



REPUBLIC OF SRPSKA MINISTRY OF FINANCE

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In accordance with Article 7, Paragraph 5 of the Law on debentures, debts and guarantees of the Republic of Srpska ("Official Gazette of the Republic of Srpska", number: 30/07 and 29/10), Provision on requirements, issue procedure and elements of treasury bill primary market ("Official Gazette of the Republic of Srpska", number: 25/11), Decision on short-term debenture of the Republic of Srpska by the issue of treasury bills ("Official Gazette of the Republic of Srpska", number: 37/11) and Article 82, Paragraph 2 of the Law on Republic Administration ("Official Gazette of the Republic of Srpska", number: 118/08, 11/09, 74/10 and 86/10) the Minister of Finance hereby **passes the following**:

DECISION on issue of the Republic of Srpska treasury bills

1. Republic of Srpska shall issue treasury bills in order to finance temporary budget deficit which occurred from the cash flow.
2. Basic elements of treasury bills under Point 1. of the Decision thereof are as follows:
 - Issuer: Republic of Srpska,
 - Scheduled issue value: 21.000.000,00 BAM,
 - Treasury bill nominal value: 10.000,00 BAM,
 - Date of auction: 15 December 2011,
 - Date of registration: 16 December 2011,
 - Date of maturity: 15 June 2012.
3. Ministry of Finance of the Republic of Srpska (hereinafter: Ministry) shall announce public call for participation in treasury bill auction on web pages of the Ministry and Banja Luka Stock Exchange, no later than 7 days before the auction is held.
4. Treasury bills shall be issued in non-materialised form and registered with Central Securities Register, JSC Banja Luka (hereinafter: Central Register).
5. Treasury bills shall contain the name.
6. Unique discount price of treasury bills shall be determined when primary sale of bills at auction is done.
Amount of treasury bill discount price shall be calculated on annual basis according to the formula:

$$C = 100 - \frac{100 * d * i}{365 + d * i}$$

C = discount price,
d = number of days remained to maturity, and
i = interest rate / 100.

Discount price at auction shall be expressed with four decimal spaces.

Discounted value of a bid shall represent product of discount price and quantity of treasury bills that the auction participant intends to buy.

7. Ministry shall reserve the right to accept a bid in general, partially or to reject all purchase bids.
8. Ownership over treasury bills shall be acquired on a day the treasury bills have been registered on specific securities accounts kept with the Central Register.
9. Treasury bills under Point 2. of this Decision may be redeemed before their date of maturity, in accordance with Article 17 of the Provision on requirements, issue procedure and elements of treasury bill primary market.

Rationale

Republic of Srpska – Ministry of Finance held the first auction of treasury bills on 11. May 2011 in Republic of Srpska. It was also the first auction of treasury bills in Bosnia and Herzegovina.

Realised amount of treasury bills issued in the first auction was 36,0 million of BAM, and total amount of received offers was 83,9 million of BAM. The highest offered price was 98,9086 BAM (this price represents interest rate of 2,2009%), the lowest offered price was 97,5609 BAM (this price represents interest rate of 4,9865%), and unique balance price was 98,7740 BAM (this price represents interest rate of 2,4757%).

Maturity of the first issue of the Republic of Srpska treasury bills occurred on 11 November 2011 and the same day proprietors of this issuance of treasury bills were paid in the assets based on due bills in the amount of 36 million BAM, wherewith the total debt based on the first issuance of treasury bills was settled/closed.

The second auction of the Republic of Srpska treasury bills was on 20 June 2011. Realised amount of treasury bills issued in the second auction was 28,3 million of BAM, and total amount of received offers was 65,1 million of BAM. The highest offered price was 98,5273 BAM (this price represents interest rate of 1,9984%), the lowest offered price was 96,3978 BAM (this price represents interest rate of 4,9961%), and unique balance price was 97,6632 BAM (this price represents interest rate of 3,199%).

The third auction of the Republic of Srpska treasury bills was on 29 November 2011. Realised amount of treasury bills issued in the third auction was 15,7 million of BAM, and total amount of received offers was 24,9 million of BAM. The highest offered price was 97,4061 BAM (this price represents interest rate of 4,0095%), the lowest offered price was 97,00 BAM (this price represents interest rate of 4,65661%), and unique balance price was 97,35 BAM (this price represents interest rate of 4,0985%).

Please note that auctions and issues of treasury bills are made in order to develop financial market of the Republic of Srpska as well as a need to overcome short-term mismatch between revenues and expenditures in the Republic of Srpska budget, the National Assembly of the Republic of Srpska adopted Decision on short-term debenture of the Republic of Srpska by the issue of treasury bills ("Official Gazette of the Republic of Srpska" number: 37/11).

Pursuant to the mentioned Decision, during the budget year debenture by treasury bills issue may not exceed amount of 5% of regular income realised in previous budget year, which is:

1. maximum amount of issued principal and interest rate of debenture during 2011 may be lowest to 65 million BAM,
2. interest rate based on mentioned type of debenture may be relevant "EURIBOR" + 4,25 % maximum,
3. maturity date may not be longer than one year.

In accordance with above mentioned Decision and first issue of treasury bills in amount of 4.400 treasury bills with nominal value of 10.000 BAM per bill, the fourth auction of treasury bills of the Republic of Srpska, according to requirements defined in this Decision, has been scheduled for 15 December 2011.

Scheduled amount of the fourth auction is 21 million BAM maximum, whilst the real amount of issue shall be known after the auction based on unique balance price is closed.

Treasury bill purchaser, that enters into transaction, shall be required to make payment of funds on the account of the RS Ministry of Finance open with NLB bank number: 562-099-80970167-12, no later than 10:00 a.m on 16 December 2011.

After the purchasers have made payment of funds, RS Ministry of Finance shall send application to Central Register to have securities registered. Registration shall be conducted no later than 04:00 p.m. on 16 December 2011.

Having completed registration the Central Register shall notify Banja Luka Stock Exchange on it, and the same shall file treasury bills on stock exchange.

If necessary, RS Ministry of Finance may announce public call for an early redemption of treasury bills under Point 2. of this Decision. Decision on an early redemption shall be passed by the Minister of Finance, and public call for an early redemption shall be posted on web page of the Ministry and web page of the Banja Luka Stock Exchange five working days prior to redemption.

MINISTER OF FINANCE

PhD Zoran Tegeltija