	0.075775	0.603874	1.508889	1.713704	0.291767	2.216813	1.702322	0.246121	1.651173
	11	1.955830	26.323022	0.075433	0.606997	1.519433	1.718087	0.319983	2.221063	1.720951	0.247997	1.652686
	12	1.955830	26.412717	0.075657	0.605953	1.529820	1.731710	0.323689	2.179189	1.718630	0.249268	1.653531

**T32: Government Finance of BH - Government Sector Units**

- in KM million -

	BH Institutions	FBH	RS	Brčko	Consolidated Revenues	BH Institution	FBH	RS	Brčko	Consolidated Expenses	Net Acquisition of Nonfinancial Assets	Net Surplus / Deficit
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
2012	1,045.6	6,642.8	3,652.6	246.1	11,459.5	952.9	6,595.9	3,534.1	215.5	11,170.8	815.7	-526.9
2013	1,069.8	6,608.6	3,604.4	232.6	11,406.5	939.0	6,474.5	3,415.1	219.2	10,938.8	1,046.8	-579.2
2014	1,109.8	6,972.1	3,769.8	223.7	11,961.7	940.3	6,652.2	3,652.3	219.0	11,350.1	1,166.8	-555.3
2015	1,088.4	7,196.5	3,931.3	232.0	12,335.1	935.9	6,843.5	3,700.6	220.1	11,587.0	559.1	188.9
2016	1,062.9	7,645.4	3,937.0	248.5	12,767.3	949.3	7,013.5	3,636.9	198.6	11,672.0	724.5	370.8
2017	1,049.4	8,150.9	4,141.8	263.7	13,479.2	967.0	7,164.3	3,696.0	212.8	11,913.4	759.7	806.0
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
Q4	291.4	1,541.4	830.9	65.9	2,695.8	260.4	1,729.1	898.3	70.2	2,924.2	86.7	-315.2
2013 Q1	223.3	1,308.9	636.9	47.1	2,200.2	211.7	1,349.8	659.6	40.8	2,245.9	20.5	-66.2
Q2	288.1	1,533.2	764.2	64.3	2,620.6	233.4	1,448.7	701.4	57.8	2,412.0	32.8	175.7
Q3	241.1	1,494.2	761.6	61.6	2,542.2	220.5	1,425.0	731.2	59.0	2,419.5	49.4	73.3
Q4	317.2	1,538.8	854.9	59.7	2,726.9	273.3	1,702.3	854.2	61.6	2,847.9	94.6	-215.6
2014 Q1	238.3	1,387.7	761.7	49.2	2,416.8	220.9	1,376.7	695.9	39.7	2,313.1	21.8	81.8
Q2	274.5	1,577.2	744.0	54.4	2,620.4	222.9	1,464.7	746.7	50.5	2,455.0	32.4	133.0
Q3	256.6	1,602.1	784.7	58.8	2,680.1	220.9	1,528.9	805.6	58.9	2,592.2	56.3	31.5
Q4	340.1	1,635.5	883.3	61.3	2,878.6	277.6	1,693.7	917.6	69.9	2,917.3	252.2	-290.8
2015 Q1	241.1	1,440.2	738.2	51.8	2,448.9	215.3	1,378.9	706.6	46.2	2,324.7	24.1	100.1
Q2	293.0	1,532.0	818.4	57.6	2,670.8	226.1	1,446.6	757.9	47.2	2,447.5	26.5	196.8
Q3	252.9	1,685.4	850.7	61.8	2,826.7	229.3	1,523.4	803.0	60.1	2,591.8	51.2	183.7
Q4	301.4	1,642.6	829.5	60.9	2,798.6	265.3	1,793.5	914.3	66.6	3,003.9	137.2	-342.5
2016 Q1	242.5	1,498.3	706.4	54.9	2,478.4	226.3	1,430.0	687.6	43.1	2,363.4	24.0	91.0
Q2	288.3	1,622.2	813.1	57.9	2,745.9	230.2	1,521.8	747.5	43.6	2,507.4	51.7	186.7
Q3	256.6	1,761.1	812.0	62.4	2,867.4	227.9	1,494.9	776.2	41.0	2,515.2	105.3	246.9
Q4	275.6	1,791.9	897.5	65.6	2,990.8	265.0	1,818.6	882.6	67.9	2,994.2	166.0	-169.4
2017 Q1	251.8	1,621.7	747.1	51.7	2,646.9	223.9	1,457.0	688.7	31.9	2,376.1	30.0	240.9
Q2	273.3	1,792.9	827.2	61.1	2,920.7	231.1	1,556.0	747.9	44.0	2,545.1	70.1	305.4
Q3	252.0	1,931.1	940.7	64.5	3,162.1	238.7	1,587.4	767.1	56.3	2,623.1	31.6	507.3
Q4	272.3	1,851.2	887.8	76.2	3,050.0	273.3	1,863.6	906.1	77.0	3,082.6	204.3	-236.8
2018 Q1	277.7	1,762.1	816.9	57.0	2,882.0	231.4	1,499.4	728.4	34.3	2,462.0	30.9	389.0
Q2	347.0	1,914.5	884.1	61.4	3,179.4	231.7	1,683.3	784.4	51.8	2,723.3	66.5	389.6
Q3	296.1	1,969.6	861.7	69.0	3,164.0	243.9	1,669.4	835.0	56.0	2,772.1	91.2	300.7

**Note:** Administrative data collected from: Ministries of Finance of all levels of government, Social Security Funds of all levels of government, Entities' Public Companies for Roads and Entities' Public Companies for Motorways. Annual data for consolidated revenues/expenses include local level of government (municipalities and towns), Public Company for Roads of all levels of government of FBH, Public Company for Roads of RS, Public Company for Motorways of FBH and Public Company for Motorways of RS, while quarterly data do not include them as the source data are not available.

Difference between revenues on one side and expenses with net acquisition of non-financial assets on the other side, represents net surplus/deficit.

**T33: BH Government Finance of BH - Structure of Consolidated Revenues and Expenses**

- in KM million -

	Taxes	Social Contributions	Grants and Other Revenues	Consolidated Revenues	Compensation of Employees	Use of Goods and Services	Interest	Subsidies	Social Benefits	Grants and Other Expenses	Consolidated Expenses	Net Acquisition of Non-financial Assets
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
2012	6,037.9	4,046.6	1,375.0	11,459.5	3,323.8	2,156.4	200.6	416.1	4,394.4	679.5	11,170.8	815.7
2013	5,917.2	4,105.2	1,384.1	11,406.5	3,278.1	2,122.7	201.1	383.9	4,423.7	529.3	10,938.8	1,046.8
2014	6,078.6	4,234.8	1,648.3	11,961.7	3,265.5	2,127.2	238.9	364.9	4,658.0	695.6	11,350.1	1,166.8
2015	6,439.7	4,329.6	1,565.8	12,335.1	3,294.3	2,138.8	264.3	384.8	4,729.5	775.4	11,587.0	559.1
2016	6,760.4	4,473.6	1,533.4	12,767.3	3,295.5	2,187.5	252.0	382.8	4,755.0	799.3	11,672.0	724.5
2017	7,151.1	4,734.2	1,594.0	13,479.2	3,312.6	2,230.7	223.0	444.0	4,758.5	834.7	11,913.4	759.7
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
Q4	1,438.7	1,086.4	170.8	2,695.8	731.7	521.0	51.8	175.4	1,138.8	305.5	2,924.2	86.7
2013 Q1	1,110.3	930.9	159.1	2,200.2	685.5	381.5	30.1	25.5	1,035.8	87.6	2,245.9	20.5
Q2	1,327.2	1,019.2	274.2	2,620.6	697.2	420.7	58.1	58.2	1,068.2	109.7	2,412.0	32.8
Q3	1,320.1	1,035.1	187.0	2,542.2	690.2	407.4	33.3	86.0	1,059.5	143.1	2,419.5	49.4
Q4	1,368.0	1,119.9	239.0	2,726.9	790.0	546.9	48.2	173.9	1,152.5	136.4	2,847.9	94.6
2014 Q1	1,207.3	961.3	248.2	2,416.8	697.3	387.9	38.3	31.8	1,080.3	77.5	2,313.1	21.8
Q2	1,262.3	1,050.0	308.1	2,620.4	710.0	417.4	50.5	62.7	1,091.1	123.3	2,455.0	32.4
Q3	1,352.4	1,077.4	250.3	2,680.1	708.7	427.1	32.5	87.9	1,155.2	180.7	2,592.2	56.3
Q4	1,433.2	1,146.1	299.4	2,878.6	735.3	495.4	79.7	138.2	1,202.0	266.6	2,917.3	252.2
2015 Q1	1,255.6	981.8	211.5	2,448.9	712.6	393.8	41.3	28.7	1,079.3	69.0	2,324.7	24.1
Q2	1,356.0	1,076.0	238.8	2,670.8	702.9	402.6	65.5	46.5	1,124.0	105.9	2,447.5	26.5
Q3	1,426.4	1,099.4	300.9	2,826.7	718.1	410.2	42.9	111.9	1,143.3	165.3	2,591.8	51.2
Q4	1,424.4	1,172.5	201.8	2,798.6	735.3	533.8	75.0	152.9	1,249.1	257.8	3,003.9	137.2
2016 Q1	1,290.0	998.7	189.6	2,478.4	711.1	400.5	44.3	30.4	1,097.8	79.3	2,363.4	24.0
Q2	1,412.5	1,095.5	237.8	2,745.9	706.1	418.8	71.8	66.5	1,135.6	108.6	2,507.4	51.7
Q3	1,468.4	1,136.0	262.9	2,867.4	702.8	409.8	42.8	65.3	1,163.2	131.3	2,515.2	105.3
Q4	1,612.0	1,243.2	135.5	2,990.8	732.8	552.0	56.9	160.9	1,220.8	270.8	2,994.2	166.0
2017 Q1	1,349.6	1,076.7	220.7	2,646.9	707.8	403.5	45.6	35.4	1,114.3	69.5	2,376.1	30.0
Q2	1,530.4	1,192.4	197.9	2,920.7	703.6	438.4	74.0	85.8	1,133.6	109.6	2,545.1	70.1
Q3	1,692.0	1,196.0	274.0	3,162.1	720.4	440.3	46.8	109.6	1,134.6	171.4	2,623.1	31.6
Q4	1,568.61	1,269.14	212.35	3,050.04	726.76	537.98	54.19	146.48	1,224.47	392.71	3,082.58	204.29
2018 Q1	1,526.11	1,153.22	202.67	2,882.00	718.99	432.20	47.37	42.35	1,136.29	84.86	2,462.05	30.91
Q2	1,701.70	1,243.77	233.92	3,179.39	742.65	464.64	64.95	108.21	1,198.67	144.21	2,723.34	66.50
Q3	1,683.24	1,241.53	239.26	3,164.03	730.62	470.55	46.43	103.14	1,224.47	196.86	2,772.07	91.25

**Note:** Administrative data collected from: Ministries of Finance of all levels of government, Social Security Funds of all levels of government, Entities' Public Companies for Roads and Entities' Public Companies for Motorways. Annual data for consolidated revenues/expenses include local level of government (municipalities and towns), Public Company for Roads of all levels of government of FBH, Public Company for Roads of RS, Public Company for Motorways of FBH and Public Company for Motorways of RS, while quarterly data do not include them as the source data are not available.

Difference between revenues on one side and expenses with net acquisition of non-financial assets on the other side, represents net surplus/deficit.

**T34: Government Finance of FBH - Government Sector Units**

- in KM million -

	Federation BH Budget	Social Security Funds	Cantons	Consolidated Revenues	Federation BH Budget	Social Security Funds	Cantons	Consolidated Expenses	Net Acquisition of Non-financial Assets	Net Surplus/Deficit
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
2012	1,416.5	2,986.2	1,830.7	6,642.8	1,378.5	3,031.6	1,936.2	6,595.9	442.5	-395.5
2013	1,457.5	2,988.2	1,709.7	6,608.6	1,344.2	3,034.8	1,826.9	6,474.5	645.6	-511.5
2014	1,581.3	3,117.2	1,812.1	6,972.1	1,361.0	3,164.5	1,846.5	6,652.2	685.7	-365.8
2015	1,510.0	3,175.8	1,919.5	7,196.5	1,354.1	3,224.3	1,869.1	6,843.5	221.4	131.6
2016	1,652.8	3,323.4	2,012.1	7,645.4	1,380.2	3,314.2	1,885.5	7,013.5	248.1	383.7
2017	1,876.9	3,538.4	2,108.4	8,150.9	1,394.8	3,423.3	1,970.4	7,164.3	353.6	633.1
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
Q4	390.9	786.8	442.2	1,541.4	463.8	776.6	567.2	1,729.1	26.8	-214.5
2013 Q1	276.9	706.4	386.8	1,308.9	267.4	746.0	397.6	1,349.8	3.3	-44.2
Q2	436.3	735.9	426.3	1,533.2	300.6	762.6	450.7	1,448.7	6.2	78.4
Q3	352.1	759.0	457.3	1,494.2	322.8	742.4	434.0	1,425.0	10.1	59.0
Q4	392.2	779.2	439.2	1,538.8	453.4	776.2	427.4	1,702.3	28.2	-191.7
2014 Q1	314.5	726.2	411.0	1,387.7	268.4	768.0	404.4	1,376.7	5.0	5.9
Q2	484.4	772.6	393.7	1,577.2	308.8	788.7	440.6	1,464.7	10.3	102.2
Q3	399.8	787.0	509.0	1,602.1	385.6	786.7	450.3	1,528.9	17.5	55.7
Q4	382.6	821.5	498.4	1,635.5	398.1	811.3	516.9	1,693.7	33.2	-91.3
2015 Q1	319.6	751.1	433.5	1,440.2	256.4	785.7	400.9	1,378.9	4.1	57.1
Q2	360.7	762.8	471.7	1,532.0	289.8	798.5	421.4	1,446.6	10.0	75.4
Q3	436.7	788.6	526.8	1,685.4	337.4	797.1	455.6	1,523.4	14.0	148.0
Q4	393.1	864.1	487.6	1,642.6	470.4	833.9	591.3	1,793.5	26.5	-177.3
2016 Q1	336.4	763.3	465.1	1,498.3	274.9	811.7	409.9	1,430.0	4.0	64.3
Q2	392.2	809.2	493.1	1,622.2	337.3	821.0	435.8	1,521.8	10.1	90.3
Q3	474.2	829.7	531.7	1,761.1	305.9	817.1	446.4	1,494.9	14.4	251.8
Q4	450.1	907.2	522.2	1,791.9	462.1	850.6	593.5	1,818.6	44.3	-71.1
2017 Q1	331.3	821.8	501.9	1,621.7	273.6	834.9	412.6	1,457.0	6.2	158.5
Q2	407.4	891.5	541.7	1,792.9	345.2	841.5	445.9	1,556.0	12.6	224.4
Q3	439.1	869.8	589.8	1,931.1	341.8	841.6	479.6	1,587.4	11.9	331.9
Q4	699.1	933.5	475.1	1,851.2	434.1	885.8	632.2	1,863.6	57.3	-69.7
2018 Q1	414.4	884.7	531.6	1,762.1	273.2	866.2	428.7	1,499.4	6.4	256.2
Q2	396.6	947.8	589.1	1,914.5	366.7	910.3	493.8	1,683.3	15.8	215.4
Q3	406.9	933.5	629.2	1,969.6	341.4	902.7	496.9	1,669.4	32.1	268.0

**Note:** Administrative data collected from: Ministries of Finance, Social Security Funds of all levels of government of FBH, Public Companies of Roads of all levels of government of FBH and Public Company of Motorways of FBH. Annual data for consolidated revenues/expenses include the local level of government (municipalities and towns), Public Companies of Roads of all levels of government of FBH and Public Company of Motorways of FBH, while quarterly data do not include them as the source data are not available. Difference between revenues on one side and expenses with net acquisition of non-financial assets on the other side represents net surplus/deficit.

**T35: Government Finance of RS - Government Sector Units**

- in KM million -

	Republika Srpska Budget	Social Security Funds	Consolidated Revenues	Republika Srpska Budget	Social Security Funds	Consolidated Revenues	Net Acquisition of Nonfinancial Assets	Net Surplus / Deficit
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
2012	1,666.5	1,566.5	3,652.6	1,647.9	1,595.1	3,534.1	307.7	-189.2
2013	1,638.4	1,616.9	3,604.4	1,546.7	1,637.1	3,415.1	310.3	-121.0
2014	1,778.7	1,683.3	3,769.8	1,749.3	1,704.1	3,652.3	360.5	-243.1
2015	1,804.1	1,713.5	3,931.3	1,707.5	1,754.9	3,700.6	235.3	-4.6
2016	2,556.5	744.4	3,937.0	2,415.9	749.7	3,636.9	366.3	-66.3
2017	2,713.7	780.7	4,141.8	2,422.3	746.2	3,696.0	268.7	177.1
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
Q4	461.8	427.1	830.9	547.7	408.6	898.3	20.6	-88.0
2013 Q1	346.7	340.1	636.9	317.6	391.9	659.6	9.0	-31.7
Q2	419.6	405.7	764.2	352.3	410.2	701.4	12.5	50.3
Q3	419.6	397.5	761.6	390.4	396.3	731.2	15.8	14.6
Q4	452.5	469.3	854.9	486.4	434.8	854.2	21.3	-20.7
2014 Q1	454.2	352.3	761.7	336.5	404.1	695.9	10.7	55.1
Q2	402.3	413.9	744.0	405.1	413.8	746.7	18.0	-20.7
Q3	440.2	440.3	784.7	478.9	422.6	805.6	12.4	-33.3
Q4	481.9	471.9	883.3	528.8	459.4	917.6	134.9	-169.3
2015 Q1	435.4	359.7	738.2	352.3	411.2	706.6	6.0	25.6
Q2	449.3	428.6	818.4	397.1	420.4	757.9	9.2	51.3
Q3	484.2	443.5	850.7	446.7	433.3	803.0	17.4	30.3
Q4	435.2	477.4	829.5	511.5	486.0	914.3	49.5	-134.3
2016 Q1	574.5	138.4	706.4	537.3	156.8	687.6	13.3	5.4
Q2	658.7	165.1	813.1	578.4	179.7	747.5	31.0	34.6
Q3	633.4	207.3	812.0	604.3	200.5	776.2	70.5	-34.6
Q4	690.0	228.8	897.5	695.9	208.0	882.6	49.3	-34.4
2017 Q1	604.2	147.4	747.1	531.5	161.7	688.7	11.0	47.4
Q2	656.9	183.1	827.2	584.8	175.8	747.9	26.4	52.9
Q3	747.7	229.5	940.7	604.5	199.1	767.1	21.2	152.4
Q4	704.94	216.03	887.82	734.34	204.90	906.10	64.12	-82.40
2018 Q1	665.47	170.79	816.86	585.89	161.93	728.42	8.77	79.67
Q2	719.31	185.37	884.13	637.60	167.39	784.44	33.40	66.29
Q3	699.68	182.36	861.74	682.54	172.79	835.04	37.24	-10.53

**Note:** Administrative data collected from: Ministry of Finance, Social Security Funds in RS, Public Company RS Roads and Public Company RS Motorways. Annual data for consolidated revenues/expenses include local level of authorities (municipalities and towns), Public Company RS Roads and Public Company RS Motorways, while quarterly data do not include them as the source data are not available. Difference between revenues on one side, and expenses with net acquisition of non-financial assets on the other side, represents net surplus/deficit.

**T36: Flows of Foreign Direct Investment in BH, Classified by Country of Origin of Foreign Investor**

'- in KM million -

Year	Austria	The Netherlands	Croatia	Italy	Germany	Russia	Slovenia	Serbia*	Switzerland	Turkey	Other Countries	Total
2008	242,9	36,0	103,0	47,7	28,8	339,4	210,3	213,3	40,6	5,8	69,6	1.337,5
2009	79,6	-16,5	125,2	3,7	-9,1	129,2	58,9	3,4	-122,2	18,0	81,8	351,9
2010	60,0	47,7	85,1	16,6	34,3	89,1	-22,8	40,5	83,6	46,4	119,2	599,7
2011	137,6	14,5	32,7	4,7	38,3	140,3	64,5	110,0	-5,9	31,6	130,2	698,6
2012	133,6	1,6	86,1	28,5	37,7	147,5	-81,1	81,8	8,7	-5,4	161,9	601,1
2013	8,5	32,7	18,6	22,5	36,9	-82,8	-35,6	104,6	44,0	31,1	226,7	407,1
2014	171,1	26,0	88,7	24,0	-6,1	195,8	-1,2	33,1	8,9	17,6	253,1	811,1
2015	5,3	83,3	161,5	66,3	52,3	28,5	21,1	36,8	-33,5	56,1	159,2	636,9
2016	75,7	50,7	138,3	27,1	2,5	-50,9	37,1	-22,4	-15,6	31,5	289,9	564,0
2017	186,8	-15,6	102,0	44,6	53,5	-3,6	101,7	53,9	58,7	1,1	194,5	777,7
Jan - Sep 2018	47,2	-0,3	-1,0	-2,8	9,6	10,3	7,6	4,1	54,4	36,1	81,7	246,9

**Note:**

Foreign Direct Investments (flows and stocks) are compiled in accordance with the most recent methodological instructions and recommendations of the International Monetary Fund (IMF) and Organization for Economic Cooperation and Development (OECD). Detailed methodological approach to compilation and presentation is included in the IMF Balance of Payments Manual, sixth edition and OECD Framework Definition of Foreign Direct Investments, fourth edition.

\* Since 2007, the data are related to Serbia, while until 2007 the data included Serbia and Montenegro.

"n/a" in this industry/country there are less than three companies with direct investment and in accordance with statistical standards we are not able to present invested amounts.

**T37: Flows of Foreign Direct Investment in BH by NACE Rev 2, Classification of Activities**

€ - in KM million -

Year	Manufacture of Food Products	Manufacture of Wood and of Products of Wood and Cork, except Furniture, Manufacture of Articles of Straw and Plaiting Materials	Manufacture of Coke and Refined Petroleum Products	Manufacture of Chemicals and Chemical Products	Manufacture of Other Non-metallic Mineral Products	Manufacture of Basic Metals	Manufacture of Motor Vehicles, Trailers and Semi-trailers	Wholesale Trade, except of Motor Vehicles and Motorcycles	Retail Trade, except of Motor Vehicles and Motorcycles	Telecommunications	Financial Service Activities, except Insurance and Pension Funding	Real Estate Activities	Other Industries	Total
2011	32,2	12,5	43,6	12,2	-7,3	-24,0	-5,2	125,3	63,8	10,8	165,4	78,7	190,6	698,6
2012	-5,9	-0,1	2,6	18,7	3,4	-26,0	7,0	144,8	40,2	6,4	130,2	12,1	267,7	601,1
2013	-4,0	2,2	-101,1	26,5	13,9	4,0	5,0	-44,4	73,7	46,1	138,5	19,7	226,9	407,1
2014	0,3	-5,7	180,6	3,0	-25,4	35,5	-59,4	64,1	37,3	6,8	138,4	187,1	248,5	811,1
2015	45,0	5,2	24,0	58,4	-4,4	-52,9	6,7	84,0	-29,3	57,8	116,8	89,5	236,1	636,9
2016	11,6	6,1	-58,1	50,4	-14,5	1,9	14,8	153,8	-0,0	37,2	138,4	-16,9	239,4	564,0
2017	1,6	5,1	-21,7	-17,0	-5,2	50,7	46,5	38,1	110,2	18,1	261,2	40,6	249,5	777,7
Jan - Sep 2018	-3,1	-0,9	10,5	-3,5	0,1	30,6	17,4	49,7	4,0	0,4	68,8	33,7	39,1	246,9

**Note:**

The data on flows of direct foreign investments in BiH, according to NACE 1. Rev.1 Classification of the Activities, for the period 2004-2012, can be found on web site.

Foreign Direct Investments (flows and stocks) are compiled in accordance with the most recent methodological instructions and recommendations of the International Monetary Fund (IMF) and Organization for Economic Cooperation and Development (OECD). Detailed methodological approach to compilation and presentation is included in the IMF Balance of Payments Manual, sixth edition and OECD Framework Definition of Foreign Direct Investments, fourth edition.



**T38: International Investment Position (IIP)**

- in KM million -

Year	Net IIP	Total Assets	ASSETS										
			Direct Investment					Other investment					
			Total	Equity and Investment Fund Shares	Debt (Various Debt Instruments)	Portfolio Investment	Financial Derivatives	Total	Currency and Deposits	Loans	Trade Credits and Advances	Other Assets	Reserve 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
2008	-9,834.4	12,377.4	398.8	126.0	272.9	40.7	0.0	5,614.3	4,219.4	171.2	1,164.9	58.7	6,323.5
2009	-12,118.5	12,071.9	266.1	124.0	142.1	315.2	0.0	5,250.7	3,755.0	163.1	1,277.0	55.6	6,239.9
2010	-12,950.1	11,821.4	428.5	233.6	194.9	451.0	0.0	4,456.4	3,145.1	173.3	1,076.4	61.7	6,485.5
2011	-13,886.3	11,565.1	417.1	250.6	166.5	440.5	0.0	4,256.1	2,968.1	69.5	1,154.1	64.4	6,451.4
2012	-14,651.6	11,658.0	560.1	297.3	262.8	469.2	0.0	4,092.3	2,760.0	74.2	1,177.3	80.9	6,536.4
2013	-15,175.7	13,007.3	695.1	290.9	404.2	532.6	0.0	4,711.2	3,031.5	333.9	1,181.4	164.5	7,068.3
2014	-15,542.8	13,562.6	708.5	298.8	409.7	568.8	0.0	4,459.7	2,784.7	311.4	1,200.6	163.1	7,825.6
2015	-15,684.0	14,186.6	878.1	361.7	516.4	629.9	0.1	4,072.1	2,659.7	231.8	1,026.2	154.5	8,606.3
2016	-15,572.6	15,417.3	876.8	373.0	503.9	735.4	1.6	4,272.4	2,875.1	157.7	1,096.8	142.7	9,531.1
2017	-15,012.1	16,619.2	1,038.7	423.2	615.6	854.1	0.2	4,169.6	2,857.7	76.0	1,066.8	169.1	10,556.6

**Note:** International investment position (IIP) for BH is compiled in accordance with the latest International Monetary Fund Methodology for compilation of Balance of payments (BOP) and International investment position statistics, sixth edition (BPM6). Published statistics are revised for the four previous years in accordance with the latest revision of Monetary Statistics, Direct Investment Statistics, as well as in accordance with the latest revisions of foreign assets and liabilities of the government sector. Shortened versions of the applied methodological approach for the compilation of BH BOP and IIP statistics are available on the CBBH website

**T38: International Investment Position (IIP)**

- in KM million -

Year	Total Liabilities	LIABILITIES									
		Direct Investment					Other investment				
		Total	Equity and Investment Fund Shares	Debt (Various Debt Instruments)	Portfolio Investment	Financial Derivatives	Total	Currency and Deposits	Loans	Trade Credits and Advances	Other Liabilities
1	15=16+19+20+21	16=17+18	17	18	19	20	21=22+23+24+25	22	23	24	25
2008	22,211.7	8,817.2	7,289.8	1,527.4	408.9	0.0	12,985.6	3,387.1	8,304.8	1,101.0	192.8
2009	24,190.4	9,512.6	7,467.5	2,045.2	835.5	0.0	13,842.2	3,226.8	8,509.7	1,564.9	540.7
2010	24,771.5	9,963.1	7,473.3	2,489.8	787.1	0.0	14,021.2	2,618.6	8,944.4	1,968.6	489.7
2011	25,451.3	10,883.7	7,885.6	2,998.1	726.8	0.0	13,840.9	2,135.8	9,126.2	2,093.1	485.8
2012	26,309.6	11,323.7	8,006.0	3,317.6	702.9	0.0	14,283.0	2,052.9	9,574.6	2,178.8	476.8
2013	28,182.9	11,845.4	8,468.1	3,377.4	543.7	0.0	15,793.8	1,934.3	11,104.1	2,230.4	525.0
2014	29,105.5	11,867.1	8,045.9	3,821.2	473.5	0.0	16,764.8	1,653.5	12,300.9	2,283.5	526.9
2015	29,870.5	12,677.1	9,112.2	3,564.9	348.6	0.0	16,844.9	1,595.3	12,587.0	2,118.1	544.5
2016	30,990.0	12,970.6	9,267.3	3,703.3	280.9	1.5	17,737.0	1,489.3	13,123.1	2,581.2	543.4
2017	31,631.3	13,614.9	9,993.1	3,621.8	217.4	0.1	17,798.9	1,555.3	12,930.4	2,829.5	483.6

**Note:** International investment position (IIP) for BH is compiled in accordance with the latest International Monetary Fund Methodology for compilation of Balance of payments (BOP) and International investment position statistics, sixth edition (BPM6). Published statistics are revised for the four previous years in accordance with the latest revision of Monetary Statistics, Direct Investment Statistics, as well as in accordance with the latest revisions of foreign assets and liabilities of the government sector. Shortened versions of the applied methodological approach for the compilation of BH BOP and IIP statistics are available on the CBBH website

**T39: Realni i nominalni efektivni kurs KM**

Year	Month	KM Effective Exchange Rate (2015=100)	
		NEER	REER
2010		97.29	105.25
2011		97.90	105.73
2012		98.48	104.89
2013		99.63	103.50
2014		101.01	102.77
2015		100.00	100.00
2016		101.24	98.91
2017		102.02	98.35
2018		103.62	98.92
2018	01	102.69	98.83
	02	102.76	99.60
	03	102.89	99.53
	04	103.06	98.87
	05	103.07	98.55
	06	103.20	98.35
	07	103.72	98.28
	08	104.47	98.76
	09	105.06	99.18
	10	104.54	99.22
	11	104.06	99.08
	12	103.96	98.78

**Note:**

Detailed methodological explanations for compiling and calculating the nominal (NEER) and real (REER) effective exchange rate are available at the CBBH website <http://www.cbbh.ba/content/read/1109?lang=en>

**T40: Cash outside Monetary Authorities and Banks**

Year	Cash outside Banks	Increase of Circulation Compared to the Previous Year	Cash outside Monetary Authorities	Currency in Commercial Banks
2008	2,302,419,302	5.4%	2,552,431,902	250,012,600
2009	2,009,480,115	-12.7%	2,267,734,115	258,254,000
2010	2,210,776,535	10.0%	2,497,501,445	286,724,910
2011	2,366,423,508	7.0%	2,645,055,508	278,632,000
2012	2,414,305,841	2.0%	2,747,511,841	333,206,000
2013	2,542,280,088	5.3%	2,909,858,088	367,578,000
2014	2,813,991,379	10.7%	3,210,508,379	396,517,000
2015	3,053,556,129	8.5%	3,499,468,129	445,912,000
2016	3,401,352,492	11.4%	4,066,804,492	665,452,000
2017	3,647,731,766	7.2%	4,319,359,766	671,628,000
2018	3,977,239,343	9.0%	4,750,614,343	773,375,000

Source: CBBiH

## NOTE

The revised data for the period January 2006 – November 2015 are based on the active sub-balance of the banks with majority state owned capital from the Federation of BH, with the passive sub-balance excluded. Through such supplement of statistics, the users are provided with higher analytical usefulness of data and objective indicators on the current operations of banks in BH. Passive sub-balance includes the liabilities based on foreign loans and old foreign exchange savings of citizens until 31 March 1992 and it does not reflect the current operations of the bank, so this sub-balance in the privatization process will be taken over by the Ministry of Finance of FBH according to the Law on Initial Balance Sheets of Banks and the Law on Privatization, as it has been done for the previously privatized banks. The performed revision mainly influenced the decrease of loans to public companies in a foreign currency, decrease of foreign liabilities, decrease of other items of assets and liabilities on the basis of old foreign exchange savings, and in considerably lower amounts, on items of loans to the Entity Government, fixed assets, non-residents' deposits, shares and capital.

The data on the „complete“ balance sheet, with the included passive subbalance, are still available at:

[http://statistics.cbbh.ba:4444/Panorama/novaview/SimpleLogin\\_bs.aspx](http://statistics.cbbh.ba:4444/Panorama/novaview/SimpleLogin_bs.aspx)

In November 2014, two banks have realized the sale and transfer of part of the loan portfolio which resulted with increase in reserves with monetary authorities in the amount of 64 million KM and a decrease in the following items: claims of non-financial private enterprises 260 million KM, foreign liabilities 101 million KM and other items (net) 95 million KM.

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 KM624 million, an increase in loan loss provisions by KM 472 million and other liabilities increased by KM 7 million.

In February 2011, one bank from BH Federation reclassified deposits in the amount of around KM 80 million, from the deposits of public companies to the Entities' governments deposits, in line with the IMF recommendations.

By order of the FBH Banking Agency, in June 2010, one bank made a reclassification of about KM 300 million of claims based on securities on domestic institutional sectors to the claims on non-residents. In December 2010, the same bank made this reclassification, retroactively, in the respective amounts for the period from August 2009 when the error occurred, until May 2010. The above reclassification was reflected in the 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 non-residents based on loans were reclassified in claims on non-residents on the basis of securities, 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 the appropriate amounts, by months, ranging from 50 - 150 million KM.

In accordance with new regulations of the RS Banking Agency, published in the Official Gazette of RS, no.136/10, which has regulated a new manner of recording receivables classified in category "E", accounting and bookkeeping of interest on non-performing assets and calculation of general and special provisions, RS banks, in the data for December 2010, implemented the mentioned regulations, by transferring these items from off-balance records into balance sheet. The correction was reflected on the assets side, as increase of loans in the amount of about KM 144 million, and increase of due interest in the amount of KM 36 million, and on the liabilities side, as increase in provisions for loan losses amounting to about KM 180 million within the capital account.





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