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

I N F O R M A T I O N
ON THE BANKING SYSTEM
OF THE FEDERATION OF BOSNIA AND HERZEGOVINA
31. 03. 2015

Sarajevo, May 2015

The Banking Agency of the Federation of B&H, as a regulatory institution conducting banking supervision, has prepared the Information on the Banking System of the Federation of B&H (as of 31.03.2015) based on financial statements and other information and data provided by banks. This also encompasses results and information obtained during on-site examinations in banks and off-site financial analyses in the Agency.

I INTRODUCTION

For a long period of time, operations of the banking sector have been taking place in an unfavourable environment and conditions of stagnating economic development resulting from the global financial and debtor crisis, recession and the absence of economic growth in countries of the EU zone. Modest economic growth, the difficult situation in the real sector and numerous domestic problems caused by the political situation in the country, limited access to stable sources of financing have all adversely reflected upon the condition and prospects in the banking sector. In the first quarter of this year, as was the case in previous years, there were small oscillations, i.e. changes in either direction (decrease or increase) of the balance sheet total, as well as of key balance sheet categories: deposits, total capital, loan commitments, cash funds and loans. This indicates a stagnation of the banking sector that has been present for a long period of time and that is understandable, given the environment in which the banks in the FB&H, i.e. in B&H, operate. Liquidity, profitability and capitalisation of the sector can be deemed satisfactory, and it can be concluded that the banking sector remains stable and secure.

As of 31.03.2015, there were 17 licenced banks in the Federation of B&H, as was the case at the end of 2014. As of 31.03.2015, the headcount amounted to 6 920, down by 40 employees or 0.6% compared to the end of 2014.

The balance sheet total of the banking sector as of 31.03.2015 amounted KM 15.9 billion, thus posting a decrease in the amount of KM 213 million or 1.3% compared to the end of 2014. The decrease in the balance sheet total is primarily the result of the decrease in deposits and loan commitments. The asset structure saw minor changes related to two key material items: the increase of the share of loans from 69.1% to 70.5% and the decrease of the share of cash funds from 28.2% to 26.5%.

In the first quarter of this year, cash funds dropped by KM 333 million or 7.3% and amounted to KM 4.2 billion as of 31.03.2015.

Loans, being the largest assets item in banks, recorded a modest increase of 0.7% or KM 73 million in the first quarter of this year and reached an amount of KM 11.2 billion as of 31.03.2015. With respect to the credit growth recorded in the first quarter of this year, one should bear in mind the impact, i.e. effects of the change in the exchange rate of CHF in January 2015, so that the real credit growth was lower than the aforementioned. Retail loans amount to KM 5.5 billion and recorded an increase of 1.3% or KM 76 million, with a share of 49.1% in total loans. Loans to legal entities amount to KM 5.7 billion and are at the same level they were at as of the end of 2014, with a share of 50.9%. As of 31.03.2015, total non-performing loans amount to KM 1.6 billion and recorded an increase of 0.8% or KM 12 million in the first quarter of 2015. The share of non-performing loans in total loans amounts to 14.1% and is at the same level it was at as of the end of 2014. Out of the total loans approved to legal entities, non-performing loans account for 18.2%, with this indicator amounting to 9.8% for the retail segment.

In the first quarter of this year, investments in securities recorded an increase of 3.4% or KM 27 million, which primarily related to securities issued by the Government of the FB&H. The securities portfolio amounted to KM 828 million as of the end of the first quarter of 2015, with merely a 5.2% share in assets.

In the structure of banks' sources of funding, deposits in the amount of KM 11.9 billion with a share of 74.7% continued to be the most significant source of funding for banks in the FB&H. Total deposits decreased by 2% or KM 227 million in the first quarter of 2015. On the other hand, savings deposits, as the most important and largest segment of the deposit and financial potential of banks, saw an increase of 3.3% or KM 220 million and amounted to KM 6.9 billion as of 31.03.2015.

The second largest source are credit funds in the amount of KM 958 million, which banks received mainly by borrowing from foreign financial institutions. In the past few years, due to the impact of the financial and economic crisis, banks borrowed significantly less from abroad, and by paying receivables due these sources were reduced by more than 50% (at the end of 2008, they amounted to KM 2.18 billion), with the rate of decrease amounting to 6.6% or KM 68 million in the first quarter of 2015. In the last six years, sources of funding banks received (loans taken, deposits and subordinated debt) from their groups (parent banks and other group members) decreased by 69.6% or KM 2.4 billion. It is evident that the financial support of parent groups decreased significantly, and thus credit growth in the FB&H will be based more on the increase in domestic sources of funding in the period to come.

In the first quarter of 2015, total capital of banks increased by 3.2% or KM 77 million, largely on the basis of current profit and the recapitalisation of one bank (KM 15 million), and amounted to KM 2.5 billion as of 31.03.2015.

As of 31.03.2015, regulatory capital is KM 2.2 billion and remained almost unchanged compared to the end of 2014, with a small change in its structure.

The capital adequacy ratio of the banking system, as one of the most important indicators of the strength and capital adequacy of banks, is 15.9% as of 31.03.2015, which is still significantly above the legal minimum (12%), which represents a satisfactory capitalisation of the overall system for the existing level of risk exposure and a strong foundation and basis for preserving its security and stability.

According to data from the income statement, a positive financial result was recorded at the level of the banking system in the Federation of B&H in the first quarter of 2015, profit in the amount of KM 62 million. A positive financial result in the amount of KM 63 million was recorded by 16 banks, while one bank posted a loss in the amount of KM 0.5 million.

II BUSINESS PERFORMANCE OF BANKS IN THE FEDERATION OF B&H

1. BANKING SECTOR STRUCTURE

1.1. Status, Number and Network of Branches

As of 31.03.2015, there were 17 banks with a banking licence in the Federation of B&H. The number of banks is the same as on 31.12.2014. A special law from 01.07.2008 regulates the establishment and operations of the Development Bank of the FB&H Sarajevo, a legal successor of the Investment Bank of the FB&H dd Sarajevo.

In the first quarter of 2015, there was no major expansion of the banks' network of organisational units, chiefly attributable to the financial crisis and the reduced volume of the bans' business activities.

Banks have reorganised their networks of organisational units by changing the organisational form, membership or address of their organisational parts. This also entailed mergers and closings of some organisational parts, all for the purpose of business rationalisation and operating costs reduction. There was a total of 5 such changes among banks in the Federation of B&H (4 changes on the territory of the Federation of B&H and one in Brčko District): 1 organisational unit was closed and 4 underwent changes.

Subsequent to such changes, banks in the Federation of B&H had a total of 570 organisational units as of 31.03.2016, down by 0.2% compared to 31.12.2014.

The number of organisational units of banks from Republika Srpska in the Federation of B&H (34) changed compared to 31.12.2014, when there were 32 organisational units, which is a increase of 6.3%.

As of 31.03.2015, seven banks from the Federation of B&H had 48 organisational units in Republika Srpska, and nine banks had 12 organisational units in Brčko District. Four banks from Republika Srpska had 34 organisational units in the Federation of B&H.

As of 31.03.2015, all banks had licences to effect interbank transactions within the domestic payment system, and 16 banks had secured deposits.

1.2. Ownership Structure

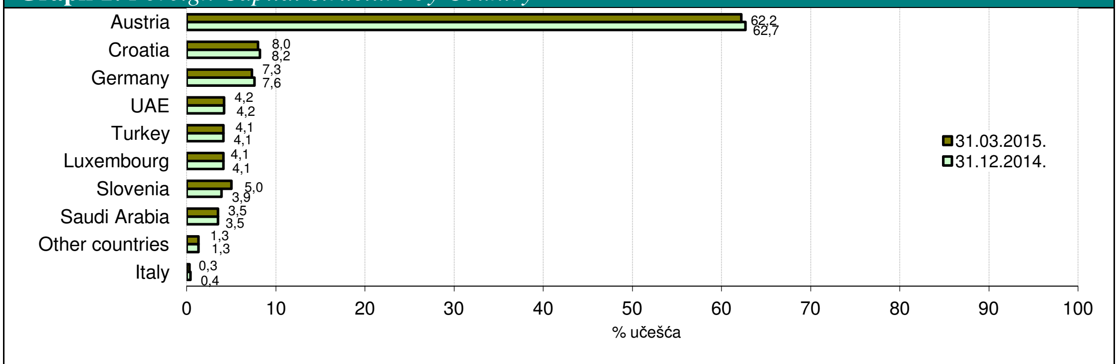
The ownership structure of banks[1] as of 31.12.2014, assessed on the basis of available information and reviews conducted in the banks themselves, is as follows:

- In private or mostly private ownership 16 banks (94.1%)
- In state or mostly state ownership[2] 1 bank (5.9%)

Out of the 16 banks in mostly private ownership, six banks are in majority ownership of local legal entities and natural persons (residents), while 10 banks are in majority foreign ownership.

If observed solely from the perspective of foreign capital, using the criterion of the shareholders' home country, the conditions as of 31.03.2015 changed only slightly compared to those as of the end of 2014: the largest share of foreign capital in the amount of 62.2% refers to shareholders from Austria (share down by 0.5 percentage points), followed by shareholders from Croatia with 8.0% (share down by 0.2 percentage points) and Germany with 7.3% (share down by 0.3 percentage points). Other countries hold individual shares below 5%.

Graph 1: *Foreign Capital Structure by Country*

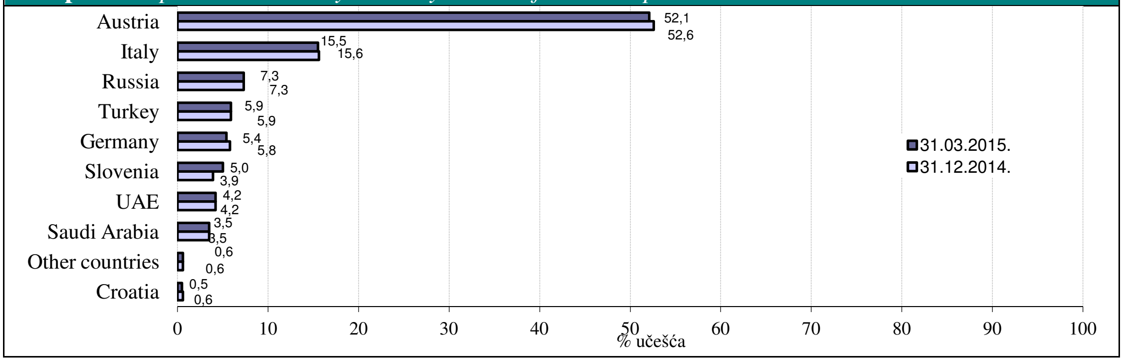


However, if taking into account capital relations, the structure of foreign capital can also be observed using the criterion of the home country of the parent bank or parent group having majority ownership

[1] The criterion for this particular bank classification is ownership of share capital in banks.
[2] State ownership refers to domestic state capital of B&H.

(direct or indirect via group members) of banks in the Federation of B&H. According to this criterion, the conditions also changed only slightly compared to the end of 2014: the share of banking groups and banks from Austria amounts to 52.1%, followed by Italian banks with a share of 15.5%, while the share from Russia[3] amounts to 7.3%. Other countries held individual shares below 6%.

Graph 2: *Capital Structure by Country – Seat of the Group*[4]



The ownership structure may also be observed from the aspect of financial ratios, i.e. according to the total capital value.[5]

-in KM 000-

Table 1: *Ownership Structure by Total Capital*

BANKS	31.12.2013		31.12.2014		31.03.2015		INDEX	
1	2		3		4		5 (3/2)	6 (4/3)
State-owned banks	51 618	2%	51 929	2%	52 023	2%	101	100
Private banks	2 256 327	98%	2 374 431	98%	2 451 516	98%	105	103
T O T A L	2 307 945	100%	2 426 360	100%	2 503 539	100%	105	103

In the first quarter of 2015, total capital was up by 3% or KM 77 million, largely based on current profit and recapitalisation in the amount of KM 15 million in one bank.

If observed from the perspective of the share of state-owned, private and foreign capital in the banks' share capital, it results in a more detailed picture of the capital ownership structure of banks in the Federation of B&H.

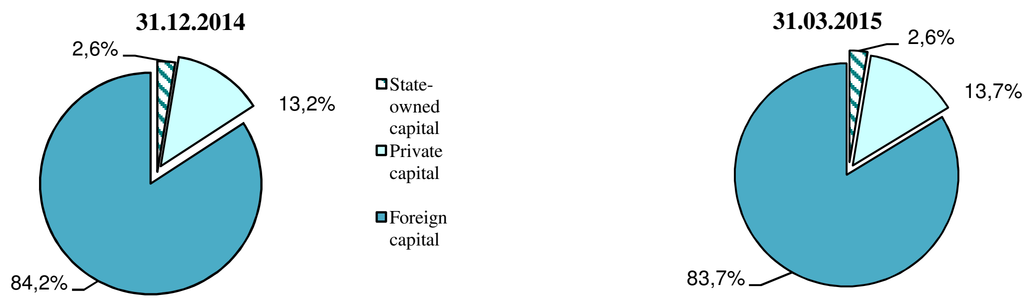
- in KM 000 -

Table 2: *Ownership Structure by Share of State-owned, Private and Foreign Capital*

SHARE CAPITAL	31.12.2013		31.12.2014		31.03.2015		INDEX	
	Amount	Share %	Amount	Share %	Amount	Share %	4/2	6/4
1	2	3	4	5	6	7	8	9
State-owned capital	32 364	2.7	32 364	2.6	32 364	2.6	100	100
Private capital (residents)	153 549	12.8	162 354	13.2	171 119	13.7	106	105
Foreign capital (non-residents)	1 017 822	84.5	1 038 832	84.2	1 045 067	83.7	102	101
T O T A L	1 203 735	100.0	1 233 550	100.0	1 248 550	100.0	102	101

[3] In 2012, the Russian bank Sberbank purchased Volksbank International from Austria, which also owned Volksbank BH d.d. Sarajevo.
[4] In addition to home countries of parent groups whose members are banks from the Federation of B&H, the graph also outlines countries of all other foreign shareholders of banks in the Federation of B&H.
[5] According to the balance sheet prepared on the basis of the FBA model: starting from 31.12.2011, loan loss provisions formed from profit were also included in total capital (in addition to share capital, issue premiums, retained profit and reserves and other capital (the financial resut of the current period)).

Graph 3: *Ownership Structure (by Share Capital)*



In the first quarter of 2015, share capital of banks in the Federation of B&H was up by KM 15.0 million or 1.2% compared to 31.12.2014. Share capital rose by KM 15.0 million following recapitalisation in one bank.

The analysis of the ownership structure of banks from the aspect of the share capital shows changes and trends in the banking system of the Federation of B&H, namely changes in the ownership structure, in a more detailed manner.

The share of state-owned capital in total share capital amounts to 2.6% and is the same as it was as of 31.12.2014.

The share of private capital (of residents) in total share capital amounts to 13.7% and is up by 0.5 percentage points compared to 31.12.2014, according to relative indicators. According to absolute indicators, the share is up by KM 8.8 million net due to a decrease in the share of non-residents after trade in the amount of KM 8.8 million net.

The share of private capital (of non-residents) in total share capital decreased by 0.5 percentage points (from 84.2% to 83.7%), according to relative indicators. According to absolute indicators, the share is up by KM 6.2 million net, i.e. up by KM 15 million due to recapitalisation in one bank, and down by KM 8.8 million net due to trade with residents.

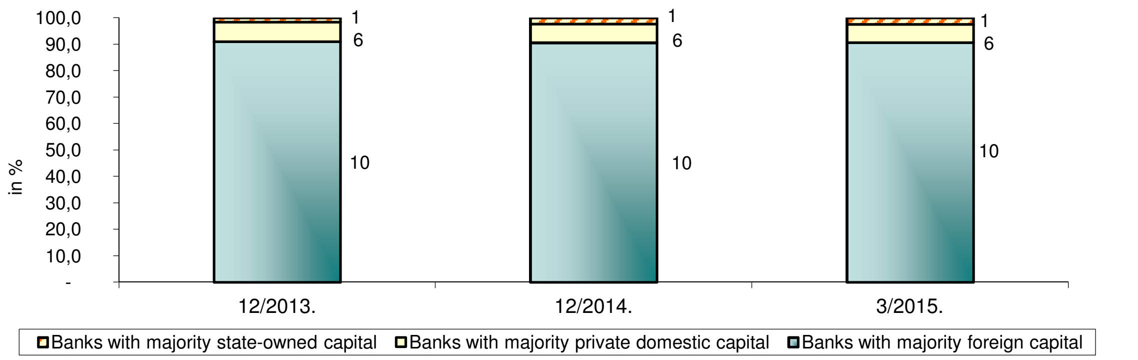
The market share of banks in majority foreign ownership as of 31.03.2015 stood at a high 90.7%, as was the case at the end of 2014, while banks with majority domestic private capital had a 6.9% share and one bank with majority state-owned capital had a 2.4% share.

- in %-

Table 3: *Market Shares of Banks by Ownership Type (Majority Capital)*

BANKS	31.12.2013			31.12.2014			31.03.2015		
	No. of banks	Share in total capital	Share in total assets	No. of banks	Share in total capital	Share in total assets	No. of banks	Share in total capital	Share in total assets
1	2	3	4	5	6	7	8	9	10
Banks woth majority state-owned capital	1	2.2	1.6	1	2.1	2.3	1	2.1	2.4
Banks with majority private domestic capital	6	9.2	7.4	6	7.8	7.1	6	7.6	6.9
Banks with majority foreign capital	10	88.6	91.0	10	90.1	90.6	10	90.3	90.7
T O T A L	17	100.0	100.0	17	100.0	100.0	17	100.0	100.0

Graph 4: *Market Shares by Ownership Type*



1.3. Human Resources

As of 31.03.2015, banks in the Federation of B&H had a headcount of 6 920 employees, 3% of which were employed in banks with majority state-owned capital and 97% of which were employed in private banks.

Table 4: *Employees in Banks of the Federation of B&H*

B A N K S	HEADCOUNT						INDEX	
	31.12.2013		31.12.2014		31.03.2015		3/2	4/3
1	2		3		4		5	6
State-owned banks	200	3%	202	3%	196	3%	101	97
Private banks	6 851	97%	6 758	97%	6 724	97%	99	99
T O T A L	7 051	100%	6 960	100%	6 920	100%	99	99
Number of banks	17		17		17		94	100

Table 5: *Qualification Structure of Employees*

STEPENSTRUČNE SPREME	HEADCOUNT						INDEX	
	31.12.2013		31.12.2014		31.03.2015		4/2	6/4
1	2	3	4	5	6	7	8	9
University degree	3 673	52.1%	3 775	54.2%	3 768	54.5%	103	100
Two-year post-secondary school qualification	601	8.5%	587	8.5%	586	8.5%	98	100
Secondary school qualification	2 750	39.0%	2 571	36.9%	2 542	36.7%	93	99
Other	27	0.4%	27	0.4%	24	0.3%	100	89
T O T A L	7 051	100.0%	6 960	100.0%	6 920	100.0%	99	99

In the first quarter of 2015, the headcount decreased slightly (by 40 or 0.6%).

The trend of an improved qualification structure by means of a larger share of employees with university degrees was continued in the first quarter of 2015 as well, mostly as a result of the number of employees with secondary school qualifications being down by 1% or 29 employees.

One of the indicators affecting the performance assessment of individual banks and the banking system as a whole is staff efficiency, expressed as a ratio of assets over the number of employees, i.e. assets per employee. A higher ratio is an indicator of better efficiency of both the bank's and the entire system's operations.

Table 6: *Assets per Employee*

BANKS	31.12.2013	31.12.2014	31.03.2015

	Head-count	Assets (KM 000)	Assets per employee	Head-count	Assets (KM 000)	Assets per employee	Head-count	Assets (KM 000)	Assets per employee
State-owned	200	241 605	1 208	202	379 330	1 878	196	333 665	1 702
Private	6 851	15 204 945	2 220	6 758	15 777 432	2 335	6 724	15 610 381	2 322
TOTAL	7 051	15 446 550	2 191	6 960	16 156 762	2 321	6 920	15 944 046	2 304

At the end of the reporting period, as well as at the end of 2014, there were KM 2.3 million of assets per employee at banking system level.

Table 7: *Assets per Employee – by Group*

Assets (KM 000)	31.12.2013 Number of banks	31.12.2014 Number of banks	31.03.2015 Number of banks
Up to 1 000	1	0	2
1 000 to 2 000	8	8	6
2 000 to 3 000	7	7	7
Over 3 000	1	2	2
TOTAL	17	17	17

Analytical indicators for individual banks range from KM 1.0 million to KM 3.6 million of assets per employee. There are four banks in which this ratio is better than the one at the banking sector level, while this ratio exceeds the amount of KM 2.5 million in the three largest banks in the system.

2. FINANCIAL PERFORMANCE INDICATORS OF BANKS

Off-site bank examinations are performed by means of reports defined by the Agency and reports of other institutions, thus making up a database resting on three sources of information:

1) Balance sheet information for all banks submitted on a monthly basis, together with additional annexes on a quarterly basis. This information contains details of cash funds, loans, deposits and off-balance sheet items, as well as basic statistical data,
2) Information on the solvency of banks, information on capital and capital adequacy, asset classification, concentrations of certain risk types, liquidity position, FX risk exposure, interest rates on loans and deposits, all based on reports prescribed by the Agency,
3) Information on business results of banks (income statement according to the FBA model) and statements of cash flows, all submitted to the FBA on a quarterly basis.

In addition to these standardised reports, the reporting database also consists of information obtained on the basis of additional reporting requests by the Agency in the interest of ensuring quality monitoring and analysis of banks' operations, followed by reports on audits of financial statements of banks prepared by external audit firms, as well as any other information of relevance for the performance assessment of individual banks and the banking system as a whole.

In accordance with the provisions of the Law on Opening Balance Sheet of Banks, banks with majority state-owned capital are required to report to the Agency on the basis of the "full" balance sheet divided into: liabilities, neutral items and assets. In order to obtain more realistic indicators of the operations banks in the Federation of B&H, further analysis of the banking system will be based on indicators from the assets side of the balance sheet of banks with majority state-owned capital.[6]

2.1. Balance Sheet

[6] State-owned banks post the „full balance sheet", meaning liabilities and neutral items, which the state will take over once the privatisation process gets finalised. As of 31.03.2015, these items amounted to KM 717 million in the case of one state-owned bank.

The balance sheet total of the banking sector as of 31.03.2015 amounted KM 15.9 billion, thus posting a decrease in the amount of KM 213 million or 1.3% compared to the end of 2014. As was the case in previous years, as influenced by the financial and economic crisis, there were small oscillations, i.e. changes in either direction (decrease or increase) of the balance sheet total, as well as of key balance sheet categories: deposits, total capital, loan commitments, cash funds and loans. This indicates a stagnation of the banking sector that has been present for a long period of time and that is understandable, given the environment in which the banks in the FB&H, i.e. in B&H, operate.

- KM 000 -

Table 8: *Balance Sheet*

DESCRIPTION	31.12.2013		31.12.2014		31.03.2015		INDEX	
	AMOUNT	Share %	AMOUNT	Share %	AMOUNT	Share %		
1	2	3	4	5	6	7	8 (4/2)	9 (6/4)
ASSETS:								
Cash funds	4 417 898	28.6	4 560 234	28.2	4 227 456	26.5	103	93
Securities[7]	562 513	3.6	801 394	5.0	828 390	5.2	142	103
Facilities to other banks	51 960	0.3	50 836	0.3	88 354	0.6	98	174
Loans	10 852 400	70.3	11 170 277	69.1	11 243 476	70.5	103	101
Value adjustment	1 165 928	7.5	1 155 153	7.1	1 176 971	7.4	99	102
Net loans (loans minus value adjust.)	9 686 472	62.8	10 015 124	62.0	10 066 505	63.1	103	101
Business premises and other fixed assets	512 985	3.3	526 023	3.2	531 331	3.3	103	101
Other assets	214 722	1.4	203 151	1.3	202 010	1.3	95	99
TOTAL ASSETS	**15 446 550**	**100.0**	**16 156 762**	**100.0**	**15 944 046**	**100.0**	**105**	**99**
LIABILITIES:								
LIABILITIES								
Deposits	11 523 849	74.6	12 130 746	75.1	11 903 258	74.7	105	98
Borrowings from other banks	0	0.0	0	0.0	0	0.0	0	0
Loan commitments	1 039 381	6.7	1 026 503	6.4	958 485	6.0	99	93
Other liabilities	575 375	3.7	573 153	3.5	578 764	3.6	100	101
CAPITAL								
Capital	2 307 945	15.0	2 426 360	15.0	2 503 539	15.7	105	103
TOTAL LIABILITIES (LIABILITIES AND CAPITAL)	**15 446 550**	**100.0**	**16 156 762**	**100.0**	**15 944 046**	**100.0**	**105**	**99**

- KM 000 -

Table 9: Banks‘ Assets by Ownership Structure

BANKS	31.12.2013			31.12.2014			31.03.2015			INDEX	
	No. of banks	Assets (KM 000)		No. of banks	Assets (KM 000)		No. of banks	Assets (KM 000)			
1	2	3		4	5		6	7		8 (5/3)	9(7/5)
State-owned	1	241 605	2%	1	379 330	2%	1	333 665	2%	157	88
Private	16	15 204 945	98%	16	15 777 432	98%	16	15 610 381	98%	104	99
TOTAL	17	15 446 550	100%	17	16 156 762	100%	17	15 944 046	100%	105	99

In most banks (11), assets are down compared to the end of 2014, while the other banks saw an increase in assets. Low growth rates, i.e. rates of decrease were recorded (ranging from 0.6% to 6%), while only one small bank recorded a somewhat higher rate of decrease of the balance sheet total (12%).

The concentration indicator used for three key segments of banking operations (assets, loans and deposits) is the Herfindahl index.[8]

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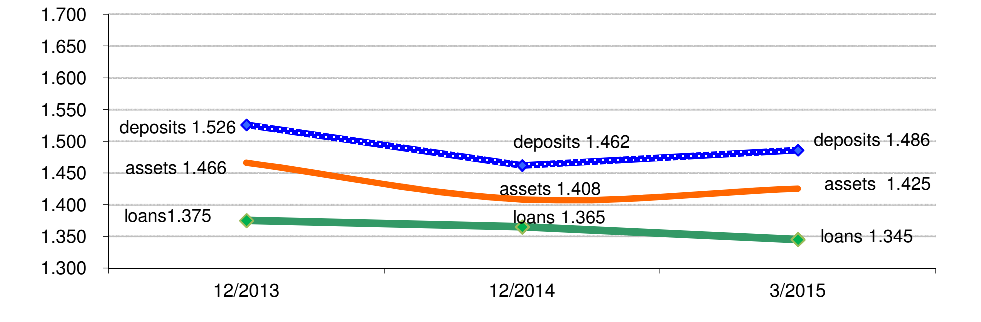
[7] Trading securities, securities available for sale and held to maturity securities.

[8] This index is also called Hirschmann-Herfindahl index or HHI and is calculated according to this formula: $HI = \sum_{j=1}^{n} (S)_j^2$,

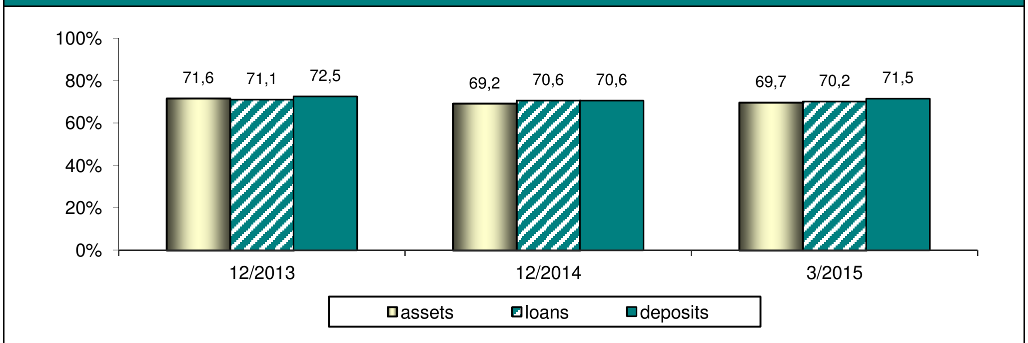
Graph 5: *Herfindahl Indeks of Concentrations in Assets, Loans and Deposits*



In the first quarter of 2015, the Herfindahl index of concentrations in all three relevant categories (assets, loans and deposits) saw small changes: it increased by 17 units for assets, by 24 units for deposits and decreased by 20 units for loans, so that it amounted to 1 425 units for assets, 1 345 units for loans, and 1 486 units for deposits as of 31.03.2015, which is indicative of a moderate concentration.[9]

The second concentration indicator for the banking system is the ratio of market concentrations, i.e. the concentration rate[10] (hereinafter: the CR) showing the total share of the largest institutions in the system in selected relevant categories: assets, loans and deposits. Like Herfindahl's index of concentrations, the CR5 also changed only slightly and amounted to 69.7% for market share, 70.2% for loans, and 71.5% for deposits. For a long period of time, the value of the CR5 saw slight changes across all three categories, but the domination of the five largest banks in the system, which hold approximately 70% of the market, loans and deposits, is still evident.

Graph 6: *Concentration Rates for the 5 Largest Banks – CR5: Assets, Loans and Deposits*



The banking sector can also be analysed on the basis of the criterium of belonging to groups formed according to asset size.[11] Changes in share percentage compared to the end of 2014 are minor, which is the result of changes in the assets of most banks.

It represents a sum of squares of percentage shares of specific elements (e.g. assets, deposits, loans) of all market participants in the system. It should be noted that this index does not grow linearly and that the value of e.g. 3 000 does not mean that the concentration in the system is 30%. Hypotethically, if there were just one bank in the entire system, the HHI would be 10 000 at most.

[9] If the value of the HHI is below 1 000, this shows no presence of the concentration on the market, while an index value between 1 000 and 1 800 shows moderate concentration, and a HHI value above 1 800 shows high concentration on the market.

[10] The concentration ratio (CR) rests on the number of institutions included in the calculation.

[11] Banks are divided into 5 groups depending on asset size.

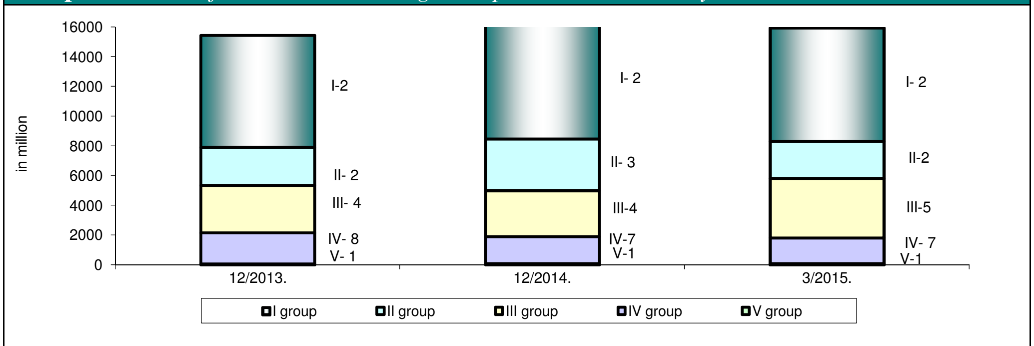
The banking system is dominated by the four largest banks with a share of 63.6%, of which the I group (the two largest banks in the system with assets in the amount of over KM 3 billion) has a share of 47.9%, while the share of the II group (two banks with assets in the amount ranging from KM 1 billion to KM 2 billion), due to one bank moving to the III group, dropped from 21.6% to 15.7%. The aforementioned resulted in an increase in the share of the III group (five banks with assets ranging from KM 500 million to KM 1 billion) from 19% to 25%. The share of the IV and largest group (with assets ranging from KM 100 million to KM 500 million) amounts to 10.9%, while one bank in the V and last group (with assets below KM 100 million) has a share of a negligible 0.5%.

The table below provides an overview of the amounts and shares of individual groups of banks in total assets by period (in KM million).

Table 10: *Share of Individual Banking Groups in Total Assets by Period*

ASSETS	31.12.2013			31.12.2014			31.03.2015		
	Amount	Share %	No. of banks	Amount	Share %	No. of banks	Amount	Share %	No. of banks
I- Over 2 000	7 546	48.8	2	7 685	47.6	2	7 638	47.9	2
II- 1000 to 2000	2 555	16.5	2	3 488	21.6	3	2 499	15.7	2
III- 500 to 1000	3 195	20.7	4	3 077	19.0	4	3 987	25.0	5
IV- 100 to 500	2 078	13.5	8	1 829	11.3	7	1 741	10.9	7
V- Below 100	73	0.5	1	78	0.5	1	79	0.5	1
TOTAL	15 447	100.0	17	16 157	100.0	17	15 944	100.0	17

Graph 7: *Share of Individual Banking Groups in Total Assets by Period*



The balance sheet total decrease of 1.3% or KM 213 million, i.e. to the level of KM 15.9 billion at the end of the first quarter of 2015 is mostly the result of a decrease in deposits by 1.9% or KM 227 million, i.e. to the level of KM 11.9 billion, coupled with a drop in loan commitments by 6.6% or KM 68 million. Total capital rose by 3.2% or KM 77 million, originating mostly from current profit and from recapitalisation in one bank. At the end of the reporting period in 2015, total capital amounted to KM 2.5 billion.

During the reporting period, cash funds went down by 7.3% or KM 333 million, i.e. to the level of KM 4.2 billion as a result of, on the one hand, the outflow of deposits and the decrease in loan commitments, and, on the other hand, the modest credit growth and investments in securities.

In the first quarter of 2015, credit growth in the amount of 0.7% or KM 73 million was recorded in 2014, with it being noted that one should bear in mind the impact, i.e. effects of the change of the exchange rate of CHF in January 2015, so that the real credit growth amounted to approximately 0.4%. Loans amounted to KM 11.2 billion as of 31.03.2015.

Investments in securities recorded an increase of 3.4% or KM 27 million (in 2014, their growth was 42.5% or KM 239 million), which was primarily related to securities issued by the Government of the

FB&H. At the end of the first quarter of 2015, the securities portfolio amounted to KM 828 million, thus having a share in assets of a mere 5.2%.

The portfolio of securities available for sale (a small part thereof refers to the trading portfolio), up by 3.1% or KM 18 million, amounted to KM 605 million, and the securities held to maturity increased by 4%, i.e. from KM 215 million to KM 223 million. Both portfolios include securities issued by the Government of the Federation of B&H[12] in the total amount of KM 421 million, as well as securities issued by the Government of Republika Srpska in the amount of KM 63 million. Also, the trading portfolio includes shares issued by local companies totaling KM 3 million. The remaining portion of the securities portfolio amounts to app. KM 341 million and refers mostly to bonds of EU countries, and to a lesser extent to corporate bonds, primarily those of EU banks. The increase in investments in securities in 2015 is primarily the result of an increase in the exposure to the Government of the FB&H on the basis of the purchase of treasury bills, which rose from KM 355 million to KM 394 in the first quarter of 2015.

In the first quarter of 2015 (in the third month), the Government of the Federation of B&H issued 2 tranches of treasury bills in the total nominal amount of KM 30 million each, maturing in the ninth month of 2015. As of 31.03.2015, treasury bills amount to KM 140 million, i.e. their book value is KM 139.1 million.

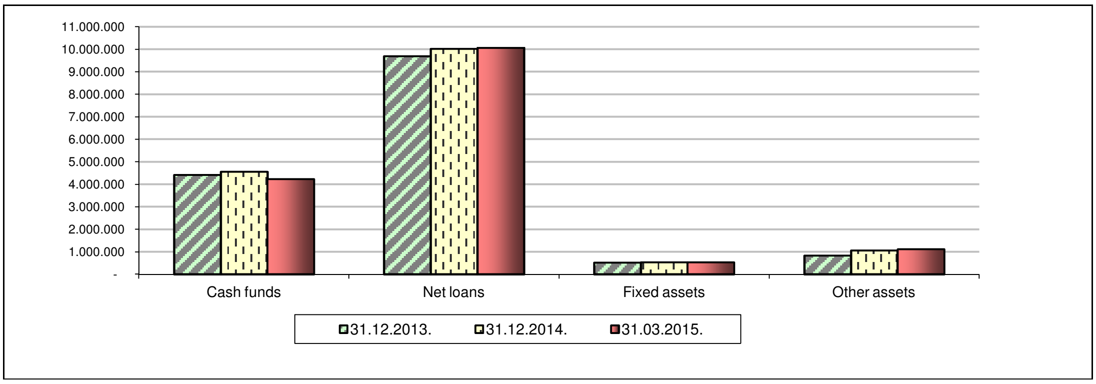
In addition to treasury bills, the securities portfolios of banks also include market bonds issued by the Government of the Federation of B&H (issued in the period from 2012 to 2014) with a total nominal value of approximately KM 255 million, which is the same balance as at the end of 2014. The majority of the treasury bills and market bonds with a book value of KM 333 million was classified in the portfolio of securities available for sale, while the rest in the amount of KM 61 million is classified in the portfolio of securities held to maturity.

When analysing the overall securities portfolio (KM 828 million) from the aspect of exposure by country, the largest share is that of B&H (60.8%) (56.6% at the end of 2014), followed by Austria (14.8%), Romania (10.9%), France (4.7%), etc.

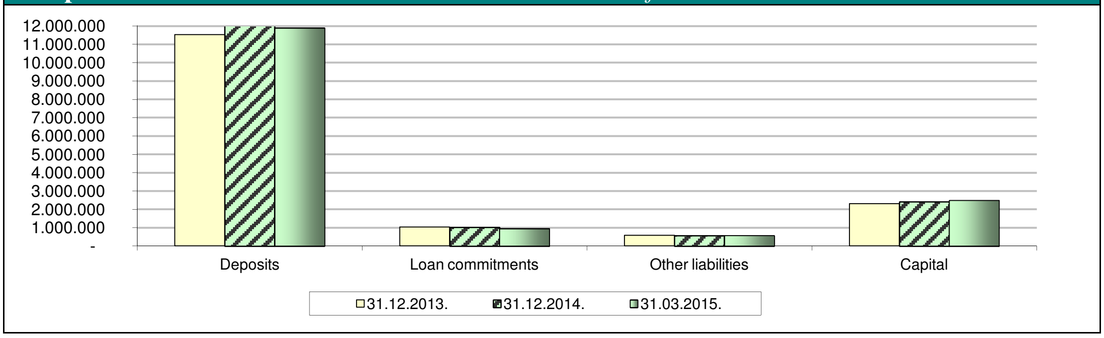
The graphs below show the structure of the key items of the banks' balance sheet.

Graph 8: *Assets Structure within the Balance Sheet of Banks*

[12] All types of securities issued by the Government of the Federation of B&H.



Graph 9: *Liabilities Structure within the Balance Sheet of Banks*



Within the liabilities structure of the banks' balances sheets, deposits still represent a dominant source of funding for banks in the Federation of B&H (with an amount of KM 11.9 billion and a 74.7% share). The long-standing trend of decrease of loan commitments continued in 2015 as well and, following a drop in the amount of 6.6%, the share of loan commitments in the amount of KM 1.0 billion decreased from 6.4% to 6.0%, while the share of capital, which amounted to KM 2.5 billion as of 31.03.2015, increased from 15.0% to 15.7%.

The structure of assets, as well as the structure of sources of funding, saw minor changes related to two key assets items: increase in the loan share from 69.1% to 70.5% and decrease in cash funds from 28.2% to 26.5%.

- in KM 000 -

Table 11: *Cash Funds of Banks*

CASH FUNDS	31.12.2013		31.12.2014		31.03.2015		INDEX	
	Amount	Share %	Amount	Share %	Amount	Share %	4/2	6/4
1	2	3	4	5	6	7	8	9
Cash	431 592	9.8	456 750	10.0	440 899	10.4	106	97
RR at the CB B&H	2 622 277	59.4	2 854 559	62.6	2 760 915	65.3	109	97
Accounts at deposit institutions in B&H	25 181	0.5	22 759	0.5	856	0.0	90	4
Accounts at deposit institutions abroad	1 338 347	30.3	1 225 850	26.9	1 024 556	24.3	92	84
Cash funds in the process of collection	501	0.0	316	0.0	230	0.0	63	73
TOTAL	4 417 898	100.0	4 560 234	100.0	4 227 456	100.0	103	93

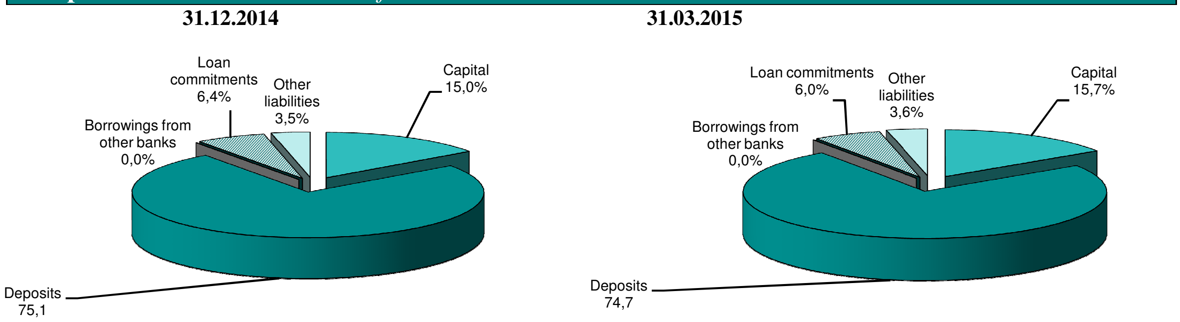
The banks' cash funds in the CBBH reserves account were down by 3% or KM 94 million in the first three months of 2015 and amounted to KM 2.8 billion or 65.3% of total cash funds as of 31.03.2015 (62.6% at the end of 2014). The banks' funds in accounts of deposit institutions abroad recorded a decrease of 16% or KM 201 million and amounted to KM 1.0 billion or 24.3% of total cash funds (26.9% at the end of 2014). Following their decrease of 3% or KM 16 million, banks held cash funds in the amount of KM 441 million, which represents 10.4% of total cash funds, in vaults and treasuries as of 31.03.2015.

These trends prompted a change in the currency structure of cash funds: in the reporting period, the share of local currency increased from 70.2% to 72.9%, while cash in foreign currency decreased by the same percentage.

2. 1. 1. Liabilities

The total liabilities structure (liabilities and capital) within the banks' balance sheet as of 31.03.2015 is provided in the graph below:

Graph 10: *Liabilities Structure of Banks*



In the first quarter of 2015, the share of deposits (74.7%), as the most significant source of funding of banks, was down by 0.4 percentage points, while the continuous trend of the decrease in the share of loan commitments, the second largest source of funding, continued in 2015 as well by 0.4 percentage points (6.0%).

As of 31.03.2015, deposits amounted to KM 11.9 million, thus still being the largest source of funding of banks in the Federation of B&H.

The second-largest source of funding are loans in the amount of KM 1 billion, which banks received mostly by borrowing from foreign financial institutions. In the past few years, due to the effect of the financial and economic crisis, banks incurred significantly fewer loans abroad and, coupled with the payment of receivables due, reduced these sources of funding by over 50% (at the end of 2008, deposits amounted to KM 2.18 billion) with the rate of decrease amounting to 6.6% or KM 68 million in the first quarter of 2015. If subordinated loans in the amount of KM 118 million, which the banks withdrew in the interest of strengthening the capital base and improving capital adequacy, were added to loan commitments, total loan funds would hold a share of 6.8% in total sources of funding.

As of 31.03.2015, banks held the largest amount of liabilities towards the following creditors (6 out of a total of 29 creditors), accounting for 75% of total loan commitments: European Investment Bank (EIB), TC ZIRAAT BANKASI A.S. (Turkey), UniCredit Bank Austria AG, the World Bank, European Fund for Southeast Europe (EFSE), and European Bank for Reconstruction and Development (EBRD).

As of 31.03.2015, capital amounted to KM 2.5 billion, up by 3.2% or KM 77 million compared to the end of 2014. This primarily relates to the financial result (profit) recorded in the first quarter of 2015 as well as the recapitalisation in one banks (KM 15 million).

According to the information submitted by banks, out of the total deposit amount at the end of the reporting period, only 5.9% relates to deposits collected in organisational units of banks from the

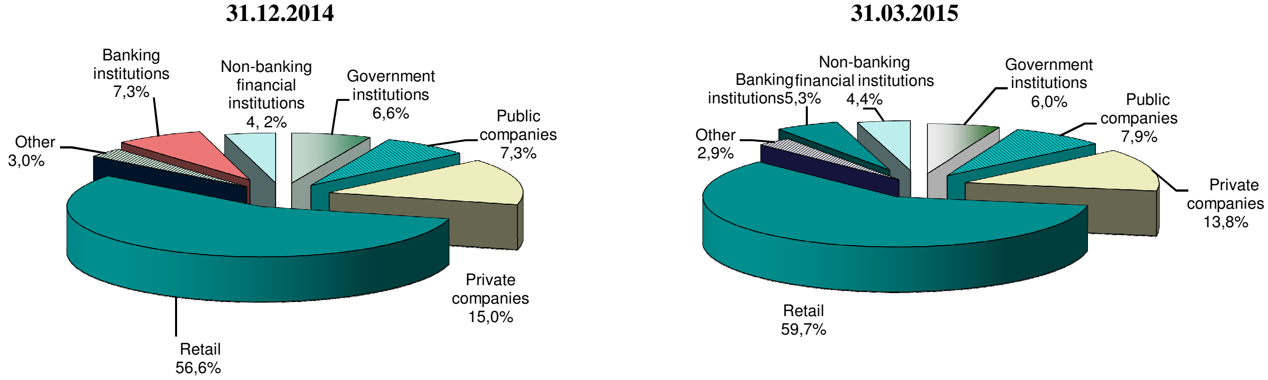
Federation of B&H, which are doing business in Republika Srpska and Brčko District.

- in KM 000 -

Table 12: *Deposit Structure by Sector*[13]

SECTORS	31.12.2013		31.12.2014		31.03.2015		INDEX	
	Amount	Share %	Amount	Share %	Amount	Share %	4/2	6/4
1	2	3	4	5	6	7	8	9
Government institutions	565 533	4.9	795 985	6.6	713 533	6.0	141	90
Public companies	1 076 527	9.3	883 463	7.3	942 627	7.9	82	107
Private companies and enterprises	1 668 034	14.5	1 821 094	15.0	1 642 818	13.8	109	90
Banking institutions	1 012 274	8.8	886 007	7.3	632 040	5.3	88	71
Non-banking financial institutions	535 915	4.7	517 110	4.2	529 270	4.4	96	102
Retail	6 366 218	55.2	6 863 296	56.6	7 102 634	59.7	108	103
Other	299 348	2.6	363 791	3.0	340 336	2.9	122	94
TOTAL	11 523 849	100.0	12 130 746	100.0	11 903 258	100.0	105	98

Graph 11: *Deposit Structure by Sector*



In the first quarter of 2015, minor changes occurred in the deposit structure by sector and they are mostly the result of an increase in retail deposits and deposits of public companies, private companies, as well as a decrease in deposits of banking institutions, private companies, and government institutions.

Retail deposits displayed continuous growth over the past few years, and they rose by 3% or KM 239 million in the first three months of 2015, while their share in total deposits rose from 56.6% to 59.7%, so that retail deposits are still the largest source of funding for banks with KM 7.1 billion. Analytical data indicates that the share of this sector's deposits is the largest in 15 out of 17 and it ranges from 38% to 84%, i.e. it is above 50% in ten banks.

The second largest source of funding (based on amount and share) are deposits of private companies. Following an increase of 9% or KM 153 million in 2014, they recorded a relatively large drop of 10% or KM 178 million in the first quarter of 2015, i.e. to the level of KM 1.6 billion, which led to the share decreasing to 13.8% (-1.2 percentage points).

In the first quarter of 2015, deposits of public companies rose by 7% or KM 59 million and amounted to KM 943 million as of 31.03.2015, with their share being 7.9% (+0.6 percentage points).

Due to the effects of the crisis, the reduced volume of lending and high liquidity, deposits of banking institutions have had a trend of significant decrease for a few years, thus resulting in a reduced share.

[13] Information from the auxiliary BS-D form, which banks submit on a quarterly basis in addition to the balance sheet (as based on the FBA model).

From the end of 2009 to 31.03.2015, deposits of this sector dropped by app. 60% or KM 1.2 billion. Negative trends in previous years (related to these funds at sector level) are mostly the result of debt reduction, i.e. the repayment of funds to groups that own the banks in the Federation of B&H.

In the first three months of 2015, deposits of banking institutions fell by 29% or KM 254 million, thus amounting to KM 632 million as of 31.03.2015. This resulted in their share in total deposits dropping from 7.3% to 5.3%. These funds are lower than loan commitments by KM 326 million, which are the second-largest source of funding in banks from the Federation of B&H, just after deposits. Based on the aforementioned information, it can be concluded that the foreign debt level of banks from the Federation of B&H is much lower, especially in terms of deposit funds of parent groups. It should be noted that maturity has changed singificantly in favour of short-term deposits, which have the function of maintining the maturity adjustment within the prescribed limits, i.e. app. KM 78 million or 14% of term deposits of the group mature by the end of 2015, while KM 201 million or 36% mature in 2016. Considering that the same reduction trend is present with respect to loan commitments, banks are once again facing the problem of maintaining their maturity adjustment, with this being caused by the unfavourable maturity of local deposit funds, due to which they are forced to obtain quality sources of funding in the period to come in order to intensify the increase in approved loans.

It is worth noting that 90% or KM 571 million of deposits of banking institutions relate to deposits of banks from the group (mostly shareholders). Financial support by parent groups is present with respect to nine banks in the Federation of B&H, wherein such financing is still concentrated in three large banks (88%). In this way, banks in majority foreign ownership had financial support and secured inflows of new funds by their foreign groups in previous periods. If these funds are coupled with loan commitments and subordinated debt, the financial support of banks from the group is higher (with respect to 11 banks) and amounts to KM 0.9 billion as of 31.03.2015 (or 5.9% of total liabilities of the banking sector, which is lower compared to the end of 2014 (KM 1.2 billion or 7.4% of liabilities)). In total deposits, the funds of banking groups hold a share of 4.8% (6.4% at the end of 2014), while loan commitments to the group account for 27.6% of total loan commitments (this share is up by 0.6%). Compared to the end of 2014, these funds dropped by 21.4% or KM 257 million, largely based on regular maturities (deposits fell by 27% or KM 210 million, loan commitments by 4.5% or KM 13 million and subordinated loans by 24.4% or KM 34 million).

Considering that lending activities of banks got significantly reduced due to the economic crisis, thus resulting in high liquidity and a good capitalisation rate of most of foreign-owned banks in the Federation of B&H, the trend of the past couple of years is still present when it comes to reduced exposures to the group. This primarily relates to the segment of both deposit sources and loan sources, largely on the basis of regular repayments of matured liabilities. It is evident that the financial support of parent banking groups got significantly reduced, so that credit growth in the Federation of B&H will have to rely more on local sources of funding in the period to come. It is especially important to underline that deposit funds that certain banks received from their parent groups over the past two years are mostly of short-term maturity (most often one to two months) and serve the purpose of maintaining maturity adjustment within the prescribed limits, and therefore do not constitute a quality source of long-term funding.

In times of crisis and difficulties in terms of accessing the money market and new funds, the increase of liquidity risk as a result of the impaired collection rate of loans and growth of uncollectable receivables, unsatisfactory maturity structure of local deposit sources and expected further reduction of foreign sources of funding, the problem of the unfavourable maturity structure of sources of funding (primarily deposits) and their growth will be the focus of most of banks in the period to come.

Deposits of government institutions recorded a an increase of 10% or KM 82 million, while deposits of other sectors saw slight changes in terms of both amount and share.

The currency structure of deposits as of 31.03.2015 has slightly changed: deposits in foreign currency (with a dominant share of EUR currency) in the amount of KM 5.9 billion increased their share from 49.2% to 49.6% and deposits in local currency amounted to KM 6 billion and hold a share of 50.4%.

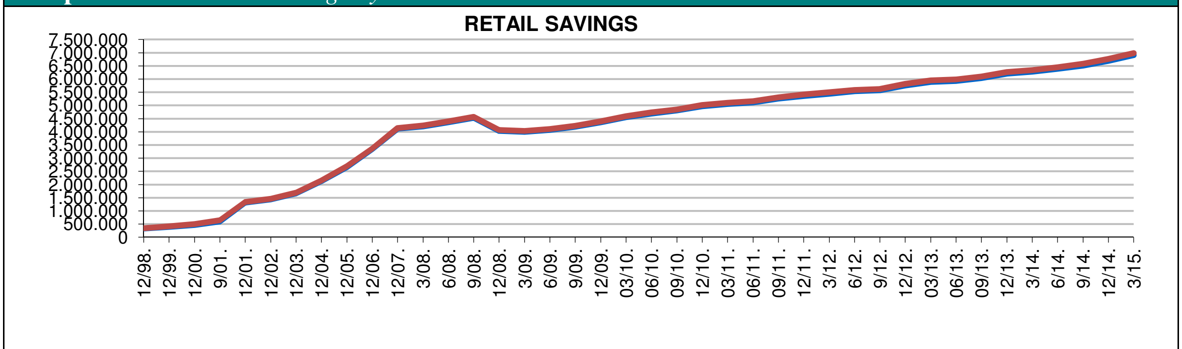
At the end of of the first quarter of 2015, the structure of deposits by domicile status of depositors changed slightly: resident funds amounted to KM 11 billion and had a share of 92.2% (+1.8 percentage points) while non-resident deposits amounted to KM 0.9 billion and represented 7.8% of total deposits. Although resident deposits in the first quarter remained at the same level they were at as of the end of 2014, the share increased as a result of a drop in non-resident deposits by 20% or KM 227 million. Over the past few years, non-resident deposits continuously decreased as a result of the withdrawal, i.e. return of deposits to the parent bank or member of the banking group to which non-resident funds mostly refer.

In the first three months of 2015, savings deposits, as the most significant segment of the deposit and financial potential of banks, recorded an increase of 3.3% or KM 220 million and amounted to KM 6.9 billion as of 31.03.2015.

Table 13: *New Retail Savings By Period*

BANKS	AMOUNT (in KM 000)			INDEX	
	31.12.2013	31.12.2014	31.03.2015	3/2	4/3
1	2	3	4	5	6
State-owned	65 179	73 072	77 023	112	105
Private	6 135 711	6 618 891	6 835 234	108	103
TOTAL	6 200 890	6 691 963	6 912 257	108	103

Graph 12: *New Retail Savings by Period*



The two largest banks hold 57% of savings, while nine banks hold individual shares of less than 2%, which amounts to 11.1% of total savings at system level.

Out of the total amount of savings, 42% refer to saving deposits in local currency and 58% to savings deposits in foreign currency.

Table 14: *Maturity Structure of Retail Savings Deposits by Period*

BANKS	AMOUNT (in KM 000)						INDEX	
	31.12.2013		31.12.2014		31.03.2015		3/2	4/3
1	2		3		4		5	6
Short-term savings deposits	2 911 827	47.0%	3 129 098	46.8%	3 285 208	47.5%	107	105
Long-term savings deposits	3 289 063	53.0%	3 562 865	53.2%	3 627 049	52.5%	108	102
TOTAL	6 200 890	100.0%	6 691 963	100.0%	6 912 257	100.0%	108	103

Compared to the end of 2014, the maturity structure of savings deposits changed slightly through an increase in short-term deposits by 5% or KM 156 million, while long-term deposits rose by 2% or

KM 64 million, thus resulting in a slightly lower share of long-term deposits from 53.2% to 52.5%.

Long-standing continuous growth and positive trends in the savings segment of banks in the Federation of B&H are the result of, on the one hand, better safety and stability of the overall banking system (as chiefly attributable to the functional, effective and efficient banking supervision implemented by the Agency) and, on the other hand, the existence of the deposit insurance system, the primary objective of which is increased stability of the banking, i.e. financial sector and the protection of savers. In order to preserve and strengthen the trust of citizens in the safety and stability of the banking system in B&H, the deposit insurance level rose to KM 20 000 in 2008. After that, an initiative was started to increase the insured deposit level. Accordingly, on 01.04.2010, this level rose to KM 35 000. According to the latest decision by the Management Board of the Deposit Insurance Agency of B&H from December 2013, the insured deposit limit increased from the present KM 35 000 to KM 50 000, effective as of 01.01.2014. All these actions are aimed towards limiting the effect of the global economic crisis on the banking and the overall economic system in the Federation of B&H and B&H.

As of 31.03.2015, there was a total of 16 banks from the Federation of B&H included in the deposit insurance program (i.e. holding licences issued by the Deposit Insurance Agency of B&H). There is one bank that is not eligible for this program because it does not meet the criteria defined by the Deposit Insurance Agency of B&H (due to existing composite rating).

2.1.2. Capital – Strength and Adequacy

The capital[14] of banks in the Federation of B&H as of 31.03.2015 amounted to KM 2.2 billion.

It should be noted that the FBA, in order to comply with international standards of regulatory capital, adopted a new Decision on Minimum Standards for Bank Capital Management and Capital Hedge (hereinafter: the Decision) in mid-2014, which constitutes an innovated concept of capital, in which the previously prescribed and applied minimum standards in capital management are supplemented by additional measures for strengthening and preserving capital. New and amended provisions have influenced the form and content of regulatory reports in the segment of capital, with them having to be applied as of 30.09.2014.

- in KM 000 -

Table 15: *Regulatory capital*

DESCRIPTION	31.12.2013		31.12.2014		31.03.2015		INDEX	
1	2		3		4		5 (3/2)	6 (4/3)
1.a.Core capital before reduction	2 155 188		1 991 385		2 026 032		92	102
1.1. Share capital – common and permanent non-cumulative shares	1 200 644		1 230 459		1 245 459		102	101
1.2. Issue premiums	136 485		136 485		136 485		100	100
1.3. Reserves and retained profit	818 059		624 441		644 088		76	103
1.b. Deductible items	294 629		213 674		214 239		73	100
1.1. Uncovered losses from previous years	112 610		122 705		167 658		109	137
1.2. Current year loss	140 445		44 953		472		32	1
1.3. Treasury shares	156		81		81		52	100
1.4.. Intangible assets	41 418		41 873		42 268		101	101
1.5. Deferred tax assets	N/a		2 780		2 722		N/a	98
1.6. Negative revalorised reserves	N/a		1 282		1 038		N/a	81
	1 860 559	**80%**	**1 777 711**	**81%**	**1 811 793**	**83%**	96	102
1. Core capital (1a-1b)								
2. Supplementary capital	**457 047**	**20%**	**412 922**	**19%**	**374 564**	**17%**	90	91
2.1. Share capital – common and permanent cumulative shares	3 091		3 091		3 091		100	100
2.2. General loan loss reserves	215 083		229 895		230 172		107	100
2.3. Positive revalorised reserves	N/a		23 703		23 509		N/a	99
2.4. Amount of audited profit	71 984		N/a		N/a		N/a	N/a
2.5. Subordinated debt	165 473		154 814		116 373		94	75
	1 416		1 419		1 419		100	100

14 Regulatory capital is defined in Articles 7, 8 and 9 of the Decision on Minimum Standards for Capital Management in Banks and Capital Hedge („Official Gazette of the Federation of B&H", No. 46/14).

2.5. Hybrid items and other instruments								
3. Capital (1 + 2)	**2 317 606**	**100%**	**2 190 633**	**100%**	**2 186 357**	**100%**	95	100
4. Deductible items from capital	**159 710**		**206 426**		**221 079**		129	107
4.1. Bank's shares in capital of other legal entities above 5% of core capital	2 844		1 678		1 678		59	100
4.2. Loan loss reserves shortfall at regulatory request	156 866		203 239		217 892		130	107
4.3. Other deductible items	0		1 509		1 509		N/a	100
5. Net capital (3- 4)	**2 157 896**		**1 984 207**		**1 965 278**		92	99

In the first quarter of 2015, capital[15] remained almost unchanged compared to the end of 2014, with a minor change in structure (core capital 83% and supplementary capital 17%). Core capital increased by 2% or KM 34 million, while supplementary capital fell by 9% or KM 38 million.

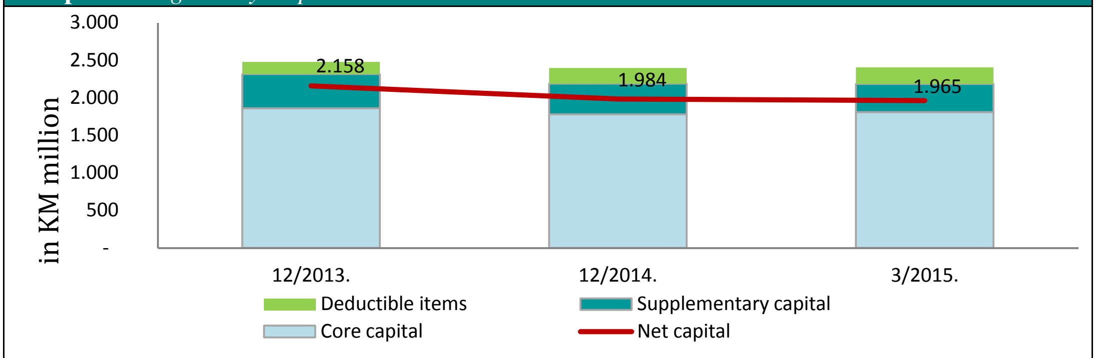
The increase in core capital is mostly based on an increase in one bank's share capital by a new issue (conversion of subordinated debt) in the amount of KM 15 million and another bank's allocation of profit for 2014 to retained profit in the amount of KM 19 million.

Supplementary capital decreased by 9% or KM 38 million, which was mostly influenced by a decrease in subordinated debt by KM 38 million, due to the aforementioned conversion into share capital and on the basis of regular maturity.

It should be noted that most banks did not include profit from 2014 in core capital (a total of KM 148 million) because neither have all activities related to the external audit of the financial statements for 2014 been completed nor have the decisions on the allocation of profit been made by the competent authorities.
According to regulatory changes in late 2011, deductible items from capital include a new accounting item: the shortfall of loan loss reserves upon regulator's request (i.e. a difference between required regulatory loan loss reserves according to balance sheet and off-balance sheet items[16] and loan loss reserves formed from profit). As of 31.03.2014, this item amounted to KM 218 million, up by 7% or KM 15 million compared to the end of 2014 (this item was up by 30% or KM 46 million in 2014).

The graph below shows the regulatory capital structure.

Graph 13: *Regulatory Capital Structure*



As a result of the aforementioned changes, net capital fell by 1% or KM 19 million and amounted to KM 2 billion as of 31.03.2015.

[15] Source of information: quarterly Report on Capital Condition in Banks (Form 1-Table A).
[16] Banks declare required regulatory reserves when the value adjustment (according to IAS) is below calculated regulatory reserves, as determined at the level of the individual debtor. This methodology is in application since 30.06.2012.

Capital adequacy of individual banks, i.e. the overall system, depends, on the one hand, from the net capital level, and, on the other hand, on total risk-bearing assets (risk-bearing balance sheet and off-balance sheet assets and weighted operational risk).

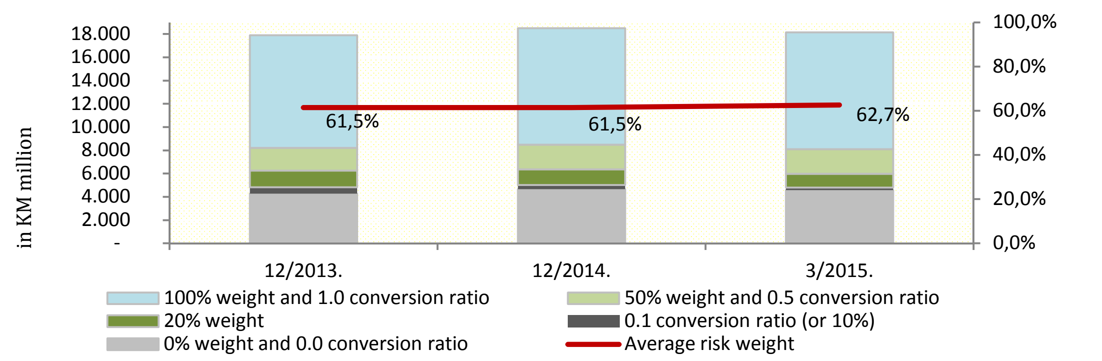
The table below provides a structure of the net exposure of banks by credit risk weight, i.e. conversion ratio for off-balance sheet items.

- in KM 000 -

Table 16: *Structure of Net Exposure of Banks by Credit Risk Weight*

DESCRIPTION	31.12.2013	31.12.2014	31.03.2015	INDEX	
1	2	3	4	5 (3/2)	6 (4/3)
TOTAL EXPOSURE (1+2):	**17 893 904**	**18 521 696**	**18 152 911**	104	98
1 Balance sheet assets	14 969 445	15 630 370	15 404 271	104	99
2. Off-balance sheet items	2 924 459	2 891 326	2 748 640	99	95
DISTRIBUTION BY RISK WEIGHT AND CONVERSION RATIO					
0% weight	4 198 260	4 598 235	4 522 487	110	98
20% weight	1 424 069	1 361 199	1 185 919	96	87
50% weight	33 110	54 096	49 250	163	91
100% weight	9 314 006	9 616 840	9 646 615	103	100
0.0 conversion ratio	86 947	52 453	55 368	60	106
0.1 conversion ratio	550 966	356 611	210 112	65	59
0.5 conversion ratio	1 916 076	2 073 391	2 078 765	108	100
1.0 conversion ratio	370 470	408 871	404 395	110	99
RISK-BEARING BALANCE SHEET AND OFF-BALANCE SHEET ASSETS	**10 998 977**	**11 397 359**	**11 373 214**	**104**	**100**
Average risk weight	**61.5%**	**61.5%**	**62.7%**	**100**	**102**

Graph 14: *Structure of Net Exposure of Banks by Credit Risk Weight*



In the first quarter of 2015, total net exposure of banks (before being weighted) is down by 2% or KM 369 million, and considering that risk-bearing balance sheet and off-balance sheet assets remained at the level of KM 11 billion, the average risk weight increased from 61.5% to 62.7%.

The opposite trend was seen with respect to the weighted operational risk (WOR), which fell slightly (1%) and amounts to KM 977 million. All of this resulted in an unchanged amount of total risk-bearing assets.

As of 31.03.2015, the share of risk-bearing balance and off-balance sheet assets exposed to credit risk amounted to 92% and to operational risk 8%.

The banks' capitalisation rate, expressed as a ratio between capital and assets, amounted to 12.7% as of 31.03.2015, which is up by 0.1 percentage points compared to the end of 2014.

One of the key indicators of capital strength and adequacy[17] of banks is the capital adequacy ratio, which constitutes a ratio between net capital and risk-weighted assets. At the banking sector level, this ratio stood at 15.9% as of 31.03.2015, down by 0.1% compared to the end of 2014.

Also, the indicator of capital strength and quality is the ratio of the core capital (Tier I) and total risk assets, which amounted to 14.7% at the level of the banking sector as of 31.03.2015. An important provision of the new Decision is the obligation of banks to intend part of the core capital above 6% of total risk assets to cover the risks related to preventive protection from potential losses in times of crisis or stressful situations through a protective layer for preserving the capital that has been prescribed in the amount of 2.5% of the amount of total risk assets under this Decision. Two other protective layers were introduced – a countercyclical protective layer and a protective layer for systemic risk, which the FBA would determine by a special resolution, if necessary.

Banks are also, according to the new Decision, obligated to establish and maintain the financial leverage ratio as an additional security and a simple capital hedge, at least in the amount of 6%, starting as of 31.12.2015, with the obligation of quarterly reporting as of 30.09.2014. The financial leverage ratio at the level of the banking sector amounted to 9.7% as of 31.03.2015.

Although operations of the banking sector have been strongly affected by the economic crisis for the past few years, the capital adequacy of the banking sector has been continuously maintained at the level above 16%. The reason for this is, on the one hand, the slight credit growth and decrease of total risk-bearing assets in previous years, and, on the other hand, the fact that banks have retained the largest share of profit from previous years within their capital and several banks have improved their capitalisation rate by means of additional capital injections. However, problems related to the increase in non-performing loans and items not covered by loan loss reserves (net non-performing assets) may significantly impact and cause weakening of the capital base in several banks in the period to come. This is conditioned by continued negative trends regarding asset quality and the worsening of and increase in non-collectable loans. This is illustrated by the following information: at the end of 2008, net non-performing assets amounted to KM 197 million and its ratio (vs. core capital) was 13.2%. At the end of 2013, net non-performing assets amounted to KM 474 million, which is 25.5% of core capital, while dropping to the amount of KM 414 million in 2014, with a ratio of 23.2% (this is the result of a decrease on the basis of the sale of a part of non-performing loans in one bank, but also of an increase in loan loss reserves, i.e. greater coverage of non-performing facilities). In the first quarter of 2015, net non-performing assets decreased slightly and amounted to KM 409 million, with a ratio of 22.6%. Also, according to existing regulations, banks do not calculate the capital requirement for market risks, due to which the capital adequacy rate is higher.

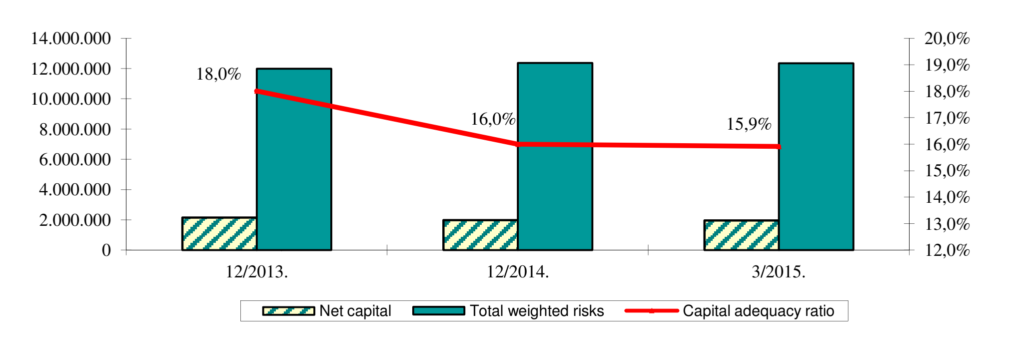
- KM 000 -

Table 17: *Net Capital, Total Weighted Risks and Capital Adequacy Rate*

DESCRIPTION	31.12.2013	31.12.2014	31.03.2015	INDEX	
1	2	3	4	5(3/2)	6(4/3)
1. NET CAPITAL	2 157 896	1 984 207	1 965 278	92	99
2. RISK-BEARING BALANCE SHEET AND OFF-BALANCE SHEET ASSETS	10 998 977	11 397 359	11 373 214	104	100
3. WOR (WEIGHTED OPERATIONAL RISK)	981 318	982 250	977 292	100	99
4. TOTAL RISK-BEARING ASSETS (2+3)	11 980 295	12 379 609	12 350 506	103	100
5. NET CAPITAL RATE (CAPITAL ADEQUACY) (1/ 4)	18.0%	16.0%	15.9%	89	99

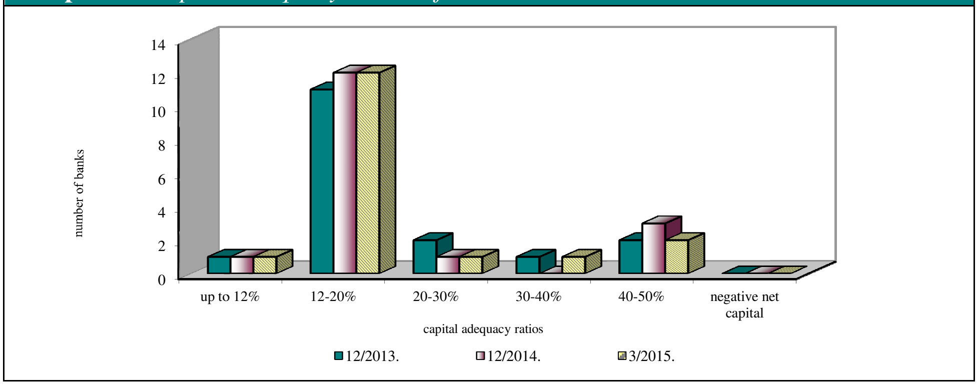
[17] The legally defined minimum capital adequacy rate is 12%.

Graph 15: *Net Capital, Total Weighted Risks and Capital Adequacy Rate*



The capital adequacy rate of the banking system as of 31.03.2015 was 15.9%, which is still quite above the legal minimum (12%) and represents a satisfactory capitalisation rate of the overall system considering the existing level of risk exposure and it represents a strong basis and foundation for the preservation of its safety and stability.

Graph 16: *Capital Adequacy Ratios of Banks*



Out of a total of 17 banks in the Federation of B&H as of 31.03.2015, 16 banks had capital adequacy ratios that were above the legal minimum of 12%, while one bank had a ratio that was below the legal minimum. According to analytical data, 10 banks had a capital adequacy ratio below the one at the end of 2014 (ranging from 0.1 to 1.9 percentage points), while five banks had improved this ratio.

Below is an overview of capital adequacy ratios of banks compared to the legal minimum of 12%:

- 1 bank had a ratio below 12% (7.3%),
- 7 banks had a ratio between 12.1% and 14.5%,
- 4 banks had a ratio between 15.2% and 16.2%,
- 2 banks had a ratio between 18.7% and 22.2%,
- 3 banks had a ratio between 39.1% and 45.9%.

By supervising the operations and financial condition of banks in the Federation of B&H in accordance with its legal competences and for the purpose of improving the safety of both individual banks and the banking system as a whole, the Agency instructed banks to take appropriate measures to strengthen their capital base and ensure capital adequacy in terms of the level and profile of the existing and potential exposure to all risks inherent to banking operations.

As has been the case before, the priority task of most of banks in the system is to further strengthen the capital base, wherein the focus is placed on large banks in the system, especially due to changes in the business and operating environment of the Federation of B&H, actions caused by and negative effects of the global financial and economic crisis on our country, the banking sector and the overall economy in B&H, which was further exacerbated by the effects of the massive damages caused by the floods in the spring and summer of 2014 to both businesses and certain sectors as well as to the population in those areas. Also, the focus is on banks with adverse trends regarding asset quality, which negatively reflects on the capital and represents a realistic possibility for additional weakening of the capital base. Under conditions of economic crisis and credit risk growth caused by the downfall of the loan portfolio quality (due to an increase in uncollectable receivables), this requirement has a high priority and the capital segment is therefore under a continuous reinforced supervision in order to prevent the impairment of the banks' stability and the erosion of the capital base to a level that might jeopardise not only the banks' operations, but also impact the stability of the entire banking system.

2.1.3. Assets and Asset Quality

The Decision on Minimum Standards for Credit Risk Management and Asset Classification in Banks defines criteria for the assessment of banks' exposure to credit risk by means of asset quality assessment and assessment of adequacy of reserves for loan losses and other losses as per risk level of loans and balance sheet and off-balance sheet assets items.

With the Law on Accounting and Audit in the Federation of Bosnia and Herzegovina entering into force on 31.12.2011, banks are required to prepare and present financial statements in accordance with the International Accounting Standards (IAS) and the International Financial Reporting Standards (IFRS), with recognition and measurement of financial assets and liabilities being subject to the IAS 39 – Financial instruments, recognition and measurement and the IAS 37 – Provisioning, contingent liabilities and contingent assets. Therefore, during the assessment of banks' exposure to credit risk, banks are required to continue calculating loan loss reserves in accordance with the criteria from the Decision on Minimum Standards for Credit Risk Management and Asset Classification in Banks, thereby considering already formed value adjustments of balance sheet assets and loss provisions for off-balance sheet items recorded in the banks' books, as well as loan loss reserves formed from profit (found on capital accounts).

- in KM 000 -

Table 18: *Assets (BS and off-BS), Loan Loss Reserves according to the Regulatory Body and Value Adjustments according to IAS)*

DESCRIPTION	31.12.2013	31.12.2014	31.03.2015	INDEX	
1	2	3	4	5(3/2	6(4/3)
1. Risk-bearing assets[18]	13 517 944	14 119 160	14 239 343	104	101
2. Calculated regulatory reserves for loan losses	1 504 174	1 550 579	1 590 614	103	103
3. Value adjustment and reserves for off-balance sheet items	1 255 162	1 247 251	1 267 121	99	102
4. Required regulatory reserves formed from profit for assessed	411 515	451 269	475 817	110	105
5. Formed regulatory reserves from profit for assessed losses	315 734	315 734	315 734	100	100
6. Shortfall of regulatory reserves formed from profit for assessed	156 866	203 238	217 891	130	107
7. Non-risk bearing items	6 145 092	6 217 849	5 763 978	101	93
8. TOTAL ASSETS (1+7)	19 663 036	20 337 009	20 003 321	103	98

Total assets with off-balance sheet items (assets) [19] of banks in the Federation of B&H amounted to KM 20 billion as of 31.03.2015 and are down by 2% or KM 334 million compared to the end of 2014. Risk-bearing assets amount to KM 14.2 billion and are up by 1% or KM 120 million.

[18] Does not include amount of facilities and contingent liabilities of KM 223 million that is secured with a cash deposit.

[19] Assets, as defined in Article 2 of the Decision on Minimum Standards for Credit Risk Management and Asset Classification in Banks („Official Gazette of the Federation of B&H", No. 85/11 – consolidated text and 33/12 – correction, 15/13).

Non-risk bearing items amount to KM 5.8 billion or 29% of total assets with off-balance sheet items, thus being down by 7% or KM 454 million compared to the end of 2014.

Total calculated loan loss reserves based on regulatory requirements amount to KM 1.6 billion and formed value adjustments for balance sheet assets and provisions for losses under off-balance sheet items amount to KM 1.3 billion. Required regulatory reserves[20] amount to KM 476 million and are up by 5% or KM 24 million. Formed regulatory reserves from profit amount to KM 316 million and are at the same level as a result of changes in regulations, i.e. the shortfall of loan loss reservess being recorded at the end of the business year (starting from 31.12.2012) is not covered by profit, but still represents a deductible item from the capital and affects the calculation of the capital adequacy ratio. The shortfall of regulatory reserves[21] as of 31.03.2015 amounts to KM 218 million, with a growth rate of 7% or KM 15 million compared to the end of 2014, which is the result of the continuous deterioration of the loan portfolio quality.

Table 19: *Total Assets, Gross Balance Sheet Assets, Risk-Bearing and Non-Risk-Bearing Assets Items*

DESCRIPTION	31.12.2013		31.12.2014		31.03.2015		INDEX	
	Amount	Struct. %	Amount	Struct.%	Amount	Struct.%		
1.	2	3	4	5	6	7	8 (4/2)	9 (6/4)
Krediti	9 396 444	84.3	9 725 304[22]	84.1	9 759 915		103	100
Kamate	81 456	0.7	74 573	0.6	75 982		92	102
Dospjela potraživanja	1 144 042	10.3	1 184 588	10.2	1 225 970		103	103
Potraživanja po plać. garancijama	31 783	0.3	26 218	0.3	26 301		82	100
Ostali plasmani	201 786	1.8	194 440	1.7	224 133		96	115
Ostala aktiva	294 623	2.6	361 770	3.1	366 997		123	101
1. RISK-BEARING BALANCE SHEET ASSETS	11 150 134	100.0	11 566 893	100.0	11 679 298		104	101
2. NON-RISK BEARING BALANCE SHEET ASSETS	5 523 506		5 806 688		5 502 697		105	95
3. GROSS BALANCE SHEET ASSETS (1+2)	16 673 640		17 373 581		17 181 995		104	99
4. RISK-BEARING OFF-BS ITEMS	2 367 810		2 552 267		2 560 045		108	100
5. NON-RISK BEARING OFF-BS ITEMS	621 586		411 161		261 281		66	63
6. TOTAL OFF-BS ITEMS (4+5)	2 989 396		2 963 428		2 821 326		99	95
7. RISK-BEARING ASSETS WITH OFF-BS ITEMS (1+4)	13 517 944		14 119 160		14 239 343		104	101
8. NON-RISK BEARING ITEMS (2+5)	6 145 092		6 217 849		5 763 978		101	93
9. ASSETS WITH OFF-BS ITEMS (3+6)	19 663 036		20 337 009		20 003 321		103	98

Gross balance sheet assets[23] amount to KM 17.2 billion and are down by 1% or KM 192 million compared to the end of 2014, while risk-bearing balance sheet assets amount to KM 11.7 billion or 68% of gross balance sheet assets (thus being up by 1% or KM 112 million compared to the end of 2014). Non-risk bearing balance sheet assets amount to KM 5.5 billion and are down by 5% or KM 304 million. Off-balance sheet risk-bearing items amount to KM 2.6 billion and are at the same level, while non-risk bearing items amount to KM 261 million and are significantly down by 37% or KM 150 million compared to the end of 2014.

The effects of the economic crisis on the overall economy and industry in B&H are still pronounced, which is reflected in the key business segment of banks – the lending segment. In the first quarter of 2015, banks recorded a slight credit growth of 1% or KM 73 million (3% or KM 318 million in 2014). If one were to exclude the effects of the increase in the exchange rate of the CHF currency (on the

[20] Required regulatory reserves represent a positive difference between calculated loan loss reserves and value adjustments (calculated loan loss reserves are higher than value adjustments).
[21] Shortfall of regulatory reserves represents a positive difference between required and formed loan loss reserves.
[22] This does not include the loan amount of KM 170 million covered by a cash deposit (included in non-risk bearing assets of the balance sheet).
[23] Data source: Report on classification of balance sheet assets and off-balance sheet items of banks.

part of the portfolio that has a currency clause in CHF), credit growth would amount to 0.4%. As of 31.03.2015, loans amounted to KM 11.2 billion, with a share of 70.5% (+1.4 percentage points).

In the first quarter of 2015, a total of KM 1.8 billion of new loans was approved, up by 7.5% or KM 124 million compared to the same period of the previous year. Out of the total loans approved, 69% relate to the corporate segment and 27% to the retail segment, as was the case at the end of 2014. The maturity structure of newly approved loans: 48% long-term loans, 52% short-term loans (as of 31.12.2014: 47% long-term loans and 53% short-term loans).

The three largest banks in the Federation of B&H have an aggregate amount of approved loans of KM 6.2 billion, thus holding a share of 55% in total loans at the banking system level.

The table below provides an overview of the trend and change in shares of individual sectors regarding total loan structure.

- in KM 000 -

Table 20: *Loan Structure by Sector*

SECTORS	31.12.2013		31.12.2014		31.03.2015		INDEX	
	Amount	Share %	Amount	Share %	Amount	Share %		
1	2	3	4	5	6	7	8(4/2)	9(6/4)
Government institutions	142 010	1.3	190 401	1.7	223 577	2.0	134	117
Public companies	259 769	2.4	253 057	2.3	263 628	2.3	97	104
Private companies and enterprises	5 202 269	47.9	5 216 068	46.7	5 170 030	46.0	100	99
Banking institutions	6 671	0.1	10 449	0.1	11 120	0.1	157	106
Non-banking financial institutions	37 791	0.3	43 424	0.3	42 933	0.4	115	99
Retail	5 194 971	47.9	5 448 307	48.8	5 524 206	49.1	105	101
Other	8 919	0.1	8 571	0.1	7 982	0.1	96	93
TOTAL	10 852 400	100.0	11 170 277	100.0	11 243 476	100	103	101

In the first quarter of 2015, the loan structure by sector changed slightly compared to the end of 2014. Retail loans amount to KM 5.5. billion and are up by 1% or KM 76 million (KM 5.4 billion at the end of 2014). Consequently, the share rose from 48.8% to 49.1%. Loans to private companies amount to KM 5.2 billion and are down by 1% or KM 46 million, with the share being down from 46.7% to 46%.

According to information submitted by the banks (as of 31.03.2015) regarding the retail loan structure by purpose, the share of loans is the same as at the end of 2014: consumer loans[24] hold a share of 77%, followed by housing loans with 20%, while the remaining 3% refer to loans to small crafts, small businesses and agriculture (at the end of 2013: 75% consumer loans, 22% housing loans, and 3% small crafts, small businesses and agriculture).

The three largest banks in the system have approved 62.1% of retail loans and 46.3% of private company (at the end of 2014: 62.4% retail, 47.5% private companies).

The currency structure of loans: the largest share of 64% or KM 7.2 billion refers to currency clause loans (EUR: KM 7 billion or 97%, CHF: KM 229 million or 3%), followed by local currency loans with a share of 35% or KM 3.9 billion, while the smallest share of just 1% or KM 84 million refers to foreign currency loans (almost the entire amount thereof refers to EUR: KM 77 million or 91%). The total amount of loans with a currency clause in CHF of KM 229 million amounts to 2% of the total loan portfolio and refers almost entirely to one bank in the banking system. Compared to the end of

[24] Including cards business

2014, loans with a currency clause in CHF are up by 12% or KM 24 million due to the increase in the exchange rate of the CHF currency.

Since loans are the highest risk category of banks' assets, their quality represents one of key factors determining the stability and success of the banks' operations. Asset quality assessment is in fact an evaluation of credit risk exposure of the banks' loans, i.e. the identification of potential loan losses.

The table below provides an overview of the quality of assets and off-balance sheet risk-bearing items, general credit risk and potential loan losses by classification category.

Table 21: *Asset Classification, General Credit Risk (GCR) and Potential Loan Losses (PLL)*

Classification category	31.12.2013			31.12.2014			31.03.2015			INDEX	
	Classified assets	Share %	GCR PLL	Classified assets	Share %	GCR PLL	Classified assets	Share %	GCR PLL		
1	2	3	4	5	6	7	8	9	10	11(5/2)	12(8/5)
A	10 754 079	79.6	215 083	11 494 730	81.4	229 895	11 508 529	80.8	230 172	107	100
B	1 094 361	8.1	93 547	955 518	6.8	83 031	1 048 924	7.4	87 602	87	110
C	356 646	2.6	90 541	275 134	1.9	65 068	264 166	1.8	64 561	77	96
D	502 803	3.7	295 224	520 939	3.7	300 442	494 543	3.5	285 869	104	95
E	810 055	6.0	809 779	872 839	6.2	872 143	923 181	6.5	922 410	108	106
Risk-bearing assets (A-E)	13 517 944	100.0	1 504 174	14 119 160	100.0	1 550 579	14 239 343	100.0	1 590 614	104	101
Classified (B-E)	2 763 865	20.4	1 289 091	2 624 430	18.6	1 320 684	2 730 814	19.2	1 360 442	95	104
Non-performing (C-E)	1 669 504	12.4	1 195 544	1 668 912	11.8	1 237 653	1 681 890	11.8	1 272 840	100	101
Non-risk bearing assets[25]	6 145 092			6 217 849			5 763 978			101	93
TOTAL (risk-bearing and non-risk bearing)	19 663 036			20 337 009			20 003 321			103	98

The first indicator and a warning sign of potential problems with loan repayment is the growth of past due receivables and their share in total loans. In the first quarter of 2015, past due receivables had a relatively large increase of 3.4% or KM 41 million and reached the amount of KM 1.2 billion as of 31.03.2015, while the share increased from 10.8% to 11.4%.

When analysing the quality of risk-bearing assets through trends and changes of key indicators, it can be concluded that key indicators of asset quality changed slightly in the first quarter of 2015 compared to the end of 2014. In some banks, these indicators showed slight oscillations (upgrade or downgrade), i.e. there were ten banks with ratios of the share of classified assets and seven banks with the share of non-performing assets (compared to risk-bearing assets) below the level of the banking sector.

As of 31.03.2015, classified assets amounted to KM 2.7 billion and non-performing assets to KM 1.7 billion.

Classified assets (B-E) increased by 4% or KM 106 million (in 2014, there was a drop of 5% or KM 139 million), due to category B being up by 10% or KM 93 million (in 2014, there was a drop of 13% or KM 139 million), which is worrisome, considering that a part of the facilities from category B becomes non-performing assets over time. Within classified assets, non-performing assets (C-E) went up by 1% or KM 13 million (in 2014, non-performing remained at the same level). In the first quarter of 2015, there was a significant increase in category E by 6% or KM 50 million, which is

[25] In accordance with Article 2, Paragraph 2 of the Decision on Minimum Standards for Credit Risk Management and Asset Classification in Banks, assets items that are not classified and items for which no general loan loss reserves of 2% are being calculated (as per Article 22, Paragraph 8 of the same Decision).

approximately the increase recorded for all of 2014 (8% or KM 63 million) and which indicates that the “deterioration” of the loan portfolio is still present.

The ratio expressed through the share of classified assets in risk-bearing assets is 19.2%, which is an increase of 0.6% compared to the end of 2014.

The most significant indicator of asset quality is the ratio between non-performing assets and risk-bearing assets, amounting to 11.7%, which is the same level as at the end of the previous year. However, this should be taken with a grain of salt due to the share of category B being 7.4% (at the end of 2014: 6.8%) and due to the suspicion that a part of the loans classified in this category are of poor quality and need to be classified as non-performing assets.

Sector-level data analysis is based on loan quality indicators for two key sectors: corporate and retail. The two aforementioned indicators for these sectors show major deviation and point to a higher exposure to credit risk and consequently to potential loan losses regarding the corporate segment.

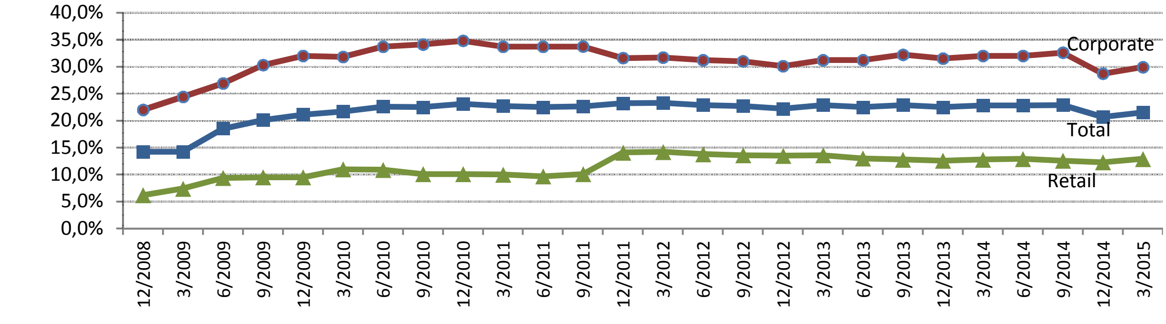
Table 22: *Classification of Corporate and Retail Loans*

Classification category	31.12.2014						31.03.2015						
	Retail	Share %	Corporate	Share %	TOTAL Amount	TOTAL Share	Retail	Share %	Corpo-rate	Share %	TOTAL Amount	TOTAL Share	INDE
1	2	3	4	5	6 (2+4)	7	8	9	10	11	12 (8+10)	13	14(12/6)
A	4 775 466	87.6	4 080 845	71.3	8 856 311	79.3	4 810 665	87.1	4 011 892	70.1	8 822 557	78.5	100
B	144 930	2.7	595 817	10.4	740 747	6.6	171 268	3.1	664 410	11.6	835 678	7.4	113
C	64 360	1.2	199 117	3.5	263 477	2.4	61 162	1.1	191 985	3.4	253 147	2.3	96
D	82 705	1.5	416 311	7.3	499 016	4.5	84 305	1.5	388 337	6.8	472 642	4.2	95
E	380 846	7.0	429 880	7.5	810 726	7.2	396 806	7.2	462 646	8.1	859 452	7.6	106
TOTAL	5 448 307	100.0	5 721 970	100.0	11 170 277	100.0	5 524 206	100.0	5 719 270	100.0	11 243 476	100.0	101
Class. loans. B-E	672 841	12.3	1 641 125	28.7	2 313 966	20.7	713 541	12.9	1 707 378	29.9	2 420 919	21.5	105
Non-perf. Loans C-E	527 911	9.7	1 045 308	18.3	1 573 219	14.1	542 273	9.8	1 042 968	18.2	1 585 241	14.1	101
		48.8		51.2		100.0		49.1		50.9		100.0	
Individual sector's share in classified loans, non-performing loans and category B:													
Categories B-E		29.1		70.9		100.0		29.5		70.5		100.0	
Non-performing C-E		33.6		66.4		100.0		34.2		65.8		100.0	
Category B		19.6		80.4		100.0		20.5		79.5		100.0	

Loan quality indicators have changed slightly compared to the end of the previous year and the share of non-performing loans has remained at the level of 14.1%. total non-performing loans saw a slight increase of 1% or KM 12 million, as a result of the increase in non-performing retail loans by 3% or KM 14 million, while corporate loans have remained the same. If one were to exclude the effects of the increase in the exchange rate of the CHF currency, non-performing loans would record a slight drop in the first quarter of 2015.

The share of classified loans went up slightly to 21.5%, i.e. by 0.8 percentage points, as a result of an increase of 5% or KM 107 million, with it being noted that category B accounts for almost the entire increase: KM 68 million in the corporate segment and KM 26 million in the retail segment.

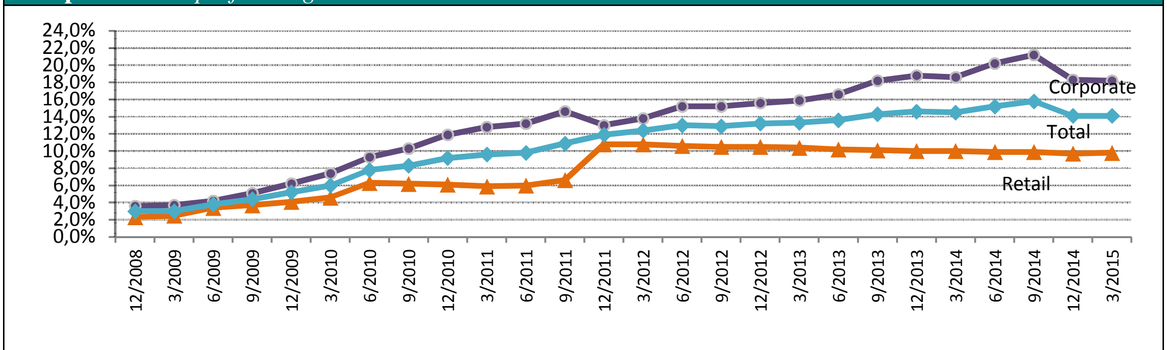
Graph 17: *Classified Loans*



Out of the total approved corporate loans in the amount of KM 5.7 billion as of 31.03.2015, there was still an alarmingly high 29.9% or KM 1.7 billion of loans classified within categories B to E, which is an increase of 1.2 percentage points compared to the end of 2014 (in 2014, this share went down by 1.8 percentage points). This indicator is much better for the retail segment. Out of the total approved retail loans in the amount of KM 5.5 billion, there were 12.9% or KM 713 million of loans classified in the aforementioned categories, up by 0.6 percentage points compared to the end of 2014 (in 2014, this share went down by 0.3 percentage points), which is also high.

These trends are the result of the condition in the real sector and the effects of the economic crisis on the overall economy in B&H, due to which the corporate loan portfolio has a significantly lower quality than loans of the retail segment.

Graph 18: *Non-performing Loans*



The most significant indicator of the loan portfolio quality is the share of non-performing loans. Out of total non-performing loans, corporate loans hold a share of 66% and retail loans a share of 34%, as was the case at the end of 2014. In the first quarter of 2015, the share of non-performing loans in both the corporate and the retail segment was almost the same. Out of total approved corporate loans, non-performing loans hold a share of 18.2% or KM 1 billion, which is down by 0.1 percentage points compared to the end of 2014 (this share fell by 0.5 percentage points in 2014). This aforementioned amounts to 9.8 % or KM 542 million in the retail segment, with the share being up by 0.1 percentage points (the share dropped by 0.3 percentage points in 2014).

A more detailed and comprehensive analysis is based on information on loan concentration by industry sector for the corporate segment (by sector) and for the retail segment (by purpose).

Table 23: *Concentration of Loans by Industry Sector*

DESCRIPTION	31.12.2014				31.03.2015				INDEX	
	Total loans		Non-performing loans		Total loans		Non-performing loans			
	Amount	Share %	Amount	Share %	Amount	Share %	Amount	Share %		
1	2	3	4	5 (4/2)	6	7	8	9 (8/6)	10 (6/2)	11(8/4)
1. Corporate loans for:										
Agriculture (AGR)	123 863	1.1	24 336	19.6	124 307	1.1	24 968	20.1	100	103
Production (IND)	1 596 479	14.3	376 607	23.6	1 556 241	13.8	371 106	23.8	97	99
Construction (CON)	381 631	3.4	111 056	29.1	412 001	3.7	116 699	28.3	108	105
Trade (TRD)	2 263 740	20.3	349 642	15.4	2 289 917	20.4	348 226	15.2	101	100
Catering (HTR)	165 227	1.5	26 039	15.8	161 651	1.4	25 921	16.0	98	100
Other[26]	1 191 030	10.7	157 628	13.2	1 175 153	10.5	156 048	13.3	99	99
TOTAL 1.	5 721 970	51.2	1 045 308	18.3	5 719 270	50.9	1 042 968	18.2	100	100
2. Retail loans for:										
General consumption	4 210 605	37.7	316 997	7.5	4 278 561	38.0	319 874	7.5	102	101
Housing	1 109 191	9.9	176 846	15.9	1 118 772	10.0	188 106	16.8	101	106
Business activities (small	128 511	1.2	34 068	26.5	126 873	1.1	34 293	27.0	99	101
TOTAL 2.	5 448 307	48.8	527 911	9.7	5 524 206	49.1	542 273	9.8	101	103
TOTAL (1. +2.)	**11 170 277**	**100.0**	**1 573 219**	**14.1**	**11 243 476**	**100.0**	**1 585 241**	**14.1**	**101**	**101**

The largest share in total corporate loans refers to the trade sector (20.4%) and the production sector (13.8%), while the retail segment is dominated by general consumption loans (38%) and housing loans (10%) (at the end of 2014: trade 20.3%, production 14.3%, general consumption 37.7% and housing loans 9.9%).

For an extensive period of time, the negative and strong effect of the economic crisis is especially pronounced in several key sectors, which is evident from the indicator of the share of non-performing loans. The construction sector, which has a low share of merely 3.7% in total loans, still has the highest share of non-performing loans in the amount of 28.3%, although it dropped by 0.8 percentage points in the first quarter of 2015 (in 2014, it dropped by 1.8 percentage points), with non-performing loans being up by 5% or KM 6 million. Also, the agricultural sector, despite the lowest share of 1.1%, has a high share of non-performing loans in the amount of 20.1% (12/14: 19.6%), as a result of an increase in non-performing loans by 3% or KM 632 thousand.

However, the focus is on the two sectors with the highest share in total loans – the trade sector (20.4%) and the production sector (13.8%). In the first quarter of 2015, there was a decrease in non-performing loans in the production sector by 1% or KM 5 million, while the share rose from 23.6% to 23.8% (in 2014, the increase amounted to 13% or KM 43 million, and the share amounted to 23.6%, up by 2 percentage points), while non-performing loans in the trade sector remained the same, with the share amounting to 15.2%, down by 0.2 percentage points (in 2014, a drop of 11% or KM 42 million was recorded and the share dropped from 17.1% to 15.4%).

In the retail segment, all sectors recorded a slight increase in non-performing loans, with housing loans recording the largest increase and being up by 6% or KM 11 million. The lowest indicator of the non-performing loans share in the amount of 27% (at the end of 2014: 26.5%) refers to loans to small business owners whose share in total loans is a low 1.1%. A relatively high share of non-performing loans in the amount of 16.8% refers to housing loans (at the end of 2014: 15.9%), while consumer loans (with the highest share of 38% in total loans) hold the lowest share of non-performing loans, which amounts to 7.5%, as was the case at the end of 2014.

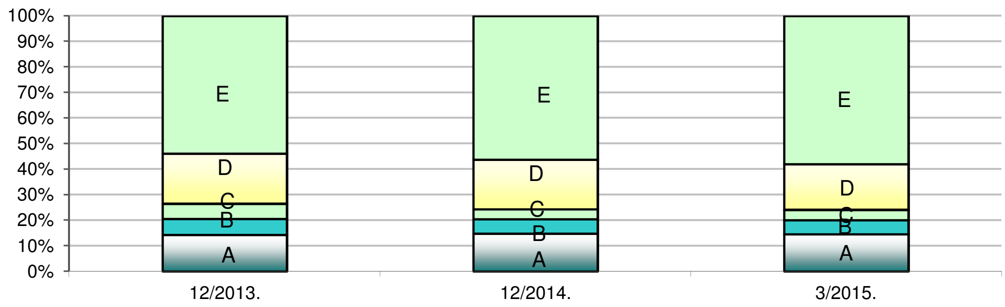
[26] This includes the following sectors: traffic, warehouse and communications (TRC); financial mediation (FIN); real estate, renting and business services (RER); public administration and defence, mandatory social insurance (GOV) and other.

The general credit risk level and estimated potential loan losses by classification category, as determined in accordance with the criteria and methodology defined by the decisions of the Agency, along with their trend and structure at the banking sector level, is provided in the table and graph below.

Table 24: *Structure and Trend of General Credit Risk and Potential Loan Losses*

Classification category	AMOUNT (in KM 000) AND STRUCTURE (in %)						INDEX	
	31.12.2013		31.12.2014		31.03.2015			
1	2	3	4	5	6	7	8 (4/2)	9 (6/4)
A	215 083	14.3	229 895	14.8	230 172	14.5	107	100
B	93 547	6.2	83 031	5.4	87 602	5.5	92	106
C	90 541	6.0	65 068	4.2	64 561	4.1	68	99
D	295 224	19.6	300 442	19.4	285 869	17.9	102	95
E	809 779	53.9	872 143	56.2	922 410	58.0	108	106
TOTAL	1 504 174	100.0	1 550 579	100.0	1 590 614	100.0	103	103

Graph 19: *Structure and Trend of General Credit Risk and Potential Loan Losses*



Based on an analysis of the calculated loan loss reserves (in aggregate terms and by classification category) compared to the end of 2014, the reserves for general credit risk (category A) and potential loan losses went up by 3% or KM 40 million and stand at KM 1.6 billion. The reserves for general credit risk are unchanged, while the reserves for potential loan losses went up by 3% or KM 40 million. By category of classification, there were trends in both directions: the reserves for category B are up by 6% or KM 5 million and amount to KM 88 million. The reserves for non-performing assets are up by 3% or KM 35 million, i.e. amount to KM 1.3 billion, mostly on the basis of the reserves for category E being up by 6% or KM 50 million. The reserves for category C and D are down by 1% or KM 0.5 million and 5% or KM 15 million, respectively. The aforementioned trends of loan loss reserves are the result of further effects of the economic crisis on the real sector.

One of the key indicators of asset quality is the ratio between potential loan losses (PLL) and risk-bearing assets with off-balance sheet items. This ratio amounts to 9.5% and is down by 0.2% compared to the end of 2014.

As of 31.03.2015, banks had an average calculated reserves in the amount of 8.3% for category B, 24.4% for category C, 57.8% for category D and 100% for category E (at the end of 2014: 8.8% for B, 24.2% for C, 57.7% for D and 100% for E).[27]

[27] According to the Decision on Minimum Standards for Credit Risk Management and Asset Classification in Banks, banks are required to calculate loan loss reserves by classification category bearing the following percentages: A-2%, B 5-15%, C 16-40%, D 41-60% and E 100%.

In accordance with the IAS/IFRS, banks are required to book assets depreciation through expenses by forming value adjustments for balance sheet items and provisions for risk-bearing off-balance sheet items (previously called costs of loan loss reserves).

An overview of total assets items (balance sheet and off-balance sheet) and default items, as well as relevant value adjustments and provisions (defined in accordance with the banks' internal methodologies, the minimum contents of which are regulated by decisions of the Agency) is provided in the table below.

Table 25: *Assessment and Valuation of Risk-bearing Items According to IAS 39 and IAS 37*

Description	AMOUNT (in KM 000) AND SHARE (in %)				INDEX
	31.12.2014		31.03.2015		
	Amount	Share	Amount	Share	
1	2	3	4	5	6 (4/2)
1. RISK-BEARING ASSETS (a+b)	**14 119 160**	**100.0%**	**14 239 343**	**100.0%**	101
a) Default items	**1 801 870**1	12.8%	**1 820 824**	12.8%	101
a.1. BS-items in default	1 783 865		1 805 926		101
a.2. off-BS items in default	18 005		14 898		83
b) Performing assets	**12 317 290**	87.2%	**12 418 519**	87.2%	101
1.1 TOTAL VALUE ADJUSTMENTS FOR RISK-BEARING ASSETS	**1 247 251100**	**100.0%**	**1 267 121**	**100.0%**	102
a) Value adjustments for default	**1 100 085**87	88.2%	**1 123 066**	88.6%	102
a.1. Value adjustment for BS-items in default	1 093 336		1 116 957		102
a.2. reserves for off-BS items in default	6 749		6 109		91
b) Value adjustments for performing assets (IBNR[28])	147 166	11.8%	144 055	11.4%	98
2. TOTAL LOANS (a+b)	**11 170 277**	**100.0%**	**11 243 476**	**100.0%**	101
a) Defaulted loans (non-performing loans)	1 719 139	15.4%	1 739 869	15.5%	101
b) Performing loans	9 451 138	84.6%	9 503 607	84.5%	101
2.1. VALUE ADJUSTMENT FOR LOANS (a+b)	**1 155 153**	**100.0%**	**1 176 971**	**100.0%**	102
a) Value adjustments for defaulted loans	1 040 536	90.1%	1 063 274	90.3%	102
b) Value adjustments for performing loans (IBNR loans)	114 617	9.9%	113 697	9.7%	99
Coverage rate of default items	**61.1%**		**61.7%**		
Coverage rate of performing assets	**1.2%**		**1.2%**		
Coverage rate of risk-bearing assets with total value adjustments	**8.8%**		**8.9%**		

In the first quarter of 2015, default loans went slightly up by 1% or KM 21 million (in 2014: up by 9% or KM 155 million), which is also the case with respect to non-performing loans. The share of default loans in total loans is up by 0.1 percentage points and amounts to 15.5% and the share of non-performing loans amounts to 14.1%. The share of all default items in total risk-bearing assets is at the same level and amounts to 12.8%.

Due to the larger increase in value adjustments for default (2%) compared to the the amount of default (1%), the coverage rate of default items with value adjustments is up and amounts to 61.7% (at the end of 2014: 61.1%). The coverage rate of non-performing assets with loan loss reserves is also up and amounts to 75.7% (at theend of 2014: 74.2%).

The coverage rate of performing assets remains the same and amounts to 1.2%, while the coverage rate of risk-bearing assets with total value adjustments is slightly up and amounts to 8.9% (at the end of 2013: 8.8%). The coverage ratio of risk-bearing assets with total calculated regulatory reserves for loan losses (reserves for general credit risk and special reserves for loan losses) increased from 11% to 11.2%.

[28] IBNR (identified but not reported) – latent losses.

In order to mitigate the negative effects of the natural disaster, on 30.06.2014, the Agency adopted the Decision on Provisional Measures for Treatment of Loan Commitments of Bank Clients Affected by Natural Disasters. [29]

Acting in accordance with the aforementioned Decision, in the second half of 2014 and out of a total number of 285 received requests for moratoriums on loan commitments, banks in the Federation of B&H approved 199 requests in the total amount of KM 34 million or 70% of the total number of submitted requests for moratoriums. Out of the total amount of moratoriums on loan commitments, KM 30 million refer to legal entities and KM 4 million to natural persons.

Also, in accordance with the aforementioned Decision, in the second half of 2014 and out of a total number of 266 submitted requests for restructurings of loan commitments, banks in the Federation of B&H approved 169 requests in the total amount of KM 36 million or 63% of the total number of submitted requests for restructurings of loan commitments. Out of the total amount of restructured loan commitments, KM 35 million refer to legal entities and KM 1 million to natural persons.

As of 31.03.2015, loans approved in accordance with the aforementioned Decision have a very low share in relation to total loans: moratorium 0.30% and restructuring 0.32%.

The upward trend of uncollectable receivables, i.e. customer defaults in the payment of past due loan commitments, has caused the activation of the guarantor's obligation in a certain number of defaulted loans (with this form of security). As of 31.12.2009, the Agency has prescribed a report on the repayment of loans by guarantors in order to collect, monitor and analyse information on loans being repaid by guarantors. According to the reports filed by banks in the Federation of B&H as of 31.03.2015, there was a total of 1 108 288 loan accounts, 1 593 of which were being repaid by guarantors (1 804 guranators). The share of loans and number of loan accounts being repaid guarantors in relation to information for the overall system is low and amounts to a mere 0.40% and 0.14%.

An analysis of asset quality, i.e. the quality of the loan portfolio of individual banks, as well as on-site controls in the banks themselves, indicate that credit risk is the dominant risk in most banks and the fact that some banks have inadequate practices for managing, i.e. assessing, measuring, monitoring and controlling credit risk and for classifying assets is worrisome, which our on-site examinations determined on the basis of major amounts related to the shortfall of loan loss reserves (which were later on adequately formed as per the Agency's orders). Also, the analysis of asset quality in banks grouped according to ownership structure revealed that ratios of banks in majority ownership of residents (6 "local" private banks) were worse than those of banks in majority foreign ownership (10 banks).

After the significant increase in non-performing loans in "local" banks in the previous period (45% in 2013, 7% in 2014), the first quarter of 2015 saw a slight drop of 1% or KM 3.3 million, with banks that are in majority foreign ownership recording a slight increase in the amount of 1% or KM 11 million (the drop in non-performing loans in 2014 was 4%). The share of non-performing loans in banks that are in majority foreign ownership amounts to 13%, while it amounts to 31% in "local banks". This is the result of inadequate and weak systems for credit risk management, especially in relation to the key stage – loan approval. Major weaknesses and inefficient practices were also identified in the preventive actions stage, i.e. in the early recognition of problems in loan settlement (servicing), as well as when handling non-performing assets in the interest of reducing such assets through collection or sound restructuring.

[29] "Official Gazette of the Federation of B&H", No. 55/14.

Banks, in which the Agency identified (through bank examinations) low asset quality and poor practices of credit risk management and/or which displayed adverse trends, i.e. decrease in asset quality, were ordered to apply corrective actions in the sense of drafting an operational program for the management of non-performing assets, which had to contain an action plan for the improvement of existing practices of credit risk management, i.e. asset quality management, for the reduction of existing concentrations and for solving the problem of non-performing assets and preventing their further impairment. Compliance with the Agency's orders is being continuously monitored through an intensified post-control process based on reports and other documentation submitted by banks, as well as through targeted on-site controls. The supervision of this segment of operations has been intensified due to evident negative trends significantly affecting and causing the deterioration of the banks' profitability and the weakening of the capital base of certain banks, due to which banks need to take timely actions to obtain capital from external sources.

Transactions with Related Entities

In their business operations, banks are exposed to different risks, with the risk of transactions with their related entities being especially significant.

In accordance with the Basel Committee standards, the Agency has established prudential principles and requirements for bank transactions with related entities, as regulated by the Decision on Minimum Standards for Banks' Operations with Related Entities, which defines the conditions and manner of the banks' business operations with related parties. Based on this Decision and the Law on Banks, a bank's Supervisory Board (acting on the Director's proposal) is required to adopt special bank policies for operations with related entities and to monitor their implementation.

The Agency's Decision also prescribes a special set of reports on transactions with one part of related entities, encompassing loans and contingent and assumed off-balance sheet liabilities (guarantees, letters of credit, assumed loan commitments) as the most frequent and most risky form of transactions between banks and their related entities.

The regulated set of reports includes information on loans approved to the following types of related entities:

- bank shareholders with over 5% of voting rights,
- members of the bank's Supervisory Board and Management Board, and
- subsidiaries and other companies related to the bank.

- KM 000 -

Table 26: *Transactions with Related Entities*

Opis	LOANS APPROVED [30]			INDEX	
	31.12.2013	31.12.2014	31.03.2015	3/2	4/3
1	2	3	4	5	6
To shareholders with over 5% voting rights, subsidiaries and other related entities	123 889	160 135	170 160	129	106
To members of the Supervisory Board and Audit Board	570	409	272	72	67
To the Management of the bank	2 507	1 994	2 583	79	129
TOTAL	126 966	162 538	173 015	128	106
Contingent and assumed off-balance sheet liabilities	16 046	21 826	21 248	136	97

During the reporting period, loan exposures to related entities increased by 6% due to increased exposure with respect to two banks , while contingent liabilities decreased by 3%. Based on the presented information, it can be concluded that the volume of loans and guarantees with related

[30] In addition to loans, this includes other receivables, deposits and facilities to shareholders (financial institutions) with over 5% of voting rights.

entities is still low, as is the level of risk. However, it is evident that this risk is significantly higher in banks that have a dispersed ownership structure, i.e. in „local banks“ owned by residents. The Agency pays special attention (during its on-site controls) to the banks’ operations with related entities, especially in terms of assessing their system of identification and monitoring of risk exposure in transactions with related entities. The Agency’s examiners give on-site orders for eliminating identified omissions within certain time frames and also initiate violation proceedings, the integral part being monitoring and overseeing the compliance with the issued orders in the post-control procedure. This has reflected positively on this segment of their operations since banks have significantly improved the quality of their risk management in this segment.

2.2. Profitability

According to information from the income statement, a positive financial result – profit in the amount of KM 62 million (up by 16% or KM 9 million compared to the same period of the previous year) was recorded at the level of the banking system in the Federation of B&H in the first quarter of 2015. Seven banks that had operated positively in the same period of the previous year as well recorded higher profit (effect KM 12 million, KM 7 million of which relate to one systemically important bank), and this in particular had a positive effect on the financial result at system level, along with profit in two banks that operated at a loss in the previous year (effect KM 4 million). On the other hand, a negative effect of KM 7 million is the result of lower profit recorded by five banks (KM 6 million) as well as a loss (KM 1 million) recorded by one bank that had operated positively in the same period of the previous year.

The key effect on the improved profitability of most banks is primarily the result of the application of a new methodological approach (implementation of IAS 37/39 starting from 31.12.2011), which led to smaller value adjustment costs. A decrease in interest income was compensated for by a larger decrease in interest expenses, with this resulting in net interest income going up, which, along with a still operational profitability (increase in operating income on the basis of fees and efficient management of interest expenses), had an influence on higher profit being recorded compared to the same period of the previous year.

A positive financial result in the amount of KM 63 million was recorded by 16 banks and it is up by 11% or KM 6 million compared to the same period of the previous year. At the same time, an operating loss in the amount of KM 0.5 million was recorded by one bank and it is lower by 85% or KM 3 million compared to the same period of the previous year.

- KM 000 -

Table 27: *Recorded Financial Result: Profit/Loss*

Description	31.03.2013		31.03.2014		31.03.2015	
	Amount	Number of banks	Amount	Number of banks	Amount	Number of banks
1	2	3	4	5	6	7
Loss	-2 181	4	-3 087	2	-472	1
Profit	44 710	14	56 727	15	62 815	16
Total	42 529	18	53 640	17	62 343	17

As in other segments, this segment also shows some concentrations: out of the total profit (KM 63 million), 70.5% or KM 44 million refers to the two largest banks in the system with an assets share of 48% in the banking sector, while the total loss of KM 0.5 million refers to one bank. Analytical data indicates that a total of 9 banks has a better financial result (by KM 15 million), while 8 banks have a poorer financial result (by KM 7 million).

Based on analytical data as well as on indicators for the assessment of profitability quality (i.e. the level of the recorded financial result – profit/loss – and ratios used in evaluating profitability, productivity and efficiency of operations, as well as other parameters related to business result assessment), it is evident that the overall profitability of the system has improved, especially with respect to large banks that recorded greater profit compared to the same period of the previous year. This is primarily the result of the implementation of a new methodological approach, but also of an increase in income on the basis of service fees with respect to the largest banks. However, a profitability assessment that is based solely on the recorded financial result would not be an adequate assessment since other important factors that affect sustainability and quality of earnings, i.e. profit, should also be taken into account. In that sense, it is of outmost importance to emphasise credit risk and negative trends in asset quality over the past six years, which is evident from the increase in non-performing and uncollectable loans and which does not correlate with the reduction of value adjustment costs (following the implementation of IAS 39 and 37), this being the most important factor affecting the improvement of the financial result in most banks over the past three years. This leads to the conclusion, as well as suspicion, that value adjustments are underestimated and not at an adequate level in some banks.

At system level, total income amounted to KM 217 million, up by 4% or KM 8 million compared to the same period of the previous year, mostly as a result of an increase in operating income. Total non-interest expenses amount to KM 155 million, with a rate decrease in the amount of 1% or KM 1 million compared to the same period of the previous year.

Despite the increase in average interest-bearing loans in the majority of banks by 3.7%, a decrease in the average interest rate on loans due to a decrease in active interest rates and the increase in non-performing loans led to the further reduction of interest income. Interest income amounts to KM 189 million, down by 2% or KM 4 million compared to the same period of the previous year, with the share in the structure of total income being down from 92.1% to 87.0%. The largest share refers to loan interest income, which recorded a nominal drop of 2% or KM 3 million, resulting in average active interest rates on loans being down from 1.60% to 1.51% in the reporting period and the share in total income being down from 82.9% to 78.5%.

The long-standing trend of decrease in interest expenses continued in the first quarter of 2015 as well. Compared to the same period of the previous year, interest expenses had a rate of decrease in the amount of 12% or KM 7 million, which is significantly higher than the rate of decrease of interest income (-2%). Interest expenses amount to KM 51 million, and their share in the total income structure decreased from 27.5% to 23.5%. In the structure of interest expenses, it is worth noting that interest-bearing deposits decreased by 10% or KM 5 million as a result of the deposit base structure (higher share of deposits with lower interest rate), but also as a result of the banks' interest rate policies and the continuous reduction of interest rates on deposits, which ultimately resulted in a decrease in average interest rates on deposits from 0.54% to 0.49% vs. the comparable period.

As a result of the decrease in interest expenses (-12%) being larger than the decrease in interest income (-2%), net interest income rose slightly by 2% or KM 3 million and amounts to KM 138 million, with its share in the total income structure being down from 64.6% to 63.5%.

Operating income amounts to KM 79 million and is up by 7% or KM 5 million compared to the same period of the previous year, with its share in the total income structure increasing from 35.4% to 36.5%. Within operating income, the largest share refers to service fees, with them having recorded the largest increase of 6% or KM 3 million.

Total non-interest expenses amount to KM 155 million and decreased slightly compared to the same period of the previous year (1% or KM 1 million), primarily as a result of lower value adjustment costs. At the same time, their share in the total income structure went down from 74.4% to 71.3%. Value adjustment costs amount to KM 21 million and are down by 9% or KM 2 million compared to the same period of the previous year, which has reflected positively on their share in the total income structure dropping from 10.7% to 9.4%.

On the other hand, operating expenses in the amount of KM 116 million and with a share of 53% in total income are at approximately the same level compared to the same period of the previous year. Salary and contribution costs, as the largest item of operating expenses, recorded a slight drop of 1% compared to the same period of the previous year, amounting to KM 59 million or 27% of total income. Fixed assets costs are slightly up by 1%, while other operating costs increased by 4%. After the crisis emerged, banks took numerous measures to rationalise costs of operations, primarily to reduce operating expenses, which has partly mitigated adverse effects of the interest income decrease caused by the lower volume of lending activities and decrease in loan portfolio quality.

The trend and structure of total income and total expenses is provided in the tables and graphs below.

- in KM 000 -

Table 28: *Total Income Structure*

Total income structure	31.03.2013		31.03.2014		31.03.2015		INDEX	
	Amount	%	Amount	%	Amount	%		
1	2	3	4	5	6	7	8 (4/2)	9 (6/4)
I Interest income and similar income								
Interest-bearing deposit accounts at deposit institutions	451	0.1	1 210	0.4	253	0.1	268	21
Loans and leasing facilities	175 149	65.7	173 913	65.0	170 739	63.6	99	98
Other interest income	18 611	7.0	18 108	6.8	18 256	6.8	97	101
TOTAL	194 211	72.8	193 231	72.2	189 248	70.5	99	99
II Operating income								
Service fees	51 736	19.4	54 981	20.6	58 016	21.6	106	106
Income from FX deals	8 631	3.3	8 678	3.2	10 815	4.0	101	125
Other operating income	12 025	4.5	10 603	4.0	10 465	3.9	88	99
TOTAL	72 392	27.2	74 262	27.8	79 296	29.5	103	107
TOTAL INCOME (I + II)	266 603	100.0	267 493	100.0	268 544	100.0	100	100

Graph 20: *Total Income Structure*

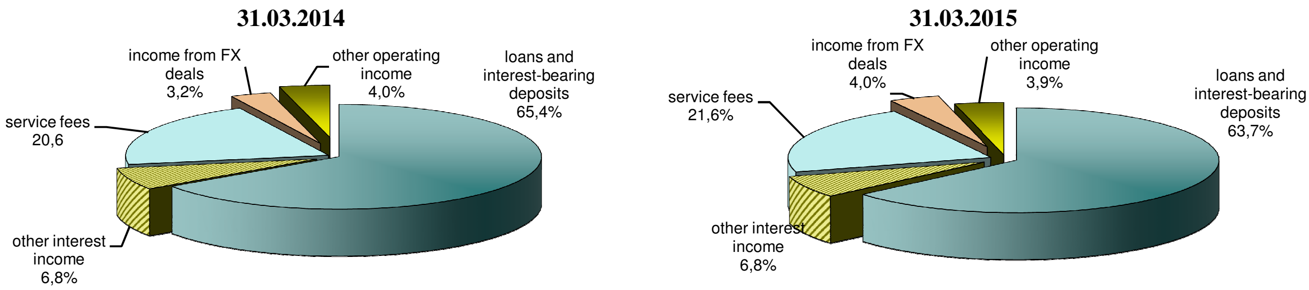
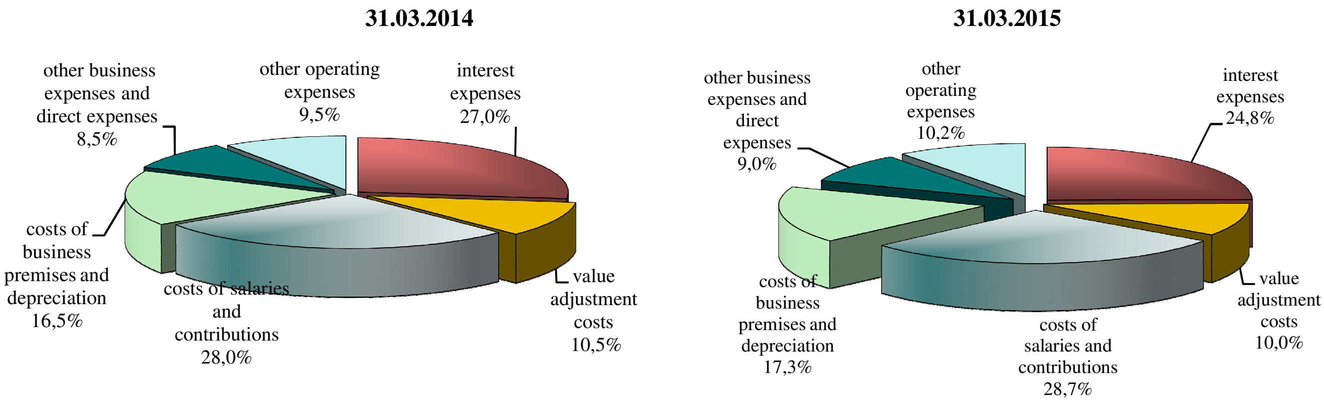


Table 29: *Total Expenses Structure*

Total expenses structure	31.03.2013		31.03.2014		31.03.2015		INDEX	
	Amount	%	Amount	%	Amount	%		
1	2	3	4	5	6	7	8 (4/2)/	9 (6/4)
I Interest expenses and similar expenses								
Deposits	52 428	23.4	49 146	23.0	44 359	21.5	94	90
Liabilities based on loans and other borrowings	5 938	2.7	4 970	2.3	5 065	2.5	84	102
Other interest expenses	3 007	1.3	3 562	1.7	1 619	0.8	118	45
TOTAL	61 373	27.4	57 678	27.0	51 043	24.8	94	88
II Total non-interest bearing expenses								
Costs of value adjustment of risk-bearing assets and provisions for contingent liabilities and other value adjustments	29 273	13.1	22 541	10.5	20 531	10.0	72	91

Costs of salaries and contributions	60 053	26.8	59 901	28.0	59 205	28.7	100	99
Costs of business premises and depreciation	36 570	16.3	35 311	16.5	35 593	17.3	97	101
Other business expenses and direct expenses	16 644	7.4	18 046	8.5	18 734	9.0	144	104
Other operating expenses	20 161	9.0	20 356	9.5	21 095	10.2	101	104
TOTAL	162 701	72.6	156 175	73.0	155 158	75.2	99	99
TOTAL EXPENSES (I + II)	224 074	100.0	213 853	100.0	206 201	100.0	97	96

Graph 21: *Total Expenses Structure*



The table below provides an overview of key ratios for the assessment of profitability, productivity and efficiency of banks.

- in %-

Table 30: *Profitability, Productivity and Efficiency Ratios by Period*

RATIOS	31.03.2013	31.03.2014	31.03.2015
Profit from average assets	0.3	0.4	0.4
Profit from average total capital	1.9	2.3	2.5
Profit from average share capital	3.5	4.4	5.0
Net interest income/average assets	0.9	0.9	0.9
Operating income/average assets	0.5	0.5	0.5
Total income/average assets	1.4	1.4	1.4
Business expenses and direct expenses[31]/average assets	0.3	0.3	0.3
Operating expenses/average assets	0.8	0.8	0.7
Total non-interest bearing expenses/average assets	1.1	1.1	1.0

An analysis of key ratios for the profitability quality assessment has shown that, due to the higher amount of recorded profit compared to the same period of the previous year as well as the increase in average assets, the ROAA (return on average assets) is at the same level of 0.4%, while the ROAE (return on average equity) recorded an increase from 4.4% to 5.0%. The banks' productivity, measured as a ratio between total income and average assets (1.4%), remained almost unchanged due to the increase in total income and the increase in average assets being approximately the same.

In negative conditions of the banks' operations and prompted by effects of the economic and financial crisis on the banking sector of the Federation of B&H, the profitability of banks will continue to be mostly affected by and will depend on two key factors: a) the further trend of assets quality, i.e. the level of loan losses and credit risk, and b) the efficiency of management and control over operating income and operating expenses. On the other hand, the evident slowdown and downward trend of economic activities caused lower demand for loans and a more restrictive approach on the supply side (banks). This will directly affect the profitability of the entire banking sector in the period to come. Also, the banks' profit, i.e. their financial result, will be largely affected by the price and interest rate

[31] Expenses also include value adjustment costs.

risk in terms of both sources of funding and an interest margin sufficient enough to cover all non-interest bearing expenses and thus eventually ensure satisfactory profit related to capital invested by bank owners. Therefore, a key factor for the efficiency and profitability of every bank is the quality of management and business policies, as well as the quality and efficiency of risk management systems, since this directly affects its performances.

2.3. Weighted Nominal and Effective Interest Rates

In the interest of greater transparency and easier comparability of banks' loan approval terms and deposit taking terms, as well as in the interest of customer protection by means of introducing transparent disclosure of loan approval costs, i.e. deposit income, all in accordance with international standards, criteria and practices in other countries, on 01.07.2007, the Agency prescribed a uniform manner of calculating and disclosing the effective interest rate[32] for all banks seated in the Federation of B&H as well as their organisational units operating on the territory of the Federation of B&H. the effective interest rate represents an actual relative loan price, i.e. income earned on a deposit, expressed as an annual percentage.

The effective interest rate is a decursive interest rate calculated on an annual level by applying complex interest calculation in such a manner that discounted cash receipts are brought to an equivalent level with discounted cash expenditures related to the approved loans, i.e. related to the received deposits.

Banks are required to report to the Agency on a monthly basis regarding weighted nominal and effective interest rates on loans and deposits approved/received in the reporting month in question, all in accordance with regulated methodology.[33]

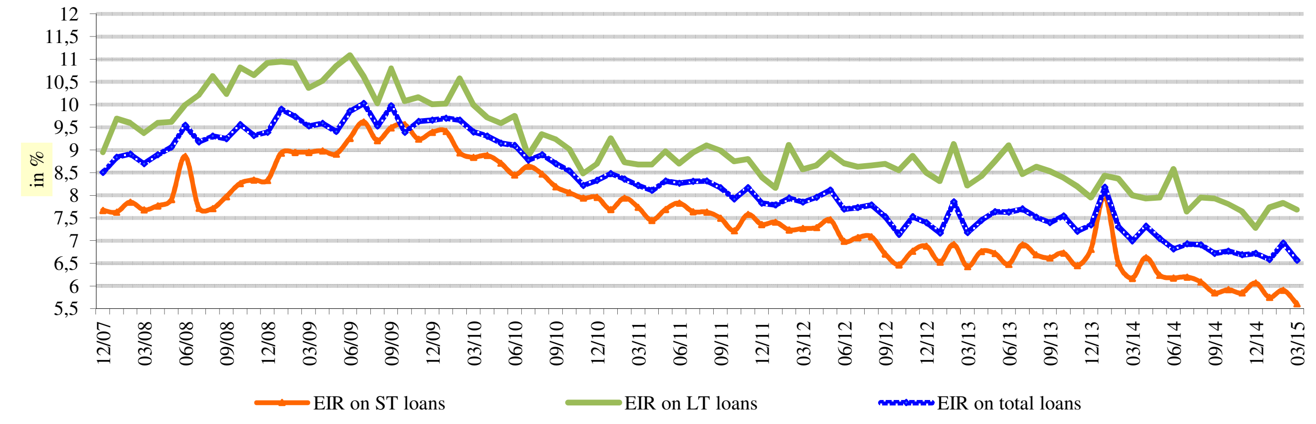
The table below shows an overview of weighted nominal and effective interest rates (hereinafter: NIR and EIR) on loans at the banking sector level and for two key customer segments (corporate and retail) for December 2013, March, June, September and December 2014, and March 2015.

Table 31 : *Weighted Average NIR and EIR on Loans*

DESCRIPTION	12/2013		03/2014		06/2014		09/2014		12/2014		03/2015	
	NIR	EIR	NIR	EIR	NIR	EIR	NIR	EIR	NIR	EIR	NIR	EIR
1	2	3	4	5	6	7	8	9	10	11	12	13
1. Weighted IR on short-term loans	6.18	6.81	5.81	6.17	5.70	6.24	5.45	5.85	5.58	6.07	5.23	5.61
1.1. Corporate	6.21	6.79	5.78	6.07	5.64	6.13	5.40	5.73	5.55	5.99	5.19	5.49
1.2. Retail	6.42	8.51	8.27	11.80	8.32	11.72	8.21	11.93	6.57	8.90	8.07	11.60
2. Weighted IR on long-term loans	7.31	7.95	7.22	8.00	6.81	7.44	7.16	7.93	6.00	7.28	6.81	7.68
2.1. Corporate	6.83	7.17	6.72	7.18	6.03	6.30	6.27	6.69	5.29	6.76	6.20	6.65
2.2. Retail	7.93	8.95	7.64	8.64	7.54	8.47	7.82	8.84	7.50	8.60	7.38	8.54
3. Total weighted IR on loans	6.72	7.35	6.45	7.00	6.24	6.82	6.17	6.72	5.80	6.72	5.97	6.57
3.1. Corporate	6.41	6.92	5.99	6.32	5.76	6.18	5.61	5.96	5.43	6.32	5.43	5.77
3.2. Retail	7.84	8.92	7.65	8.74	7.56	8.58	7.84	8.97	7.44	8.62	7.40	8.64

[32] Decision on Uniform Method of Calculation and Disclosure of Effective Interest Rate on Loans and Deposits („Official Gazette of the Federation of B&H", No. 48/12 – consolidated text and 23/14).
[33] Instructions for Implementation of the Decision on Uniform Method of Calculation and Disclosure of Effective Interest Rate on Loans and Deposits and Instructions for Calculation of Weighted Nominal and Effective Interest Rate.

Graph 22: *Weighted Average Monthly EIR on Loans*



When analysing interest rate trends, it is important to monitor trends of the weighted EIR, with the difference between this interest rate and the NIR representing a fee and commission paid to the bank for an approved loan (and this is factored in the loan price calculation). This is why the EIR represents the actual price of a loan.

In the first quarter of 2015, the weighted effective interest rate on loans recorded oscillations within the range of a low 0.38 percentage points, with the highest rate in the amount 6.95% having been recorded in February, and the lowest in the amount of 6.57% having been recorded in March. The aforementioned was also down by 0.15 percentage points compared to the level in December 2014.

In the first quarter of 2015, weighted interest rates on short-term loans recorded larger oscillations, within the range of 0.30 percentage points, compared to those on long-term loans, which were within the range of 0.15 percentage points.

The weighted effective interest rate on short-term loans stood at 5.61% in March 2015, which is down by 0.46 percentage points compared to December 2014, while the weighted effective interest rate on long-term loans totaled 7.68% in March 2015, which is up by 0.40 percentage points compared to December 2014.

Interest rates on loans granted to the two most important sectors: corporate and retail,[34] showed trends of different intensity in the reporting period in 2015. The weighted effective interest rate on corporate loans, which is still lower than the effective interest rate on retail loans, dropped from 6.32% in December 2014 to a level of 5.77% in March 2015. The trend of decrease in weighted effective interest rates of the corporate segment was recorded with respect to both short-term (from 5.99% to 5.49%) and long-term loans (from 6.76% to 6.65%).

The effective interest rate on retail loans was 8.64% in March 2015, which is almost the same level as in December 2014 (8.62%). The effective interest rate on short-term loans to this sector increased from the December 2014 level of 8.90% to 11.60% in March 2015. The effective interest rate on long-term loans amounted to 8.54% in March 2015, which is down by a slight 0.06 percentage points compared to December 2014.

Compared to December of 2014, the most significant decrease in the effective interest rate was recorded in March 2015 with respect to short-term other loans (from 8.36% to 7.47%), while the most

[34] According to the methodology of sector classification, small business owners are included in the retail sector.

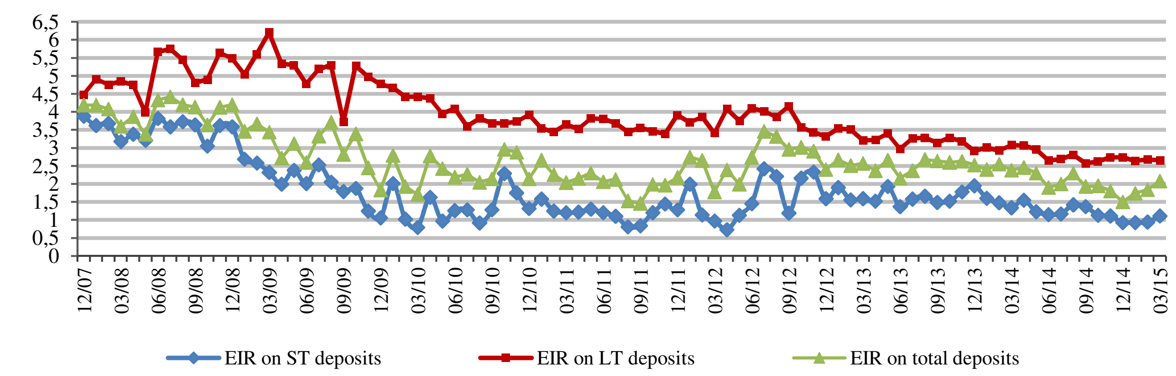
significant increase was recorded with respect to short-term retail loans for general consumption (from 8.61% to 11.59%).

Weighted NIR and EIR on term deposits for the banking sector, calculated on the basis on monthly reports, are shown in the table below.

Table 32 : *Weighted Average NIR and EIR on Deposits*

DESCRIPTION	12/2013		03/2014		06/2014		09/2014		12/2014		03/2015	
	NIR	EIR	NIR	EIR	NIR	EIR	NIR	EIR	NIR	EIR	NIR	EIR
1	2	3	4	5	6	7	8	9	10	11	12	13
1. Weighted IR on short-term deposits	1.94	1.95	1.31	1.34	1.13	1.15	1.35	1.37	0.92	0.93	1.10	1.11
1.1. up to three months	1.92	1.92	1.06	1.07	0.94	0.95	1.15	1.17	0.42	0.42	0.27	0.27
1.2. up to one year	1.99	2.01	1.60	1.65	1.59	1.62	1.71	1.74	1.94	1.97	1.38	1.40
2. Weighted IR on long-term deposits	2.89	2.92	3.04	3.08	2.62	2.65	2.56	2.57	2.67	2.74	2.63	2.66
2.1. up to three years	2.58	2.61	2.68	2.72	2.55	2.58	2.36	2.37	2.40	2.48	2.42	2.45
2.2. more than three years	4.24	4.28	3.94	3.98	2.83	2.84	3.36	3.37	3.41	3.43	3.23	3.25
3. Total weighted IR on deposits	2.50	2.53	2.34	2.38	1.88	1.90	1.91	1.93	1.47	1.50	2.06	2.08

Graph 23: *Weighted Average Monthly EIR on Deposits*



As opposed to loans, the actual price of which is affected by costs related to approval and servicing of loans (on the condition that such costs are known at the time of approval), deposits show almost no difference between the nominal and effective interest rate.

Compared to December 2014, the weighted effective interest rate on total term deposits increased by 0.58 percentage points in March 2015 (from 1.50% to 2.08%).

The weighted effective interest rate on short-term deposits is increasing and stood at 1.11% in March 2015, which is up by 0.18 percentage points compared to December 2014.

The weighted effective interest rate on long-term deposits recorded minor oscillations in the first quarter of 2015, amounting to 2.66%, slightly down compared to December 2014 (2.74%).

The largest decrease in interest rates was recorded with respect to term deposits up to three months, namely corporate deposits (from 1.35% to 0.39%), while the largest increase was recorded with respect to term deposits over three years, also corporate deposits (from 3.33% to 4.02%).

Starting with the second half of 2012, a trend of decrease in newly received corporate deposits was recorded, especially short-term ones, which had a large increase in short-term interest rates to the corporate sector as a consequence, ultimately resulting in the average interest rates to the corporate sector generally being higher than the average interest rates to the retail sector, with oscillations being present in the reporting period. As of March 2015, banks are still paying higher interest rates on term deposits to the corporate sector (2.55%) compared to the retail sector (2.06%), with it being noted that the interest rates on corporate deposits are up compared to December 2014 (2.21%), while the ones on retail deposits are down (2.13%).

Weighted interest rates on loans related to transaction account overdraft facilities and call deposits, as calculated on the basis of monthly reports, are provided in the table below.

Table 33: *Weighted Average NIR and EIR on Overdraft Facilities and Call Deposits*

DESCRIPTION	12/2013		03/2014		06/2014		09/2014		12/2014		03/2015	
	NIR	EIR	NIR	EIR	NIR	EIR	NIR	EIR	NIR	EIR	NIR	EIR
1	2	3	4	5	6	7	8	9	10	11	12	13
1. Weighted IR on overdraft facilities	8.25	8.42	8.09	8.26	8.14	8.31	8.16	8.33	8.05	8.22	7.90	8.07
2. Weighted IR on call deposits	0.15	0.15	0.14	0.14	0.13	0.13	0.13	0.13	0.13	0.13	0.12	0.12

As a rule, the EIR on these assets and liabilities items is equal to the nominal interest rate. The weighted EIR on total overdraft facilities for the banking sector in March 2015 amounted to 8.07% (down by 0.15 percentage points compared to December 2014) and to 0.12% on call deposits (slightly lower compared to December 2014).

2.4. Liquidity

Along with credit risk management, liquidity risk management is one of the most important and most complex segments of banking operations. Liquidity maintenance within the market economy is a permanent liability of the bank and the basic premise for its sustainability on the financial market, along with being a key precondition to establishing and preserving trust in the banking system of any country as well as in the banking system's stability and safety.

Until the onset of the global financial and economic crisis, in normal operating conditions of banks and a stable environment, the liquidity risk was of secondary importance to banks, i.e. credit risk was the focal point and established management systems, i.e. systems for identification, measurement and control of this risk were under continuous supervision for the purpose of being improved and upgraded.

When financial markets got disrupted due to the effect of the global crisis, liquidity risk suddenly gained importance and managing this risk became a key factor for smooth operations, the timely handling of liabilities due and the preservation of the long-term position of the bank in terms of its solvency and capital base. In addition, it is worth noting that the interdependence of all risks the bank is or may be exposed to in its operations has also come to light with the onset of the crisis.

In the last quarter of 2008, after the global crisis and its negative effect spread to the financial and economic system of B&H, the liquidity risk of banks in the Federation of B&H increased. Although one part of savings deposits got withdrawn and the trust in banks impaired, it was found that the liquidity of the banking system was never at stake since banks in the Federation of B&H (due to regulatory requirements and defined limits based on a conservative approach) had significant liquid assets and a good liquidity position.

The banking sector in the FB&H also maintained good performances in the area of liquidity risk in the following years, basic indicators of liquidity, largely thanks to reduced lending activities, have improved, and the biggest changes took place in the maturity structure of sources, primarily deposits, due to the continuous reduction of the exposure to parent groups, whose deposits in several banks in majority foreign ownership were the main source of funding for the aggressive credit growth that was recorded in the years leading up to the crisis. Also, there is a continuous trend of reduced liabilities to foreign financial institutions-creditors, which is also part of the deleveraging process.

The liquidity of the banking system in the Federation of B&H is still seen as sound, having satisfactory share of liquid assets in total assets, as well as a very good maturity adjustment of financial assets and liabilities. Still, due to the still present effect and impact of the financial crisis as well as mortgage crisis in the Eurozone (that has adversely affected the banking systems of certain European countries and parent banks of FB&H banks), it was found that the liquidity risk should still be kept under close supervision. Also, it should be kept in mind that the effect of the crisis on the real sector is still present, with its negative consequences reflected in the overall industrial and economic environment in which banks in B&H operate, thus resulting in defaults in terms of the settlement of loan obligations and increases in uncollectable receivables, i.e. reductions of inflows of liquid funds to banks and the conversion of credit risk into liquidity risk. In that sense, one of key influences on the liquidity position of banks in the period to come will be their capacity to adequately manage their assets, which encompasses obtaining assets with good performances and the quality of which ensures that bank loans (and interest) are repaid in accordance with maturity dates.

The Decision on Minimum Standards for Liquidity Risk Management defines minimum standards that a bank is required to ensure and maintain in the liquidity risk management process, i.e. minimum standards for the development and implementation of the liquidity policy that ensures the bank's capacity to meet its obligations on the maturity date fully and without a delay.

This regulation represents a framework for liquidity risk management and encompasses qualitative and quantitative provisions and requirements for banks. It also defines limits that banks are to meet in relation to the average 10-day minimum and daily minimum of cash funds compared to short-term sources of funds, as well as minimum limits of the maturity adjustment of instruments of financial assets and financial liabilities (up to 180 days).

In the structure of the sources of funding of FB&H banks as of 31.03.2015, the largest share of 74.7% still refers to deposits, followed by loans taken (including subordinated debt[35]) with a share of 6.7%. Loans taken have longer maturities and represent a quality source for the approval of long-term loans, while also improving the maturity adjustment of assets and liabilities items, although a downward trend of the aforementioned has been evident for an extensive period of time.

On the other hand, the maturity structure of deposits is much more unfavourable,[36] with changes in the direction of trends in the past few years being present. After a longer period of improvement (the period before the crisis), it worsened slightly in 2010, only for positive trends to emerge in 2011 and 2012 (an increase in the share of long-term deposits), which continued in 2013 as well, with a present stagnation in 2014 and a slight improvement in the first quarter of 2015.

- in KM 000 -

Table 34: *Maturity Structure of Deposits by Contractual Maturity*

DEPOSITS	31.12.2013		31.12.2014		31.03.2015		INDEX	
	Amount	Share %	Amount	Share %	Amount	Share %		
1	2	3	4	5	6	7	8(4/2)	9(6/4)
Savings and call deposits	5 233 356	45.4	5 771 888	47.6	5 741 165	48.3	110	99
Up to 3 months	365 229	3.2	279 332	2.3	61 462	0.5	76	22
Up to 1 year	668 142	5.8	701 041	5.8	681 919	5.7	105	97
1. Total short-term deposits	6 266 727	54.4	6 752 261	55.7	6 484 546	54.5	108	96
Up to 3 years	3 541 354	30.7	3 437 563	28.3	3 449 049	29.0	97	100
More than 3 years	1 715 768	14.9	1 940 922	16.0	1 969 663	16.5	113	101
2. Total long-term deposits	5 257 122	45.6	5 378 485	44.3	5 418 712	45.5	102	101

[35] Subordinated debt: loans taken and permanent items.

[36] As per remaining maturity.

TOTAL (1 + 2)	11 523 849	100.0	12 130 746	100.0	11 903 258	100.0	105	98

Compared to the end of 2014, total deposits decreased by 2% or KM 227 million, largely as a result of a decrease in deposits of banking institutions by 29% or KM 254 million, deposits of private companies by 10% or KM 178 million, deposits of government institutions by 10% or KM 82 million and deposits of non-profit organisations by 7% or KM 22 million, and, on the other hand, an increase in retail deposits by 3% or KM 239 million, deposits of public companies by 7% or KM 59 million, and deposits of non-banking financial institutions by 2% or KM 12 million. With a share of 59.7%, retail deposits are the largest sectoral source of funding of banks in the FB&H. The maturity structure of deposits with contractual maturity is relatively good, with short-term deposits holding a share of 54.5% and long-term deposits a share of 45.5%, which is somewhat better compared to 31.12.2014.

Changes in the maturity structure stem from a decrease in short-term deposits by 4% or KM 268 million, largely related to a decrease in short-term deposits of banking institutions by KM 253 million, deposits of private companies by KM 176 million, deposits of government institutions by KM 45 million, and deposits of non-profit organisations by KM 18 million, while an increase was recorded with respect to retail (by KM 176 million), public companies (by KM 29 million), and non-banking financial institutions (by KM 20 million). Long-term deposits rose slightly by 1% or KM 40 million, largely as a result of an increase in deposits with a term over three years by 1.5% (mostly retail deposits), while deposits up to three years recorded a negligible 0.3% increase. It should be noted that long-term deposits are still dominated by two segments: retail, with the share increasing from 67.1% to 67.8%, and banking institutions, with the share decreasing slightly from 9.4% to 9.3%, although deposits of public companies are also a significant long-term source, with the share increasing from 7.8% to 8.3%. In deposits with a term from one to three years, the largest share of 72.3% is held by retail deposits (up by 0.6 percentage points), followed by public companies (11.1%, with the share being up by 0.9 percentage points). Deposits over three years mostly consist of retail deposits (59.8%, up by 0.8 percentage points), while deposits of banking institutions, with a long-lasting trend of decrease that has slowed down somewhat, have a share of 19.8% (at the end of 2014: 20.5%, at the end of 2013: 25.6%, at the end of 2012: 33.0%, at the end of 2011: 46.9%, at the end of 2010: 60.9%).

Although the maturity structure of deposits with contractual maturity is relatively good, residual maturity of deposits is of greater relevance for the liquidity risk analysis since it includes deposit balances from the reporting period to the due date (as presented in the table below).

- in KM 000 -

Table 35: *Maturity Structure of Deposits by Remaining Maturity*

DEPOSITS	31.12.2013		31.12.2014		31.03.2015		INDEX	
	Amount	Share %	Amount	Share %	Amount	Share %		
1	2	3	4	5	6	7	8(4/2)	9(6/4)
Savings and call deposits (up to 7 days)	5 343 263	46.4	5 735 521	47.3	5 657 543	47.5	107	97
7- 90 days	920 951	7.9	898 335	7.4	662 684	5.6	96	74
91 days to one year	2 126 249	18.5	2 193 643	18.0	2 264 638	19.0	103	103
1. Total short-term deposits	8 390 463	72.8	8 827 499	72.8	8 584 865	72.1	105	97
Up to 5 years	3 002 846	26.1	3 150 040	26.0	3 163 762	26.6	105	100
More than 5 years	130 540	1.1	153 207	1.3	154 631	1.3	117	101
2. Total long-term deposits	3 133 386	27.2	3 303 247	27.2	3 318 393	27.9	105	100
TOTAL (1 + 2)	11 523 849	100.0	12 130 746	100.0	11 903 258	100.0	105	98

Based on the data above, it can be concluded that the maturity structure of deposits by remaining maturity is much worse due to a high share of short-term deposits in the amount of 72.1%. However, there is a trend of stagnation compared to the end of 2013, with there being a slight improvement in the first quarter of 2015. Short-term deposits decreased by 3% or KM 243 million, with the share decreasing from 72.8% to 72.1%, while long-term deposits increased slightly by 0.5% or KM 15 million, with the share in total deposits increasing from 27.2% to 27.9%. Looking at the structure of long-term deposits, it is evidently dominated by deposits with remaining maturity of up to 5 years (95.3% of long-term deposits and 26.6% of total deposits), while the reduction of deposits with remaining maturity of over 5 years was halted in 2014 (when observing the period of the past two years), when a moderate increase of 17% or KM 23 million was recorded, with the slight upward trend continuing in the first quarter of 2015 as well (by 1%). When comparing information on deposit maturities by contractual and residual maturity, it can be concluded that out of the KM 5.4 billion of total long-term contracted deposits, there were approximately KM 2.1 billion, i.e. 39%, of long-term contracted deposits with the remaining maturity of one year as of 31.03.2015.

The existing maturity structure of deposits (being the largest source of funding of banks in the Federation of B&H) has become an increasingly limiting factor of credit growth in relation to most banks since they incline more towards approving long-term loans. Therefore, banks are faced with the problem of finding ways to obtain quality sources of funding in terms of maturity, especially due to the considerably reduced inflow of financial assets (borrowings) from abroad, i.e. both from parent groups and financial institutions-creditors, while local sources of funding are mostly short-term. In June 2014, the FBA amended the existing regulations on liquidity.[37] Having previously met the prescribed requirements and obtained the approval of the FBA, banks have the opportunity to use a certain amount (i.e. a corrective amount) of retail call deposits for loans with longer maturities. As of 31.03.2015, two banks started using a corrective amount after being granted approval by the FBA, with it being noted that some more banks have applied for the use of the corrective amount. The objective of the regulation amendment is primarily aimed at stimulating credit growth, mostly real sector sector lending, and the effects are expected in the following period.

However, supervisory concern is also present due to to the fact that banks, due to the lack of quality long term-sources of funding and for the purpose of ensuring compliance with legally defined limits related to maturity adjustment, resort to approving revolving short-term loans, i.e. settling existing ones with new short-term facilities, which basically means long-term lending from short-term sources of funding. In such a way, the real loan maturity and its adjustment with sources of funding is being kept hidden. This may become a serious problem in the period to come as well as a potential threat to the bank's liquidity position.

For the purpose of planning the required level of liquid assets, banks need to account for both their sources of funding and the structure of an adequate liquidity potential, which is also tied to plans for their credit policy. Loan maturity, i.e. the maturity of the loan portfolio, is, in fact, determined by the maturity of sources of funding. Since maturity transformation of funds in banks is inherently related to the functional characteristics of banking operations, banks are required to continuously control and maintain maturity mismatches between sources of funding and loans approved in accordance with the regulated minimum limits.

- in KM 000 -

Table 36: *Maturity Structure of Loans*

LOANS	31.12.2013		31.12.2014		31.03.2015		INDEKS	
	Amount	Share %	Amount	Share %	Amount	Share %		
1	2	3	4	5	6	7	8(4/2)	9(6/4)
Past due receivabkes abd paid off-balance liabilities	1 175 825	10.8	1 210 806	10.8	1 252 271	11.1	103	103
Short-term loans	2 360 832	21.8	2 256 837	20.2	2 254 912	20.1	96	100
Long-term loans	7 315 743	67.4	7 702 634	69.0	7 736 293	68.8	105	100
TOTAL LOANS	10 852 400	100.0	11 170 277	100.0	11 243 476	100.0	103	101

[37] Decision on Amending the Decision on Minimum Standards for Liquidity Risk Management in Banks („Official Gazette of the Federation of B&H“, No. 46/14)

In the first quarter, long-term and short-term loans remained at approximately the same level, long-term loans increased by 0.4% or app. KM 34 million, short-term loans decreased slightly by 0.1% or KM 2 million, while past due receivables increased slightly by 3% or KM 41 million, which is yet another indicator of the deterioration of the collection rate of loans due and difficulties that debtors have in servicing liabilities towards banks in the light of the economic crisis. In the structure of past due receivables, 64% refers to private companies, 34% to the retail sector and 2% to other sectors.

An analysis of maturities of two key sectors shows that 84.7% of retail loans are long-term loans, while 50.8% of total approved loans refers to private companies.

In the structure of assets, loans, as the key category, still hold the largest share of 70.5%, up by 1.4% compared to the end of 2014. Loans themselves recorded a slight increase of 0.7%. Cash funds decreased by 7% or KM 333 million and their share decreased from 28.2% to 26.5% compared to the end of 2014.

An overview of the main liquidity ratios is provided in the table below.

As of 31.12.2014, the ratios were at approximately the same level as at the end of 2013, with them decreasing slightly in the first quarter of 2015 due to a decrease in deposits, loans taken and cash funds.

- in % -

Table 37: *Liquidity Ratios*

Ratios	31.12.2013	31.12.2014	31.03.2015
1	2	3	4
Liquid assets[38]/total assets	28.9	28.5	26.7
Liquid assets/short-term financial liabilities	50.6	49.1	46.7
Short-term financial liabilities/total financial liabilities	67.9	69.3	68.8
Loans/deposits and loans taken[39]	86.4	84.9	87.4
Loans/deposits, loans taken and subordinated debt[40]	85.3	83.9	86.6

After deteriorating in 2012, the ratio of loans/deposits and loans taken improved in 2013 (from 88.1% to 86.4%), and the same trend continued in 2014 as well, with the ratio amounting to 84.9% as of 31.12.2014. As of 31.03.2015, the indicator deteriorated due to a slight increase in loans, along with a decrease in deposits and loans taken, and amounted to 87.4%. The ratio was above 85% (critical level) with respect to 10 banks. On the one hand, this was the result of their liabilities structure (relatively significant share of capital) and, on the other hand, the result of the high share of loans in assets. During its on-site controls, the Agency paid special attention to banks with identified weaknesses in this business segment and instructed them to take actions and measures to improve the liquidity level and practices of sources of funding management in order to ensure a satisfactory liquidity position.

In 2015, banks have duly fulfilled the requirement of maintaining the defined level of the required reserve at the Central Bank of B&H. The required reserve, being the key instrument of the monetary policy in B&H in relation to the Currency Board and the financially undeveloped market, is the only instrument of the monetary policy that ensures monetary control in sense of the prevention of rapid growth of loans and reduced multiplication, as well as increased liquidity in banks in conditions of

[38] In narrow terms, liquid assets are: cash and deposits and other financial assets with remaining maturity of less than 3 months (excluding interbank deposits).

[39] Empirical standards are: below 70% - very sound, 71%-75% - satisfactory, 76%-80% - marginally satisfactory, 81%-85% - insufficient, over 85% - critical.

[40] The previous ratio was expanded and sources now include subordinated debt, thus being a more realistic indicator.

crisis and a higher outflow rate of funds from banks (as compared to the situation in B&H as of 01.10.2008). On the other hand, the implementation of foreign currency risk regulations and the maintenance of currency adjustment to the defined limits has also significantly impacted the amount banks hold in their reserve accounts at the Central Bank of B&H (in local currency), thus ensuring a high liquidity of banks, individually and at the banking sector level.

All banks continuously meet and significantly exceed the defined minimum of the 10-day average of 10% (20% until 10.06.2014) in relation to short-term sources of funding and the daily minimum of 5% (10% until 10.06.2014) in relation to the same basis, as illustrated in the table below.

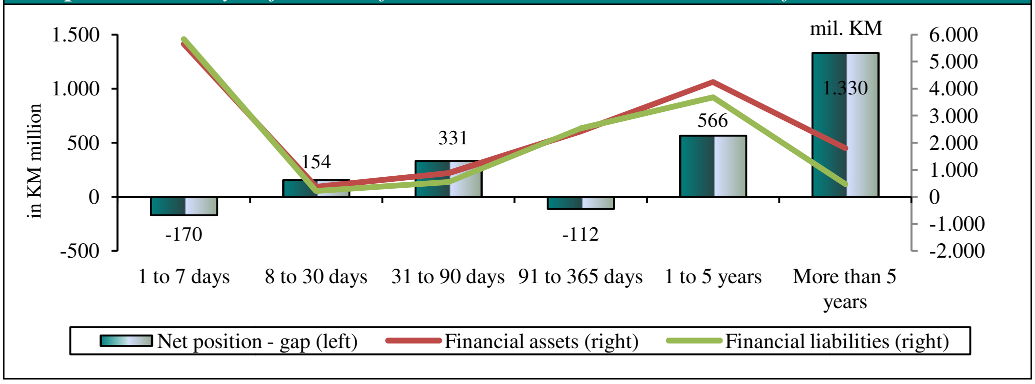
- in KM 000 -

Table 4338 *Liquidity Position – 10-Day Average and Daily Minimum*

	31.12.2013 Amount	31.12.2014 Amount	31.03.2015 Amount	INDEX	
1	2	3	4	5(3/2)	6(4/3)
1. Average daily balance of cash	3 722 887	4 060 671	4 029 246	109	99
2. Lowest total daily cash balance	3 423 657	3 797 970	3 834 495	111	101
3. Short-term sources of funding (calculation basis)	5 887 967	6 351 607	6 363 538	108	100
4. Amount of liabilities[41]:					
4.1. 10-day average 10% of the amount under item 3	1 177 593	635 161	636 354	54	100
4.2. daily minimum 5% of the amount under item 3	588 798	317 580	318 177	54	100
5. Performance of liabilities: 10-day average[42]					
Surplus = item no. 1 – item no. 4.1.	2 545 294	3 425 510	3 392 892	135	99
6. Performance of liabilities: daily minimum					
Surplus = item no. 2 – item no. 4.2.	2 834 859	3 480 390	3 516 318	123	101

When observing the maturity adjustment of remaining maturities of total financial assets[43] and liabilities, it can be concluded that the adjustment rate is good, although somewhat lower compared to 31.12.2014.

Graph 24: *Maturity Adjustment of Financial Assets and Liabilities as of 31.03.2015*



As of 31.03.2015, short-term financial assets of banks in the amount of KM 9.3 billion were higher than short-term financial liabilities by KM 203 million. Compared to the end of 2014, when the

41 According to Article 1 of the Decision on Amending the Decision on Minimum Standards for Liquidity Risk Management in Banks, ("Official Gazette of the Federation of B&H", No. 46/14), the percentage of maintaining the 10-day average liquidity minimum and the daily average cash funds minimum was reduced from 20% to 10% and from 10% to 5%, respectively.
42 Changes in the indexes with respect to positions 4.1, 4.2, 5 and 6 are the result of the changes mentioned in the previous footnote.
43 Financial assets are posted on a net basis (after deductions for value adjustments).

positive gap amounted to KM 206 million, this represents a slight decrease of KM 3 million or 1.5%, while the coverage ratio of 102.2% is still at a satisfactory level.

Short-term financial assets are down by 2.7%, as is the case with short-term financial liabilities. In the structure of short-term financial assets, a decrease in the amount of 7.3% or KM 333 million was recorded with respect to cash funds, while the largest increase of 60.4% or KM 31 million was recorded with respect to cash borrowings to other banks, followed by trading assets (up by 3.1% or KM 18 million) and net loans (up by 0.4% or KM 17 million). Financial assets with remaining maturity of over one year rose by 0.8% or KM 45 million, mostly as a result of an increase in loans by 0.6% or KM 35 million)

As for liabilities with maturity of up to one year (KM 9.1 billion), which have decreased by 2.7% or KM 257 million, the largest decrease refers to the decrease in deposits (down by 2.7% or KM 243 million), loan commitments (down by 13.4% or KM 48 million), and subordinated debt (down by 85.2% or KM 23 million), while other financial liabilities increased by 33.4% or KM 57 million. Liabilities with maturity of over one year (KM 4.1 billion) are down by 0.4% or KM 17 million.

In addition to the said prescribed minimum standard, a very important aspect of the monitoring and analysis of the liquidity position is the maturity adjustment of remaining maturities of financial assets and liabilities items in accordance with the time scale created to capture a time horizon of 180 days in line with the prescribed minimum limits.[44]

- in KM 000 -

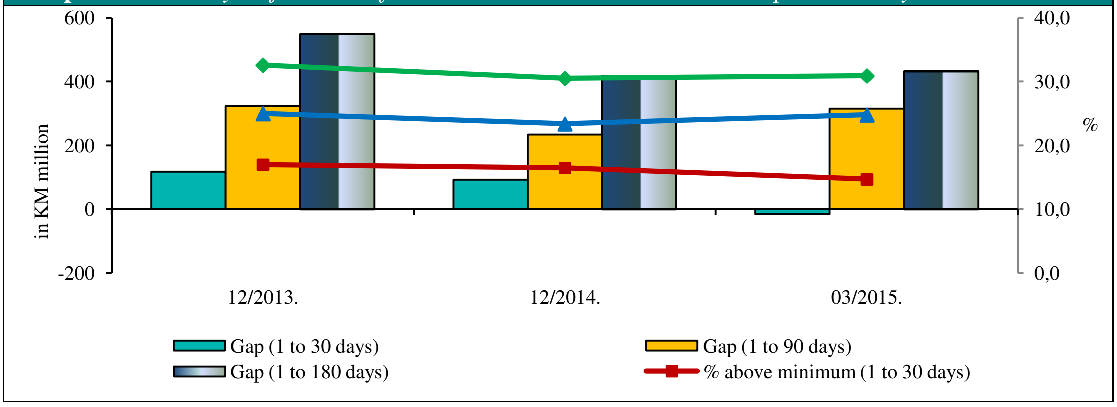
Table 39: *Maturity Adjustment of Financial Assets and Liabilities – up to 180 Days*

Description	31.12.2013 Amount	31.12.2014 Amount	31.03.2015 Amount	INDEX	
1	2	3	4	5 (3/2)	6(4/3)
I. 1- 30 days					
1. Financial assets	5 924 526	6 307 333	6 030 432	106	96
2. Financial liabilities	5 806 822	6 215 782	6 046 454	107	97
3. Difference (+ or -) = 1-2	117 704	91 551	-16 022	78	n/a
Calculation of prescribed requirement in %					
a) Actual %= no. 1/no. 2	102.0%	101.5%	99.7%		
b) Prescribed minimum %	85.0%	85.0%	85.0%		
Plus (+) or minus (-) = a - b	17.0%	16.5%	14.7%		
II. 1-90 days					
1. Financial assets	6 809 340	7 135 895	6 906 925	105	97
2. Financial liabilities	6 485 914	6 901 893	6 591 501	106	96
3. Difference (+ or -) = 1-2	323 426	234 002	315 424	72	135
Calculation of prescribed requirement in %					
a) Actual %= no. 1/no. 2	105.0%	103.4%	104.8%		
b) Prescribed minimum %	80.0%	80.0%	80.0%		
Plus (+) or minus (-) = a - b	25.0%	23.4%	24.8%		
III. 1-180 days					
1. Financial assets	7 812 974	8 066 177	7 809 853	103	97
2. Financial liabilities	7 263 293	7 647 885	7 376 427	105	96
3. Difference (+ or -) = 1-2	549 681	418 292	433 426	76	104
Calculation of prescribed requirement in %					
a) Actual %= no. 1/no. 2	107.6%	105.5%	105.9%		
b) Prescribed minimum %	75.0%	75.0%	75.0%		
Plus (+) or minus (-) = a - b	32.6%	30.5%	30.9%		

[44] The Decision on Minimum Standards for Liquidity Risk Management in Banks defines the following percentages for the maturity adjustment of financial assets and liabilities: min. 85% of sources of funding with maturity of up to 30 days must be used for facilites with maturity of up to 30 days, min. 80% of sources of funding with maturity of up to 90 days must be used for facilities with maturity of up to 90 days, and min. 75% of sources of funding with maturity of up to 180 days must be used for facilities with maturity of up to 180 days.

Based on the information presented, it is found that, as of 31.12.2014, banks have adhered to prescribed limits and achieved a better maturity adjustment of financial assets and liabilities in relation to the prescribed limits.

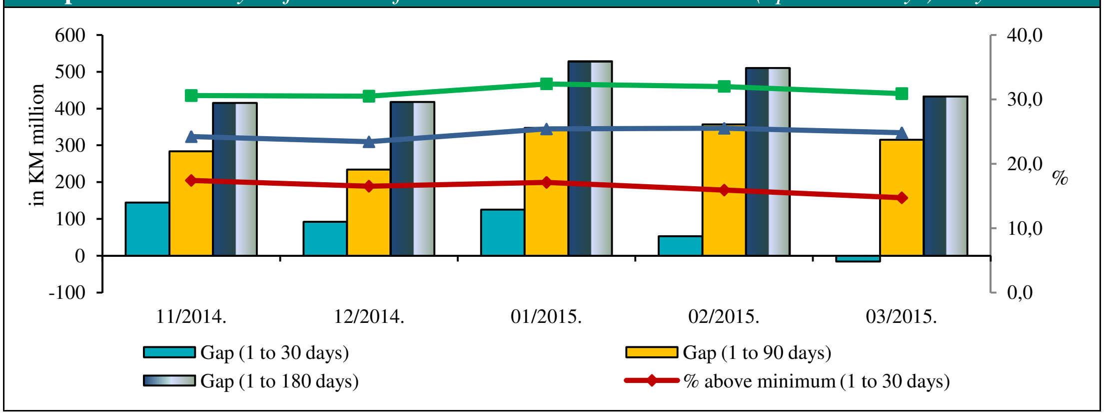
Graph 25: *Maturity Adjustment of Financial Assets and Liabilities – up to 180 Days*



As of 31.03.2015, financial assets in the first period (up to 30 days) were somewhat lower than financial liabilities, due to the decrease in financial assets (mostly a decrease in cash funds) being larger than the decrease in financial liabilities on the basis of deposits. In the second and third period, financial assets surpassed financial liabilities due to a larger decrease in financial liabilities on the basis of deposits, loans taken and subordinated debt, and the recorded maturity adjustment percentages were still above the prescribed minimum by 14.7% in the first period, 24.8% in the second period and 30.9% in the third period.

The chart below shows the trend of the maturity adjustment of financial assets and liabilities in the period from November 2014 to March 2015 (by period of time and maturity adjustment percentages in relation to the legally defined minimum standards).

Graph 26: *Maturity Adjustment of Financial Assets and Liabilities (up to 180 Days) – by Period*



Based on all presented ratios, the liquidity of the banking system in the Federation of B&H is still deemed satisfactory. However, we should underline that banks should pay even more attention to liquidity risk management in the period to come by means of establishing and implementing liquidity policies that would ensure the settlement of all liabilities due in a timely manner and based on continuous planning of future liquidity needs while factoring in changes in operating, economic, regulatory and other conditions of the banks' business environment since this business segment and the exposure level to liquidity risk correlate with credit risk, and also considering the effects of the financial crisis on B&H and the banking sector of the Federation of B&H (primarily in the sense of increased pressure on the banks' liquidity). On the one hand, this rests on the poor maturity structure of deposits, the repayment of loan commitments due and a much smaller amount of borrowings from financial institutions (which, over the past few years, were the best source of funding for banks from a maturity perspective) and, on the other hand, of the poor inflow of liquid funds due to a decreased collection rate of loans.

Through its off-site and on-site controls of banks, the Agency will continue to monitor and oversee the manner in which banks manage this risk and whether they act in accordance with adopted policies and programmes.

2.5. FX Risk – Foreign Currency Adjustment of Balance Sheet and Off-Balance Sheet Assets and Liabilities

Banks' operations are exposed to major risks originating from possible losses related to balance sheet and off-balance sheet items, as incurred due to market price changes. One of these risks is the foreign currency risk arising as a result of changes in exchange rates and/or unadjusted levels of assets, liabilities and off-balance sheet items denominated in the same currency – individual FX position or all currencies of the bank's operations together – total FX position of the bank.

In order to ensure the implementation and realisation of prudent principles related to FX activities of banks and to reduce FX risk effects on their profitability, liquidity and capital, the Agency has adopted the Decision on Minimum Standards for Foreign Exchange Risk Management in Banks[45], which regulates minimum standards for adopting and implementing the programmes, policies and procedures for FX risk assumption, monitoring, control and management, as well as limits for the open individual and total FX position (long or short) calculated in relation to the core capital of the bank.[46]

In order for the Agency to monitor the banks' compliance with the regulated limits and their exposure level to FX risk, banks are required to report daily to the Agency. Based on the review, monitoring and analysis of the submitted reports, it can be concluded that banks adhere to regulated limits and conduct their FX activities within such limits.

Since the Central Bank of B&H functions as a currency board pegged to the EUR, banks are not exposed to FX risk in their daily operations with the EUR as the key currency.

As of 31.03.2015, the currency structure of banks' assets included 10.2% or KM 1.6 billion of foreign currency items (at the end of 2014, these items amounted 11.4% or KM 1.8 billion). On the other hand, the currency structure of liabilities is quite different since the share of foreign currency liabilities is much higher and equals 44.0% or KM 7 billion (at the end of 2014, this share was 44.2% or KM 7.1 billion).

The table below provides the structure and trend of financial assets and liabilities and FX positions for the EUR as the key currency and for the total position.

[45] "Official Gazette of the Federation of B&H", No. 48/12 – consolidated text.
[46] Article 7 of the Decision on Minimum Standards for Foreign Exchange Risk Management in Banks defines the following limits: for the individual FX position – up to 30% of the core capital for EUR, up to 20% for other currencies and up to 30% for the total bank position.

- in KM million -

Table 40: *FX Adjustment of Financial Assets and Liabilities (EUR and Aggregate)*[47]

Description	31.12.2014				31.03.2015				INDEX	
	EURO		TOTAL		EURO		TOTAL		EURO	TOTAL
	Amount	Share %	Amount	Share %	Amount	Share %	Amount	Share %	6/2	8/4
1	2	3	4	5	6	7	8	9	10	11
I. Financial assets										
1. Cash	960	12.6	1 385	16.7	729	9.9	1 145	14.1	76	83
2. Loans	38	0.5	41	0.5	38	0.5	41	0.5	100	100
3. Loans with a currency clause	6 299	83.0	6 443	77.8	6 332	85.6	6 491	80.0	101	101
4. Other	295	3.9	409	5.0	299	4.0	443	5.4	101	108
Total (1+2+3+4)	7 592	100.0	8 278	100.0	7 398	100.0	8 120	100.0	97	98
II. Financial liabilities										
1. Deposits	5 363	72.5	5 975	74.4	5 244	72.8	5 906	75.0	98	99
2. Loans taken	949	12.8	954	11.9	872	12.1	877	11.1	92	92
3.Deposits and loans with a currency clause	882	11.9	882	11.0	867	12.0	867	11.0	98	98
4. Other	209	2.8	216	2.7	219	3.1	230	2.9	105	106
Total (1+2+3+4)	7 403	100.0	8 027	100.0	7 202	100.0	7 880	100.0	97	98
III. Off-balance sheet										
1. Assets	78		78		72		90			
2. Liabilities	50		109		60		119			
IV.Position										
Long (amount)	217		221		208		211			
%	12.2%		12.4%		11.5%		11.7%			
Short										
%										
Allowed	30%		30%		30%		30%			
Lower than the allowed	17.8%		17.6%		18.5%		18.3%			

In terms of the structure of foreign currencies, the dominant share among financial assets[48] is held by the EUR with 65.4%, which is somewhat lower compared to 31.12.2014 (70.4%) due to the lower nominal amount (from KM 1.29 billion to KM 1.07 billion). The share of the EUR in liabilities is 90.3%, which is somewhat lower compared to the end of 2014, coupled with a decrease in the nominal amount by KM 186 million.

However, FX risk exposure calculation also includes the amount of indexed assets items (loans) and liabilities items[49], which is quite significant on the assets side (79.9% or KM 6.5 billion) and remained almost the same as on 31.12.2014 (77.8% or KM 6.5 billion). Other FX items on the assets side hold a share of 22.0% or KM 1.6 billion and have the following structure: items in EUR 13.1% or KM 1.07 billion and other currencies 6.9% or KM 0.5 billion (at the end of 2014, other items in EUR held a share of 15.6% or KM 1.29 billion). Out of total net loans (KM 10 billion), app. 64.5% have a currency clause (mostly pegged to the EUR – 97.6%).

As for the sources of funding, financial liabilities determine the structure of financial assets items for every currency. The largest share in FX liabilities (KM 7.9 billion) is 80.4% or KM 6.3 billion and

[47] Source: Form 5 – FX position.

[48] Source: Form 5 – FX position: one part of financial assets (foreign currencies denominated in KM). According to the calculation methodology, financial assets were posted in accordance with the net principle until 31.12.2011 (i.e. after deductions for loan loss reserves), after which the new methodology entailed the depreciation of fixed assets according to IAS, i.e. after deductions for value adjustments and reserves for contingent liabilities

[49] In order to protect against foreign exchange rate changes, banks arrange certain assets items (loans) and liabilities items with a currency clause (regulations allow only for a two-way currency clause).

refers to items in EUR, mostly deposits (at the end of 2014, the share of liabilities in EUR amounted to 81.2% or KM 6.5 billion), while the share and amount of indexed liabilities is minimal and amounts to 11.0% or KM 0.9 billion, as was the case at the end of 2014.

When observing banks and the banking sector level of the Federation of B&H, it can be concluded that FX risk exposure of banks and the banking system in the first quarter of 2015 was within the defined limits. As of 31.03.2015, the long FX position was recorded with 15 banks and the short position with 2 banks. At system level, there is a long FX position of 11.7% of the total core capital of banks, which is 18.3% below the allowed limit. The individual FX position for the EUR, like the total position, was 11.5%, which is 18.5% below the allowed limit, with financial assets items being larger than financial liabilities (net long position).

Although the currency board protects banks from FX risk exposure related to the EUR, they are required to adhere to regulated limits for all currencies, as well as for the total FX position, and to conduct daily risk management activities in accordance with the adopted programmes, policies, procedures and plans.

IV CONCLUSIONS AND RECOMMENDATIONS

During the reform period, the banking sector of the Federation of B&H achieved an enviable level of its development and it represents the most developed and the strongest part of the financial and the overall economic system in the Federation B&H. Future activities should be aimed towards the preservation of its stability, with this being a priority in present stressful conditions, and towards the banking system's future progress and development. These objectives are conditioned by a continuous and committed involvement of all elements of the system, the legislative and executive authorities, thus forming grounds for a more favourable economic environment for banks and the real sector of the economy, as well as for the general population.

In order to further strengthen resilience of banks in the Federation of B&H in the face of a potentially more severe crisis situation, in early 2013, the Agency adopted the Decision on Temporary Measures for Dividends and Discretionary Bonus Disbursement and Repurchase of Own Shares by Banks. This meant that the disbursement of dividends is tied to the existence of a capital buffer in the amount of 2.5% compared to the prescribed minimum capital adequacy rate and core capital rate of banks compared to risk-bearing assets. In May 2014, with the adoption of the new Decision on Minimum Standards for Capital Management in Banks and Capital Hedge, this interim Decision was superseded, and the requirements of the interim Decision were included in the new Decision. In addition to the quantitative and structural strengthening of regulatory capital requirements, the new Decision introduced additional capital requirements: capital leverage 6%, a conservation buffer for the coverage of increased losses in the case of a crisis (in the amount of 2.5%). In accordance with the new Decision, the FBA can, by means of a separate decision and if necessary, prescribe other specific buffers for countercyclical protection and systemic risk, which must be made up of share capital above the prescribed minimum.

Based on the fact that the existing maturity structure of deposits as the largest source of funding for banks in the FB&H is becoming a more limiting factor of credit growth for a number of banks and that those banks are faced with the problem of how to provide quality sources in terms of maturity, in June 2014, the FBA amended the existing regulations on liquidity. The aim of amending the regulations is primarily to stimulate credit growth, particularly lending to the real sector, and the effects are expected in the period to come.

In 2014, the Agency also adopted regulations concerning the application of the Law on Guarantor Protection in the Federation of Bosnia and Herzegovina and the Law on Protection of Users of Financial Services in the Federation of Bosnia and Herzegovina, which rounded off the regulatory framework for the proper application of the aforementioned Laws.

In the period to come, the Banking Agency of the Federation of B&H will:

- take measures and actions within its competences to overcome and mitigate the effects of the consequences of the global financial crisis on the banking sector in the Federation of B&H;
- continue with activities within its competences to consolidate the supervision function at state level;
- maintain continuous supervision of banks through on-site and off-site examinations, placing an emphasis on dominant risk segments of banking operations and aiming to improve efficiency by means of:
  - further insistence on capital strengthening in banks, especially in those banks with an above average increase in assets and reduction of the capital adequacy ratio,
  - continue banking supervision that is of system relevance where large savings and other deposits are concentrated (all for the purpose of protecting depositors),
  - continued system-based monitoring of banks' activities to prevent money laundering and the financing of terrorism and the improvement of the cooperation with other supervisory and regulatory institutions,
  - working on upgrades to legal regulations as based on the Basel Principles, Basel Capital Accord and European Banking Directives, as has been the case so far, all as part of the preparations for B&H joining the European Union,
  - preparing and adopting a contingency plan (as a part of the crisis preparation process),
  - improving the Early Warning System tool (EWS) for the purpose of an early identification of financial and operational inefficiencies and/or adverse trends in the banks' operations,
  - monitoring the banks' compliance with laws and regulations and practices applied in banks in the segment of protecting users of financial services and guarantors,
  - establishing and expanding cooperation with supervisory authorities in home countries of investors in the banking sector of the Federation of B&H, as well as in other countries – all for the purpose of ensuring more efficient bank supervision,
  - continuing cooperation with the ECB and the EBA towards the signing of mutual memorandums and the exchange of information in banking supervision, as well as with international financial institutions, the IMF, the WB, the EBRD, etc.
  - improving cooperation with the B&H Banks' Association across all segments of the banking business, organising consultations and providing professional assistance in the implementation of banking laws and regulations, improving cooperation in the sense of professional training, proposing amendments to all laws or regulations that have become a limiting factor to the banks' development, introducing new products, collection of receivables and ensuring full involvement in the development and functioning of a unified registry of non-performing clients – legal entities and natural persons (ensuring daily updates of information).
- continue with efforts to improve the information system that would enable early warning and preventive actions with respect to the elimination of weaknesses in the banks' operations;
- continue with the on-going training and professional education of the staff;
- accelerate actions regarding the finalisation of the liquidation processes, as per Management Board conclusions.

Further strong engagement of other institutions and bodies of Bosnia and Herzegovina and the Federation of Bosnia and Herzegovina is also necessary with regards to the following:

- the implementation of the Programme of measures to mitigate the results of the global economic crisis and improve the business environment (as accepted by the Economic-Social Council of the Federation of B&H in December 2008 and in accordance with the relevant document of the Government of the Federation of B&H;
- the implementation of conclusions reached by the Parliament of the Federation of B&H regarding the establishment of state-level bank supervision;
- creating and upgrading regulations pertaining to the financial sector, which refer to the actions, status and operations of banks, and especially to the drafting and adoption of the new Banking Law and the legal bank resolution framework;
- the accelerated implementation of economic reforms in the real sector of the economy in order to ensure faster alignment with the level achieved in the monetary and banking sector;
- the preparation and adoption of the Law on Asset Management Companies;
- preparations for drafting legal regulations of relevance for the banking sector and financial system based on the Basel Principles, Basel Capital Accord and European Banking Directives;
- the establishment of special commercial departments within courts;
- the establishment of more efficient enforcement proceedings;
- the creation and adoption of measures for resolving or mitigating the problem of over-indebted persons;
- the adoption of laws or improvement of existing legal regulations defining the segment of security and protection of money in the bank and in transit, etc.

As key segments of the banking system, banks should concentrate their efforts on the following activities:

- full commitment to quality and prudent operations and to combating the crisis effects presently posing the biggest threat to banks, the real sector of the economy and the general population;
- further capital strengthening and ensuring a solvency level proportional to an increase in assets and risk, greater profitability, more consistent implementation of adopted policies and procedures to prevent money laundering and the financing of terrorism, the security and protection of money in the bank and in transit, all in accordance with laws and by-laws;
- strengthening of the internal control system and the internal audit function as segments that are fully independent in the performance of their duties and roles;
- improvement of the system of early detection of loan portfolio deterioration and effective measures to resolve non-performing loans;
- active participation in the implementation of measures for resolving the problem of individuals' over-indebtedness and the financial consolidation of companies;
- the implementation of laws and by-laws in the segment of protecting users of financial services and guarantors;
- the preparation of and updates to their contingency plans;
- regular, timely and accurate submission of information to the Central Loans Registry and the Uniform Central Registry of Accounts at the Central Bank of B&H.

No.: U.O.-71-2/15
Sarajevo,28.05.2015

ANNEXES

ANNEX 1

Banks in the Federation of Bosnia and Herzegovina – 31.03.2015

No.	BANK	Address		Telephone	Director
1	BOR BANKA dd - SARAJEVO	Sarajevo	Obala Kulina bana 18	033/278-520, fax:278-550	HAMID PRŠEŠ
2	BOSNA BANK INTERNATIONAL dd - SARAJEVO	Sarajevo	Trg djece Sarajeva bb	033/275-100, fax:203-122	AMER BUKVIĆ
3	HYPO ALPE-ADRIA-BANK dd - MOSTAR	Mostar	Kneza Branimira 2b	070/340-341, fax:036/444-235	DRAGAN KOVAČEVIĆ
4	INTESA SANPAOLO BANKA D.D. BOSNA I HERCEGOVINA	Sarajevo	Obala Kulina bana 9a.	033/497-555, fax:497-589	ALMIR KRKALIĆ
5	INVESTICIONO-KOMERCIJALNA BANKA dd - ZENICA	Zenica	Trg B&H 1	032/448-400, fax:448-501	SUVAD IBRANOVIĆ
6	KOMERCIJALNO-INVESTICIONA BANKA DD V.KLADUŠA	V.Kladuša	Ibrahima Mržljaka 3	037/771-253, fax:772-416	HASAN PORČIĆ
7	MOJA BANKA dd - SARAJEVO	Sarajevo	Trg međunarodnog prijateljstva br. 25.	033/586-870, fax:586-880	MIRZA HUREM
8	NLB BANKA dd - TUZLA	Tuzla	Maršala Tita 34	035/259-259, fax:250-596	SENAD REDŽIĆ
9	PRIVREDNA BANKA SARAJEVO dd - SARAJEVO	Sarajevo	Alipašina 6	033/277-700, fax:664-175	ADNAN BOGUNIĆ
10	PROCREDIT BANK dd - SARAJEVO	Sarajevo	Franca Lehara bb	033/250-950, fax:250-971	EDIN HRNJICA
11	RAIFFEISEN BANK dd BiH - SARAJEVO	Sarajevo	Zmaja od Bosne bb.	033/755-010, fax: 213-851	KARLHEINZ DOBNIGG
12	RAZVOJNA BANKA FEDERACIJE BIH	Sarajevo	Igmanska 1	033/724-930, fax: 668-952	SALKO SELMAN
13	SBERBANK BH dd - SARAJEVO	Sarajevo	Fra Anđela Zvizdovića 1	033/295-601, fax:263-832	EDIN KARABEG
14	SPARKASSE BANK dd BOSNA I HERCEGOVINA- SARAJEVO	Sarajevo	Zmaja od Bosne br. 7.	033/280-300, fax:280-230	SANEL KUSTURICA
15	UNICREDIT BANK dd - MOSTAR	Mostar	Kardinala Stepinca bb	036/312-112, fax:312-121	IVAN VLAHO
16	UNION BANKA dd - SARAJEVO	Sarajevo	Dubrovačka 6	033/561-000, fax: 201-567	VEDRAN HADŽIAHMETOVIĆ
17	VAKUFSKA BANKA dd - SARAJEVO	Sarajevo	M. Tita 13.	033/280-100, fax: 663-399	MIRZET RIBIĆ
18	ZIRAATBANK BH dd - SARAJEVO	Sarajevo	Dženetića Čikma br. 2.	033/252-230, fax: 252-245	ALI RIZA AKBAŞ

ANNEX 2

THE BALANCE SHEET OF BANKS IN THE FEDERATION OF B&H ACCORDING TO THE FBA MODEL
ACTIVE SUB-BALANCE

in KM 000

No.	DESCRIPTION	31.12.2013	31.12.2014	31.03.2015
	ASSETS			
1.	Cash and deposit accounts with deposit-taking institutions	4 417 898	4 560 234	4 227 456
1a	Cash and non-interest bearing deposit accounts	627 016	618 460	641 982
1b	Interest-bearing deposits accounts	3 790 882	3 941 774	3 585 474
2.	Trading securities	381 909	586 809	605 153
3.	Loans to other banks	51 960	50 836	88 354
4.	Loans, receivables based on leasing facilities and past due receivables	10 852 400	11 170 277	11 243 476
4a	Loans	9 676 527	9 959 429	9 991 165
4b	Receivables based on leasing facilities	48	42	40
4c	Past due receivables based on loans and leasing facilities	1 175 825	1 210 806	1 252 271
5.	Held to maturity securities	180 604	214 585	223 237
6.	Business premises and other fixed assets	476 199	491 740	495 489
7.	Other real estate	36 786	34 283	35 842
8.	Investments in unconsolidated related companies	23 762	23 135	22 948
9.	Other assets	252 122	241 682	240 040
10.	LESS: value adjustments	1 227 090	1 216 819	1 237 949
10a	Value adjustments for Item 4. of the Assets	1 163 928	1 155 153	1 176 971
10b	Value adjustments for Assets items, except for the Item 4.	61 162	61 666	60 978
11.	**TOTAL ASSETS**	**15 446 550**	**16 156 762**	**15 944 046**
	LIABILITIES			
12.	Deposits	11 523 849	12 130 746	11 903 258
12a	Interest-bearing deposits	9 363 284	9 360 266	9 140 058
12b	Non-interest bearing deposits	2 160 565	2 770 480	2 763 200
13.	Borrowings – liabilities due	1 577	150	150
13a	Past due liabilities			
13b	Past due – invoked off-balance sheet liabilities	1 577	150	150
14.	Borrowings from other banks			
15.	Liabilities to the Government			
16.	Loan commitments and other borrowings	1 039 381	1 026 503	958 485
16a	With remaining maturity of up to one year	212 485	359 866	311 741
16b	With remaining maturity of more than one year	826 896	666 637	646 744
17.	Subordinated debt and subordinated bonds	166 889	156 233	117 792
18.	Other liabilities	406 909	416 770	460 822
19.	**TOTAL LIABILITIES**	**13 138 605**	**13 730 402**	**13 440 507**
	EQUITY			
20.	Permanent preferred shares	11 959	11 959	11 959
21.	Common shares	1 196 633	1 221 591	1 236 591
22.	Issue premiums	136 485	136 485	136 485
22a	Over permanent preferred shares	8 420	88	88
22b	Over common shares	128 065	136 397	136 397
23.	Undistributed profit and capital reserves	649 879	618 214	740 427
24.	Foreign exchange rate differences			
25.	Other capital	-2 745	122 377	62 343
26.	Loan loss provisions formed from profit	315 734	315 734	315 734
27.	**TOTAL EQUITY (20. to 25.)**	**2 307 945**	**2 426 360**	**2 503 539**
28.	**TOTAL LIABILITIES AND EQUITY (19 +26)**	**15 446 550**	**16 156 762**	**15 944 046**
	PASSIVE AND NEUTRAL SUB-BALANCE	**661 321**	**638 913**	**717 126**
	BALANCE SHEET TOTAL OF BANKS	**15 652 087**	**16 085 463**	**16 661 172**

ANNEX 3

OVERVIEW OF ASSETS, LOANS, DEPOSITS AND FINANCIAL RESULTS OF BANKS IN THE FEDERATION OF B&H as of 31.03.2015

in KM 000

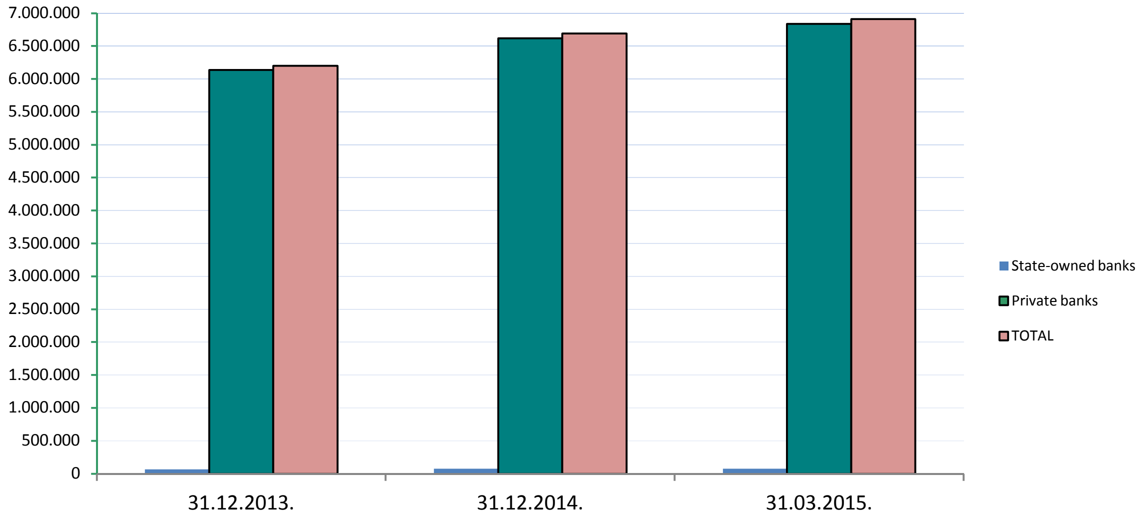
No.	BANK	Assets		Loans		Deposits		Fin. result
		Amount	%	Amount	%	Amount	%	Amount
1	BOR Banka d.d. Sarajevo	232 269	1.46%	191 491	1.70%	116 185	0.98%	689
2	Bosna Bank International d.d. Sarajevo	650 302	4.08%	421 827	3.75%	400 033	3.36%	102
3	Hypo Alpe Adria Bank d.d. Mostar	919 373	5.77%	637 741	5.67%	622 551	5.23%	1 999
4	Intesa Sanpaolo banka d.d. Sarajevo	1 458 258	9.15%	1 169 779	10.40%	1 018 055	8.55%	6 390
5	Investiciono Komercijalna banka d.d. Zenica	204 679	1.28%	101 294	0.90%	147 036	1.24%	477
6	Komercijalno Investiciona banka d.d. Velika Kladuša	78 683	0.49%	41 632	0.37%	52 476	0.44%	6
7	Moja banka d.d.Sarajevo	188 621	1.18%	135 693	1.21%	158 681	1.33%	125
8	NLB banka d.d. Tuzla	915 772	5.74%	671 139	5.97%	751 177	6.31%	2 033
9	Privredna Banka d.d Sarajevo	161 477	1.01%	100 270	0.89%	129 672	1.09%	4
10	ProCredit Bank d.d. Sarajevo	392 095	2.46%	340 874	3.03%	251 564	2.11%	354
11	Raiffeisen Bank dd Bosna i Hercegovina	3 686 778	23.12%	2 281 534	20.29%	2 881 541	24.21%	23 105
12	Sberbank BH d.d. Sarajevo	969 487	6.08%	849 797	7.56%	718 499	6.04%	1 708
13	Sparkasse Bank d.d. Sarajevo	1 040 923	6.53%	845 293	7.52%	862 029	7.24%	4 080
14	Union banka d.d. Sarajevo	333 665	2.09%	125 170	1.11%	268 769	2.26%	121
15	UniCredit bank d.d. Mostar	3 950 862	24.78%	2 748 884	24.45%	2 996 530	25.17%	21 183
16	Vakufska banka d.d. Sarajevo	228 379	1.43%	186 985	1.66%	197 732	1.66%	439
17	Ziraatbank BH d.d. Sarajevo	532 423	3.34%	394 073	3.50%	330 728	2.78%	-472
	TOTAL	**15 944 046**	**100%**	**11 243 476**	**100%**	**11 903 258**	**100%**	**62 343**

ANNEX 4

NEW RETAIL SAVINGS IN BANKS IN THE FEDERATION OF B&H

in KM 000

	31.12.2013	31.12.2014	31.03.2015
State-owned banks	65 179	73 072	77 023
Private banks	6 135 711	6 618 891	6 835 234
TOTAL	**6 200 890**	**6 691 963**	**6 912 257**



ANNEX 5

CLASSIFICATION OF BALANCE SHEET ASSETS AND OFF-BALANCE SHEET RISK-BEARING ITEMS as of 31.03.2015

- CLASSIFICATION OF BALANCE SHEET ASSETS ITEMS -

in KM 000

No.	BALANCE SHEET ASSETS ITEMS	CLASSIFICATION					TOTAL
		A	B	C	D	E	
1.	Short-term loans	2 013 649	212 223	22 732	3 973	2 335	2 254 912
2.	Long-term loans	6 711 828	594 971	207 504	123 660	36 599	7 674 562
3.	Other facilities	219 315	986	51	1 202	2 579	224 133
4.	Accrued interest and fees	36 205	4 997	1 933	6 075	26 772	75 982
5.	Past due receivables	35 349	28 484	22 746	344 779	794 612	1 225 970
6.	Receivables based on paid guarantees			165	230	25 906	26 301
7.	Other balance sheet assets being classified	315 857	4 575	4 597	8 888	33 080	366 997
8.	**TOTAL BALANCE SHEET ASSETS BEING CLASSIFIED (sum of items 1 through 7 – calculation basis for regulatory loan loss provisions)**	**9 332 203**	**846 236**	**259 728**	**488 807**	**921 883**	**11 848 857**
9.	**CALCULATED REGULATORY RESERVES FOR LOAN LOSSES BASED ON BS ASSETS**	**183 253**	**74 516**	**63 530**	**282 602**	**921 112**	**1 525 013**
10.	**VALUE ADJUSTMENT FOR BS ASSETS**	**113 409**	**72 584**	**74 916**	**238 395**	**738 647**	**1 237 951**
11.	**REQUIRED REGULATORY RESERVES FORMED AGAINST PROFIT FOR PURPOSE OF ASSESSED LOSSES BASED ON BS ASSETS**	**106 617**	**42 722**	**18 853**	**81 445**	**184 391**	**434 028**
12.	**FORMEED REGULATORY RESERVES FORMED AGAINST PROFIT RELATED TO ASSESSED LOSSES BASED ON BS ASSETS**	**80 371**	**26 789**	**23 220**	**78 240**	**70 573**	**279 193**
13.	**SHORTFALL OF REGULATORY RESERVE FORMED AGAINST PROFIT RELATED TO ASSESSED LOSSES BASED ON BS ASSETS**						**209 835**
14.	**BALANCE SHEET ASSETS NOT BEING CLASSIFIED (gross book value)**						**5 333 138**
15.	**TOTAL BALANCE SHEET ASSETS (gross book value)**						**17 181 995**

OVERVIEW OF BALANCE SHEET ASSETS NOT BEING CLASSIFIED AND FACILITIES SECURED WITH A CASH DEPOSIT

14.a	Cash in cash desk and vault and cash funds at the account with the Central Bank of B&H, gold and other precious metals	3 202 382
14.b	Demand deposits and term deposits up to one month located on accounts of banks with defined investment rating	946 047
14.c	Tangible and intangible assets	512 685
14.d	Financial and tangible assets acquired in the process of collection of receivables (within one year upon such acquisition)	4 183
14.e	Own (treasury) shares	
14.f	Receivables based on overpaid taxes	9 622
14.g	Trading securities	105 313
14.h	Receivables from the B&H Government, FB&H Government and RS Government, securities issued by the B&H Government, FB&H Government and RS Government and receivables secured with unconditional guarantees payable upon the first call	552 906
	TOTAL Item 14	**5 333 138**
8a.	Facilities secured with a cash deposit	169 559

ANNEX 5A

CLASSIFICATION OF BALANCE SHEET ASSETS AND OFF-BALANCE SHEET RISK-BEARING ITEMS
as of 31.03.2015
- CLASSIFICATION OF OFF-BALANCE SHEET ITEMS -

in KM 000

No.	OFF-BALANCE SHEET ITEMS	CLASSIFICATION					TOTAL
		A	B	C	D	E	
I.	Payment guarantees	388 622	37 802	3 146	300		429 870
2.	Performance guarantees	509 460	98 874	672	4 850	81	613 937
3.	Uncovered letters of credit	44 421	549	108			45 078
4.	Irrevocably approved, but undrawn loans	1 441 944	64 878	512	585	1 071	1 508 990
5.	Other contingent liabilities of the bank	17 562	585		1	146	18 294
6.	**TOTAL OFF-BALANCE SHEDET ITEMS BEING CLASSIFIED (sum of items 1 through 5 – calculation basis for regulatory loan loss provisions)**	2 402 009	202 688	4 438	5 736	1 298	2 616 169
7.	**CALCULATED REGULATORY RESERVES FOR LOAN LOSSES RELATED TO OFF-BALANCE SHEET ITEMS**	46 919	13 086	1 031	3 267	1 298	65 601
8.	**LOSS RESERVES FOR OFF-BALANCE SHEET ITEMS**	21 892	2 332	764	2 977	1 205	29 170
9.	**REQUIRED REGULATORY RESERVES FORMED AGAINST PROFIT RELATED TO ASSESSED LOSSED BASED ON OFF-BALANCE SHEET ITEMS**	29 121	11 431	732	399	106	41 789
10.	**FORMED REGULATORY RESERVES FORMED AGAINST PROFIT RELATED TO ASSESSED LOSSED BASED ON OFF-BALANCE SHEET ITEMS**	24 575	9 353	857	1 547	209	36 541
11.	**SHORTFALL OF REGULATORY RESERVES FORMED AGAINST PROFIT RELATED TO ASSESSED LOSSED BASED ON OFF-BALANCE SHEET ITEMS**						8 056
12.	**OFF-BALANCE SHEET ITEMS NOT BEING CLASSIFIED**						205 157
13.	**TOTAL OFF-BALANCE SHEET ITEMS**						2 821 326
6a.	**Contingent liabilities secured with a cash deposit**						56 124
6b.	**Approved undisbursed loans with a clause on unconditional cancellation**						354 500

ANNEX 6

INCOME STATEMENT OF BANKS IN THE FB&H ACCORDING TO THE FBA MODEL

in KM 000

No.		DESCRIPTION	31.03.2013	31.03.2014	31.03.2015
1.		**INTEREST INCOME AND EXPENSES**			
	a)	Interest income and similar income			
	1)	Interest-bearing deposit accounts with deposit-taking institutions	451	1 210	253
	2)	Loans to other banks	487	629	474
	3)	Loans and leasing facilities	175 149	173 913	170 739
	4)	Held to maturity securities	1 917	1 794	1 742
	5)	Equity securities	151	0	2
	6)	Receivables based on paid-off balance sheet liabilities	0	0	1
	7)	Other interest income and similar income	16 056	15 685	16 037
	8)	**TOTAL INTEREST INCOME AND SIMILAR INCOME**	**194 211**	**193 231**	**189 248**
	b)	Interest expenses and similar expenses			
	1)	Deposits	52 428	49 146	44 359
	2)	Borrowings from other banks	31	157	0
	3)	Borrowings taken – liabilities due	0	0	0
	4)	Liabilities based on loans and other borrowings	5 907	4 813	5 065
	5)	Subordinated debt and subordinated bonds	2 270	2 985	1 298
	6)	Other interest and similar expenses	737	577	321
	7)	**TOTAL INTEREST EXPENSES AND SIMILAR EXPENSES**	61 373	57 678	51 043
	c)	**NET INTEREST AND SIMILAR INCOME**	**132 838**	**135 553**	**138 205**
2.		**OPERATING INCOME**			
	a)	FX income	8 631	8 678	10 815
	b)	Loan fees	1 546	1 618	1 622
	c)	Fees based on off-balance sheet items	6 026	6 041	6 020
	d)	Service fees	44 164	47 322	50 374
	e)	Trading income	2 155	275	68
	f)	Other operating income	9 870	10 328	10 397
	g)	**TOTAL OPERATING INCOME a) to f)**	**72 392**	**74 262**	**79 296**
3.		**NON-INTEREST BEARING EXPENSES**			
	a)	Business and direct expenses			
	1)	Costs of value adjustments, risk-bearing assets, provisions for contingent liabilities and other value adjustments	29 273	22 561	20 531
	2)	Other business and direct expenses	16 644	18 046	18 734
	3)	**TOTAL BUSINESS AND DIRECT EXPENSES 1) + 2)**	45 917	40 607	39 265
	b)	Operating expenses			
	1)	Costs of salaries and contributions	60 053	59 901	59 205
	2)	Costs of business premises, other fixed assets and utilities	36 570	35 311	35 593
	3)	Other operating expenses	20 161	20 356	21 095
	4)	**TOTAL OPERATING EXPENSES 1) to 3)**	116 784	115 568	115 893
	c)	**TOTAL NON-INTEREST BEARING EXPENSES**	**162 701**	**156 175**	**155 158**
4.		**PROFIT BEFORE TAXES**	**44 710**	**56 727**	**62 815**
5.		**LOSS**	**2 181**	**3 087**	**472**
6.		**TAXES**	**0**	**0**	**0**
7.		**PROFIT BASED ON INCREASE OF DEFERRED TAX FUNDS AD REDUCTION OF DEFERRED TAX LIABILITIES**	**0**	**0**	**0**
8.		**LOSS BASED ON REDUCTION OF DEFERRED TAX FUNDS AND INCREASE OF DEFERRED TAX LIABILITIES**	**0**	**0**	**0**
9.		**NET PROFIT 4. - 6.**	**44 710**	**56 727**	**62 815**
10.		**NET LOSS 4. - 6.**	**2 181**	**3 087**	**472**
11.		**FINANCIAL RESULT 9.-10.**	**42 529**	**53 640**	**62 343**

ANNEX 7

REPORT ON CAPITAL CONDITION AND ADEQUACY OF BANKS IN THE FB&H
ASSETS SIDE OF THE BALANCE SHEET

in KM 000

No.	D E S C R I P T I O N	31.12.13	31.12.14	31.03.15
1	**CORE CAPTIAL OF THE BANK**			
1.a.	Share capita, reserves and profit			
1.1.	Share capital – common and permanent preferred non-cumulative shares – cash payments	1 188 094	1 217 909	1 232 909
1.2.	Share capital – common and permanent preferred non-cumulative shares – investments in kind and in rights	12 550	12 550	12 550
1.3.	Amount of issue premiums earned upon payment of shares	136 485	136 485	136 485
1.4.	General mandatory reserves (reserves mandated by the law)	206 809	106 051	106 051
1.5. [1]	Other reserves from profit after tax based on the decision of the Bank's assembly		409 634	409 638
1.6. [1]	Retained, undistributed profit from previous years and current year's profit		108 756	128 399
1.5. [2]	Other reserves not related to the assets quality evaluation	362 349		
1.6. [1]	Retained – undistributed profit from previous years	248 901		
1.a.	**TOTAL (1.1 to 1.6)**	**2 155 188**	**1 991 385**	**2 026 032**
1.b.	Deductible items from 1.a			
1.7.	Uncovered losses from previous years	112 610	122 705	167 658
1.8.	Current year's loss	140 445	44 953	472
1.9.	Book value of own (treasury) shares of the bank	156	81	81
1.10. [1]	Intangible assets in accordance with the applicable accounting framework	41 418	41 873	42 268
1.11. [1]	Amount of deferred tax assets		2 780	2 722
1.12. [1]	Amount of negative revalorised reserves based on the effect of the change in the fair value of assets		1 282	1 038
1.b.	TOTAL (1.7. to 1.10)	294 629	213 674	214 239
1.	**AMOUNT OF CORE CAPITAL: (1.a. - 1.b.)**	**1 860 559**	**1 777 711**	**1 811 793**
2	SUPPLEMENTARY CAPITAL OF THE BANK			
2.1.	Share capital – common and permanent preferred non-cumulative shares – cash payments	3 091	3 091	3 091
2.2.	Share capital – common and permanent preferred non-cumulative shares – investments in kind and in rights	0	0	0
2.3.	General loan loss provisions for the category A – performing assets	215 083	229 895	230 172
2.4. [1]	Amount of positive revalorised reserves based on the effect of the change in the fair value of assets		23 703	23 509
2.4. [2]	Current year profit – audited and confirmed by an external audit	71 984		
2.5.	Profit amount for which the FBA issues an order restricting its disbursement	0	0	0
2.6. [3]	Amount of subordinated debt	165 473	154 814	116 373
2.7. [3]	Amount of hybrid convertible items – capital instruments	0	0	0
2.8. [3]	Amount of other capital instruments	1 416	1 419	1 419
2.	**AMOUNT OF SUPPLEMENTARY CAPITAL: (2.1 to 2.8)**	**457 047**	**412 922**	**374 564**
3	DEDUCTIBLE ITEMS FROM THE BANK'S CAPITAL			
3.1.	Portion of invested share capital that, according to the FBA, represents a received, but over-appraised value	0	0	0
3.2.	Capital contributions of other legal entities exceeding 5% of the bank's core capital	2 844	1 678	1 678
3.3.	Receivables from shareholders with significant voting rights – approved by the bank contrary to Law provisions, FBA regulations and the bank's work policy	0	1 509	1 509
3.4.	LCRE towards shareholders with significant voting rights in the bank (no FBA approval required)	0	0	0
3.5.	LLP shortfall as per regulatory requirement	156 866	203 239	217 892
3.	**AMOUNT OF DEDUCTIBLE ITEMS FROM THE BANK'S CAPITAL: (3.1 to 3.5)**	**159 710**	**206 426**	**221 079**
A.	**NET CAPITAL OF THE BANK (1.+2.-3.)**	**2 157 896**	**1 984 207**	**1 965 278**
B. [3]	**RISK OF BALANCE AND OFF-BALANCE ASSETS**	**10 998 977**	**11 397 359**	**11 373 214**
C.	**WEIGHTED OPERATIONAL RISK**	**981 318**	**982 250**	**977 292**
D.	**WEIGHTED MARKET RISK**	0	**0**	**0**
E. [3]	**TOTAL ASSETS RISK B+C+D**	**11 980 295**	**12 379 609**	**12 350 506**
F.	**NET CAPITAL RATE (A/E) (% 1 dec.)**	**18.0%**	**16.0%**	**15.9%**

[1] The item description is valid since 30.09.2014.

[2] The item description is valid to 30.06.2014.

[3] The item descriptions are valid since 30.09.2014., the old descriptions being as follows:

1.10. Intangible assets: patents, licences, concessions, investments in: market research, trade name, trademark and goodwill, etc..

2. 6. Amount of subordinated debt representing max. 50% of the core capital

2. 7. Hybrid convertible items max. 50% of the core capital

2. 8. Permanent, non-refundable items

B. RISK-WEIGHTED ASSETS AND LOAN EQUIVALENTS; E. TOTAL WEIGHTED RISKS (B+C+D)

ANNEX 8

DATA ON EMPLOYEES IN BANKS IN THE FEDERATION OF B&H

No.	BANK	31.12.2013	31.12.2014	31.03.2015
1	BOR Banka d.d. Sarajevo	64	64	65
2	Bosna Bank International d.d. Sarajevo	279	312	314
3	Hypo Alpe Adria Bank d.d. Mostar	517	513	512
4	Intesa Sanpaolo banka d.d. Sarajevo	528	521	527
5	Investiciono Komercijalna banka d.d. Zenica	164	164	155
6	Komercijalno Investiciona banka d.d. Velika Kladuša	71	75	76
7	Moja banka d.d.Sarajevo	156	142	144
8	NLB banka d.d. Tuzla	442	430	447
9	Privredna Banka d.d Sarajevo	177	164	168
10	ProCredit Bank d.d. Sarajevo	333	291	287
11	Raiffeisen Bank dd Bosna i Hercegovina	1 531	1 578	1 430
12	Sberbank BH d.d. Sarajevo	411	435	429
13	Sparkasse Bank d.d. Sarajevo	462	475	474
14	Union banka d.d. Sarajevo	200	202	196
15	UniCredit bank d.d. Mostar	1 262	1 216	1 219
16	Vakufska banka d.d. Sarajevo	225	231	229
17	Ziraatbank BH d.d. Sarajevo	229	247	248
	TOTAL	**7 051**	**6 960**	**6 920**