

**Bosnia and Herzegovina  
Federation of Bosnia and Herzegovina  
Federal Ministry of Finance**

# **QUARTERLY DEBT REPORT**

**Q4/2015**

**Bulletin No. 2**

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**[www.fmf.gov.ba](http://www.fmf.gov.ba)**

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# 1. External debt of the Government of the Federation of BiH

## 1.1. Activities in the fourth quarter

According to the available data<sup>1</sup> from the Federal Ministry of Finance, during the fourth quarter of 2015, on the basis of external debt, 63,163,146.06 BAM (CBBH exchange rate on 31<sup>th</sup> December 2015<sup>2</sup>) was engaged, from several creditors in multiple currencies (Table 1).

Table 1. Overview of withdrawals during the fourth quarter by currency

Withdrawals by currency		CBBH exchange rate on 31 <sup>th</sup> December 2015	Value (BAM)
SDR	2,670,619.82	2.48944	6,648,345.13
EUR	25,989,466.53	1.95583	50,830,978.32
KWD	140,328.67	5.93040	832,205.14
USD	2,648,999.98	1.79007	4,741,895.39
			63,053,423.98

The real value of withdrawals, when taken in consideration the exchange rate on the day of the withdrawal, is 62,870,862.61 BAM.

During the fourth quarter of 2015, the following loans have become effective:

- WB IBRD 8436-BA - Loan for development of business environment in the amount of SDR 22,400,000 (the funds were withdrawn)
- WB IDA 53930 - Energy Efficiency Project I, in the amount of SDR 10,920,000 (there were no withdrawals from this loan)
- WB IDA 55380 - Energy Efficiency Project II, in the amount of SDR 1,560,000 (there were no withdrawals from this loan)
- WB IDA 54440 - Drina River Flood Protection, in the amount of SDR 6,630,000 (781,726 SDR engaged as of 31<sup>th</sup> December 2015)

During the same period, external debt servicing, converted into convertible marks, amounted to a total of BAM 128,861,159.56. Of this total, BAM 110,024,947.93 referred to repayment of the principal amount, while the remaining amount of BAM 18,836,211.63 pertained to repayment of interest and other fees.

Planned debt servicing for the fourth quarter amounted to 131,351,051BAM, and the plan was implemented with 98.10% effectiveness.

<sup>1</sup> Data available to the Federal Ministry of Finance while preparing this Document.

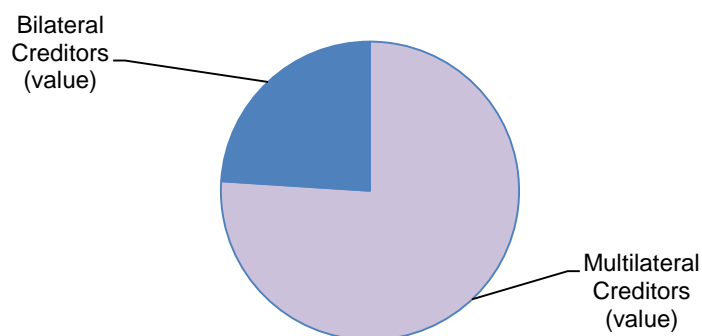
<sup>2</sup> Central Bank of BiH exchange rate No. 257 from 31 December 2015. Value of 1 SDR on 31 December 2015 amounted to 2.489439 BAM

## 1.2. External debt portfolio of the Government of the Federation of BiH on 31<sup>th</sup> December 2015

Total external debt of the Federal Government at the end of the fourth quarter amounted to 5,273,611,756 BAM or 2,946,036,611US\$. The nominal amount of debt converted in convertible marks is larger than that of the previous quarter by 15,811,399 KM or 0.3%.

The external debt of the Government of the Federation of BiH was contracted, for the most part, with bilateral and multilateral financial institutions (WB- World Bank, EBRD- European Bank for Reconstruction and Development, EIB- European Investment Bank, IMF- the International Monetary Fund, etc.) in order to realize major infrastructure projects and budget support. As a result, 4,036,015,676 BAM or 76.53% of the total external debt of the Federal Government has been realized through multilateral financial institutions, while the remaining BAM 1,237,596,079 or 23.47% is related to bilateral creditors (Figure 1).

Figure 1. External debt structure by the type of creditors

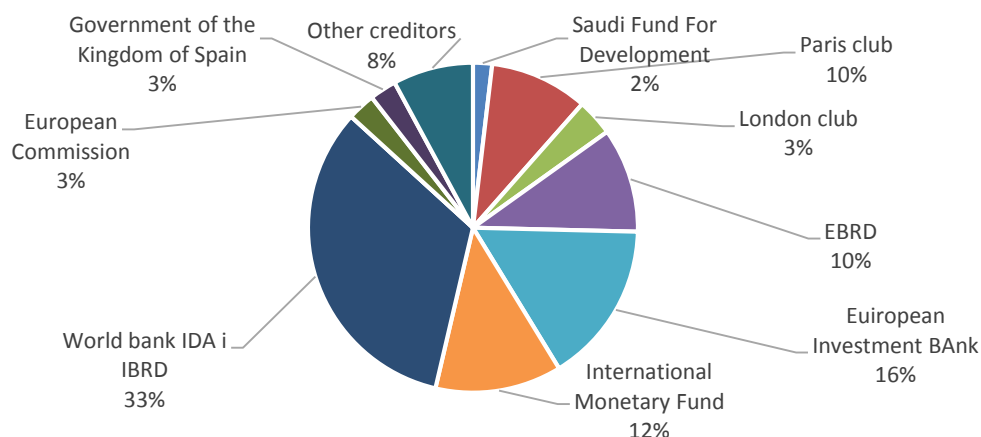


Federation of BiH borrowed, for the most part, from the World Bank (WB IDA and WB IBRD) in the amount of 1,746,162,360 BAM or 33.11% of total external debt, followed by the European Investment Bank 837 218 658 BAM or 15.88%, the International Monetary Fund 653,897,623 BAM, or 12.04%, the European Bank for Reconstruction and Development 541 062 931 BAM, or 10.26%.

Here we should mention the inherited „old“ debt (the debt which, by succession, fell onto BiH and the beneficiaries of the aforementioned come from the territory of the Federation of BiH, or debt that has been assigned to the Federation of BiH as a non-allocated debt by the IMF key) towards the Paris and London Club of public lenders in the total amount of 698,752,916 BAM or 13.25% of total external debt.

„Other creditors“ represent the remaining 15.10% of the total external debt of the Federal Government (Government of Japan, Government of the Kingdom of Belgium, Government of the Kingdom of Spain, Export-Import Bank of Korea and others) (Figure 2).

Figure 2. External debt Structure by Creditors



Creditor	USD	BAM
World Bank (WB IDA)	706,558,080.65	1,264,788,423.43
European Investment Bank	467,701,630.57	837,218,657.83
International Monetary Fund	365,291,649.38	653,897,622.81
EBRD	302,257,973.95	541,062,931.44
Paris Club	284,074,656.22	508,513,519.87
World Bank (WB IBRD)	268,913,470.59	481,373,936.30
London Club	106,274,836.43	190,239,396.45
European Commission	80,123,980.22	143,427,533.27
Kingdom of Spain	77,427,082.10	138,599,896.86
Other Creditors	287,413,250.58	514,489,837.47
<b>TOTAL</b>	<b>2,946,036,610.71</b>	<b>5,273,611,755.73</b>

For the most part, external debt is determined in the most commonly used currencies such as EUR, SDR and USD. Based on that, a currency structure of the existing portfolio of external debt of the Government of the Federation of BiH has been determined, and, as of 31<sup>th</sup> December 2015, it appeared as follows:

Figure 3. External debt structure by currencies

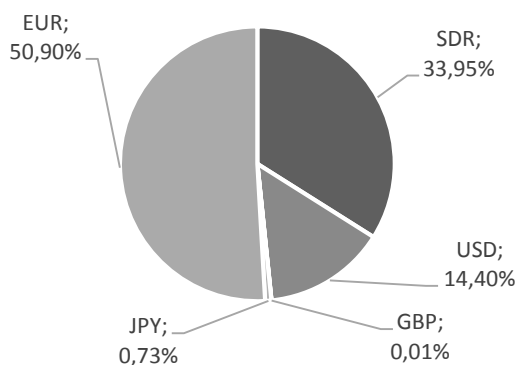


Figure 4. External debt structure by currencies (SDR decomposition)

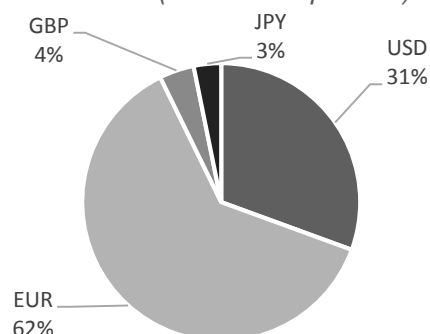
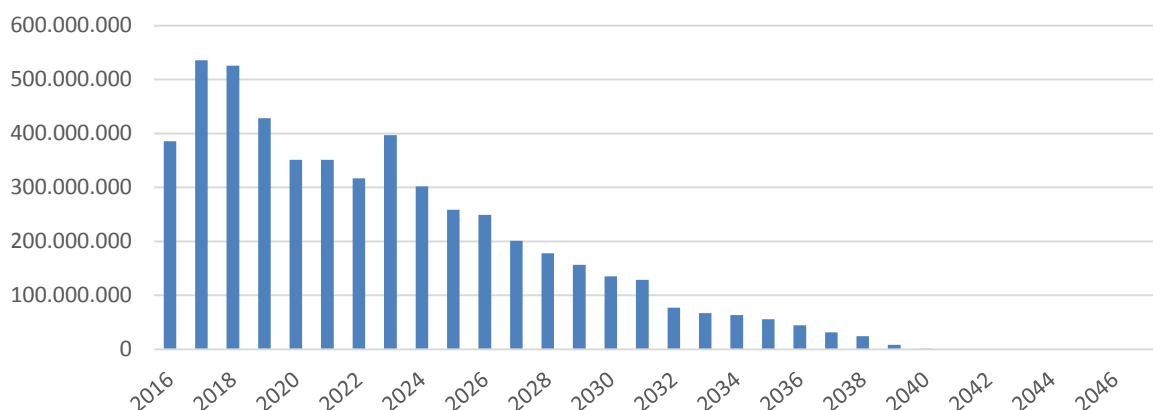


Figure 5. External debt repayment plan for the Federation of BiH as of 31<sup>th</sup> December 2015 (BAM)<sup>3</sup>



Source: Federal Ministry of Finance

## 2. Internal debt of the Government of the Federation of BiH

### 2.1. Activities in the fourth quarter

During the observed quarter, and in line with the calendar of auction of securities of the Government of the Federation of BiH, 3 auctions of treasury bills were held, totaling in the gross amount of 60 million BAM, out of which two auction of the six-month bills (40 million BAM) and one nine-month bill auction (20 million BAM) and four auctions of the Federal Government bonds: three-year bond in the amount of 60 million BAM, auction of two five-year bonds in the amount of 30 and 70 million BAM and one seven-year bond auction in the amount of 70 million BAM.

Table 3. Auction of securities of the Federal Government- Overview

Type of Securities	Auction date	Maturity date	Issued (BAM)	Coverage	Interest rate (%)
Treasury Bill 6M	13 October 2015	13 April 2016	20,000,000	3.20	0.35
Bond 5Y	20 October 2015	21 October 2020	30,000,000	2.04	3.05
Treasury Bill 6M	10 November 2015	11 May 2015	20,000,000	2.54	0.32
Bond 7Y	26 November 2015	27 November 2022	70,000,000	1.89	3.85
Bond 5Y	08 December 2015	09 December 2020	70,000,000	2.04	2.70
Treasury Bill 9M	15 December 2015	14 September 2016	20,000,000	2.54	0.25
Bond 3Y	17 December 2015	18 December 2018	60,000,000	1.57	2.20

Treasury bills issued during the fourth quarter of 2015 had a good coverage, amounting to just over 2.5, thus the achieved interest rate was lower in comparison to the interest rate of the previous period.

In accordance with the schedule of maturity of the securities of the Government of the Federation of BiH during the fourth quarter, the total amount of 120,000,000 BAM has

<sup>3</sup> External debt repayment plan for the Federation of BiH based on existing loans

been paid. As a part of this amount, three series of three-month treasury bills (60 million BAM) and three series of six-month treasury bills (60 million BAM) have been paid.

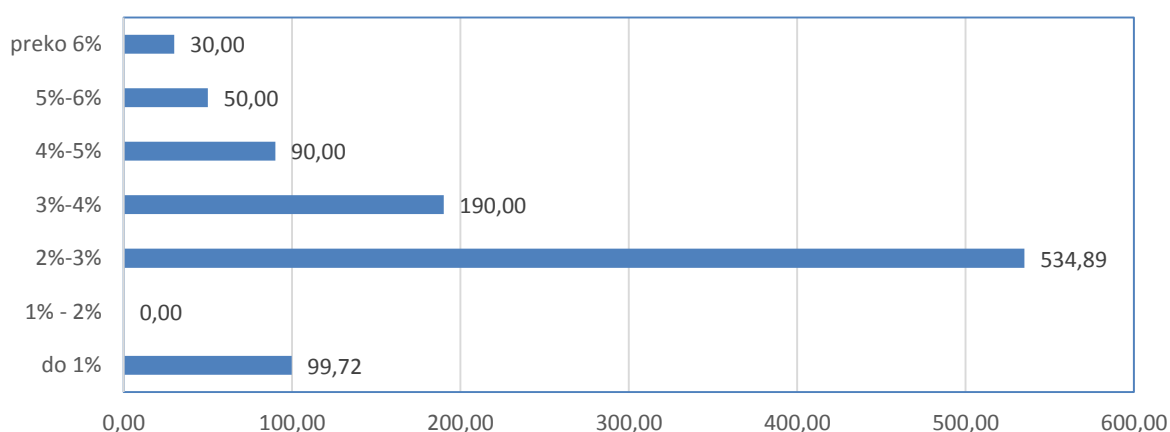
## 2.2. Internal debt portfolio of the Government of the Federation of BiH

Table 4. Internal Debt of the Federal Government on 31<sup>th</sup> December 2015

Type of Securities	USD	BAM
Treasury Bills	55,863,737	100,000,000
Treasury Bonds	290,491,433	520,000,000
War Claim Bonds	109,167,664	195,417,760
Old Foreign Exchange Savings Bonds	100,259,559	179,471,629
<i>Total Internal Debt of the Federal Government in Securities</i>	<b>555,782,393</b>	<b>994,889,389</b>
Verified debt for which securities have not been issued <sup>4</sup>	11,172,747	20,000,000
<i>Total Internal Debt of the Federal Government</i>	<b>566,955,141</b>	<b>1,014,889,389</b>

Source: Federal Ministry of Finance

Figure 6. Structure of internal debt by the interest rate (million BAM)

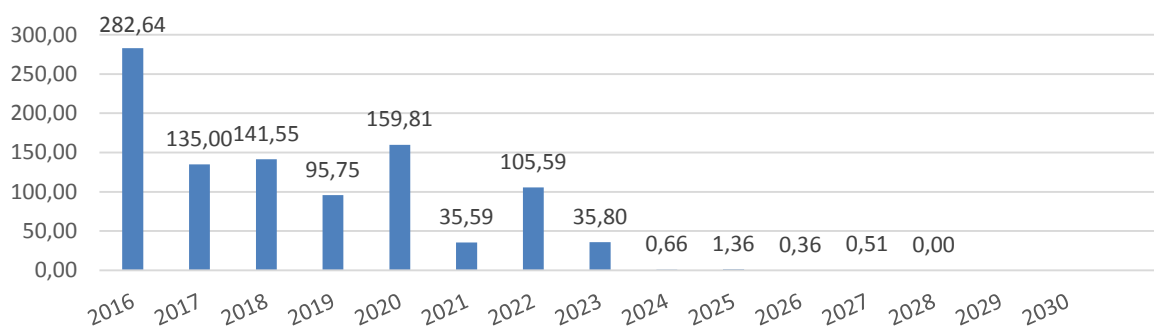


The internal debt of the Government of the Federation of BiH based on market (treasury bills and bonds) and non-market instruments (old foreign exchange savings, war claims) as of 31<sup>th</sup> December 2015 amounted to \$ 555.782,393<sup>5</sup> or 994,889,386 BAM and in comparison with the previous quarter it increased by 171,009,891 BAM, or 20.75%.

<sup>4</sup> Given that verification of the obligations on the grounds of the old foreign exchange savings and war claims has not yet been completed, the amount of BAM 20,000,000 represent an assesment made by the staff od the Fedreal Ministry of Finance

<sup>5</sup> Central Bank of BiH exchange rate No. 257 from 31 December 2015

Figure 7. Internal debt repayment plan for the Federation of BiH as of 31<sup>th</sup> December 2015 (million BAM)



Source: Federal Ministry of Finance

Table 5. Estimated changes in internal debt during 2016

Description	Internal Debt				Changes BAM	Changes USD
	30 September 2015		31 December 2015			
	BAM	USD	BAM	USD		
Treasury Bills	160,000,000	91,656,246	100,000,000	55,863,737	62.50%	60.95%
Market Bonds	290,000,000	166,126,945	520,000,000	290,491,433	179.31%	174.86%
Old Foreign Exchange Savings Bonds	179,471,629	102,810,598	179,471,629	100,259,559	100.00%	97.52%
War Claim Bonds	194,407,869	111,366,846	195,417,760	109,167,664	100.52%	98.03%
<b>Total Debt in Securities</b>	<b>823,879,498</b>	<b>471,960,635</b>	<b>994,889,389</b>	<b>555,782,393</b>	<b>120.76%</b>	<b>117.76%</b>
Verified Debt	25,588,105	14,658,185	20,000,000	11,172,747	78.16%	76.22%
<b>Total</b>	<b>849,467,603</b>	<b>486,618,820</b>	<b>1,014,889,389</b>	<b>566,955,141</b>	<b>119.47%</b>	<b>116.51%</b>

Main investors in the securities of the Government of the Federation of Bosnia and Herzegovina are still banks operating within the Federation of Bosnia and Herzegovina, while during the auctions of bonds other investors are active as well (insurance companies, public companies), but in a slightly smaller number and volume.

### 3. Total Debt of the Federal Government

Total debt managed by the Government of the Federation of BiH, includes: external debt of the Federation of BiH (external debt of the Federal Government, the external debt arranged by the Government of the Federation of Bosnia and Herzegovina and then forwarded to end users (financial institutions, public companies, cantons and local communities)), and total internal debt of the Federal Government. These cumulatively amount to \$ 3,501,819,004 or 6,268,501,144 BAM <sup>6</sup>as of 31<sup>th</sup> December 2015.

<sup>6</sup> Liabilities to the former Federal Ministry of defence and former Army of the Federation of BiH as well as the amount of verified liabilities based on the internal debt for which securities have not yet been issued, have been not included in this amount.

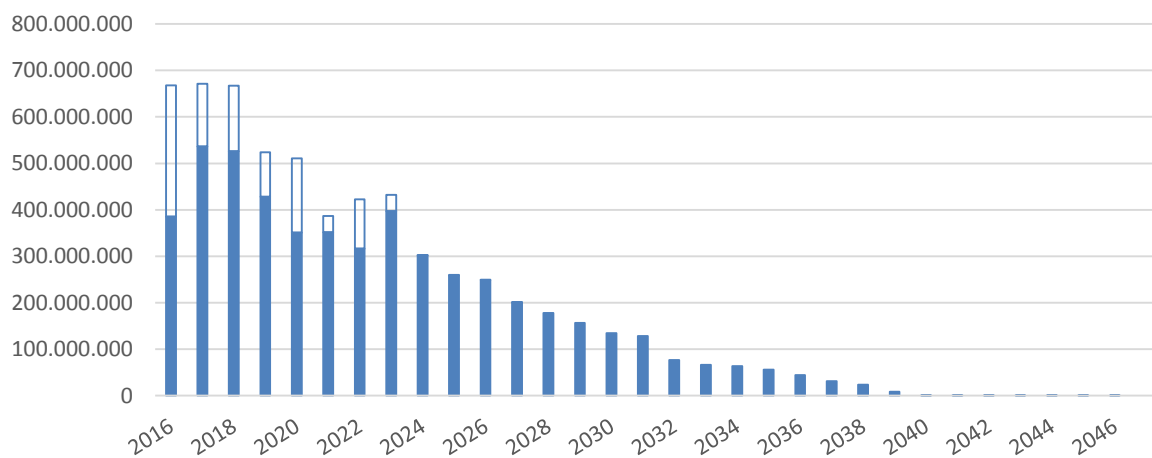


## 2.1. The main risk indicators of the debt portfolio of the Government of the Federation of BiH

*Tabela 6. Risk Indicators of the Federal Government Debt portfolio*

Indicators	30 September 2015			31 December 2015		
	External debt	Internal debt	Total debt	External debt	Internal debt	Total debt
Average time to maturity ATM (years)	7.6	2.6	6.9	7.1	2.9	6.5
Average time to Refixing ATR (years)	4.7	2.6	4.4	4.3	2.9	4.1

*Slika 8. Repayment plan of the Federal Government Debt portfolio<sup>7</sup> on 31<sup>th</sup> December 2015*



<sup>7</sup> Debt portfolio repayment plan, based on the existing loans

## 4. Debt servicing plan for the first quarter of 2016<sup>8</sup>

### 4.1. Debt repayment plan for the first quarter of 2016

Table 7. Repayment plan for the first quarter of 2016

Description		Q1/2016			Total for first quarter
		January	February	March	
External Debt	External debt Contracted by the State	15,077,794	10,582,117	34,164,634	59,824,545
	Direct External Debt	726,630	-	444,375	1,171,005
<b>External Debt Total</b>		<b>15,804,424</b>	<b>10,582,117</b>	<b>34,609,009</b>	<b>60,995,550</b>
Internal Debt	Treasury Bills	-	-	-	-
	Treasury Bonds	-	-	-	-
	Old Foreign Exchange Savings Bonds	-	-	89,649,900	89,649,900
	War Claims Bonds	-	-	-	-
<b>Internal Debt Total</b>		<b>-</b>	<b>-</b>	<b>89,649,900</b>	<b>89,649,900</b>
<b>Total debt of the Federal Government</b>		<b>15,804,424</b>	<b>10,582,117</b>	<b>124,258,909</b>	<b>150,645,450</b>

The projection of the external debt settlement includes a correction factor in the amount of 5%

### 4.2. Interest servicing plan for the first quarter of 2016

Table 8. Interest servicing plan for the first quarter of 2016

Description		Q1/2016			Total for first quarter February
		January	February	January	
External Debt	External debt Contracted By the State	3,459,438	6,251,053	9,908,278	19,618,769
	Direct External Debt	-	-	-	-
<b>External Debt Total</b>		<b>3,459,438</b>	<b>6,251,053</b>	<b>9,908,278</b>	<b>19,618,769</b>
Internal Debt	Treasury Bills	-	-	-	-
	Treasury Bonds	-	330,000	1,050,000	1,380,000
	Old Foreign Exchange Savings Bonds	-	614,219	1,629,183	2,243,402
	War Claims Bonds	-	-	-	-
<b>Internal Debt Total</b>		<b>-</b>	<b>944,219</b>	<b>2,679,183</b>	<b>3,623,402</b>
<b>Total debt of the Federal Government</b>		<b>3,459,438</b>	<b>7,195,272</b>	<b>12,587,461</b>	<b>23,242,171</b>

<sup>8</sup> Estimated amounts for interest servicing and principal payments are made based on the existing debt.

## ANNEX 1

### List of Securities of the Government of the Federation of Bosnia and Herzegovina on 31<sup>th</sup> December 2015

#### 1. Treasury Bills

ISIN code	Symbol	Issue Date	Maturity Date	Interest Rate	Outstanding debt in BAM
BAFBIHT36000	FBIHT36	13 October 2015	13 April 2016	0.00%	20,000,000.00
BAFBIHT37008	FBIHT37	10 November 2015	11 May 2016	0.00%	20,000,000.00
BAFBIHT33007	FBIHT33	09 September 2015	08 June 2016	0.00%	20,000,000.00
BAFBIHT34005	FBIHT34	16 September 2015	14 September 2016	0.00%	20,000,000.00
BAFBIHT38006	FBIHT38	15 December 2015	14 September 2016	0.00%	20,000,000.00
Total					100,000,000.00

\* Treasury bills are sold at a discount, so the investor does not gain any profit through interest.

#### 2. Bonds

##### a) Market Bonds

ISIN code	Symbol	Issue Date	Maturity Date	Interest Rate	Outstanding debt in BAM
BAFBIHK7A006	FBIHK7A	24 December 2013	24 December 2016	4.55%	40,000,000.00
BAFBIHK4A003	FBIHK4A	27 June 2012	27 June 2017	6.10%	30,000,000.00
BAFBIHK8A0074	FBIHK8A	03 September 2014	03 September 2017	4.20%	50,000,000.00
BAFBIHK10A08	FBIHK10A	03 December 2014	03 December 2017	3.95%	40,000,000.00
BAFBIHK11A07	FBIHK11A	13 May 2015	13 May 2018	3.15%	30,000,000.00
BAFBIHK12A06	FBIHK12A	03 June 2015	03 June 2018	2.80%	30,000,000.00
BAFBIHK18A00	FBIHK18A	18 December 2015	18 December 2018	2.20%	60,000,000.00
BAFBIHK9A002	FBIHK9A	15 October 2014	15 October 2019	5.05%	50,000,000.00
BAFBIHK13A05	FBIHK13A	19 August 2015	19 August 2020	3.30%	20,000,000.00
BAFBIHK14A04	FBIHK14A	21 October 2015	21 October 2020	3.05%	30,000,000.00
BAFBIHK17A01	FBIHK17A	11 December 2015	09 December 2020	2.70%	70,000,000.00
BAFBIHK16A02	FBIHK16A	30 November 2015	27 November 2022	3.85%	70,000,000.00
Total					520,000,000.00

##### b) Old foreign exchange savings bonds

ISIN code	Symbol	Issue Date	Maturity Date	Interest Rate	Outstanding debt in BAM
BAFBIHKR0001	FBIHKR	28 April 2011	31 March 2016	2.50%	89,649,900.00
BAFBIHKD1005	FBIHKD1	24 May 2013	31 August 2016	2.50%	13,040,719.00
BAFBIHKG1002	FBIHKG1	03 June 2014	31 August 2016	2.50%	10,516,769.00
BAFBIHKZ0001	FBIHKZ	10 May 2012	31 August 2016	2.50%	25,579,944.00
BAFBIHKH1001	FBIHKH1	11 June 2015	30 September 2016	2.50%	4,134,313.00
BAFBIHKI1000	FBIHKI1	11 June 2015	30 September 2017	2.50%	15,000,243.00
BAFBIHKJ1009	FBIHKJ1	11 June 2015	30 September 2018	2.50%	21,549,741.00
Total					179,471,629.00

### c) War claims

ISIN code	Symbol	Issue Date	Maturity Date	Interest Rate	Outstanding debt in BAM
BAFBIHK1A009	FBIHK1A	26 October 2009	30 June 2019	2.50%	45,747,789.00
BAFBIHK1B007	FBIHK1B	26 October 2009	30 June 2020	2.50%	39,807,147.00
BAFBIHK1C005	FBIHK1C	26 October 2009	30 June 2021	2.50%	34,986,086.00
BAFBIHK2A007	FBIHK2A	02 December 2011	30 June 2021	2.50%	599,280.00
BAFBIHK1D003	FBIHK1D	26 October 2009	30 June 2022	2.50%	34,986,086.00
BAFBIHK2B005	FBIHK2B	02 December 2011	30 June 2022	2.50%	599,404.00
BAFBIHK1E001	FBIHK1E	26 October 2009	30 June 2023	2.50%	35,138,540.00
BAFBIHK2C003	FBIHK2C	02 December 2011	30 June 2023	2.50%	599,668.00
BAFBIHK6A008	FBIHK6A	25 October 2013	30 June 2023	2.50%	59,936.00
BAFBIHK2D001	FBIHK2D	02 December 2011	30 June 2024	2.50%	599,865.00
BAFBIHK6B006	FBIHK6B	25 October 2013	30 June 2024	2.50%	59,995.00
BAFBIHK2E009	FBIHK2E	02 December 2011	30 June 2025	2.50%	1,002,003.00
BAFBIHK6C004	FBIHK6C	25 October 2013	30 June 2025	2.50%	60,000.00
BAFBIHK15A03	FBIHK15A	19 November 2015	30 June 2025	2.50%	300,013.00
BAFBIHK6D002	FBIHK6D	25 October 2013	30 June 2026	2.50%	59,998.00
BAFBIHK15B02	FBIHK15B	19 November 2015	30 June 2026	2.50%	300,011.00
BAFBIHK6E000	FBIHK6E	25 October 2013	30 June 2027	2.50%	102,072.00
BAFBIHK15C	FBIHK15C	31 July 2015	30v2027	2.50%	409,867.00
Total					195,417,760.00

\*\* As of 31<sup>th</sup> December 2015 Federal Government owned 7.6 million BAM in war claims bonds.

### 3. Summary

No	Securities	Outstanding debt in BAM
1.	Treasury Bills	100,000,000
2.	Bonds	894,889,389
<b>TOTAL</b>		<b>994,889,389</b>