

Chapter III

FINANCIAL PROVISIONS

Article 25. Capital of the Central Bank

1. The initial capital of the Central Bank shall have a value of twenty-five million Convertible Marka equivalent to twenty-five million Deutsche marks. The authorized capital of the Central Bank shall be its initial capital increased or decreased over time as shall result from allocation of net profits pursuant to Article 27 or Article 29.
2. The entire initial capital of the Central Bank shall be fully paid up within two weeks from the date on which this Law enters into force. The modalities for the payment of the initial capital shall be determined by the Parliamentary Assembly of Bosnia and Herzegovina.

Article 26. Calculation of net profit or net loss of the Central Bank

For each financial year, the net profit or the net loss of the Central Bank shall be calculated in accordance with international accounting standards as the sum of net operating revenues or losses (including realized gains and losses) and net unrealized valuation gains or losses, and after making provision:

- a. for bad and doubtful debts, depreciation of assets, and contributions to the staff retirement fund; and
- b. subject to the approval of the institutions competent for the budget of Bosnia and Herzegovina, for such other purposes as the Central Bank may deem necessary..

Article 27. Allocation of net profit of the Central Bank

If the central bank has a net profit for any financial year, the net profit shall be allocated by the Governing Board and used in the following order of priority:

- a. an allocation from net profit shall be made to the capital account of the Central Bank in such amount as shall be required to increase the authorized capital of the Central Bank to a level equivalent to five percent of the aggregate amount of monetary liabilities (as defined by Article 31) shown in the accounts of the Central Bank for the end of that financial year;
- b. an allocation from net profit shall be made to the General Reserve maintained by the Central Bank in such amount as shall be required to increase the amount of the General Reserve to a level equivalent to the amount of the authorized capital of the Central Bank; the General Reserve may only be used to offset losses of the Central Bank;
- c. an allocation from net profit shall be made by unanimous decision of the Governing Board to special reserves for specific purposes established by the Central Bank; and
- d. any residual net profit remaining after the preceding allocations shall be allocated in accordance with the following: the preceding allocations from net profit shall be deemed to have been made entirely from net operating revenues, except that, if no operating revenues are included in net profit or after the preceding allocations have exhausted net operating revenues included in net profit, such allocations shall be deemed to have been made from net unrealized valuation gains; residual net operating revenues if any shall be distributed to the appropriate fiscal authorities identified by the Parliamentary Assembly of Bosnia and Herzegovina in accordance to paragraph 2 of Article 25 of this Law within four months after the end of the financial year, and residual net unrealized valuation gains if any shall be allocated to a Valuation Reserve Account maintained on the balance sheet of the Central Bank.

Article 28. Allocation of net loss of the Central Bank

If the Central Bank incurs a net loss for any financial year, the net loss shall be allocated as follows:

- a. if the net loss is composed of net operating losses and net unrealized valuation losses, the amount of net operating losses shall be charged to the general reserve or to capital in that order, and the amount of net unrealized valuation losses shall be allocated to the Valuation Reserve Account or, to the extent that the balance of the Valuation Reserve Account would be negative as a result of such allocation, to the general reserve or to capital in that order;
- b. if the net loss is the sum of net operating revenues and greater net unrealized valuation losses, the loss shall be allocated to the Valuation Reserve Account or, to the extent that the balance of the Valuation Reserve Account would be negative as a result of such allocation, to the general reserve or to capital in that order; or
- (c) if the net loss is the sum of a net operating loss and smaller net unrealized valuation gains, the loss shall be charged to the general reserve or to capital in that order.

Article 29. Coverage of shortfalls in capital of the Central Bank

Whenever:

- a. on a quarterly pro-forma (un-audited) balance sheet of the Central Bank prepared pursuant to Article 64 the value of its assets falls below the sum of its liabilities and its unimpaired authorized capital, or
 - b. the net profit of the Central Bank for any financial year is insufficient to increase the authorized capital of the Central Bank to a level equivalent to five percent of the aggregate amount of monetary liabilities (as defined by Article 32) shown on the balance sheet of the Central Bank for the end of that financial year,
- the Ministry responsible for the budget of Bosnia and Herzegovina shall, within two months after submission of that balance sheet to the Presidency of Bosnia and Herzegovina, provide Convertible Marka in such amount or amounts as shall be necessary to remedy this deficit.

Article 30. Restrictions on allocation of net profit

No transfer, redemption or payment pursuant to Article 27 or 28 shall be made if, as a result thereof, in the opinion of the Governing Board of the Central Bank, the assets of the Central Bank would be less than the sum of its liabilities and unimpaired capital and reserves.