



Annual Report 2010

CENTRAL REGISTRY OF SECURITIES JSC

YEARS

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Introduction

The trends from the year 2009 have continued in the past year. Movements in the market showed oscillation of stock exchange indexes and significant varying of trade volumes. The news that was the most frequently heard near the end of the year related to the drop of prices of shares on European stock exchanges, accounted for by the fact that the investors were still worried about the debt crisis in Euro Zone. A fall in the volume of trades is another indicator of additional caution exercised by the investors. By mid-year, not even the fact that the semi-annual financial reports of joint stock companies listed on Banja Luka Stock Exchange showed some sort of recovery compared to the same

period of the last year, did not result in any significant increase in the volume of trades.

Regardless of the overall business environment prevailing in the preceding period, we made efforts to improve our operations in all segments.

At the beginning of 2010, the new Operating Procedures in the Process of Joint Stock Companies Takeover came into force, aimed at adjustment with the amendments of the Law on Joint Stock Companies Takeover. Most important amendments to the Procedures related to the application of the procedures of enforced sale and enforced buying in the

process of joints stock companies takeover. In 2010 the first realization of the enforced sale of shares in the process of joint stock companies takeover took place, with three processes of enforced sale of shares completed.

The amendments to the Rule-book on Clearing, Settlement and Transfer of Securities that took effect in mid-March, enabled the members to effect payment of debts on the day of transfer of securities and upon payment of net receivable (T+3). In other words, conditions were created for the introduction of real DVP as well as for the application of Article 218, paragraph 2 of the Law on Securities Market, which stipu-

lates that transfer of securities and cash based on clearing and settlement of transactions made on the stock exchange and other regulated public market is to be performed simultaneously according to the principle “delivery versus payment”.

The Decision on Amendments to the Decision on the Level of the Fee Charged for the Services of Central Registry of Securities JSC Banja Luka came into force at the end of May. Based on the amendments, the fee for the operations of clearing, settlement and transfer of securities was changed in the part relating to the fee for selling and buying activities with debt securities, and thus it was made equal with the fee for equity securities.

At the request of the Republic of Srpska Pension and Disabled Persons' Fund, the net value of assets in the Fund's portfolio was calculated. Calculation of net value of assets of the Fund as of 31 May 2010 was done for the purpose of appraisal of value of the Fund's initial contribution share in the Republic of Srpska Pension Reserve Fund. The calculation was done following the same methodology as for the determination of net value of assets of the Republic of Srpska Share Fund and The Republic of Srpska Restitution Fund.

After coming into force of the new Rulebook on Performing Custody Operations the activities started on adjustment of operations of the investment funds' depository in the Central Registry. The new Rules of Operations of the Depository for Investment Funds have been applied since September 2010.

We can say that for eight years already, we have successfully performed depository operations for the investment funds. In addition to its other activities, Central Registry is also the big-

gest depository bank conducting these operations for 10 closed-end investment funds and 3 open-end investment funds. The Central Registry is currently the only depository for open-end investment funds in the Republic of Srpska. Considering the fact that the Central Registry is currently managing the assets for 13, of total 17 investment funds registered in the Republic of Srpska, it becomes evident that the Central Registry is the depository bank with the biggest responsibility and the biggest share in the business related to safekeeping and valuation of the investment funds' assets.

In addition to all this, it is undisputable that at the time of the financial crisis affecting all the participants in the Republic of Srpska capital markets, the Central Registry's focus is on applying the best possible care for the needs of the participants themselves. The amounts of fees charged to the investment funds for performing depository operations were reduced by the Central Registry a number of times, to help the funds cope more easily with the consequences of the crisis, which affected both their operations and the value of their assets. By these measures the Central Registry is trying to make its contribution to the recovery of the market.

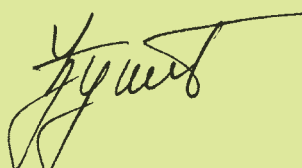
The development of financial market requires constant keeping the pace with and reacting to the new demands of the market and its participants. For this reason, and in order to ensure that the planned goals come to their fruition, we performed a number of optimizations of software solutions in the last year, completed the development of new module in software and implemented new software solutions that enabled the introduction of new services. We also adjusted the method of exchanging information with other institutions responding to their needs.

Besides the above-mentioned activities, in the course of the year we implemented the conclusion made by the Shareholder Meeting in the past years and successfully carried out the decision of the Central Registry Management Board to solve the issue of building the business premises for the needs of the Central Registry. At the end of 2010, the Central Registry finally has its own business premises that will enable it to carry out its regular activities more smoothly, and that, in terms of quality, safety, structure and size fully meet the demands of an institution such as the Central Registry.

Summing up the current year, we can be satisfied with the results accomplished, having in mind the events taking place in the surrounding. All planned strategic activities have been accomplished and the financial result is above the range set by the operating plan. We can conclude that the Central Registry of Securities has been an active participant of the Republic of Srpska capital markets since its very beginnings, successfully accomplishing its tasks, for 10 years already, set before it on the basis of the Law on Securities Market.

We are aware that success of our operations depends on the satisfaction of both our members and clients. Therefore we will continue keeping up with the trends, improving the existing and designing new products and services for our members and clients, in our effort to fully understand their needs and meet their demands.

Jasminka Đukić,
Director
Central Registry of Securities



Central Registry of Securities Management Board



Chairman
Prof. Nikola Mojović, Ph.D.
B.A. Law



Deputy chairman
Milka Lukić
B.Sc. Ecc.



Member
Božidar Plavljanić
B.Sc. Ecc.



Member
Zoran Bera
B.Sc. El. Eng.



Member
Dragan Džinić
B.A. Law

Central Registry of Securities Supervisory Board



Deputy chairman
Božana Šljivar
B.Sc. Ecc.



Member
Jovo Radukić
B.Sc. Ecc.

Chairman

Ownership structure

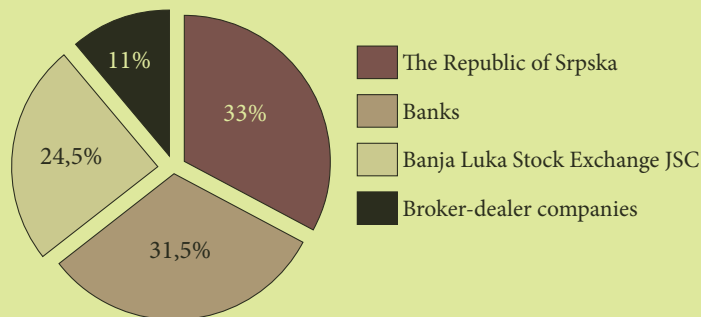


Figure 1. Ownership structure of the Central Registry as of 31 December 2010

Central Registry of Securities members

Brokerage companies with a status of a member of the Central Registry as of 31 December 2010, are the following:

1. ADVANTIS BROKER AD BANJA LUKA
2. BALKAN INVESTMENT BANK AD BANJA LUKA
3. BOBAR BANKA AD BIJE LJINA
4. EUROBROKER AD BANJA LUKA
5. FIMA INTERNATIONAL AD BANJA LUKA
6. HYPO ALPE-ADRIA-BANK AD BANJA LUKA
7. MONET BROKER AD BANJA LUKA
8. NOVA BANKA AD BANJA LUKA
9. PAVLOVIĆ INTERNATIONAL BANK AD SLOBOMIR, BIJE LJINA
10. RAIFFEISEN CAPITAL AD BANJA LUKA
11. UNICREDIT BANK AD BANJA LUKA
12. ZEPTER BROKER AD BANJA LUKA

Custody banks that have a status of member of the Central Registry as of 31 December 2010, are the following:

1. BALKAN INVESTMENT BANK AD BANJA LUKA
2. HYPO ALPE-ADRIA-BANK DD MOSTAR
3. INTESA SANPAOLO BANKA DD BOSNA I HERCEGOVINA
4. NLB TUZLANSKA BANKA DD TUZLA
5. NOVA BANKA AD BANJA LUKA
6. RAIFFEISEN BANK DD BIH SARAJEVO
7. UNICREDIT BANK DD MOSTAR

Major events and activities in 2010

On 21 January 2010, the Central Registry Management Board adopted the Instruction on Amendments to the Instruction for Payment and Use of the Guarantee Fund. The essence of the amendments is in prescribing the minimum amount of the basic payment in the Guarantee Fund per member, which is 10.000,00 KM.

Since January 2010, the reports for the funds delivered to the fund management companies, funds' supervisory boards and the Securities Commission have been adjusted to the new Rulebook on Figure of Accounts, the Content of the Account in Figure of Accounts and the Content and Form of Financial Reports for Investment Funds ("The Republic of Srpska Official Gazette", no. 101/09).

At the beginning of 2010, the new Procedures in the Process of Joint Stock Companies Takeover came into force. Most important amendments to the Procedures related to the implementation of the process of enforced sale and enforced buying in the process of joint stock companies takeover (at the end of 2009, the amendments to the Law on Joint Stock Companies Takeover came into force, and the Instruction

on the Way to Exercise the Right to Enforced Sale and Enforce Buying in the Process of Joint Stock Companies Takeover was issued by the Securities Commission ("The Republic of Srpska Official Gazette", no. 112/09).

In 2010, the first execution of enforced sale of shares in the process of joint stock companies takeover took place, with three procedures of enforced sale of shares completed.

On 13 March 2010, the Rulebook on Amendments to the Rulebook on Clearing, Settlement and Transfer of Securities came into effect. As of that time, the members have been allowed to pay net debts on the day of transfer of securities and payment of net receivables (T+3), in other words, conditions were created for the introduction of real DVP as well as for the application of Article 218, paragraph 2 of the Law on Securities Market, which reads: "Transfer of securities and cash based on clearing and settlement of the transactions made on the stock exchange and other regulated public market, is done simultaneously, according to the principle 'delivery versus payment'".

During April 2010, responding to the needs of the service provided to issuers who pay dividend, we developed software for calculating the amount of dividend per shareholder and for making all necessary reports. This target group was also offered a service

of gathering data on the number of shareholder's bank account and their permanent safekeeping and updating.

In May 2010 the new Rulebook on Performing Custody Operations came into effect ("The Republic of Srpska Official Gazette", no. 37/10), by which the Rulebook on Performing the Operations of Depository for the Investment Funds ("The Republic of Srpska Official Gazette", no. 89/07) was invalidated, and which prescribed that the persons registered in the Register of Depositories with the Securities Commission were required to adjust their operations with the provisions of the new Rulebook. In reference to that, the activities started on adjustment of operations and adoption of the new rules of operations of the depository for investment funds in the Central Registry.

On 25 May 2010, the Decision on Amendments to the Decision on the Level of the Fee Charged for the Services of the Central Registry of Securities JSC Banja Luka came into force, regulating that the fee for the operations of clearing, settlement and transfer of securities, more precisely in its part for sale/buying operations involving debt securities increased from 0% to 0.015% of the value of transaction. Based on these changes, the fees for the service of clearing, settlement and transfer of securities for selling/buying transactions involving equities and debt securities were brought to the same level.

At the request of the Pension and Disabled Persons' Fund of the Republic of Srpska, the net value of assets in the Fund's portfolio was calculated. The calculation of net value of assets of the Fund as of 31 December 2009 was made for the needs of making annual financial reports of the Fund, while the calculation as of 31 May 2010 was made for the purpose of evaluation of the Fund's initial capital contribution in the Pension Reserve Fund of the Republic of Srpska. The said calculations were done according to the same methodology like the one applied for determining the net value of assets of the Republic of Srpska Share Fund and the Republic of Srpska Restitution Fund and implied taking into account all the changes arising for the issuers in the Fund's portfolio, affecting the structure and the value of the assets in the Fund's portfolio since the time of the last computation.

Software upgrade and expansion was performed by the Central Registry in mid-2010, for the needs of computation of principal amount and interest, as well as for keeping records of their payments. This was done in order to make sure that the users of these services are satisfied with the quality of service provided, which was soon proved by the fact that only in 2010 we signed seven of total twelve contracts on calculation of principal amount and interest on bonds..

The module for generating individual statements in pdf format

and for sending these reports by email, as part of software for monthly print was completed in June 2010. The Central Registry notified the users both in writing and by publishing a notification on its website inviting them to send the data on e-mail address, to enable the Central Registry to send the reports on the balance on the account for the holders who had a change of balance on the holders account during the past month. The Central Registry chose this form of communication with its clients keeping up with the trends in electronic business operations, believing that this form would be more efficient, faster and safer. The number of submitted email addresses assured us of the great interest that existed for this way of sending reports.

The Rules of Operations of the Depository for the Investment Funds in the Central Registry were published in the Official Gazette in September 2010. The said Rules were adjusted with the new Rulebook on Performing Custody Operations and the new Rules for Operations of the Depository of Investment Funds in the Central Registry, previously approved by the Commission, were adopted.

In November 2010 we fulfilled technical requirements for establishing e-banking with BH Central Bank.

In 2010 the conditions were met for sending the reports for funds to the Commission via Electronic Data Gathering, in

accordance with the provisions of the Rulebook on the Contents, Deadlines and Form of Reports of Investment Funds, Management Companies and Depository Bank ("The Republic of Srpska Official Gazette", no. 75/09). During this period, the reports of the depository envisaged by the Rulebook were adjusted for publishing on the Central Registry website, in accordance with the Instruction on the Content of Websites of Authorized Participants in Capital Markets ("The Republic of Srpska Official Gazette", no. 29/09). As of this year, these reports are published on the Central Registry website.

The Central Registry ended the year 2010 as a depository for 10 closed-end investment funds (CIFs) and three open-end investment funds (OIFs).

At the end of 2010, the Central Registry carried out the activities on determining the value of fund's assets for a total of 10 funds. Monthly computations of net value of their assets were performed for CIFs, while daily computations were done for OIFs.



Scope of legal operations

Normative activity of the Central Registry

A great deal of legal regulation in the field of capital markets takes place in the Central Registry. These activities comprise keeping up with the regulations, making proposals for amending regulations and development of general enactments within the purview of responsibility of the Central Registry.

The most important and the most extensive activity in the year 2010 included the development of the new Rulebook on Registration and Transfer of Securities. The new Rulebook is the fourth general enactment of the Central Registry governing this matter (the first was enacted in 2001, the second in 2005, and the third in 2007), demonstrating the dynamics of procedures and the relations governed by them.

While developing this new enactment, efforts were made to ensure that it is in line with the existing normative framework, and adjusted to a number of different laws, the most important of which are the following: Companies Act, Law on Registration of Business Subjects in the Republic of Srpska, Law on Securities Market, Law on Joint Stock Companies Takeover, Law on General Administrative Proceedings, Law on Notaries, Law on Real Rights, Law on Inheritance, Law on Extra-Judicial Proceedings, Family Law, as well as with a number of by-laws promulgated by the Republic of Srpska Government and the Republic of Srpska Securities Commission. The new Rulebook on Registration and Transfer of Securities was adjusted with the Companies Act to the possible extent, given the fact that the Law on Securities

Market is not yet harmonized with the Companies Act. .

Besides the aforementioned, our goal considering this the new enactment was to improve and specify in more detail, both from the normative and practical points of view, the procedures conducted in the Central Registry, especially having in mind appropriate applications of the rules of administrative proceedings, and from the point of view of systematic and consistent application of terminological and stylistic harmonization.

Also, as a reaction to the suggestions made in the meetings with custody banks and during regular due diligence visits by the world custody banks, the Central Registry discussed with the Republic of Srpska Securities Commission, and made the changes in the manner of allocation of securities for certain types of transactions as well as the manner of transfer of securities between the custody accounts and transfer of securities in case of the change of custody bank, which will be registered in the Central Registry enactments and forwarded to the members for comments prior to final adoption.

The new Operating Procedures in the Process of Joint Stock Companies Takeover were adopted in the last year too, as well as the Decision on Amendments to the Articles of Association, Decision on Amendments to the Decision on the Level of the Fee Charged for the Central Registry Services, Decision on Amendments to the Procedures in the Process of Registration and Transfer of Securities, Rules of Operations of the Depository for the Investment Funds, Instruction on Amendment to the Instruction for Marking the Securities.

In accordance with the announcements related to the issue of money market instruments, especially of the Republic of Srpska treasury notes, the Central Registry started an analysis of legal and technical aspects of registration and dealing with these instruments.

Market development and improving the services

A significant part of legal function of the Central Registry includes the activities on improving the business operations. These activities include keeping up with the international standards, establishing and improving the relations with relevant international entities in capital markets, keeping up with the development of market and services at the international level, participation in projects, adjustment of legal requirements and development-related requirements for services with the manner of inputting the data in the system and the manner of reporting from the database.

During 2010, continuous attention was paid to the improvement of the quality of the data registered in the database as well as to the overall improvement of services and the position of the Central Registry both from the domestic point of view and internationally. This implied work on normative and operational issues directed to risk management and further improvement of rating with the rating agency and the consultant company Thomas Murray. The current rating is very good already: BBB-Acceptable risk, taking into account that all the risk aspects do not only depend on the Central Registry but on the general economic and legal situation in the country and in the market.

Development of the new statics was initiated in view of the market promotion, that should reflect in more detail the structure of instruments registered in the Central Registry and the dynamics of issuing according to multiple criteria (types of securities, types of issuers, types of changes in equity), as well as the structure of ownership and transfer of ownership, also according to multiple criteria.

The Central Registry has developed new presentations for training of issuers, training of holders as well as for issuing the book of shareholders, and, in order to promote general aspects of the market, worked on training the clients through permanent both direct and indirect education. Along with the Investment-Development Bank of the Republic of Srpska, Chamber of Commerce, and Notary Chamber, we participated in training of issuers on practical application of the Companies Act, namely the training aimed at the issues of shareholders meeting. Training was organized in eight cities of the Republic of Srpska, with a large issuers' turnout, and provided answers to many practical issues.

Processing requests and orders in the securities keeping operations

The following data is registered, safekept and managed in the Central Registry: data on securities, holders, rights and limitations to rights, third parties' rights and their holders, bans and limitations with regards to transfer of securities.

Operational activities comprise the operations of legal processing of all submitted orders and orders, operations on input in the system, activities on reporting, publishing and delivering of information that is registered in the database, operations of providing legal help to the clients as well as the activities of usual business communication with relevant institutions, partners and clients.

During 2010, an expansion was seen of the issue of municipal bonds and bonds of District Brcko. The structure of registered securities by type of security, type of issuer and type of changes in equity is presented in below tables.

	No.	Amount of securities	Value in KM	%
Regular shares (ES)	49	329.415.003	406.580.112	74,1587485
Preference shares (EP)	1	20.000	2.000.000	0,3647928
Bonds (DB)	16	121.398.200	137.176.325	25,0204677
Other	1	25.000	2.500.000	0,455991
TOTAL	67	450.858.203	548.256.437	100

Table 1. Issues per types of securities

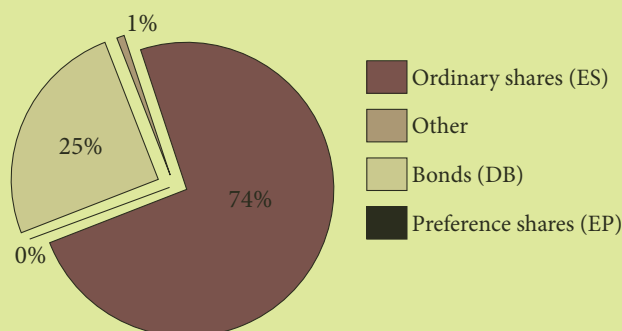


Figure 2. Issues per types of shares according to nominal value

	No.	Am. of sec.	Value in KM	%
State and local administration	15	121.348.200	132.176.325	24,1084858
Domestic financial organizations	16	60.549.928	130.123.262	23,7340145
Domestic non-financial organizations	36	268.960.075	285.956.850	52,1574998
TOTAL	67	450.858.203	548.256.437	100

Table 2. Issues per type of issuers

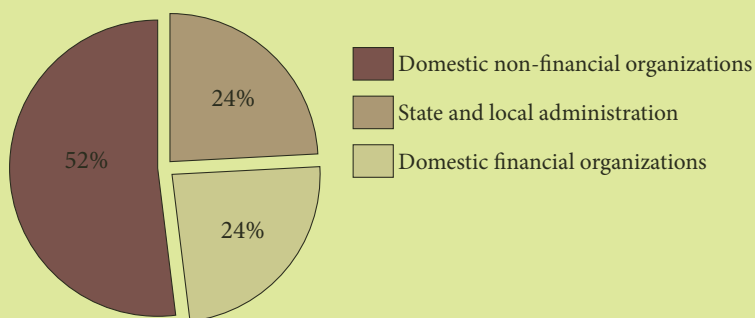


Figure 3. Issues per type of issuer according to nominal value

	Number	%
First issue of shares	13	26
Issues based on capital decrease	9	18
Issues based on capital increase	26	52
Issues on other bases	2	4
TOTAL	50	100

Table 3. Issues of shares per type of change in equity

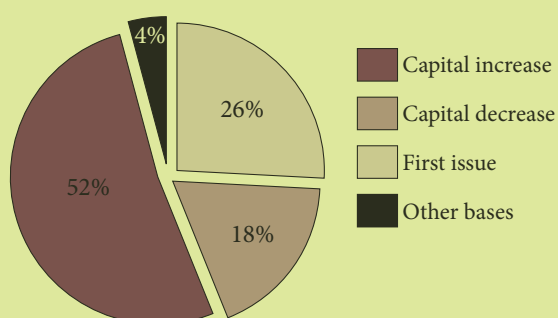


Figure 4. Issues of shares per type of change in equity, according to number of issues

The trend of settlement of tax liabilities by Republic's bonds also continued, in accordance with the Regulation on Settlement of Tax Liabilities through the Republic of Srpska Bonds. The structure of transfers based on transactions outside the stock exchange is provided in below table.

	Number	Quant. of sec.	Value in KM	%
Inheritance	1.191	7.570.202	5.367.982	60,5490595
Contract on Gift	22	569.242	780.692	1,1184545
Contract on Sale/Purchase	18	40.015	40.015	0,91509914
Decision by the court and other rel.bodies	505	27.314.599	29.449.317	25,6736146
Takeover	99	7.412.823	7.412.823	5,03304525
Other bases	132	6.260.813	15.334.333	6,710727
TOTAL	1.967	49.167.694	58.385.163	100

Table 4. Transfers outside the stock exchange per type of transaction

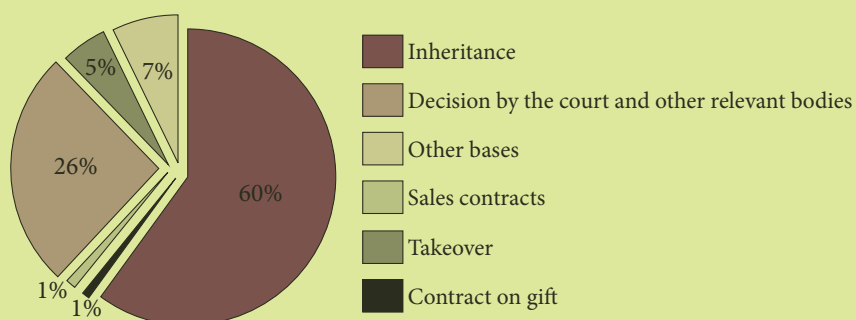


Figure 5. Transfers outside the stock exchange per type of transaction according to the number of transfers

The number of other positively solved orders and requests is presented in below table.

OTHER TRANSACTIONS	Positively solved
Holders' accounts	
Creation of holder's accounts	4347
Correction of data on holders	≈ 15 per day
Merging of accounts due to correction of data	1525
Return of securities from client account to holder's account	≈ 7 per day
Documents for holders and issuers	
Issuing certificates on balance of the account	1916
Issuing statements on balance of the account	≈ 10 per day
Issuing the book and the list of shareholders	552
Liens	
Registration of lien	72
Registration of change in lien	92
Deletion of liens	93
Enforced sale of pledged securities by the Central Registry	26
Ban on disposal	
Registration of ban on disposal	296
Deletion of ban on disposal	348
Members	
Admission to membership	2
Exclusion from membership	2
JSC takeover	
Opening of takeover offer	25
Opening of competitive bid	1
Closing the takeover offer	24

Table 5. Number of positively solved orders and requests



***Clearing,
settlement and
transfer of securities***

The total turnover in the year 2010 amounted to 141.7 million KM. Turnover realized through regular trades accounts for 55% of total turnover, while the remaining 45% is for the trades realized through block trades. As it can be seen from table below, compared to the same period of the last year, in 2010 there was an increase in total turnover by 35%. An increase in overall turnover was owing to a high increase in block trades, which was as high as 232%.

Besides an increase in total turnover, the number of transactions also had a 6% increase compared to the same period of the last year, while the number of securities that were subject to trading had a 15% decrease.

Table below presents the indicators of total realized turnover in the years 2009 and 2010

	2010	2009	Index
Number of transactions	19.150	18.060	106
Number of securities subject to trade	235	275	85
Realized turnover	141.707.774,06	104.947.568,68	135

Table 6. Total turnover in the years 2009 and 2010

Regular trades

The value of regular trades in the year 2010 totaled 77.7 million KM, which is by 9% less compared to the same period of the last year.

The average value of turnover per trade amounted to 310 thousand KM, which is by 10% less compared to 2009.

The only increase was with the number of transactions, i.e. with the average number of transactions per trade, which was 6%.

The table and figure below illustrate the movement that was present in the capital market speaking of regular trades in the years 2009 and 2010.

Regular trades	2010	2009	Index
Number of trades	251	250	100
Number of transactions	19.131	18.050	106
Average number of transactions per trade	76	72	106
Number of securities that were subject to trading	231	274	84
Realized turnover	77.723.801,18	85.682.016,72	91
Average turnover per trade	309.656,58	342.728,07	90

Table 7. Regular trade in the years 2009 and 2010

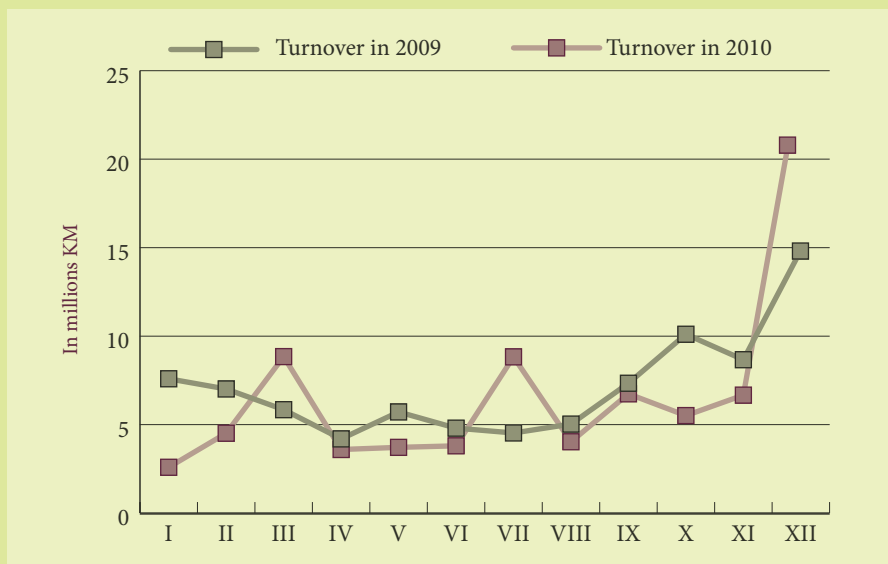


Figure 6. Turnover based on regular trades per months of 2009 and 2010

In the first half-year in 2010, the regular turnover was in the amount of 25.2 million KM, while in the second half-year there was an increase in turnover by 107%, and it amounted to 52.4 million KM.

Monthly turnover levels were subject to a great deal of oscillations and were mostly lower than the turnover realized in the same period of the last year. It is evident from the figure that there was a big jump in turnover during March, July and December.

March was characterized by a considerable increase in bond-based turnover, i.e. by 724% compared to the previous month, and amounted to 4.5 million KM, of which turnover realized from the bond of Laktasi Municipality amounted to about 2 million KM. Turnover based on shares was 4.2 million KM, which is by 18% higher than in February.

Turnover based on shares increased in July, by as high as 204% compared to the previous month. The biggest turnover was based on the share of Kosig Dunav osiguranje AD Banja Luka in the amount of 2.3 million KM, while the total turnover in shares amounted to 6.3 million KM. As for the bonds, the turnover increased by 73% and amounted to 2.6 million KM, of which the turnover by the Republic of Srpska bond for settlement of material and immaterial war damage (RSRS-O-D) only amounted to 1.7 million KM.

Until December, the average monthly turnovers amounted to about 5.2 million KM, and the highest monthly turnover took place in December, in the amount of 20.5 million KM. Of that, turnover based on shares amounted to 15.8 million KM, and turnover based on bonds 4.7 million KM. Such a high turnover from shares was due to the trades of shares of Trznica AD Banja Luka (8.3 million KM) and of CIF Invest Nova fond (2.1 million KM).

Table below presents a breakdown of regular trades per types of securities.

Type of security	Value of turnover	% of total value of turnover	Change (2010/2009)	Number of securities subject to trade	% of total number of traded securities	Change (2010/2009)	Number of transactions	% of total number of transactions	Change (2010/2009)
Share	49.216.976,73	63%	-11%	192.103.336	75%	114%	10.179	53%	-12%
Bond	28.506.824,45	37%	-7%	62.429.691	25%	14%	8.952	47%	37%
TOTAL	77.723.801,18	100%	-9%	254.533.027	100%	76%	19.131	100%	6%

Table 8. Analysis of regular trades per type of security

It is evident from the table that turnover in shares amounted to 49.2 million KM, which accounts for 63% of regular trades, while the turnover in bonds amounted to 28.5 million KM or 37% of regular trades. Looking by the types of securities we see that, compared to the last year, there was a decrease of trading in shares by 11% as well as a decrease in trading in bonds, by 7%.

Turnover made by trading shares of the funds amounted to 9.8 million KM. Of that, 2 million KM trades were in the first half-year 2010, and the remaining 7.8 million KM in the second half-year. It is visible from this that in the second half of the year there was an increase in turnover of shares of funds, by 290%.

The shares that were the subject to most trades were those of CIF Kristal invest fond and CIF Invest nova fond. By trading the shares of these funds, a turnover was realized in the amount of 5.6 million KM, which is 7.2% of realized regular trades, while the turnover of shares of other 12 closed investment funds accounts for 5.2% of regular turnover. Trading of funds' shares accounts for 12.62% of regular trades and is by 29% higher compared to the last year.

Block trades

The value of block trades in the year 2010 had a 232% increase compared to the year 2009, and amounted to 63.9 million KM.

Only shares were subject to block trades, with the total value of block trades accounting for 45% of total generated turnover.

	2010	2009	Index
Number of trades	16	9	178
Number of transactions	19	10	190
Average number of transactions per trade	1,19	1,11	107
Number of securities subject to trading	13	6	217
Realized turnover	63.983.972,88	19.265.551,96	332
Average value of turnover per block trade	3.367.577,52	1.926.555,20	175

Table 9. Block trades

Guarantee Fund

The basic payment in the Guarantee Fund in January was 7.700,00 KM per member.

In January 2010 the Central Registry Management Board adopted the Instruction on Amendments to the Instruction for Payment and Use of the Guarantee Fund (Number:UO-544/10 dated 21 January 2010), which stipulates that the minimum payment of basic payment per member cannot be less than 10.000,00 KM.

During the period 01 February – 31 July 2010, the basic payment into the Guarantee Fund amounted to 11.800,00 KM per member, and 10.000,00 KM in the period 01 August 2010 – 31 December 2010.

The level of monthly additional payment of members into the Guarantee Fund varied from one month to another depending on the amount of the average value of member's net debt and on the ratio of its monthly net debt.

The minimum value of the Guarantee Fund was 223.000,00 KM in September, and the biggest 394.000,00 KM in February 2010.

Central Registry members regularly fulfilled their cash liabilities, based on net debts from transactions made on the stock exchange, so that there was no need to use the Guarantee Fund's assets.

Trading per members

A breakdown of share of Central Registry members in regular trades, block trades and total trades is presented in table below:

Name of member	Regular trade ¹			
	Value of purchase	Value of sale	Total	% share in regular trades
ADVANTIS BROKER AD	16.331.862,07	8.370.184,63	24.702.046,70	15,89%
BALKAN INVESTMENT BANK AD	4.851.248,73	6.312.235,19	11.163.483,92	7,18%
BOBAR BANKA AD	2.853.115,40	8.721.229,34	11.574.344,74	7,45%
EUROBROKER AD	2.810.940,00	12.745.983,74	15.556.923,74	10,01%
FIMA INTERNATIONAL AD	3.780.588,02	3.629.109,96	7.409.697,98	4,77%
HYPO ALPE-ADRIA-BANK AD	2.284.703,33	4.571.418,90	6.856.122,23	4,41%
ZEPTER-BROKER AD	6.489.978,95	4.870.924,35	11.360.903,30	7,31%
UNICREDIT BANK AD	1.592.038,48	1.976.838,28	3.568.876,76	2,30%
MONET BROKER AD	10.755.661,10	3.903.358,91	14.659.020,01	9,43%
NLB RAZVOJNA BANKA AD	3.502.138,80	2.186.873,65	5.689.012,45	3,66%
NOVA BANKA AD	9.728.449,35	9.174.905,49	18.903.354,84	12,16%
RAIFFEISEN CAPITAL AD	3.401.011,76	5.485.170,58	8.886.182,34	5,72%
PAVLOVIĆ INTERNATIONAL BANK AD	347.308,63	1.048.487,60	1.395.796,23	0,90%
TOTAL BROKERAGE COMPANIES	68.729.044,62	72.996.720,62	141.725.765,24	91,17%
BALKAN INVESTMENT BANK AD-KASTODI	0,00	0,00	0,00	0,00%
NOVA BANKA AD-KASTODI	176.362,85	32.390,69	208.753,54	0,13%
NLB TUZLANSKA BANKA DD-KASTODI	0,00	151.318,42	151.318,42	0,10%
RAIFFEISEN BANK DD-KASTODI	5.817.403,28	616.544,56	6.433.947,84	4,14%
UNICREDIT BANK DD-KASTODI	809.505,63	249.236,03	1.058.741,66	0,68%
INTESA SANPAOLO BANKA BIH-KASTODI	0,00	0,00	0,00	0,00%
HYPO ALPE-ADRIA-BANK AD BANJA LUKA-KASTODI	2.094.661,49	3.286.177,12	5.380.838,61	3,46%
HYPO ALPE-ADRIA-BANK DD MOSTAR-KASTODI	96.823,31	391.413,74	488.237,05	0,31%
TOTAL CUSTODY BANKS	8.994.756,56	4.727.080,56	13.721.837,12	8,83%
TOTAL	77.723.801,18	77.723.801,18	155.447.602,36	100,00%

Table 10. Turnover per members of the Central Registry during the period 01 January to 31 December 2010

Block trades				TOTAL			
Value of purchase	Value of sale	Total	% share in block trades	Value of purchase	Value of sale	Total	% share in total turnover
12.672.000,00	12.672.000,00	25.344.000,00	19,80%	29.003.862,07	21.042.184,63	50.046.046,70	17,66%
35.958.913,24	35.958.913,24	71.917.826,48	56,20%	40.810.161,97	42.271.148,43	83.081.310,40	29,31%
3.485.461,39	3.485.461,39	6.970.922,78	5,45%	6.338.576,79	12.206.690,73	18.545.267,52	6,54%
0,00	0,00	0,00	0,00%	2.810.940,00	12.745.983,74	15.556.923,74	5,49%
0,00	0,00	0,00	0,00%	3.780.588,02	3.629.109,96	7.409.697,98	2,61%
0,00	0,00	0,00	0,00%	2.284.703,33	4.571.418,90	6.856.122,23	2,42%
5.814.070,11	5.814.070,11	11.628.140,22	9,09%	12.304.049,06	10.684.994,46	22.989.043,52	8,11%
0,00	0,00	0,00	0,00%	1.592.038,48	1.976.838,28	3.568.876,76	1,26%
2.929.173,50	2.929.173,50	5.858.347,00	4,58%	13.684.834,60	6.832.532,41	20.517.367,01	7,24%
0,00	0,00	0,00	0,00%	3.502.138,80	2.186.873,65	5.689.012,45	2,01%
3.124.354,64	3.124.354,64	6.248.709,28	4,88%	12.852.803,99	12.299.260,13	25.152.064,12	8,87%
0,00	0,00	0,00	0,00%	3.401.011,76	5.485.170,58	8.886.182,34	3,14%
0,00	0,00	0,00	0,00%	347.308,63	1.048.487,60	1.395.796,23	0,49%
63.983.972,88	63.983.972,88	127.967.945,76	100,00%	132.713.017,50	136.980.693,50	269.693.711,00	95,16%
0,00	0,00	0,00	0,00%	0,00	0,00	0,00	0,00%
0,00	0,00	0,00	0,00%	176.362,85	32.390,69	208.753,54	0,07%
0,00	0,00	0,00	0,00%	0,00	151.318,42	151.318,42	0,05%
0,00	0,00	0,00	0,00%	5.817.403,28	616.544,56	6.433.947,84	2,27%
0,00	0,00	0,00	0,00%	809.505,63	249.236,03	1.058.741,66	0,37%
0,00	0,00	0,00	0,00%	0,00	0,00	0,00	0,00%
0,00	0,00	0,00	0,00%	2.094.661,49	3.286.177,12	5.380.838,61	1,90%
0,00	0,00	0,00	0,00%	96.823,31	391.413,74	488.237,05	0,17%
0,00	0,00	0,00	0,00%	8.994.756,56	4.727.080,56	13.721.837,12	4,84%
63.983.972,88	63.983.972,88	127.967.945,76	100,00%	141.707.774,06	141.707.774,06	283.415.548,12	100,00%

¹ Regular trades include transactions made on the stock exchange, for which the Central Registry performs clearing and settlement in cash and securities.

Computation of principal and interest for debt securities

In 2010 the Central Registry signed the Contracts on Performing Computation of Principal Amount and Interest Based on Due Coupons with the following municipalities: Šamac, Bijeljina, Istočni Stari Grad, Kotor Varoš, Brod, Lopare as well as with the microcredit company „Sinergija-plus“ d.o.o. Banja Luka.

By this, the number of bonds for which the Central Registry performs the service of computation of the related principal amount and interest increased to thirty-one.

In addition to the service of computation of the principal amount and interest, the Central Registry provides a service of keeping records on disbursements for the Republic of Srpska Finance Ministry. This service comprises keeping records on disbursements made for each holder, and keeping records on due receivables for the holders to whom disbursement was not made due to technical reasons. In cooperation with the holders who did not receive the funds, the Central Registry establishes the causes and helps remove them, so as to make sure that the holders can exercise their right to collection of receivable.

Table below provides an overview of number of computation of principal amount and interest by months.

	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII	Total
Maturity of principal amount	1	2	1	-	2	1	1	2	3	-	2	2	17
Maturity of interest	1	2	8	-	2	2	1	2	15	1	2	8	44

Table 11. Computation of principal amount and interest by months, during the period 01 January – 31 December 2010

Thanks to the increasing number of bonds for which we perform computation of principal amount and interest, in 2010 we had an increase in the number of computation of principal amounts by 113%, and an increase in interest by 120%, compared to 2009.

Table below provides an overview of the amount of principal and interest falling due for payment in 2010.

	Computed amount for disbursement/payment
Maturity of principal amount	51.974.860,36
Maturity of interest	8.635.690,16
Total	60.610.550,52

Table 12. Amounts of principal amount and interest falling due for payment

Like with all our activities so far, we are trying to do this one in the best possible and professional way. The quality and seriousness in performing of these task were recognized by the issuers, and we are happy to be able to say that so far we have signed contracts on computation of principal amount and interest with twelve issuers and that we perform computation for thirty-one out of thirty-five registered bonds.



Depository operations

The Central Registry ended the year 2010 as a depository of 10 closed-end investment funds (CIF) and three open-end investment funds (OIF). At the end of 2010 the operations of determining net value of assets of investments funds (IFs), based on the contracts made with the management companies, was performed by the Central Registry for a total of 10 IFs, eight CIFs and two OIFs.

Regular activities on determining net value of assets of the Republic of Srpska Share Fund and the Republic of Srpska Restitution Fund and on making monthly reports for these funds continued in the year 2010.

During this period the value of assets in the Republic of Srpska Pension and Disabled Persons' Fund portfolio was calculated on two occasions. Computation as of 31 May 2010 was made due to the appraisal of value of the Fund's initial capital contribution in the Republic of Srpska Pension Reserve Fund.

Operations of the depository for investment funds

In 2010 the operations of a depository were performed for 10 CIFs, while the same operations started to be performed for OIFs to. As of December 2010, the depository operations in the Central Registry are performed for the total of 13 IFs, 10 CIFs and three OIFs.

Total net value of assets of these funds as of 31 December 2010 amounted to 317 million KM.

At the end of 2010, the Central Registry performs the operations related to determining the value of assets for the total of 10 funds. Monthly computations of net value of assets were performed for CIFs, and for OIFs daily computations. Checking and verification of computations delivered by the funds management companies were performed for three funds.

The graph below presents the movements in equity and net value of assets of CIFs for which the Central Registry performed depository operations during the period 2002 to the end of 2010.

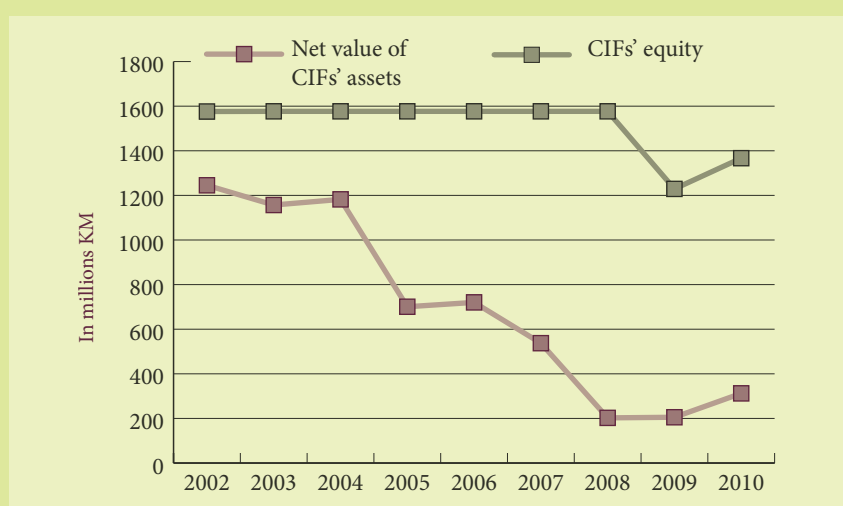


Figure 7. Equity and net value of assets of CIFs in the period 2002-2010

While there was a change in the number of CIFs for which the depository operations were performed, the movement of net value of assets of these funds during this time period was mostly due to the situation in the capital markets, as well as to the methodology that was applied for determining the net value of assets of the funds in the said period. Starting with the computation for March 2010, the Rulebook on Amendments to the Rulebook on Determining the Value of

Assets of Investment Fund and Computation of Net Value of Assets per Share and Stock of the Investments Fund (“Republic of Srpska Official Gazette”, no. 23/10) has been in force. The basic change in the methodology, compared to the one applied in the previous period, from December 2007, stipulated that the equity securities from the fund’s portfolio, that do not meet the prescribed marketability requirement were not to be valued at zero any more, but according to the valuation techniques defined under IAS 39.

The figure below presents a comparative overview of movements of the established amount of net value of assets of closed investment funds for which the Central Registry performed the depository operations in the years 2009 and 2010.

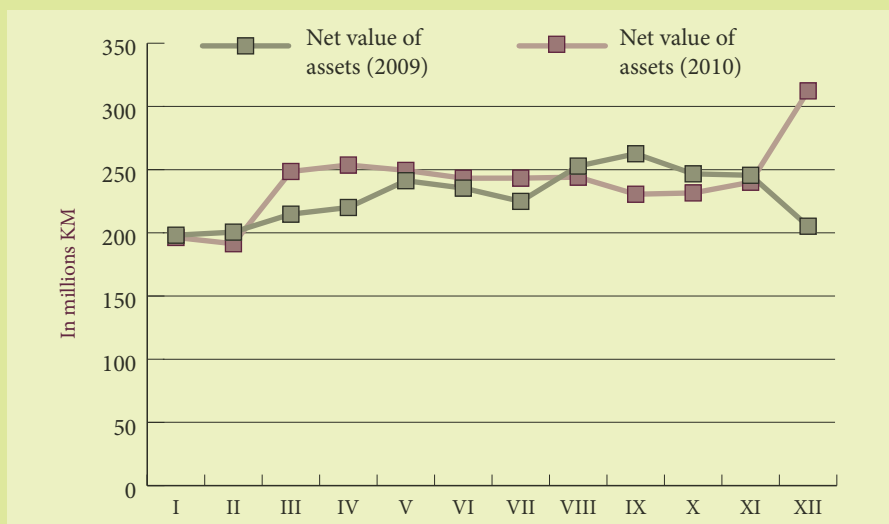


Figure 8. Net value of assets of CIF for which the Central Registry performed depository operations in the years 2009 and 2010.

Given the fact that the new Rulebook on Performing Custody Operations (Republic of Srpska Official Gazette, no. 37/10) came into effect in May 2010, the operations carried out in the Sector of Depository Operations were adjusted and the new Rules of Operations of the Depository for Investment Funds were adopted, approved by the Commission and published in the Official Gazette in September 2010.

Sending reports for the funds

Sending reports for the funds is an important segment of the activities of the Sector of Depository Operations. Sending of the reports for the funds to IF management companies, CIF Supervisory Boards and to the Securities Commission continued in the year 2010, in accordance with valid regulations.

Monthly reports on net assets and the investment structure for CIFs were also delivered for the needs of the Capital Markets Portal.

In 2010 the conditions were met for the reports for the funds to be sent to the Commission by electronic data gathering (EPI), in accordance with the Rulebook on Contents, Deadlines and Form of Reports of the Investment Funds, Management Companies and the Depository Bank (“The Republic of Srpska Official Gazette”, no. 75/09). During this period, the depositories’ reports defined under the Rulebook were adjusted for posting on the Central Registry website, pursuant to the Instruction on the Contents of Websites of Authorized Participants in Capital Markets (“Republic of Srpska Official Gazette”, no. 29/09). As of this year, the said depositories’ reports have started to be posted on Central Registry website.

Joint Stock Companies Takeover

Pursuant to the Law on Joint Stock Companies Takeover (“The Republic of Srpska Official Gazette”, nos. 65/08 and 92/09), the Central Registry performs the operations connected with the procedure of joint stock companies takeover.

From 2003, when the first process of joint stock company takeover was completed in the Central Registry, until the end of 2010, the total of 332 takeovers of joint stock companies were performed. The value of deposited shares during this time period amounted to 96.9 million KM, and the total of 11.708 shareholders deposited their shares.

The total of 25 processes of joint stock companies takeover were completed in 2010. Total value of deposited shares, by 368 shareholders, amounted to 1.76 million KM.

The figure below presents comparative data on the number of completed takeovers and the value of deposited shares in the years 2009 and 2010.

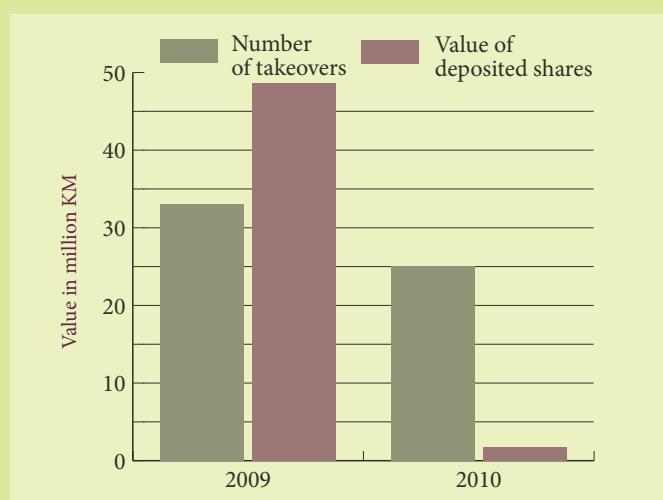


Figure 9. Number of takeovers and value of deposited shares in the years 2009 and 2010

Given the fact that at the end of 2009 the amendments to the Law on Joint Stock Companies Takeover came into force, and that the Instruction on the Manner of Exercise of Right to Enforced Sale and Enforced Buying in the Process of Joint Stock Companies Takeover was published (“The Republic of Srpska Official Gazette”, no. 112/09), this required that new Procedures on the Process of Joint Stock Companies be developed. The said Procedures came into force at the beginning of 2010. The most important amendments to the Procedures related to the implementation of the processes of enforced sale and enforced purchase during joint stock companies takeover.

In 2010 the first enforced sale of shares in the process of joint stock companies takeover took place, and three processes of enforced sale of shares were completed.

Table below presents an overview of data on completed processes of enforced sale and enforced purchase in the year 2010.

	Number of enforced sales/ purchase	Number of shareholders whose shares were subject to enforced sale/purchase	Value of shares that were subject to enforced sale/ purchase
Enforced sale	3	172	172.108,66
Enforced purchase	–	–	–

Table 13. Data on completed processes of enforced sale and enforced purchase, until 31 December 2010

The activities related to transfer of shares that were subject to enforced sale, to the offeror's account, were completed upon the executed transfer of cash assets to the specific-purpose account created by the Central Registry with a commercial bank, to which the cash assets intended for payment of shares subject to enforced sale are transferred and kept, in accordance with the Instruction on the Manner of Exercise of the Right to Enforced Sale and Enforced Purchase in the Process of Joint Stock Companies Takeover. From the specific-purpose account, payment to the shareholders, the shares of which were the subject of enforced sale is made by the Central Registry. The Central Registry sends notifications of performed transfer of shares that were subject of enforced sale to the offeror, brokerage companies, Banja Luka Stock exchange and the issuer, while posting the notification of enforced sale of shares on the Central Registry website.

Determining net value of assets of the Share Fund and the Restitution Fund

Pursuant to the Regulation on the Methodology for Determining the Net Value of Assets of the Republic of Srpska Share Fund and the Republic of Srpska Restitution Fund ("The Republic of Srpska Official Gazette", nos. 95/06, 2/07, 7/07 and 120/08), the operations of the depository for the Republic of Srpska Share Fund and the RS Restitution Fund continued during the year 2010. In 2010, reports on determining the value of assets and liabilities and computation of net value of assets of the RS Share Fund and RS Restitution Fund were regularly made and delivered to the Investment-Development Bank Supervisory Board. In order to make these reports, the funds' portfolio had to be adjusted on the monthly basis with the changes arising from increase i.e. decrease of capital, merger and division of issuers, and from registration and deletion of the existent issuers from funds' portfolio.

During the past period, computation of net value of assets from the portfolio of the Republic of Srpska Fund for Pension and Disabled Persons' Insurance was done on two occasions, at the Fund's request. Computation of net value of assets of the Fund as of 31 December 2009 was done at the beginning of the year for the needs of making the annual report of the Fund, while the computation as of 31 May 2010 was made for the purpose of appraisal of value of the Fund's founding stake in the Pension Reserve Fund of the Republic of Srpska. The said computations were done according to the same methodology like the one used for determining the net value of assets of the RS Share Fund and RS Restitution Fund; they implied taking into account all the changes arising with the issuers from the Fund's portfolio, which affected the structure and the value of assets in the Fund's portfolio since the last computation.



***Information
technologies***

The Central Registry of Securities uses CSD system designed by KDD in its work. In addition to this system, own application softwares were developed.

The information system was designed in a way to enable the members to access certain modules in accordance with their needs and authorizations. The connection is made via a VPN network that ensures fast and safe exchange of data through encrypted links. Users' authorization enables protection against unauthorized access. The Registry members have access only to that data that relates to their clients and operations performed in accordance with their authorizations. Additional security and protection of network against unauthorized access is provided by hardware firewall. Anti-virus protection is provided by Kaspersky antivirus program.

The use of FTP server enables faster exchange of data as well as increased security and safety of data being exchanged. When accessing FTP server, authentication is done via user name and password.

The development of financial markets dictates constant keeping up with and reacting to the new demands. We are aware that the success of our operations depends on satisfaction of our members and clients. This is why we put continuous efforts on keeping up with the trends, on improving the existing and developing new products and services for our members and clients, trying to fully understand both the present and future needs and meet their demands. This is accompanied by the acquisition of the state-of-the-art computer and telecommunication equipment. Also, the way of exchange of data with other institutions has been adjusted to the needs. Service of Internet connection has also been improved.

The data and information in electronic format have become the most valuable asset in modern business operation, and a threat to them represents a direct influence on the operations of an enterprise. Safety of that data is of invaluable importance and the loss of data due to any sort of breakdown or calamity must be avoided. This is why in the Central Registry of Securities, we are taking constant care of data and software applications backup, thus ensuring continuity of the institution's activity.

During the last year, in order to meet the requirements and accomplish the set goals, a number of optimizations of software solutions were performed, new modules in software developed, new software solutions implemented and the planned purchase of new equipment and upgrade of software on devices implemented, that resulted in increased work reliability and momentum.

The module for generation of individual statements in pdf format and for their sending by email as part of software for monthly printing was implemented. Also, software for determining the value of investment of OIF has been prepared and developed. The application that will enable access to the course of takeover has also been prepared and developed. Software for accounting as well as software for clearing and settlement have been optimized and upgraded.



***Financial annual
report for 2010***

Income statement in the period from 01 January to 31 December 2010

Description	2009 (BAM)	2010 (BAM)
Operating income	2.280.690	2.400.767
Operating expense	1.966.647	1.903.574
Finance income	159.762	96.698
Finance expense	0	22
Other income	323.530	287.177
Other expense	463.540	533.278
Total income	2.763.982	2.784.642
Total expense	2.430.187	2.436.874
NET PROFIT	276.790	272.921

Table 14. Income statement (1 EUR = 1,955830 BAM)

Balance sheet as of 31 December 2010

Description	2009 (BAM)	2010 (BAM)
ASSETS		
Fixed assets	255.528	4.138.763
Current assets	4.601.494	2.984.376
TOTAL ASSETS	4.857.022	7.123.139
LIABILITIES		
Capital	2.964.304	3.237.225
Long-term provisions	792.103	866.083
Liabilities	1.100.615	3.019.831
TOTAL LIABILITIES & CAPITAL	4.857.022	7.123.139

Table 15. Balance sheet (1 EUR = 1,955830 BAM)

Audit of financial statements for 2010 was performed by an audit company selected by the Central Registry shareholder meeting.



VralAudit d.o.o. Petra Preradovića 21, 78000 Banja Luka, B&H
phone/fax: +387 51 348 480, 348 490, e-mail: vral@inecco.net
KM 552002-00015352-81, JIB 4402109460007, Company ID no.: 1982893
No. of reg.docket 1-14612-00 Primary Court Banja Luka

Independent auditor's report

To the shareholders and the Management Board of the Central Registry of Securities JSC Banja Luka

We have performed audit of enclosed financial statements of the Central Registry of Securities JSC Banja Luka (hereinafter referred to as: Central Registry) which comprises the balance sheet (statement on financial position), as of 31 December 2010 and the related Income Statement (Statement on Overall Result), report on changes in capital and report on cash flows for the year then ended, as well as an overview of significant accounting policies and notes to financial statements.

Responsibility of the management for financial statements

The management of the Central Registry is responsible for compiling and objective presentation of financial statements, in accordance with the Republic of Srpska accounting regulations. This responsibility implies constant designing, establishing and improvement of internal audits, aimed at improving the efficiency of operations, protection of assets, prevention of occurrence of frauds and mistakes, accuracy and completeness of accounting records and timely preparation of reliable financial information, as well as the selection and application of appropriate accounting policies and the use of the best possible estimates.

Auditor's responsibility

It is our responsibility to, based on audit performed, express our opinion about the enclosed financial reports. We have performed audit in accordance with the International Audit Standards. These standards require from us to act in accordance with ethical principles and that we plan and conduct audit in order to be reasonably assured that the financial statements are free from material misstatements.

Audit includes the implementation of the procedures aimed at procuring audit proofs on the estimates and the information contained in financial statements. Selected procedures are based on auditor's judgment and on the assessment of the risk of material misstatements contained in financial reports, caused by a criminal act or error. During risk assessment, auditor reviews internal controls relevant for compiling and objective presentation of financial statements in order to establish the best possible audit procedures, but not for the purpose of expressing opinion about the efficiency of internal controls of the Company. Audit also includes an assessment of applied accounting policies and evaluation of accounting estimates performed by the management, as well as the evaluation of general presentation of financial reports.

We believe that the audit proofs that we obtained are sufficient and appropriate and that they provide a solid basis for expressing our opinion.

Opinion

In our opinion, with regards to all material issues, the enclosed financial statements present fairly and truthfully, the financial position of the Central Registry of Securities JSC Banja Luka as of 31 December 2010, as well as the results of its operations and changes in cash flows for the year then ended, in accordance with the International Financial Reporting Standards.

Banja Luka, February 2011



Vralaudit d.o.o. Banja Luka

Miloš Marčeta
Miloš Marčeta,
Authorized auditor

Central Registry of Securities management



Jasminka Đukić,
Director



Biljana Čubrilović,
Head of the Clearing
and Settlement Sector



Divna Bosiočić,
Head of the Information
Technologies Sector



Dragica Lakić,
Head of the Sector for
Legal Operations



Nevenka Lero,
Head of the Sector for
Depository Operations



Slavica Verčević,
Head of the Sector for
Financial and Accounting
Operations

Most important activities of the Central Registry in the period 2001 – 2011

During the calendar year in which we present the Annual Report for 2010, the Central Registry celebrates 10th anniversary of its successful work and business operations. We believe that it would be appropriate to dedicate the following pages of this report to this important date, in order to be able to share the important events during our existence with you and introduce you to our goals, both those accomplished and those that we are striving to achieve.

Since the very beginning we have tried to establish the Central Registry as a safe and stable institution that will continuously work on providing support to the Republic of Srpska capital markets and its authorized participants.

In performing all its activities, the Central Registry has been fully dedicated to keeping and preserving stability and efficiency of the capital markets. By this way of business conduct, we have achieved both safety and protection for the investors, and ensured the confidence of domestic and international investors in the Republic of Srpska capital markets.

The main priorities, defined as part of the Central Registry Development Strategy, that was adopted by the Shareholders' Meeting, and that identified the guidelines for operations in the previous period, included the following:

1. Raising the level of security of the Central Registry's operations
2. The Central Registry investment policy
3. Performing operations in accordance with professional standards
4. Provision of new services to users
5. Ensuring self-sustainability
6. Improving material and technical conditions of the Central Registry's work
7. Participation in the work of international associations
8. Education (training)

Raising the level of the security of the Central Registry's work required a continuous initiative by the Central Registry for the amendment of the regulatory framework and forming of such an environment that would make the functioning of the Central Registry fully legally defined and that would create full legal security in the Central Registry's operations.

The Central Registry's investment policy conducted in past years has resulted in finding the possibilities for buying our own business premises, to which we moved during January 2011.

Keeping the business operation in line with professional standards implies efforts to apply international standards and principles applicable in developed markets to Central Registry's daily activities.

The Central Registry is an institution which is, both from the point of view of the staff it employs and the software it uses, capable of providing a broad range of services to the issuers, securities holders and authorized participants in capital markets.

Improvement of financial and technical conditions for the work of the Central Registry is fully in the function of keeping the staffing and investment policy, because quality performance of the Central Registry's specific activity implies constant care of both staffing, technical and material conditions.

In view of its international promotion, the Central Registry is a member of ECSDA-European Central Securities Depository Association, and participates in the work of the association, keeping the Secretariat of the Association informed about the work and improvement in operations both in regular meetings and through its participation in the work of WG -5 group.

We have also taken an active part in the project Association of Global Custodians' Depository Information-Gathering and we regularly submit updated information about the Central Registry ownership structure, capital, legal framework in the field of capital markets and audit of financial statements.

The Central Registry was given the rating at the level of BBB-Acceptable risk by the rating agency and the consultant company THOMAS MURRAY.

We have participated in training of a broad circle of capital markets participants through the activities that help disseminate the knowledge about the capital markets, in an organized way and systematically, through participation in TV and radio shows, by writing articles for specialized and daily papers, participation in seminars and lectures, by printing and distribution of educational brochures and posters as well as in direct contact with clients.

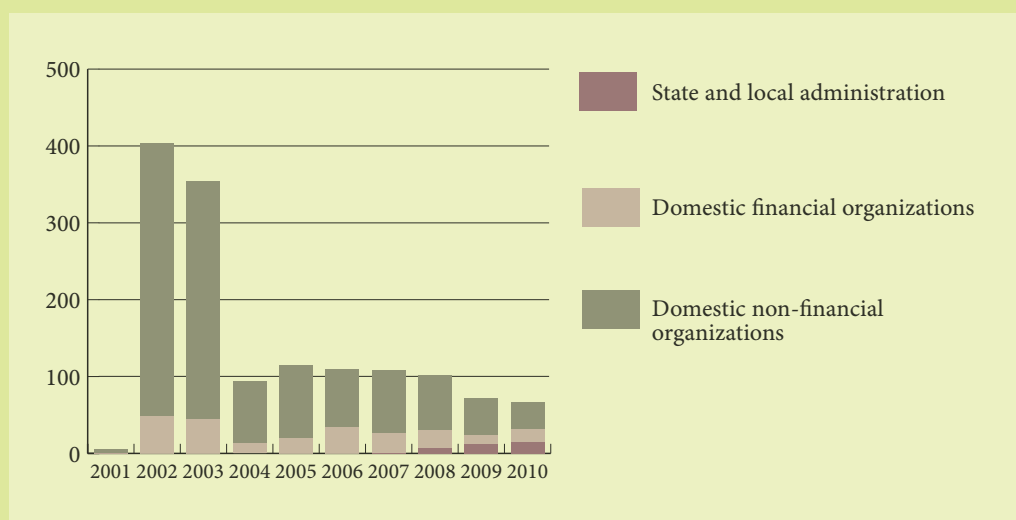


Figure 10. Issues per types of issuers during the period 2001 to 2010

2001

During the preparatory period, from December 2000 to April 2001, the members of the temporary Management Board and the acting director of the Central Registry worked on forming of legal, financial and technical assumptions for the beginning of work of the Central Registry.

During the first phase, the by-laws and procedures necessary for work of the Central Registry were prepared and adopted.

The first stage of the implementation of the Central Registry system, according to the Project Plan of System Implementation was carried out during 2001.

On 29 November 2001, the first security in the Central Registry System was registered, of issuer Dubičanka a.d. (DUBI-R-A).

2002

At the beginning of 2002, the enactments governing the clearing and settlement operations were adopted and gazetted. This event can be stated as a highlight of that year, because these enactments accompanied the process of preparations for the beginning of organized trading of securities.

In March 2002, the first members (brokerage companies) were admitted to the membership of the Central Registry's clearing and settlement system.

On 17 March 2002, the Central Registry performed, for the first time, clearing of the transactions made on the organized market.

The second stage of the implementation of the Central Registry system took place in 2002.

On 05 June 2002 the Central Registry was admitted to the membership of Central and Eastern European Central Securities Depositories and Clearing Houses Association /CEECSDA. This admission to membership of the association of registries and clearing houses meant an international recognition and verification of the institution of this kind in the Republic of Srpska.

In the second half 2002, the activities started the main goal of which was establishing of the depository function for privatization investment funds.

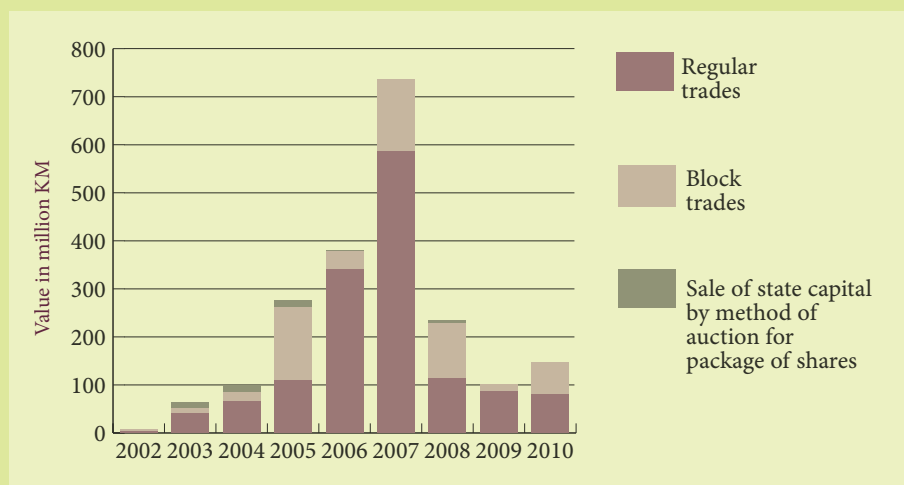


Figure 11. Value of transactions for which clearing was done during the period 2002 to 2010

2003

In April 2003, the Central Registry moved to new business premises, given for temporary use by the Finance Ministry.

The first half of 2003 was dedicated to the activities on establishing the function of depository of privatization investment funds: defining procedures, developing software for computation of net value of funds' assets in accordance with valid regulations in this area and making contracts on performance of depository operations for all 13 privatization investment funds registered in the Republic of Srpska.

As of 2003, that is the beginning of application of the Law on Joint Stock Companies Takeover, the Central Registry has been carrying out the activities related to depositing shares in the procedures of joint stock companies takeover.

In 2003 the Central Registry was finally established as an institution, connected both in terms of procedure and technically with other capital markets institutions, capable of offering the whole range of services to issuers, securities holders and authorized participants.

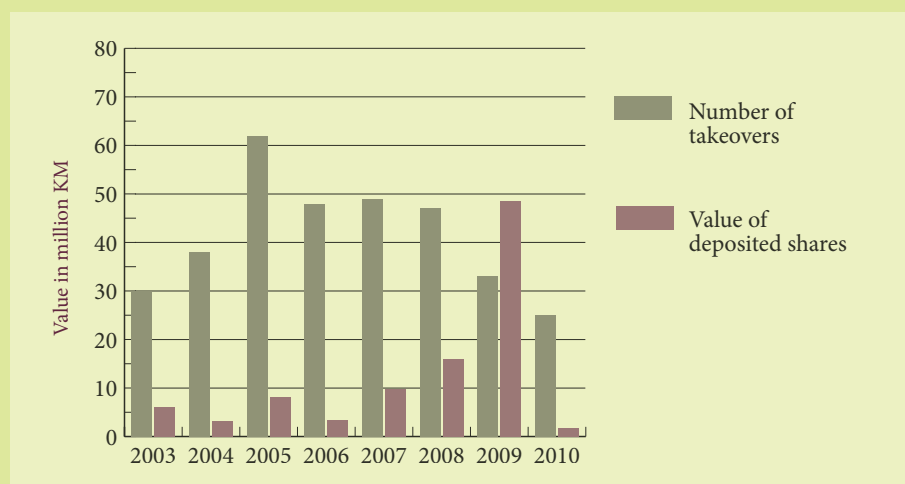


Figure 12. JSC takeovers from 2002 to 2010

2004

On 13 February 2004 the Securities Commission issued to the Central Registry a license for performing operations of a depository for privatization investment funds.

During the period March-April 2004, the notifications to the shareholders in privatization investments funds were printed; a total of 826.565 notifications were printed and distributed.

The first bond was registered and the Instruction for Computing the Related Interest in Bonds and the Value of Operation for Clearing and Settlement when Trading on the Stock Exchange was adopted in May 2004.

Since 15 June 2004 registration and clearing of transactions in the Central Registry system was performed automatically, based on electronic sending of trading reports.

On 22 November 2004, the Central Registry and the Securities Commission of BiH District Brcko made a contract on registration of securities and keeping of the accounts of issuers the seat of which is in BiH District Brcko.

2005

The new Rulebook on Registration and Transfer of Securities, and in reference to that, the new Operating Procedures came into effect in February 2005.

As of 17 March 2005 the Central Registry members have been provided a direct access to the Central Registry system via a VPN access network.

The first security of an issuer from BiH Brcko District was registered on 17 March 2005.

In July 2005 a FTP server was established, the introduction of which enabled sharing of files to be performed via the VPN network, and thus the safety and security of data being exchanged and sent to the members were increased, while accelerating the exchange of data and avoiding the downtimes that can occur with the use of different Internet providers.

On 22 September 2005 the rating agency and consultant company THOMAS MURRAY awarded, by its own criteria, the rating to the Central Registry. Awarding a rating by the leading international rating agency means international recognition and verification of the existence of an institution of this type in the Republic of Srpska/Bosnia and Herzegovina, as well as of the overall established capital markets.

The extraordinary Annual Meeting of CEECSDA was held on 02 and 03 December 2005, in which a decision was made that CEECSDA should officially cease to exist by the end of 2005, and that all the members should become the members of ECSDA – The European Central Securities Depositories Association.



Figure 13. Number of Central Registry members in the period 2001 to 2010

2006

Since January 2006 the Central Registry has been applying the provisions of the Law on Value Added Tax, relating to the part of the services provided by the Central Registry.

On 17 January 2006 the list of ten biggest shareholders per issuers was published on Central Registry website for the first time.

The extraordinary meeting of ECSDA in which the Central Registry and all CEECSDA members became members of ECSDA was held in Warsaw in January 2006.

Files for the Capital Markets Portal were developed and tested during March 2006. The Central Registry is one of the signatories of the Memorandum for Establishing the Information Portal of Capital Markets. In reference to that, during 2006 we were engaged in the development and adjustment of the reports by which the data to the Republic of Srpska Capital Markets Portal will be sent.

Privatization of the Central Registry continued in June 2006.

The new Rulebook on Clearing, Settlement and Transfer of Securities came into force on 06 October 2006, which regulated the issues relating to the distribution of transactions, borrowing of the securities for the needs of clearing and settlement as well as buying and selling securities by the Central Registry.

In October 2006 the Central Registry Management Board issued the Instruction on the Payment and Use of the Guarantee Fund which amended the formula for calculation of the basic payment into the Guarantee Fund and the level of joint and several liability of the members limited up to the level of the basic payment to the Guarantee Fund.

In December 2006 the first borrowing of securities for the needs of clearing and settlement of transactions made on the stock exchange took place.

Based on the methodology for determining the net value of assets of the Republic of Srpska Share Fund and Republic of Srpska Restitution Fund, performance of the depository operations for these two funds is entrusted to the Central Registry. At the end of 2006 the activities started on developing software for computation of net value of these funds.

2007

The Instruction on Custody Operations Performed in the Central Registry System was adopted by the Management Board in January 2007.

The first custody banks were admitted to the membership of the system of clearing, settlement and transfer of securities in February 2007.

As of 15 February 2007 a new service has been provided to the securities holders by the Central Registry: "My Portfolio", which enables an electronic access to the accounts of the holders kept at the Central Registry, to enable them to view to balance of the securities on their accounts.

On 28 February 2007, in accordance with the request of the Republic of Srpska Investment-Development Bank, the determination of basic capital of the RS Share Fund and RS Restitution Fund was performed.

In April 2007 an approval was received by the RS Securities Commission as well as from FBiH Securities Commission for the Central Registry of Securities, Banja Luka and the FBiH Central Registry of Securities to establish and coordinate the work of the "Committee for Assigning ISIN Numbers", which confirmed that there would be no other organization authorized for assigning ISIN numbers, as defined in ISO 6166 standard.

The license for performing the operations of the depository for the investment funds was awarded to the Central Registry on 04 May 2007.

Conversion of the system from version 2.1 to version 3.0 was done on 19 May 2007, which was the most extensive and most complex activity in the IT segment of Central Registry's operations in 2007.

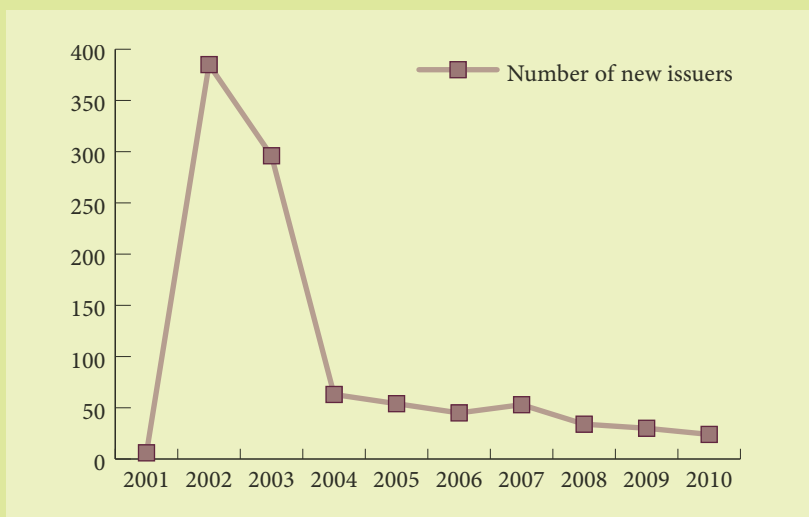


Figure 14. Number of new issuers in the period 2001-2010

As of July 2007, the Central Registry performs the activities on determining the net value of assets of the Republic of Srpska Share Fund and the Republic of Srpska Restitution Fund.

In July 2007 the Central Registry signed the document “European Code of Conduct” aimed at further integration in the European market and the implementation of international principles and standards applied in capital markets. The European Code of Conduct was developed by joint efforts of the countries signatories of the European Central Securities Depositories Association (ECSDA), the European Association of Clearing Houses (EACH) and the Federation of European Stock Exchanges (FESE). All the members of the said associations share a common intention to achieve the highest possible efficiency as well as to work on further integration of the European capital markets.

In December 2007 the Rules of Operations of the Depository for Investment Funds were adopted.

2008

In February 2008 new contracts were signed on performing the depository activities for the total of 14 closed-end investment funds.

As of March 2008, clearing has been performed for the newly-registered closed investment fund CIF Unioinvest fond a.d. Bijeljina.

The first activities on clearing and settlement for trade of coupon bonds were carried out by the Central Registry on 24 March 2008.

On 30 June 2008 the new version of the Central Registry website was released for use.

Since July 2008 the data on the current takeovers, as well as on completed joint stock company takeovers is available on the Central Registry website, pursuant to the provisions of the Law on Joint Stock Companies Takeover.

On 28 August 2008 the first contract was signed for the services of computation of principal amount and interest. The Contract on Provision of Services as Payment Agent for the Republic of Srpska Bonds for Settlement of Liabilities Based on Verified Accounts of Frozen Foreign Currency Savings was signed with the Republic of Srpska Finance Ministry.

On 31 August 2008, the amount of the founding stake was determined for the Republic of Srpska Pension Reserve Fund.

On 02 December 2008, a contract was signed on assigning the ISIN code with M Datenservice“ Herausgebergemeinschaft- WERTPAPIERMITTEILUNGEN Keppler, Lehman GmbH & Co. KG.

2009

On 24 February 2009, the Central Registry assigned the internationally recognized ISIN code, which had been agreed upon with the substitute agency, to all registered securities; at that time the CFI codes were adjusted with the international standard CFI 10962:2001.

In the first quarter 2009 activities were carried out on ensuring the implementation of the provisions of the Rulebook on Reporting and Releasing Information about the Activities with the Securities (RS Official Gazette no. 123/08 dated 26 December 2008), in order to implement the new way of reporting and communication with the RS Securities Commission via the EPI system.

In March 2009 the Central Registry signed with BiH Central Bank, the Main Bank of the Republic of Srpska, the Protocol on the Manner of Performing Depository Operations by the Central Bank for the Central Registry.

On 01 May 2009 the new Decision on the Amount of the Fee Charged for the Services of the Central Registry JSC Banja Luka came into force.

After publishing the Rulebook on Contents, Deadlines and Manner of Reporting by the Investment Funds, the management company and the depository bank (RS Official Gazette, no. 75/09 dated 17 August 2009), which was adopted by the Securities Commission, the activities ensued on adjusting to the new manner of reporting to the Commission by the depositories.

The Rulebook on Amendments to the Rulebook on Clearing, Settlement and Transfer of Securities was adopted by the Central Registry Management Board in November 2009, enabling the members to pay net debts based on the day of transfer of securities and payment of net receivables.

2010

On 21 January 2010, the Central Registry Management Board adopted the Instruction on the Amendments to the Instruction for Payment and the Use of the Guarantee Fund, which laid down the amount of 10.000,00 KM as a minimum amount of basic payment in the Guarantee Fund per member.

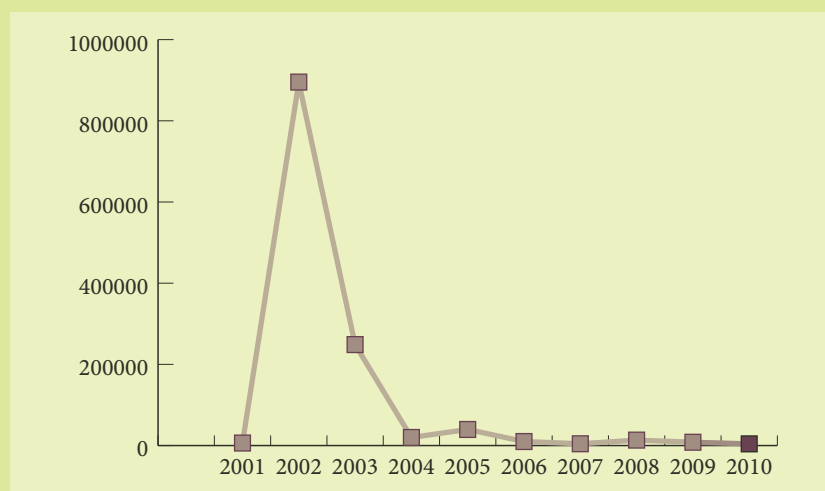


Figure 15. Number of new holders' accounts for physical entities in the period 2001-2010

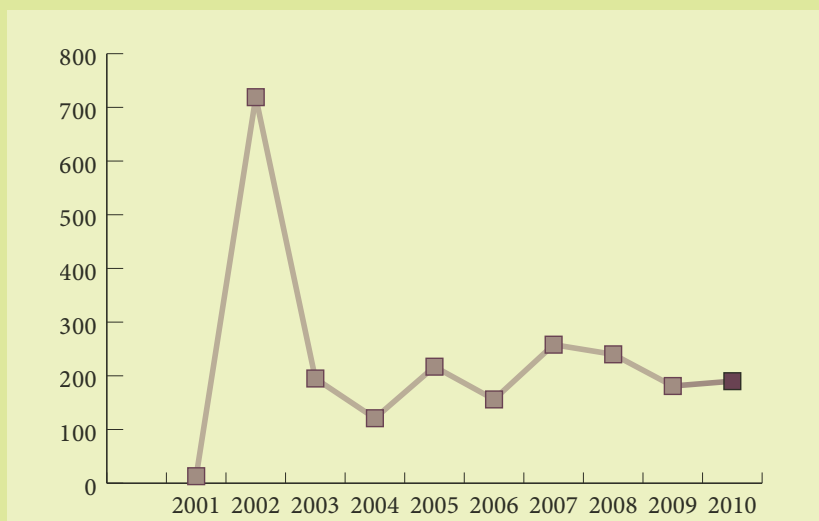


Figure 16. Number of new holders' accounts for legal entities in the period 2001-2010

The new Operating Procedures in the Process of Joint Stock Companies Takeover came into force at the beginning of 2010, with the most important amendments to the Procedures relating to conducting the process of enforced sale and enforced buying in the process of joint stock companies takeover. The first realization of enforced sale of shares in the process of a joint stock company takeover took place in 2010.

On 13 March 2010 the Rulebook on Amendments to the Rulebook on Clearing, Settlement and Transfer of Securities came into force, which enabled the members to pay net debts on the day of transfer of securities and upon the payment of net receivable (T+3).

In April 2010, for the needs of providing the service to the issuers who pay dividend, a software was developed for calculating the amount of dividend per shareholder and for making all necessary reports.

In May 2010 – the new Rulebook on Performing Custody Operations came into force, by which the Rulebook on Performing the Operations of the Depository for Investment Funds was no longer valid. In relation to that, the activities started on adjustment of the operations and on passing the new rules of operation of the depository for investment funds in the Central Registry.

On 25 May 2010, the Decision on Amendments to the Decision on the Level of the Fee Charged for the Services of the Central Registry of Securities JSC Banja Luka, came into force. At the request of the Republic of Srpska Pension and Disabled Persons' Fund, the computation of net value of assets in the Fund's portfolio was performed as of 31 May 2010, for the purpose of estimation of the value of the Fund's founding stake in the Republic of Srpska Pension Reserve Fund.

Since June 2010, the sending of the reports on the balance of the accounts is possible by email.

In September 2010, the new Rules of Operations of the Depositories of the Investment Funds in the Central Registry were adopted.

In November 2010, we fulfilled technical requirements for e-banking with BiH Central Bank.

In 2010 the conditions were met for the reports for the investment funds to be submitted to the Commission by electronic data collection (EPI). As of 2010, the reports of the depositories, envisaged by the Rulebook, are published on the Central Registry website.

2010



CENTRAL REGISTRY OF
SECURITIES JSC
Banja Luka

Bosnia and Herzegovina • Republic of Srpska
78000 Banja Luka • Sime Šolaje 1
phone: +387 51 348 710 • fax: 348 718
www.crhovrs.org