



CENTRAL REGISTRY OF SECURITIES JSC
Banja Luka

Annual Report 2011

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A word from the director

Two important events marked the year 2011 for the Central Registry – moving to our own business premises and celebrating the 10th anniversary of successful operations.

At the end of January 2011, the Central Registry, managed to, in only one day, move to the new offices located at 1, Sime Solaje St., which enabled us to continue our regular activities, smoothly and without disrupting the pace of work with both our members and clients. We can now say that with the buying of our own office space the last open issue set before the management in the mid-term strategy of the development of the Central Registry has been solved.

The whole of the year 2011 was important for us as it brought back many fond memories of the past ten years. This was the year when we celebrated two important jubilees – on February 26, 2011, the tenth anniversary of successful operation, and on November 28, a tenth year since the registration of the first security.

The Central Registry Shareholder Assembly adopted a resolution on increase of the share capital by 1.500.000 KM, by conversion of retained profit from the previous years to share capital, thus increasing the Central Registry share capital to 2.680.000 KM.

In parallel to these important events, regular activities on improvement and development of operations of the Central Registry continued. It was in the first months of 2011, that we implemented, with our own forces, the new software solutions – software for computation of the value of assets of open-end investment funds, software for monitoring the process of compulsory sale of shares as well as software for monitoring the operation with treasury bills.

In May 2011, the first treasury bills in the Republic of Srpska were issued. By the end of the year three more issues were registered. There were a number of activities preceding the registration, from technical and legal harmonization with the other participants in the auction itself, to the negotiations with the authorized ISO agency for awarding the interna-



Jasminka Đukić,
Director

tional identification number to a security during the public offering. Something that is characteristic for this security is that the settlement is done on the day of making the transaction, so it was necessary to create technical pre-conditions for settlement of treasury bills on T+0. In 2011, there was no secondary trading of treasury bills.

Another reason for the year 2011 being so important for the Central Registry was the establishing of e-banking with BH Central Bank. After two years from starting the initiative, the Agreement on Performing E-Banking was signed in June, and on July 15, 2011 the software platform for e-banking was launched. The introduction of e-banking made possible better communication as well as faster and more secure exchange of information.

In April, the Central Registry made an agreement with the Republic of Srpska Pension Reserve Fund on performing the depository operations for the whole of 2011. In addition to that, the Central Registry performed the depository operations for a total

of 12 investment funds, nine closed-end investment funds (CIFs) and three open-end investment funds (OIFs). The activities on determining the net value of assets of Investment Funds (IFs), based on the agreements made with the management companies, were performed by the Central Registry for nine IFs, i.e. seven CIFs and two OIFs.

A total of 34 processes of joint stock companies' take-over were completed in 2011. The total value of shares deposited by 590 shareholders was 8.37 million KM. In addition to that, in 2011, 12 processes of compulsory sale of shares during joint stock companies' take-over were carried out.

At the end of the year the software for monitoring and control of generation and printing of the reports based on the book of shareholders was implemented. The application was enhanced so as to

be able to keep detailed records and keep up to date with the bans at the same time.

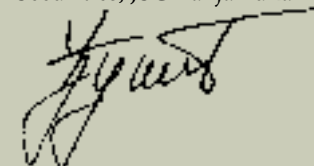
Further progress in international cooperation was continued in direct discussions with the representatives of different institutions, such as the rating agencies and global custody banks. The plans and the projections of the Central Registry in the mid-term development as well as the activities on improvement the process of work and the services that were implemented in the past period were presented in the working meetings.

The last year was not promising, as the investors were very cautious, reflecting in a low level of trading on stock exchanges, in the domestic market being under a big influence of the developments in the rest of the world and the prices of shares oscillating in line with the news on solving the debt crisis in

Euro Zone. Regardless of that, the Central Registry ended the last year successfully, both with profit and successful completion of the most important activities planned for that year.

Something that we can promise, at the end of the decade of efficient work is that we will try to make the next years of the Central Registry operation equally successful, and also contribute to successful operations of both our members and clients, all to our common goal, continuing the development and further growth of the Republic of Srpska capital markets.

Jasminka Đukić,
Director of
The Central Registry of
Securities, JSC Banja Luka



Central Registry of Securities Management Board



Chairman
Prof. Nikola Mojović
Ph.D. Law



Deputy chairman
Milka Lukić
B.Sc. Ecc.



Member
Božidar Plavljanin
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

Central Registry of Securities members

As of 31 December 2011, the Central Registry has 19 members, more precisely:

1. 12 brokerage companies,
2. 7 custody banks.

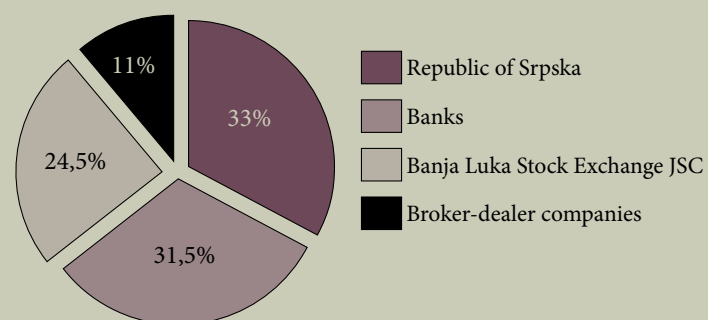
Brokerage companies that have a status of Central Registry member as of 31 December 2011 are the following

1. ADVANTIS BROKER AD BANJA LUKA
2. BALKAN INVESTMENT BANK AD BANJA LUKA
3. BOBAR BANKA AD BIJELJINA
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, BIJELJINA
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 the member of the Central Registry as of 31 December 2011 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 BANKA DD TUZLA
5. NOVA BANKA AD BANJA LUKA
6. RAIFFEISEN BANK DD BIH SARAJEVO
7. UNICREDIT BANK DD MOSTAR

Ownership structure



Graph 1 Central Registry ownership structure as of 31 December 2011

Most important events and activities in 2011

January 28-30, 2011, the Central Registry moved to the new premises, at 1, Sime Šolaje St, regular activities were continued as of January 31, 2011, smoothly and without interruptions, i.e. without breaking the dynamics of working with both members and clients.

On February 04, 2011, pursuant to the Decision of the RS Securities Commission (Decision no. 01-UP-061-263/11 dated February 03, 2011, and the Conclusion no. 01-UP-061-279/11 dated February 04, 2011), the Central Registry blocked the acquisition and disposal of shares in the process of clearing and settlement of the issuer, from the transactions made on February 01, 2011, in which the omnibus custody account participates on the buyer's and seller's end. Blocking of settlement was ordered; the settlement of the said transactions was performed on March 30, 2011, at the order of the RS Securities Commission – Decision no. 01-UP-061-866/11 dated March 28, 2011.

In the first quarter 2011, software for calculation of the value of assets of investment funds as well as the

software for monitoring the process of compulsory sale of shares was implemented.

On March 03, 2011, following the order of the RS Securities Commission (no. 01-UP-061-569/11 dated March 03, 2011,) the Central Registry blocked the acquisition and disposal of the issuer's shares. Based on the Republic of Srpska Securities Commission Decision (no. 01-UP-061-868/11 dated March 28, 2011) the above transactions were cancelled and immediately after the receipt of the said Decision, the Central Registry took all the actions to cancel the settlement of the said transactions.

In April 2011, the Agreement on Performing Depository Operations for the Republic of Srpska Pension Reserve Fund was made. The Agreement was made for performing of the depository operations for the year 2011.

On April 09, 2011, the Rulebook on Registration and Transfer of Securities, published in the Republic



New offices of the Central Registry

of Srpska Official Gazette, no. 34/11 dated April 01, 2011, came into force.

On May 12, 2011, the registration of the first treasury bills of the Republic of Srpska was performed. The registration itself was preceded by a number of activities, from technical and legal harmonization with the other participants in the same auction, to the negotiations with the authorized ISO agency for awarding the international identification number for the security in auction.

It was also necessary to create technical pre-conditions for settlement of the treasury bills on T+0. In addition to a shortened settlement cycle, another novelty implied that the settlement was performed on the basis of stock exchange reports on the transactions concluded and paid, which means that, unlike for other securities, the Central Registry does not perform clearing and settlement of cash liabilities.

On May 28, 2011, the Decision on Amendments to the Decision on the Level of the Fee Charged for the Central Registry of Securities Banja Luka JSC Services, published in the Republic of Srpska Official Gazette no. 53/11 dated May 20, 2011 started to be applied.

On June 06, 2011, we were visited by a representative of THOMAS MURRAY, David A. Dickinson, one of the managers of the company. In a working meeting, plans and projections of the Central Registry in mid-term were discussed, and the activities were presented regarding the improvement of the work process and services in the past period.

On June 09, 2011, the Central Registry Shareholder Assembly adopted a Decision on Increase of Share Capital by 1.500.000 KM, by conversion of retained profits from previous years into share capital, thus increasing the Central Registry share capital by 2.680.000 KM.

In June 2011 the Agreement on Performing E-Banking between BH Central Bank and the Central Registry was made. The system of e-banking enables: viewing of the balance on the account 24 h/day, access to trades, viewing the statements and changes on the accounts, transfer of funds to the accounts held with other commercial banks, transfer of funds to the accounts of other users within BH Central Bank and transfer of the funds within the same account.

In the first half 2011, based on the signed agreements on calculating the balance of the value of assets of

certain CIFs in the period from December 2007 to February 2010, in accordance with a special request and methodology, calculations were performed for a total of three CIFs, more precisely, 27 monthly calculations for two CIFs, and 12 monthly calculations for one CIF. The said calculations were performed upon a separate request and based on the data provided by the companies managing those CIFs.

Blocking the acquisitions and disposals of shares in 2011 was performed on September 01 too, following the order of the Republic of Srpska Securities Commission (Interim Decision no. 01-UP-061-2387/11 dated August 31, 2011). The settlement of blocked transactions was performed on October 20, 2011 at the order of the Republic of Srpska Securities Commission (Decision no. 01-UP-061-2819/11 dated October 18, 2011).

On November 11, 2011, the first clearing for a treasury bill was performed, based on the Agreement on Performing the Operations with Treasury Bills issued by the Republic of Srpska, signed with the Republic of Srpska Finance Ministry. This was preceded by the development, testing and implementation of software designed for monitoring the operations with treasury bills.

At the end of 2011, the Central Registry performed depository operations for a total of 12 investment funds, nine closed-end investment funds (CIFs) and three open-end investment funds (OIFs). The activities on determining the net value of assets of

investment funds (IFs) were carried out by the Central Registry, based on the agreements made with the management companies, for a total of nine IFs, i.e. seven CIFs and two OIFs.

In 2011, regular activities were carried out on determining the net value of assets of the Republic of Srpska Share Fund and the Republic of Srpska Restitution Fund, as well as on making the monthly reports for these funds.

A total of 34 procedures of Joint Stock Companies take-over were completed in 2011. The total value of shares deposited by 590 shareholders amounted to 8.37 million KM.

During 2011, the Central Registry signed the Agreement on Performing Calculation of the Principal Amount and the Interest for payment from the due coupons with five municipalities, namely, the municipalities of Gradiska, Srbac, Knezevo, Laktasi and Lopare.

At the end of the year software for monitoring and control of generation and printing of reports based on the book of shareholders was implemented and the application was enhanced in order to be able to keep the records and monitor the bans at the same time.

In 2011, 12 processes were undertaken for compulsory sale of shares in joint stock companies' take-overs.

Scope of legal operations

Central Registry normative activity

An important part of rule-setting in the field of capital markets takes place in the Central Registry. The activities comprise keeping up to date with the regulations, making proposals for amending the regulations and, most importantly, the development of by-laws from the Central Registry competence, providing for efficient application of positive laws.

During 2011, the Central Registry took active part in the work on the amendments to the Law on Securities Market and the amendments to the Companies Act. With the amendments to the Law on Securities Market, names and the structure of the financial instruments were brought in line with ISO standard for classification of financial instruments 10962:2001.

In 2011 the new Rulebook on Registration and Transfer of Securities came into effect; it improves and specifies in more detail the processes taking place in the Central Registry, both from the normative and practical points of view.

In accordance with the announcements on the issue of the Republic of Srpska treasury bills, legal and technical pre-conditions were created for the registration and transfer of treasury bills in the Central Registry. Successful registration of first treasury bills was preceded by comprehensive testing and approval of general enactments regulating the process, as well as by training and assistance to prospective investors in the exercise of their rights.

In view of the implementation of the Law on Transfer of the Property Right to the capital of the Republic of Srpska Capital in the companies performing the public utility activities to the local self-governance units, the Central Registry amended its by-laws and worked on direct training of public utility companies and the local self-governance units to help them carry through the legal provisions.

In the last year, the new Procedures in the Process of Registration and Transfer of the Securities were also enacted as well as the Instruction on the Amendments to the Instruction for Marking the Securities,

the Procedures for Performing the Depository Operations of PREF, the Decision on Determining the Form and the Contents of the Forms, as well as the new Central Registry Statute, in which the operation of the Central Registry was harmonized with the provisions of the Companies Act.

Development of market and improvement of services

The improvement of work and the activities makes a significant part of the Central Registry legal function. The activities in the field of market development and improvement of the services include monitoring of the international standards, establishing and furthering relations with the relevant international capital market subjects, monitoring the development of market and services at the international level, participation in projects, and harmonization of the legal requirements and requirements for services development with the manner of data input in the system and the manner of reporting from the database.

During 2011, special efforts were put into the improvement of the Central Registry position internationally. In that sense, a completed questionnaire and the information about the website and the availability of the links to the documents defined by international standards were updated and delivered to the European Central Securities Depositories Association (ECSDA). An updated questionnaire was sent to the “Thomas Murray” rating agency, and a new completed overview was submitted to the Association of Global Custodians. Meetings were held with the global custody banks at the request (JP Morgan, State Street). The segment of the Central Registry website relating to the international cooperation was enriched with new contents.

To the end of market promotion, we continued developing new statistical overviews and reports presenting in more detail the situation in the securities market.

Processing applications and orders in the activities of keeping the securities register

The Central Registry registers, maintains and safe keeps the data on securities, holders, rights and restrictions to rights, third parties’ rights and holders of those rights, bans and restrictions regarding the securities transfer.

The operational activities include the activities of legal processing of all submitted orders and requests, the operations of entering in the system, reporting, publishing and disclosing the information that is registered in the database, the operations of providing legal assistance to the clients as well as operations of regular business communication with the relevant institutions, partners and customers.

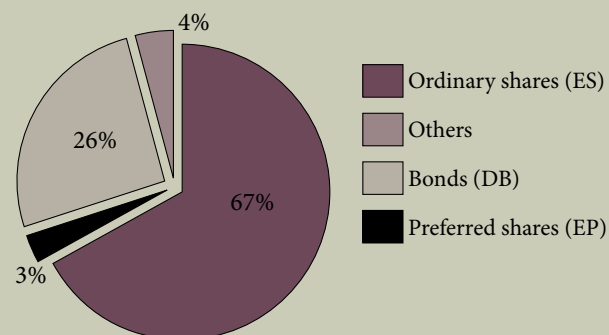
Registration of securities

The expansion of the debt securities issue continued in 2011 (in 2010 there were 16 and in 2011 24 bond issues). The structure of registered securities by the security type and the issuer type is presented in the tables and graphs below.

In 2011, the securities from a total of 94 issues were registered, of which 63 issues of ordinary shares, three issues of preferred shares, four issues of treasury bills and as many as 24 issues of bonds.

Type of security	Number of issues 2010	Number of issues 2011	Percentage 2010	Percentage 2011
Ordinary shares	49	63	74	67
Preferred shares	1	3	0	3
Bonds	16	24	25	26
Others	1	4	1	4
TOTAL	67	94	100	100

Table 1 Issue per type of securities (years 2010 and 2011)

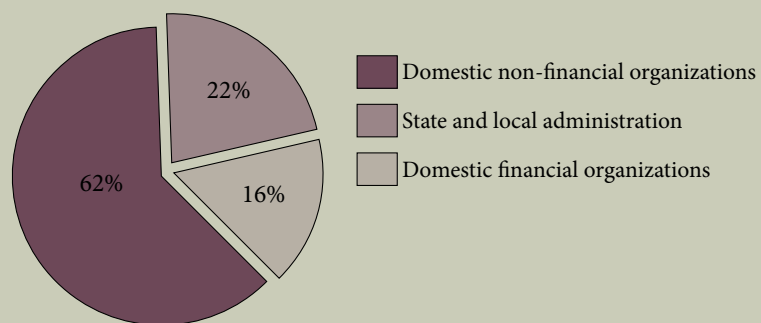


Graph 2 Issue per type of securities according to the number of issues

The type of issued securities also reflects in the issuers' structure, so that in 2011, the Republic of Srpska, District Brcko and the local communities had 21 issues (22%), financial organizations 15 issues (16%) and the companies 58 issues (62%).

Issuer	Number	Percentage
State and local administration	21	22
Local financial organizations	15	16
Local non-financial organizations	58	62
TOTAL	94	100

Table 2 Issues per types of issuers



Graph 3 Issues per type of issuers according to number of issues

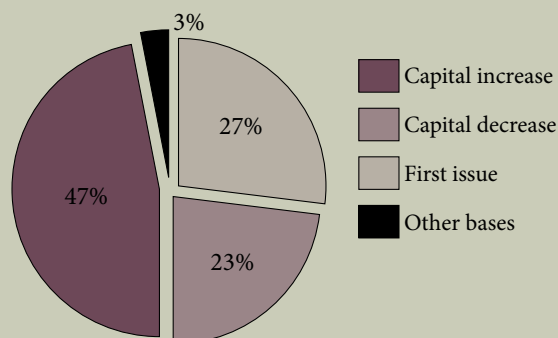
The general situation in economy inevitably reflected in the structure of issues by the type of change in capital of the joint stock companies. Thus, in 2011, there were insignificantly more issues based on capital increase (31 issues compared to 26 issues in 2010); by contrast, there were significantly more issues based on capital decrease (15 issues in 2011, and only nine issues in 2010). There were more first

issues of shares as a consequence of the application of the Law on Transfer of the Property Right in the Companies Performing Public Utility Activities.

Regardless of the comparative indicators in the last two years, the number of the issues based on capital increase, prevails in 2011, i.e. almost a half of the total number of share issues was on this basis.

Type of change on capital	Number 2010	Number 2011	Percentage 2010	Percentage 2011
First issue	13	18	26	27
Issues based on capital decrease	9	15	18	23
Issues based on capital increase	26	31	52	47
Issues on other bases	2	2	4	3
TOTAL	50	66	100	100

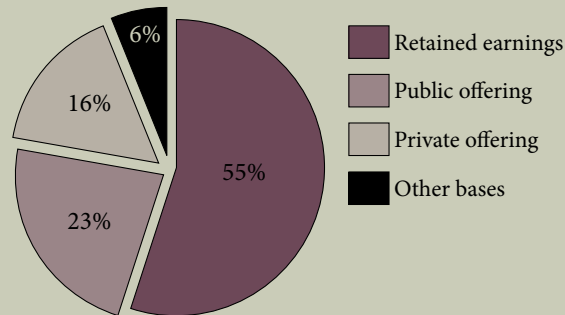
Table 3 Issues by the type of change on capital (years 2010 and 2011)



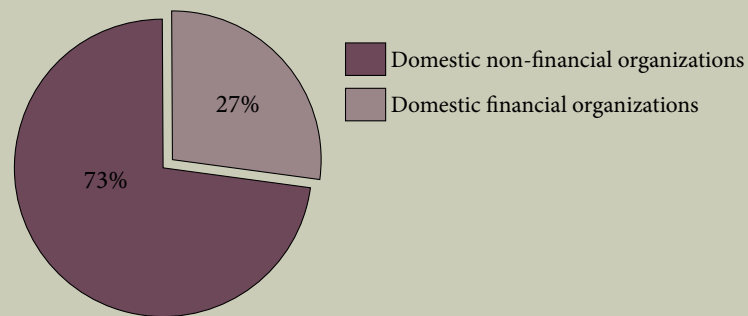
Graph 4 Issues by the type of change on capital according to the number of issues

According to applicable regulations, capital increase may be based on new capital contributions (through private or public offering of shares), on conditional increase or from the joint stock company assets (from retained earnings). During 2011, over 50% of the total number of issues based on capital increase included the issues from retained earnings.

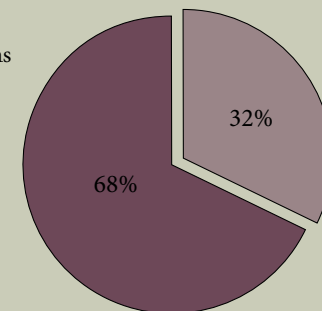
The structure of issuers sustaining capital increase or decrease in the last year is presented in the following three graphs.



Graph 5 Issues per the manner of capital increase according to the number of issues



Graph 6 Decrease of capital by the type of issuers according to the number of issues



Graph 7 Increase of capital by the type of issuers according to the number of issues

Transfer of securities outside the stock exchange

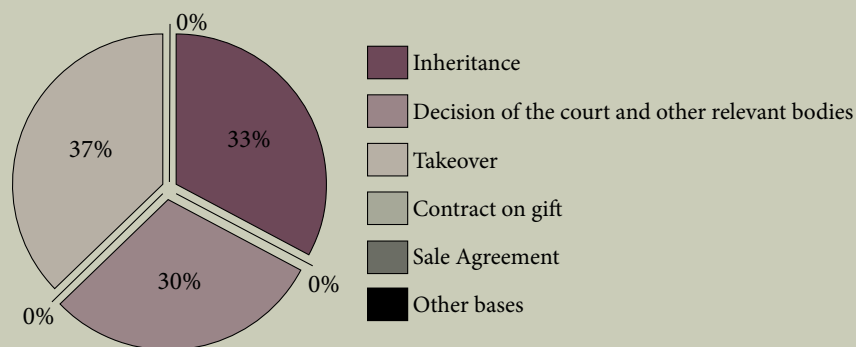
The trend of the settlement of tax liabilities with the republic's bonds, in accordance with the Regulation on Settlement of Tax Liabilities through the Republic of Srpska Bonds, continued in 2011. In parallel started the transfer of shares of the public utilities companies from the Republic of Srpska to the local self-governance units. There was also an evident increase in the number of securities transfers based on compulsory sale in take-over process.

The structure of transfer of securities outside the stock exchange is presented in below tables and graphs, by types of the transaction and type of security.

Speaking of the securities transfers outside the stock exchange, it is evident that in 2011 transfers on the basis of joint-stock companies takeovers prevailed (37%) as well as transfers based on the relevant bodies' decisions (30%).

Type of transaction	Number	Percentage
Inheritance	1.479	33
Contract on Gift	13	0
Sale Agreement	20	0
Decision of the court and other relevant bodies	1.329	30
Takeover	1.639	37
Other bases	0	0
TOTAL	4.480	100

Table 4 Transfer of securities outside the stock exchange per legal basis

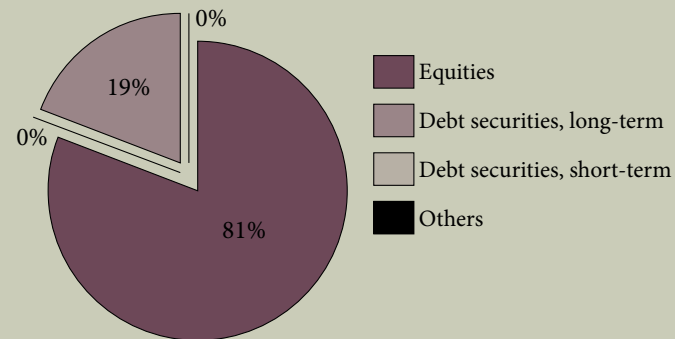


Graph 8 Transfer of securities outside the stock exchange per legal basis

As the joint stock companies' takeover was a prevailing legal basis for securities transfer outside the stock exchange, transfer of shares accounts for the biggest part compared to the other types of securities.

Type of security	Number	Percentage
Equities	3.619	81
Debt securities, long-term	861	19
Debt securities, short-term	0	0
Others	0	0
TOTAL	4.480	100

Table 5 Transfer of securities outside the stock exchange by type



Graph 9 Transfer of securities outside the stock exchange by type of security

Other operational activities

The registration in the Central Registry system is preceded by legal processing of all submitted orders and applications. Prior to registration, each individual application is inspected and its justification is determined, after which the respective entity is sent an invitation letter, describing how to remove the deficiencies, if any. This shows how big and responsible task this is.

Compared to 2010, the number of newly created holders' accounts decreased (from 4.347 in 2010 to 1.958 in 2011), however, the number of newly registered pledges increased (from 72 in 2010 to 107 in 2011). Compared to 2010, there were no admissions to membership during this reporting period, or the exclusions of certain Central Registry members.

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

Type of order and/or application	2010	2011
Holders' accounts		
Opening holders' accounts	4347	1958
Adjustment of the holders' data	≈ 15 dnevno	≈ 16 dnevno
Merger of accounts due to adjustment of data	1525	851
Reinstating of the securities from the client account to the holder's account	≈ 7 dnevno	≈ 7 dnevno
Documents for holders and issuers		
Issuing the certificates on the balance on the account	1961	2319
Issuing the statements on the balance on the account	≈ 10 dnevno	≈ 13 dnevno
Issuing the book and the list of shareholders	552	1400
Pledges		
Registration of pledges	72	107
Registration of change of pledge	92	66
Deletion of pledge	93	63
Compulsory sale of pledged securities by the Central Registry	26	19
Ban on disposal		
Registration of ban on disposal	296	250
Deletion of the ban on disposal	348	177
Members		
Admission to membership	2	0
Exclusion from membership	2	0
JSC takeovers		
Opening the takeover bid	25	36
Opening the competitive bid	1	0
Closing the takeover bid	24	35

Table 6 Number of positively solved orders and applications

Clearing, settlement and transfer of securities

The year 2011 was important for the Central Registry from the point of view of its establishing e-banking with BH Central Bank. Two years after starting of the initiative, the Contract on Performing E-Banking was signed in June, and on July 15, 2011 the software platform for e-banking was launched. The introduction of e-banking enabled better communication and faster and safer exchange of information.

To the end of the development of the Republic of Srpska financial market as well as for the needs of overcoming the short-term mismatch between income and expenses in the budget, the Republic of Srpska-Finance Ministry issued the treasury bills in May 2011. This was the first issue of treasury bills in the Republic of Srpska. Three more issues were made by the end of the year. The issues themselves were preceded by an exhaustive work on regulations as well as on the creation of technical preconditions for processing and settlement of the transactions involving treasury bills. Something that is characteristic for them is that the settlement is performed on the day

of making the transaction, i.e. on T+0. In 2011, there were no secondary trades with treasury bills.

The volume of securities transactions

The value of total transactions settled in 2011 amounted to 149 million KM.

Of total settled transactions:

- 101.713.611,32 KM, i.e. 68,26% were for the regular trades,
- 46.455.381,16 KM or 31,18% was trade carried out as block trades, and
- 841.035,72 KM or 0,56% was for the sale of state capital through the method of auction for the package of shares.

Table below provides an overview of indicators of total settled transactions in the years 2010 and 2011.

Based on the above table, we can see that the value of total settled transactions increased by 5% compared to the year 2010. This increase was contributed by a 31% increase in the settled transactions from regular trades, compared to the previous year. In contrast, the transactions settled based on block trades sustained a 27% decrease. This resulted in a decrease of a share of block trades in total volume of settled transactions from 45%, in 2010, to 31% in 2011.

Besides an increase in total volume of transactions, the number of settled transactions increased by 33% compared to the same period last year.

Settled transactions	2011	2010	Index
Number of transactions	25.510	19.150	133
Value of settled transactions	149.010.028,20	141.707.774,06	105

Table 7 Volume of transactions settled in 2010 and 2011

A detailed overview and the breakdown of settled transactions are presented below, according to the types, for:

- the regular trades,
- block trades and
- sale of state capital through the method of auction for the package of shares.

Regular trades

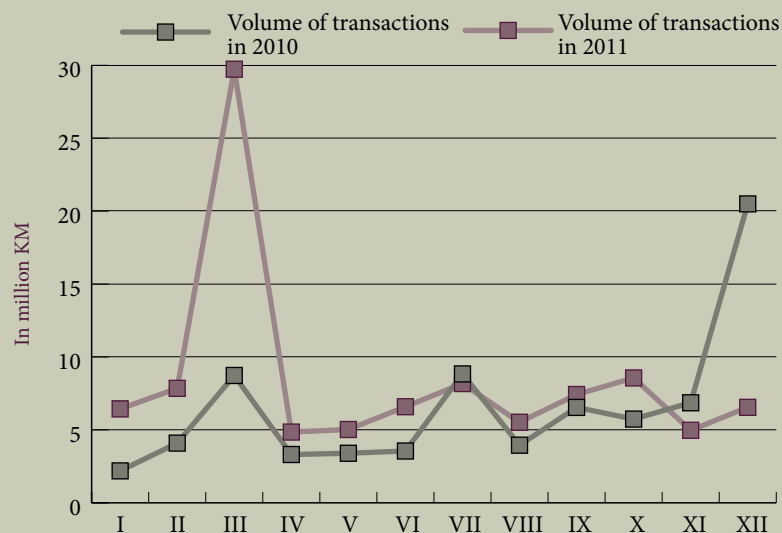
The value of settled transactions from regular trade amounted to 101.7 million KM and was realized through 25.483 transactions. Compared to the same period of the last year, we can notice that there was an increase in the value of settled transactions from regular trades by 31%, while the overall number of settled transactions has increased by 33%.

The table and the graph below illustrate the movement that was present in the capital markets speaking of regular trades in 2010 and 2011.

It is obvious from the graph that, besides November and December, the monthly values of settled regular transactions in 2011 are higher than the last year's values. Something that is particularly obvious is the value of transactions in March, which is drastically higher in comparison with other months, amounting to 29.7 million KM. Of this, the value of settled transactions involving a share of the issuer Trznica a.d. Banja Luka (TRZN-R-A) only, amounted to 20.1 million KM.

Regular trades	2011	2010	Index
Number of settled transactions	25.483	19.131	133
Average number of the transactions settled on a daily basis	102	76	134
Value of settled regular transactions	101.713.611,32	77.723.801,18	131
Average daily value of settled regular transactions	408.488,40	309.656,58	132

Table 8 Settled transactions from regular trades in the years 2010 and 2011



Graph 10 Value of settled regular transactions by months in the years 2010 and 2011

The table below provides a breakdown of the settled transactions of regular trades by types of securities.

The settled regular transactions involving the shares accounts for 70% of the total settled regular transactions, which is by 38% more than in 2010. Looking at the settled transactions, we can see that 16.066 transactions involving shares were settled, which represents a 56% increase compared to the previous year.

Besides shares, bonds were also traded in regular trades. The settled transactions involving bonds increased by 9% compared to 2010, and accounts for 30% of settled transactions in regular trades.

The highest value of settled regular transactions was obtained from the shares of the issuer Tržnica a.d. Banja Luka. The settled regular transactions involving this share in 2011 amounted to 25.2 million KM,

which is 24.83% of total settled regular transactions.

The value of settled transactions involving the closed-end investment fund shares amounted to 11.4 million KM accounting for 11.19% of settled regular transactions. We can see from the tabular overview that the shares of Zepter Fund and Kristal Investfond were the ones that were most frequently traded. The value of settled regular transactions with the shares of the mentioned funds amounted to 4.7 million KM, which is 4.6% of settled regular transactions.

The Central Registry has been performing the clearing and settlement of the transactions made on the regulated public market since 2002. It was however for the first time in this that the Central Registry performed blocking of the acquisition and disposal of shares in the process of clearing and settlement. Namely, it was on three occasions in 2011, that the

Republic of Srpska Securities Commission ordered the Central Registry to take all the actions to block the acquisition and disposal of shares in the process of clearing and settlement, for a total of 74 transactions. Upon completion of the supervision process over the authorized participants, the Republic of Srpska Securities Commission cancelled two transactions, and ordered lifting of the ban for the remaining transactions, that is to say settlement of the shares for cash.

The other transactions made on the regulated public market were successfully settled within three business days as of the day of the transaction. In order to comply with their obligations within the set deadlines, the Central Registry members used the possibility of borrowing the securities on one occasion, that were used to procure the missing securities for settlement purposes.

Type of sec.	Value of settled transactions	% of the value of settled regular transactions	Index (2011/2010)	No. of settled securities	% of total number of settled securities	Index (2011/2010)	No. of settled securities	% of total number of settled securities	Index (2011/2010)
Share	71.229.390,65	70%	138	228.124.264	77%	118	16.066	63%	156
Bond	30.484.220,67	30%	109	69.265.976	23%	113	9.417	37%	106
TOTAL	101.713.611,32	100%	131	297.390.240	100%	117	25.483	100%	133

Table 9 The analysis of settled transactions in regular trades per type of security

Block trades

The value of settled block trades in the year 2011 is by 27% lower compared to 2010 and amounts to 46.5 million KM. Of that, 9.9 million KM was realized in the first half of the year, indicating that 80% of block trades were realized in the second half of the year.

26 block transactions were settled, which is by 37% more in comparison with the last year.

In March 2011, for the first time the settlement with the bonds was done, more precisely with the bonds of BLKB-0-B, of the issuer Balkan Investment bank a.d. Banja Luka.

Auction for the package of shares – sale of state capital on stock exchange

In 2011, a number of share packages of state capital were offered, with the repayment deadline of 8 days as of the date of sale. A share package of only one company was successfully sold – of the Company Očna optika a.d. Banja Luka. The value of settled transactions amounted to 841.035,72 KM, which represents 0.56% of the total settled transactions in 2011.

Block trades	2011	2010	Index
Number of settled transactions	26	19	137
Value of settled block trades	46.455.381,16	63.983.972,88	73
Average value of settled transactions per block trade	1.786.745,43	3.367.577,52	53

Table 10 Block trades

Members' share in the volume of transactions

The below table shows a share of the Central Registry members in the settled regular trades, block trades, auction for package of shares-state capital and in total volume of transactions:

Name of member	Regular transactions				Block trades				Auction for package of shares - state capital				TOTAL			
	Value of purchase	Value of sale	Total	% of share in regular transactions	Value of purchase	Value of trade	Total	% of share in block trades	Value of purchase	Value of sale	Total	% of share in state capital	Value of purchase	Value of sale	Total	% of share in total transactions
ADVANTIS BROKER AD	11.360.539,06	10.314.774,91	21.675.313,97	10,66%	33.474.419,77	33.474.419,77	66.948.839,54	72,06%	0,00	0,00	0,00	0,00%	44.834.958,83	43.789.194,68	88.624.153,51	29,74%
BALKAN INVESTMENT BANK AD	4.212.478,80	4.432.391,42	8.644.870,22	4,25%	501.361,00	2.501.360,32	3.002.721,32	3,23%	0,00	0,00	0,00	0,00%	4.713.839,80	6.933.751,74	11.647.591,54	3,91%
BOBAR BANKA AD	2.966.092,83	5.835.069,41	8.801.162,24	4,33%	0,00	0,00	0,00	0,00%	0,00	0,00	0,00	0,00%	2.966.092,83	5.835.069,41	8.801.162,24	2,95%
EUROBROKER AD	4.880.800,04	10.785.157,13	15.665.957,17	7,70%	0,00	717.738,00	717.738,00	0,77%	0,00	0,00	0,00	0,00%	4.880.800,04	11.502.895,13	16.383.695,17	5,50%
FIMA INTERNATIONAL AD	5.090.237,98	5.743.449,92	10.833.687,90	5,33%	766.458,00	766.458,00	1.532.916,00	1,65%	0,00	0,00	0,00	0,00%	5.856.695,98	6.509.907,92	12.366.603,90	4,15%
HYPO ALPE-ADRIA-BANK AD	1.683.647,52	6.333.571,34	8.017.218,86	3,94%	0,00	0,00	0,00	0,00%	0,00	0,00	0,00	0,00%	1.683.647,52	6.333.571,34	8.017.218,86	2,69%
ZEPTER-BROKER AD	6.578.329,18	12.902.982,66	19.481.311,84	9,58%	718.978,26	718.978,26	1.437.956,52	1,55%	0,00	0,00	0,00	0,00%	7.297.307,44	13.621.960,92	20.919.268,36	7,02%
UNICREDIT BANK AD	4.478.525,50	1.764.834,57	6.243.360,07	3,07%	0,00	0,00	0,00	0,00%	0,00	0,00	0,00	0,00%	4.478.525,50	1.764.834,57	6.243.360,07	2,09%
MONET BROKER AD	37.372.506,64	19.879.954,26	57.252.460,90	28,14%	7.272.347,51	7.272.347,51	14.544.695,02	15,65%	841.035,72	0,00	841.035,72	50,00%	45.485.889,87	27.152.301,77	72.638.191,64	24,37%
NOVA BANKA AD	6.994.566,34	7.027.721,23	14.022.287,57	6,89%	500.079,30	500.079,30	1.000.158,60	1,08%	0,00	0,00	0,00	0,00%	7.494.645,64	7.527.800,53	15.022.446,17	5,04%
RAIFFEISEN CAPITAL AD	4.285.758,22	7.539.595,95	11.825.354,17	5,81%	0,00	0,00	0,00	0,00%	0,00	841.035,72	841.035,72	50,00%	4.285.758,22	8.380.631,67	12.666.389,89	4,25%
PAVLOVIĆ INTERNATIONAL BANK AD	295.489,39	1.373.943,60	1.669.432,99	0,82%	0,00	0,00	0,00	0,00%	0,00	0,00	0,00	0,00%	295.489,39	1.373.943,60	1.669.432,99	0,56%
TOTAL BROKERAGE COMPANIES	90.198.971,50	93.933.446,40	184.132.417,90	90,52%	43.233.643,84	45.951.381,16	89.185.025,00	95,99%	841.035,72	841.035,72	1.682.071,44	100,00%	134.273.651,06	140.725.863,28	274.999.514,34	92,28%
BALKAN INVESTMENT BANK AD-KASTODI	0,00	0,00	0,00	0,00%	1.999.999,32	0,00	1.999.999,32	2,15%	0,00	0,00	0,00	0,00%	1.999.999,32	0,00	1.999.999,32	0,67%
NOVA BANKA AD-KASTODI	767.688,81	241.993,97	1.009.682,78	0,50%	0,00	0,00	0,00	0,00%	0,00	0,00	0,00	0,00%	767.688,81	241.993,97	1.009.682,78	0,34%
NLB TUZLANSKA BANKA DD-KASTODI	41.894,90	251.358,49	293.253,39	0,14%	0,00	0,00	0,00	0,00%	0,00	0,00	0,00	0,00%	41.894,90	251.358,49	293.253,39	0,10%
RAIFFEISEN BANK DD-KASTODI	6.989.518,21	2.493.376,96	9.482.895,17	4,66%	504.000,00	504.000,00	1.008.000,00	1,08%	0,00	0,00	0,00	0,00%	7.493.518,21	2.997.376,96	10.490.895,17	3,52%
UNICREDIT BANK DD-KASTODI	1.936.777,55	1.079.996,64	3.016.774,19	1,48%	717.738,00	0,00	717.738,00	0,77%	0,00	0,00	0,00	0,00%	2.654.515,55	1.079.996,64	3.734.512,19	1,25%
INTESA SANPAOLO BANKA BIH	0,00	0,00	0,00	0,00%	0,00	0,00	0,00	0,00%	0,00	0,00	0,00	0,00%	0,00	0,00	0,00	0,00%
HYPO ALPE-ADRIA-BANK DD-KASTODI	1.778.760,35	3.713.438,86	5.492.199,21	2,70%	0,00	0,00	0,00	0,00%	0,00	0,00	0,00	0,00%	1.778.760,35	3.713.438,86	5.492.199,21	1,84%
TOTAL CUSTODY BANKS	11.514.639,82	7.780.164,92	19.294.804,74	9,48%	3.221.737,32	504.000,00	3.725.737,32	4,01%	0,00	0,00	0,00	0,00%	14.736.377,14	8.284.164,92	23.020.542,06	7,72%
TOTAL	101.713.611,32	101.713.611,32	203.427.222,64	100,00%	46.455.381,16	46.455.381,16	92.910.762,32	100,00%	841.035,72	841.035,72	1.682.071,44	100,00%	149.010.028,20	149.010.028,20	298.020.056,40	100,00%

Table 11 Value of settled transactions per Central Registry members in the period 01 January – 31 December 2011.

Guarantee fund

Under the Law on Capital Markets and the Rulebook on Clearing, Settlement and Transfer of Securities, the Central Registry is required to form a guarantee fund in order to secure the fulfillment of obligations arising from the transactions made on the regulated market. The Guarantee Fund comprises basic and additional payments of the Central Registry members.

The amount of the basic payment is dependant upon the average daily value of net cash liabilities of all Central Registry members during the previous semi-annual period, on the number of members and the average risk coefficient. The minimal amount of the basic payment is 10.000,00 KM per member; the same amount applied until July 31, 2011. According to the Decision of the Management Board, the amount of the basic payment in the Guarantee Fund for the period from August 01, 2011 to January 31, 2012 is at the level of 12.200,00 KM per member.

Additional payment of the members is determined on the monthly level, depending on the amount of the average value of the member's net debt and on his monthly net debt coefficient.

The highest amount of the Guarantee Fund of 632.280,00 KM was in January and the lowest in June, i.e. 225.088,00 KM. As of 31 December 2011, the Guarantee Fund had the funds in the amount of 262.805,00 KM.

The Central Registry members fulfilled their obligations regularly, both concerning the payments into the Guarantee Fund and on the basis of fulfillment of their obligations from transactions made on the regulated market.

Calculation of the principal amount and interest on debt securities

In 2011 the Central Registry signed the Contract on Performing the Calculation of Principal Amount and Interest Payable from the Due Coupons, with five municipalities, namely, municipalities Gradiska, Srbac, Knezevo, Laktasi and Lopare. The number of bonds for which the Central Registry performs the service of calculation of the related principal amount and interest increased to 41 in the year

2011. In addition to the calculation of principal amount and interest on bonds, the Central Registry also performs calculation of the amount payable to the treasury bills holders and keeps records on payment per holders.

On April 04, 2011, a Contract on performing the operations with the treasury bills issued by the Republic of Srpska was signed between the Central Registry and the Republic of Srpska Finance Ministry. The Contract defines, among others, that the Central Registry shall also perform the calculation of the value payable to the treasury bills holders and that it shall also keep the records on payments. The first calculation for a treasury bill was performed on November 11, 2011.

The table below presents an overview of the number of calculations per months.

The number of calculations performed by the Central Registry for debt securities increases year in year out. The calculated amount of principal and interest that became due in 2011 was 115.743.300,54 KM.

	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII	Total
Maturity of principal amount	1	2	2	0	2	2	1	2	5	1	3	2	23
Maturity of interest	1	2	14	1	2	6	4	3	20	4	2	8	67

Table 12 Calculation of the principal amount and the interest by months during the period 01 January – 31 December 2011

The graph below presents an overview of due obligations by types of debt securities, for which the Central Registry performs calculation.

As for the corporate bonds, the Central Registry has a signed contract with MKD “Sinergijaplus” d.o.o. Banja Luka, the liabilities of which in 2011 amounted to 800 thousand KM.

Speaking of municipal bonds, their total calculated liabilities amounted to 8,27 million KM. The Central Registry performed calculation for 12 municipalities that issued 14 bonds.

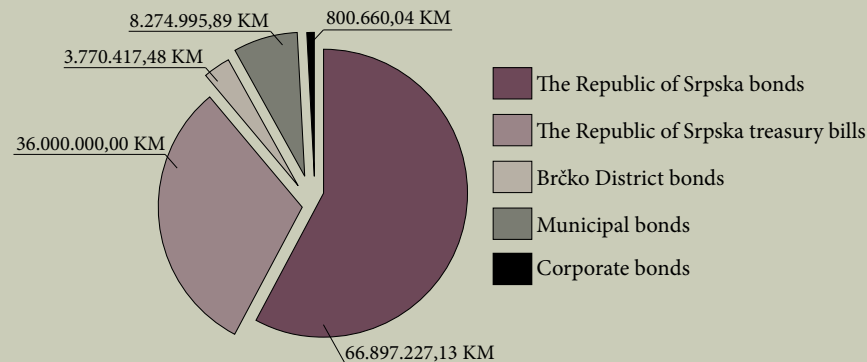
Speaking of municipal bonds, their total calculated liabilities amounted to 8,27 million KM. The Central Registry performed calculation for 12 municipalities that issued 14 bonds.

As we can see from the graph below, the calculation was also performed for the bonds of BH District Brčko, for settlement of the liabilities based on veri-

fied accounts of frozen old foreign-currency savings. So far 20 bonds have been issued for settlement of the liabilities based on verified accounts of old frozen foreign-currency savings, of which six have expired. The liabilities that became due in the year 2011 amounted to 3,77 million KM.

In addition to the above, the Central Registry also performs the calculation for the debt securities issued by the Republic of Srpska. Total due liabilities of the Republic of Srpska in 2011 amounted to 102,9 million KM. Besides calculation, the Central Registry also performs keeping of the records on payment per holders, for the Republic of Srpska debt securities.

The quality of offered service was also recognized by the issuers, so that as of December 31, 2011, the Central Registry has 17 contracts signed, comprising the calculations for 41 bonds and 3 treasury bills. This data is an indication that of 57 debt securities, the Central Registry performs calculation of the principal amount and interest upon maturity for 77%.



Graph 11 Overview of due liabilities per types of debt securities

Depository operations

At the end of 2011, the Central Registry performed the depository operations for a total of 12 investment funds, nine closed-end investment funds (CIFs) and three open-end investment funds (OIFs). The operations of determining the net value of assets of investment funds (IFs), based on contracts made with the management companies, were performed by the Central Registry for a total of nine IFs, i.e. seven CIFs and two OIFs.

In 2011, regular activities on determining the net value of assets of the Republic of Srpska Share Fund and the Republic of Srpska Restitution Fund were also performed. The monthly reports were created for these Funds.

In April 2011, the Contract was made on performing the depository operations for the Republic of Srpska Pension Reserve Fund. The Contract was made for the depository operations for the year 2011, so that in the previous period, all 12 monthly calculations for the Fund were checked and verified.

In 2011, in the Depository Operations Sector, the activities were carried out related to joint stock companies' takeover and compulsory sale of shares in the process of joint stock companies takeover. A total of 34 procedures of joint stock companies' takeover were completed in 2011, of which in 12 processes the offeror exercised the right to compulsory sale of shares.

Investment funds' depository operations

The Central Registry started the year 2011 as a depository for a total of 13 IFs, i.e. 10 CIFs and three OIFs. As of 30 April 2011, the contract on performing depository operations for CIF Polara invest fond a.d. Banja Luka was terminated, so that we ended this year as a depository for 12 IFs. The total net value of assets of these funds as of 31 December 2011, amounted to 275,83 million KM.

Over 98% of total net value of assets of the invest-

ment funds for which we perform the depository operations relates to CIFs, the net value of which as of 31 December 2011 amounted to over 272 million KM. Considering the fact that the net assets of these nine CIFs at the end of 2010 amounted to about 282 million KM, and that in 2011 the methodology applied for determining the value of net assets was not amended, we can see that there was only a slight decrease of the value of CIF net assets.

Given the fact that the CIFs' portfolios for which we perform depository operations have 95 different securities on the average, and that about 94% of those securities relate to the securities issued by local issuers, we can say that the movements of the value of net assets of these funds are also an indication of the situation in the Republic of Srpska, i.e. Bosnia and Herzegovina capital markets. This is especially true because the biggest number of the securities from the funds' portfolios are valued at their market price. Namely, since March 2010 and the beginning of the application of the Rulebook on Amendments

to the Rulebook on Determining the Value of Assets of the Investment Fund and Calculation of Net Value of Assets per Investment Fund Share or Stock (“The Republic of Srpska Official Gazette”, no. 23/10), all the securities that fulfill the set marketability requirements are valued at market price, while the other securities are valued according to the valuation techniques defined by IAS 39.

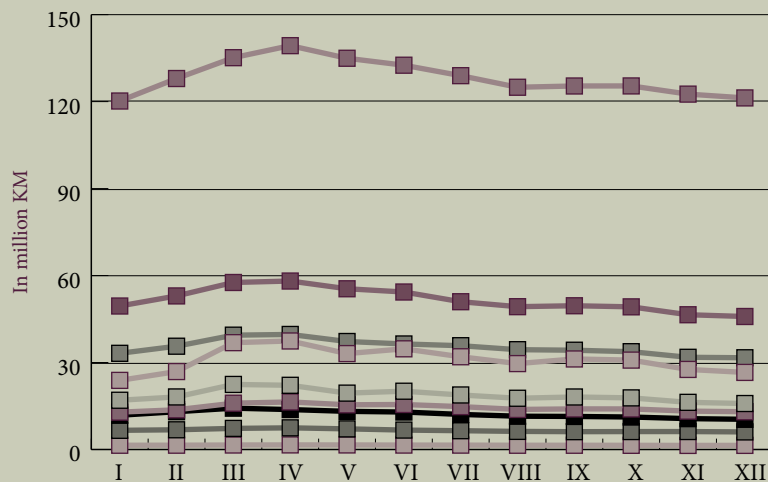
The same situation in the capital markets applied to three OIFs, especially having in mind that almost

97% of investments of these funds were made in the securities issued by local issuers. A decline of the total value of net assets from 5,36 million KM at the beginning of the year to 3,66 million KM on December 31, 2011 was mostly due to the fulfillment of the requests for the sale of a share by a certain number of shareholders of these funds in the year 2011.

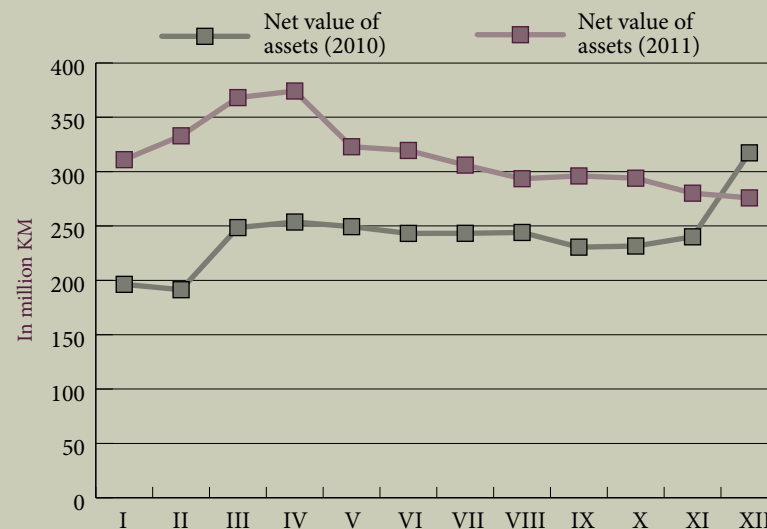
In addition to depository operations, during the same time period, the Central Registry carried out

the activities on determining the value of fund assets for a total of nine funds. For the remaining three funds, the calculations delivered by the companies managing these funds, were checked and verified.

The chart below presents a comparative overview of the movements of the amount of net value of assets of investment funds for which the Central Registry performed the depository operations in 2010 and 2011.



Graph 12 Net value of CIFs' assets for which the Central Registry performed depository operations in 2011.



Graph 13 Net value of assets of IFs for which the Central Registry performed depository operations in 2010 and 2011.

In 2011, based on signed contracts on the calculation of the balance of value of assets of certain CIFs in the period from December 2007 to February 2010, according to a separate request and the methodology, calculations were performed for a total of five CIFs, namely for four CIFs for 27 monthly calculations and for one CIF based on 12 monthly calculations. The above calculations were made on the basis of a special request and the data provided by the companies managing these CIFs.

Submission of the reports for the investment funds

In 2011, too, according to the applicable regulations, the reports continued to be delivered to the IF managing companies, CIF Supervisory Boards and the Republic of Srpska Securities Commission.

As for the CIFs, the monthly reports on net assets and the structure of investments were also delivered for the needs of the Capital Markets Portal.

The reports for the funds were delivered to the Commission via the Electronic Collection of Information (EPI), in accordance with the Rulebook on the Contents, Deadlines and the Form of Reports of the Investment Funds, Managing Companies and the Depository Bank (“The Republic of Srpska Official Gazette”, no. 75/09). Depository’s reports envisaged by this Rulebook are available on the Central Registry website, in accordance with the Instruction on the Contents of Websites of Authorized Participants

in the Capital Markets (“The Republic of Srpska Official Gazette”, no. 29/09).

Depository operations for the Republic of Srpska Share Fund and the Republic of Srpska Restitution Fund

In addition to its depository operations for the investment funds, the Central Registry Depository Operations Sector carries out the depository activities for the funds established according to separate laws, i.e. the Republic of Srpska Share Fund and the Republic of Srpska Restitution Fund. Pursuant to the Regulation on the Methodology for Determining the Net Value of RS Share Fund and RS Restitution Fund (“The Republic of Srpska Official Gazette”, nos. 95/06, 2/07, 7/07 and 120/08), the depository operations, which imply determining the value of assets and liabilities and calculation of net value of assets of these funds, are performed by the Central Registry.

The reports were made on determining the value of assets separately for each property form, for the needs of calculating the net value of funds’ assets. The making of these reports implied continuous monitoring of changes in funds’ portfolios arising both from the acquisition and sale of securities and from the increase and decrease of capital and all forms of changes in property status.

In addition to the said changes, in 2011 we also registered the shares of newly founded companies and companies with majority state capital in the

Republic of Srpska Share Fund, in accordance with the decision of the Republic of Srpska Government. We also performed transfers of property rights to the Republic of Srpska capital from the companies performing public utility activities as well as in the local radio-television stations, to the local self-governance units. On this basis, in 2011, there were a total of 68 transfers of the property right to the local self-governance units as well as 12 transfers of company shares in the Share Fund portfolio.

The reports on determining the net value of assets, that were made in accordance with the Regulation, were regularly, on the monthly basis, delivered to the Republic of Srpska Investment Development Bank Supervisory Board.

Depository operations for the Republic of Srpska Pension Reserve Fund

In 2011, the Central Registry started performing the depository operations for the Republic of Srpska Pension Reserve Fund. These tasks were carried out on the basis of the Contract on performing the depository operations made in April 2011, following the completion of the procedure of public procurement of services for depository operations by the Republic of Srpska Pension Reserve Fund Managing Company.

In its performing of the depository operations for the Republic of Srpska Pension Reserve Fund, in 2011, the Central Registry took account of the entire assets

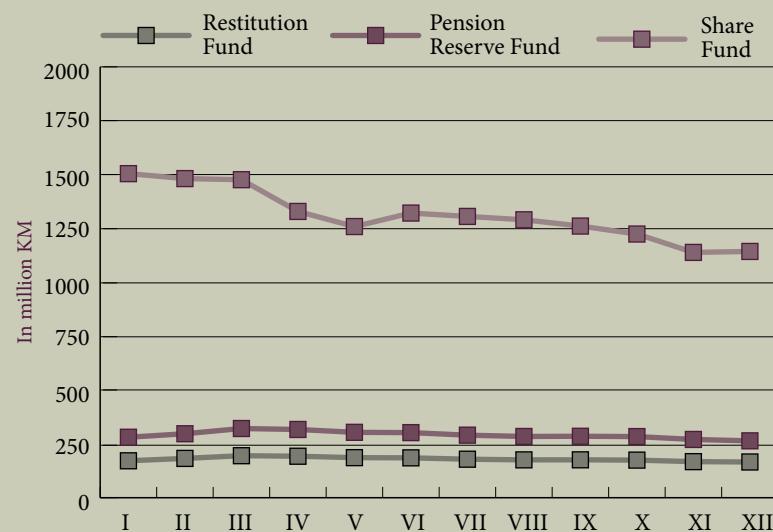
of the Fund, on a daily basis, checked and approved financial transactions, informed the Company about the corporate actions related to the Fund's assets and carried out other activities too, in accordance with legal and other applicable rules.

In its acting pursuant to the provisions of the Law on Pension Reserve Fund ("The Republic of Srpska Official Gazette", nos. 73/08 and 20/10) and the Law on Investment Funds ("The Republic of Srpska Official Gazette", no. 95/06), the Central Registry made sure that the calculation of net value of Fund's assets as well as the calculation of the fee for the managing the Fund were in line with the law and the methodology, by checking each monthly calculation of net value of assets and by verifying the calculation delivered by the Republic of Srpska Pension Reserve Fund Management Company. Net value of assets of RS Pension Reserve Fund was determined on the monthly basis and using the same methodology that is applied to the calculation of net value of assets of RS Share Fund and RS Restitution Fund. Considering the fact that the Fund was registered in January 2011, this manner of calculation and verifying calculation was applied for all 12 months of 2011, with the calculations for the first three months done subsequently, after signing of the contract on performing the depository operations. At the first calculation for the Fund, account had to be taken of all the changes arising with the issuers from the Fund's portfolio from the moment of the last calculation, i.e. from the calculation on May 31, 2010 and the appraisal of value the initial capital contribution in the Republic

of Srpska Pension Reserve Fund. After that, regular monthly calculations were done and the records were updated together with the Company.

The net value of assets of the RS Pension Reserve Fund, in 2011, which was the first year of its operation and the first year in which we performed depository operations for this Fund, was in line with the movement in the Republic of Srpska capital markets. The chart below presents the data on net value of assets of the funds founded according to special laws, including the net value of assets of the RS Pension Reserve Fund.

If we set aside the movement of the value of net assets of the Republic of Srpska Share Fund, which was significantly influenced by transfer of the property right in certain issuers' shares to the local self-governance units, as well as by registration in the portfolio of this fund of issuers' shares according to the Republic of Srpska Government decision, we can see that, regardless of the fact that a different methodology is applied to these funds than the one defined for the investment funds, the movement of the value of net assets of all these funds in 2011 was very much alike and showed only a small decrease.



Graph 14 Net value of the assets of the funds founded pursuant to special laws (of the Republic of Srpska Share Fund, the Republic of Srpska Pension Reserve Fund and the Republic of Srpska Restitution Fund) in 2011

Joint Stock Companies' Takeover

The operations related to the implementation of the process of joint stock companies' takeover are carried out by the Central Registry, in accordance with the Law on Joint Stock Companies Takeovers ("The Republic of Srpska Official Gazette", nos. 65/08 and 92/09).

The joint stock companies' takeovers have been conducted in the Central Registry since 2003. During the period from 2003 to the end of 2011, a total of 366 processes of joint stock companies' takeovers were undertaken and complete. In these processes, 12.298 shareholders deposited their shares the value of which amounted to 105,27 million KM.

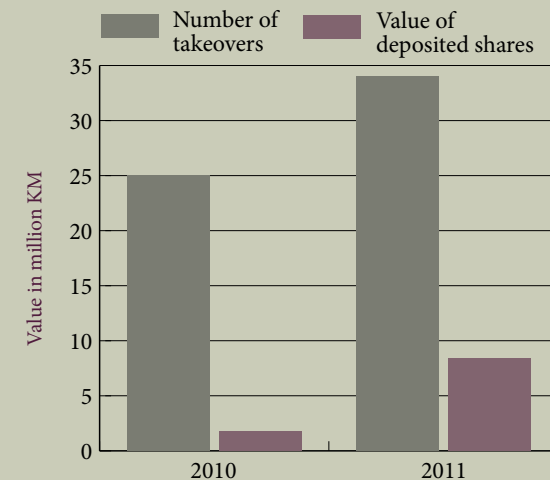
In 2011 a total of 34 procedures of joint stock companies takeovers were complete. The total value of shares deposited by 590 shareholders amounted to 8,37 million KM.

The graph below presents the comparative data on the number of complete takeover procedures and the value of deposited shares in 2010 and 2011.

The latest amendments to the Law on Joint Stock Companies Takeover, that came into effect at the end of 2009, made possible performing of the procedures of compulsory sale and compulsory purchase in the process of joint stock company takeover.

In the period from 2010, when the first compulsory sale of shares in the process of joint stock companies takeover took place, until the end of 2011, 15 processes of compulsory sale of shares were complete, with the shares of 1.788 shareholders subject to compulsory sale, the value of which amounted to 420.454,07 KM. In 2011, there were 12 procedures of compulsory sale of shares in the processes of joint stock companies' takeovers.

Until the end of 2011, there was not a single procedure of compulsory purchase of shares in the process of joint stock companies' takeover.



Graph 15 Number of takeovers and value of deposited shares in the years 2010 and 2011

The below table provides an overview of data on completed procedures of compulsory sales of shares in the years 2010 and 2011.

A more detailed method of exercising the right to a compulsory sale and compulsory purchase in the process of joint stock companies' takeover was laid down by the Republic of Srpska Securities Commission, in its instruction published in the Republic of Srpska Official Gazette, no. 112/09. Upon completed transfer of cash funds into the special purpose account, opened by the Central Registry with a commercial bank, to which the funds intended for payment of shares that are subject of compulsory sale are transferred and kept, the shares that were subject of compulsory sale are transferred to the offeror's account. The offeror, brokerage companies, Banja Luka Stock Exchange and the issuer are notified, by the Central Registry, of the performed transfer of shares subject to compulsory sale. Following the transfer of shares that were a subject of compulsory sale to the

offeror's account, the notification of the compulsory sale of shares is also posted on the Central Registry website.

After provision of the data on the account number of cash funds of the shareholders whose shares were subject to compulsory sale, the Central Registry made the payment from the special purpose account to these shareholders. During the time period in which the compulsory sale of shares processes as part of joint-stock companies takeover was undertaken, cash was paid to 182 shareholders whose shares were subject to compulsory sale, of which 151 payments in the year 2011. The records on the payments made to the shareholders whose shares were sold in the compulsory sale process as part of companies takeover are kept and maintained in the Central Registry, while the cash funds of almost 90% of remaining shareholders whose shares were subject to compulsory sale are kept on the special purpose account.

	2010	2011	Total
Number of compulsory sales	3	12	15
Number of shareholders whose shares were subject to compulsory sale	172	1.616	1.788
Value of shares subject to compulsory sale (in KM)	172.108,66	248.345,41	420.454,07

Table 13 Data on completed processes of compulsory sale of shares in 2010 and 2011

Information technologies

The activities implemented within the information technologies sector in 2011 were carried out in accordance with the dynamics defined as part of the Central Registry business policy.

The Central Registry Information System kept the structure similar to the one in previous years. The design remained such that it enabled the members to access certain modules in accordance with their needs and authorizations. They can connect through a VPN network that enables fast and safe exchange of the data through encrypted connections. Additional security and protection of the network against unauthorized access is provided by a hardware firewall. Antivirus protection is provided by Kaspersky antivirus program. User authentication helps protect against unauthorized access. With regular licenses software procurements, OVS licensing method was used as the most appropriate for future expansions and new software releases.

Moving to the new offices required the procurement of new equipment, its installation and all

necessary adjustments. A part of the equipment that was purchased before was replaced in the course of the year. Both the administration and the maintenance of the existing hardware equipment went as planned.

Having in mind that both the information and its security are invaluable, the daily backup of data as well as of software applications are done in the Central Registry, providing for the continuity of the operations of this institution. This activity was further improved with the purchase of NAS Backup server. Additional security was also provided with the introduction of anti-fire and anti-burglary system, while the operations were made more modern with the introduction of the equipment for e-banking with BH Central Bank.

The development in the environment in which the Central Registry works requires constant changes, optimization and software adjustment. During 2011, in order to meet the demands and to ensure the realization of the goals, all softwares developed

in the Central Registry were adjusted and upgraded, according to the set requirements and with compiling of the accompanying documentation. The most important among them include:

- Software for compulsory takeover
- Software for monitoring and control of generation and printing of the reports based on the book of shareholders, the application was upgraded in order to keep detailed records and monitor the bans at the same time,
- Software upgrades for open-end investment funds,
- Software upgrades for monitoring the operations with treasury bills for the needs of the clearing and settlement sector,
- Software for settlement of short-term securities on T+0,
- Application – viewing and search of the data on bonds,
- Application – clearing of debt securities without coupons per holders upon maturity,

- Modifications in the application for CRS –adding new views in the application that enables access to the course of takeover, including keeping records on payments to the shareholders whose shares were subject to the compulsory sale in the take-over procedure.

The administration and maintenance of software developed in the Central Registry also went at a usual

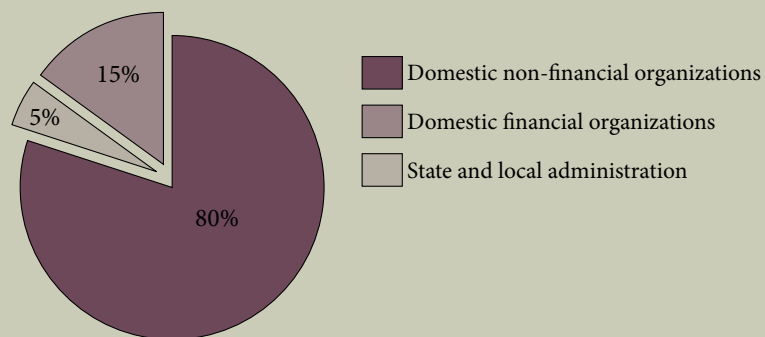
rate, as well as the administration, regular backup and archiving of all databases, and the administration and maintenance of information systems along with the monitoring and maintenance of the system and the networks operation.

The Central Registry continuously works on upgrading the existing and designing the new products and services offered by it to its clients. As far as the

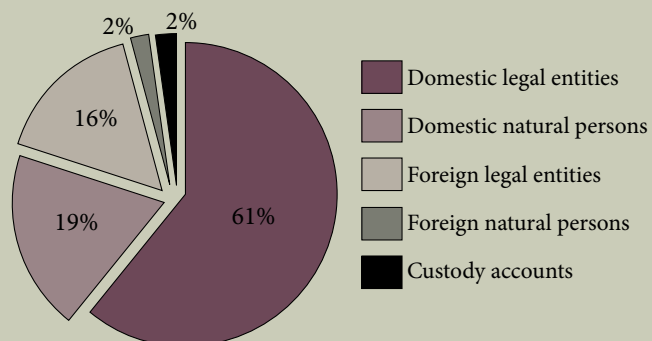
information technologies are concerned, we are also active in keeping up with and learning about the new technologies necessary for the design of new software solutions. In line with that, we attended the appropriate training. Keeping up to date with the new versions of software tools and extension of the support for the existing tools used in the Central Registry, is another activity constantly pursued by us.

General information in the year 2011

As of 31 December 2011, the securities with the total nominal value of 14.938.252.877 KM are registered in the Central Registry. The securities are kept on 1.242.000 holders' accounts. The structure of registered securities is presented in below graphs.



Graph 16 Registered securities as of December 31, 2011 by the type of issuer



Graph 17 Securities registered as of December 31, 2011 by the type of holder

Annual report for 2011

Income statement from 01 January to 31 December 2011

Description	2010 (BAM)	2011 (BAM)
Operating income	2.400.767	2.582.426
Operating expenses	1.903.574	1.999.359
Financial income	96.698	52.223
Financing expense	22	94.726
Other income	287.177	355.030
Other expenses	533.278	509.666
Total income	2.784.642	2.989.679
Total expenses	2.436.874	2.603.751
Profit before tax	347.768	385.928
Current and deferred income tax	74.847	80.327
NET PROFIT	272.921	305.601

Table 14 Income Statement (1 EUR = 1,955830 BAM)

Balance sheet as of 31 December 2011

Description	2010 (BAM)	2011 (BAM)
ASSETS		
Non-current assets	4.138.763	5.526.892
Current assets	2.984.376	2.224.085
TOTAL ASSETS	7.123.139	7.750.977
LIABILITIES		
Equity	3.237.225	3.542.826
Long-term provisions	866.083	954.657
Liabilities	3.019.831	3.253.494
TOTAL LIABILITIES	7.123.139	7.750.977

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

Independent auditor's report

To the owners 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: the Central Registry) that include the Balance Sheet as of 31 December 2011 and the related Income Statement, Report on Changes in Equity and the Statement on Cash Flows for the year then ended, as well as the overview of significant accounting policies and notes to financial statements.

Responsibility of the management for financial statements

The Central Registry management 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 improving of internal controls, in order to increase the efficiency of operations, upgrade the protection of funds, against frauds and errors, accuracy and completeness of accounting records, as well as the timely preparation of reliable financial information, and selection and application of appropriate accounting policies and using the best possible estimates.

Auditors' responsibility

It is our responsibility to express an opinion on enclosed financial statements based on our audit. We conducted our audit in accordance with the International Auditing Standards. These standards require that we act in accordance with the ethical principles and plan and perform the audit to obtain reasonable assurance about whether the financial statements reports are free from material misstatements. Audit includes the implementation of the procedures to obtain audit evidence about the estimates and disclosures in the financial statements. The procedures selected are based on auditor's judgment, including the assessment of the risk of material misstatements contained in financial statements, that occurred due to fraud or error. When assessing the risk, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the efficiency of the Company's internal control. An audit also includes an assessment of applied accounting policies and valuation of accounting estimates performed



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by the management, as well as the evaluation of the overall presentation of financial statements. We believe that the audit evidence that we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the enclosed financial statements present fairly and objectively, in all material respects, the financial position of the Central Registry of Securities JSC, Banja Luka as of December 31, 2011, as well as its financial performance and changes in cash flows for the year then ended, in accordance with the International Financial Reporting Standards.

Banja Luka, in February 2012



“Vralaudit” d.o.o. Banja Luka

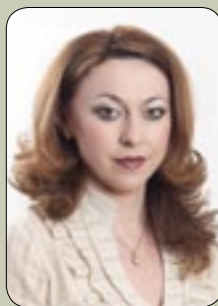
Miloš Marčeta

Miloš Marčeta, authorized auditor

Central Registry of Securities management



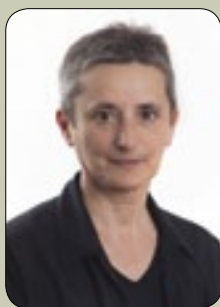
Jasminka Đukić,
Director



Biljana Čubrilović,
Head of the Clearing
and Settlement Sector



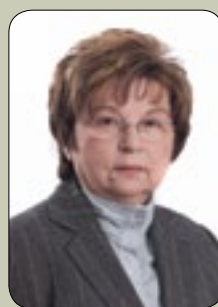
Divna Bosiočić,
Head of the Information
Technologies Sector



Dragica Lakić,
Head of the Legal
Operations Sector



Nevenka Lero,
Head of the Depository
Operations Sector



Slavica Verčević,
Head of the Finance
and Accounting Sector



Central Registry of Securities



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