



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 BANKING SYSTEM
OF THE FEDERATION OF BOSNIA AND HERZEGOVINA
AS OF MARCH 31, 2007

Sarajevo, May 2007

Banking Agency of the Federation of BiH, as a regulatory authority performing bank supervision, prepared Information on banking system of the Federation of BiH (as of June 30, 2007) based on reports of banks, and other information and data submitted by banks. We also included findings and data resulting from on-site examinations and analysis performed by the Agency (off-site financial analysis).

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I. INTRODUCTION

Over the three months of 2007, the banking sector of the Federation of BiH has maintained positive trends of moderate growth and development from the past period, as well as further strengthening of its safety and stability. Apart from the comparative periods of the past two years recording slightly lower both relative and absolute growths in the aggregate balance sheets and the most significant balance sheet positions in liabilities and assets, total aggregate balance sheet in the first quarter of 2007 has generated growth of 6% or KM 652 million, reaching the amount of KM 12,15 billion as of 31.03.2007. Four largest banks in the system make 53% or KM 348 million of total growth realized. In the sources, deposit potential realized growth of 5% or KM 452 million, borrowings of 7% or KM 100 million, while capital increased by 5% or KM 64 million.

On the other side, cash funds in the assets increased by 5% or KM 217 million, and loans increased by 7% or KM 456 million. There should be pointed out that over the three months of 2007 majority of banks' lending in the Federation of BiH went to private companies, so if compared to the end of 2006 placements to this sector increased by 7% or KM 222 million, while loans to citizens recorded growth of 6% or KM 214 million.

The structure of assets and liabilities, that is, participation of the most significant balance sheet categories has slightly changed. Although it has been some time that we have a slight trend of decrease in participation, deposits amounting to KM 8,8 billion and participation of 72,7% still represent a dominant and primary source of financing in majority of banks. Within deposits, special emphasis should be given to the growth of savings, which have increased by 5% or KM 180 million over the observed period, arriving at KM 3,5 billion at the end of first quarter, which is the result and confirmation of further strengthening of confidence in the banking system.

Indicators of banks' performance in the first quarter were satisfactory. Profit generated at the system level was KM 55 million, representing a significant increase of 92,6% or KM 29 million if compared to the same period in 2006. Profit of KM 56,3 million was generated by 18 banks, while five banks reported loss in their performance in total amount of KM 1,2 million.

High amount of the generated profit resulted by improvement of two, the most significant indicators of profitability: ROAA (Return on Average Assets) and ROAE (Return on Average Equity). As of 31.03.2007., ROAA was 1,85% and ROAE was 24,37%, which is better than the empirical standards.

Two changes have occurred in the ownership structure: one bank changed its ownership structure after additional capitalization was performed and moved from the group of banks with majority state capital to the group of banks with majority private domestic capital, while other bank, based on trading of shares between residents and nonresidents, became a bank with majority foreign capital. This has caused the increase of market share in 15 banks with majority foreign capital from 93% to 94%, state banks had share of 3,3%, and the lowest market share (2,7%) had banks majority owned by residents (domestic private capital).

Four largest banks (assets between KM 1,3 billion and KM 3,2 billion) „hold“ 68,2% of total banking assets, while seven banks with the assets below KM 100 million hold market share of only 3%.

Capitalization rate and capital adequacy of banks are still one of key performance segments of the system, especially of the largest banks with capital adequacy ratio slightly higher than the minimum prescribed by the Law (12%). Capital strengthening of large banks from external sources will remain their priority task, especially due to obvious trend of growth in risk assets and concentrations-large credit risk exposures, along with frequently insufficient or inadequate collateral, exposing banks to excessive risk, on one side, and entering into excessive concentrations, on the other side, will cause violation of prescribed limitations and incompliance with the law.

II. BUSINESS PERFORMANCE OF BANKS IN THE FEDERATION OF BIH

1. STRUCTURE OF THE BANKING SECTOR

1.1. Status, number and business network

As of 31.03.2007., there were 23 banks with the banking license issued in the Federation of BiH. Number of banks remained the same as of 31.12.2006.

As of 31.03.2007., there were four banks under provisional administration (UNA Bank d.d. Bihać, Hercegovačka Bank d.d. Mostar, Poštanska Bank BiH d.d. Sarajevo and Privredna Bank d.d. Sarajevo).

In the first quarter of 2007, banks continued expanding the network of their organizational units. Banks from the Federation of BiH have founded 20 new organizational units, 16 of which in the Federation of BiH, three in Republic Srpska and one in District Brčko. If compared to 31.12.2006., when banks had 492 organizational units, this represents an increase of 4,1%.

As of 31.03.2007., seven banks from the Federation of BiH had 37 organizational units in Republic Srpska, and 11 banks had 13 organizational units in District Brčko. Five banks from Republic Srpska had 18 organizational units in the Federation of BiH (an organizational unit of one bank from RS was closed in the FBiH).

The license for inter-bank-transactions in internal payment system was issued to all banks as of 31.03.2007. There were 15 banks with deposit insurance.

1.2. Ownership structure

As of 30.06.2007., ownership structure in banks¹, assessed based on the available information and on-site visits to banks², is the following:

- Private and majority private ownership 19 banks (83%)
- State and majority state ownership³ 5 banks (17%)

¹ Classification criteria of banks by type of ownership is ownership over share capital of banks.

² General overview of ownership structure of banks in the F BiH as of 12/31/05 resulted from received documentation, and registrations at authorized courts (changes in capital and shareholders structure).

³ State ownership refers to domestic state capital of BiH.

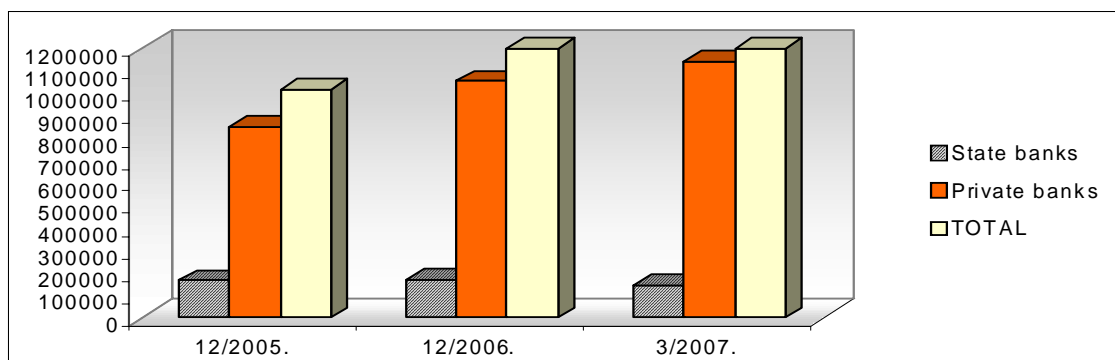
The ownership structure could be viewed from the aspect of financial results, which is, by the value of total capital⁴.

Table 1: Ownership structure by total capital

-in 000 KM-

BANKS	31.12.2005.		31.12.2006.		31.03.2007.		RATIO	
	1	2	3	4	5	6	3/2	4/3
State banks	166.494	16%	171.919	14%	145.353	11%	103	85
Private banks	850.223	84%	1.056.174	86%	1.146.124	89%	124	109
TOTAL	1.016.717	100%	1.228.093	100%	1.291.477	100%	121	105

Graph 1: Preview of ownership structure (total capital)



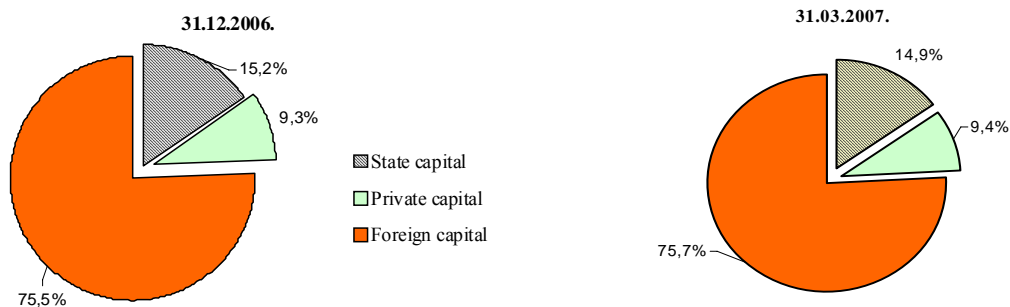
By analyzing the participation of state, private and foreign capital in the share capital of banks, we get a more precise picture of the capital ownership structure in banks of the Federation of BiH.

Table 2: Ownership structure by participation of state, private and foreign capital

- in 000 KM-

SHARE CAPITAL	31.12.2005.		31.12.2006.		31.03.2007.		INDEX	
	Amount	Partic. %	Amount	Partic. %	Amount	Partic. %	5/3	7/5
1	3	4	5	6	7	8	9	10
State capital	135.344	16,9	135.019	15,2	135.019	14,9	100	100
Private capital (residents)	103.026	12,9	83.077	9,3	85.052	9,4	81	102
Foreign capital (non-residents)	561.117	70,2	670.695	75,5	683.469	75,7	120	102
TOTAL	799.487	100,0	888.791	100,0	903.540	100,0	111	102

⁴ Information from balance sheet - FBA schedule: shareholders capital, premium issue, undistributed profit and reserves, and other capital (financial results of current period).

Graph 2: Ownership structure (share capital)

The ownership structure analysis of banks, from the aspect of share capital, shows in the most explicit way the changes and trends in the banking system of the FBiH, especially in the segment of changes in the ownership structure.

Participation of state capital in total share capital, as of 31.03.2007. was 14,9%, and it was lower by 0,3% if compared to 31.12.2006.

If compared to the end of 2006, participation of private capital (residents) in total share capital of the banking sector has increased from 9,3% to 9,4%, as a result of the following: sale of nonresident shares to domestic buyers (residents) in total amount of approximately KM 3,3 million (with four banks), sale of resident shares to foreign investors in the amount of approximately KM 5,5 million (with three banks), and purchase of shares through additional capitalization in one bank of KM 4,2 million by domestic buyers, upon which the ownership structure of this bank was changed (from majority state capital to a bank with majority private domestic capital). Participation of foreign capital has increased from 75,5% to 75,7%. Participation growth of foreign capital of 0,2% happened due to the following: additional capitalization performed in the amount of KM 10,6 million⁵ in two banks (one as foreign owned and one owned by residents) and above mentioned share trading between residents and nonresidents in seven banks (net effect in capital was increase by KM 2,2 million), resulting by change in the ownership structure in one bank and one bank became a majority foreign owned bank.

Changes in the ownership structure reflected on participation in share capital, that is, market share and position of banks grouped by majority ownership as criteria. Market share of banks with majority foreign ownership increased by one percentage, amounting to 94,0% as of 31.03.2007. Market share of banks with majority domestic private capital was 2,7%, which was lower by 0,2% if compared to the end of 2006. Participation of state capital also decreased from 4,1% to 3,3% as of 31.03.2007.

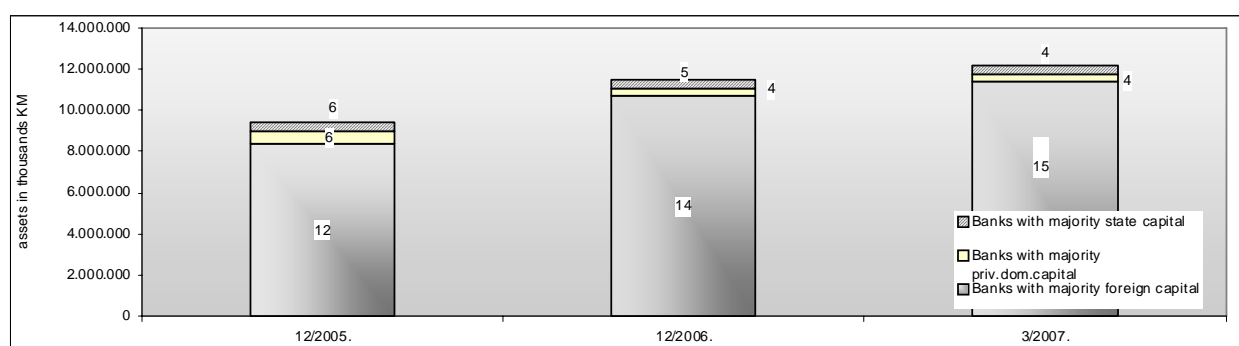
Integration processes from the past period were performed with purpose of stronger market positioning, resulting by concentrations in the banking sector by largest banks becoming larger, decreased number of banks, and intensified competition. In the upcoming period, that is, by the end of 2007, it is expected to see finalization of two more integration processes, which will cause, on one side, decreased number of banks by two, and, on the other side, strengthening of their resulting banks and further concentrations in the banking sector of the Federation of BiH.

⁵ Amount referring to nonresidents (total additional capitalization in two banks was KM 14,7 million).

Table 3: Market share of banks by ownership type⁶

- in %-

BANKS	31.12.2005.			31.12.2006.			31.03.2007.		
	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	6	16,4	4,5	5	14,0	4,1	4	11,3	3,3
Banks with majority private domestic capital	6	8,0	6,5	4	3,7	2,9	4	4,3	2,7
Banks with majority foreign capital	12	75,6	89,0	14	82,3	93,0	15	84,4	94,0
TOTAL	24	100,0	100,0	23	100,0	100,0	23	100,0	100,0

Graph 3: Market share by ownership type

1.3. Staff

As of 31.03.2007., there were total of 6.833 employees employed by banks in the Federation of BiH, of which 6% by banks with majority state capital and 94% by private banks.

Table 4: Bank employees in the FBiH

BANKS	NUMBER OF EMPLOYEES						RATIO	
	31.12.2005.		31.12.2006.		31.03.2007.		3:2	4:3
1	2	3	4	5	6	7	8	9
State banks	475	8%	423	6%	402	6%	89	95
Private banks	5.540	92%	6.183	94%	6.431	94%	112	104
TOTAL	6.015	100%	6.606	100%	6.833	100%	110	103
Number of banks	24		23		23			

In the first quarter of 2007, number of employees increased by 3% or 227 employees, but only in private banks.

⁶ Based on majority capital (participation exceeding 50%).

Table 5: Qualification structure of employees

EDUCATION	NUMBER OF EMPLOYEES						RATIO	
	31.12.2005.		31.12.2006.		31.03.2007.		4:2	6:4
1	2	3	4	5	6	7	8	9
University qualifications	2.165	36,0%	2.408	36,5%	2.507	36,7%	111	104
Two-year post secondary school qualifications	642	10,7%	714	10,8%	743	10,9%	111	104
Secondary school qualifications	3.102	51,6%	3.391	51,3%	3.491	51,1%	109	103
Other	106	1,7%	93	1,4%	92	1,3%	88	99
TOTAL	6.015	100%	6.606	100,0%	6.833	100,0%	110	103

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

Table 6: Assets per an employee

BANKE	31.12.2005.			31.12.2006.			31.03.2007.		
	No. of empl.	Assets (000 KM)	Assets per an empl.	No. of empl.	Assets (000 KM)	Assets per an empl.	No. of empl.	Assets (000 KM)	Assets per an empl.
State	475	422.680	890	423	475.618	1.124	402	398.521	991
Private	5.540	8.956.027	1.617	6.183	11.023.562	1.783	6.431	11.752.414	1.827
TOTAL	6.015	9.378.707	1.559	6.606	11.499.180	1.741	6.833	12.150.935	1.778

At the end of first quarter in 2007, there was KM 1,78 million of assets per an employee on the level of the banking system. This indicator is much better with the private bank sector, which is expected, having in mind stagnation or decreased volume of business activities of state banks, and, consequently, excessive number of employees.

Table 7: Assets per an employee by groups

Assets (000 KM)	31.12.2005.	31.12.2006.	31.03.2007.
	Number of banks	Number of banks	Number of banks
Up to 500	5	5	5
500 to 1.000	7	7	7
1.000 to 1.500	3	3	3
1.500 to 2.000	3	1	1
Over 2.000	6	7	7
TOTAL	24	23	23

Analytical indicators of respective banks range from KM 336 thousand to KM 3,4 million of assets per an employee. The indicator of eight banks is better than the one for the whole banking sector, and the indicator for four largest banks in the system exceeds KM 2,3 million. And finally, we could say that conditions under which banks service their customers, both legal entities and citizens, as well as conditions under which banks finance their customers, have improved.

2. FINANCIAL INDICATORS OF BANKS' PERFORMANCE

Examination of banks based on reports is performed in the way to use the reports prescribed by the FBA and the reports of other institutions, representing database of three groups 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 get 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 capital⁷.

2.1. Balance sheet

Aggregate balance sheet of banks in the Federation of BiH, according to the balance sheets submitted as of 31.03.2007., amounted to KM 12,15 billion, which is higher by 6% or KM 652 million if compared to the end of 2006. If we analyze the same period for the last two years, we see that growth rate by periods increases double (in the first quarter of 2005 - 2%, in 2006 - 4%), which is an indicator of a continuous and stable growth of the banking sector.

Table 8: *Balance sheet*

DESCRIPTION	AMOUNT (in 000 KM)			RATIO	
	31.12.2005.	31.12.2006.	31.03.2007.	3/2	4/3
1	2	3	4	5	6
ASSETS:					
Cash funds	3.533.700	4.287.723	4.504.341	121	105
Securities ⁸	20.010	45.922	62.109	229	135
Placements to other banks	68.811	105.390	83.981	153	80
Loans	5.545.077	6.820.154	7.275.746	123	107
Loan loss provisions (LLP)	260.155	287.561	302.630	111	105
Loans – net value (loans minus LLP)	5.284.922	6.532.593	6.973.116	124	107
Business premises and other fixed assets	306.637	341.671	345.996	111	101

⁷ 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 31.12.2007., these items amounted to KM 637 million.

⁸ Trading securities and securities held to maturity.

Other assets	164.628	185.881	181.392	113	98
TOTAL ASSETS	9.378.708	11.499.180	12.150.935	123	106
LIABILITIES: LIABILITIES					
Deposits	6.864.048	8.379.322	8.831.096	122	105
Borrowings from other banks	2.912	2.890	2.910	99	101
Loan Commitments	1.152.910	1.420.944	1.521.098	123	107
Other liabilities	342.121	467.931	504.354	134	108
CAPITAL					
Capital	1.016.717	1.228.093	1.291.477	121	105
TOTAL LIABILITIES (LIABILITIES AND CAPITAL)	9.378.708	11.499.180	12.150.935	123	106

Table 9: Assets of banks by ownership structure

BANKE	31.12.2005.		31.12.2006.		31.03.2007.		RATIO	
							3/2	4/3
1	2	3	4	5	6	7	8	9
State banks	422.680	5%	475.618	4%	398.521	3%	113	84
Private banks	8.956.028	95%	11.023.562	96%	11.752.414	97%	123	107
TOTAL	9.378.708	100%	11.499.180	100%	12.150.935	100%	123	106

Over the first quarter of 2007, the sector of state banks suffered some downfall in the aggregate balance sheet by 16%, and consequently its participation came down to only 3%, as a result of changes in the ownership structure in one bank that moved to the group of banks with majority private capital after additional capitalization performed.

Analytical data by banks show that in the observed time the assets of four banks slightly decreased, while majority of banks (17) reported assets growth up to 10%. Only two banks had slightly higher growth rate in the aggregate balance sheet (14%, that is, 30%).

Growth rate of assets in majority of banks ranged between 3,9% and 4,7%, while these banks make 53% or KM 348 million of total growth of the aggregate balance sheet of the banking sector.

If the banking system is analyzed from the aspect of assets size and certain groups within that frame, we see smaller changes in number of banks and participation of individual groups, as a result of assets growth with majority of banks.

In the first three groups of banks, the number was unchanged, while participation of Group I (one bank) and Group II (three banks) decreased by 0,2, that is, 0,6 if compared to the end of 2006, so participation of four largest banks was 68,2% at the end of first quarter of 2007. Third group of banks (assets between 0,5 and one billion KM) increased its participation from 15% to 15,9%. The only change related to the number of banks was in Group IV, which increased by one bank, that is, one bank moved from Group V, causing changes in the participation by one percentage in these two groups.

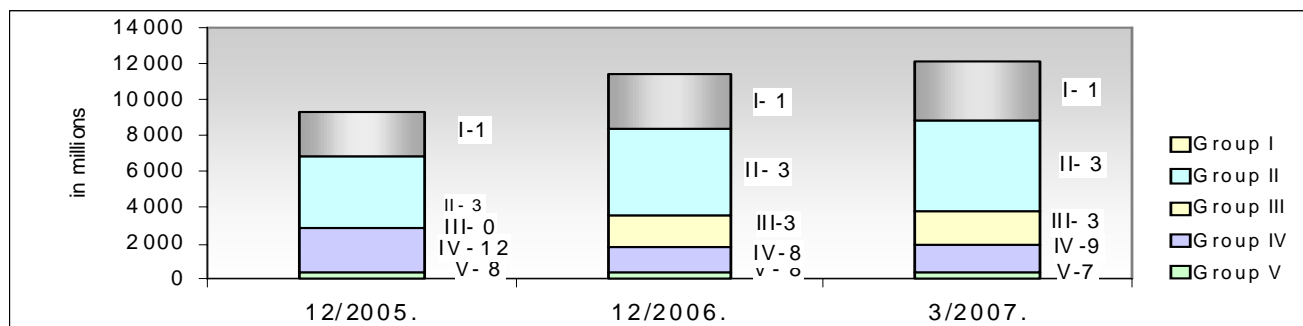
The following table presents amounts and participations of individual groups of banks⁹ in total assets in time line (amounts in million KM):

⁹ Banks are divided into five groups, depending on the assets size.

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

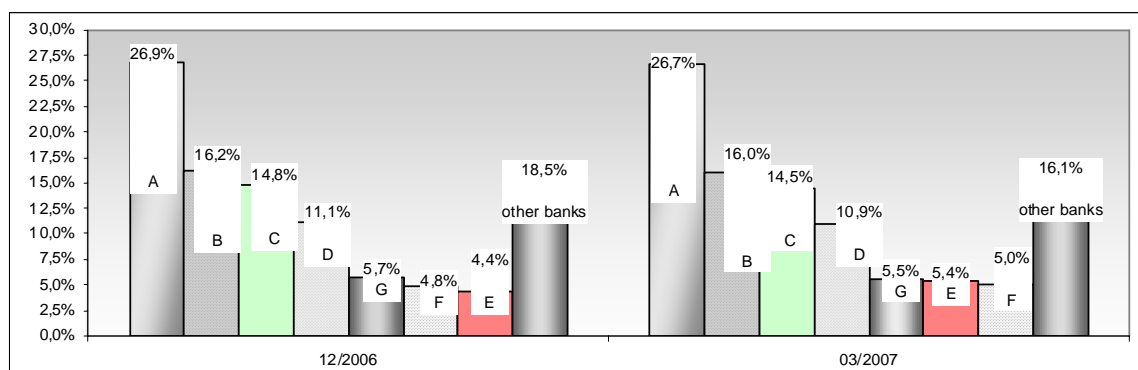
ASSETS	31.12.2005.			31.12.2006.			31.03.2007.		
	Amount	Particip %	No. of banks	Amount	Particip %	No. of banks	Amount	Particip %	No. of banks
I- Over 2.000	2.495	26,6	1	3.098	26,9	1	3.243	26,7	1
II- 1000 to 2000	3.996	42,6	3	4.836	42,1	3	5.040	41,5	3
III- 500 to 1000	0	0,0	0	1.723	15,0	3	1.936	15,9	3
IV- 100 to 500	2.504	26,7	12	1.382	12,0	8	1.564	12,9	9
V- Below 100	384	4,1	8	460	4,0	8	368	3,0	7
TOTAL	9.379	100,0	24	11.499	100,0	23	12.151	100,0	23

Graph 4: Participation of individual groups of banks in total assets through periods



The following graph shows structure and trend of participation of seven largest banks¹⁰ in the banking system of the Federation of BiH:

Graph 5: Participation of seven largest banks in total assets



The aggregate balance sheet growth in sources has been financed mostly by deposit growth (by 5% or KM 452 million), borrowings (by 7% or KM 100 million) and capital (by 5% or KM 64 million).

In the assets, cash funds increased by 5% or KM 217 million, and loans by 7% or KM 456 million.

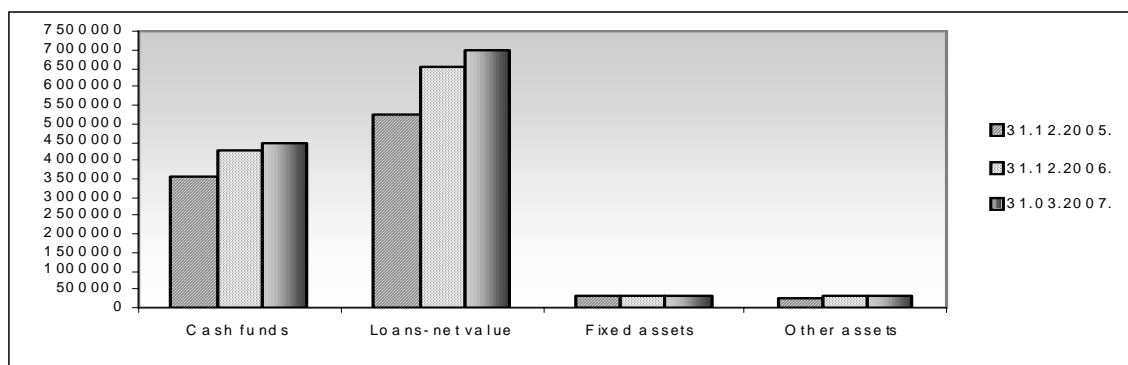
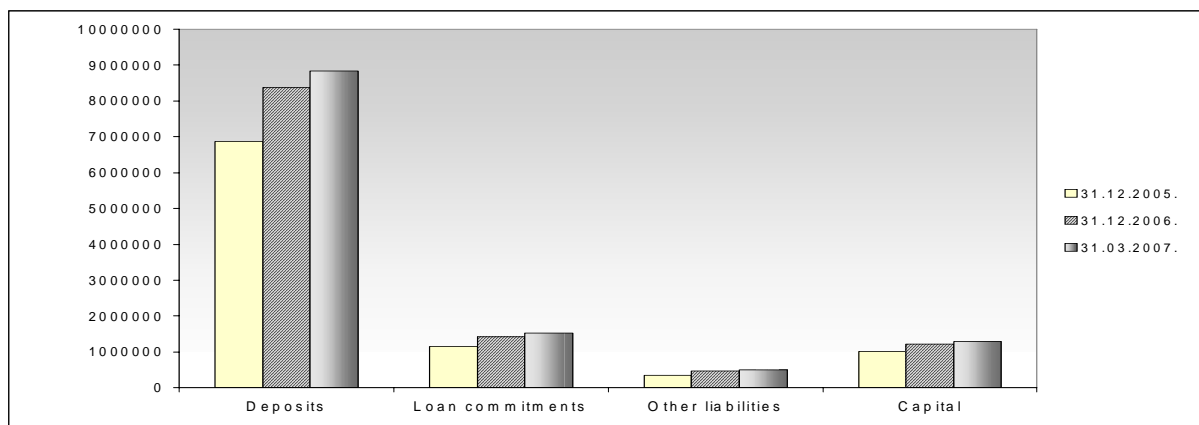
The following table and graphs present the structure of the most significant balance sheet positions of banks.

¹⁰ Banks are marked with letters from A to F.

Table 11: Structure of balance sheet of banks

- in % -

DESCRIPTION	PARTICIPATION		
	31.12.2005.	31.12.2006.	31.03.2007.
ASSETS:			
Cash funds	37,7	37,3	37,1
Securities	0,2	0,4	0,5
Placements to other banks	0,7	0,9	0,7
Loans	59,1	59,3	59,9
Loan loss reserves (LLR)	2,8	2,5	2,5
Loans- net value (loans minus LLR)	56,3	56,8	57,4
Business premises and other fixed assets	3,3	3,0	2,8
Other assets	1,8	1,6	1,5
TOTAL ASSETS	100,0	100,0	100,0
LIABILITIES:			
LIABILITIES			
Deposits	73,2	72,9	72,7
Borrowings from other banks	0,0	0,0	0,0
Loan commitments	12,3	12,3	12,5
Other liabilities	3,7	4,1	4,2
CAPITAL			
Capital	10,8	10,7	10,6
TOTAL LIABILITIES (LIABILITIES AND CAPITAL)	100,0	100,0	100,0

Graph 6: Structure of the balance sheet assets of banks**Graph 7: Structure of the balance sheet liabilities of banks**

Similar trend from previous years has continued in the balance sheet liabilities structure of banks, from the aspect of the most significant balance sheet categories, which is the trend of slow downfall in participation of deposits and growth of loan commitments.

The same conclusion could be made for the changes in the assets structure, noting that over the observed period participation of loans increased by 0,6% as a result of higher growth rate in comparison to previous years and comparative periods. This has caused decrease in participation of cash funds by 0,2% (from 37,3% to 37,1%).

Table 12: *Cash funds of banks*

CASH FUNDS	31.12.2005.		31.12.2006.		31.03.2007.		RATIO	
	Amount	Partic. %	Amount	Partic. %	Amount	Partic. %	4/2	6/4
1	2	3	4	5	6	7	8	9
Cash	231.874	6,6	241.561	5,6	214.805	4,8	104	89
Reserve accounts with CBBiH	1.679.194	47,5	2.258.035	52,7	2.394.236	53,1	134	106
Accounts with deposit institutions in BiH	24.241	0,7	21.354	0,5	21.352	0,5	88	100
Accounts with deposit institutions abroad	1.596.932	45,2	1.765.731	41,2	1.872.939	41,6	111	106
Cash funds in collection process	1.459	0,0	1.042	0,0	1.009	0,0	71	97
TOTAL	3.533.700	100,0	4.287.723	100,0	4.504.341	100,0	121	105

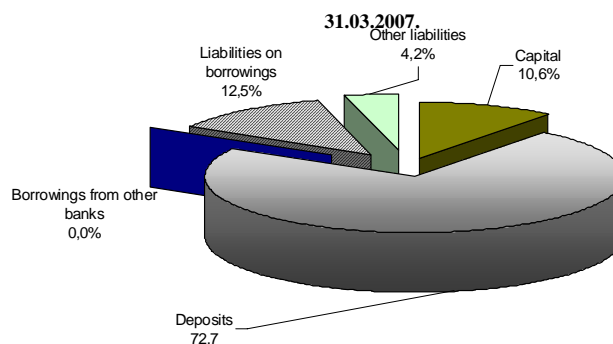
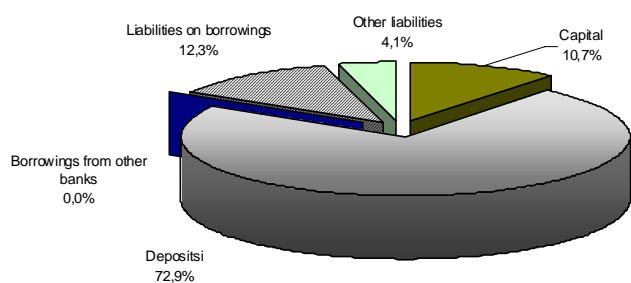
In the first quarter of 2007, cash funds of banks in the Federation of BiH on the reserve accounts with the Central Bank of BiH increased by 6%, amounting to KM 2,4 billion or 53,1% of total cash funds as of 31.03.2007., which was higher by 0,4% if compared to the end of 2006. Banks held on the accounts with depository institutions abroad total of KM 1,9 billion (most of it in EUR) or 41,6% of total cash funds (41,2% at the end of 2006). Banks' funds held as cash in vaults and tellers amounted to KM 215 million or 4,8% of total cash funds as of 31.03.2007., which was lower by 11% if compared to the end of 2006, while participation decreased by 0,8%.

Currency structure changes in regard to further growth of domestic currency participation has continued in the observed period, that is, participation of domestic currency has increased from 56,4% to 56,6%, resulting by decrease in participation of funds in foreign currency.

2. 1. 1. Liabilities

As of 31.03.2007., structure of liabilities (liabilities and capital) in the balance sheet of banks is presented in the following graph:

Graph 8: *Liabilities structure of banks*
31.12.2006.



Deposit potential in the amount of KM 8,8 billion and participation of 72,7% is still the most significant source of financing for banks in the Federation of BiH, although there is a slight trend of decrease in their participation (by 0,2% in the first quarter of 2007). Second most important source of financing are credit funds, and banks' indebtedness in the first quarter of 2007 increased by KM 100 million or 7%. These liabilities of KM 1,5 billion have reached 12,5% of participation in the liabilities (0,2% higher than at the end of 2006). Capital, along with deposits, has increased by 5%, amounting to KM 1,3 billion and participation of 10,6% as of 31.03.2007.

As of 31.03.2007., the highest bank commitments were towards the following creditors (six of total 57), representing 73% of total credit commitments: Raiffeisen Zentralbank Osterreich A.G. (RZB), OEWAG Wien, European Investment Bank (EIB), European fund for Southeast Europe (EFSE), Bank Polska OPIEKI and International Finance Corporation (IFC).

Over the three months of 2007, deposits increased by KM 452 million or 5%. As earlier, the increase primarily comes from the private bank sector.

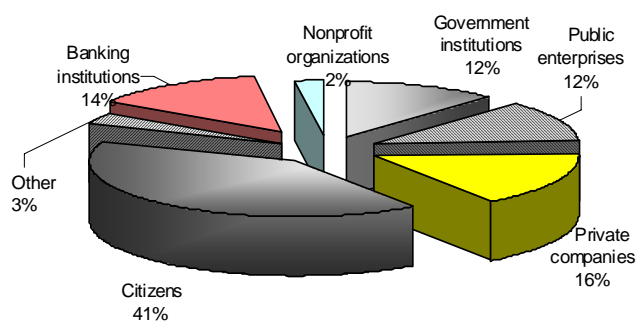
Based on information reported by banks, out of total deposits as of 31.03.2007. only 4,5% were deposits collected by organizational parts of the banks from the Federation of BiH operating in Republic Srpska and Brcko District.

Table 13: Deposit structure by sectors¹¹

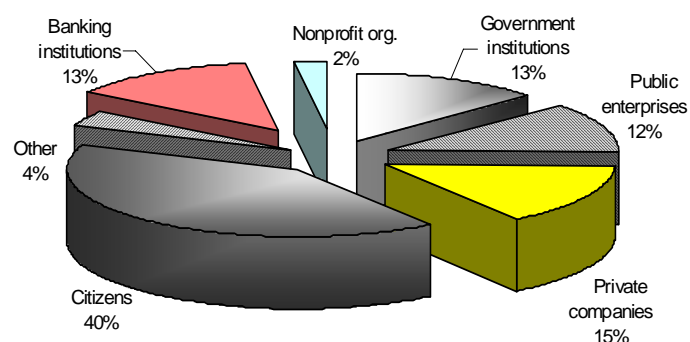
- in 000 KM-

SECTORS	31.12.2005.		31.12.2006.		31.03.2007.		RATIO	
	Amount	Partic. %	Amount	Partic. %	Amount	Partic. %	4/2	6/4
1	2	3	4	5	6	7	8	9
Governmental institutions	733.881	10,7	1.033.902	12,3	1.164.617	13,2	141	113
Public enterprises	806.321	11,7	996.110	11,9	1.086.692	12,3	124	109
Private enterprises and assoc.	1.066.022	15,5	1.342.538	16,0	1.296.950	14,7	126	97
Non-profit. organizations	169.005	2,5	193.009	2,3	189.803	2,1	114	98
Banking institutions	1.102.161	16,1	1.136.450	13,6	1.180.724	13,4	103	104
Citizens	2.717.081	39,6	3.403.443	40,6	3.587.463	40,6	125	105
Other	269.577	3,9	273.870	3,3	324.847	3,7	102	119
TOTAL	6.864.048	100,0	8.379.322	100,0	8.831.096	100,0	122	105

Graph 9: Deposit structure by sectors
31.12.2006.



31.03.2007.



¹¹ Information from attached form BS-D submitted by banks each quarter with balance sheet - FBA format.

Analysis by sectors shows that in the first quarter of 2007 the highest nominal growth of 5% was reported by the most significant sector – citizen deposits in the amount of KM 184 million. However, this has not changed percentage of their participation of 40,6%. Deposits of government institutions recorded the highest growth rate of 13% or KM 131 million and increase of their participation from 12,3% to 13,2%. Relatively high growth rate of 9% or KM 91 million and increase of their participation from 11,9% to 12,3% was recorded by deposits of public enterprises, while banking institutions increased their deposits by 4% or KM 44 million and maintained participation almost unchanged (13,4%). As for remaining sectors, we should point out to decrease of private companies deposits by 3% or KM 45 million and consequently decrease of participation from 16% to 14,7%.

Currency structure of deposits has slightly changed, that is, deposits in foreign currencies (dominant participation of EUR) of KM 4,8 billion participated with 54,7% (55,8% at the end of 2006), while deposits in domestic currency arrived at KM four billion and participation of 45,3% (44,2% at the end of 2006).

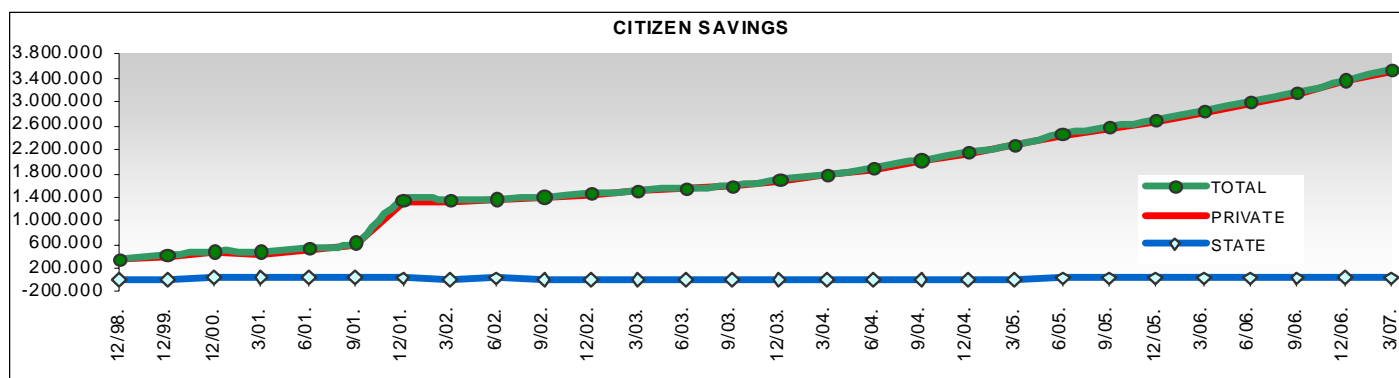
Savings deposits, as the most significant deposit and financial potential of banks, in 2007 have also continued with moderate and stable growth, that is, their increase was 5% or KM 180 million, arriving at KM 3,5 billion. Of the overall increase generated, four largest banks in the system make 67% or KM 120 million.

Table 14: *New citizen savings by periods*

- in 000 KM-

BANKS	AMOUNT (in 000 KM)			RATIO	
	31.12.2005.	31.12.2006.	31.03.2007.	3/2	4/3
1	3	3	4	5	6
State	26.886	31.723	30.660	118	97
Private	2.638.391	3.308.413	3.489.094	125	105
TOTAL	2.665.277	3.340.136	3.519.754	125	105

Graph 10: *New citizen savings by periods*



As in other segments, there is an obvious strong concentration of savings in larger banks, since four largest banks hold 75,1% of total savings.

Out of total savings, 33% saving deposits in domestic currency and 67% are saving deposits in foreign currency.

Table 15: Maturity structure of citizen saving deposits by periods

BANKS	AMOUNT (in 000 KM)						RATIO	
	31.12.2005.		31.12.2006.		31.12.2007.		3/2	4/3
	1	3	3	3	4	4	5	6
S-T savings deposits	1.567.617	58,8%	1.851.173	55,4%	1.921.767	54,6%	118	104
L-T savings deposits	1.097.660	41,2%	1.488.963	44,6%	1.597.987	45,4%	136	107
TOTAL	2.665.277	100,0%	3.340.136	100,0%	3.519.754	100,0 %	125	105

Maturity structure of savings deposits, as well as of the overall deposits, indicates a positive trend of changes, which is the result of permanent improvement of the banking sector's condition and strengthening of its safety and stability. This is especially reflected through the improvement of maturity structure of both savings and total deposits, and the emphasis should be on continuity and high level of growth rate of long term savings deposits, which caused that their participation in total savings deposits is closer to 50%.

Aside from a functional and effective banking supervision conducted by the FBA, deposit insurance system is also of significance for the growth of savings in banks of the FBiH, with their main goal being increase of stability of the banking, that is, financial sector and protection of savers. There is total 15 banks from the Federation of BiH accepted to the deposit insurance program, and according to the submitted data, there is total 96% of total deposits and 98% of total savings deposited in these banks. As for remaining banks, seven of them cannot apply to be accepted since they do not qualify with the criteria prescribed by the Deposit Insurance Agency: five state owned due to their ownership structure and two private banks under provisional administration, while a new bank that started operating as of October 2006 has to initiate the procedure to be accepted to the insurance program.

2.1.2. Capital – strength and adequacy

Capital¹² of banks in the FBiH, as of 31.03.2007., amounted to KM 1.504 million.

Table 16: Regulatory capital

-in 000 KM-

DESCRIPTION	31.12.2005.						31.12.2006.		31.03.2007.		RATIO	
	31.12.2005.		31.12.2006.		31.03.2007.		3/2	4/3				
	1	2	3	3	4	4	5	6				
STATE BANKS												
1. Core capital before reduction	166.737		169.829		147.849		102	87				
2. Offsetting items	4.200		4.401		4.647		105	106				
a) Core capital (1-2)	162.537	96%	165.428	94%	143.202	98%	102	87				
b) Additional capital	7.107	4%	10.103	6%	3.043	2%	142	30				
c) Capital (a + b)	169.644	100%	175.531	100%	146.245	100%	103	83				
PRIVATE BANKS												
1. Core capital before reduction	828.196		1.029.002		1.153.785		124	112				
2. Offsetting items	98.341		104.704		105.300		106	101				
a) Core capital (1-2)	729.855	72%	924.298	71%	1.048.485	77%	127	113				
b) Additional capital	290.758	28%	373.135	29%	309.298	23%	128	83				
e) Capital (a + b)	1.020.613	100%	1.297.433	100%	1.357.783	100%	127	105				
Total												
1. Core capital before reduction	994.933		1.198.831		1.301.634		120	109				
2. Offsetting items	102.541		109.105		109.947		106	101				
a) Core capital (1-2)	892.392	75%	1.089.726	74%	1.191.687	79%	122	109				
b) Additional capital	297.865	25%	383.238	26%	312.341	21%	129	82				
e) Capital (a + b)	1.190.257	100%	1.472.964	100%	1.504.028	100%	124	102				

¹² Regulatory capital is defined by Article 8 and 9 in the Decision on Minimum Standards for Managing Capital

Over the first quarter of 2007, capital¹³ increased by only 2% or KM 31 million, although significant changes have occurred in core and additional capital, which has caused changes in the structure of regulatory capital. Core capital increased by 9% or KM 102 million, while additional capital decreased by 18% or KM 71 million.

Growth of core capital primarily comes from the included profit for 2006 in the amount of KM 96 million, then inflow of new, green capital-additional capitalization of KM 10 million in one bank, and decrease of provisioning of approximately four million KM (coverage of loss in one bank, adverse effect of securities valuation available for sale in one bank, transfer into liabilities of portion of profit for dividend payout based on the assembly's decision-two banks).

Offsetting items (causing decrease of core capital) have increased by one million KM.

Additional capital decreased by KM 71 million based on the following changes: decrease of KM 85 million due to profit transfer from 2006 into core capital, increase of general loan loss provisions of nine million KM, and increase of subordinated debts of KM five million KM.

The mentioned changes influenced the structure of regulatory capital, so participation of core capital increased from 74% to 79%, and additional capital decreased from 26% to 21%.

Net capital, the same as regulatory capital, had the same growth in absolute and relative amount of 2% or KM 31 million, amounting to KM 1,5 billion as of 31.03.2007.

Capitalization rate of banks, expressed as ratio between capital and assets as of 31.03.2007. was 12,1%, which is lower by 0,4% if compared to the end of 2006.

One of the most significant indicators of capital strength and adequacy¹⁴ of banks is capital adequacy ratio calculated as ratio between net capital and risk weighted assets. As of 31.03.2007., this ratio at the system level was 16,8%, which is lower by 0,8% than at the end of 2006. This is relatively significant downfall, but it was to expect due to the following two reasons: higher growth rates of risk assets (7%) than net capital (2%), and calculation methodology for capital adequacy during the year, that is, the current profit generated not being included. If the nonaudited profit for the first quarter of 2007 is included in the calculation, capital adequacy would be 17,4%.

While conducting supervision of operations and financial positions of banks in the F BiH as regulated by the Law, the FBA has issued orders to banks to undertake actions for strengthening of capital base and provision of adequate capital in order to strengthen safety in banks individually and in the entire banking system, according to the level and profile of existing and potential exposure to all risks relevant to the banking operation.

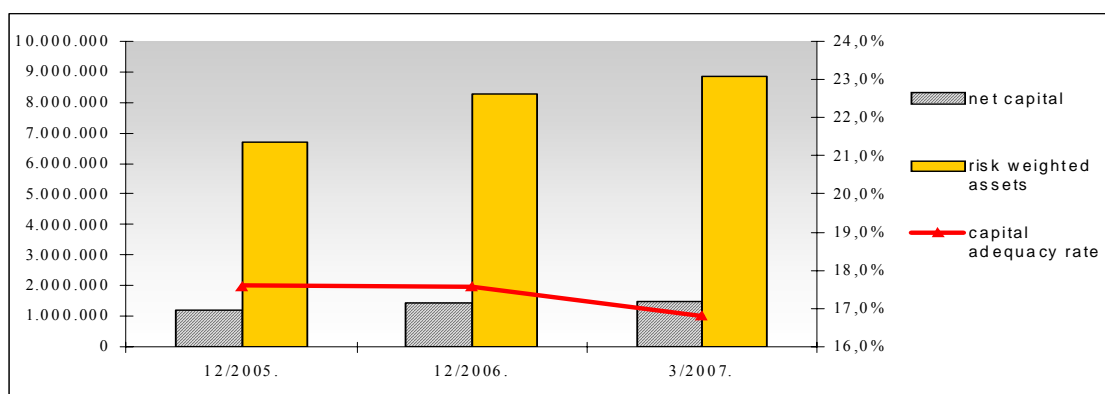
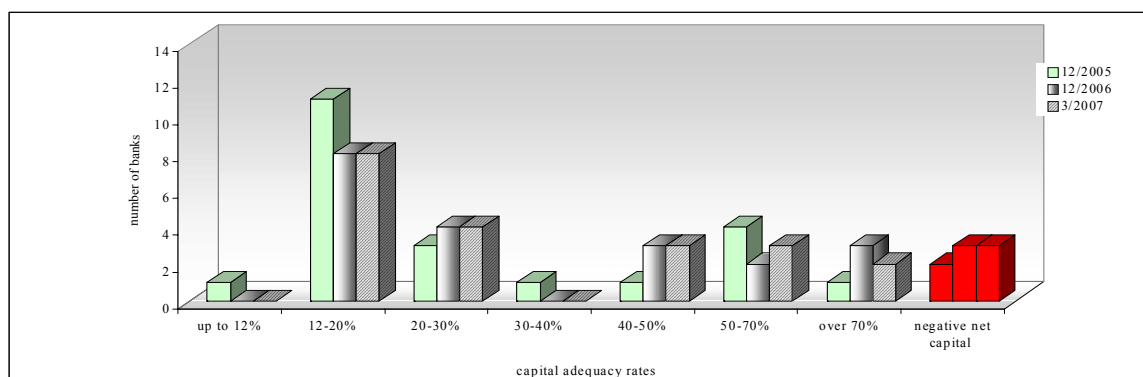
¹³ Data source is quarterly Report on Capital Positions in Banks (Form 1-Schedule A) regulated by the Decision on Minimum Standards for Managing Capital in Banks.

¹⁴ The Law prescribes minimum capital adequacy rate of 12%.

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

- 000 KM -

DESCRIPTION	31.12.2005.	31.12.2006.	31.03.2007.	RATIO	
				3/2	4/3
1	2	3	4	5	6
NET CAPITAL	1.173.022	1.455.728	1.486.792	124	102
RISK WEIGHTED ASSETS AND CREDIT EQUIVALENTS	6.681.510	8.281.695	8.840.238	124	107
NET CAPITAL RATE (CAPITAL ADEQUACY)	17,6%	17,6%	16,8%	100	95

Graph 11: Net capital, risk weighted assets and capital adequacy rate**Graph 12: Capital adequacy rate of banks**

Of total 23 banks in the FBiH as of 31.03.2007., 20 banks had capital adequacy rate higher than minimum prescribed by the law of 12%, and three banks (under provisional administration) had capital adequacy rate below 12%, that is, negative adequacy rate.

Review of capital adequacy rates of 20 banks in comparison to the minimum prescribed by the law of 12% is the following:

- Eight banks with the rate between 12,1% and 20%, and four largest banks from 12,1% to 15,9%
- Seven banks with rate between 21% and 50%,
- Three banks with the rate between 51% and 70%,
- Two banks with the rate higher than 70%.

Further strengthening of capital base will be priority task in majority of banks, especially in the largest banks in the system, which is necessary to strengthen stability and safety of both banks and the banking system. Following bank expansion and performing regular supervision of this segment, when acting towards banks, depending on the evaluation of their capital adequacy and risk profile, the FBA takes different corrective and supervisory measures, such as: adoption of strategy to maintain certain level of capital and plan which will provide for quantity and quality (structure) of that capital in accordance with the nature and complexity of bank's present and future business activities and undertaken and potential risk, then intensified supervision and monitoring of bank, request to supply additional capital in order to strengthen capital base, limitation and decrease of credit risk exposure with some concentrations, monitoring of capital plan implementation, especially for additional capital supplied from external resources, supervision of compliance and implementation of the ordered measures, etc.

All of the mentioned has contributed to the improvement of this segment, which is an assurance of stability and safety of the banking and overall financial system.

2.1.3. Assets and assets quality

Decision on Minimum Standards for Loan Risk Management and Assets Classification of Banks (the Decision) determines criteria for evaluation of bank's exposure to loan risk based on evaluation of their assets quality and adequacy of reserves for loan and other losses according to the risk of placements and balance sheet and off-balance sheet items.

Gross assets¹⁵ of the balance sheet of banks in the FBiH, as of 31.03.2007., amounted to KM 12,5 billion, which is higher by 6% or KM 668 million than at the end of 2006. Off-balance sheet risk items amounted to KM 1,9 billion, representing an increase of 6% or KM 108 million.

Total assets with off-balance sheet items (assets)¹⁶ amounted to KM 14,4 billion, which is higher by 6% if compared to the end of 2006.

Table 18: *Assets, off-balance sheet items and potential loan losses* -in 000 KM-

DESCRIPTION	AMOUNT (in 000 KM)					RATIO		
	31.12.2005.	Struct. %	31.12.2006.	Struct. %	31.03.2007.	Struct. %	4:2	6:4
1.	2	3	4	5	6	7	8	9
Loans	5.326.900	55,2	6.609.302	56,0	7.035.570	56,4	124	106
Interests	37.531	0,4	36.237	0,3	41.216	0,3	97	114
Past due claims	214.045	2,2	206.720	1,8	236.316	2,0	97	114
Claims for paid guarantees	4.132	0,0	4.132	0,0	3.860	0,0	100	93
Other placements	23.950	0,2	47.739	0,4	69.079	0,6	199	145
Other assets	4.050.650	42,0	4.893.331	41,5	5.079.112	40,7	121	104
TOTAL ASSETS	9.657.208	100,0	11.797.461	100,0	12.465.153	100,0	122	106
OFF-BALANCE SHEET	1.391.183		1.826.980		1.935.276		131	106
ASSETS WITH OFF-BALANCE SHEET	11.048.391		13.624.441		14.400.429		123	106
RISK ASSETS WITH OFF-BALANCE SHEET	7.091.338		8.871.265		9.461.358		125	107
General loan risk and Potential loan losses	313.873		342.853		361.056		109	105

¹⁵ Data source: Report on classification of balance sheet assets and off-balance sheet items of banks.

¹⁶ Assets defined by Article 2 of Decision on Minimum Standards for Loan Risk Management and Assets Classification of Banks.

General and Special loan loss reserves already established	314.175	314.175	362.811	110	115
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Non-risk items amount to KM 4,9 billion or 34% of total assets with off-balance sheet items, and they increased by 4% if compared to the end of 2006, which is primarily the result of the cash funds increase. On the other hand, risk assets with off-balance sheet amount to KM 9,5 billion and they increased by 7% or KM 590 million in the first quarter of 2007.

Credit placements¹⁷, if compared to 2006, increased by 7% or KM 456 million, arriving at 59,9% of participation in the assets structure. Past due claims decreased by 14%, and their participation in the assets structure increased from 1,8% to 2%.

Analytical data by banks show that six banks (four under provisional administration) reported a slight decrease of credit placements (total of KM 4,6 million). 13 banks reported growth rate of credit placements between 2% and 10%, and growth rate in loans of remaining four banks ranged between 10% and 22%.

Four largest banks in the FBiH increased their credit placements by KM 310 million, representing 68% of the overall increase on the banking system level. However, this has not changed their participation in total loans (71%).

Based on the analysis of loan structure by sectors, we can see that placements to private companies increased the most of KM 222 million or 7%, causing increase of their participation from 44,4% to 44,7%. Loans to citizens increased by 6% or KM 214 million, while their participation decreased from 50,9% to 50,7%. According to the data submitted by banks, as of 31.03.2007., from the aspect of citizen loan structure by purpose, the highest participation of approximately 70% had loans originate to finance consumer goods¹⁸, 24% had housing loans, and remaining 6% had loans for SMEs and agriculture.

Other sectors recorded smaller changes in both nominal and relative amount.

Four largest banks in the system financed 71% of total loans originated to citizens, which is lower by 2% if compared to the end of 2006, while the same indicator for the private companies sector is 72%, which is at the same level as in 2006.

Changes in participation of individual sectors in the overall structure of loans are presented in the following table:

Table 19: Loan structure by sectors

-in 000 KM-

SECTORS	31.12.2005.		31.12.2006.		31.03.2007.		RATIO	
	Amount	Partic %	Amount	Partic %	Amount	Partic %	4/2	6/4
1	2	3	4	5	6	7	8	9
Government institutions	35.513	0,6	27.084	0,4	25.522	0,4	76	94
Public enterprises	188.143	3,4	192.394	2,8	206.046	2,8	102	107
Private enterprises and assoc.	2.446.358	44,1	3.029.964	44,4	3.251.491	44,7	124	107
Non-profit organizations	9.276	0,2	18.088	0,3	17.410	0,2	195	96
Banking institutions	33.123	0,5	28.445	0,4	25.257	0,4	86	89
Citizens	2.784.053	50,2	3.471.829	50,9	3.686.175	50,7	125	106
Other	48.611	1,0	52.350	0,8	63.845	0,8	108	122
TOTAL	5.545.077	100,0	6.820.154	100,0	7.275.746	100,0	123	107

¹⁷ Short term and long term loans, past due claims and claims based on paid-called for payment guarantees.

¹⁸ Including card operations.

As for currency structure of loans, the highest participation of 69% or KM 5 billion have loans financed with currency clause, then loans in domestic currency of 26% or KM 1,9 billion, and smallest participation of only 6% or KM 408 million had loans in foreign currencies.

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 categories¹⁹ and off-balance sheet items are presented in the following table:

Table 20: *Assets classification, general loan risk (GLR), potential loan losses (PLL) and off-balance sheet items (assets charged off and suspended interest)*

- 000 KM -

Classification category	AMOUNT (in 000 KM) AND PARTICIPATION (in%)									RATIO	
	31.12.2005.			31.12.2006.			31.03.2007.			5/2	8/5
	Assets classif.	Partic. %	GLR PLL	Assets classif.	Partic. %	GLR PLL	Assets classif.	Partic. %	GLR PLL		
1	2	3	4	5	6	7	8	9	10	11	12
A	5.943.367	83,8	118.864	7.519.869	84,8	150.516	7.973.300	84,3	159.619	127	106
B	831.403	11,7	62.512	1.069.395	12,1	78.917	1.205.570	12,7	89.017	129	113
C	157.310	2,2	41.915	146.015	1,6	36.339	148.941	1,6	35.856	93	102
D	159.224	2,3	90.551	135.829	1,5	76.940	133.519	1,4	76.537	85	98
E	34	0,0	31	157	0,0	141	28	0,0	27	462	18
Risk assets (A-E)	7.091.338	100,0	313.873	8.871.265	100,0	342.853	9.461.358	100,0	361.056	125	107
No risk assets²⁰	3.957.053			4.753.176			4.939.071			120	104
TOTAL	11.048.391			13.624.441			14.400.429			123	106
OFF BALANCE SHEET ITEMS											
E	385.601	87,6		409.082	89,8		413.042	90,1		106	101
Susp. Interest	54.426	12,4		46.546	10,2		45.533	9,9		86	98
TOTAL	440.027	100,0		455.628	100,0		458.575	100,0		104	101

Risk assets with off-balance sheet items (A-E) amount to KM 9,5 billion and they increased by 7% or KM 590 million, while nonrisk items amount to KM 4,9 billion and they increased by 4% if compared to the end of 2006, which is primarily the result of the cash funds increase.

If we analyze the quality of risk assets, we see a slight trend of increase of classified assets (B-E), which as of 31.03.2007. amounted to KM 1,5 billion. Over the three months of 2007, they increased by 10% or KM 137 million, exclusively due to the growth of special mentioned placements (category B) by 13% or KM 137 million, so at the end of the first quarter of 2007 they amounted to KM 1,2 billion. Poor quality assets (C-E) remained the same as in 2006 (KM 282 million), but we have to mention that in the same period changed off assets were KM 23 million. The assets quality indicators expressed as ratio, that is, participation of individual categories in risk assets have insignificantly changed, as a result of the above mentioned. The

¹⁹ As it is 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%.

²⁰ Assets items which are not subject, according to Article 22 Paragraph 7 of Decision on Minimum Standards for Loan Risk Management and Assets Classification of Banks, of general loan loss provision of 2%.

ratio of classified assets and risk assets, if compared to the end of 2006, is higher by 0,5%, amounting to 15,7%, primarily due to faster growth of classified assets (10%) than risk assets (7%). If we analyze the ratio and trend of only poor quality assets and risk assets, this ratio as of 31.03.2007. was 3,0%, which is relatively low ratio, but it has improved by 0,2% if compared to the end of 2006. However, if we also take into account the increase of category B of 13% and its participation of 12,7% in risk assets, along with a doubt that portion of placements reported under this category have worst quality and should be placed under the category of poor quality assets, we could say there is a slight trend of deterioration in the assets quality. That is why it is of key importance that banks more realistically evaluate the quality of placements and establish adequate loan loss reserves, especially for the fact that these are new loans with long maturity (especially citizen loans), so the issues related to the assets quality are not timely detected, that is, they are in some way hidden through the highest increase of category B.

The analysis of analytical data by sectors is based on the indicators of loan quality graded 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 risk with the loans originated to legal entities, along with slight trend of improvement for these parameters.

As of 31.03.2007., of total loans granted to legal entities in the amount of KM 3.590 million, one billion KM or 28,9% was classified in the categories B to E (28,3% at the end of 2006), while of total loans granted to citizens in the amount of KM 3,7 billion, KM 215 million or 5,8% (5% at the end of 2006) was classified in the categories B to E.

Poor quality assets granted to legal entities amount to KM 207 million or 5,8% of total loans granted to this sector (KM 204 million or 6,1% as of 31.12.2006.). Poor quality loans granted to citizens amount to KM 68 million or 1,8% of total loans granted to this sector (KM 69 million or 2% as of 31.12.2006.).

Over the observed period, banks have written off from balance sheet to off-balance sheet, that is, charged off claims of KM 21 million and suspended interest of KM 2,2 million. Over the same period, there was also permanent charge off of the assets items of KM 4,3 million and suspended interest of KM 0,4 million. Banks succeeded over the same period to collect earlier charged off assets of KM 13 million and suspended interest of KM 2,7 million, which has positively reflected on their profitability.

At the end of first quarter of 2007, balance of the charged off assets was KM 413 million, representing an increase of 1% if compared to the end of 2006, while the balance of suspended interest was KM 46 million, representing a decrease of 2% if compared to the end of 2006.

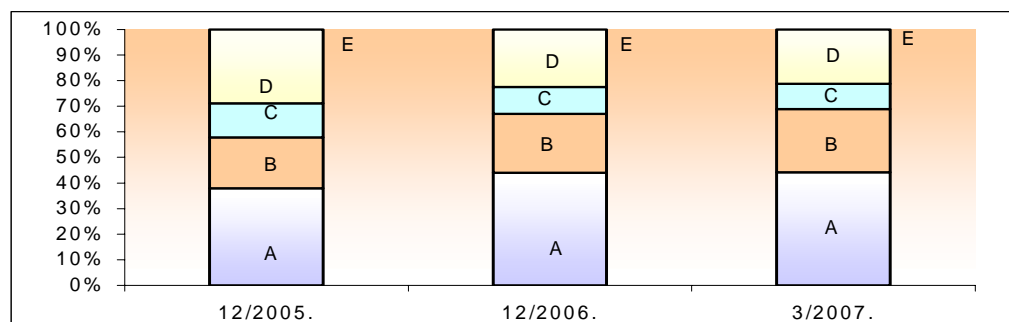
Of total charged off assets, the charged off assets based on loans granted to citizens was KM 61 million or 15%, and KM 6,9 million or 15% based on suspended interest.

Level of general loan risk and potential loan losses by classification categories, as determined in accordance with the criteria and methodology prescribed by the FBA's Decisions, their trend and structure on the level of banking sector is presented in the following table and graph.

Table 21: Structure and trend of general loan risk and potential loan losses

- 000 KM -

Classification category	AMOUNT (in 000 KM) AND STRUCTURE (in%)						RATIO	
	31.12.2005.		31.12.2006.		31.03.2007.		4/2	6/4
1	2	3	4	5	6	7	8	9
A	118.884	37,9	150.516	44,0	159.619	44,2	127	106
B	62.517	19,9	78.917	23,0	89.017	24,7	126	113
C	41.954	13,4	36.339	10,6	35.856	9,9	87	99
D	90.465	28,8	76.940	22,4	76.537	21,2	85	99
E	31	0,0	141	0,0	27	0,0	455	19
TOTAL	313.851	100,0	342.853	100,0	361.056	100,0	109	105

Graph 13: Structure and trend of general loan risk and potential loan losses

As reported in the statements, banks have established loan loss provisions in accordance with the regulations and level of the estimated credit risk.

Based on the analysis of the established provisions, in total amount and by classification categories, if compared to the end of 2006, general loan risk and potential loan loss provisions are higher by 5%, amounting to KM 363 million, that is, 3,8% of risk assets with off-balance sheet, which is lower by 0,1% if compared to the end of 2006. As of 31.03.2007., banks in average allocated for category B 7,4%, for category C 24,1%, for category D 58,8% and E 100%.

Analysis of assets quality, that is, loan portfolio of individual banks, as well as on-site examinations in banks, indicate loan risk as still dominant risk with majority of banks, and 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. However, the problem is not essentially solved.

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 poor quality assets issue and prevention of their further deterioration. Implementation of the FBA's orders is continuously monitored in the follow-up procedure based on reports and other documentation submitted by banks, which are checked through targeted on-site examinations.

Transactions with related entities

While operating, banks are exposed to different types of risks, but 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 banks²¹, which is 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, which include 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 senior management and
- Subsidiaries and other enterprises related to a bank through capital

Table 22: Transactions with related entities

-000 KM-

Description	LOANS GRANTED			RATIO	
	31.12.2005.	31.12.2006.	31.03.2007.	3/2	4/3
1	2	3	4	5	6
Shareholders over 5% of voting rights, subsidiaries and other enterprises related to a bank through capital	28.520	21.333	38.941	75	183
Supervisory Board members	101	38	54	39	142
Bank Management and employees	2.663	1.962	2.074	74	106
TOTAL	31.284	23.333	41.069	75	176
Potential and undertaken off-balance sheet liabilities	911	1.072	6.878	118	641

Although in the first quarter of 2007, credit exposure of banks towards related entities has relatively significantly increased (loans 76% or KM 18 million, and potential and undertaken off-balance sheet liabilities by 541% or KM 5,8 million), based on reporting data we can conclude this would be a small amount of loans granted to legal entities, and in general level of risk is low. The FBA pays a special attention (through on-site examinations) to banks' operations with related entities. The FBA on-site examiners issue orders for elimination of determined weaknesses within certain deadlines and initiate violation procedures, and part of the activity is also to monitor and supervise implementation of the issued orders through follow up procedure. This has had a positive influence on this segment of operations, since the level of transactions with related entities is decreasing, causing decrease in risk exposure to those entities.

2.2. Profitability

According to the submitted reporting data, banks in the Federation of BiH, over the first quarter of 2007, reported positive financial result-profit of KM 55 million, representing a

²¹ Article 39, Paragraph 2 of Law on Changes and Amendments to the Law on Banks defines term "entities related to a bank", excluding employees from this list.

significant increase on the system level of 92,6% or KM 29 million if compared to the same period in 2006. Even for longer period of time it has been obvious that the system's profitability has the improving trend, which is primarily the result of increase in profit, although the loss has significantly decreased, not just in absolute amount, but also number of banks with operating loss has decreased, the highest influence to such high profit in the first quarter of 2007 had one bank, generating 40% of the system's profit.

Positive financial result of KM 56,3 million was reported by 18 banks, which is higher by 78,8% or KM 24,8 million if compared to the same period in 2006. At the same time, performance loss of KM 1,2 million was reported by five banks (two state owned and three private), representing a decrease of 56,9% or KM 1,6 million if compared to the same period last year.

More detailed information is presented in the following table:

Table 23: *Financial result reported: profit/loss*

-000 KM-

Date/Description	Banking system		Private banks		State banks	
	Amount	Number of banks	Amount		Amount	Number of banks
31.03.2005.						
Loss	-5.426	9	-4.725	5	-701	4
Profit	20.247	15	19.519	13	728	2
Total	14.821	24	14.794	18	27	6
31.03.2006.						
Loss	-2.898	7	-2.025	3	-873	4
Profit	31.487	17	31.070	15	417	2
Total	28.589	24	29.045	18	-456	6
31.03.2007.						
Loss	-1.249	5	-884	3	-365	2
Profit	56.303	18	54.231	16	2.072	2
Total	55.054	23	53.347	19	1.707	4

Based on analytical data, as well as parameters for evaluation of profitability quality (level of realized financial result – profit / loss and ratios used for evaluation of profitability, productivity and effectiveness of performance, and other parameters related to evaluation of performance), we can conclude that improvement of the general profitability of the system comes from good profitability of smaller number of large banks. Sector of state banks does not have any significant influence on the overall profitability of the banking sector.

Only four banks (assets exceeding 68% of the banking system assets) generated KM 46,6 million of the overall profit generated, representing 82,8% of the total profit generated by 18 banks (KM 56,3 million).

Total loss reported of KM 1,2 million referred to two state owned banks and three private banks (of the mentioned five banks, three banks are under provisional administration).

Total income realized on the system level was KM 209 million with the growth rate of 35% or KM 59 million, representing an increase of 14 index points if compared to the same period last year. Total noninterest bearing expenses amount to KM 154 million with growth rate of 22% or KM 28 million. If compared to the last year this represents an increase of 11 index points, which has positively reflected on the overall result of the financial sector.

If we analyze the structure of total income and changes in the most significant categories, we may conclude that percentage based operating income recorded higher growth in the structure of total income, if compared to the growth of prior year, than interest income, exclusively due to extremely high securities trading income in one bank, which, according to the reported indicators, has neutralized the actual growth of total interest income in the structure of total income.

Total interest income amount to KM 189 million, and if compared to the same period last year, it has increased by 32% with the growth rate of nine index points. Positive trend is the result of a parallel growth of interest income on loans and loan placements, improvement in practices of free cash funds management and, based on that, significant growth of interest rates on funds with depository institutions, as well as implementation of the IAS 18 provisions.

On the other hand, if compared to the growth rate of interest income, interest expenses recorded faster growth, that is, the rate of 39%, amounting to KM 73 million. If compared to the growth of interest bearing sources (rate of 25%), expenses recorded faster trend of growth as a result of continuous growth of credit commitments (primarily foreign indebtedness) and term deposits (primarily short term), as well as trend of growth in interest rates on deposits and borrowings.

Due to faster growth interest expenses, net interest income of KM 119 million and growth rate of 28% or KM 25 million, that is, nine index points, recorded slower growth in the structure of total income if compared to the same period last year.

Operating income amounting to KM 93 million, as a second most important component of total income, recorded faster growth than net interest income, that is, they increased by 46% or KM 30 million. Significant growth of operating income is the result of the reported extremely high securities trading income in one bank of KM 20 million, which has significantly influenced the increase of participation of operating income in the structure of total income, and total profit of the banking sector and has neutralized downfall of loan fee income in the operating income as a result of changes in the accounting policies in the segment of treatment and recognition methodology for fee income related to loans²² (applied to all banks).

Positive trend of slightly slower growth in comparison to other categories of total income is noted with noninterest bearing expenses, amounting to KM 154 million, representing an increase of KM 28 million or 22%, and generated growth rate was higher by 11 index points, if compared to the last year.

Within noninterest bearing expenses, nominally and percentage based the highest increase of 33% or KM 10 million was generated by general loan risk and potential losses provisioning, followed by salary and contribution expenses of 16% or KM seven million, and other operating expenses with the rate of 23% or KM five million.

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

²²Implementation of IAS 18-Income and IAS 39-Financial instruments: recognition and measurement.

Table 24: Structure of total income

-in 000 KM-

Structure of total income	31.03.2005.		31.03.2006.		31.03.2007.		RATIO	
	Amount	%	Amount	%	Amount	%	4/2	6/4
1	2	3	4	5	6	7	8	9
I Interest income and similar type of income								
Interest bearing deposit accounts with depository institutions	9.806	5,8	13.413	6,5	22.071	7,8	137	165
Loans and leasing	102.689	61,1	125.219	60,6	157.212	55,8	122	126
Other interest income	3.494	2,1	4.172	2,0	9.326	3,3	119	224
TOTAL	115.989	69,0	142.804	69,1	188.609	66,9	123	132
II Operating income								
Service fees	33.643	20,0	38.866	18,8	41.031	14,6	116	106
Foreign exchange income	6.092	3,6	6.265	3,0	6.859	2,4	103	109
Other operating income	12.419	7,4	18.794	9,1	45.507	16,1	151	242
TOTAL	52.154	31,0	63.925	30,9	93.397	33,1	123	146
TOTAL INCOME (I + II)	168.143	100,0	206.729	100,0	282.006	100,0	123	136

Graph 14: Structure of total income

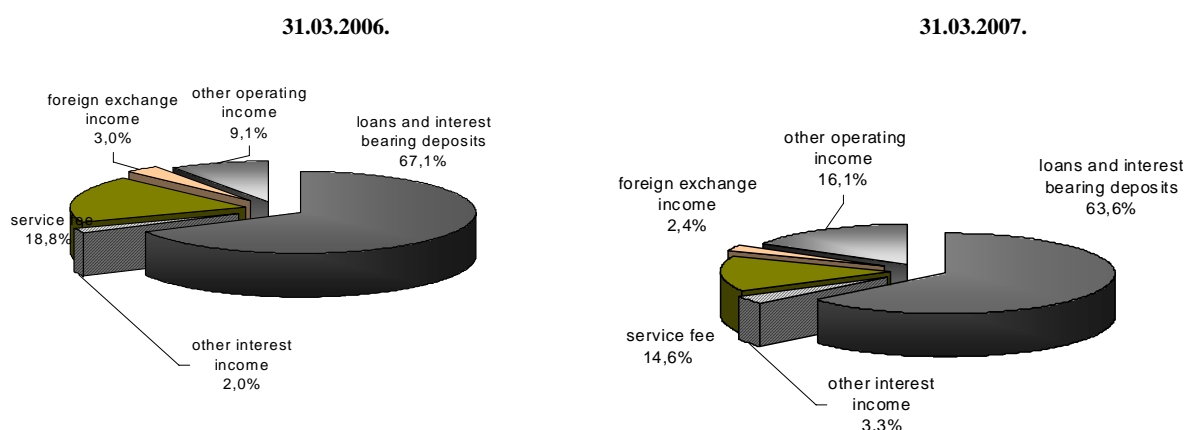


Table 25: Structure of total expenses

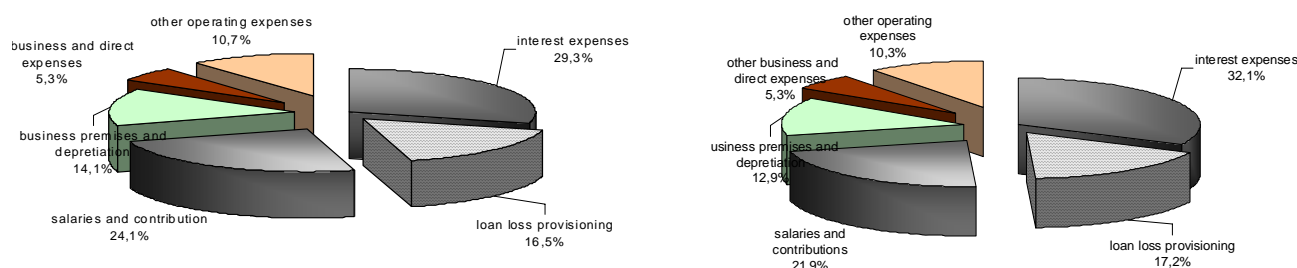
- in 000 KM-

Structure of total expenses	31.03.2005.		31.03.2006.		31.03.2007.		INDEKS	
	Amount	%	Amount	%	Amount	%	4/2	6/4
1	2	3	4	5	6	7	8	9
I Interest expenses and similar expenses								
Deposits	31.500	20,5	39.646	22,3	50.857	22,5	126	128
Liabilities for borrowings	7.872	5,2	11.253	6,3	18.208	8,0	141	167
Other interest expenses	799	0,5	1.350	0,7	3.676	1,6	169	272
TOTAL	40.171	26,2	52.249	29,3	72.741	32,1	130	139
II Total non-interest bearing expenses								
General loan risk and potential loan losses Provisioning	30.526	19,9	29.382	16,5	39.016	17,2	96	133
Salary expenses	37.940	24,8	42.960	24,1	49.798	21,9	113	116
Business premises and depreciation expenses	21.973	14,3	25.073	14,1	29.277	12,9	114	117
Other business and direct expenses	7.027	4,6	9.477	5,3	12.663	5,6	135	134
Other operating expenses	15.685	10,2	18.999	10,7	23.457	10,3	121	123
TOTAL	113.151	73,8	125.891	70,7	154.211	68,0	111	122
TOTAL EXPENSES (I + II)	153.322	100,0	178.140	100,0	226.952	100,0	116	127

Graph 15: Structure of total expenses

31.03.2006.

31.03.2007



The following tables present the most significant ratios for evaluation of profitability, productivity and effectiveness of banks:

Table 26: Ratios of profitability, productivity and effectiveness by periods

-in %-

RATIOS	31.03.2005.	31.03.2006.	31.03.2007.
Return on Average Assets	0,77	1,20	1,85
Return on Average Total Capital	6,46	10,83	17,23
Return on Average Equity	7,79	14,13	24,37
Net Interest Income/Average Assets	3,93	3,79	3,89
Fee Income/Average Assets	2,71	2,68	3,14
Total Income/Average Assets	6,64	6,47	7,02
Operating and Direct Expenses ²³ /Average Assets	1,95	1,63	1,73
Operating Expenses/Average Assets	3,92	3,64	3,44
Total Non-interest Expenses/Average Assets	5,87	5,27	5,18

Table 27: Ratios of profitability, productivity and effectiveness as of 31.03 2007.

-in %-

RATIOS	31.03. 2007.		
	STATE BANKS	PRIVATE BANKS	AVERAGE IN THE FBiH
Return on Average Assets	1,75	1,85	1,85
Return on Average Total Capital	4,69	18,84	17,23
Return on Average Equity	5,50	27,38	24,37
Net Interest Income/Average Assets	3,45	3,90	3,89
Fee Income/Average Assets	5,69	3,05	3,14
Total Income/Average Assets	9,14	6,95	7,02
Operating and Direct Expenses/Average Assets	3,04	1,69	1,73
Operating Expenses/Average Assets	4,35	3,41	3,44
Total Non-interest Expenses/Average Assets	7,40	5,10	5,18

Analysis of some general parameters for assessment of profitability quality indicates that two the most important indicators: ROAA (Return on Average Assets) of 1,85% and ROAE (Return on Average Equity) of 24,37% has significantly improved if compared to the same period in 2006.

²³ Expenses include provisions for potential loan losses.

Productivity of banks, measured as ratio between total income and average assets (7,0%), as well as net interest and operating income realized per unit of average assets, have improved, as net interest income had faster growth (28%) if compared to the rate growth of average assets (25%).

All key financial indicators of profitability analyzed based on the ownership criteria in banks indicate that private banks operate more cost-effectively, productively and efficiently, which gives them competitive advantage if compared to state banks, emphasizing the need to finish privatization process in remaining state banks.

Profitability of the banking sector indicates a satisfactory trend influenced by several factors, and as the main ones we will mention the following: assets quality, that is, exposure of banks to credit risk, introduction of new products which have proven good profitability, then effective management and control of operating expenses, along with the level and trend of off-balance sheet operations-activities resulting by significant profit to banks in form of fees and charges, which in the income structure of banking balance sheet participate have almost the same as net interest income. These factors will in the upcoming period have the highest influence on the banking sector's profitability. Key factor of every bank's effectiveness and profitability is management quality and business policy the management is following and bank development and growth strategy, since that is the most direct way to influence its performance. Apart from the mentioned, as internal factors, we should emphasize that profitability rate of the entire banking sector is strongly under influence of the environment as macroeconomic factor, that is, condition and degree of the overall economic development, especially of the real sector.

Under the new market conditions, banks more adopt new concept of business policy aimed to market oriented banking in order to gain more profit, providing for bank stability and adequate management and control of all risks a bank is exposed to, and primarily credit risk. However, by entering international financial operations and market, banks will in future be more exposed to market risks: interest rate risk, foreign exchange and price risk, as well as indebtedness risk, which will require further strengthening of capital base, not only from internal sources through increase of retained income from profit, but from external sources, which is at the same time a precondition for further expansion and growth of banks.

2.3. Liquidity

Liquidity risk management, along with credit risk, is one of the most compound and most important segments of banking operation. 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 trust in banking system of any country.

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.

Liquidity risk is closely correlated with other risks and often has an adverse effect on banks' profitability.

In the structure of financing sources of banks in the Federation of BiH as of 31.03.2007., the highest participation of 72,7% still have deposits and borrowings (including subordinated debts) of 13,7% with longer maturity, representing quality sources for long term placements, and have made a significant contribution to maturity adjustment between assets and liabilities. On the other hand, majority structure of deposits is considerably unfavorable, although it has been some time that we have improving trend.

Table 28: Maturity structure of deposits

- in 000 KM-

DEPOSITS	31.12.2005.		31.12.2006.		31.03.2007.		RATIO	
	Amount	Partic. %	Amount	Partic. %	Amount	Partic. %	4/2	6/4
1	2	3	4	5	6	7	8	9
Savings and demand deposits	3.264.937	47,5	4.074.553	48,6	4.277.225	48,5	125	105
Up to 3 months	408.679	6,0	295.224	3,5	311.437	3,5	72	105
Up to 1 year	541.832	7,9	745.954	8,9	874.146	9,9	138	117
1. Total S-T	4.215.448	61,4	5.115.731	61,0	5.462.808	61,9	121	107
Up to 3 years	1.709.665	24,9	2.212.076	26,4	2.271.814	25,7	129	103
Over 3 years	938.935	13,7	1.051.515	12,5	1.096.474	12,4	112	104
2. Total L-T	2.648.600	38,6	3.263.591	38,9	3.368.288	38,1	123	103
TOTAL (1 + 2)	6.864.048	100,0	8.379.322	100,0	8.831.096	100,0	122	105

Maturity structure analysis of the two main groups, if compared to 2006, shows that short term deposits had fairly faster growth (7% or KM 347 million) than long term (3% or KM 105 million).

Within short term deposits, if compared to 2006, the highest nominal growth of KM 203 million (growth rate of 5%) was realized in demand deposits. More than a half of this growth came from the government institutions deposits that have increased by 16% or KM 136 million, primarily from the funds collected based on VAT, which is why their participation in total demand deposits increased from 21,3 to 23,4%. Citizen deposits that have the highest participation in total demand deposits (34,6%) increased by 5% or KM 67,5 million. Term deposits over three months to one year had the highest growth rate of 17% or KM 128 million.

We should emphasize that in long term deposits, there are two sectors with dominant participation: citizens of 47,7% and banking institutions of 27,2%; citizen deposits make 61,4% of term deposits up to three years (58,4% at the end of 2006), and funds of the banking institutions sector make 63,9% of term deposits over three years (62,9% at the end of 2006).

In the function of planning 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.

Table 29: Maturity structure of loans

-in 000 KM-

LOANS	31.12.2005.		31.12.2006.		31.03.2007.		RATIO	
	Amount	Partic. %	Amount	Partic. %	Amount	Partic. %	4/2	6/4
1	2	3	4	5	6	7	8	9
Pastdue claims and paid off-balance sheet liabilities	218.177	3,9	210.852	3,1	240.176	3,3	97	114
Short term loans	1.134.850	20,5	1.360.381	19,9	1.448.302	19,9	120	106
Long term loans	4.192.050	75,6	5.248.921	77,0	5.587.268	76,8	125	106
TOTAL LOANS	5.545.077	100,0	6.820.154	100,0	7.746275	100,0	123	107

Over the three months of 2007, long term loans increased by 6% or KM 338 million (58% or KM 196 million of the growth were citizen loans), and short term by 6% or KM 88 million (97% or KM 85 million to private companies).

Sectorial analysis by maturity indicates that long term loans represent 90,5% of total loans originated to citizens and 62,2% of loans originated to private companies, which is approximately on the same level as at the end of 2006.

In the assets structure, as the most significant category, loans still have the highest participation of 59,9%

In 2006, banks were regularly meeting required reserves with the Central Bank of BiH.²⁴ Through the required reserve as the most significant instrument of monetary policy, in BiH under the environment of Currency Board and relatively financially underdeveloped market, required reserve as the most significant instrument of monetary policy is used to meet a primary monetary purpose, that is, monetary control, in sense of stopping fast credit growth from the past years and decrease multiplications. 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 keep on the reserve account with the Central Bank in domestic currency, which provides for high liquidity of individual banks and the banking sector, although that is adversely reflected on profitability of banks.

In liquidity analysis, we use several ratios, and list of the most significant is presented in the following table:

Table 30: Liquidity ratios

- in % -

Ratios	31.12.2005.	31.12.2006.	31.03.2007.
1	2	3	4
Liquid assets ²⁵ / Total assets	37,8	37,4	37,1
Liquid assets / Short term financial liabilities	63,9	62,2	62,1
Short term financial liabilities / Total financial liabilities	66,9	68,0	67,7
Loans / Deposits and borrowings ²⁶	69,2	69,6	70,3

²⁴ At the end of 2005, there were some changes in the regulations based on which the required reserve increased from 10% to 15% as of 01.12.2005.

²⁵ Liquidity assets in the narrow sense: cash and deposits and other financial assets with maturity below three months, except inter-banking deposits.

²⁶ Empiric standards: below 70%-very sound, 71%-75%-satisfactory, 76%-80%-marginal to satisfactory, 81%-85%-insufficient, over 85%-critical.

In the first quarter of 2007, a trend of slight deterioration of general liquidity indicators quality has continued, primarily due to faster growth of credit placements, but could still say that liquidity position of the banking system of the Federation of BiH is good, with satisfactory participation of liquid assets in total assets and coverage of short-term liabilities by liquid assets, while structural indicator of participation of short term liabilities in total financial liabilities has slightly improved if compared to the end of 2006. The last two indicators, expressed as ratio between loans and financing sources (deposits and borrowings), are also very good and they are in accordance with feasible standard.

Regulatory requirements prescribed towards banks are quite restrictive, which resulted in good liquidity of banks individually and the entire banking system. All banks continuously meet prescribed minimum over the average, requirement of ten-day average of 20% in relation to short-term sources, and daily minimum of 10% according to the same basis, which is presented in the following table.

Table 31: Liquidity position –ten-day average and daily minimum - in 000 KM-

Description	31.12.2005.	31.12.2006.	31.03.2003.	RATIO	
	Amount	Amount	Amount	3/2	4/3
1	2	3	4	5	6
1. Average daily balance of cash assets	2.687.043	3.478.292	3.576.291	129	103
2. Minimum total daily balance of cash assets	2.371.336	3.201.670	3.365.591	135	105
3. Short term sources (accrual basis)	4.165.268	5.135.086	5.348.010	123	104
4.Liabilities:					
4.1. ten-day average 20% of Item 3	833.054	1.027.017	1.069.602	123	104
4.2. daily minimum 10% of Item 3	416.527	513.509	534.801	123	104
5.Meeting requirement :ten-day average					
Surplus = Item 1 – Item 4.1.	1.853.989	2.451.275	2.506.689	132	102
6. Meeting requirement :daily minimum					
Surplus = Item.2 – Item 4.2.	1.954.809	2.688.161	2.830.790	138	105

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.

Table 32: Maturity adjustment of financial assets and liabilities up to 180 days

- in 000 KM -

Description	31.12.2005.	31.12.2006.	31.03.2007.	RATIO	
	Amount	Amount	Amount	3/2	4/3
1	2	3	4	5	6
I. 1- 30 days					
1. Financial assets	4.051.257	5.111.825	5.186.476	126	101
2. Financial liabilities	3.668.868	4.622.017	4.767.578	126	103
3. Difference (+ or -) = 1-2	382.389	489.808	418.898	128	86
Accrual of requirement in %					
a) Performed %= Item 1 / Item 2	110,4%	110,60%	108,80 %		
b) Required minimum %	100,0%	100,00%	100,00%		
Surplus (+) or shortage (-) = a - b	10,4%	10,60%	8,80%		
II. 1-90 days					
1. Financial assets	4.559.015	5.622.934	5.682.960	123	101
2. Financial liabilities	4.150.956	5.104.149	5.266.360	123	103
3. Difference (+ or -) = 1-2	408.059	518.785	416.600	127	80
Accrual of requirement in %					
a) Performed %= Item 1 / Item.2	109,8%	110,20%	107,90%		

b) Required minimum %	100,0%	100,00%	100,00%		
Surplus (+) or shortage (-) = a - b	9,8%	10,20%	7,9%		
II. 1-180 days					
1. Financial assets	5.091.381	6.246.116	6.316.372	123	101
2. Financial liabilities	4.598.836	5.661.218	5.969.407	123	105
3. Difference (+ or -) = 1-2	492.545	584.898	346.965	119	59
<i>Accrual of requirement in %</i>					
a) Performed %= Item 1 / Item.2	110,7%	110,3%	105,8%		
b) Required minimum %	95,0%	95,0%	95,0%		
Surplus (+) or shortage (-) = a - b	15,7%	15,30%	10,80%		

As we can see from the schedule, as of 31.03.2007. banks were compliant with the prescribed limits, and have realized better maturity adjustment between financial assets and liabilities in relation to the prescribed limits, but still slightly deteriorated if compared to the end of 2006.

Liquidity of the banking system of the Federation of BiH, based on the presented indicators, is high, which is a result of existing restrictive regulation. Since this segment of performance and level of liquidity risk exposure is in correlation with credit risk, and having in mind increasing trend and level of credit risk, banks will in future have to pay more attention to liquidity risk management through establishment and implementation of 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 examination in banks monitor how banks manage this risk and if they acted in accordance with the adopted policies and programs.

2.4. Foreign exchange risk – foreign currency adjustment of balance sheet assets and liabilities and off-balance sheet

While operating 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 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 – total foreign currency position of bank.

In order to enable 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 issued Decision on Minimum Standards for Foreign Exchange Risk Management in Banks that regulates minimum standards for adoption and implementation of programs, policies and procedures for undertaking, monitoring, control and management of foreign exchange risk.

Mismatch (difference) between the items referring to individual foreign currency in assets and liabilities of the balance sheet and off-balance sheet represents an opened foreign currency position (long or short) which can be range only within the limits of the minimum prescribed limits calculated in relation to the level of bank's core capital.²⁷

²⁷ Article 8 of Decision on Minimum Standards for Capital Management of Banks determines limits for individual foreign currency position in EURO up to 30% of core capital, for other currencies up to 20% and foreign currency of bank up to 30%.

Banks daily report to the FBA as part of the monitoring of prescribed limits. 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 those limits.

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

According to the balance as of 31.03.2007., currency structure of banks' assets on the level of banking system recorded participation of items in foreign currencies of 20,4% or KM 2,5 billion (20,8% or KM 2,4 billion at the end of 2006). On the other hand, currency structure of liabilities is different, since participation of liabilities in foreign currency is significantly higher of 53,0% or KM 6,4 billion (53,5% or KM 6,2 billion at the end of 2006).

The following table presents structure and trend of financial assets and liabilities and foreign currency position for EURO as the most significant currency²⁸ and total:

Table 33: Foreign currency adjustment of financial assets and liabilities (EUR and total)
-in KM millions-

Description	31.12.2006.				31.03.2007.				RATIO	
	EUR		TOTAL		EUR		TOTAL		EUR	TOTAL
	Amount	Partic. %	Amount	Partic. %	Amount	Partic. %	Amount	Partic. %	6/2	8/4
1	2	3	4	5	6	7	8	9	10	11
<i>I. Financial assets</i>										
1. Cash assets	1.335	21,5	1.876	27,2	1.450	22,12	1.938	26,75	109	103
2. Loans	325	5,2	376	5,5	371	5,66	435	6,00	114	116
3. Loans with currency clause	4.434	71,4	4.507	65,3	4.654	71,01	4.771	65,84	105	106
4. Other	117	1,9	138	2,0	79	1,21	102	1,41	67	74
Total (1+2+3+4)	6.211	100,0	6.897	100,0	6.554	100,00	7.246	100,00	106	105
<i>II. Financial liabilities</i>										
1. Deposits	3.951	68,5	4.576	71,1	4.048	68,03	4.761	71,00	102	104
2. Borrowings	1.327	23,0	1.362	21,1	1402	23,56	1.437	21,43	106	106
3. Deposits and loans with currency clause	284	4,9	284	4,4	271	4,55	272	4,06	95	96
4. Other	208	3,6	218	3,4	229	3,85	236	3,52	110	108
Total (1+2+3+4)	5.770	100,0	6.440	100,0	5.950	100,00	6.706	100,00	103	104
<i>III. Off-balance sheet</i>										
1. Assets	16		20		16		85			
2. Liabilities	377		380		487		488			
<i>IV. Position</i>										
Long (amount)	79		97		133		137			
%	7,3%		8,9%		11,6%		11,9%			
Short										
%										
Limit	30%		30%		30%		30%			
Below limit	22,7%		21,1%		18,4%		18,1%			

If we analyze the structure of foreign currencies, we see a dominant participation of EUR in the financial assets²⁹, which in 2007 was increased by almost three index points, amounting to

²⁸ Source: Form 5-Foreign currency position.

76,7% or KM 1,9 billion (74,4% or KM 1,8 billion at the end of 2006), and 88,3% in the liabilities (89% at the end of 2006), along with the increase from KM 5,5 billion to KM 5,7 billion.

However, the calculation of the FX risk exposure also includes the amount of indexed assets items (loans) and liabilities³⁰, which are especially important in the assets³¹. As for total financial assets, loans contracted with currency clause represent majority (65,8% or KM 4,8 billion), with increasing trend. Other foreign currency items make 34,2% or KM 2,5 billion, of which items in EUR make 26,2% or KM 1,9 billion, and other currencies 7,9% or KM 0,6 billion (at the end of 2006, loans contracted with currency clause amounted to KM 4,5 billion with participation of 65,3%, and other items in EUR 25,8% or KM 1,8 billion). As for total net loans, 68,4% were contracted with currency clause, primarily in EUR (69% at the end of 2006).

On the other hand, the structure of financial liabilities stipulates and determines the structure of financial assets, for each currency respectively. Items in EUR (primarily deposits) had the highest participation in foreign currency liabilities (KM 6,7 billion) of 84,7% or KM 5,7 billion, while participation and amount of indexed liabilities was minimum, amounting to 4,1% or KM 0,3 billion (at the end of 2006, participation of liabilities in EUR was 85,2% or KM 5,5 billion, and indexed liabilities were 4,4% or KM 0,3 billion).

Observed by banks and overall on the level of the banking system of the FBiH, we can conclude that, in the first quarter of 2007, banks were exposed to the FX risk within prescribed limits, and, if compared to 2006, it has improved, as a result, among many things, of increase in core capital of 9%, as a parameters against which compliance of foreign currency position is calculated.

As of 31.03.2007., there were 18 banks with long foreign currency position, and five with short position, so on the system level long foreign currency position represented 11,9% of banks' core capital, which is lower by 18,1% than the limit. Individual foreign currency position for EUR was 11,6% where financial assets items were higher than financial liabilities (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. CONCLUSION

Consolidation and stabilization of banking sector of the Federation of BiH have reached an enviable level and upcoming activities should provide further progress and development of the system. This implies a continuous engagement of all parts of the system, legislative and

²⁹ 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).

³⁰ 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).

³¹ Financial assets containing items in foreign currency denominated in KM and loans with currency clause.

executive authorities in order to provide for the most favorable environment in economy, which would be stimulating to banks and to the economy.

In other to meet such goals, it is necessary to have further involvement of authorized institutions and bodies in Bosnia and Herzegovina and the Federation of BiH in order to:

- Realize the conclusion made by the Federation of BiH Parliament to establish banking supervision on state level;
- Finalize privatization process of two state banks;
- Initiate acceleration of the appointment process for the FBA Managing Board and management members;
- Define and build on regulation for financial sector related to the activity, status and performance of micro-credit organizations, insurance companies, transition of Investment Bank of the Federation of BiH d.d. Sarajevo into Development Bank, leasing companies, etc.;
- Accelerate implementation of economic reform in the real sector in order to reach the level of monetary and banking sector;
- Based on a documented material, specialized and professionally processed in the Banks Association of BiH, and through the Ministry of Finance of the Federation of BiH, it is necessary to accelerate the activities in order to:
 - Continuously build up legal regulation for banking sector and financial system based on Basle Principles and European Banking Directives,
 - Establish specialized court departments for economy,
 - Establish more efficient process for realization of pledges,
 - Adopt law on protection of creditors and full responsibility of debtors,
 - Adopt law or improve existing legislation regulating the area of safety and protection of money in banks and in transportation.

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

- Proceed with a continues supervision of banks through on-site and off-site examinations, emphasizing targeted examination of dominant risk segments of banking operations, which will make supervision more effective and in that regard to:
 - Continue systematic monitoring of banks' activities in prevention of money laundering and terrorism financing and improve cooperation with other supervisory and examination institutions,
 - Persist on capital strengthening of banks, especially those recording outstanding assets growth,
 - Continue permanent monitoring of banks with the highest concentration of savings and other deposits in order to protect depositors,
 - Continue working on development of regulation based on the Basle Principles and European Directives as part of preparation to join the European Union,
 - Maintain continuity in payment system examinations,
 - 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, etc.,
- Continuous operational development of the new IT system for early warning and prevention in elimination of weaknesses in banks,
- Work on continuous education and training of staff,

- Finalize remaining provisional administrations and liquidations based on the conclusion made by the Managing Board as of 29. 03. 2006.

Banks, as the most important part of the system, have to concentrate their actions to:

- Further capital strengthening, proportional to the growth of assets and risk, higher profitability, solvency, more consistent implementation of adopted policies and procedures in the area of prevention of money laundering and terrorism financing, and safety and protection of money in banks and in transportation, in accordance with laws and regulations,
- Strengthen internal control systems and establish internal audits, which will be fully independent in their work,
- Constant improvement of cooperation with the Banks Association in the area of professional development, change all laws and regulations which have become a limiting factor in bank development, introduction of new products, collection of claims and active involvement in the establishment of unified registry of irregular debtors – legal entities and individuals;
- Regular and updated submission of data to the Central Loan Registry and Unified Central Account Registry with the Central Bank of BiH.

ATTACHMENTS

ATTACHMENT 1.....	General Information about banks in the FBiH
ATTACHMENT 2.....	Balance sheet according to FBA Schedule
ATTACHMENT 3.....	Citizen Savings in banks of the FBiH
ATTACHMENT 4.....	Report on changes in balance sheet assets and off-balance sheet risk items
ATTACHMENT 5.....	Income statement of banks
ATTACHMENT 6.....	Report on capital balance and adequacy
ATTACHMENT 7.....	Report on employees in banks of the FBiH

ATTACHMENT 1

Banks in the Federation of Bosnia and Herzegovina - 31.03.2007.					
	BANKS	Address		Phone number	Director
1	ABS BANKA dd - SARAJEVO	Sarajevo	Trampina 12/VI	033/277-060, fax:667-674	ZUKIĆ ADNAN
2	BOSNA BANK INTERNATIONAL dd - SARAJEVO	Sarajevo	Trg djece Sarajeva bb	033/275-100, fax:472-159	AMER BUKVIĆ
3	BOR BANKA dd - SARAJEVO	Sarajevo	Obala Kulna bana 18	033/663-500, fax:278-550	HAMID PRŠEŠ
4	HERCEGOVAČKA BANKA dd MOSTAR	Mostar	Kneza Domagoja bb.	036/332-901, fax:332-908	Prov.Admin. - Stjepan Jovičić - 19.12.2006.
5	HVB CENTRAL PROFIT BANKA d.d. - SARAJEVO	Sarajevo	Zelenih beretki 24	033/533-688, fax:532-319	ALEXANDER ZSOLNAI
6	HYPO ALPE-ADRIA-BANK dd - MOSTAR	Mostar	Kneza Branimira 2b	036/444-200, fax:444-235	PETAR JURČIĆ
7	INVESTICIJSKA BANKA FEDERACIJE BIH	Sarajevo	Faromlinska bb	033/277-900, fax:668-952	RAMIZ DŽAFEROVIĆ
8	INVESTICIONO-KOMERCIJALNA BANKA dd - ZENICA	Zenica	Trg B&H 1	032/401-804, fax:246-187	ENIS CRNALIĆ
9	KOMERCIJALNO-INVESTICIONA BANKA DD V.KLADUŠA	V.Kladuša	Ibrahima Mrzljaka 3.	037/771-253, fax:772-416	HASAN PORČIĆ
10	LT GOSPODARSKA BANKA dd - SARAJEVO	Sarajevo	Ferhadija 11	033/444-605, fax:665-457	DRAGO BILANDŽIJA
11	NLB TUZLANSKA BANKA dd - TUZLA	Tuzla	Maršala Tita 34	035/259-259, fax:250-596	ALMIR ŠAHINPAŠIĆ
12	POŠTANSKA BANKA BIH - SARAJEVO	Sarajevo	Branilaca Sarajeva 20/XI	033/212-993, fax:210-007	Prov.Admin. - Čamil Klepo - 16.10.2006.
13	PRIVREDNA BANKA SARAJEVO dd - SARAJEVO	Sarajevo	Alipašina 6	033/277-700, fax:277-798	Prov.Admin. - Maruf Burnazović - 17.07.2006.
14	PROCREDIT BANK dd - SARAJEVO	Sarajevo	Emerika Bluma 8.	033/250-950, fax:250-971	PETER MÖLDERS
15	RAIFFEISEN BANK dd BIH - SARAJEVO	Sarajevo	Dantijela Ozme 3	033/287-100, fax: 213-851	MICHAEL MÜLLER
16	TURKISH ZIRAAT BANK BOSNIA dd - SARAJEVO	Sarajevo	Ferhadija 29	033/254-050, fax: 254-051	KENAN BOZKURT
17	UNA BANKA dd - BIHAĆ	Bihać	Bosanska 25	037/322-400, fax: 322-331	Prov.Admin. - Stjepan Blagović - 01.05.2005.
18	UNICREDIT ZAGREBAČKA BANKA dd - MOSTAR	Mostar	Kardinala Steplca bb	036/312-121, fax:312-123	BERISLAV KUTLE
19	UNION BANKA dd - SARAJEVO	Sarajevo	Dubrovačka 6	033/561-000, fax: 201-567	ESAD BEKTEŠEVIĆ
20	UPI BANKA dd - SARAJEVO	Sarajevo	Obala Kulna bana 9a.	033/497-555, fax:497-589	ALMIR KRKALIĆ
21	VAKUFSKA BANKA dd - SARAJEVO	Sarajevo	M. Tita 13.	033/280-100, fax: 663-399	AMIR RIZVANOVIĆ
22	VABA BANKA d.d. - SARAJEVO	Sarajevo	Kolodvorska 5.	033/251-620; fax: 205-257	ISMET KUMALIĆ
23	VOLKSBANK BH dd - SARAJEVO	Sarajevo	Fra Andela Zvizdovića 1	033/295-601, fax:295-603	REINHOLD KOLLAND

BALANCE SHEET OF BANKS IN THE FBiH ACCORDING TO THE FBA SCHEDULE

ACTIVE SUB-BALANCE SHEET

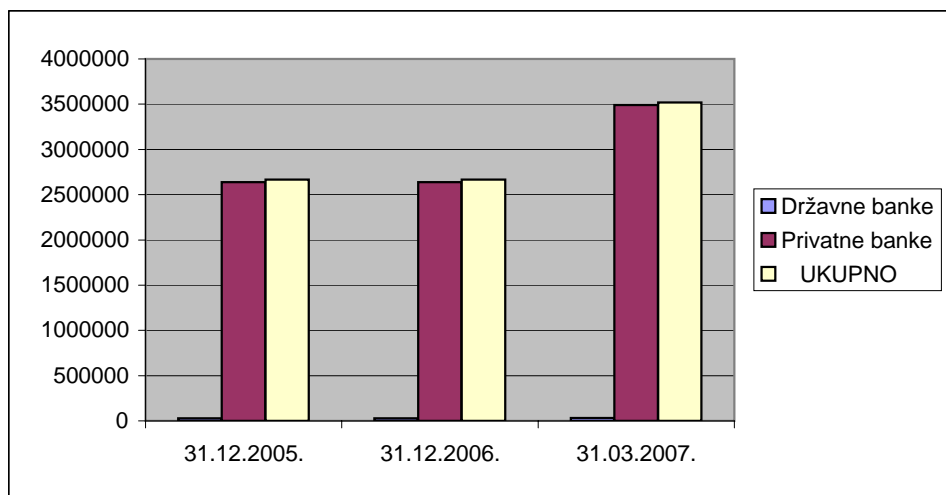
000 KM

No.	DESCRIPTION	31.12.2005.	31.12.2006.	31.03.2007.
	ASSETS			
1.	Cash funds and deposit accounts at depository institutions	3.533.700	4.287.723	4.504.341
1a	Cash and non-interest deposit accounts	1.167.310	1.514.758	1.519.805
1b	Interest deposit accounts	2.366.390	2.772.965	2.984.536
2.	Trading securities	13.625	41.121	56.949
3.	Placements in other banks	68.811	105.390	83.981
4.	Loans, receivables in leasing and past due receivables	5.545.077	6.820.154	7.275.746
4a	Loans	5.326.708	6.609.122	7.035.393
4b	Receivables on leasing	192	180	177
4c	Past due receivables - loans and leasing	218.177	210.852	240.176
5.	Securities held until maturity	6.385	4.801	5.160
6.	Premises and other fixed assets	275.276	314.012	318.885
7.	Other real estate	31.361	27.659	27.111
8.	Investments in non-consolidated related enterprises	28.750	27.679	29.150
9.	Other assets	154.222	168.922	163.830
10.	MINUS:Reserves for potential losses	278.499	298.281	314.218
10a	Reserves on item 4 in Assets	260.155	287.561	302.630
10b	Reserves on Assets except item 4	18.344	10.720	11.588
11.	TOTAL ASSETS	9.378.708	11.499.180	12.150.935
	LIABILITIES			
12.	Deposits	6.864.048	8.379.322	8.831.096
12a	Interest deposits	6.114.978	7.529.517	8.004.144
12b	Non-interest deposits	749.070	849.805	826.952
13.	Loans - past due	8.308	7.802	7.486
13a	Balance of payable loans, unpaid			
13b	Unpaid - called for payment off-balance sheet items	8.308	7.802	7.486
14.	Loans from other banks	2.912	2.890	2.910
15.	Payables to Government			
16.	Payables on loans and other borrowings	1.152.910	1.420.944	1.521.098
16a	payable within one year	241.955	196.381	181.506
16b	payable longer than one year	910.955	1.224.563	1.339.592
17.	Subordinated debts and subordinated bonds	132.429	145.079	150.126
18.	Other liabilities	201.384	315.050	346.742
19.	TOTAL LIABILITIES	8.361.991	10.271.087	10.859.458
	CAPITAL			
20.	Permanent priority shares	26.280	30.180	30.180
21.	Common shares	773.205	858.610	873.360
22.	Shares issued	29.975	71.130	71.130
22a	Permanent priority shares	532	8.332	8.332
22b	Common shares	29.443	62.798	62.798
23.	Undistributed income and capital reserves	130.440	172.581	254.522
24.	Currency rate difference	0	0	0
25.	Other capital	56.817	95.592	62.285
26.	TOTAL CAPITAL (20. TO 25.)	1.016.717	1.228.093	1.291.477
27.	TOTAL LIABILITIES AND CAPITAL (19+26)	9.378.708	11.499.180	12.150.935
	PASSIVE AND NEUTRAL SUBBALANCE	680.040	641.164	637.263
	TOTAL BALANCE SHEET IN BANKS	10.058.748	12.140.344	12.788.198

NEW CITIZEN SAVINGS BY PERIODS

000 KM

	31.12.2005.	31.12.2006.	31.03.2007.
State banks	26.886	26.886	30.660
Private banks	2.638.391	2.638.391	3.489.094
TOTAL	2.665.277	2.665.277	3.519.754



**CLASSIFICATION OF ASSETS AND OFF-BALANCE SHEET RISK ITEMS
as of 31.03.2007.**

- ACTIVE BALANCE SHEET -

000 KM

Ord. No.	BALANCE SHEET ASSETS AND OFF-BALANCE SHEET ITEMS	CLASSIFICATION					TOTAL
		A	B	C	D	E	
1.	Short-term loans	1.146.861	286.712	13.541	1.188		1.448.302
2.	Long-term loans	4.774.327	643.771	109.072	60.095	3	5.587.268
3.	Other placements	67.891	678	361	149		69.079
4.	Interest accrued	31.854	9.361		1		41.216
5.	Past due receivables	102.836	46.738	20.341	66.401	0	236.316
6.	Receivables on guarantees paid	382	0	0	3.478	0	3.860
7.	Other assets	5.070.969	4.619	2.019	1.485	20	5.079.112
8.	TOTAL ACTIVE BALANCE SHEET	11.195.120	991.879	145.334	132.797	23	12.465.153
9.	a) Guarantees payable	232.706	46.690	648	82		280.126
	b) Performing guarantees	401.354	93.141	159	233		494.887
10.	Unsecured LoC	87.758	12.492	299			100.549
11.	Unrevokable loans	991.196	61.235	2.501	407	5	1.055.344
12.	Other potential liabilities	4.237	133				4.370
13.	TOTAL OFF-BALANCE SHEET	1.717.251	213.691	3.607	722	5	1.935.276
14.	TOTAL BALANCE AND OFF-BALANCE SHEET (8+13)	12.912.371	1.205.570	148.941	133.519	28	14.400.429
15.	General credit risk and potential loan losses (#14 x % of loss)	159.619	89.017	35.856	76.537	27	361.056
16.	Allocated general reserves (A) and special reserves (B, C, D, E)	159.365	89.018	35.856	78.545	27	362.811
17.	MINUS (PLUS) allocated reserves (#16 - 15) +or -	-254	1	0	2.008	0	1.755

INCOME STATEMENT

000 KM

ELEMENTS	PERFORMED 31.03. 2006.		PERFORMED 31.03.2007.		RATIO 4 : 2
	Amount	partic. in total income	Amount	partic.in total income	
1	2	3	4	5	6
INCOME					
Interest income	142.804	93%	188.609	90%	132
Interest expense	52.249	34%	72.741	35%	139
Net interest income	90.555	59%	115.868	55%	128
Fee income	63.925	41%	93.397	45%	146
TOTAL INCOME	154.480	100%	209.265	100%	135
EXPENSES					
Reserves for potential losses	29.382	19%	39.016	19%	133
Salaries and payables with salary	42.960	28%	49.798	24%	116
Fixed assets and overhead expense	25.073	16%	29.277	14%	117
Other expense	28.476	18%	36.120	17%	127
TOTAL EXPENSES	125.891	81%	154.211	74%	122
NET INCOME BEFORE TAXES	28.589	19%	55.054	26%	193
Taxes	0		0		
NET INCOME	28.589	19%	55.054	26%	193

**COMPARABLE SCHEDULE OF CAPITAL BALANCE AND ADEQUACY
ACTIVE SUB-BALANCE SHEET**

in 000 KM

Pos.	DESCRIPTION	12./2005.	12./2006.	03./2007.
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	784.085	873.390	888.140
1.2.	Share capital - comm. & perm. prior. non-cumul. shares-invested posses. & rights	12.550	12.550	12.550
1.3.	Issued shares income at share payments	29.975	71.130	71.130
1.4.	General regulatory reserves (reserves as regulated by the Law)	41.801	61.228	61.178
1.5.	Other reserves not related to assets quality assessment	49.583	86.990	102.806
1.6.	Retained - undistributed income from previous years	76.939	93.543	165.830
1.a.	TOTAL (from 1.1. to 1.6.)	994.933	1.198.831	1.301.634
1.b.	Offsetting items from 1.a.			
1.7.	Uncovered losses transferred from previous years	34.741	62.603	68.356
1.8.	Losses from current year	26.376	6.397	1.249
1.9.	Book value of treasury shares owned by the bank			
1.10.	Amount of intangible assets	41.424	40.105	40.342
1.b.	TOTAL (from 1.7.to 1.10.)	102.541	109.105	109.947
1.	AMOUNT OF CORE CAPITAL: (1.a.-1.b.)	892.392	1.089.726	1.191.687
2	BANK'S ADDITIONAL CAPITAL			
2.1.	Share capital - common and perm. priority non-cumulat. shares - cash payments	2.850	2.850	2.850
2.2.	Share capital - comm. & perm. prior. non-cumul. shares-invested posses. & rights	0	0	0
2.3.	General reserves for losses on loans from class. A - performing assets	119.163	150.327	159.365
2.4.	Accrued income for current year audited and confirmed by external auditor	43.423	84.982	
2.5.	Income under FBA's temporary restriction on distribution	0	0	0
2.6.	Subordinated debts, the most 50% of core capital	126.632	139.251	144.296
2.7.	Hybrid convertible items - the most 50% of core capital	0	0	0
2.8.	Items-permanent liabilities without repayment duty	5.797	5.828	5.830
2.	AMOUNT OF ADDITIONAL CAPITAL: (2.1. to 2.8.)	297.865	383.238	312.341
3	OFFSETTING ITEMS FROM BANK'S CAPITAL			
3.1.	Part of invested share capital that according to FBA's assessment represents accepted and over	0	0	0
3.2.	Investments in capital of other legal entities exceeding 5% of bank's core capital	17.235	17.236	17.236
3.3.	Receivables from shareholders for significant voting shares - approved aside from regulations	0	0	0
3.4.	VIKR to shareholders with significant voting shares in the bank without FBA's permission	0	0	0
3.	AMOUNT OF OFFSETTING ITEMS FROM BANK'S CAPITAL (3.1. to 3.4.)	17.235	17.236	17.236
A	AMOUNT OF BANK'S NET CAPITAL (1.+2.-3.)	1.173.022	1.455.728	1.486.792
B.	RISK FROM RISK-WEIGHTED ASSETS AND LOAN EQUIVALENTS	6.681.510	8.281.695	8.840.238
C.	NET CAPITAL RATE (CAPITAL ADEQUACY) (A.:B.) X 100	17,6%	17,6%	16,8%

ATTACHMENT 7

NUMBER OF EMPLOYEES BY BANKS

	BANK	31.12.2005.	31.12.2006.	31.03.2007.
1	ABS BANKA dd SARAJEVO	290	297	313
2	BOSNA BANK INTERNATIONAL dd Sarajevo	85	104	109
3	BOR BANKA dd SARAJEVO	37	40	41
4	HVB CENTRAL PROFIT BANKA dd SARAJEVO	451	476	480
5	CBS BANK dd SARAJEVO	130		
6	HERCEGOVACKA BANKA dd MOSTAR	99	98	98
7	HYPO ALPE ADRIA BANK dd MOSTAR	431	492	516
8	INVESTICIJSKA BANKA FBiH SARAJEVO	75	84	92
9	INVESTICIONO KOMERCIJALNA BANKA dd ZENICA	165	163	162
10	KOMERCIJALNO INVESTICIONA BANKA dd VELIKA KLADUŠA	63	66	66
11	LT GOSPODARSKA BANKA BANKA dd SARAJEVO	186	196	197
12	LJUBLJANSKA BANKA dd SARAJEVO	62		
13	NLB TUZLANSKA BANKA dd TUZLA		479	479
14	TUZLANSKA BANKA dd TUZLA	332		
15	PROCREDIT BANK dd SARAJEVO	430	595	679
16	POŠTANSKA BANKA dd SARAJEVO	63	63	66
17	PRIVREDNA BANKA dd SARAJEVO	190	170	169
18	RAIFFEISEN BANK BH dd SARAJEVO	1.195	1.348	1.405
19	TURKISH ZIRAAT BANK dd SARAJEVO	95	108	111
20	UNA BANKA dd BIHAĆ	58	61	60
21	UNION BANKA dd SARAJEVO	180	175	184
22	UPI BANKA dd SARAJEVO	208	233	235
23	UNI CREDIT ZAGREBACKA BANKA BH dd MOSTAR	790	840	837
24	VAKUFСКА BANKA dd SARAJEVO	167	175	176
25	VABA BANKA dd SARAJEVO		58	63
26	VOLKSBANK BH dd SARAJEVO	233	285	295
	TOTAL	6.015	6.606	6.833