BOSNIA AND HERZEGOVINA
FEDERATION OF BOSNIA AND HERZEGOVINA
BANKING AGENCY OF THE FEDERATION OF BOSNIA AND HERZEGOVINA

I N F O R M A T I O N

ON THE BANKING SYSTEM OF THE FEDERATION OF BOSNIA AND HERZEGOVINA AS OF 31. 03. 2012.

Sarajevo, May 2012

Information on the banking system of the Federation of BiH (as of 31.03.2012., based on final, unaudited data) is prepared by the Banking Agency of the Federation of BiH, as a regulatory authority conducting supervision of banks, based on reports of banks, and other information and data submitted by banks. Findings and data from on-site examinations and analysis performed at the Agency (off-site financial analysis) have also been included.

I INTRODUCTION

Although in 2011 there were positive movements and improvements of certain indicators in banking sector performance, especially in the lending and profitability segment, the growth of the citizens savings continued, a relatively high decline of the balance sheet amount in the first quarter of 2012, decline of the cash funds and deposits and a slight growth of loans, indicate that the impact of crises is still evident, which can have negative effects on key performance indicators for the banking system in the Federation of BiH.

As of 31.03.2012., there were 19 banks with banking license issued in the Federation of BiH, of which number two banks were under provisional administration. As of 31.03.2012., the number of employees in banks was 7.338, which is by 0,4% or 31 employee less than in comparison to 31.12.2011.

The aggregate balance sheet of the banking sector, as of 31.03.2012., amounted to 14,73 billion KM, representing a decrease by 3% or 458 million KM compared to the end of 2011 and presents the largest quarterly decline in the last three years.

In the first quarter of 2012, the structure of assets had smaller changes related to two key items: increase of the loan participation from 68,6% to 70,8% and decline of cash funds from 28,8% to 26,6%. The participation of the loans in assets, is above all the result of decline of cash funds in the assets, while the increase of the loans was insignificant and was only 0,2% or 17 million KM, so the loans remained at almost the same level of 10,4 billion KM as at the end of last year.

The cash funds recorded a significant decline of 10% or 455 million KM and at the end of the first quarter were 3,92 billion KM. The realized decline was a result of outflow of deposits, and in a smaller part increase of time placements on accounts with other banks.

Although the deposits in the first quarter of 2012 declined by 3,9% or 435 million KM, with the amount of 10,62 billion KMor 72,1% participation in the structure of liabilities are still a dominant source of financing of banks in the Federation of BiH. Loan liabilities as the second largest source of financing for banks in the F BiH also recorded a decline of 5,4% or 71 million KM and at the end of the first quarter are 2,13 billion KM and with a participation of 8,5% in the liabilities structure.

Saving deposits, as the most significant segment of the deposit and financial potential of the banks in 2012 had a slight incline of 0,4% or 23 million KM and as of 31. 03. 2012 were 5,38 billion KM.

Capital as of 31. 03. 2012. was 2,13 billion KM and it was larger by 2,1% or 44 million KM than at the end of 2011, mostly based on the current financial result - profit. Regulatory capital was 2,14 billion KM and increased by 1% or 20 million KM.

The banking system capital adequacy rate, as one of the most important indicators of strength and banks' capital adequacy, as of 31. 03. 2012 was 17,5%, which is significantly less than the prescribed minimum (12%) and presents a satisfactory capitalization of the total system and a strong base and foundation for preservation of its security and stability. This ratio is on the banking sector level as of 31. 03. 2012 and is higher by 0,4 percent than at the end of 2011.

In the first quarter of 2012, on the level of the banking system realized is a positive financial result in the amount of 30 million KM. A positive financial result of 35 million KM was realized by 12 banks, and losses in performance in the amount of five million KM were reported by seven banks.

II BANKS' BUSINESS PERFORMANCES IN THE FEDERATION OF BIH

1. STRUCTURE OF THE BANKING SECTOR

1.1. Status, number and business network

As of 31.03.2012, there were 19 banks with the banking license issued in the Federation of BiH. Number of banks is the same as of 31.12.2011. There is a special law regulating establishment and work of the Development Bank of the Federation of BiH, Sarajevo which is a legal successor of the Investment Bank of the Federation of BiH d.d., Sarajevo, as of 01.07.2008.

As of 31.03.2012., there were two banks under provisional administration (Hercegovačka banka d.d. Mostar and Postanska banka BH d.d. Sarajevo).

In the first quarter of 2012, there was no significant expanding of the network of organizational units. Continued is the trend of expansion of the business units of banks, but in a significantly smaller volume than in previous years, mostly due to the financial crises. The banks performed reorganization of their networks of business units by increasing the changes in the organizational parts, organizational structure or adderss of the existing organizaitonal units, and all with an aim to rationalize the performance and decrease the performance expenses. There were seven such changes (six by banks in the Federation of BiH and by one bank in Republic Srpska).

In the Federation of BiH terminated were 3 organizaitonal units of banks from the Federation BiH, two on the territory of the Federation and one bank in Republic Srpska. Simultaneously, the banks from the Federation of BiH established five new organizaitonal parts, four on the territory of the Federation, and one new organizational part in RS.

As of 31.03.2012., with the noted changes, all the banks had the a total of 614 organizational units which is an increase of 0,3% in comparison to the previous year.

Number of organizational units of banks from Republic Srpska in the Federation of BiH (23) remained the same in comparison to 31.12.2012.

As of 31. 03. 2012, only 7 banks from the Federation of BiH had 56 organizational parts in Republic Srpska, and nine banks had 12 organizational units in Brcko District. Six banks from Republic Srpska had 23 organizational parts in the Federation.

As of 31.03.2012, all bank had the license for inter-bank transactions in the internal payment system and 16 banks were under the deposit insurance program.

1.2. Ownership structure

As of 31.03.2012., ownership structure in banks[1] based on the available information and on-site visits to banks[2] is the following:

---

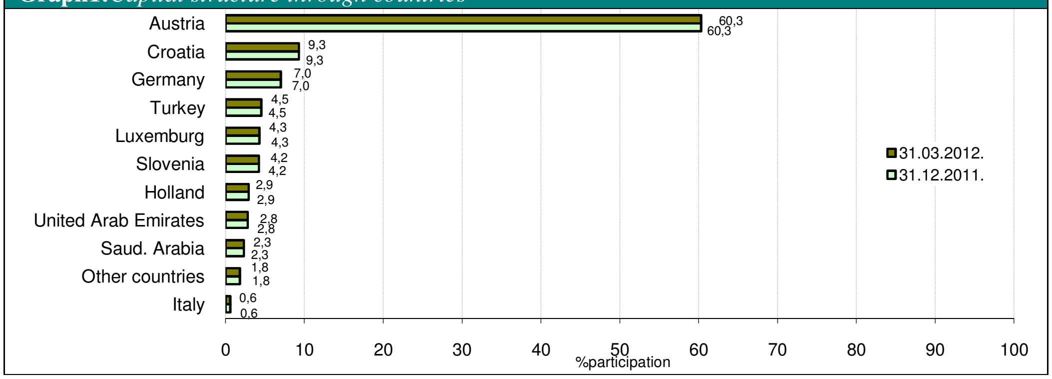
[1] Bank classification criteria is ownership over banks' share capital.
[2] The ownership structure of banks in the FBiH as of 31.12.2009., resulted from received documentation and registrations at authorized courts (changes in capital and shareholders structure.

- Private and majority private ownership 18 banks (94,7%)
- State and majority state ownership[3] 1 banks (5,3%)

Seven banks, of 18 banks with majority private ownership, are majority owned by domestic legal entities and individuals (residents), while 11 banks have majority foreign ownership.

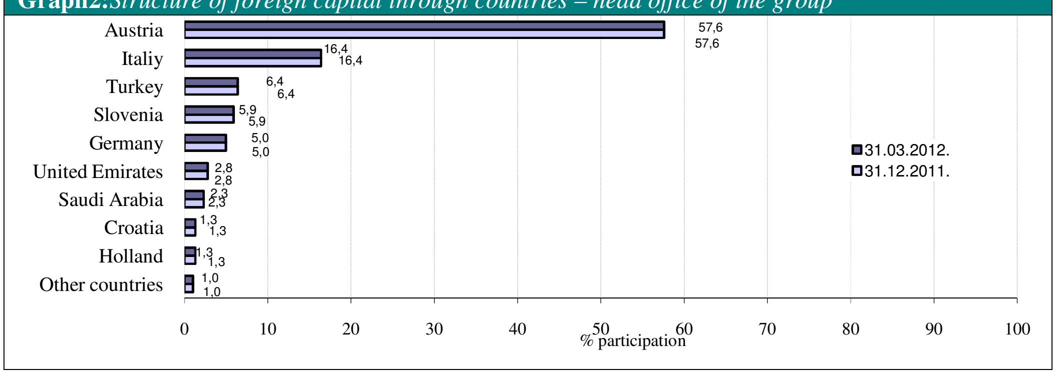
If only foreign capital is analyzed based on the criteria of the shareholders' home country, as of 31.03.2012., the condition is almost the same as at the end of 2011: shareholders from Austria owned 60,3% of foreign capital, the shareholders from Croatia owned 9,3% of foreign capital, while other countries participated less than 7%.

Graph1:*Capital structure through countries*



However, if capital correlations are taken into account the structure for foreign capital could be viewed according to the criteria of the parent-bank or the group's headquarter that has majority ownership (directly or indirectly over the group members) of the bank in the Federation of BiH. According to these criteria, situation had not changed insignificantly in relation to the end of 2010.: banking groups and banks from Austria with participation of 57,6%, banks from Italy with participation of 16,4%, while other countries participate below 6,5%.

Graph2:*Structure of foreign capital through countries – head office of the group*[4]



The ownership structure could be viewed from the aspect of financial indicators, which is based on the value of total capital[5].

---

[3] State ownership refers to domestic state capital of BiH.

[4] Apart from the countries which are the head countries of the parent groups which members are banks from F BiH, included are the countries from which are all other foreign shareholders of banks in F BiH.

in 000 KM-

Table1: *Ownership structure based on the total capital*

BANKS	31.12.2010.		31.12.2011.		31.03.2012.		RATIO	
1	2		3		4		5 (3/2)	6 (4/3)
State banks	46.586	3%	50.499	2%	50.861	3%	108	101
Private banks	1.650.039	97%	2.032.521	98%	2.075.787	97%	123	102
TOTAL	1.696.625	100%	2.083.020	100%	2.126.648	100%	123	102

The total capital increased by a significant 2% or 44 million KM, mostly due to the current financial result- profit and increase of reserves in one bank.

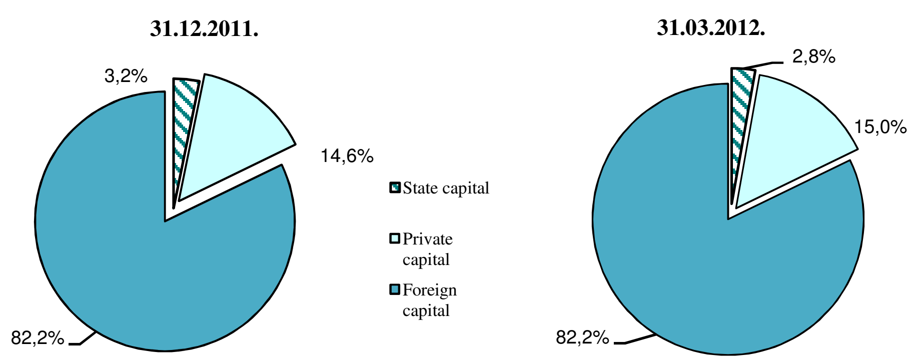
Analysis of participation by state, private and foreign capital in the share capital of banks shows more precise picture of the capital ownership structure in banks of the Federation of BiH.

- in 000 KM-

Table2: *Ownership structure by participation of state private and foreign capital*

SHAREHOLDERS CAPITAL	31.12.2010.		31.12.2011.		31.03.2012.		RATIO	
	Amount	Participation %	Amount	Participation %	Amount	Participation	4/2	6/4
1	2	3	4	5	6	7	8	9
State capital	41.860	3,6	38.072	3,2	33.096	2,8	91	87
Private capital (residents)	163.074	13,9	174.088	14,6	179.095	15,0	107	103
Foreign capital (nonresident)	968.363	82,5	981.412	82,2	981.381	82,2	101	100
TOTAL	1.173.297	100,0	1.193.572	100,0	1.193.572	100,0	102	100

Graph3: *Ownership structure (shareholders capital)*



The share capital of banks in the Federation of BiH, in the first quarter of 2012, was the same as at the end of 2011. The structure of the shareholder's capital slightly changed: state capital decreased by five million KM, private capital (resident) increased by five million KM, and private (nonresident) capital remained at the same level as on 31.12.2011.

Analysis of the banks' ownership structure shows in the most explicit way, from the aspect of share capital, the changes and trends in the banking system of the FBiH, and the changes of the ownership structure.
Participation of the state capital in total share capital, as of 31.03.2012., was 2,8%, and it decreased by 0,4 per cent in comparison to 31.12.2011.

[5]Information from balance sheet – FBA schedule: shareholder's capital, premium issue, undistributed profit and reserves, and other capital (financial results of current period).

Participation of private capital (residents) in total share capital of 15,0% represents a 0,4 per cent increase in comparison to the end of 2011. Nominal increase of five million KM was based on the increase based on the turnover with the state capital in banks, and slightly based on the turnover with the non-residents.

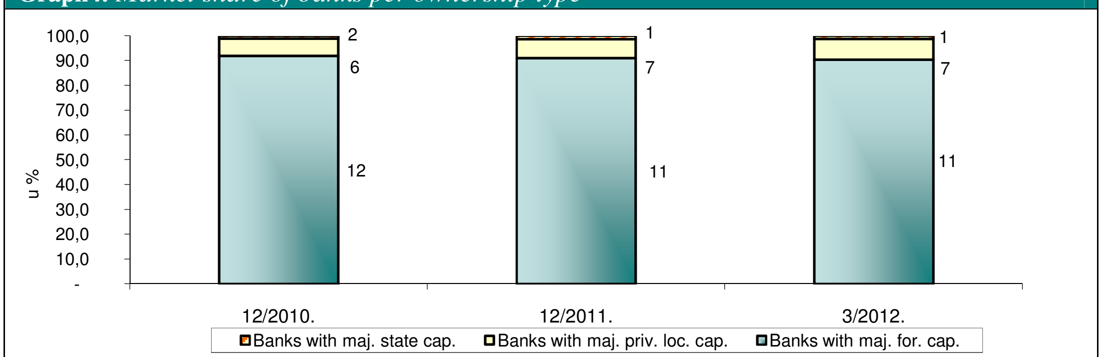
As of 31.03.2012., the market share of banks with majority foreign ownership was a high 90,4%, of banks with majority domestic private capital was 8,4%, and the share of banks with majority state capital was 1,2%.

- in %-

Table3:*Market share of banks per ownership type (majority owned capital)*

BANKS	31.12.2010.			31.12.2011.			31.03.2012.		
	No. of banks	**Partic. in total capital**	**Partic. in total assets**	**No. of banks**	**Partic. in total capital**	**Partic. in total assets**	**No. of banks**	**Partic. in total capital**	**Partic. In total assets**
1	2	3	4	5	6	7	8	9	10
Banks with majority state capital	1	2,7	1,1	1	2,4	1,3	1	2,4	1,2
Banks with majority private domestic capital	7	12,2	7,0	7	10,3	7,7	7	10,0	8,4
Banks with majority foreign capital	11	85,1	91,9	11	87,3	91,0	11	87,6	90,4
TOTAL	19	100,0	100,0	19	100,0	100,0	19	100,0	100,0

Graph4: *Market share of banks per ownership type*



1.3. Employees

As of 31.03.2012., there was a total of 7.338 employees in the banks of the Federation of BiH, of that number 2% is in the banks with a majority state capital and 98% in private banks.

Table 47:*Employees in banks in FBiH*

B A N KSE	NUMBER OF EMPLOYEES						RATIO	
	31.12.2010.		31.12.2011.		31.03.2012.		3/2	4/3
1	2		3		4		5	6
State banks	180	2%	177	2%	176	2%	98	99
Private banks	7.208	98%	7.192	98%	7.162	98%	100	100
TOTAL	7.388	100%	7.369	100%	7.338	100%	100	100
Number of banks	19				19		100	100

In the first quarter of 2012 the number of employees is slightly lower (by 31).

Table5: *Qualification structure of the employees*

EDUCATION	NUMBER OF EMPLOYEES						RATIO	
	31.12.2010.		31.12.2011.		31.03.2012.		4/2	6/4
1	2	3	4	5	6	7	8	9
University qualifications	3.234	43,8%	3.401	46,1%	3.444	46,9%	105	101
Two-year post secondary school qualifications	696	9,4%	706	9,6%	698	9,5%	101	99
Secondary school qualifications	3.406	46,1%	3.218	43,7%	3.153	43,0%	94	98
Other	52	0,7%	44	0,6%	43	0,6%	85	98
TOTAL	7.388	100,0%	7.369	100,0%	7.338	100,0%	100	100

The trend of the increase of the employees' qualification structure through an increase of the number of employees with university qualifications continued in the first three months of 2012, on one hand as a result of the increase of this category by 1% or 43 employees, and on the other due to the decrease of the number of employees with the high school diploma by 2% or 65 employees.

One of the indicators influencing the evaluation of performance of a respective bank, and the banking system, is effectiveness of employees and it is shown as a ratio of the assets and the number of employees, that is, the amount of assets per an employee. The higher ratio, the better the performance effectiveness of both the bank and the entire system.

Table6:*Asset per employee*

BANKS	31.12.2010.			31.12.2011.			31.03.2012.		
	No. of empl.	Assets (000 KM)	Assets per empl.	No. of empl.	Assets (000 KM)	Assets per empl.	No. of empl.	Assets (000 KM)	Assets per empl.
State	180	167.263	929	177	191.881	1.084	176	183.166	1.041
Private	7.208	14.908.434	2.068	7.192	14.998.845	2.085	7.162	14.549.602	2.032
TOTAL	7.388	15.075.697	2.041	7.369	15.190.726	2.061	7.338	14.732.768	2.008

At the end of the observed period there was a two million KM assets per employee on the level of the banking system. The slight increase of the indicators for both sectors is a consequence of the increase of assets.

Table 7 *Assets per employee by groups*

Assets (000 KM)	31.12.2010.	31.12.2011.	31.03.2012.
	Number of banks	Number of banks	Number of banks
Up to 500	0	0	0
500 to 1.000	7	4	5
1.000 to 2.000	6	9	8
2.000 to 3.000	5	5	5
Over 3.000	1	1	1
TOTAL	19	19	19

Analytical indicators of respective banks range from 580 thousand KM to 4,7 million KM of assets per an employee. Six banks have a better indicator than the one for the whole banking sector, and three largest banks in the system have one that exceeds 2,2 million KM.

2. FINANCIAL INDICATORS OF BANKS' PERFORMANCE

Examination of banks based on reports is performed through using the reports prescribed by the FBA and the reports of other institutions creating a database constructed of three sources of information:

1) Information on balance sheet for all banks submitted monthly, including quarterly attachments, containing more detailed information on funds, loans, deposits and off-balance sheet items, and some general statistic information,
2) Information on bank solvency, data on capital and capital adequacy, asset classification, concentrations of certain types of risks, liquidity position, foreign exchange exposure, based on the reports prescribed by the FBA (quarterly),
3) Information on performance results of banks (income statement – FBA format) and cash flow reports submitted to the FBA quarterly.

Aside from the mentioned standardized reports, the database includes the information obtained from additional reporting requirements prescribed by the FBA in order to have the best conditions for monitoring and analysis of banks' performance in the Federation of BiH. The database also includes audit reports of financial statements of banks prepared by independent auditor, as well as all other information relevant to the assessment of performances of individual banks and the entire banking system.

In accordance with the provisions of Law on Opening Balance Sheet of Banks, banks with majority state owned capital have to report to the FBA "full" balance sheet divided into: passive, neutral and active sub-balance sheet. In order to obtain realistic indicators of banks' performance in the Federation of BiH, all further analysis of the banking system will be based on the indicators from the active sub-balance sheet of banks with majority state owned capital[6].

2.1. Balance sheet

Aggregate balance sheet of the banking sector, as of 31.03.2012., amounted to 14,73 billion KM, which presents a decrease by 3% or 458 million KM in comparison to end of 2011 and presents the highest quarterly decline in the last three years. Although in 2011, there were positive changes and improvements of certain indicators for the banking sector especially in the segment of lending and profitability and there was the continuation of the incline of the citizens savings, the relatively high decline of the balance sheet amount in the first quarter of 2012, indicates that the impact of the crises is still evident, which can have negative effects onn the key indicators of the banking system performance in the Federation of BiH.

[6]Some state banks in their "full balance sheet" report passive and neutral items, which will be taken over by the state upon finalization of the privatization process. As of 31.12.2011., these items amounted to KM 671 million.

- 000 KM-

Table8: *Balance Sheet*

DESCRIPTION	31.12.2010.		31.12.2011.		31.03.2012.		RATIO	
	AMOUNT	Participation %	AMOUNT	Participation %	AMOUNT	Participation %		
1	2	3	4	5	6	7	8 (4/2)	9 (6/4)
ASSETS:								
Cash funds	4.443.614	29,5	4.378.076	28,8	3.922.903	26,6	99	90
Securities[7]	375.252	2,4	458.465	3,0	446.418	3,0	122	97
Placements to other banks	145.007	1,0	79.940	0,5	120.874	0,8	55	151
Loans	9.981.911	66,2	10.413.416	68,6	10.430.499	70,8	104	100
Loan loss provisions (LLP)	635.792	4,2	929.579	6,1	961.391	6,5	146	103
Loans – net value (loans minus LLP)	9.346.119	62,0	9.483.837	62,5	9.469.108	64,3	101	100
Business premises and other fixed assets	552.764	3,7	540.749	3,6	531.449	3,6	98	98
Other assets	212.941	1,4	249.659	1,6	242.016	1,7	117	97
TOTAL ASSETS	**15.075.697**	**100,0**	**15.190.726**	**100,0**	**14.732.768**	**100,0**	**101**	**97**
LIABILITIES:								
LIABILITIES								
Deposits	11.232.830	74,5	11.050.514	72,8	10.615.633	72,1	98	96
Borrowings from other banks	7.000	0,0	2.000	0,0	3.500	0,0	29	175
Loan Commitments	1.403.451	9,3	1.319.299	8,7	1.248.295	8,5	94	95
Other liabilities	735.791	4,9	735.893	4,8	738.692	5,0	100	100
CAPITAL								
Capital	1.696.625	11,3	2.083.020	13,7	2.126.648	14,4	123	102
TOTAL LIABILITIES (LIABILITIES AND CAPITAL)	**15.075.697**	**100,0**	**15.190.726**	**100,0**	**14.732.768**	**100,0**	**101**	**97**

Table9: *Assets of banks per ownership structure*

BANKS	31.12.2010.			31.12.2011.			31.03.2012.		RATIO	
	Number of banks	Assets (000 KM)		Number of banks	Assets (000 KM)		Number of banks	Assets (000 KM)		
1	2	3		4	5		6	7	8 (5/3)	9(7/5)
State	1	167.263	1%	1	191.881	1%	1	183.1661%	115	95
Private	18	14.908.434	99%	18	14.998.845	99%	18	14.549.60299%	101	97
TOTAL	19	15.075.697	100%	19	15.190.726	100%	19	14.732.768100%	101	97

Majority of banks realized an asset decline (13), and the rate was between 0,2% to 8,5% with a note that two banks had a significant decline in assets (4,7% and 3,9%) in total amount of 327 million KM. In six banks the assets were somewhat higher thanat the end of 2011.

Indicator of concentrations in the three most significant segments of banking performance, in assets, loans and deposits is the value of the Herfffindahl index[8].

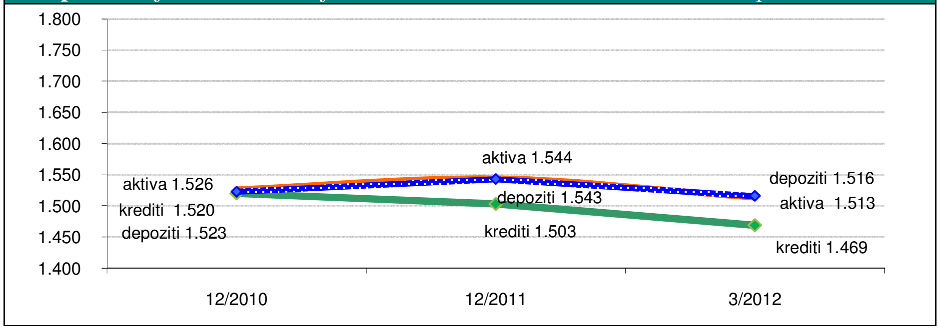
---

[7]Trading securities and securities held to maturity.

[8]It is also called the Hirschmann-Herfindahl index or HHI as calculated in the formula $HI = \sum_{j=1}^{n} (S)_j^2$,

representing the sum of square of percentage shares of concrete values (e.g. assets, deposits, loans,…) of all market participants in the system. We should mention that the index is not linearly increasing, and the value of e.g. 3000 does not mean the concentration in the system is 30%. Hypothetically, if there is only one bank in the system, the HHI would be at 10000 maximum.

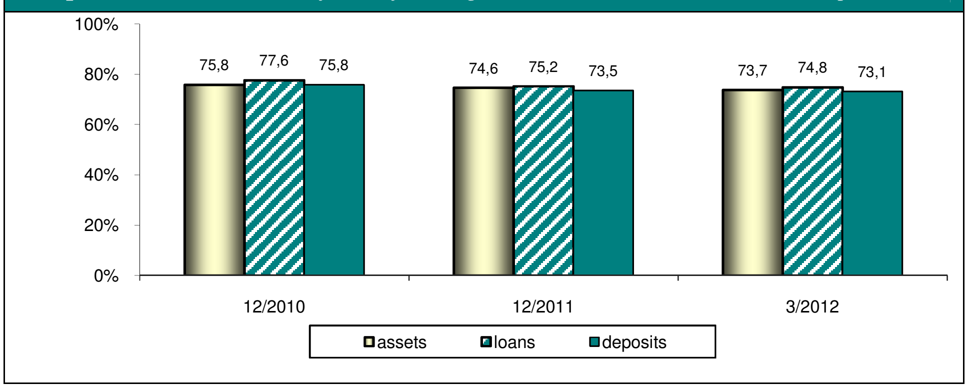
Graph 5:*Herfindahl index of concentrations in assets, loans and deposits*



At the end of the first quarter of 2012, the Herfindahl index in all three relevant categories (loans, deposits and assets) recorded very slight changes: assets 1.513 units, loans 1.516 deposits 1.469, indicating a moderate concentration[9].In comparison to the end of 2011, all the indicators decreased: assets by 31, deposits by 27 and loans by 34 units.

Another indicator of concentration in the banking system is the ratio of market concentration, that is the concentration rate[10] (hereinafter: CR), which indicates the total market participation of the largest institutions in the system per relevant chosen categories: assets, loans and deposits. The CR5 decreased for all three categories: market participation from 74,6% to 73,7%, loans from 75,2% to 74,8% and deposits from 73,5% to 73,1%. In the past two years the CR value has slightly declined in all three categories, but there is still an evident dominance of five largest banks in the system that “hold” approximately 74% of the market, loans and deposits

Graph6:*Concentration rates for the five largest banks-CR5: assets, loans and deposits*



The banking sector could be analyzed from the aspect of several groups established according to the asset size[11]. The largest changes in comparison to the end of 2011 refer to the participation of I group (two largets banks) and IV the most numerous group of nine banks.

The participation of the two largest banks in the system (Group I, both banks with assets higher than three billion KM), in the first quarter of 2012 decreased from 50% to 49,3% , while the

[9]If the HHI value is below 1000, the opinion is that there is no concentration in the market; for the index value between 1000 and 1800 units, concentration in the market is moderate; and if the HHI value exceeds 1800, it indicates high concentration.
[10]Engl.: concentration ratio (CR), assigned to the number of institutions inlcuded in the calculation.
[11]Banks are divided into five groups depending on the assets size.

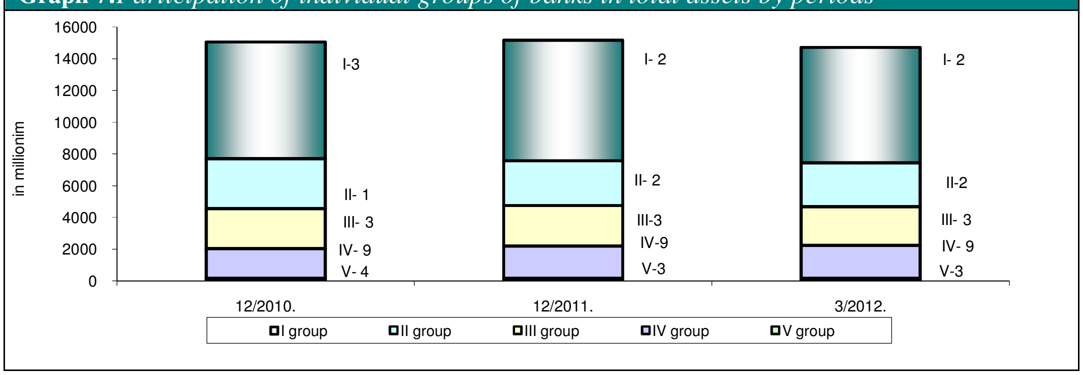
participation of the Group II (two banks with assets between one and two billion KM) of 18,7% and group III (three banks with the assets between 500 million KM and one billion KM) of 16,7% remained almost unchanged. The participation of the Group IV of nine banks (with assets between 100 and 500 million KM) recorded an increase in participaiton from 13,3% to 14%. The last Group V (three banks which have assets smaller than 100 million KM) still have an insigificant participation of 1,3%.

The following table presents a preview of amounts and participations of individual groups of banks in total assets by periods (amounts presented in KM millions).

Table 10: *Participation of individual groups of banks in total assets through periods*

AMOUNT OF ASSETS	31.12.2010.			31.12.2011.			31.03.2012.		
	Amount	Partic. %	No. of banks	Amount	Partic. %	No. of banks	Amount	Partic. %	No. of banks
I- Over 2.000	7.348	48,8	2	7.597	50,0	2	7.270	49,3	2
II- 1000 to 2000	3.146	20,9	2	2.821	18,6	2	2.756	18,7	2
III- 500 to 1000	2.521	16,7	3	2.545	16,8	3	2.440	16,7	3
IV- 100 to 500	1.862	12,3	9	2.030	13,3	9	2.069	14,0	9
V- Under 100	199	1,3	3	198	1,3	3	198	1,3	3
TOTAL	15.076	100,0	19	15.191	100,0	19	14.733	100,0	19

Graph 7: *Participation of individual groups of banks in total assets by periods*

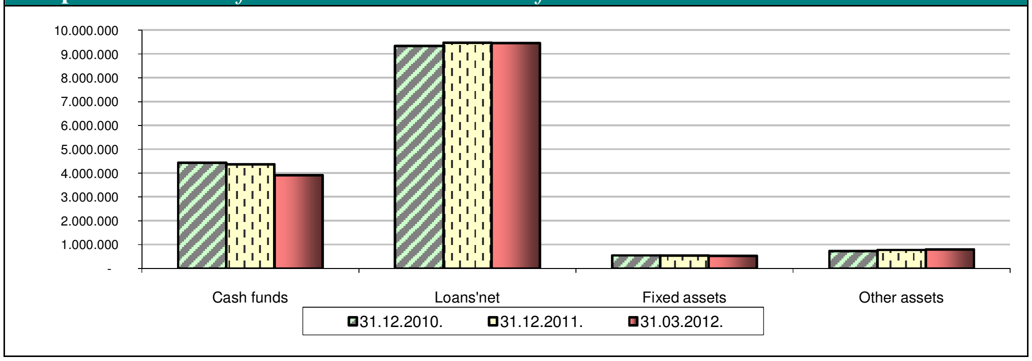


The decline of the balance sheet amount by 3% or 458 million KM, or on the level of 14,73billion KM at the end of the first quarter of 2012., it is the result of the decline of deposits by 3,9% or35 million KM, and loan liabilities by 5,4% or 71 million KM. Only, the total capital had an increase by 2,1% or 44 million KM.

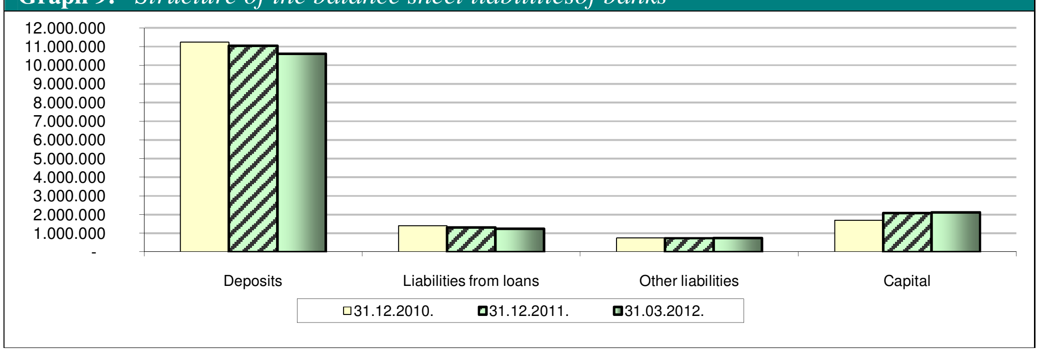
The cash funds, after the decline of 10% or 455 million KM, at the end of the first quarter were 3,92 billion KM. The realized decline is a result of the outflow of deposits, and in a smaller part due to the increase of the time placements on the accounts at other banks. Placements to other banks increased by a high 51% or 41 million KM, as of 31.03.2012. They were 121 million KM.The increase of loans was insignificant, only 0,2% or 17 million KM, therefore the loans kept almost the same level of 10,43 billion KM as at the end of 2011. The investments in the securities also had a minimum change, decline of 2,6% or 12 million KM, the portfolio of the securities at the disposition for sale increased from 300 million KM to 316 million KM, while the securities held to maturity decline from 158 million KM to 130 million KM. The banks still try to, under the conditions of the decreased volume of lending, realize additional income by placing the surplus of liquid funds, placing them as time deposits in foreign banks and investing in securities.

The following graphs provide the structure of the most significant positions of the banks' balances.

Graph 8: *Structure of the balance sheet assets of banks*



Graph 9: *Structure of the balance sheet liabilitiesof banks*



In the structure of banks' balance sheet liabilities deposits in the amount of 10,62 billion KM and participation of 72,1% are still the dominant source of financing for banks in the Federation of BiH. After the decline of 5%, the credit liabilities in the amount of 1,25 billion KM decreased its participation from 8,7% to 8,5%, while the participation of capital, which as of 31.03.2012 was 2,13 billion KM increased from 13,7% to 14,4%.

The structure of assets, as well as the structure of sources, had slight changes related to two key assets items: increased participation of loans from 68,6% to 70,8% and a decrease of cash funds from 28,8% to 26,6%

- in 000 KM-

Table 11: *Cash funds of banks*

CASH FUNDS	31.12.2010.		31.12.2011.		31.03.2012.		RATIO	
	Amount	Partic. %	Amount	Partic. %	Amount	Partic. %	4/2	6/4
1	2	3	4	5	6	7	8	9
Cash	370.414	8,3	371.309	8,5	340.549	8,7	100	92
Reserve accounts with CBBiH	2.592.920	58,4	2.341.604	53,5	2.211.128	56,4	90	94
Accounts with deposit institutions in BiH	670	0,0	30.825	0,7	10.498	0,3	4601	34
Accounts with deposit institutions abroad	1.479.322	33,3	1.633.479	37,3	1.360.362	34,7	110	83
Cash funds in collection process	288	0,0	859	0,0	366	0,0	298	43
TOTAL	4.443.614	100,0	4.378.076	100,0	3.922.903	100,0	99	90

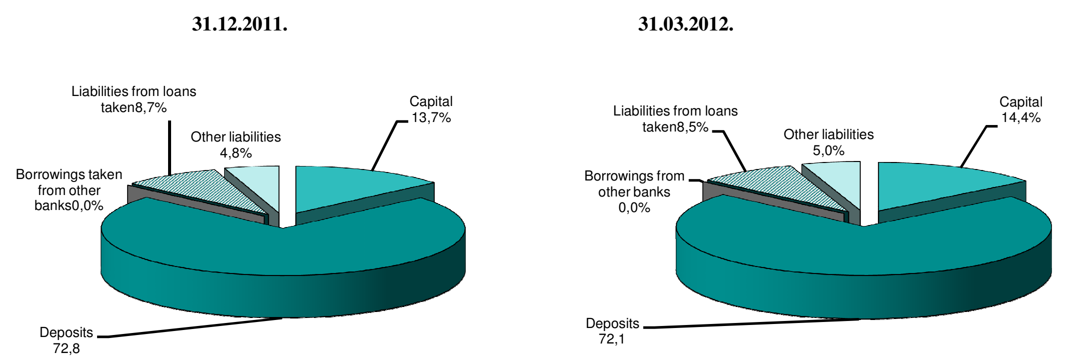
Cash funds of the banks on the reserve accounts of CBBiH, in 2011, decreased by 6% or 131 million KM, amounting to 2,21 billion KM or 56,4% of total cash funds as of 31.03.2012., representing the participation increase of 2,9 per cent in relation to the end of 2011. Banks' funds on the accounts with the depository institutions abroad had a steep decline of 17% or 273 million KM, amounting to 1,36 billion KM or 34,7% of total cash funds (37,3% at the end of 2011). As of 31.03.2012, the banks had cash on hand and in vaults in the amount of 341 million KM, which is 8,7% of the total cash funds.

The listed fluctuations had an impact on the change of the currency structure of the cash funds: the domestic currency participation in the reviewed period increased from 59,3% to 62,4%, and the participation of funds in foreign currency has decreased by the same amount of change.

2. 1. 1. Liabilities

Structure of liabilities (liabilities and capital) in the balance sheet of banks, as of 31.03.2012. is presented in the following graph:

Graph10:*Banks' liabilities structure*



In the reviewed period, there were minor changes in the participation of two most significant sources of banks' financing: deposits and credit liabilities that is the decrease of the deposit participation from 72, 8% to 72, 1% and participation of loan liabilities from 8, 7% to 8, 5%.

The main reason for the increase of deposits participation is their decline by 4% or 435 million KM, so that at the end of the reviewing period they were 10,62 billion KM, and still represent the most significant funding source of banks in the Federation of BiH. Second source, per its size in the amount of 1,25 billion KM, are credit funds obtained, mostly, by banks through the debt with foreign financial institutions. In the last three years, due to the impact of the financial and economic crises, the banks had far less lending from abroad, and with the payment of the past due liabilities the net effect was the decrease of the credit liabilities, in the first quarter of 2012 by 5% or 71 million KM. If subordinate debts of 135 million KM, which were withdrawn by banks to strengthen capital base and capital adequacy, are added to credit liabilities then the participation of total credit funds in the sources would be 9,4.

Capital, as of 31.03.2012, was 2,13 billion KM, which is by 2,1% or 44 million KM higher than at the end of 2011, and the increase was realised mostly based on the current financial result – profit.

As of 31.03.2012., the highest bank commitments were towards the following creditors (seven of total 40), representing 71% of total credit commitments: European Investment Bank (EIB), European fund for Southeast Europe (EFSE), EBRD, UniCredit Bank Austria AG, Central Eastern European Finance Agency (CEEFA), ComercBank AG Frankfurt and Council of Europe Development Bank.

According to the data submitted by banks, out of total deposits at the end of the first quarter of 2012, only 7% were deposits collected by organizational units of banks from the Federation of BiH operating in Republic Srpska and Brcko District.

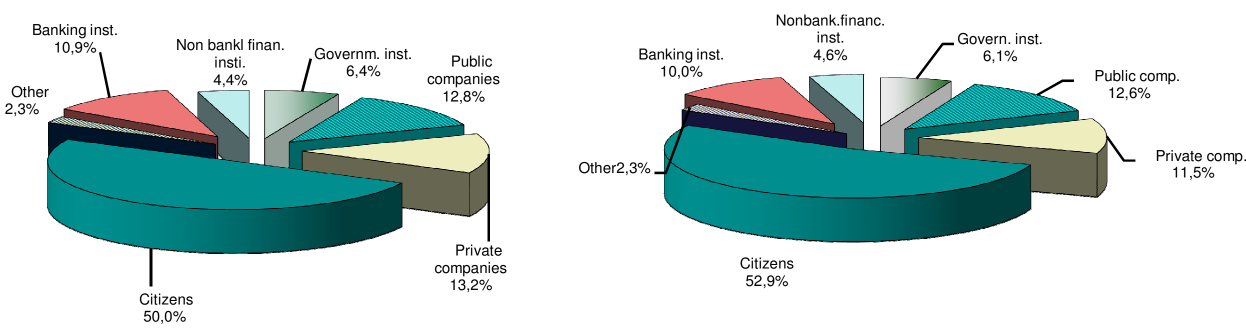
- in 000 KM-

Table 12: *Deposit structure by sectors*[12]

DEPARTMENTS	31.12.2010. Amount	31.12.2010. Partic. %	31.12.2011. Amount	31.12.2011. Partic. %	31.03.2012. Amount	31.03.2012. Partic. %	RATIO 4/2	RATIO 6/4
1	2	3	4	5	6	7	8	9
Governmental institutions	891.638	7,9	705.805	6,4	645.474	6,1	79	91
Public enterprises	1.332.748	11,9	1.413.686	12,8	1.335.357	12,6	106	94
Private enterprises and assoc.	1.487.509	13,2	1.462.767	13,2	1.218.622	11,5	98	83
Non-profit. organizations	1.674.576	14,9	1.206.302	10,9	1.061.147	10,0	72	88
Banking institutions	432.045	3,9	483.504	4,4	487.111	4,6	112	101
Citizens	5.144.607	45,8	5.530.461	50,0	5.611.623	52,9	107	101
Other	269.707	2,4	247.989	2,3	256.299	2,3	92	103
TOTAL	11.232.830	100,0	11.050.514	100,0	10.615.633	100,0	98	96

Graph 11: *Deposit structure by sectors*

31.12.2011. **31.03.2012.**



In the first quarter of 2012, there were minor changes in the deposits sector structure, which on one hand, were mostly a result of the growth of citizens and public enterprises deposits, and on the other, the decrease of funds of banking and government institutions.

The continuity in the growth of the citizens' deposits was maintained in first quarter of 2012, with the growth rate of 1% or 81 million KM. The deposits of this sector with the amount of 5,61 billion KM due to the decline of deposits in other sectors increased its participation in the total deposits from 50% to 52,9% in the total deposits, so they are still the largest source of financing for banks in F BiH.

The largest change and a steep decline of 17% or 244 million KM, or from 1,46 billion KM to 1,22 billion KM, was recorded in the deposits of the private institutions, which is of concern. Of that number around 140 million refers to the outflow of demand deposits in the local currency (KM), and the rest on deposits in foreign currency, also mostly demand deposits. For that reason, the participation of this sector decreased from 13,2% to 11,5%.

[12] Information from the attached form BS-D,each quarter submitted by banks with bbalance sheet - FBA format.

At the end of 2011 the deposits of the banking institutions were 1,2 billion KM, which is 10,9% of total deposits. These funds decreased by 113 million KM in comparison to the credit liabilities (at the end of 2010 they were higher by 271 million KM), which, after the deposits, are second most important funding source for banks in F BiH. From the noted data it can be concluded that the debt of the banks from F BiH abroad has significantly decreased, especially deposit funds of the parent groups. Taken that the same decreasing trend is present in the credit liabilities also, the banks are again facing the problem of maintaining the maturity match, which is caused by unfavorable maturity of the local deposit funds, so in the coming period they need to secure better quality sources when it comes to maturity, in order to continue the growth trend of the credit placements.

The deposits of the banking institutions since the end of 2007, until the III quarter of 2011 were second highest sector source in the deposit potential of the banks. The growth trend was present until mid-2009, when they reached the highest amount of 2,29 billion KM and participation of 21,4% in the total deposits. After that, under the impact of the crises, decrease of the lending volume and surplus of liquidity, there was a withdrawal of deposit funds of the parent groups, which resulted in the decline of the participation. However, after the decline in the IV quarter of 2011 of 23% or 368 million KM, the participation declined to 10,9%, which was fourth largest sector participation at the end of 2011. In the first quarter of 2012, the declining trend continued with a declining rate of 12% or 145 million KM. Negative movements in the funds level of this sector in the largest part refer to the decrease of the debt, or the return of the funds to the parent groups in which ownership are the banks in the Federation of BiH.

At the end of the first quarter of 2012 the deposits of the banking institutions were 1,06 billion KM, which is 10% of total deposits. These funds decreased by 187 million KM in comparison to the credit liabilities, which, after the deposits, are second most important funding source for banks in F BiH. From the noted data it can be concluded that the debt of the banks from F BiH abroad has significantly decreased, especially deposit funds of the parent groups. Taken that the same decreasing trend is present in the credit liabilities also, the banks are again facing the problem of maintaining the maturity match, which is caused by unfavorable maturity of the local deposit funds, so in the coming period they need to secure better quality sources when it comes to maturity, in order to continue the growth trend of the credit placements.

It should be emphasized that 93% or 988million KM of banking institutions' deposits refers to deposits of banks-members of groups (primarily shareholders). Financial support of the groups is present in nine banks in the Federation of BiH, with a concentration on four large banks. In this manner, in the previous period, the domestic banks-members of the groups receive financial support and have secured inflow of new funding sources by the group whose members they are. If credit liabilities and subordinate debts (items in the supplementary capital) are added to these funds, the financial support the banks receive from their groups becomes higher (in ten banks), amounting to 1,49 billion KM or 10,1% of total liabilities of the banking sector as of 31.03.2012. In comparison to the end of 2011, these funds were reduced by 214 million KM or 12,9% (deposits decreased by 12,9% or 147 million KM, credit liabilities by 14,8% or 61 million KM and subordinated loans by sicx million KM or 3,7%).

Under the support of IMF and other financial institutions, the FBA has been involved in activities related to signing of the Memorandum of Understanding with parent-banks from the European Union countries whose daughter-banks operate in the territory of BiH, the so called "Vienna Initiative", by which the parent banks have taken the obligation to maintain the exposure in Bosnia and Herzegovina at the level from 31.12.2008., during the IMF program (2009 -2012), taken into account the availability of adequate credit possibilities in BiH within the defined good practices for managing the credit risk, capital and liquidity. Since, due to the economic crises, the banks' credit activities have significantly decreased, which resulted with high liquidity, as well as the good capitalization of almost all banks in FBiH which parent banks signed the "Vienna Initiative", in 2011 the trend of the decreasing of the exposure from the previous year continued, in the segment of the deposit sources, mostly in one bank, while the credit sources decreased based on the regular payment of matured liabilities. Due to the unfavourable events in the economies of the countries from which are the owners of the banks from F BiH and problems with which those countries are faced, and consequently the financial system and the banking groups, as well as the announced measures which Austria plans to take with an aim to strengthen the sustainability of the business models of large internationally active banks, and with that maintain the country's credit rating[13], it can be expected that the future financial support of the parent group will be more restricted, so the credit growth in the coming period in the Federation of BiH must be more financed from the growth of the local sources.

Under the conditions of crises and a more difficult access to the money market and new funds, the growth of the liquidity risk as a result of the deteriorating collection of the loans and growth of non-performing assets, unsatisfactory maturity structure of local deposit sources, expected continued decrease of foreign sources of funding, the problem of the unfavorable maturity structure of the funding sources, primarily deposits, as well as their growth, will be in the focus in majority of the banks in the coming period

Deposits of other sectors had alsodeclined: the public enterprises' deposits declined by 6%or 78 million KM and as of 31.03.2012 were 1,33 billion KM or 12,6% of total deposits, which is second largest sector sourece. The deposits of government institutions, after the decline by 9% or 60 million KM, at the end of the first quarter of 2012 were 645 million KM, which is 6,1 of total deposits.

Currency structure of deposits, at the end of the observed period, changed slightly deposits in foreign currencies (with the dominant participation of EURO) in the amount of 5,76 billion KM decreased its partiicpaiton from 55% to 54% and deposits in domestic currency in the amount of 4,86 billion KM participated with 46% .

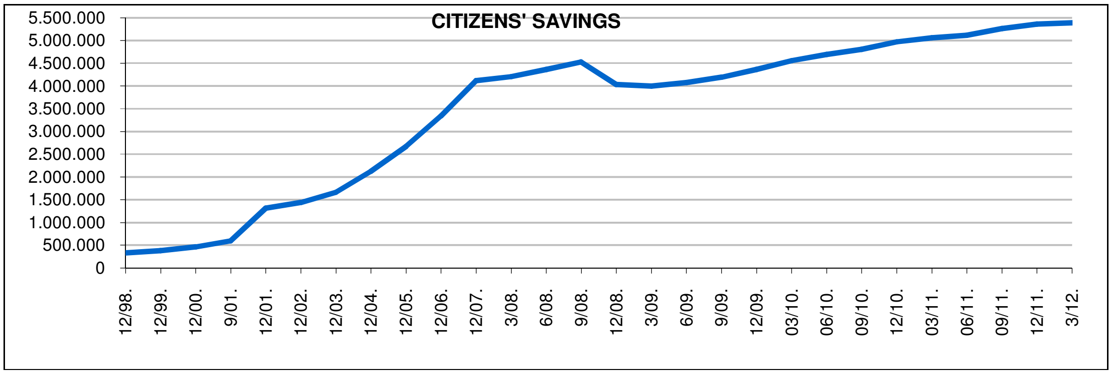
Saving deposits, as the most significant segment of deposits and financial potential of banks in 2012, had a slight increase of 0,4% or 23 million KM and as of 31.03.2012 were 5,38 billion KM.

Table 13: *New citizen savings by periods*

BANKS	AMOUNT (IN 000 KM)			RATIO	
	31.12.2010.	31.12.2011.	31.03.2012.	3/2	4/3
1	2	3	4	5	6
State	47.148	50.259	50.667	107	101
Private	4.926.361	5.311.178	5.333.765	108	100
TOTAL	4.973.509	5.361.437	5.384.432	108	100

Graph 12: *New citizen savings by periods*

[13] The core of the measure is that the credit activity of the Austrian banks subsidiary in the Central, East and Southeast Europe (CESEE) in the future will be conditioned with strengthened and susteinable financing from local sources.



The largest three banks hold 70% of savings, while participation of seven banks has an individual participation of less than 1%, representing only 3,5% of total savings in the system.

Savings deposits in local currency represent 32% and in foreign currency 68% of total savings amount.

Table 14:*Maturity structure of saving deposits of citizens through periods*

BANKS	AMOUNT (IN 000 KM)						RATIO	
	31.12.2010.		31.12.2011.		31.03.2012.		3/2	4/3
1	2		3		4		5	6
Short term saving deposits	2.581.767	51,9%	2.606.732	48,6%	2.611.772	48,5%	101	100
Long term saving deposits	2.391.742	48,1%	2.754.705	51,4%	2.772.660	51,5%	115	101
TOTAL	4.973.509	100,0 %	5.361.437	100,0 %	5.384.432	100,0 %	108	100

The maturity structure of the savings deposits remains the same as at the end of 2011, long term saving deposits with the participation of 51,5%and short term 48,5%.

Long term continuous growth and positive trends in the savings segment of banks in the F BiH are a result, on one hand, of the strengthening of safety and stability of the overall banking system, giving the key importance to the existence of functional, effective and efficient banking supervision conducted by the FBA, and, on the other hand, deposit insurance system with the main purpose to increase stability of the banking, that is, financial sector and protection of depositors. In December 2008, with purpose to preserve citizens' trust in safety and stability of the banking system in BiH, the amount of insured deposit increased to KM 20.000. After that there was an initiative to increase the amount of the insured deposit, so as of 01.04.2010., it was increased to 35.000 KM, and all taken measures were directed to decrease the impact of the global economic crises on the banking and economic system of the Federation of BiH and BiH.

As of 31.03.2012., there are a total of 16 banks included in the deposit insurance program in the Federation of BiH (they have a license by the Deposit Insurance Agency in BiH), and according to the submitted data 97% of total deposits and 98% of total savings.

The remaining three banks can not apply to be admitted since they do not qualify with the criteria prescribed by the Deposit Insurance Agency: one due to the existing composite rating, and two because they are under provisional administration.

2.1.2. Capital – strength and adequacy

Capital[14] of banks in the Federation of BiH, as of 31.03.2012., amounted to 2,1 billion KM.

-in 000 KM-

Table 15: *Regulatory capital*

DESCRIPTION	31.12.2010.		31.12.2011.		31.03.2012.		RATIO	
1	2		3		4		5 (3/2)	6 (4/3)
1.a.Core capital before deduction	1.885.159		2.008.081		1.947.028		107	97
1.1. Shareholders capital-common and permanent uncom.shares	1.170.468		1.190.482		1.190.482		102	100
1.2. Amount of emissions	136.485		136.485		136.485		100	100
1.3.Reserves and retained profit	578.206		681.114		620.061		118	91
1.b.Deductable items	313.321		351.004		250.006		112	71
1.1. Uncovered losses from previous years	92.058		250.611		191.699		272	76
1.2. Loss from the current year	157.933		43.132		5.201		27	12
1.3. treasury shares	81		81		81		100	100
1.4.. Amount of intangible assets	63.249		57.180		53.025		90	93
1. Core capital (1a-1b)	**1.571.838**	**76%**	**1.657.077**	**78%**	**1.697.022**	**79%**	105	102
2. Supplementary capital	**489.986**	**24%**	**468.030**	**22%**	**447.761**	**21%**	96	96
2.1.Shareholder capital- permanent priority cumul. shares	2.829		3.090		3.090		109	100
2.2. General reserves for loan losses	209.612		211.862		208.935		101	99
2.3. Amount of revised current profit	52.090		62.574[15]		44.145		120	71
2.4. Amount of subordinated debt up to 50% of the amount of core	159.056		139.754		133.768		88	96
capital	66.399		50.750		57.823		76	114
2.5. Items of permanent character	**2.061.824**	**100%**	**2.125.107**	**100%**	**2.144.783**	**100%**	103	101
3. Capital (1 + 2)								
	15.938		**37.873**		**37.261**		238	98
4. Items deductible from capital	15.938		18.408		18.408		115	110
4.1. Bank's invest. In cap. of state leg. ent.over 5% of cor. cap.	-		19.465		18.853		N/a	97
4.2. Amount of lack. reserves for loan loss. based on reg. request								
	2.045.886		**2.087.234**		**2.107.522**		102	101
5. Net capital (3- 4)								

In the first quarter of 2012, capital[16] increased by 1% or 19,7 million KM in comparison to 2011, while the changes in core and supplementary capital influenced the slight changes in the structure of regulatory capital. The core capital increased by 2% or 40 million KM, and participation from 78% to 79%, supplementary capital decreased by 4% or 20 million KM which caused the decline of the participation from 22% to 21% .

The core capital growth is a result in most part of the inclusion of the realized profit for 2011 in the amount of 81 million KM in the retained profit and reserves (of which two banks included 53,4 million KM as of 31.12.2011). One bank increased the core capital through the direct payment in the reserves in the amount of 20 million KM and simultaneously decreased the reserves through a partial coverage of uncovered losses in the amount of 105 million KM.

Deductible items (which decrease the core capital) decreased by 101 million KM mostly from decrease of cumulated losses in one bank (105 million KM covered from reserves), with a simultaneous decrease of intangible property by 4,1 million KM and increase of current debt by 5,2 million KM.

---

[14] Regulatory capital as defined by Article 8 and 9 of Decision on Minimum Standards for Capital Management in Banks (Official Gazette of the Federation of BiH, 3/03, 18/03, 53/06, 55/07, 81/07, 6/08).
[17]Data source is the quarterly Report on Capital Positions of Banks (Form 1-Schedule A) regulated by the Decision on Minimum Standards for Managing Capital in Banks.

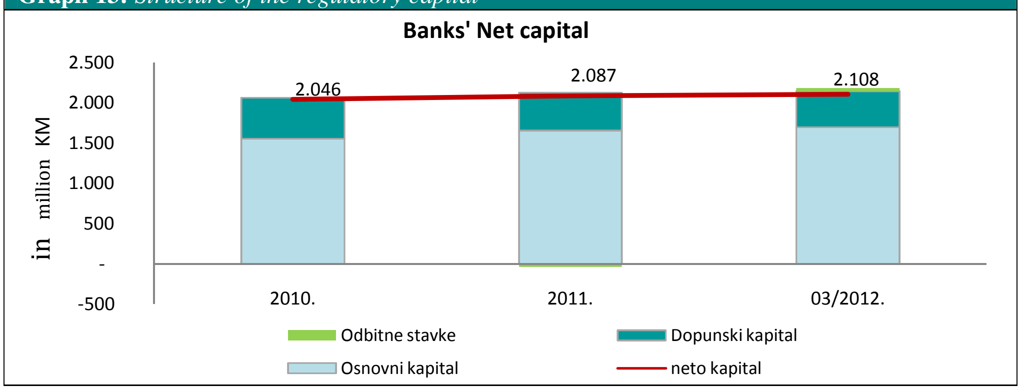
[15]Po konačnim podacima osam banaka je uključilo iznos revidirane dobiti u dopunski, a dvije u osnovni kapital.

Supplementary capital decreased by 20,3 million KM, with major changes in the structure: the 2011 profit of 81 million KM that was included in the additional capital, was moved to the core capital, in two banks (the profit in total is 44 million KM), is still not allocated and is reported in the supplementary capital, and two banks with the two banks with profit in total amount of 1,5 million KM did include the profit in the capital since the external audit was not complete. Subordinated debt (regular payments of past due liabilities) decreased by six million KM<while the items of the permanent character increased by seven million KM. The items of general reserves for loan losses (in further reading ORKG) decreased by three million KM.

The change in the regulations includes in the items deductible from capital the new accrual item: lacking reserves for loan losses based on the regulatory request, which as of 31.03. 2012 was 18,8 million KM, which is a difference between the total accrued reserves based on the regulatory request and a total of the amounts of the value adjustment of the balance sheet assets and provisioning for losses for off balance sheet items, and reserves for loan losses established from profit. At the end of the business year, the bodies of the bank have an obligation to, when making a decision about the allocation of the profit, secure the funds for the lacking RKG according to the regulatory request before paying out the dividends (except for the priority shares) or any other payment from profit, or from the available capital reserves which can be used for such purpose.

The following graph presents the structure of the regulatory capital.

Graph 13: *Structure of the regulatory capital*



Net capital, as the regulatory, increased by 1% or 20 million KM, and as of 31.03.2012 was 2,1 billion KM.

The banks' capital level rate is expressed as a ratio of capital and assets and as of 31.03. 2012., it was 13,6%, which is by 0,5% higher than at the end of 2011.

One of the most significant indicators of capital strength and adequacy[17] of banks is capital adequacy ratio calculated as a ratio of net capital and risk weighted assets. As of 31.03.2012., this ratio at the banking system level was 17,5% which is higher by 0,4% than at the end of 2011., due to the decrease of the total risk weighted risks by 1% or 110 million KM and increase of capital by 1% or 20 million KM.

The following table presents the structure of the net exposure of the banks to the risk weighted credit risk that is the conversion ratio for the off-balance sheet items.

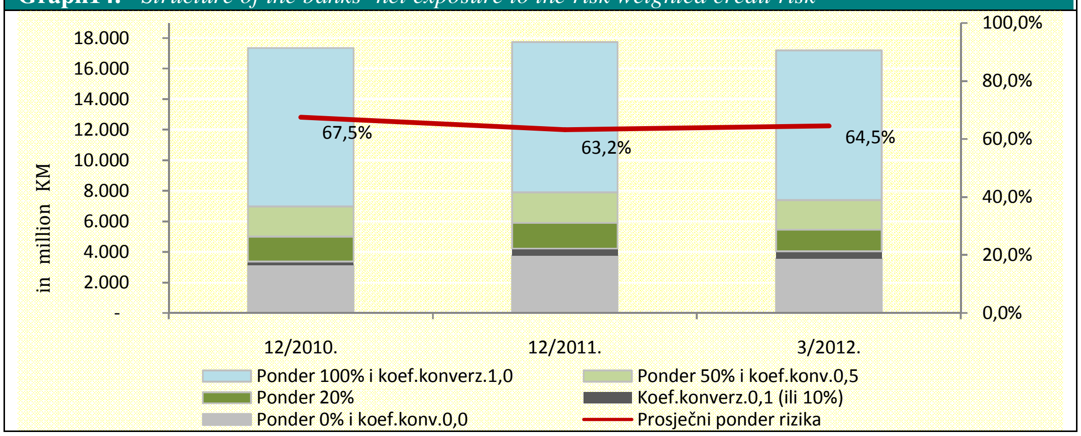
[17]The Law prescribes minimum capital adequacy rate of 12%.

-in 000 KM-

Table16: *Structure of the banks' net exposure to the risk weighted credit risk*

DESCRIPTION	31.12.2010.	31.12.2011.	31.03.2012.	RATIO	
1	2	3	4	5 (3/2)	6 (4/3)
TOTAL EXPOSURE (1+2):	**17.354.697**	**17.743.664**	**17.197.000**	102	97
1 Balance sheet assets	14.887.124	14.917.399	14.466.791	100	97
2. Off-balance sheet positions	2.467.573	2.826.265	2.730.209	115	97
DISTRIBUTION THROUGH RISK WEIGHTED RISKS AND CONVERSION RATIO					
Risk weight 0%	3.147.567	3.721.678	3.535.786	118	95
Risk weight 20%	1.640.802	1.674.585	1.432.014	102	86
Risk weight 50%	42.576	83.165	80.234	195	96
Risk weight 100%	10.056.179	9.437.971	9.418.757	94	100
Convers.ratio 0,0	0	54.529	48.088	N/a	88
Convers.ratio 0,1	220.264	445.006	455.871	202	102
Convers.ratio 0,5	1.923.685	1.938.449	1.844.002	101	95
Convers.ratio 1,0	323.624	388.281	382.248	120	98
RISK OF THE RISK WEIGHTED ASSETS AND CREDIT EQUIVALENTS	**11.713.116**	**11.216.477**	**11.095.110**	**96**	**99**
Average risk weighted risk	**67,5%**	**63,2%**	**64,5%**	**N/a**	**102**

Graph14: *Structure of the banks' net exposure to the risk weighted credit risk*



The total net exposure of the banks that is risk weighted in the first quarter of 2012decreased by 3% or 547 million KM, which was in the most part influenced by the decline of the balance sheet items (mostly with the conversion ratio of 0 and 20%), and partially off balance sheet items (mostly with the conversion ratio of 0,5), which influenced that the risk of the risk weighted assets and credit equivalents has the same direction, in other words the decline of 121 million KM (from 11,71 billion KM to 11,09 billion KM). This was mostly influence by the deduction in items: receivables from the countries in the zone A (risk weight 20%) and funds the banks keep at CBBiH (risk weight 0%). On the other hand, risk weighted operating risk (POR) increased by 11 million KM, and is 976 million KM. All of that resulted in decrease of total risk weighted risk by 1% or 110 million KM.

As of 31.03.2012, the participation of the risk weighted assets exposed to the credit risk was 92%, and operating risk 8%.

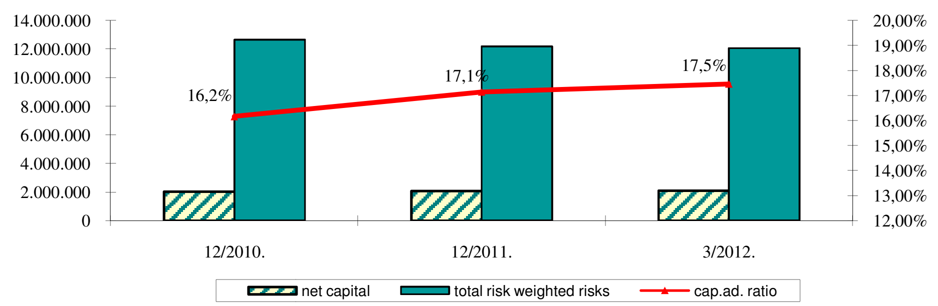
In process of conducting supervision of operations and financial positions of banks in the FBiH, as regulated by the Law, the FBA issues orders to banks to undertake actions for strengthening of capital base and provision of adequate capital in order to improve safety of both banks individually and the entire banking system, according to the level and profile of existing and potential exposure to all risks relevant to the banking operations. Under the conditions of economic crisis and the increase of the loan risk caused by the decline of the credit portfolio quality, this request has a priority and that is why the segment of capital is under a continuous enhanced supervision. One of the measures is also a recommendation to banks not to distribute the 2011 profit they generated to pay out dividends, but to rather strengthen their capital base.

- 000 KM-

Table 17: *Net capital, risk-weighted assets and capital adequacy rate*

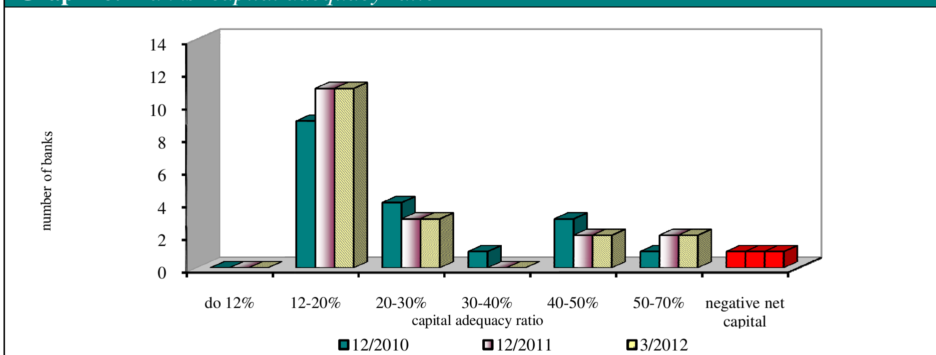
DESCRIPTION	31.12.2010.	31.12.2011.	31.03.2012.	RATIO	
1	2	3	4	5(3/2)	6(4/3)
1. NET CAPITAL	2.045.886	2.087.234	2.107.522	102	101
2. RISK WEIGHTED ASSETS AND CREDIT EQUIVALENTS	11.713.116	11.216.477	11.095.110	96	99
3. POR (RISK WEIGHTED OPERATING RISK)	942.707	965.932	976.943	102	101
4. TOTAL RISK WEIGHTED RISKS (2+3)	12.655.823	12.182.409	12.072.053	96	99
5. NET CAPITAL RATE (CAPITAL ADEQUACY) (1/ 4)	16,2%	17,1%	17,5%	106	102

Graph15: *Net capital, risk-weighted assets and capital adequacy rate*



Capital adequacy rate of the banking system, as of 31.03.2012., was 17,5%, which is still much more than the minimum prescribed by the law (12%), representing satisfactory capitalization of the entire system and very strong basis and foundation to preserve its safety and stability.

Graph16: *Banks' capital adequacy ratio*



Of total 19 banks in the FBiH, as of 31.03.2012., capital adequacy rate of 18 banks was higher than minimum prescribed by the law of 12%, one bank, which is under provisional administration, has the capital adequacy rate under the minimum, that is a negative adequacy rate. According to analytical data at the end of the first quarter of 2012, seven banks recorded the capital adequacy rate lower than at the end of 2011, in the range from 0,2 to 3,7%, while in two banks it remained unchanged, and in nine banks recorded better rate.

Review of capital adequacy rates of 18 banks in comparison to the minimum prescribed by the law of 12% is the following:

- 11 banks had the rate between 13,2% and 19,5%
- six banks had the rate between 22,4% and 54,1%,
- one bank had the rate between of 65,5%.

The further strengthening of capital base will be priority task in majority of banks as it has been the case so far, especially in the largest banks of the system, which is necessary to strengthen stability and safety of both banks and the entire banking system, especially due to changes in business and operating environment under which banks in the Federation operate, because of the global financial crisis expansion to the area of our country and adverse effects this crisis may have on the banking sector and the entire economy of BiH. After the beginning of the crises, due to the deterioration of the loan portfolio and increase of the reserve expenses for loan losses, which had a significant impact on the downfall of the profitability of all banks in the system, the bank's capital has been under increased supervisory review, in order to avoid the endangering the banks' stability and capital base erosion to the level that would jeopardize not only the operations of the banks, but also impact the stability of the total banking system

2.1.3. Assets and asset quality

Based on the Decision on minimum standards for managing the credit risk and banks' asset classification determined are criteria for evaluation of the exposure of the banks to the credit risk through evaluation of the quality of their assets and adequacy of reserves for loans and other losses in accordance with the risk of the placement and funds-items of the balance sheet and off balance items.

As the Law on accounting and the audit in the Federation of Bosnia and Herzegovina came into effect, the banks are obliged to starting as of 31. 12. 2011 develop and present financial reports in compliance with the International accounting standards (IAS) and International standards for financial reporting (ISFR). For the recognition and measurement of the financial assets and liabilities used is IAS 39 – Financial instruments, recording and measuring and IAS 37- Provisioning, potential liabilities and potential funds.

Therefore, in evaluating the exposure of the banks to the credit risk, the banks are still obliged to calculate the reserves for loan losses based on the Decision on Minimum Standards for Loan Risk Management and Assets Classification of Banks, credit risk and banks' asset classification, taking into account the already established value adjustments of the balance sheet assets and provisioning for losses for off balance sheet items which are recorded in the banks' books, as well as the RKG established from profit (on the accounts of capital).

-in000 KM-

Table18: Assets *(balance and off balance), LLR according to the regulator and value adjustment based on IAS*

	DESCRIPTION	31.12.2011.	31.03.2012.	RATIO
1.	RISK ASSETS[18]	13.301.153	13.201.517	99
2.	CALCULATED REGULATORY RESERVES FOR LOAN LOSSES	1.290.421	1.315.055	102
3.	PROVISIONING VALUE ADJUSTMENT FOR OFF BALANCE SHEET	1.037.061	1.069.018	103
4.	NEEDED REGULATORY RESERVES FROM PROFIT FOR ESTIMATED	253.360	246.100	97
5.	ESTABLISHING REGULATORY RESERVES FROM PROFIT FOR	292.214	292.225	100
6.	LACKING AMOUNT OF REGULATORY RESERVES FROM PROFIT FOR	19.465	18.852	97
7.	NON-RISK ITEMS	5.787.457	5.363.707	93
8.	TOTAL ASSETS (1+7)	19.088.610	18.565.224	97

The total assets with the off balance sheet items (assets)[19] of banks in F BiH as of 31.03. 2012. were 18,6 billion KM and in relation to the end of 2011 was lower by 3% or 523million KM. The risk assets are 13,2 billion KM and they decreased by 1% or 100 million KM.

Non risk items are 5,4 billion KM or 29% of total assets with off balance sheet and they decreased by 7% or 424 million KM in comparison to the end of 2011.

Total accrued RKG according to the regulatory request are 1,3 billion KM, and established balance sheet assets adjustments of value and provisioning for losses on off-balance sheet items 1,1 billion KM. The difference of 246 million KM is the amount of needed regulatory reserves, which are compared with already established regulatory reserves from profit (at the level of the system 292 million KM) in each individual bank, which resulted with a lacking amount of regulatory resaves[20] of 18,6 million KM[21], which present the item deductible from capital.

[18]Excluded is the amount of placements and potentialliabilities of 173.301 h/KM secured by a cash deposit.

[19]Assets defined in Article 2. of the Decision on minimum stadards for managing credit risk and asset classification of banks („Official Gazette of F BiH“, Number 3/03, 54/04, 68/05, 86/10, 6/11, 70/11, 85/11; 85/11- clean version).

[20]Lacking amount of regulatory reserves included only the amount reported as a positive difference between the needed and established RKG.

[21]Deductible item in the accrual of the regulatory capital.

Table 19: *Total assets, gross balance sheet assets, risk and non risk items of the assets*

DESCRIPTION	AMOUNT (in000 KM)						RATIO	
	31.12.2010.	Struct. %	31.12.2011.	Struct.%	31.03.2012.	Struct.%		
1.	2	3	4	5	6	7	8 (4/2)	9 (6/4)
Loans	9.244.429	86,4	9.292.751	85,2	9.272.657[22]	85,0	101	100
Interest	51.348	0,5	108.647	1,0	100.468	0,9	212	92
Past due receivables	566.629	5,3	935.014	8,6	971.414	8,9	165	104
Receivables from paid guarantees	553	0,0	24.808	0,2	29.052	0,3	4486	117
Other placements	410.797	3,8	171.052	1,6	164.434	1,5	42	96
Other assets	427.890	4,0	371.474	3,4	368.516	3,4	87	99
1.RISK BALANCE SHEET ASSETS	10.701.646	100,0	10.903.746	100,0	10.906.541	100,0	102	100
2. NON RISK BALANCE SHEET ASSETS	5.035.264		5.290.275		4.860.934		105	92
3.GROSS BALANCE SHEET ASSETS (1+2)	15.736.910		16.194.021		15.767.475		103	97
4.RISK OFF BALANCE SHEET	2.352.092		2.397.407		2.294.976		102	96
5.NON RISK OFF BALANCE SHEET	0		497.182		502.773		n/a	101
6.TOTAL OFF BALANCE SHEET ITEMS (4+5)	2.352.092		2.894.589		2.797.749		123	97
7.RISK ASSETS WITH OFF BALANCE SHEET (1+4)	13.053.738		13.301.153		13.201.517		102	99
8. NON RISK ITEMS (2+5)	5.035.264		5.787.457		5.363.707		115	93
9. ASSETS WITH OFF BALANCE SHEET(3+6)	18.089.002		19.088.610		18.565.224		106	97

Gross balance sheet assets[23] is 15,8 billion KM, and is lower by 3% or 426 million KM, and the risk balance sheet assets is 11billion KM which is 69% gross balance sheet assets and is at the same level as at the end of 2011. Non risk balance sheet assets are4,9billion KM after the decline of 8% or 429 million KM due to the decrease of cash funds by 10% or 455 million KM.Off balance sheet risk items are 2,3billion KM and they are lower by4% in comparison to 2011. The non-risk off balance sheet is503 million KM.

The impact of the economic crises on the overall economy and industry in BiH is still present, therefore in 2012 a significant credit growth in the segment of lending as a key activity of the bank is not expected, which is confirmed with the data for the first quarter of 2012. As of 31.03. 2012., the loans were 10,4 billion KM, and they are at the same level as at the end of 2011, while the participation in the assets increased by 2,2% and is 70,8%.

In the first quarter of 2012, placed is a total of 1,2billion KM in new loans, which is by 1,4% or18 million KM higher than in comparison to 2011. Of the total placed loans, loans in economy are72%, and citizens 28%. Maturity structure of the newly granted loans has changed on behalf of the short term loans in comparison to the end of 2011. , the participation of the long term was 45%, and short term 55% (31.12.2011: long term 49%, short term 51%).

Three largest banks in the FBiH with credit amount of 6,1 billion KM have participation of 58% in total loans at the system level.

Trend and changes in participation of individual sectors in the overall structure of loans are presented in the following table:

[22]Excluded is the amount of loan of 117,664thousand KM covered by a cash deposit (included in the non risk balance sheet assets).
[23]Data source: report on classification of the banks' balance sheet and off balance sheet items.

-in 000 KM-

Table20: *Sector structure of loans*								
DEPARTMENTS	**31.12.2010.**		**31.12.2011.**		**31.03.2012.**		**RATIO**	
	Amount	**Partic. %**	**Amount**	**Partic. %**	**Amount**	**Partic. %**		
1	2	3	4	5	6	7	8(4/2)	9(6/4)
Government institutions	126.328	1,3	125.827	1,2	108.751	1,1	100	86
Public companies	238.105	2,4	257.547	2,5	255.202	2,5	108	99
Private entre. and comp.	4.815.426	48,2	4.917.787	47,2	4.978.859	47,7	102	101
Banking institutions	10.975	0,1	16.411	0,2	13.960	0,1	149	85
Non banking fin. inst.	37.235	0,4	40.978	0,4	43.428	0,4	110	106
Citizens	4.733.198	47,4	5.041.388	48,4	5.017.083	48,1	106	99
Other	20.644	0,2	13.478	0,1	13.216	0,1	65	98
TOTAL	9.981.911	100,0	10.413.416	100,0	10.430.499	100,0	104	100

In the first quarter of 2012, the loans sector structure slightly changed in comparison to the 2011. Loans granted to citizens decreased by 1% or 24 million KM, amounting to five billion KM, which is a participation of 48,1% (at the end of 2011. 48,4%). Loans granted to private companies are higher by 1% or 61 million KM, and they are five billion KM or 47,7% of total loans (at the end of 2011. 47,2%).

The data submitted by banks, as of 31.03.2012., in the aspect of loan structure originated to citizens (based on the purpose), the loan participation remained the same, for financing the consumer goods[24]is 73, housing loans 24%, and the remaining 3% have loans for SMEs and agriculture.

Three largest banks in the system financed 61% of total loans originated to citizens, and to private companies 56% of total loans to all sectors which are the same as at the end of 2011.

Currency structure of loans: loans financed with currency clause had the highest participation of 65% or 6,7 billion KM (EUR: 6,5 billion KM or 96%, CHF: 286 million KM or 4%), loans in domestic currency of 34% or 3,6 billion KM, while loans in foreign currency had the lowest participation of only 1% or 121 million KM (EUR: 95 million KM or 78%, CHF: 14 million KM or 11%). The total amount of loans in CHF currency of 300 million KM is 2,9% of the total loan portfolio and almost the whole amount refers to one bank in the system.

Since placements, that is, loans represent the most risky portion of banks' assets, their quality represents one of the most significant elements of stability and successful performance. Evaluation of assets quality is actually evaluation of exposure to loan risk of banks' placements, that is, identification of potential loan losses that are recognized as loan loss provisioning.

Quality of assets and off-balance sheet risk items, general loan risk, potential loan losses by classification categories[25] and off-balance sheet items are presented in the following table:

---

[24]Credit cardoperations included.

[25] As regulated in the Article 22 of the Decision on Minimum Standards for Managing Credit Risk and Assets Classification in Banks, banks have to allocate and maintain reserves for general and special loan losses in percentages according to classification categories: A 2%, B 5% to 15%, C 16% to 40%, D 41% to 60% and E 100%.

Table21: *Classification of assets, general credit risk (OKR) and potential credit loss (PKG)*

Classification category	AMOUNT (in000 KM) AND PARTICIPATION (in%) 31.12.2010.			31.12.2011.			31.03.2012.			RATIO	
	Clasif. assets	Partic. %	OKR PKG	Clasif. assets	Partic. %	OKR PKG	Clasif. assets	Partic. %	OKR PKG		
1	2	3	4	5	6	7	8	9	10	11(5/2)	12(8/5)
A	10.477.329	80,3	209.555	10.593.224	79,6	211.862	10.450.310	79,2	209.004	101	99
B	1.645.750	12,6	132.048	1.365.077	10,3	115.911	1.370.262	10,4	118.128	83	100
C	471.505	3,6	113.962	282.081	2,1	67.798	309.530	2,3	75.851	60	110
D	455.303	3,5	258.297	375.474	2,8	209.551	359.541	2,7	200.239	82	96
E	3.851	0,0	3.851	685.297	5,2	685.299	711.874	5,4	711.833	n/a	104
Risk ass. (A-E)	13.053.738	100,0	717.713	13.301.153	100,0	1.290.421	13.201.517	100,0	1.315.055	102	99
Classified (B-E)	2.576.409	19,7	508.158	2.707.929	20,4	1.078.559	2.751.207	20,8	1.106.051	105	102
Non-performing (C-E)	930.659	7,1	376.110	1.342.852	10,1	962.648	1.380.945	10,5	987.923	144	103
Non risk ass.[26]	5.035.264			5.787.457			5.363.707			115	93
TOTAL (risk and non risk)	18.089.002			19.088.610			18.565.224			106	97

If an analysis of the risk assets quality is performed and the changes of the key indicators, it could be concluded, that in the first quarter of 2012 there were no significant changes, all the asset quality indicators are at the same level as at the end of 2011. In some banks the indicators had slight oscillations (deterioration or improvement), that is: seven banks have indicators of the classified in relation to the risk assets more poor than the banking sector, and six banks have participation of the poor performing assets in relation to the risk assets worse than the banking sector.

As of 31.03.2012, the classified assets were 2,7 billion KM, and non performing 1,4 billion KM (31.12.2011: 2,7 billion KM and 1,3 billion KM).

Classified assets (B – E) is by 2% or 43 million KM higher than last year, the category B is at the same level, and nonperforming assets (C-E) increased by 3% or 38 million KM.

The classified and risk assets are 20,8% which is by 0,4% more than at the end of 2011.

If an analysis is performed of only the ratio and trend of nonperforming assets and risk assets, as of 31.03.2012., this ratio also increased by only 0,4% and is 10,5%, which is still relatively low ratio. However, it should be taken with reserve, taken that the participation of category B in the risk assets is 10,4%, and the doubt that portion of placements reported under this category deteriorated in quality and should be categorized as nonperforming assets.

The analysis of data by sectors is based on the indicators of the quality of loans granted to the two most significant sectors: private companies and citizens. The two mentioned indicators for these sectors are significantly different and indicate higher loan risk exposure, and also the exposure to potential loan losses with the loans originated to legal entities.

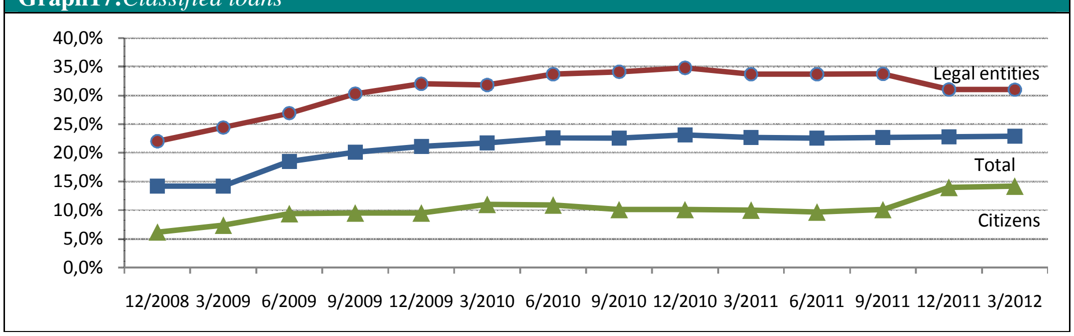
[26]The items of assets, which in compliance with the Article 2.paragraph(2)of the Decision on the minimum standards for managing credit risk and banks' asset classification, do not clasify the items on which, in compliance with the Article.22., paragraph (8) of the Decision do not calcualte the reserves for OKG of 2%.

Table 22: *Classification of loans originated to citizens and legal entities*

Classification category	AMOUNT (in000 KM) AND PARTICIPATION (in%)												RATIO
	31.12.2011.						31.03.2012.						
	Citizens	Partic. %	Legal entities	Partic. %	TOTAL Amount	Partic.	Citizens	Partic %	Legal entities	Partic. %	TOTAL		
1	2	3	4	5	6 (2+4)	7	8	9	10	11	12 (8+10)	13	14(12/6)
A	4.333.709	85,97	3.704.037	68,95	8.037.747	77,19	4.305.930	85,83	3.735.159	69,00	8.041.089	77,09	100
B	164.303	3,26	961.222	17,89	1.125.525	10,81	170.552	3,40	928.439	17,15	1.098.991	10,54	98
C	128.579	2,55	143.050	2,66	271.628	2,61	113.976	2,27	184.216	3,40	298.192	2,86	110
D	156.475	3,10	207.653	3,87	364.128	3,49	156.925	3,13	192.575	3,56	349.500	3,35	96
E	258.322	5,12	356.066	6,63	614.388	5,90	269.701	5,37	373.026	6,89	642.727	6,16	105
TOTAL	5.041.388	100,0	5.372.028	100,0	10.413.416	100,00	5.017.084	100,0	5.413.415	100,0	10.430.499	100,00	100
Class. loans B-E	707.679	14,04	1.667.991	31,04	2.375.669	22,81	711.154	14,17	1.678.256	31,00	2.389.410	22,90	101
Non perfm. Loan C-E	543.376	10,78	706.769	13,16	1.250.144	12,00	540.602	10,77	749.817	13,85	1.290.419	12,37	103
		48,39		51,61		100,00		48,10		51,90		100,00	
Participation by sectors in classified loans, nonperforming loans and category B													
Classification B-E		29,79		70,21		100,00		29,79		70,21		100,00	
Non performing C-E		43,46		56,54		100,00		41,89		58,11		100,00	
Category B		14,60		85,40		100,00		15,52		84,48		100,00	

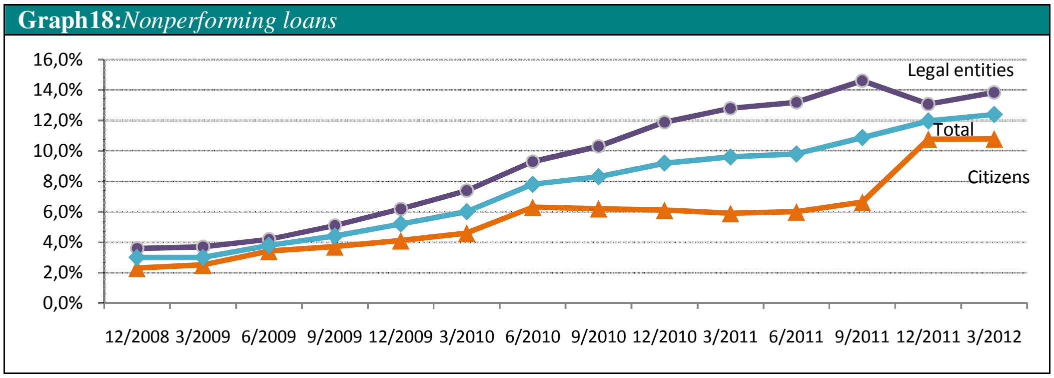
In general, the asset quality indicators are at the same level in regard to the end of the previous year, except the participation of the nonperforming loans which increased by 0,4%, as a result of the increase of the total nonperforming loans by 3% or 40 million KM, legal entities by 6% or43 million KM, while the nonperforming loans to citizens had a decline of 1% or three million KM.

Graph17: *Classified loans*



As of 31.03.2012., of total loans originated to legal entities in the amount of 5,4 billion KM, 1,7 billion KM or 31% (at the end of 2011 the same) was classified in categories B to E, while of total loans originated to citizens in the amount of five billion KM, the listed classification categories represent 711 million KM or 14,17%, (708 million KM or 14,04% at the end of 2011).

Graph18: *Nonperforming loans*



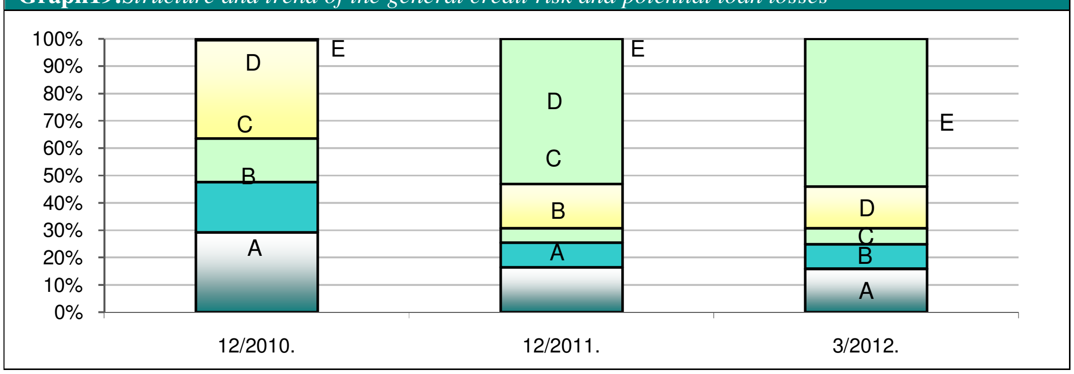
Of loans finance to legal entities, 750 million KM was classified as nonperforming loans or 13,85% of total loans originated to this sector (as of 31.12.2011., these items amounted to 707 million KM or 13,16% of total loans). Nonperforming loans, in the sector of citizens, amounted to 541 million KM or 10,77% (as of 31.12.2011., these items amounted to 543 million KM or 10,78).

The level of the credit risk and estimated potential credit losses through classification categories, determined in compliance with the criteria and methodology prescribed in the FBA's decisions, their trend and structure on the banking sector level are given in the following table and graph:

Table 23:*Structure and trend of the general credit risk and potential credit losses*

Classification category	AMOUNT (in000 KM) AND STRUCTURE (in%)						RATIO	
	31.12.2010.		31.12.2011.		31.03.2012.			
1	2	3	4	5	6	7	8 (4/2)	9 (6/4)
A	209.555	29,2	211.862	16,4	209.004	15,9	101	99
B	132.048	18,4	115.911	9,0	118.128	9,0	88	102
C	113.962	15,9	67.798	5,3	75.851	5,8	59	112
D	258.297	36,0	209.551	16,2	200.239	15,2	81	96
E	3.851	0,5	685.299	53,1	711.833	54,1	n/a	104
TOTAL	717.713	100,0	1.290.421	100,0	1.315.055	100,0	180	102

Graph19:*Structure and trend of the general credit risk and potential loan losses*



Analyzing the level of the calculated RKG in total and through classification categories, in comparison to the end of 2011, the reserves for loan losses (for category A) and potential credit losses increased by 2% or 25 million KM and are 1,3 billion KM. Reserves for general credit risk (A category) declined by 1% or 3 million KM, and for category B increased by 2% or 2,2 million KM. Due to the decline of the poor performing assets (C and D category) by 3% or 38 million KM, increased are the reserves for the poorest loans by 3% or 25 million KM.

One of the most important asset quality indicators is the ratio of the potential credit losses (PKG) and risk assets with off balance sheet. This indicator is 8,4% and is by 0,3 percent points lower than in comparison to 2011.

As of 31. 03. 2012 in average banks had allocated reserves for category B based on the rate of 8,6%, for C category 24,5%, D category 55,7% and E 100% (at the end of 2011.: B 8,5%, C 24,0%, D 55,8% and E 100%).

One of the most significant asset quality indicators is the relation between the potential credit losses (PKG)and risk assets with the off balance sheet. This indicator is 8,4% and it decreased by 0,3% in comparison to 2011.

In compliance with IAS/IFRS the banks are obliged to book the value impairments of property through expenses by establishing value adjustments for balance sheet items and provisioning for risk off balance sheet items (previously RKG).

The review of the total items of assets (balance and off-balance) and the default items, as well as the adequate value adjustments and provisioning (determined in compliance with the internal methodology of the banks which minimum elements are prescribed by the FBA) at the level of the banking sector are listed in the following table:

Table 24: *Evaluation and validation of the risk items according to IAS 39 and IRS 37*

Description	AMOUNT (in000 KM)AND PARTICIPATION (in%)				RATIO
	31.12.2011.		31.03.2012.		
	TOTAL		TOTAL		
	Amount	Participation	Amount	Particip.	
1	2	3	4	5	6 (4/2)
1. RISK ASSETS (a+b)	**13.301.153**	**100,0%**	**13.201.517**	**100%**	99
a) Default items	**1.379.235**	10,4%	**1.529.483**	11,59%	111
a.1. balance sheet default items	1.348.771		1.477.390		109
a.2. off balance sheet default items	30.464		52.093		171
b) Performing assets	**11.921.918**	89,6%	**11.672.034**	88,14%	98
1.1 TOTAL RISK ASSETS VALUE ADJUSTMENTS (a+b)	**1.037.061**	**100,0%**	**1.069.018**	**100%**	103
a) Value adjustment for default	**749.362**	72,3%	**777.437**	72,72%	104
a.1. Value adjustment of balance sheet default items	742.534		769.390		104
a.2. Reserves for off-balance sheet in default	6.828		8.047		118
b) Value adjustments for performing assets (IBNR[27])	**287.699**	27,7%	291.581	27,28%	101
2. TOTAL LOANS (a+b)	**10.413.416**	**100,0%**	**10.430.499**	**100%**	100
a) Non-performing loans	1.331.815	12,8%	1.421.883	13,63%	107
b) Performing loans	9.081.601	87,2%	9.008.616	86,37%	99
2.1. LOANS VALUE ADJUSTMENT (a+b)	**929.579**	**100,0%**	**961.391**	**100%**	103
a) Default loans value adjustment	701.292	75,4%	721.100	75,01%	103
b) Performing loans value adjustment (IBNR loans)	228.287	24,6%	240.291	24,99%	105
Coverage of items in default	**54,3%**		**50,8%**		
Coverage of performing assets items	**2,4%**		**2,5%**		
Participation of default loans in total loans	**12,8%**		**13,6%**		

Participation of default loans in the total loans increased from 12,8% to 13,6%, and all items in default in the total risk assets from 10,4% to 11,59%.

The coverage of items in default with the correction of value is 50,8%, and items of performing assets 2,5%, and total value adjustment is 8% of risk assets (12/11: 7,8%).

Due to poor performing receivables trend that is the delays in collecting the past due loan liabilities from clients, there were activated some guarantees in a number of delinquent loans that had this type of insurance, so the burden of payment of such loans fell on the guarantors. As of 31.12.2009., the FBA requires a report about the loans being repaid by the guarantor, in order to collect, monitor and analyze the data on loans that are being repaid by the guarantors. According

[27]IBNR (identified but not reported)-latent losses.

to the banks' reports in F BiH as of 31.03. 2012., 3.227 guarantors in total repaid 12,5 million KM of the total granted amount of loans of 73 million KM (2,792 credit party), which is by 11% less in comparison to the amount of the payment by the guarantors as of 31.12. 2011. (14 million KM paid by 3.576 guarantors, while the amount of the total loans was 80 million KM – 3.122 credit parties). The amount of the remaining debt is 44 million KM (31. 12. 2011.: 47 million KM). From the listed data it can be concluded that in 2012, the amount of loans paid by guarantors decreased, the balance of the remaining debt, as well the amount of payments on the account of guarantors. The participation of loans and the number of credit parties being repaid by the guarantors in relation to the data for the entire system is low and amounts to only 0,42% and 0,23%.

With an aim to defer the negative effects of the global financial and economic crises, and taking care of maintaining the stability of the banking sector, the FBA at the end 2009, issued a Decision on temporary measures for reconstruction of loan liabilities of individuals and legal entities[28].

The main goal for issuing these temporary measures was to stimulate the banks to „revive" credit activities, and restructuring the existing receivables, without increasing the price of the loan and expenses for the existing creditors, to help both the individuals and the legal entities to overcome the situation in which they are because of the effects of the economic crises (decrease in the repayment capability, for individuals due to the loss of jobs, late salaries, decrease in income etc., and for legal entities due to increased lack of liquidity, significant decrease of business activities, very difficult conditions in the real sector in general etc.).

Acting in accordance with the noted Decision, the banks in the Federation of in the first quarter of 2012, of a total received 104 requests for restructuring of loan liabilities approved 80 requests in a total amount of 16 million KM or 77%, which is by 13% more than in comparison to the first quarter of 2011. Of the total amount of granted restructured liabilities 15 million KM refer to legal entities, and one million KM to individuals.

Net effect on the reserves for loan losses on the bases of the performed restructuring is an increase of 39 thousand KM. It should be noted that there were some opposite movements, both increases and decreases of RKG on these bases, which at the end resulted with a noted net effect.

The restructured loans in the first quarter of 2012, in comparison to the total loans as of 31. 03. 2012 have a participation of only 0,15% (for the legal entities sector in comparison to the portfolio of the legal entities this percent is 0,27%, while for citizens it is 0,02%).

From the noted data it can be concluded that the result is relatively modest, both in number and amount of the restructured loan liabilities, if it is compared both with entire credit portfolio and through the sectors (for legal entities and individuals).

Although the result and the effects of the implementation of the Decision are not significant, it is estimated that the coming into effect of such regulation was very important, that is such measures of temporary character in the conditions of financial and economic crises were necessary for both the financial and real sector in FBiH, and it had positive impact on the debtors (both individuals and legal entities) making easier the servicing of their debt in compliance with their payment capabilities. That is why the prolonging the implementation of the Decision until the end of 2012 is justifiable due to the fact that the effects of the crises are still present.

[28] "Official Gazette F BiH", No.2/10.

The asset quality analysis, that is, the loan portfolio analysis of individual banks, as well as on-site examinations at banks, indicate loan risk as still dominant risk with majority of banks, raising a concern that some banks still have inadequate management practices, that is, evaluation, measuring, monitoring, and control of loan risk and assets classification, which was determined in on-site examinations through significant amount of insufficient loan loss reserves that banks have established based on the orders issued by the FBA.

The FBA has ordered corrective measures to those banks whose assets quality was rated poor by the examination in sense of preparation of the operating program that has to contain action plan aimed to improve existing practices for loan risk management, that is, assets quality management, decrease of existing concentrations and resolution of the nonperforming assets issue, and prevention of their further deterioration. Implementation of the FBA's orders is continuously monitored through an intensified follow-up procedure based on reports and other documentation submitted by banks, as well as their verification in targeted on-site examinations. Supervision of this segment has been intensified due to obvious adverse trends, which has a significant impact through deterioration of banks' profitability and declining of their capital base, which is a reason for banks to timely take actions to raise capital from external sources.

Transactions with related entities

While operating, banks are exposed to different types of risks, of which the most significant is the risk of transactions with related entities of banks.

In accordance with the Basle Standards, the FBA has established certain prudential principles and requirements related to transactions with related entities of banks, as regulated in Decision on Minimum Standards for Bank's Operations with Related Entities, prescribing requirements and method of operations with related entities. The Decision and Law on Banks regulate the duty of Supervisory Board of a bank, which has to adopt, upon the proposal of the General Manager, special policies regulating operations with related entities and to monitor their implementation.

The FBA Decisions prescribe a special set of reports, including transactions with one segment of related entities, such as loans, and potential and undertaken off-balance sheet liabilities (guarantees, letters of credit, undertaken loan commitments), as the most frequent and the most riskiest form of transactions between a bank and related entities.

The set of prescribed reports include data on loans originated to the following categories of related entities:

- Bank's shareholders over 5% of voting rights,
- Supervisory Board members and bank management and
- Subsidiaries and other enterprises related to a bank.

-000 KM-

Table 25: *Related entities transactions*

Description	ORIGINATED LOANS[29]			RATIO	
	31.12.2010.	**31.12.2011.**	**31.03.2012.**	**3/2**	**4/3**
1	2	3	4	5	6
Shareholders over 5% of voting rights, subsidiaries and other related enterprises	84.600	131.962	97.351	156	74
Supervisory Board and Audit Board members	375	400	438	107	109
Bank Management	2.239	2.170	2.061	97	95
TOTAL	87.214	134.532	99.850	154	74
Potential and undertaken off-balance sheet liabilities	22.653	29.818	37.173	132	125

[29] Apart from loans, it includes other claims, deposited funds and the placements to shareholders (financial institutions)exceeding 5% of voting rights.

In the observed period, credit exposures to persons related to banks decreased by 26 due to the decrease of the exposure in the two large banks, and increase of potential liabilities by 25%. Based on the presented data, we could conclude that it is still a question of a small amount of loans-guarantees operations with related entities, and the level of risk is low. The FBA pays special attention (in on-site examinations) to banks' operations with related entities, especially in assessing identification system and monitoring of risk exposure to related entities operations. The FBA on-site examiners issue orders for elimination of determined weaknesses within certain deadlines and initiate violation procedures. Part of these activities is also to monitor and supervise implementation of the issued orders in the follow up procedure. This has had a positive influence on this segment of operations, since the risk management quality in this segment has improved.

2.2. Profitability

According to the data from the income statement, at the level of the banking sector in the Federation of BiH in the first quarter of 2012 realized is a positive financial result – profit in the amount of 30 million KM,which is in regard to the level of the system an increase of 33% or 7,6 million KM in comparison to the same period in 2011. The realization of a larger profit in banks which had a positive performance in the same period last year (by four million KM) had a positive effect on the financial result of the system, especially of one large bank which belongs to the group of banks which carry the profitability and one mid-size bank which realized almost three times larger profit. Also, relied is a significantly lower loss in banks which in the same period last year had a negative performance (by six million KM).

The decrease of value adjustment expenses in relation to the loan loss reserve expenses had the largest impact on the profitability of majority of banks in comparison to the same period in 2011, which is mostly a consequence of implementation of IAS 39 and IAS 37. The larger decline of the non-interest expenses amortized the decrease of the total income, which had an impact on the realization of larger profit in comparison to the same period last year.

The positive financial result of 36 million KM was realized by 12 banks and it is larger by 4% or million KM than in comparison to the same period in 2011. Simultaneously, the performance loss in the amount of five million KM was reported by seven banks decreasing by 54%or six million KM in comparison to the same period in 2011.

More detailed data are provided in the following table.

-000 KM-

Table 26:*Realized financial result: profit/loss*

Description	31.03.2010.		31.03.2011.		31.03.2012.	
	Amount	Number of banks	Amount	Number of banks	Amount	Number of banks
1	2		3	4	5	6
Loss	-18.195	10	-11.386	14	-5.201	7
Profit	12.522	9	34.170	5	35.600	12
Total	**-5.673**	**19**	**22.784**	**19**	**30.399**	**19**

Similar to other segments, this segment has also encountered concentrations: of total profit generated (36 million KM), 74% or 26,5 million was generated by two largest banks in the system, whose participation in the banking system assets was 49%. In the total loss of 5 million KM, 70,5% or 3,7% refers to only one large bank which is in the foreign ownership, with asset participation of 9,6% on the third place in the system (in the same period last year the loss of the bank was 138,7 million KM). Analytical data indicate that a total of eighth banks reported significantly deteriorated financial result (by 3,4 million KM), and 11 banks have better results (by 11 million KM).

Based on the analytical data and the indicators for the quality evaluation of the profitability (the amount of the generated financial result – profit/loss and ratios used for evaluation of profitability productivity and efficiency of operation as well as other parameters related to evaluation of operation) it is evident that the total profitability of the system improved in comparison to the previous year, and especially in large banks which carry the profitability and which realised a significantly higher profit than last year.

At the system level, total income was realized in the amount of 205 million KM with a declining rate of 7% or 16 million KM in relation to the same period 2011. Total noninterest bearing expenses were 175 million KM, with the decrease rate of 12% or 23 million KM which had a positive reflection to the overall financial result of the sector.

The slight incline of the credit activities in a number of banks in comparison to the same period in 2011, neutralized the decrease of credit activities in other banks, which resulted in an increase of average loans by 3%, however, on the other hand, the decrease of average interest on loans had as a consequence the decline of interest income. Interest income is 202 million KM, which is by 3% or 6 million KM lower than in the same period in 2011., and the participation in the structure of total income increased from 94,4% to 98,6%. Interest income, which decreased by 3% or six million KM, has the largest participation, and the participation in the total income increased from 85,1% to 89,0%, as a result of decrease of average active loan rates for the reviewing period from 1,88% to 1,76%.Income from interest bearing accounts in deposit institutions, with a low participation of 0,8%, had a significant decline of 66% or three million KM, which is primarily a result of law fees on the obliged and above the obliged reserves at the Central bank of BiH.

Positive trend was recorded for the interest expenses, which had an insignificantly higher decline rate (-4%) in comparison to the declining rate of interest income (-3%). The interest expenses are 68 million KM, and their participation in the structure of the total income increased from 32,4% to 33,5%. Interest expenses on deposits, as a structurally largest item relatively and nominally in the amount of total interest expenses declined by 5% or three million KM, primarily as a result of the decrease of average interest bearing deposits by 6%. The interest expenses on taken loans and other borrowings are 11 million KM and in reference to the same period in 2011 recorded a growth of 5% with an increased participation from 4,8% to 5,4%.

As a result of decline of the interest expenses (-4%) and interest income (-3%), net interest income decreased by 3% or three million KM and is 134 million KM, with an increased participation in the structure of the total income from 62,0% to 65,1% .

Operating income was 71 million KM and in relation to the same period 2011 declined by 15% or 12 million KM and their participation in the structure of the total income declined from 38,0% to 34,9%. According to the old methodology the income from collection of previously written off receivables in the balance sheet were reported on the position of other operating income, which according to the new methodology are treated on the position of value adjustment expenses (income from decrease of provisioning). Within the operating income the largest participation have the service fees which recorded an increase of 3% or one million KM.

Total noninterest expenses are 175 million KM and in comparison to 2011 declined by 12% or 23 million KM, primarily as a result of a significant decline of value adjustment expenses, that is according to the old methodology expenses of reserves for loan losses. At the same time, their participation in the structure of the total income declined from 89,7% to 85,2%.The value adjustment expenses are36 million KM and in comparison to the same period last year, based on the old methodology the reserve expenses for loan losses,declined by36% or 20 million KM, which had a positive impact on the decrease of their participation in the structure of total income from 25,2% to 14,4%.

On the other hand the operating expenses also, although with less intensity, recorded a decline of 4% or five million KM, of which the fixed assets expenses had a slight incline of 1% and are 39 million KM, and the salary expenses and contributions declines by 2% and are 61 million KM.

Trend and structure of total income and expenses is presented in the following tables and graphs:

- in 000 KM-

Table 27: *Structure of the total income*

Structure of total income 1	31.03.2010.		31.03.2011.		31.03.2012.		RATIO	
	Amount	%	%	%	Amount	%		
1	2	3	4	5	6	7	8 (4/2)	9 (6/4)
I Interest income and similar income								
Interest bearing deposit accounts with depository institutions	3.523	1,2	4.570	1,6	1.553	0,6	130	36
Loans and leasing	194.653	68,8	188.076	64,3	182.519	66,7	97	97
Other interest income	14.824	5,3	15.990	5,4	18.099	6,6	108	113
TOTAL	213.000	75,3	208.636	71,3	202.171	73,9	98	97
II Operating income								
Service fees	45.934	16,2	49.067	16,8	49.859	18,2	107	102
Foreign exchange income	6.445	2,3	8.355	2,8	8.629	3,2	130	103
Other operating income	17.383	6,1	26.532	9,1	12.998	4,7	153	49
TOTAL	69.762	24,7	83.954	28,7	71.486	26,1	120	85
TOTAL INCOME (I + II)	282.762	100,0	292.590	100,0	273.657	100,0	103	94

Graph20: *Structure of total income*

31.03.2011. **31.03.2012.**

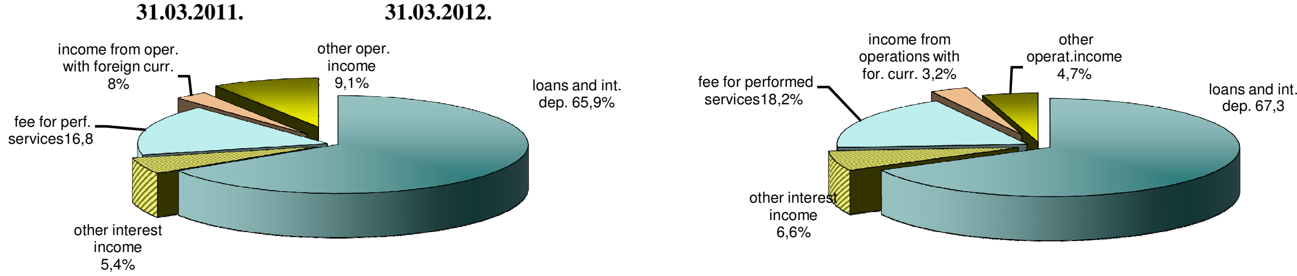
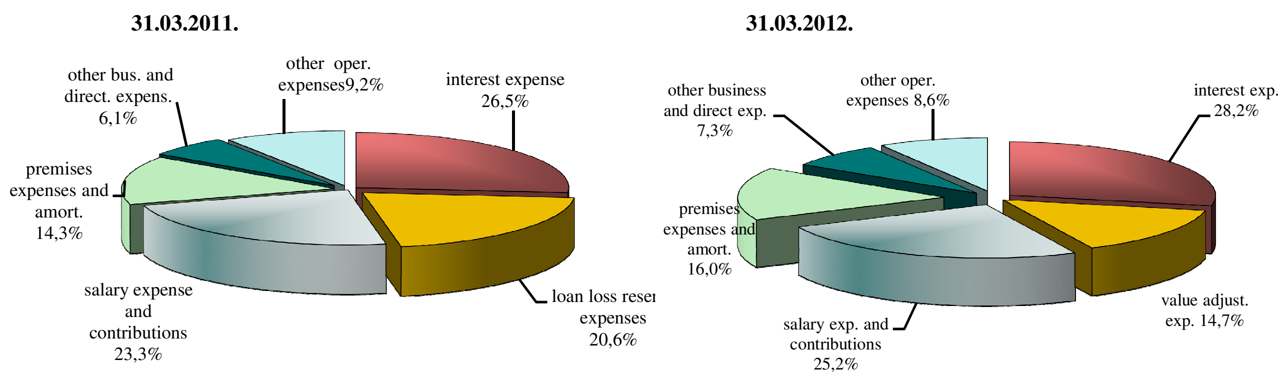


Table 28: *Structure of total expenses*								
Structure of total expenses	**31.03.2010.**		**31.03.2011.**		**31.03.2012.**		**RATIO**	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**		
1	2	3	4	5	6	7	8 (4/2)/	9 (6/4)
I Interest expenses and similar expenses								
Deposits	71.926	24,9	56.808	21,0	53.701	22,1	79	95
Liabilities for borrowings	11.177	3,9	10.600	3,9	11.070	4,5	95	104
Other interest expenses	3.811	1,3	4.200	1,6	3.824	1,6	110	91
TOTAL	86.914	30,1	71.608	26,5	68.595	28,2	82	96
II Total non-interest bearing expenses								
General loan risk and potential loan losses Provisioning	64.893	22,5	55.688	20,6	35.835	14,7	86	64
Salary expenses	60.652	21,0	62.702	23,3	61.225	25,2	103	98
Business premises and depreciation expenses	37.109	12,9	38.648	14,3	39.052	16,0	104	101
Other business and direct expenses	15.757	5,4	16.336	6,1	17.727	7,3	104	109
Other operating expenses	23.309	8,1	24.824	9,2	20.824	8,6	106	84
TOTAL	201.720	69,9	198.198	73,5	174.663	71,8	98	88
TOTAL EXPENSES (I + II)	288.634	100,0	269.806	100,0	243.258	100,0	93	90

Graph 21: *Structure of total expenses*



In the following tables listed are the most significant ratios for evaluation of profitability, productivity and effectiveness of banks.

- in %-

Table29: *Ratios of profitability, productivity and effectiveness by periods*			
RATIOS	**31.03.2010.**	**31.03.2011.**	**31.03.2012.**
Return on Average Assets	-0,04	0,15	0,20
Return on Average Total Capital	-0,35	1,33	1,44
Return on Average Equity	-0,50	1,94	2,55
Net Interest Income/Average Assets	0,83	0,92	0,90
Fee Income/Average Assets	0,46	0,56	0,48
Total Income/Average Assets	1,29	1,48	1,38
Operating and Direct Expanses30/Average Assets	0,53	0,48	0,36
Operating Expenses/Average Assets	0,79	0,85	0,82
Total Non-interest Expanses/Average Assets	1,32	1,33	1,18

The analyses of the basic parameters for evaluation of the profitability, due to the higher amount of realized profit in comparison to the same period last year, ROAA (earnings on average assets)

30Expenses include provisions for potential loan losses.

increased from 0,15% (according to the previous methodology 0,81%) to 0,20% and ROAE (earnings on average shareholder capital) from 1,94 to 2,55%. However, the productivity of banks, measured with the relation of the total income and average assets (1,38%) also recorded a deterioration in comparison to the same period last year (1,48%), due to decrease of total income (-7%), as well as, although slight, decline of the average assets (-1%). Also, noted should be the improvement, as a consequence of the significant decrease of value adjustment expenses (last year: loan losses reserve expenses), of the business and direct expenses on average assets (from 0,48% to 0,36%.

Under a more deteriorated performance conditions of banks, and due to adverse effects of the economic and financial crisis to the banking sector in the FBiH, profitability of banks, in the forthcoming period, will mostly depend on deterioration of asset quality, that is, permanent increase of loan losses and loan risk, and will depend on effective management and operating income and expenses control. Banks will have to increase the level of lending activities, not only to ensure increase of interest income, but to utilize their social core function of the collected financial assets allocation to the economic flows and the economy in compliance with the standards of prudent performance and sound practices of risk management, primarily of credit risk. However, considered should be the possible influence that the announcement of the Austrian regulator for the ‘daughter’ banks could have (the market participation of the Austrian banks in the FBiH banking system is 47%) that the increase of loans will be linked to the increase of the local deposits. That would cause an enhanced competition of the banks for the local deposits, which would result with the increase of prices of the funding sources with the direct pleasure on the profitability of the banks and active interest rates.

In addition, profit of banks, that is, financial result will mostly depend on price and interest rate risk, both in the sources and price changes in funding sources of banks, and possibility to realize interest rate margin sufficient to cover all non-interest bearing expenses, and, eventually, to provide for satisfactory profit on the invested capital for bank owners. That is why the key factor is effectiveness and profitability of each bank’s management quality and its business policy since this is the most direct way to affect its performance.

2.3. Risk-weighted nominal and effective interest rates

In order to increase transparency, and to make easy a comparability of conditions of banks in process of originating loans and accepting deposits and protection of customers through a transparent disclosure of loan expenses versus deposit income, and, in accordance with the international standards, criteria and practices in other countries, the FBA, as of 01.07.2007., prescribed unified method of computation and disclosure of effective interest rate[31]for all banks that have their seat in the Federation of BiH, and their organizational units, regardless of the territory in which they operate, including organizational units of the banks operating in the Federation of BiH. Effective interest rate represents a real relative price of a loan, that is, an income generated from a deposit, expressed as per cent at the annual level.

Effective interest rate is a discursive interest rate computed at the annual level. It applies a compound interest rate in a way to equal discounted cash inflows with discounted cash outflows for the originated loans, that is, accepted deposits.

[31]Decision on unified method of computation and disclosure of effective interest rates on loans and deposits (“Official Gazette of the FBiH”, number 27/07).

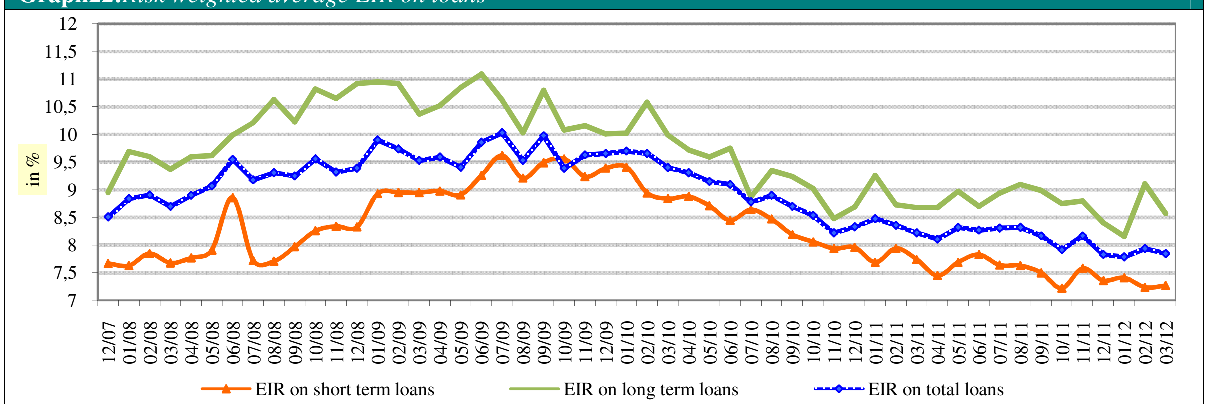
Banks are obliged to monthly report to the FBA of risk-weighted nominal and effective interest rates on loans and deposits originated or accepted within the reporting month, in accordance with the methodology prescribed[32].

The following table presents risk-weighted nominal and effective interest rates (hereinafter: NIR and EIR) for loans on the banking system level for the two most important sectors (economy and citizens) for December of 2010, March, June and December of 2011 and March of 2012.

Table30 :*Risk-weighted average NIR and EIR on loans*

DECSRIPTION	12/2010		3/2011.		6/2011.		9/2011.		12/2011.		3/2012.	
	NIR	EIR	NIR	EIR	NIR	EIR	NIR	EIR	NIR	EIR	NIR	EIR
1	2	3	4	5	6	7	8	9	10	11	12	13
1. Risk-weighted interest rates for short-term loans	7,51	7,96	7,18	7,74	7,27	7,86	6,93	7,50	6,78	7,36	6,60	7,27
1.1. Economy	7,47	7,82	7,15	7,63	7,19	7,68	6,87	7,34	6,74	7,28	6,54	7,15
1.2. Citizens	8,67	12,65	7,9	11,81	9,40	12,80	8,38	12,07	8,66	11,89	8,67	11,73
2. Risk-weighted interest rates for long-term loans	7,91	8,69	7,87	8,68	7,82	8,75	8,05	8,99	7,57	8,40	7,72	8,57
2.1. Economy	7,34	7,82	7,37	7,81	7,17	7,67	7,54	8,08	6,96	7,59	6,62	7,10
2.2. Citizens	8,79	10,05	8,49	9,57	8,26	9,46	8,46	9,71	8,25	8,51	8,50	9,59
3. Total risk-weighted interest rates for loans	7,72	8,33	7,54	8,22	7,55	8,31	7,43	8,17	7,14	7,83	7,45	7,85
3.1. Economy	7,42	7,82	7,22	7,69	7,18	7,68	7,06	7,54	6,81	7,38	6,56	7,14
3.2. Citizens	8,78	10,18	8,39	9,66	8,32	9,64	8,46	9,85	8,27	8,69	8,51	9,71

Graph22:*Risk weighted average EIR on loans*



When analyzing the trend of interest rates, it is relevant to monitor risk-weighted EIR, while a difference in the risk-weighted NIR is exclusively the result of fees and provisions paid to banks for originated loans, which is included in the computation of the loan price. That is the reason why the EIR represents a real loan price.

In the first quarter of 2012, the risk weighted EIR on loans recorded oscillations within 0,15%, which is by a slight 0,02% higher than in relation to the balance as of December of 2011, and is 7,85.

[32]Guidelines for implementation of Decision on unified method of computation and disclosure of effective interest rates on loans and depositsand Guidelines for computation of risk-weigthed nominal and effective interest rate.

The risk-weighted EIR for long-term loans, in the first quarter of 2012 recorded larger oscilations (within 0,95%) than on the short term (within 0,17%)

The risk-weighted EIR for short-term loans, in March of 2012, was 7,27%, which was lower by 0,9 per cent in comparison to December 2011, while the risk weighted EIR on long term loans in March was 8,57%, which is in comparison to the December of 2011 higher by 0,17%.

Interest rates for loans originated in the two most significant sectors: economy and citizens[33], in the reviewed period in 2011, had the decreasing trend. The risk weighted EIR for loans originated in the economy, although still much lower than the EIR for loans to citizens, decreased from 7,38% in December 2011 to the level of 7,14% in March 2012. The declining trend on risk weighted EIR on loans granted to economy was recorded for the short term (from 7,28% to 7,15%) and long term loans (from 7,59% to 7,10%), except the incline in the long term loans by 1,06% in February of 2012.

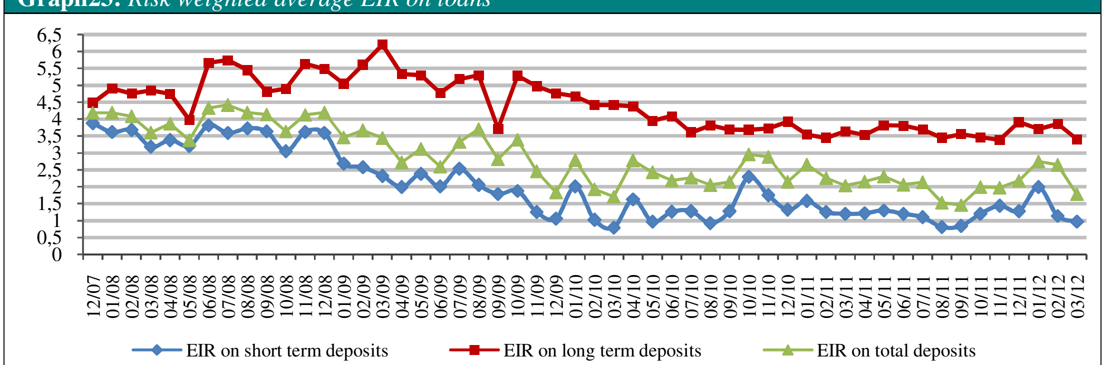
EIR on loans to citizens in March of 2011 was 9,71%, which is by 1,02 percent points higher than in comparison to December of 2011. The increasing trend of the risk weighted EIR on loans granted to citizens was recorded in January and February of 2012 in both short and long term loans, while in March there happened a decline, which was more noticeable in short term (by 0,93%) and slight in long term (by 0,05%), and they are respectively 11,73% and 9,59%.

Risk weightedNIRand EIR for time deposits, calculated based on the monthly reports, for the banking sector, are presented in the following table.

Table 31: *Risk-weighted average annual NIR and EIR on loans*

DESCRIPTION	31.12.2010.		31.03.2011.		30.06.2011.		30.09.2011.		31.12.2011.		31.03.2012.	
	NIR	EIR	NIR	EIR	NIR	EIR	NIR	EIR	NIR	EIR	NIR	EIR
1	2	3	4	5	6	7	8	9	10	11	12	13
1. Risk-weighted interest rates for short-term loans	1,31	1,32	1,2	1,2	1,21	1,20	0,94	0,94	1,28	1,28	0,97	0,97
1.1. Economy	0,97	0,97	0,96	0,96	1,01	1,01	0,78	0,78	0,91	0,91	0,64	0,64
1.2. Citizens	2,61	2,63	2,19	2,19	2,53	2,51	2,40	2,41	2,74	2,74	1,77	1,77
2. Risk-weighted interest rates for long-term loans	3,89	3,92	3,63	3,65	3,78	3,81	3,54	3,56	3,88	3,91	3,39	3,41
2.1. Economy	3,78	3,80	3,55	3,56	3,64	3,65	3,44	3,45	3,73	3,75	3,23	3,24
2.2. Citizens	4,48	4,57	4,18	4,26	4,52	4,61	3,90	3,96	4,56	4,61	4,30	4,40
3. Total risk-weighted interest rates for loans	2,13	2,14	2,04	2,04	2,05	2,06	1,46	1,46	2,17	2,18	1,77	1,78

Graph23: *Risk weighted average EIR on loans*



[33]Based on the methodology of classification in sectors: entrepreneurs are included in the sector of citizens.

As opposed to loans, where the real price is influenced by the expenses associated with loan origination and servicing (under condition they are known at the time of origination), deposits do not show almost any difference between nominal and effective interest rates.

If compared to December 2011, risk-weighted EIR for total term deposits, in March 2011, decreased by 0,4 per cent (from 2,18% to 1,78%). Risk-weighted EIR on short term deposits, except the increase of 0,71% in January of 2012, had a trend of slight decline, and in March was 0,97%, which in comparison to the level from December of 2011 is a decline by 0,31%. Risk weighted EIR on long term deposits also is in a slight decline, in MKarch of 2012 was 3,41%, which is by 0,5% lower than in December of 2011, with a recorded incline of 0,15% in February of 2012..

If we analyze the changes in the interest rate on short term time deposits in regard to maturity, EIR on time deposits up to three months recorded a decline of 0,06 percent points in comparison to the level in December of 2010, and it is 0,91%. The average interest rate on time deposits of up to one year is 2,74%, which is by 0,11 percent points higher than in comparison to December of 2010.

Interest on short term deposits have the largest decrease due to the decline of the EIR on time deposits of up to one year (from 2,74% to 1,77%), with the largest decline in deposits of banks and other financial organizations by 2,04% (from 3,46% to 1,41%).

In March of 2012 the banks paid to economy significantly lower interest rates on time deposits (0,69%) than citizens (2,78%), and the interest rates to economy are lower than in December of 2011 (2011.:1,28%) as well as for citizens (2011.:3,07%).

The difference in EIR for economy and citizens derives from the structrue of the time depostis. Naimly, the deposits to economy are mostly for short terms up to three months (a small portion up to one year), and these depostis carry significantly lower interest rates. On the other hand, in the deposit structure of deposits over one year (the longest deposit is up to three years) dominiating are the deposits to citizens.

Risk-weighted interest rates for loans referring to the contracted overdraft and demand deposits, computed based on monthly statements, are presented in the following table:

Table 32 :*Risk-weighted average NIR and EIR on loans-overdrafts and demand deposits*

DESCRIPTION	31.12.2010.		30.06.2011.		30.09.2011.		30.12.2011.		31.03.2012.	
	NIR	EIR	NIR	EIR	NIR	EIR	NIR	EIR	NIR	EIR
1	2	3	4	5	6	7	8	9	12	13
1. Risk-weighted interest rates for loans-overdrafts	8,29	8,29	8,87	9,03	8,89	9,02	8,73	8,86	8,45	8,56
2. Risk-weighted interest rates for demand deposits	0,22	0,22	0,22	0,22	0,22	0,22	0,18	0,18	0,32	0,32

The EIR for the above items of assets and liabilities, in general, should be equal to the nominal interest rate. The risk-weighted EIR for total loans in overdrafts for the banking sector, in March of 2012, was 8,56% (an increase of 0,30 per cent in comparison to December 2011), and 0,32% for demand deposits, which was higher by 0,14 per cent in comparison to December 2011.

2.4. Liquidity

Liquidity risk management, along with credit risk, is one of the most compound and most important segments of banking operations. Maintaining liquidity in market economy is a permanent task of a bank and main precondition for its sustainability in financial market. This is also one of the key preconditions for establishment and maintenance of the confidence in the banking system of any country, as well as its stability and safety.

Under normal circumstances of banks' performance and stable environment, until the global financial and economic crisis occurred, liquidity risk has had a secondary significance, that is, credit risk was first priority and management systems established, that is, identification, measurement, and control of such risks were under continuous supervision with purpose of its enhancement and improvement. It should be emphasized, however, that during the course of its performance, a correlation of all risks that any bank is or may be exposed to is very high.

Along with turbulences in the financial market due to the global crisis, liquidity risk has rapidly increased and the risk management has become a key factor for normal operating of a bank, as well as timely meeting of past due liabilities and maintenance of a long term position of a bank in regard of its solvency and capital base.

In the last quarter of 2008 the liquidity risk increased after the expansion of the global crises and its adverse impact on the financial and economic system in BiH. Although a part of the savings was withdrawn and the trust in banks was impaired, it was evaluated that the banking system liquidity was not in danger in any given moment, since the banks in FBiH, due to regulatory requirements and proscribed limits, based on a conservative approach, had significant liquid funds and a good liquidity position.

In 2009 the adverse movements from the last quarter of 2008 were stopped, and general liquidity indicators were improved thanks to primarily decreased lending activity. In 2010 there was a slight deterioration of indicators due to the decrease of cash funds based on the slight increase of lending atcivities and investments in securities, payment of loan liabilities and investmenets in securities. In spite of that, the statement remains that liquidity of the banking system in the Federation of BiH is still good, with satisfactory participation of liquid assets in total assets and coverage of short term liabilities by liquid assets. However, since the financial crisis is still present worldwide which has an adverse reflection to the banking systems of certain European countries, which had a negative effect on certain European countries and parent banks in FBiH, it is estimated that liquidity risk still needs to be under enhanced supervision.In addition, we should have in mind the fact that impact of the crisis is still present in the real sector, adverse consequences are being reflected to the entire economy environment under which banks operate in BiH, resulting in delinquency of debtors in repayment of past due liabilities and increase of nonperforming claims, which is causing decrease in inflow of liquid assets of banks and conversion of the credit risk into liquidity risk.

Decision on Minimum Standards for Liquidity Risk Management prescribes minimum standards a bank has to establish and maintain in the process of managing this risk, that is, minimum standards to create and implement liquidity policy, which assures bank's ability to fully and immediately perform its liabilities as they become due.

The mentioned regulation represents a framework for liquidity risk management and qualitative and quantitative provisions and requirements towards banks. It prescribes limits banks have to meet in regard to average ten-day minimum and daily minimum of cash assets in relation to short-term sources, as well as minimum limit of maturity adjustment of the instruments of financial assets and liabilities up to 180 days.

In the structure of financing sources of banks in the Federation of BiH, as of 31.03.2012., deposits still have the highest participation of 72,1%, followed by loans taken (including the subordinated debt[34] with participation of 9,9%). Th eloans taken with longer maturity, represent quality source for long term placements, and have made a significant contribution to maturity match between assets and liabilities.

On the other hand, the structure of deposits is considerably unfavourable[35], and after a long period of improvements, during 2010 had a slight deterioration, and that trend, with a slightly lower intensity, continued in 2011 and in the first quarter of 2012.

- in 000 KM-

Table 33: *Maturity structure of deposits based on contracted maturity*

DEPOSITS	31.12.2010. Amount	31.12.2010. Partic. %	31.12.2011. Amount	31.12.2011. Partic. %	31.03.2012. Amount	31.03.2012. Partic. %	RATIO	
1	2	3	4	5	6	7	8(4/2)	9(6/4)
Savings and demand deposits	5.054.335	45,0	4.983.292	45,1	4.737.125	44,6	99	95
Up to 3 months	344.926	3,1	433.030	3,9	214.469	2,0	126	50
Up to 1 year	1.085.115	9,6	756.233	6,8	796.089	7,5	70	105
1. Total short term	6.484.376	57,7	6.172.555	55,8	5.747.683	54,1	95	93
Up to 3 years	2.832.507	25,2	3.222.092	29,2	3.270.497	30,8	114	102
Over 3 years	1.915.947	17,1	1.655.867	15,0	1.597.453	15,1	86	96
2. Total long term	4.748.454	42,3	4.877.959	44,2	4.867.950	45,9	103	100
TOTAL (1 + 2)	11.232.830	100,0	11.050.514	100,0	10.615.633	100,0	98	96

Total deposits in comparison to 31.12.2011, decreased by 4% or 435 million KM, mostly based on the decline of the deposits of private companies by 17% or 244 million KM and banking institutions by 12% or 145 million KM. The maturity structure of deposits based on the contracted maturity is relatively good, with a participation of short term deposits of 54,1% and long term 45,9%. In comparison to the end of 2011, there is an evident slight improvement of the maturity due to the decrease of the participation of the short term deposits by 1,7 percentual points and for the same increase the long term deposits.

The listed changes in the maturity structure are a result of the decrease of the short term deposits by 7% or 425 million KM, mostly the demand deposits of the private company sector, public companies and government institutions, while the long term deposits maintained an approximately same level (decreased by 0,2% or 10 million KM).

It should be noted that in the long term deposits the dominating participation still have two sectors: citizens with an increased participation from 57,7% to 58,2% and banking institutions with decreased participation from 18,1% to 16,3%. In the time deposits of one to three years the largest participation are the citizen deposits 65,5% , with a note that due to the slower incline of these deposits than total deposits of one to three years, there was a slight decline of the participation by 0,9 percent points, while in the period of over three years the largest participation of 43,2% have citizens deposits, and the banking institutionsdeposits after a longer period and a present declining trend have a somewhat lower participation of 42,6(at the end of 2011:46,1%; 2010: 60,9%).

Although the maturity structure of the deposits for the contracted maturity shows a slight improvement in the maturity, for the liquidity risk analyses more relevant is the maturity of deposits according to the remaining maturity, since it illustrates the balance of the deposits for the period from the reporting date to the maturity date, which is presented in the following table

[34]Subordinated debt – loans taken and permanent liabilities.

[35]According to the remaining maturity

- in 000 KM-

Table 34: : *Deposit structure based on the remaining maturity*

DEPOSITS	31.12.2010.		31.12.2011.		31.03.2012.		RATIO	
	Amount	Partic. %	Amount	Partic. %	Amount	Partic. %		
1	2	3	4	5	6	7	8(4/2)	9(6/4)
Savings and demand deposits (up to 7 days)	5.377.075	47,9	5.184.070	46,9	4.865.872	45,8	96	94
7- 90 days	776.732	6,9	917.917	8,3	887.781	8,4	118	97
91 day to one year	2.240.255	19,9	2.219.223	20,1	2.316.602	21,8	99	104
1. Total short term	8.394.062	74,7	8.321.210	75,3	8.070.255	76,0	99	97
Up to 5 years	2.214.874	19,7	2.330.117	21,1	2.175.041	20,5	105	93
Over 5 years	623.894	5,6	399.187	3,6	370.337	3,5	64	93
2. Total long term	2.838.768	25,3	2.729.304	24,7	2.545.378	24,0	96	93
TOTAL (1 + 2)	11.232.830	100,0	11.050.514	100,0	10.615.633	100,0	98	96

Based on the data it can be concluded that the maturity structure of deposits in the remaining maturity is much more poor due to the high participation of the short term deposits of 76%, but it has a slight deteriorating trend. Short term deposits declined by 3% or 251 million KM, with an increased participation by 0,7%, while long term deposits decreased by 7% or 184 million KM, with a decreased participation from 24,7% to 24%. If we review the structure of the long term deposits, it is visible that deposits with the remaining maturity of up to 5 years are dominating (85,5% of long term deposits and 20,5% of total deposits). If maturity data are compared through contracted and remaining maturity, it is clear that of 4,87 billion long term contracted deposits as of 31.03.2012 around 2,32 billion KM had a remaining maturity of less than one year.

In the existing maturity structure of deposits, as the largest financing sources of banks in the F BiH, there are increasingly higher limiting factors for credit growth, since banks‘ biggest need are placements of long term loans. Due to that, the banks are faced with the issue how to secure better quality sources in regard to maturity, especially due to the fact that the inflow of financial funds (borrowings) from abroad had significantly declined, from parent groups as well as from financial institutions - creditors.

In the function of planning for the necessary level of liquid resources, banks have to plan for sources and structure of adequate liquidity potential, along with planning of credit policy. Maturity of placements, that is, credit portfolio is determined by maturity of sources. Since maturity transformation of assets in banks is inherently connected to the functional characteristics of banking performance, banks continuously control and maintain maturity imbalance between sources and placements within prescribed minimum limits.

-in 000 KM-

Table35:*Maturity structure of loans*

LOANS	31.12.2010.		31.12.2011.		31.03.2012.		RATIO	
	Amount	Partic. %	Amount	Partic. %	Amount	Partic. %		
1	2	3	4	5	6	7	8(4/2)	9(6/4)
Past due claims and paid off-balance sheet liabilities	567.182	5,7	959.822	9,2	1.000.466	11,6	169	104
Short term loans	2.129.184	21,3	2.285.804	22,0	2.328.490	22,3	107	102
Long term loans	7.285.545	73,0	7.167.790	68,8	7.101.543	68,1	98	99
TOTAL LOANS	9.981.911	100,0	10.413.416	100,0	10.430.499	100,0	104	100

In the reviewed period in 2012., the long term loans decreased by 1% or 66 million KM, short term loans recorded an increase of % or 43 million KM, while past due claims increased by 4% or 40 million KM, of which the largest amount of 21 million KM refers to private companies. In the structure of the past due receivables 63% refer to private companies, 34% are citizens, and 3% are other sectors.

Sector analysis by maturity, in two most significant sectors, indicates that loans to citizens represent 84,8% of long term loans, and loans to private companies, of total originated loans, represent 50,3% of long term loans.

In the assets structure, as the most significant category, loans still have the highest participation of 70,8%, which has increased by 2,2 per cent in comparison to the end of 2011 due to a slight growth of assets by3% while the loans maintained approximately same level, that is had a slight incline of 0,2%. Cash funds decreased by 10% or 455 million KM and their participation, in comparison to the end of 2011., decreased from 28,8% to 26,6%.

The review of the basic liquidity indicators is presented in the following table. The transfer to the new regulation as of 31. 12. 2011 lead to a significant increase of the amount of total loans which had an impact on the deterioration of the indicators: loans in relation to the deposits and loans taken, in relation to the previous periods. In the first quarter of 2012 there was a slight deterioration of the liquidity indicators.

- in % -

Table36:*Liquidity ratios*

Ratios	31.12.2010.	31.12.2011.	31.03.2012.
1	2	3	4
Liquid assets[36] / Total assets	30,2	29,0	27,0
Liquid assets / Short term financial liabilities	50,8	49,1	45,7
Short term financial liabilities / Total financial liabilities	68,1	69,5	69,9
Loans / Deposits and Borrowings[37]	79,0	84,2	87,9
Loans / Deposits, borrowings and subordinate debts[38]	77,6	82,8	86,5

In 2011, banks were regularly meeting a commitment to maintain required reserves with the Central Bank of BiH. Required reserve, as significant instrument of monetary policy in BiH, under the Currency Board and financially underdeveloped market, represents the only instrument of monetary policy used to realize monetary control, in sense of stopping fast credit growth from the past years, and decrease multiplications, as well as an increase of banks' liquidity under an impact of the crisis and intensified outflow of funds from banks that in BiH was experienced after 01.10.2008. On the other hand, implementation of regulation on foreign exchange risk and maintenance of currency adjustment within prescribed limits, also significantly influence the amount of funds banks maintain on the reserve account with the Central Bank in domestic currency, which provides for high liquidity of individual banks and the banking sector.

All banks continuously meet, considerably above the prescribed minimum, their obligation of a ten-day average of 20% on a comparable basis with the short term funding sources, and daily minimum of 10%, on the same basis, as presented in the following schedule.

[36]Liquidity assets in the narrow sense: cash and deposits and other financial assets with maturity below three months, except inter-banking deposits.

[37]Empiric standards: below 70%-very solid, 71%-75%-satisfactory, 76%-80%-marginal to satisfactory, 81%-85%-insufficient, over 85%-critical.

[38]Prior ratio has been modified. Subordinated debts are included in the sources, which gives more realistic indicator.

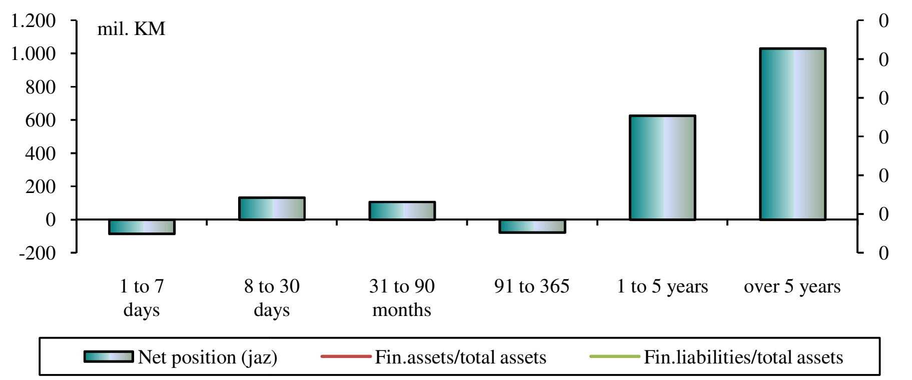
- in 000 KM-

Table 37: *Liquidity position – ten-day average and daily minimum*

	31.12.2010. Amount	31.12.2011. Amount	31.03.2012. Amount	RATIO	
1	2	3	4	5(3/2)	6(4/3)
1. Average daily balance of cash assets	3.887.490	3.759.486	3.432.500	97	91
2. Minimum total daily balance of cash assets	3.585.319	3.550.990	3.221.529	99	91
3. Short term sources (accrual basis)	6.128.941	6.013.102	5.876.287	98	98
4.Liabilities:					
4.1. ten-day average 20% of Item 3	1.225.788	1.202.620	1.175.257	98	98
4.2. daily minimum 10% of Item 3	612.894	601.310	587.629	98	98
5.Meeting requirement :ten-day average					
Surplus = Item 1 – Item 4.1.	2.661.702	2.556.866	2.257.243	96	88
6. Meeting requirement :daily minimum					
Surplus = Item.2 – Item 4.2.	2.972.425	2.949.680	2.633.900	99	89

If we review the maturity match of the remaining maturity of the total financial assets and liabilities, it can be concluded that the maturity is good and somewhat better than as of 31. 12. 2011.

Graph 24: *Maturity match of the financial assets and liabilities as of31.03.2012.*



At the end of the first quarter of 2012 the short term financial assets of the bank was higher than the short term liabilities by 74 million KM. In relation to the end of 2011 when the positive gap was 139 million KM, that is a decrease of 65 million KM, which lead to an increase in the coverage ration of the short term liabilities from 102% to 101%.

The short term financial assets decreased by 3,9% while the short term financial liabilities by 3,2%. In the short term financial assets the cash funds recorded a decrease of 10,4% or 455 million KM and securities held to maturity of 23,1% or 17 million KM. Financial assets of the remaining time to maturity date of over one year decreased by 1,6% or 86 million KM, mostly due to the decline of loans of 1,3% or 71 million KM.

On the liabilities side with a maturity date of up to one year, the deposits decreased by 3% or 251 million KM and liabilities from loans taken by 15,4% or 60 million KM. The liabilities with the maturity date of over one year decreased by 5% or 198 million KM, mostly influenced by the decline of deposits of 6,7% or 184 million KM, of loans taken by1,2% or 11 million KM.

Apart from the mentioned prescribed minimum standards, monitoring of remaining maturity of financial assets and liabilities, according to the time scale, is of crucial significance for the liquidity position analysis. The time scale is from the aspect of prescribed minimum limits created based on time horizon up to 180 days.[39]

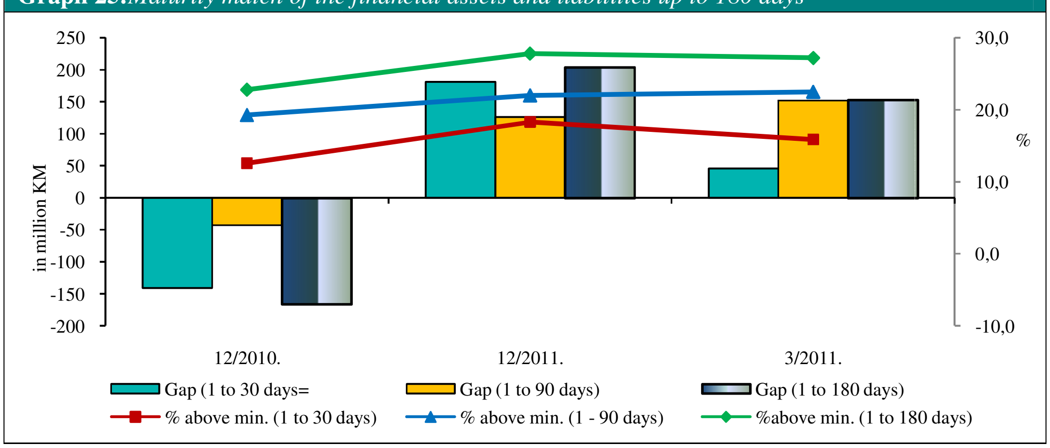
- u 000 KM -

Table38:*Maturity of financial assets and liabilities up to 180 days*

Description	31.12.2010. Amount	31.12.2011. Amount	31.03.2012. Amount	RATIO	
1	2	3	4	5 (3/2)	6(4/3)
I. 1- 30 days					
1. Financial assets	5.674.836	5.741.184	5.415.348	101	94
2. Financial liabilities	5.816.147	5.559.908	5.369.371	96	97
3. Difference (+ or -) = 1-2	- 141.311	181.276	45.977	N/a	25
Accrual of requirement in %					
a) Performed %= Item 1 / Item 2	97,6%	103,3%	100,9%		
b) Required minimum %	85,0%	85,0%	85,0%		
Surplus (+) or shortage (-) = a – b	12,6%	18,3%	15,9%		
II. 1-90 days					
1. Financial assets	6.408.275	6.503.132	6.217.053	101	96
2. Financial liabilities	6.450.887	6.377.523	6.065.206	99	95
3. Difference (+ or -) = 1-2	- 42.612	125.609	151.847	N/a	121
Accrual of requirement in %					
a) Performed %= Item 1 / Item.2	99,3%	102,0%	102,5%		
b) Required minimum %	80,0%	80,0%	80,0%		
Surplus (+) or shortage (-) = a – b	19,3%	22,0%	22,5%		
III. 1-180 days					
1. Financial assets	7.343.882	7.511.493	7.197.562	102	96
2. Financial liabilities	7.509.597	7.307.597	7.044.831	97	96
3. Difference (+ or -) = 1-2	- 165.715	203.896	152.731	N/a	75
Accrual of requirement in %					
a) Performed %= Item 1 / Item.2	97,8%	102,8%	102,2%		
b) Required minimum %	75,0%	75,0%	75,0%		
Surplus (+) or shortage (-) = a – b	22,8%	27,8%	27,2%		

Based on the presented data it can be concluded that the banks as of 31. 03. 2012 maintained the prescribed limitations and realized a better maturity match of the financial assets and liabilities in regard to the prescribed limits.

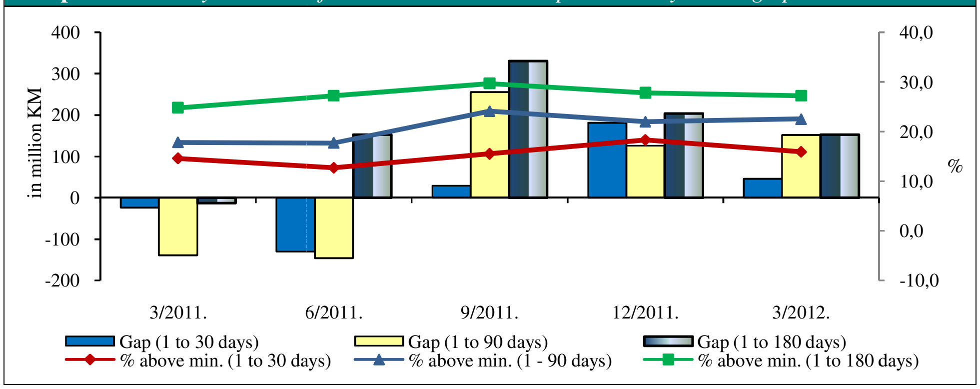
Graph 25:*Maturity match of the financial assets and liabilities up to 180 days*



[39] Decision on Changes and Amendments to Decision on Minimum Standards for Liquidity Risk Management in Banks (Official Gazette of the FBiH, number 88/07) dated of 01.01.2008. sets new percentages for maturity matching between financial assets and liabilities: minimum 85% of funding sources (used to be 100%) with maturity up to 30 days must be engaged in placements with maturity up to 30 days; minimum 80% of funding sources (used to be 100%) with maturity up to 90 days in placements with maturity up to 90 days and minimum 75% of funding sources (used to be 95%) with maturity up to 180 days in placements with maturity up to 180 days.

As of 31. 12. 2010 the amount of the financial liabilities was higher than the amount of the financial assets, in all their time intervals up to 180 days, upon which in 2011 there happened an improvement of the maturity match. At the end of 2011, the financial assets in all three time intervals was higher than the amount of the financial assets, and the realized percentages of the maturity match were above the prescribed minimum by 18,3% in the first interval, 22% in the second and 27,8% in the third. During the first quarter of 2012 the financial assets were also higher than the financial liabilities, but there happened a slight deterioration of the liquidity position of up to 30 and up to 180 days, due to a larger decrease of the financial assets (mostly cash funds) than the financial liabilities (mostly deposits).

Graph 26 *Maturity matches of assets and liabilities up to 180 days through periods.*



Based on all of the above presented indicators, it may be concluded that the liquidity of the banking system of the Federation of BiH is still assessed as satisfactory. Since this segment of performance and level of liquidity risk exposure correlates to credit risk, having in mind the effects of global financial crisis expansion in BiH and an impact to the banking sector of the FBiH (primarily through a stronger pressure on banks' liquidity), on one side, due to slower inflow of deposits, and, on the other side, poor inflow of liquid assets due to downfall in collection of loans, it should be emphasized that, in the forthcoming period, banks will have to pay more attention to the liquidity risk management by establishing and implementing liquidity policies, which will make sure that all matured liabilities of banks are timely realized, based on continuous planning of future liquidity needs, and taking into account changes in operating, economic, regulatory and other segments of business environment of banks.

The FBA will, both through reports and on-site examinations of banks, monitor how banks manage this risk, and whether they act in accordance with the adopted policies and programs

Foreign exchange risk – foreign currency matching between assets and liabilities from balance sheet and off-balance sheet items

In their operations, banks are exposed to significant risks coming from potential losses in balance sheet and off-balance sheet items created as a result of price changes in the market. One of those risks is foreign exchange risk (FX) created as a result of changes of exchange rates and/or the imbalance in assets, liabilities and off-balance sheet items of the same currency – individual foreign currency position or all currencies together used by a bank in its operations – overall foreign currency position of a bank.

In order to enable application and implementation of prudential principles in foreign exchange activities of banks and to decrease influence of foreign exchange risk to their profitability, liquidity and capital, the FBA has issued Decision on Minimum Standards for Foreign Exchange Risk Management in Banks[40] that regulates minimum standards for adoption and implementation of programs, policies and procedures for undertaking, monitoring, control and management of foreign exchange risk, and restrictions prescribed for opened individual and overall foreign exchange position (long or short), calculated in relation to the amount of bank's core capital.

The banks are obliged to report on daily basis to FBA so that FBA can monitor the banks compliance with the prescribed limits and the exposure to the foreign currency risk. Based on examination, monitoring and analysis of submitted reports on foreign currency position of banks, we can conclude that banks meet prescribe limits and perform their FX activities within these limits.

Since the Central Bank functions as the Currency Board and EUR is an anchor currency of the Currency Board, in practice banks are not exposed to foreign exchange risk in case of the most significant currency EUR.

According to the balance as of 31.032012., currency structure of banks' assets on the level of banking system recorded participation of items in foreign currencies of 13,4% or 2,0 billion KM (14,9% or 2,3 billion KM at the end of 2011). On the other hand, currency structure of liabilities is essentially different, since participation of liabilities in foreign currency is significantly higher and is 49,2% or 7,2 billion KM (49,8% or 7,6 billion KM at the end of 2011).

The following table presents structure and trend of financial assets and liabilities and foreign currency position for EUR as the most significant currency[41] and total.

[40]“Official Gazette ofFBiH”, Number. 3/03, 31/03, 64/03, 54/04.
[41]Source: Form 5-Foreign currency position.

-in million KM -

Table39: *Foreign currency adjustment of financial assets and liabilities (EUR and total)*

Description	31.12.2011.				31.03.2012.				RATIO	
	EURO		TOTAL		EURO		TOTAL		EURO	TOTAL
	Amount	Participation %	Amount	Participation %	Amount	Participation %	Amount	Participation %	6/2	8/4
1	2	3	4	5	6	7	8	9	10	11
I. Financial assets										
1. Cash assets	1.251	15,9	1.783	20,4	1.063	14,2	1.481	17,9	85	83
2. Loans	70	0,9	93	1,1	45	0,6	68	0,8	64	73
3.Loans with currency clause	6.208	79,1	6.465	74,0	6.072	80,8	6.325	76,3	98	98
4. Other	322	4,1	393	4,5	332	4,4	418	5,0	103	106
Total (1+2+3+4)	7.851	100,0	8.734	100,0	7.512	100,0	8.292	100,0	96	95
II. Financial liabilities										
1. Deposits	5.369	71,3	6.034	73,4	5.133	70,7	5.766	72,6	96	96
2. Borrowings	1.225	16,3	1.254	15,3	1.156	15,9	1.182	14,9	94	94
3.Deposits and loans with currency clause	661	8,8	661	8,0	688	9,5	688	8,7	104	104
4.Other	270	3,6	275	3,3	281	3,9	301	3,8	104	109
Total (1+2+3+4)	7.525	100,0	8.224	100,0	7.258	100,0	7.937	100,0	96	97
III. Off-balance sheet										
1.Assets	239		241		143		176			
2.Liabilities	249		378		292		416			
IV.Position										
Long (amount)	316		373		105		114			
%	19,1%		22,5%		6,2%		6,7%			
Short										
%										
Limit	30%		30%		30%		30%			
Below limit	10,9%		7,5%		23,8%		23,3%			

If we analyze the structure of foreign currencies in the financial assets[42] we see a dominant participation of EUR of 73,2, which is somewhat higher in comparison to the participation as of 31.12.2011. (72,4%) with slight decline in nominal amount from 1,6 billion KM to 1,4 billion KM. Participation of EUR in the liabilities has slightly increased from 90,8% to 90,6%, with decline in nominal amount from 6,9 billion KM to 6,6 billion KM.

However, calculation of the FX risk exposure also includes the amount of indexed items of assets (loans) and liabilities[43], which are especially significant in the assets (76,3% or 6,3 billion KM) this is slightly higher in relation to 31.12.2011. (74% or 6,5 billion KM) due to the decrease of total financial assets. Other foreign currency assets items represent 23,7% or 2,0 billion KM, of which EUR items make 17,4% or 1,4 billion KM, and other currencies 6,3% or 0,5 billion KM (at the end of 2011, loans contracted with currency clause amounted to KM 6,5 billion with participation of 74%, and other items in EUR of 18,8% or 1,6 billion KM). Of total net loans (9,5 billion KM), 66,8% were contracted with currency clause, primarily tied to EUR (96,0%).

[42]Source: Form 5-Foreign currency position: portion of financial assets (in foreign currencies denominated in KM). According to the methodology, financial assets are expressed based on net principle (reduced by loan loss reserves).

[37]In order to protect from changes of the exchange rate banks contract certain items of assets (loans) and liabilities with currency clause (regulation allow only two-way currency clause).

On the side of the sources, the structure of financial liabilities stipulates and determines the structure of financial assets, for each currency individually. In foreign currency liabilities (7,9 billion KM) items in EUR (primarily deposits) had the highest participation of 82,8% or 6,6 billion KM, while participation and amount of indexed liabilities was at minimum, amounting to 8,7% or 0,7 billion KM (at the end of 2011, participation of liabilities in EUR was 83,5% or 6,9 billion KM, while indexed liabilities were 8,0% or 0,7 billion KM).

Observed by banks and overall on the level of the banking system of the FBiH, we can conclude that foreign exchange risk exposure of banks and the system, in the first quarter of 2012, ranged within the prescribed limits. As of 31.03.2012., there were 13 banks with long foreign currency position, and six banks with short position. At the system level, long foreign currency position represented 6,7% of banks' core capital, which is lower by 23,3% than the limit. Individual foreign currency position for EURO was 6,2%, which is 23,8 percentual points less than permitted, with financial assets items being higher than financial liabilities (net long position).

Although in the environment of the Currency Board banks are not exposed to foreign exchange risk in the most significant currency EUR, they are still required to operate within prescribed limits for individual currencies and for total foreign currency position and to daily manage this risk in accordance with adopted programs, policies, procedures and plans.

III CONCLUSIONS AND RECOMMENDATIONS

Banking sector of the Federation of BiH during the period of implementation of the reform has reached an enviable level. The upcoming activities should be aimed at preserving its stability as priority task in the current stressful conditions, and its further progress and development. These goals require continuous and vigilant engagement of all parts of the system, legislative and executive authorities, which is a prerequisite to create the most favorable economic environment that would be stimulating to both banks and consequently to the real sector of the economy and citizens.

In the upcoming period, the Banking Agency of the Federation of BiH shall:

- Take measures and activities within its powers to overcome and mitigate adverse effects to the banking sector of the FBiH caused by the global financial crisis,
- Continue implementing activities, from the scope of its authority, to consolidate supervision on state level,
- Proceed with a continues supervision of banks through on-site and off-site examinations, focusing on targeted examination of dominant risk segments of banking operations, which will make supervision more effective, in regard to:
  - Persist on capital strengthening of banks, especially those recording outstanding assets growth,
  - Continue permanent monitoring of banks, primarily those with systemic importance to development of credit activities with the highest concentration of savings and other deposits in order to protect depositors,
  - Continue a systematic monitoring of banks' activities in prevention of money laundering and terrorism financing and improve cooperation with other supervisory and examination institutions,
  - Maintain continuity in payment system examinations,
  - Continue working on further development of regulation based on the Basle Principles, the Basle Capital Accord, and the European Banking Directives, as part of BiH's preparation to join the European Union,

- Establish and expand cooperation with home country supervisors of the investors present in the banking sector of the FBiH, and other countries in order to have more effective supervision,
- Improve cooperation with the Banks Association in all banking performance segments, organization of counseling and professional assistance in the area of implementation of banking laws and regulations, advancement of cooperation in regard to professional development, proposed changes of all legislative regulations that have become a limiting factor to banks' development, introduction of new products, collection of claims and fully involve in building up and functioning of the unified registry of irregular debtors – legal entities and citizens, with daily data update.

Number: U.O.- 41-2/12.
Sarajevo,07.06.2012.

ATTACHMENTS

ATTACHMENTS

ATTACHMENT 1

Banks in the Federation of Bosnia and Herzegovina - 31.03.2012.

No.	BANK	Address		Telephone	Director
1	BOSNA BANK INTERNATIONAL dd - SARAJEVO	Sarajevo	Trg djece Sarajeva bb	033/275-100, fax:203-122	AMER BUKVIĆ
2	BOR BANKA dd - SARAJEVO	Sarajevo	Obala Kulina bana 18	033/663-500, fax:278-550	HAMID PRŠEŠ
3	HERCEGOVAČKA BANKA dd - MOSTAR	Mostar	Nadbiskupa Čule bb	036/332-901, fax:332-903	Prov. admin. - Nikola Fabijanić - 16.04.2007.
4	HYPO ALPE-ADRIA-BANK dd - MOSTAR	Mostar	Kneza Branimira 2b	036/444-444, fax:444-235	ALEXANDER PICKER
5	INVESTICIONO-KOMERCIJALNA BANKA dd - ZENICA	Zenica	Trg B&H 1	032/448-400, fax:448-501	SUVAD IBRANOVIĆ
6	INTESA SANPAOLO BANKA D.D. BOSNA I HERCEGOVINA	Sarajevo	Obala Kulina bana 9a.	033/497-555, fax:497-589	ALMIR KRKALIĆ
7	KOMERCIJALNO-INVESTICIONA BANKA DD V.KLADUŠA	V.Kladuša	Ibrahima Mržljaka 3	037/771-253, fax:772-416	HASAN PORČIĆ
8	MOJA BANKA dd - SARAJEVO	Sarajevo	Kolodvorska br. 5.	033/720-070, fax:720-100	OGNJEN SAMARDŽIĆ
9	NLB BANKA dd - TUZLA	Tuzla	Maršala Tita 34	035/259-259, fax:250-596	ALMIR ŠAHINPAŠIĆ
10	POŠTANSKA BANKA BiH dd - SARAJEVO	Sarajevo	Put zivota 2.	033/564-000, fax: 564-050	Prov. Admin. - Stjepan Jovičić - 05.10.2010.
11	PRIVREDNA BANKA SARAJEVO dd - SARAJEVO	Sarajevo	Alipašina 6	033/277-700, fax:664-175	AZEMINA GOLO
12	PROCREDIT BANK dd - SARAJEVO	Sarajevo	Emerika Bluma 8.	033/250-950, fax:250-971	FRIEDER WOEHRMANN
13	RAIFFEISEN BANK dd BiH - SARAJEVO	Sarajevo	Zmaja od Bosne bb.	033/755-010, fax: 213-851	MICHAEL MÜLLER
14	RAZVOJNA BANKA FEDERACIJE BIH	Sarajevo	Igmanska 1	033/277-900, fax: 668-952	RAMIZ DŽAFEROVIĆ
15	SPARKASSE BANK dd - SARAJEVO	Sarajevo	Zmaja od Bosne br. 7.	033/280-300, fax:280-230	SANEL KUSTURICA
16	TURKISH ZIRAAT BANK BOSNIA dd - SARAJEVO	Sarajevo	Dženetića Čikma br. 2.	033/252-230, fax: 252-245	ALI RIZA AKBAŞ
17	UNICREDIT BANK dd - MOSTAR	Mostar	Kardinala Stepinca bb	036/312-112, fax:312-121	BERISLAV KUTLE
18	UNION BANKA dd - SARAJEVO	Sarajevo	Dubrovačka 6	033/561-000, fax: 201-567	SENAD REDŽIĆ
19	VAKUFSKA BANKA dd - SARAJEVO	Sarajevo	M. Tita 13.	033/280-100, fax: 663-399	AMIR RIZVANOVIĆ
20	VOLKSBANK BH dd - SARAJEVO	Sarajevo	Fra Anđela Zvizdovića 1	033/295-601, fax:295-603	REINHOLD KOLLAND

Information on the Banking System of the Federation of BiH

ATTACHMENT 2

BALANCE SHEET OF BANKS IN THE FBiH - FBA SCHEDULE
ACTIVE SUB-BALANCE SHEET

In 000 KM

No.	DESCRIPTION	31.12.2010.	31.12.2011.	31.03.2012.
	ASSETS			
1.	Cash funds and deposit accounts at depository institutions	4.443.614	4.378.076	3.922.903
1a	Cash and non-interest deposit accounts	452.188	528.721	434.847
1b	Interest deposit accounts	3.991.426	3.849.355	3.488.056
2.	Trading securities	233.178	300.228	316.226
3.	Placements in other banks	145.007	79.940	120.874
4.	Loans, receivables in leasing and past due receivables	9.981.911	10.413.416	10.430.499
4a	Loans	9.414.597	9.453.474	9.429.916
4b	Receivables on leasing	132	120	117
4c	Past due receivables - loans and leasing	567.182	959.822	1.000.466
5.	Securities held until maturity	142.074	158.237	130.192
6.	Premises and other fixed assets	521.625	503.802	494.669
7.	Other real estate	31.139	36.947	36.780
8.	Investments in non-consolidated related enterprises	44.753	42.186	39.285
9.	Other assets	193.609	281.189	276.047
10.	MINUS: Reserves for potential losses	661.213	1.003.295	1.034.707
10a	Value adjustment on the items position 4 in Assets	635.792	929.579	961.391
10b	Value adjustment on the position of Assets except position 4 *	25.421	73.716	73.316
11.	**TOTAL ASSETS**	**15.075.697**	**15.190.726**	**14.732.768**
	LIABILITIES			
12.	Deposits	11.232.830	11.050.514	10.615.633
12a	Interest deposits	10.134.101	10.053.986	9.219.119
12b	Non-interest deposits	1.098.729	996.528	1.396.514
13.	Loans - past due	1.723	1.762	1.714
13a	Balance of payable loans, unpaid	0	0	
13b	Unpaid - called for payment off-balance sheet items	1.723	1.762	1.714
14.	Loans from other banks	7.000	2.000	3.500
15.	Payables to Government	0	0	
16.	Payables on loans and other borrowings	1.403.451	1.319.299	1.248.295
16a	payable within one year	381.305	387.585	327.974
16b	payable longer than one year	1.022.146	931.714	920.321
17.	Subordinated debts and subordinated bonds	226.847	206.159	200.173
18.	Other liabilities	507.221	527.972	536.805
19.	**TOTAL LIABILITIES**	**13.379.072**	**13.107.706**	**12.606.120**
	CAPITAL			
20.	Permanent priority shares	25.028	26.059	26.059
21.	Common shares	1.148.269	1.167.513	1.167.513
22.	Exchange premium	136.485	136.485	136.485
22a	On permanent priority shares	8.420	8.420	8.420
22b	On common shares	128.065	128.065	128.065
23.	Unallocated profit and capital reserves	489.557	376.621	473.471
24.	Foreign exchange differences	0	0	
25.	Other capital	-102.714	84.128	30.895
26.	Reserves for loan losses established from profit		292.214	292.225
27.	**TOTAL CAPITAL (20. to 25.)**	**1.696.625**	**2.083.020**	**2.126.648**
28.	**TOTAL LIABILITIES AND CAPITAL (19 +26)**	**15.075.697**	**15.190.726**	**14.732.768**
	PASSIVE AND NEUTRAL SUBBALANCE	**659.059**	**671.241**	**658.848**
	AGGREGATE BALANCE SHEET AMOUNT	**15.734.756**	**15.861.967**	**15.391.616**

*In 2009. and 2010.: reserves for loan losses

ATTACHMENT 3

REVIEW OF ASSETS, LOANS, DEPOSITS AND FINANCIAL RESULT OF BANKS IN F BiH as of 31.03.2012.

in 000 KM

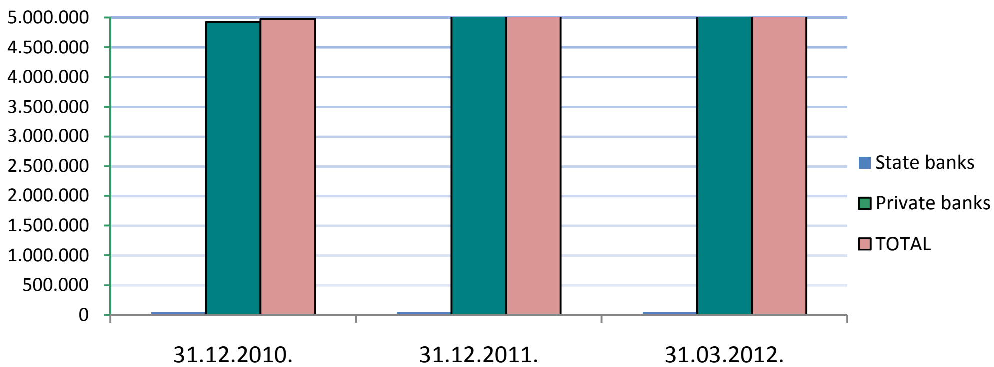
No.	BANK	Assets		Loans		Deposits		Financial result
		Amount	%	Amount	%	Amount	%	Amount
1	BOR BANKA dd SARAJEVO	272.323	*1,85%*	185.334	*1,78%*	151.262	*1,42%*	317
2	BBI BANKA dd SARAJEVO	323.211	*2,19%*	227.103	*2,18%*	248.685	*2,34%*	108
3	HERCEGOVAČKA BANKA dd MOSTAR	84.053	*0,57%*	23.079	*0,22%*	96.860	*0,91%*	-388
4	HYPO ALPE-ADRIA-BANK dd MOSTAR	1.418.029	*9,63%*	1.011.183	*9,69%*	974.887	*9,18%*	-3.666
5	INVESTICIONO KOMERCIJALNA BANKA dd ZENICA	177.725	*1,21%*	92.702	*0,89%*	126.191	*1,19%*	543
6	INTESA SANPAOLO BANKA dd BiH	1.337.963	*9,08%*	1.135.939	*10,89%*	810.247	*7,63%*	3.414
7	KOMERCIJALNO INVESTICIONA BANKA dd VELIKA KLADUŠA	61.604	*0,42%*	35.784	*0,34%*	37.826	*0,36%*	-312
8	MOJA BANKA dd SARAJEVO	162.345	*1,10%*	123.692	*1,19%*	130.778	*1,23%*	-36
9	NLB TUZLANSKA BANKA dd TUZLA	829.841	*5,63%*	640.620	*6,14%*	634.900	*5,98%*	1.771
10	POŠTANSKA BANKA doo SARAJEVO	51.721	*0,35%*	31.353	*0,30%*	38.766	*0,37%*	-174
11	PRIVREDNA BANKA dd SARAJEVO	221.103	*1,50%*	151.346	*1,45%*	158.956	*1,50%*	416
12	PROCREDIT BANK dd SARAJEVO	316.356	*2,15%*	278.804	*2,67%*	215.413	*2,03%*	-330
13	RAIFFEISEN BANK BH dd SARAJEVO	3.859.361	*26,20%*	2.508.472	*24,05%*	2.811.238	*26,48%*	13.933
14	SPARKASSE BANK d.d. SARAJEVO	831.793	*5,65%*	712.012	*6,83%*	705.197	*6,64%*	1.144
15	TURKISH ZIRAAT BANK dd SARAJEVO	158.126	*1,07%*	76.774	*0,74%*	85.239	*0,80%*	72
16	UNION BANKA dd SARAJEVO	183.166	*1,24%*	66.818	*0,64%*	125.510	*1,18%*	363
17	UNI CREDIT BANKA BH dd SARAJEVO	3.410.855	*23,15%*	2.435.530	*23,35%*	2.457.385	*23,15%*	12.531
18	VOLKSBANK BH dd SARAJEVO	778.699	*5,29%*	519.427	*4,98%*	613.443	*5,78%*	988
19	VAKUFSKA BANKA dd SARAJEVO	254.494	*1,73%*	174.527	*1,67%*	192.850	*1,82%*	-295
	TOTAL	14.732.768	*100,0%*	10.430.499	*100,0%*	10.615.633	*100,0%*	30.399

ATTACHMENT 4

NEW CITIZEN SAVINGS BY PERIODS IN THE BANKS IN FBiH

in 000 KM

	31.12.2010.	31.12.2011.	31.03.2012.
State banks	47.148	50.259	50.667
Private banks	4.926.361	5.311.178	5.333.765
TOTAL	**4.973.509**	**5.361.437**	**5.384.432**



ATTACHMENT 5

CLASSIFICATION OF ASSETS AND OFF-BALANCE SHEET RISK ITEMS IN BANKS IN FBiH AS OF 31.03.2012.

- CLASSIFICATION OF ACTIVE BALANCE SHEET ITEMS-in 000 KM

No.	BALANCE SHEET ITEMS	CLASSIFICATION					TOTAL
		A	B	C	D	E	
1.	Short-term loans	2.009.944	295.337	13.825	8.379	1.005	2.328.490
2.	Long-term loans	5.923.781	714.246	228.410	134.525	60.869	7.061.831
3.	Other placements	162.951	26	48	68	1.341	164.434
4.	Interest accrued	40.519	11.076	3.214	6.199	39.460	100.468
5.	Past due receivables	67.571	89.133	55.841	206.485	552.384	971.414
6.	Receivables on guarantees paid	80	275	116	111	28.470	29.052
7.	Other assets	335.989	7.323	648	1.220	23.336	368.516
8.	**TOTAL BALANCE SHEET ASSETS WHICH IS CLASSIFIED (total of positions from 1.to 7. – base for accrual of regulatory reserves for loan losses)**	8.540.835	1.117.416	302.102	356.987	706.865	11.024.205
9.	**ACCRUED REGULATORY RESERVES FOR LOAN LOSSES ON BALANCE SHEET ASSETS**	168.462	101.267	74.305	198.934	706.825	1.249.793
10.	**VALUE ADJUSTMENT OF BALANCE SHEET ASSETS**	103.872	84.102	84.460	147.160	615.113	1.034.707
11.	**NEEDED REGULATORY RESERVES FROM PROFIT FOR ESTIMATED LOSSES ON BALANCE SHEET ASSETS**	64.652	17.166	-10.155	51.774	91.711	215.148
12.	**ESTABLISHED REGULATORY RESERVES FROM PROFIT FOR ESTIMATED LOSSES ON BALANCE SHEET ASSETS**	58.458	39.334	13.346	74.145	71.191	256.474
13.	**LACKING AMOUNT OF REGULATORY RESERVES FROM PROFIT FOR ESTIMATED LOSSES FOR ESTIMATED LOSSES ON BALANCE SHEET ASSETS**						18.897
14.	BALANCE SHEET ASSETS WHICH IS NOT CLASSIFIED(gross bookkeeping value)						4.743.270
15.	TOTAL BALANCE SHEET ASSETS (gross bookkeeping value)						15.767.475

REVIEW OF ASSETS OF THE BALANCE SHEET WHICH IS NOT CLASSIFIED AND AMOUNTS OF THE PLACEMENTS SECURED BY A CASH DEPOSIT

14.a	Cash in treasury and cash funds on the account of Central bank of BiH, gold and other precious metals	2.552.463
14.b	Demand funds and time deposits up to one month on the accounts in banks with a determined investment rating	1.357.014
14.c	Tangible and non-tangible property	517.867
14.d	Gained financial and material assets in process of collection of receivables during one year of acquisition	3.711
14.e	Treasury shares	
14.f	Claims for overpaid tax liabilities	10.339
14.g	Securities intended for trading	154.313
14.h	Receivables from the Government of BiH, Government of FBIH and Government of RS, securities emission by the Government of BiH, Government of FBiH and Government of RS and receivables secured by their unconditional guarantees payable at first call	147.563
	TOTAL position 14	**4.743.270**
8a.	Amount of placements secured by cash deposits	117.664

ATTACHMENT 5A

CLASSIFICATION OF ASSETS AND OFF-BALANCE SHEET RISK ITEMS IN BANKS IN FBiH
As of 31.03.2012.

- CLASSIFICATION OF OFF-BALANCE SHEET ITEMS-

in '000 KM

No.	OFF BALANCE SHEET ITEMS	CLASSIFICATION					TOTAL
		A	B	C	D	E	
1.	Guarantees payable	358.023	59.913	152	50	123	418.261
2.	Performing guarantees	467.709	92.725	872	813	16	562.135
3.	Unsecured LoC	43.596	6.634				50.230
4.	Irrevocable loans	1.188.611	92.711	6.404	1.573	488	1.289.787
5.	Other potential liabilities	15.811	863		118	4.382	21.174
6.	**TOTAL OFF BALANCE SHEET ITEMS CLASSIFIED (total of positions 1 to 5 – base for accrual of regulatory reserves for loan losses)**	2.073.750	252.846	7.428	2.554	5.009	2.341.587
7.	**ACCRUED REGULATORY RESERVES FOR LOAN LOSSES ON OFF BALANCE SHEET ITEMS**	40.542	16.861	1.546	1.305	5.008	65.262
8.	**PROVISIONING FOR LOSSES FOR OFF BALANCE SHEET ITEMS**	22.934	4.504	1.121	1.016	4.736	34.311
9.	**NEEDED REGULATORY RESERVES FRO PROFIT FOR ESTIMATED LOSSES ON OFF BALANCE SHEET ITEMS**	17.582	12.381	427	289	273	30.952
10.	**ESTABLISHED REGULATORY RESERVES FROM PROFIT FOR ESTIMATED LOSSES ON OFF-BALANCE SHEET ITEMS**	23.668	9.795	526	1.590	172	35.751
11.	**LACKING AMOUNT OF REGULATORY RESERVES FROM PROFIT FOR ESTIMATED LOSSES ON OFF BALANCE SHEET ITEMS**						2.116
12.	OFF BALANCE SHEET ITEMS WHICH ARE NOT CLASSIFIED						456.162
13.	TOTAL OFF BALANCE SHEET ITEMS						2.797.749
6a.	Amount of potential liabilities secured by cash deposit						46.611

ATTACHMENT 6

INCOME STATEMENT
OF BANKS IN F BiH

in 000 KM

ELEMENTS	PERFORMED **31.03. 2011.**		PERFORMED **31.03. 2012.**		RATIO 4 / 2
	Amount	Participation in the total income	Amount	Participation in total income	
INCOME					
Interest income	208.636	94%	202.171	99%	97
Interest expenses	71.608	32%	68.595	33%	96
Net interest income	137.028	62%	133.576	65%	97
Fee income and other operating income	83.954	38%	71.486	35%	85
TOTAL INCOME	**220.982**	**100%**	**205.062**	**100%**	93
EXPENSES					
Value adjustment*	55.688	25%	35.835	17%	64
Salaries and contribution expenses	62.702	28%	61.225	30%	98
Fixed assets and overhead expenses	38.648	17%	39.052	19%	101
Other expenses	41.160	19%	38.551	19%	94
TOTAL EXPENSES (without interests)	**198.198**	**90%**	**174.663**	**85%**	88
NET INCOME BEFORE TAX	**22.784**	10%	**30.399**	15%	133
Income Tax					
NET INCOME	**22.784**	10%	**30.399**	15%	133

*In 2010.: reserves for loan losses

ATTACHMENT 7

REPORT ON CAPITAL BALANCE AND ADEQUACY IN BANKS IN FBiH
ACTIVE BALANCE

In 000 KM

No.	DESCRIPTION	31.12.2010.	31.12.2011.	31.03.2012.
1	**BANK’S CORE CAPITAL**			
1.a.	Share capital, reserves and income			
1.1.	Share capital - common and perm. priority non-cumulat. shares - cash payments	1.157.918	1.177.932	1.177.932
1.2.	Share capital - comm. and perm. prior. non-cumul. shares-invested posses. And rights	12.550	12.550	12.550
1.3.	Issued shares income at share payments	136.485	136.485	136.485
1.4.	General regulatory reserves (reserves as regulated by the Law)	183.807	192.752	108.359
1.5.	Other reserves not related to assets quality assessment	228.867	262.501	259.157
1.6.	Retained - undistributed income from previous years	165.532	225.861	252.545
1.a.	**TOTAL (from 1.1. to 1.6.)**	**1.885.159**	**2.008.081**	**1.947.028**
1.b.	Offsetting items from 1.a.			
1.7.	Uncovered losses transferred from previous years	92.058	250.611	191.699
1.8.	Losses from current year	157.933	43.132	5.201
1.9.	Book value of treasury shares owned by the bank	81	81	81
1.10.	Amount of intangible assets	63.249	57.180	53.025
1.b.	**TOTAL (from 1.7.to 1.10.)**	**313.321**	**351.004**	**250.006**
1.	**AMOUNT OF CORE CAPITAL: (1.a.-1.b.)**	**1.571.838**	**1.657.077**	**1.697.022**
2	**BANK’S SUPPLEMENTARY CAPITAL**			
2.1.	Share capital - common and perm. priority non-cumulat. shares - cash payments	2.829	3.090	3.090
2.2.	Share capital - comm. and perm. prior. non-cumul. shares-invested posses. And rights	0	0	
2.3.	General reserves for losses on loans from class. A - performing assets	209.612	211.862	208.935
2.4.	Accrued income for current year audited and confirmed by external auditor	52.090	62.574	44.145
2.5.	Income under FBA's temporary restriction on distribution	0	0	
2.6.	Subordinated debts, the most 50% of core capital	159.056	139.754	133.768
2.7.	Hybrid convertible items - the most 50% of core capital	0	0	
2.8.	Items-permanent liabilities without repayment duty	66.399	50.750	57.823
2.	**AMOUNT OF SUPPLEMENTARY CAPITAL: (from 2.1. to 2.8.)**	**489.986**	**468.030**	**447.761**
3	**OFFSETTING ITEMS FROM BANK’S CAPITAL**			
3.1.	Part of invested share capital that according to FBA's assessment represents accepted and overestimated value	0	0	0
3.2.	Investments in capital of other legal entities exceeding 5% of bank's core capital	15.938	18.408	18.408
3.3.	Receivables from shareholders for significant voting shares - approved aside from regulations	0	0	
3.4.	VIKR to shareholders with significant voting shares in the bank without FBA's permission	0	0	
3.5.	**AMOUNT OF OFFSETTING ITEMS FROM BANK'S CAPITAL (3.1. to 3.4.)**		19.465	18.853
3.	**AMOUNT OF BANK'S NET CAPITAL (1.+2.-3.)**	**15.938**	**37.873**	**37.261**
A.	**RISK FROM RISK-WEIGHTED ASSETS AND CREDIT EQUIVALENTS**	**2.045.886**	**2.087.234**	**2.107.522**
B.	**POR (RISK-WEIGHTED OPERATING RISK)**	**11.713.116**	**11.216.477**	**11.095.110**
C.	**PTR (RISK-WEIGHTED MARKET RISK)**	**942.707**	**965.932**	**976.943**
D.	**TOTAL RISK-WEIGHTED RISKS B+C+D**	0	**0**	**0**
E.	**NET CAPITAL RATE (CAPITAL ADEQUACY) (A.:B.) X 100**	**12.655.823**	**12.182.409**	**12.072.053**
F.	**NET CAPITAL RATIO (CAPITAL ADEQUACY) (A.:E.) X 100**	**16,2%**	**17,1%**	**17,4%**

ATTACHMENT 8

NUMBER OF EMPLOYEES BY BANKS

No.	BANK	31.12.2010.	31.12.2011.	31.03.2012.
1	BOR BANKA dd SARAJEVO	54	57	58
2	BOSNA BANK INTERNATIONAL dd Sarajevo	207	235	240
3	HERCEGOVACKA BANKA dd MOSTAR	75	72	72
4	HYPO ALPE ADRIA BANK dd MOSTAR	568	647	640
5	INTESA SANPAOLO BANKA dd BiH	519	525	537
6	INVESTICIONO KOMERCIJALNA BANKA dd ZENICA	178	173	170
7	KOMERCIJALNO INVESTICIONA BANKA dd VELIKA KLADUŠA	67	71	71
8	MOJA BANKA dd SARAJEVO	143	171	171
9	NLB TUZLANSKA BANKA dd TUZLA	474	471	456
10	POŠTANSKA BANKA dd SARAJEVO	91	90	89
11	PRIVREDNA BANKA dd SARAJEVO	211	191	188
12	PROCREDIT BANK dd SARAJEVO	501	427	421
13	RAIFFEISEN BANK BH dd SARAJEVO	1.630	1.576	1.558
14	SPARKASSE BANK dd SARAJEVO	426	432	438
15	TURKISH ZIRAAT BANK dd SARAJEVO	150	158	160
16	UNA BANKA dd BIHAĆ	-	-	-
17	UNI CREDIT BANKA BH dd MOSTAR	1.362	1.338	1.330
18	UNION BANKA dd SARAJEVO	180	177	176
19	VAKUFSKA BANKA dd SARAJEVO	222	229	230
20	VOLKSBANK BH dd SARAJEVO	330	329	333
	TOTAL	**7.388**	**7.369**	**7.338**