

BANKING AGENCY OF REPUBLIKA SRPSKA

**INFORMATION
ON RS BANKING SYSTEM
IN THE PERIOD JANUARY 1, THROUGH SEPTEMBER 30, 2002**

Banja Luka, November 2002

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1. INTRODUCTION

In the past period the banking sector consisted mostly of private, just recently privatized, banks; where the privatization deadline has been set out as December 31, 2002, without possibility to be extended.

The adopted legal regulation - The Law on Banks, The Law on Banking Agency, and Decisions - which follows this field of operation, had been adjusted with basic banking principles and standards applied almost all over the world, and approved by the Basle Committee for Bank Supervision.

During its four-year period of operation, the Agency has done a lot in creating such a regulatory framework to enable banks to operate independently, on market based principles, and take responsibilities for their operation, as well as to provide for a quality supervision of banks' operation by following their implementation of legally established requirements.

The Agency keeps amending and modifying legal regulations in order to create as quality framework for banking operation as possible.

In the first nine months of this year the three largest banks with majority state capital (Kristal banka a.d. Banja Luka, Banjalučka banka a.d. Banja Luka and, Razvojna banka a.d. Banja Luka) were privatized, while two more banks (Privredna banka a.d. Brčko, and Privredna banka a.d. Doboј) have remained in the process of privatization, and we expect the Bank Privatization unit to complete the process by the expiration date of the deadline. A decision has been already made for Privredna banka a.d. Brčko to be acquired by Pavlović International Bank a.d. Slobomir, Bijeljina, while privatization of Privredna banka a.d. Doboј is being negotiated.

Other segments of the economy do not adequately follow the transformation of the banking sector, and the ones that are especially slow are the sector for privatization of the state owned capital in enterprises, and the justice, as well as the process of resolving the frozen foreign currency savings issue.

By the end of this year banks will have to increase their cash funds within their capital by KM 5.0 million in order to meet the capital legal requirement of KM 15.0 million.

Since a liquidation procedure will be started in case a bank does not meet this legally established level of additional capitalization, we expect the number of banks to decrease due to merger and acquisition of remaining banks with majority state owned capital by existing banks. Process of liquidation has been started in three banks (two state-owned and one privately owned bank), which did not meet legal requirements in the previous year and in the first half of the current year.

The Deposit Insurance Agency at the level of Bosnia and Herzegovina has been established, and the Law on Deposit Insurance had been drafted and adopted by the BH authorities defining in more details banking sector operation.

Responsibilities for operating results of each bank are up to bank managing bodies and its management team, where additional legal regulation makes their job easier if properly applied.

2. BANKING SECTOR STRUCTURE

As of September 30, 2002 thirteen banks, one branch office of a foreign bank, and five branch offices from Federation BH banks were in operation in Republika Srpska.

Due to noncompliance and in accordance with legal provisions the Agency started bankruptcy procedures in Gold banka a.d. Banja Luka and Ekvator banka a.d. Banja Luka, while liquidation procedures in Privredna banka a.d. Gradiška, and Prijedorska banka a.d. Prijedor are in their final stages respectively.

Twelve RS banks, one foreign bank branch office, and five branch offices from Federation BH have inter-banking transaction license.

One RS bank does not have an inter-banking license yet, but it has requested the license and the procedure of issuance has been started.

2.1. OWNERSHIP STRUCTURE

Ownership structure in RS banks as of September 30, 2002 was the following:

- privately owned and majority privately owned: 11 banks (79%) and one branch office of a foreign bank (7%);
- state owned and majority state owned: 2 banks (14%).

No.	Bank	Private Capital		State Owned Capital		Cooperative Capital	
		Amount	%	Amount	%	Amount	%
I	Majority Private Capital						
1.	Nova banjalučka banka a.d.	14,193	88	1,370	8	621	4
2.	Kristal banka a.d.	13,280	95	0	0	683	5
3.	Agroprom banka a.d.	8,993	85	0	0	1,634	15
4.	Privredna banka a.d. Srpsko Sarajevo	11,152	99	0	0	95	1
5.	Razvojna banka a.d.	9,806	80	2,452	20	0	0
6.	Nova banka a.d.	10,939	100	0	0	0	0
7.	Bobar banka a.d.	10,350	100	0	0	0	0
8.	VB banka a.d.	13,854	100	0	0	0	0
9.	Zepter Komerc banka a.d.	11,155	100	0	0	0	0
10.	Balkan Investment Bank a.d.	10,000	100	0	0	0	0
11.	Pavlović International Bank a.d.	13,573	98	0	0	312	2
12.	BSEI Branch Office	10,000	100	0	0	0	0

	Total (Majority Private Capital)	137,295	95	3,822	3	3,345	2
II	State Owned Capital						
1.	Privredna banka a.d. Dobož	715	6	10,264	90	414	4
2.	Privredna banka a.d. Brčko	0	0	1,651	100	0	0
	Total (State Owned Capital)	715	6	11,915	91	414	3
III	TOTAL:	138,010	89	15,737	10	3,759	1

According to the structure of shareholders' capital shown, which amounted to KM 157,506, is 89% privately owned, 10% state owned, and 1% is owned by cooperatives.

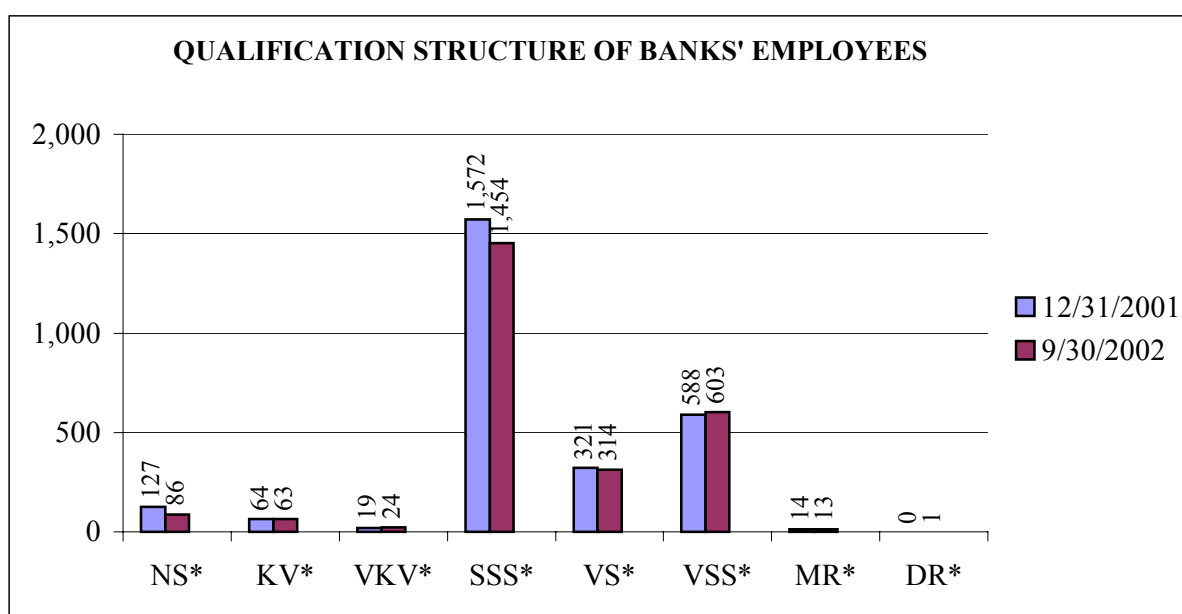
By the end of the year we expect all banks to be privately owned and enlarged (due to either mergers or putting in additional capital) which is conditioned by implementation of the Law on Banks, Law on Deposit Insurance, and Law on Privatization of State Owned Capital in Banks.

2.2. STAFF

As of September 30, 2002 RS banks had 2,558 employees. Compared to December 31, 2001 the number of employees decreased by 147 or 5%. Taking into consideration qualification structure, the largest decrease was in non-skilled workers and employees with secondary school level of education. At the same time number of highly skilled workers and college-graduated employees increased.

Staff Qualification Structure

No.	Qualification	31.12.2001	%	30.09.2002	%	INDEX 2002/2001
1.	Non-Skilled	127	5	86	3	68
2.	Skilled	64	2	63	2	98
3.	Highly Skilled	19	1	24	1	126
4.	Secondary School	1,572	58	1,454	57	92
5.	2-year College	321	12	314	12	98
6.	College Degree	588	22	603	24	103
7.	M. Sc.	14	1	13	1	93
8.	Dr.	0	0	1	0	0
	TOTAL	2,705	100	2,558	100	95



Assets per Employee

DATE	Number of employees	Assets in KM million	Assets per employee in (000KM)
31.12.2001	2,705	772,202	285
30.09.2002	2,558	899,515	352

The ratio assets-per-employee is an indicator of how successful a banking system or an individual bank is, and the larger the ratio, the more successful banking system is in its operation. In RS banks the indicator increased by 23% compared to December 31, 2001 and amounted to KM 352 thousand. Ratios for individual banks ranged from KM 130 thousand to KM 1,670 thousand.

Two banks had ratios amounting to over KM 1 million of assets per employee, which is significantly larger than average ratio for the RS banking system.

3. FINANCIAL INDICATORS OF BANKS □ OPERATION

Financial indicators on RS banks □ operation are provided for by the Banking Agency of Republika Srpska through on-site examinations and off-site supervision based on reports submitted by banks.

Reports are the following:

1. Banks □ Balance Sheets submitted monthly with additional attachments for three-month periods as scheduled by the Agency presenting data on banks □ cash funds, loans, deposits and off-balance sheet items.
2. Reports on banks □ capital, asset classification, and risks in operation submitted quarterly.
3. Reports on banks □ operating results submitted on a three-month basis (Income Statement and Cash Flow).

In addition to this, all available data and information submitted under special Agency requests are taken into consideration in order to follow and analyze the operation of banks in Republika Srpska on a high quality level.

3.1. Balance Sheet

The RS banking system is still going through a process of transition and reform, which is affecting the total condition of the banking sector. Consolidated income statement of the banking sector is the following:

Balance Sheet

DESCRIPTION	AMOUNT (000 KM)				INDEX 2002/2001
	31.12.2001		30.09.2002		
	Amount	%	Amount	%	
1	2	3	4	5	6=4/2
ASSETS (PROPERTY):					
1. Cash Funds	211,364	27	278,256	31	132
2. Trading Securities	1,142	0	2,637	0	231
3. Placements to other banks	5,334	1	5,959	1	112
4. Loans	377,107	49	437,233	49	116
5. Securities held up to maturity	4	0	4	0	100
6. Premises and Other Fixed Assets	123,379	16	121,328	13	98
7. Other Assets	53,872	7	54,098	6	100
8. TOTAL ASSETS	772,202	100	899,515	100	116
9. Total Off-Balance Sheet (10+11+12)	169,639		251,006		148
10. Active Off-Balance Sheet	87,851		122,934		140
11. Classified Assets-Loss E	42,401		95,534		225
12. Fees for Agent and Other Operation	39,387		32,538		83
13. TOTAL ASSETS (8+9)	941,841		1,150,521		122
LIABILITIES (COMMITMENTS):					
14. Deposits	422,632	55	632,415	70	150
15. Borrowings	1,844	0	889	0	48
16. Obligations Based on Loans	23,935	3	13,542	2	57
17. Other Commitments	59,596	8	25,866	3	43
18. Special Reserves for Potential Loss	65,204	8	85,260	9	131
19. Capital	198,991	26	141,543	16	71
20. TOTAL LIABILITIES (COMMITMENTS AND CAPITAL)	772,202	100	899,515	100	116
21. Total Off-Balance Sheet (22+23+24)	169,639		251,006		148
22. Active Off-Balance Sheet	87,851		122,934		140
23. Classified Assets-Loss „E”	42,401		95,534		225
24. Fees for Agent and Other Operation	39,387		32,538		83
25. TOTAL LIABILITIES (20+21)	941,841		1,150,521		122

As of September 30, 2002 banks' assets totaled to KM 1,150 million and was larger by 22% compared to December 31, 2001.

Balance sheet assets amounted to KM 900 million, and increased by 16%, while off-balance sheet assets amounted to KM 251 million and increased by 48% compared to December 31, 2001.

Assets composition shows that cash funds and loans increased, while the share of office space and other fixed assets decreased, which is a positive indicator for the total banking sector.

Off-balance sheet items increased because of an increase of assets classified in category „E”- loss. The increased loss resulted from a stricter classification of risk assets, and inefficient and slow collecting of collateral through court procedures.

Share of Individual Group of Banks in Total Assets

(in 000 KM)

AMOUNT OF ASSETS	31.12.2001			30.09.2002		
	Number of banks	Amount	%	Number of banks	Amount	%
Over 150	0	0	0	2	367.289	41
100 - 150	2	267.566	35	1	142.189	16
50 - 100	4	277.671	36	3	194.715	21
25 - 50	4	134.778	17	4	124.156	14
Under 25	6	92.187	12	4	71.166	8
TOTAL:	16	772.202	100	14	899.515	100

Process of banks getting bigger by merger/acquisition and putting in additional capital is still going on in Republika Srpska. We have two banks with assets over KM 150 million, one bank with assets amounting to 100-150 million, three banks with assets of KM 50-100 million, four banks with assets of KM 25-50 million, and four banks having assets lower than KM 25 million.

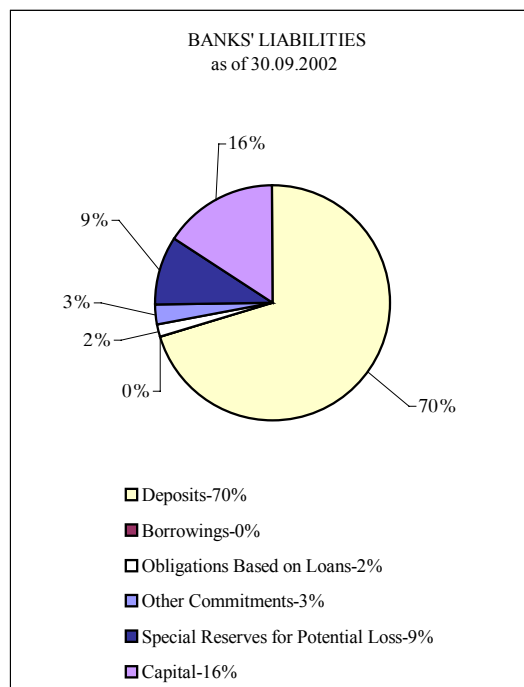
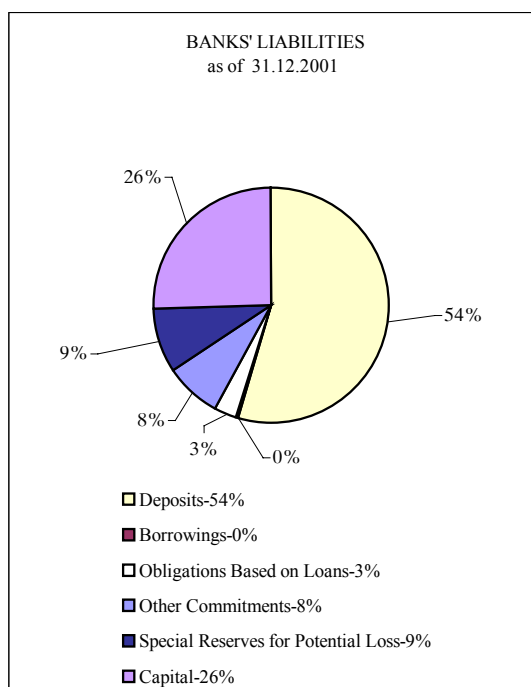
Banks having assets under KM 25 million will have to develop such a business policy, which, apart from additional capitalization and swift growth of sources, will also offer new products in order to survive in the banking sector.

3.1.1. Liabilities

Liability structure, that is, structure of obligations and capital in the balance sheet as of September 30, 2002 can be seen from the following table:

Liability Structure

DESCRIPTION	AMOUNT (000 KM)				INDEX 2002/2001
	31.12.2001		30.09.2002		
	Amount	%	Amount	%	
1	2	3	4	5	6=4/2
LIABILITIES (COMMITMENTS):					
1. Deposits	422,632	55	632,415	70	150
2. Borrowings	1,844	0	889	0	48
3. Obligations Based on Loans	23,935	3	13,542	2	57
4. Other Commitments	59,596	8	25,866	3	43
5. Special Reserves for Potential Loss	65,204	8	85,260	9	131
6. Capital	198,991	26	141,543	16	71
7. TOTAL LIABILITIES (COMMITMENTS AND CAPITAL)	772,202	100	899,515	100	116



Liability structure consisted of obligations amounting to 75%, and capital with special reserves for potential losses amounted to 25%.

The largest increase in the liability structure is seen in deposits amounting to 50%, required reserves for potential losses increased by 31%, while capital decreased by 29%, and other items also decreased.

3.1.1.1. Capital and Capital Adequacy

Capital

(in 000 KM)

	31.12.2001	%	30.09.2002	%	INDEX
1	2	3	4	5	6
1. CORE CAPITAL	203,136	95	193,784	94	95
2. ADDITIONAL CAPITAL	11,744	5	13,091	6	111
3. TOTAL (1+2)	214,880	100	206,875	100	96
4. LOSS	9,873		56,860		576
5. TOTAL CAPITAL (3-4)	205,007		150,015		73
6. Reserves missing	7,573		3,614		48
7. Other	1,458		7,450		511
8. BANKS' NET CAPITAL (5-6-7)	195,976		138,951		71

In the above Capital table it can be seen that the core capital decreased by 5% compared to December 31, 2001 because a portion of reserve capital decreased due to its transfer to reserves for covering potential loan losses. Additional capital increased by 11% due to larger amounts separated for reserves for good assets.

Loss increased by 476% because of establishing realistic reserves for potential loan losses, which banks had not adequately separated in the previous period, making the rate of increase so high in this period.

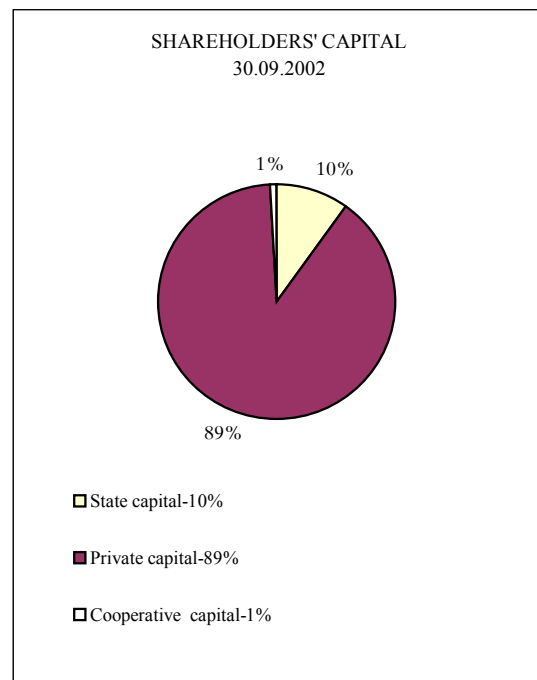
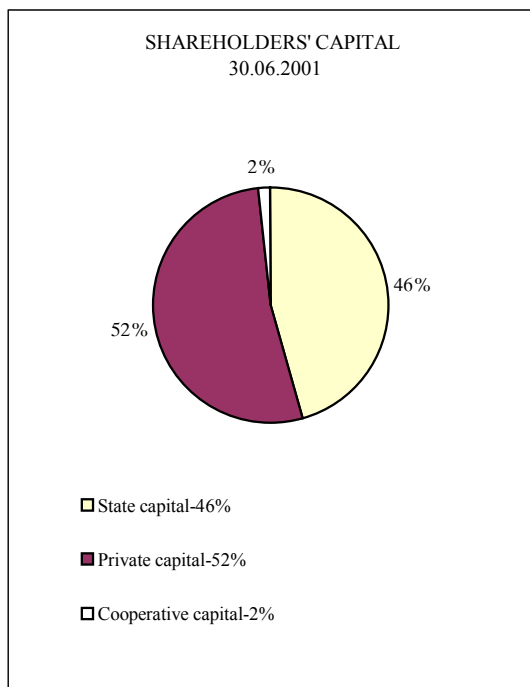
Loss has significantly influenced total capital, which decreased by 27%.

Due to removal of all losses from balance sheet, required reserves for loan losses were calculated more realistically, resulting in decrease of percentage of missing reserves by 52%

Shareholders' Capital Structure

(in 000 KM)

SHAREHOLDERS' CAPITAL	30.06.2001		30.09.2002		INDEX 6=4/2
	Amount	%	Amount	%	
1	2	3	4	5	
1. State capital	71,332	46	15,737	10	22
2. Private capital	82,998	53	140,327	89	169
2.1. Foreign Capital	38,784	47	87,744	63	226
2.2. Domestic Capital	44,214	53	52,583	37	119
3. Cooperative capital	2,405	2	1,422	1	60
TOTAL (1+2+3):	156,735	100	157,506	100	100



Ownership structure based on state, private, co-operative, and foreign capital share in equity as of September 30, 2002 shows that state-owned capital share in equity amounted to 10% (decreased by 78% compared to June 30, 2001), privately owned capital amounted to 89% (increased by 69% compared to June 30, 2001), and share of capital owned by co-operatives amounted to 1% (decreased by 40%).

Privately owned share of equity capital consists of foreign and domestic investors capital amounting to 63% and 37% respectively.

The share of equity capital privately owned by foreign investors increased by 126% compared to June 30, 2001, and the share privately owned by domestic investors increased by 19%.

When rating capital another important indicator is capital adequacy ratio, which actually represents a ratio between net capital and total risk assets, and should be at least 10%. Average capital adequacy for RS banks in this reporting period amounted to 22%, while taken individually per banks ranged from 0% to 163%.

Capital Adequacy

	31.12.2001	30.06.2002	30.09.2002	INDEX	
1	2	3	4	5=4:2	6=4/3
Capital Adequacy (%)	38	24	22	58	92

Compared to December 31, 2001 capital adequacy decreased by 42%, and compared to June 30, 2002 by 8%.

Other capital ratios are shown in the following table:

Capital Ratios

(in 000 KM)

DESCRIPTION / PERIOD		31.12.2001	30.09.2002
1.	Net Capital / Total Assets	195,976 772,202	138,951 899,515
	%	25	15
2.	Shareholders' Capital / Total Assets	168,223 772,202	157,506 899,515
	%	22	18
3.	Core Capital / Total Risk Assets	203,136 522,142	193,784 643,937
	%	39	30
4.	Total Capital/ Total Risk Assets	214,880 522,142	206,875 643,937
	%	41	32
5.	Net Loans / Total Capital	333,629 214,880	378,958 206,875
	%	155	183
6.	Profit / Shareholders' Capital	6,249 168,223	6,313 157,506
	%	4	4

Note: Income Statement figures are shown on an annual level.

All capital ratios have a tendency of deterioration indicating presence of large loss and necessity for additional capitalization. The Profit over Shareholders Capital Ratio amounted to 4% indicating that profit cannot be a part of an increase of capital.

3.1.1.2. Deposits

Sector Based Deposit Structure

(in 000 KM)

DEPOSITS	31.12.2001		30.06.2002		INDEX
	Amount	%	Amount	%	
Government institutions	61,975	15	123,363	20	199
Public and state enterprises	55,682	13	33,109	7	59
Private companies and associations	126,919	30	135,780	22	107
Nonprofit organizations	17,657	4	19,520	4	111
Banks	30,890	7	137,927	23	447
Non-bank financial institution	1,144	0	39,786	1	3,478
Citizens	111,527	27	132,118	21	118
Other	16,837	4	10,812	2	64
T O T A L	422,631	100	632,415	100	150

The largest share within deposit structure consisted of banking institutions deposits amounting to 24%, and their increase of 347% was caused by an increase of a term-deposit of a new owner after privatizing a state-owned bank.

Deposits of private enterprises amounted to 22%, citizens deposits amounted to 21%, and deposits of government institutions amounted to 20%. Deposits of non-banking financial institutions amounted to 1%, but the index of 3,478% is an increase caused by funds from the Housing Fund.

Currency Based Deposit Structure

(in M KM)

DEPOSITS	31.12.2001		30.09.2002		INDEX
	Amount	%	Amount	%	
deposits in KM	240.8	57	311.4	49	129
deposits in foreign currency	181.8	43	321.0	51	177
T O T A L	422.6	100	632.4	100	150

The currency based deposit structure shows larger foreign currency deposits compared to domestic currency deposits, that is 51% and 49% respectively.

During this reporting period deposits increased by KM 210 million or 50%, and in the next period we expect an increase in citizens deposits due to implementation of the Law on Deposit Insurance. Having in mind that deposits are the most

important source of funding loans, apart from absolute increase, deposit structure based on term is also important.

Deposit Term Structure

(in 000 KM)

DEPOSITS	31.12.2001		30.09.2002		INDEX
	Amount	%	Amount	%	
1	2	3	4	5	6=4/2
Savings and deposits on demand	369,231	87	417,871	66	113
Up to 3 months	36,871	9	65,105	10	177
Up to 1 year	12,684	3	36,265	6	286
1. Total Short-Term	418,786	99	519,241	82	124
Up to 3 years	2,231	1	17,253	3	773
Over 3 years	1,614	0	95,921	15	5,943
2. Total Long-Term	3,845	1	113,174	18	2,943
TOTAL (1+2)	422,631	100	632,415	100	150

It can be seen that 82% of deposits were short-term deposits, and 18% were long-term deposits. Compared to December 31, 2001 amount of long-term deposits improved, but that is still unsatisfactory related to maturity adjustment with long-term placements.

Index of increase of deposits with a term over three years is quite high and it is mostly related to funds deposited by a new owner of a recently privatized bank.

3.1.1.3. Bank Liquidity

From the deposit term structure above it can be seen that 82% of deposits were short-term deposits, and 18% long-term deposits. Lending policy must be based on deposit structure, since every divergence from term adjustment between sources and placements can lead to illiquidity, which impacts financial condition and viability of a bank very quickly.

During the reporting period two banks had problems in maintaining minimum required reserves with the CBBH. One bank had problems in maintaining current cash funds 10% and 5% higher than short-term sources, but the problems were overcome by the end of the third quarter.

Liquidity ratios showed an improving trend, but liquidity on the level of the banking system as a whole was not satisfactory, although some banks did have very good liquidity.

Liquidity ratios are given in the following table:

Liquidity Ratios

(in 000 KM)

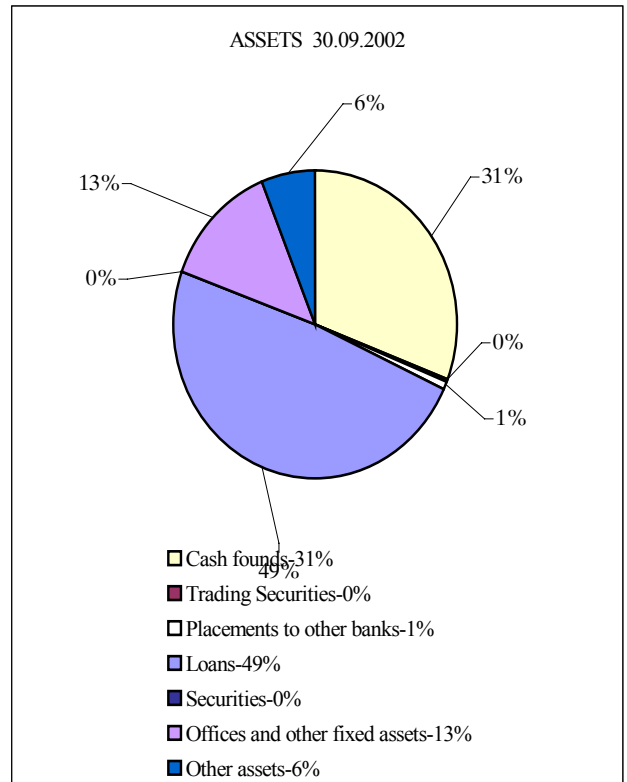
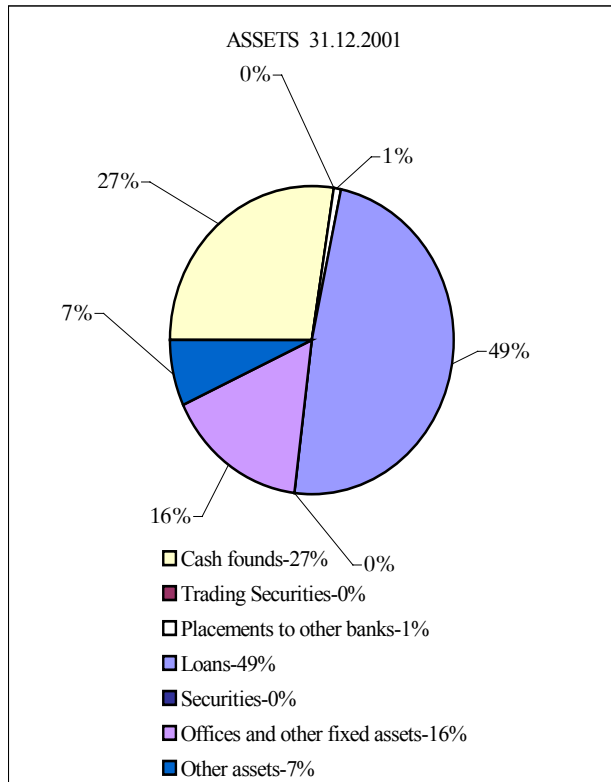
DESCRIPTION/PERIOD		31.12.2001	30.09.2002
1.	Short-term assets/ Short-term liabilities	399,631 433,888	474,744 527,062
	%	92	90
2.	Short-term assets / Total assets	399,631 772,202	474,744 899,515
	%	52	53
3.	Short-term liabilities Total assets	433,888 772,202	527,062 899,515
	%	56	59
4.	Net short-term liabilities / Total assets	34,257 772,202	52,318 899,515
	%	4	6
5.	Net loans / Deposits	333,629 422,632	378,958 632,415
	%	79	60
6.	Net loans and financial commitments, letters of credit/ Total assets	337,339 772,202	382,161 899,515
	%	44	43

Liquidity is almost at the same level as of December 31, 2001. No significant increase in liquidity occurred on the level of the RS banking sector, although some of the banks did stabilize and improve their current liquidity.

3.1.2. Assets

Active Asset Structure

DESCRIPTION	AMOUNT (000 KM)				INDEX 2002/2001
	31.12.2001		30.09.2002		
	Amount	%	Amount	%	
1	2	3	4	5	6=4/2
ASSETS (PROPERTY):					
1. Cash Funds	211,364	27	278,256	31	132
2. Trading Securities	1,142	0	2,637	0	231
3. Placements to other banks	5,334	1	5,959	1	112
4. Loans	377,107	49	437,233	49	116
5. Securities held up to maturity	4	0	4	0	100
6. Premises and Other Fixed Assets	123,379	16	121,328	13	98
7. Other Assets	53,872	7	54,098	6	100
8. TOTAL ASSETS	772,202	100	899,515	100	116



Total assets as of September 30, 2002 amounted to KM 900 million and were larger by 16% compared to December 31, 2001. Cash funds made 31% of balance sheet assets (increased by 32%), loans 49% (larger by 16%), office space and fixed assets 13% (decreased by 2%), other assets 6% (remained at the same level) and placements to banks 1% (increased by 12%).

Off-balance sheet risk assets amounted to KM 251 million and it increased by 48%. Active off-balance sheet items increased by 40%, and assets classified as category "E" - loss, increased by 125%. It is expected for that portion of assets to be collected after court litigations are completed or in some other way agreed between banks and debtors.

3.1.2.1. Cash Funds

Cash funds as of September 30, 2002 amounted to KM 278 million, and compared to December 31, 2001 increased by 32%.

Structure of Cash Funds

(in 000

KM)

DESCRIPTION/PERIOD	31.12.2001.	%	30.09.2002.	%	INDEX
1	2	3	4	5	6=4/2
KM					
1. Cash Funds	28,796	14	38,853	14	135
2. Giro-accounts	47,207	22	51,117	18	108
3. Deposit accounts at depository institutions in BH	2,358	1	1,097	1	47
4. Deposit accounts at depository institutions abroad	0	0	0	0	0
5. Cash funds in process of collecting	1,260	1	51	0	4
6. Non-repaid debts	0	0	0	0	0
7. TOTAL:	79,621	38	91,118	33	114
FOREIGN CURRENCY					
1. Cash Funds	67,976	32	57,500	21	85
2. Giro-accounts	0	0	287	0	0
3. Deposit accounts at depository institutions in BH	3,485	2	8,847	3	254
4. Deposit accounts at depository institutions abroad	59,442	28	119,877	43	202
5. Cash funds in process of collecting	840	0	627	0	75
6. Non-repaid debts	0	0	0	0	0
7. TOTAL:	131,743	62	187,138	67	142
GRAND TOTAL:	211,364	100	278,256	100	132

Cash funds consisted of foreign currency amounting to KM 187 million or 67%, and domestic currency amounting to KM 91 million or 33%.

Compared to December 31, 2001 foreign currency funds increased by 42%, and domestic currency funds increased by 14%.

Cash funds in domestic currency increased by 35%, while cash funds in foreign currency decreased by 15%.

Deposits held on accounts with deposit institutions abroad represented the largest portion of cash funds amounting to 43%, and compared to December 31, 2001 such deposits increased by 102%, which indicates that our banks held the largest portion of money on accounts abroad.

3.1.2.2. Loans

Loans amounted to 47% of assets, and compared to December 31, 2001 increased by 2%.

Total Loans Breakdown per Sectors

(in 000 KM)

No.	DESCRIPTION/PERIOD	31.12.2001	%	30.09.2002	%	INDEX
1	2	3	4	5	6	7=5/3
1.	Government institutions	2,111	1	1,641	0	78
2.	Public and state enterprises	104,428	28	95,462	22	91
3.	Private companies and associations	217,211	58	232,008	53	107
4.	Nonprofit organizations	273	0	1,323	0	485
5.	Banks	8,197	2	1,200	0	15
6.	Non-bank financial institution	5,561	1	3,414	1	61
7.	Citizens	23,686	6	94,592	22	399
8.	Other	15,640	4	7,593	2	49
9.	TOTAL	377,107	100	437,233	100	116

Analyzing the above breakdown of total loans per sectors we can see that 53% were loans to private enterprises, and compared to December 31, 2001 they increased by 7%; loans to public and state owned enterprises amounted to 22% and decreased by 9%; loans to citizens amounted to 22% of total loans, and increased by 299%.

Compared to the previous year the loan term structure is the following:

Loan Term Structure

(in 000 KM)

No.	DESCRIPTION	Short Term < 1 year		INDEX	Long Term > 1 year		INDEX	Due Receivables		INDEX	TOTAL		INDEX
		31.12. 2001	30.09. 2002		31.12. 2001	30.09. 2002		31.12. 2001	30.09. 2002		31.12. 2001	30.09. 2002	
		1.	Government institutions	0	45	0	6	157	2,617	2,105	1,439	68	2,111
2.	Public and state enterprises	49,721	36,587	74	22,523	30,163	134	32,184	28,712	89	104,428	95,462	91
3.	Private companies and associations	110,062	136,931	124	62,365	44,548	71	44,784	50,529	113	217,211	232,008	107
4.	Nonprofit organizations	273	1,182	433	0	0	0	0	141	0	273	1,323	485
5.	Banks	4,122	450	11	4,075	750	18	0	0	0	8,197	1,200	15
6.	Non-bank financial institution	4,352	1,456	33	1,209	1,958	162	0	0	0	5,561	3,414	61
7.	Citizens	5,473	12,511	229	17,857	81,096	454	356	985	277	23,686	94,592	399
8.	Other	13,122	4,689	36	606	772	127	1,912	2,132	112	15,640	7,593	49
9.	TOTAL	187,125	193,851	104	108,641	159,444	147	81,341	83,938	103	377,107	437,233	116

Short-term loans with maturity up to one year amounted to KM 194 million or 44% of total loans; long-term loans amounted to KM 159 million or 37% of total loans, payables due amounted to KM 84 million or 19% of total loans.

Receivables due increased by 3% compared to December 31, 2001. The largest increase was with receivables due related to loans to citizens, loans due, originally

extended to private companies increased by 13% and amounted to 61% of the total receivables due.

3.1.2.3. Asset Quality

The Decision on Minimum Standards for Banks – Loan Risk Management and Asset Classification determined criteria for rating of risk in banks – operation by assessing asset quality and adequacy of reserves for loan and other losses based on risks of placements and of balance-sheet and off-balance sheet items.

Based on the Decision it is banks – obligation to establish general loan risk reserves, debiting expenses, for those items of assets classified in category A – good assets; special reserves for potential loan losses are established for other categories of asset classification: B, C, D, and E.

Amounts and composition of classified balance and off-balance sheet assets can be seen from the following table:

(in 000 KM)

BALANCE SHEET AND OFF-BALANCE SHEET ASSET ITEMS	31.12.2001	30.09.2002	INDEX
1	2	3	4=3/2
1. Short-term Loans	190,794	175,640	92
2. Long-Term Loans	110,502	181,518	164
3. Other Placements	7,206	25,188	350
4. Accrued Interest	35,027	31,125	89
5. Receivables Due	76,108	79,144	104
6. Paid Guarantee based Receivables	7,440	6,636	89
7. Other Assets	26,365	58,694	223
8. TOTAL BALANCE SHEET ASSET ITEMS:	453,442	557,945	123
9. General Loan Risk and Potential Loan Loss (no. 8 X % loss)	67,372	82,807	123
10. Already Separated General Reserve (A) and Special Reserve (B, C, D, E)	60,441	80,678	133
11. Balance 10.-9.	-6,931	-2,131	31
12.a) Payable Guarantees	53,988	87,520	162
b) Performance Guarantees	20,482	23,966	117
13. Non-Covered Letters of Credit	4,791	3,087	64
14. Irrevocable Loan based Commitments	556	4,971	894
15. Other Potential Commitments	7,358	2,928	40
16. TOTAL OFF-BALANCE SHEET ITEMS:	87,175	122,472	140
17. General Loan Risk and Potential Loan Loss (no.16 X % loss)	4,972	4,727	95
18. Already Separated General Reserves (A) and Special Reserves (B, C, D, E)	4,762	4,585	96
19. Balance 18.-17.	-210	-142	68
20.TOTAL BALANCE SHEET & OFF-BALANCE SHEET ITEMS (8 + 13)	540,617	680,417	126
21.General Loan Risk and Potential Loan Loss (no. 20 X % loss)	72,344	87,534	121
22. Already Separated General Reserve (A) and Special Reserve (B, C, D, E)	65,203	85,263	131
23. OVERAGE of Separated Reserves (+)(amount) (no.22. - no.21.)	432	1,343	311
SHORTAGE of Separated Reserves (-)(amount) (no.21. – no.22.)	7,573	3,614	48
NON-CLASSIFIED ACTIVE ASSETS	319,436	342,032	107

Total classified assets as of September 30, 2002 amounted to KM 680 million and increased by 26% in comparison with the amount as of December 31, 2001. The balance sheet assets increased by 23%, and off-balance sheet increased by 40%.

Long-term loans represented the largest item of risk assets amounting to 33%, short term loans amounted to 31%, receivables due 14%, and other assets 11%.

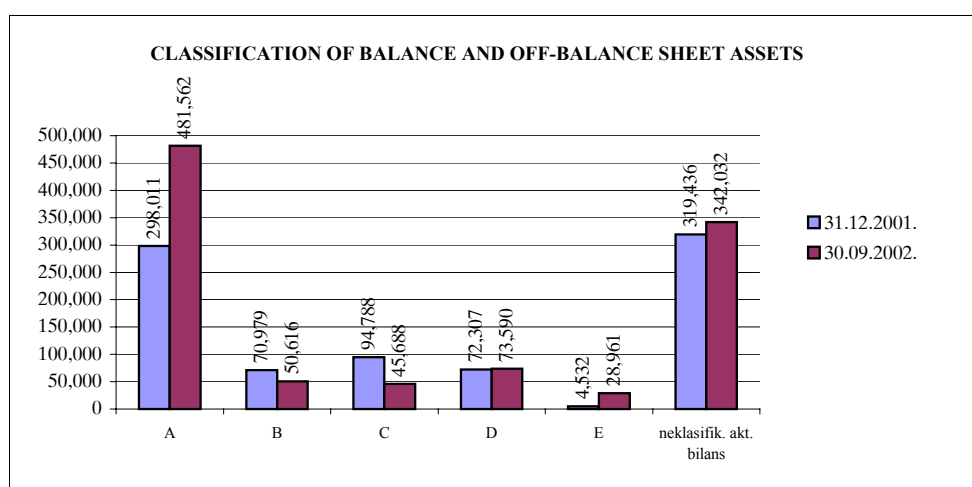
The largest increase can be seen in other placements amounting to 250%, but as an

item in the composition they represented 5%, and other assets increased by 123%, long term loans 64%, and receivables due 4%. Items that decreased were short-term loans by 8%, accrued interest by 11%, and receivables based on paid guaranties by 11%.

When rating asset quality, a share of poor assets in total balance sheet and off-balance sheet assets can be seen, as well as potential loan loss composition per classification categories. Classification of banks' balance sheet and off-balance sheet assets as of September 30, 2002 can be seen in the following table:

(in 000 KM)

BALANCE SHEET AND OFF-BALANCE SHEET ASSET ITEMS	A	B	C	D	E	TOTAL
1. Short-term Loans	149,675	13,375	7,121	4,536	933	175,640
2. Long-Term Loans	132,742	13,254	13,334	15,943	6,245	181,518
3. Other Placements	24,931	49	12	162	34	25,188
4. Accrued Interest	3,230	3,112	4,627	12,972	7,184	31,125
5. Receivables Due	4,440	11,977	15,101	37,415	10,211	79,144
6. Paid Guarantee based Receivables	165	602	620	2,196	3,053	6,636
7. Other Assets	52,636	3,338	2,720	0	0	58,694
8. TOTAL BALANCE SHEET ASSET ITEMS:	367,819	45,707	43,535	73,224	27,660	557,945
9. General Loan Risk and Potential Loan Loss (no. 8 X % loss)	7,359	3,239	8,129	36,420	27,660	82,807
10. Already Separated General Reserve (A) and Special Reserve (B, C, D, E)	6,525	3,803	8,384	34,331	27,635	80,678
11. Balance 10.-9.	-834	563	255	-2,090	-25	-2,131
12.a) Payable Guarantees	79,341	4,359	2,153	366	1,301	87,520
b) Performance Guarantees	23,731	235	0	0	0	23,966
13. Non-Covered Letters of Credit	2,772	315	0	0	0	3,087
14. Irrevocable Loan based Commitments	4,971	0	0	0	0	4,971
15. Other Potential Commitments	2,928	0	0	0	0	2,928
16. TOTAL OFF-BALANCE SHEET ITEMS:	113,743	4,909	2,153	366	1,301	122,472
17. General Loan Risk and Potential Loan Loss (no.16 X % loss)	2,274	371	419	362	1,301	4,727
18. Already Separated General Reserves (A) and Special Reserves (B, C, D, E)	1,947	592	426	319	1,301	4,585
19. Balance 18.-17.	-327	221	7	-43	0	-142
20. TOTAL BALANCE SHEET & OFF-BALANCE SHEET ITEMS (8 + 13)	481,562	50,616	45,688	73,590	28,961	680,417
21. General Loan Risk and Potential Loan Loss (no. 20 X % loss)	9,633	3,610	8,548	36,782	28,961	87,534
22. Already Separated General Reserve (A) and Special Reserve (B, C, D, E)	8,472	4,395	8,810	34,650	28,936	85,263
23. OVERAGE of Separated Reserves (+)(amount) (no.22. - no.21.)	44	976	274	49	0	1,343
SHORTAGE of Separated Reserves (-)(amount) (no.21. - no.22.)	1,205	191	12	2,181	25	3,614
NON-CLASSIFIED ACTIVE ASSETS						342,032



(in 000 KM)

Classification Category	31.12.2001	%	30.09.2002	%	INDEX
A	298,011	35	481,562	47	162
B	70,979	8	50,616	5	71
C	94,788	11	45,688	4	48
D	72,307	8	73,590	7	102
E	4,532	1	28,961	3	639
Non-classified active balance sheet	319,436	37	342,032	34	107
TOTAL:	860,053	100	1,022,449	100	119
Required potential loan loss general reserves (A)	5,910		9,633		163
Already established general reserve (A)	6,016		8,472		141
Balance for A:	106		-1,161		
Required special reserves for potential loan loss (B-E)	66,434		77,901		117
Already separated special reserves (B-E)	59,187		76,791		130
Balance for (B-E):	-7,247		-1,110		

The largest share amounting to 47% was made by assets classified in category „A”, assets classified as "B" and "C" categories decreased compared to December 31, 2001, while the category "E" increased by 539% and amounted to KM 28,961 thousand. The category "E" represents a direct loss and must be removed from the balance sheet debiting special reserves for potential losses. Calculated special reserves for assets classified as categories from "B" to "E" totaled KM 77,901 thousand, while total established reserves amounted to KM 76,791 thousand, indicating banks' failure to provide for required reserves for potential losses, which had been separated in an amount of KM 1,110 thousand.

Classification based on Ownership in Enterprises as of September 30, 2002

(in 000 KM)

Classification Category	State Enterprises	Private Enterprises	TOTAL
A	129,773	340,584	470,357
B	19,961	30,727	50,688
C	19,652	25,937	45,589
D	41,564	31,758	73,322
E	1,399	27,562	28,961
TOTAL:	212,349	456,568	668,917

Asset Quality Ratios

- in 000 KM -

DESCRIPTION/PERIOD		31.12.2001	30.09.2002
1.	Loans Due/	81,341	83,938
	Total Loans	377,107	437,233
	%	22	19
2.	Loans Due/	81,341	83,938
	Potential Loss Reserve	44,186	58,275
	%	184	144
3.	Loans Due/	81,341	83,938
	Total Capital	214,880	206,875
	%	38	41
4.	Classified Assets/	540,617	680,417
	Total Capital	214,880	206,875
	%	252	329
5.	Potential Loss/	44,186	58,275
	Total Loans	377,107	437,233

	%	12	13
6,	Total Risk Assets	522,142	643,937
	Total Assets	772,202	899,515
	%	68	72

Asset quality ratios indicated an increase of total risk assets. It can be seen that separated reserves to cover loan loss increased, which resulted under request of external audit. Total classified assets also increased compared to total capital, which could jeopardize capital if the trend continued.

3.1.2.4. Transactions with Related Persons

A part of banks' everyday activities is to perform transactions with related persons. In a market based economy that segment of banks' operation appears to be especially risky. That is why the Agency has issued the Decision on Minimum Standards for Banks Performing Transactions with Related Persons. The Managing Board of each bank has to develop a special policy for such transactions, including the following restrictions:

- Banks may perform transactions with related persons only under approval of their Managing Board or other body with the same level of authorization;
- A single physical person may be approved a transaction amounting to a maximum of 1% of core capital;
- Total amount of transactions with all physical persons related with a bank cannot exceed 10% of the bank's core capital.

Banks are obliged to keep separate records on the following:

- Subsidiaries and other capital-related enterprises;
- Exposures to loan risks from shareholders having over 5% voting rights, as well as from managing board members, executive managers and officials of the bank.

Other Loans to Related Persons as of September 30, 2002

(in 000 KM)

DESCRIPTION	31.12.2001	%	30.09.2002	%	INDEX
1	2	3	4	5	6=4/2
Loans approved:					
1. Shareholders exceeding 5% voting rights	5,715	53	9,150	64	160
2. Managing Board members	963	9	879	6	91
3. Management	511	5	814	6	159
4. Bank employees	3,676	33	3,326	24	90
5. TOTAL LOANS (1 to 4)	10,865	100	14,169	100	130
6. Potential and taken off-balance sheet obligations	4,848		667		14
7. GRAND TOTAL (5+6)	15,713		14,836		94

As of September 31, 2002 loans extended to related persons decreased by 6% compared to December 31, 2001. The largest share within the whole loan composition was recorded for loans extended to shareholders having more than 5% of voting rights, which amounted to 64%, and they increased by 60% compared to December 31, 2001. Share of loans extended to banks' employees amounted to 24% and decreased by 10%, loans extended to banks' management amounted to 6% of total loans and increased by 59%, while loans to managing board members amounted to 6% of total loans and decreased by 9%.

3.1.2.5. Office Space and Other Fixed Assets

Within total asset composition the share related to office space and other fixed assets amounted to 13%. Compared to December 31, 2001 fixed assets decreased by 2%. Under the Law on Banks, Article 46, maximum allowed investment into fixed assets should not exceed 50% of core capital.

It can be seen that all banks exceeded the above limit, but we expect that by December 31, 2002 these percentages will be reduced to the legally allowed amounts. By December 31, 2002 banks should put in additional capital to meet legal capital requirement in an amount of KM 15 million.

3.1.2.6. Other Assets

Other assets within the total asset structure represented a share of 6% and compared to December 31, 2001 remained at the same level. Other assets consisted of accrued interest and fees in an amount of 62%. Other items in the composition are insignificant and represented investments into non-consolidated related entities (funds), purchased guaranties, investments in apartments, transition accounts for foreign currency payments, current payments of previously taken obligations, and other.

4. Income Statement

In the first nine months of 2002 two banks were liquidated because they had not met minimum standards required for further operation, and external auditor's requests were implemented mostly relating to previously classified assets and adequate general reserves separated for loan risks and potential losses.

It can be said that operating results as of June 30, 2002 were reported quite realistically, though that can be accurately confirmed only after an on-site examination in each bank.

Income Statement

(in 000 KM)

DESCRIPTION/PERIOD	30.09.2001		30.09.2002		INDEX
	Total	%	Total	%	
1	2	3	4	5	6=4/2
1. INTEREST INCOME AND SIMILAR INCOME					
a) Interest Income and Similar Income	42,833	42	44,511	35	104
b) Operating Income	59,389	58	81,832	65	138
2.TOTAL INCOME (1.a + 1.b)	102,222	100	126,343	100	124
3. EXPENSE					
a) Interest Expense and Similar Expense	10,054	10	7,325	5	73
b) Business Operation and Direct Expense	29,394	30	88,693	54	302
c) Operating Expense	60,087	60	67,269	41	112
4. TOTAL EXPENSE (3.a + 3.b + 3.c)	99,535	100	163,287	100	164
PROFIT BEFORE TAX	7,757		4,735		61
LOSS	5,070		41,679		822
TAXES	93		118		127
NET-PROFIT	7,664		4,619		60

[Note: In this table, total of *Loss* from loss-making banks is shown *separately* from *Net Profit* of profit-making banks.]

In the first nine months of 2002 banks' total income amounted to KM 126.343 thousand, and was larger by 24% compared to September 30, 2001. Total expense amounted to KM 163,287 thousand and increased by 64%. Profit before tax amounted to KM 4,735 thousand, and decreased by 39%. Loss (resulting from missing reserves for potential losses, which banks established only in the second half of 2002 based on external audit findings) amounted to KM 41,679 thousand, and increased by 722% compared to September 30, 2001. Net profit amounted to KM 4,619 thousand and decreased by 40%.

The reported loss was mostly influenced by operating and direct expenses, which had mostly increased due to expenses for establishing general loan risk and potential loss reserves calculated in accordance with external auditor's orders related to 2001.

Operating expenses, amounting to 41%, represented a large share of total expense, and were related to salary and fixed asset cost.

Operating income was larger than the reported interest income, indicating that in the RS banking system operation fee-based activities prevailed, and lending, as a basic banking activity remained at the same level.

The RS banking sector was not able to fund its operating expense from its interest income, and the mismatch amounted to KM 22.7 million.

In the reporting period five banks generated losses in an amount of KM 41.6 million, and nine banks had a positive financial result (KM 4.6 million), which indicates that the banking sector generated a loss amounting to KM 37.0 million.

Profitability Ratios

(in 000 KM)

DESCRIPTION/PERIOD		31.12.2001	30.09.2002
1.	Total Income/ Total Assets	134,910 772,202	168,457 899,515
	%	17	19
2.	Total Income / Total Capital	134,910 214,880	168,457 206,875
	%	63	81
3.	Total Expense/ Total Assets	138,188 772,202	217,716 899,515
	%	18	24
4.	Interest Income/ Total Assets	57,221 772,202	59,348 899,515
	%	7	7
5.	Interest Income/ Total Assets	11,092 772,202	9,767 899,515
	%	1	1
6.	Net Interest Income / Total Assets	46,129 772,202	49,581 899,515
	%	6	6
7.	Net Interest Expense/ Total Capital	46,129 214,880	49,581 206,875
	%	21	24
8.	Fees/ Total Assets	34,231 772,202	53,111 899,515
	%	4	6
9.	Material Expense and Gross Earnings/ Total Assets	82,546 772,202	89,692 899,515
	%	11	10
10.	Non-Interest Expense/ Total Assets	127,096 772,202	207,949 899,515
	%	16	23
11.	Profit before Taxes/ Total Assets	6,249 772,202	6,313 899,515
	%	1	1

Note: Income Statement figures are given on annual basis.

Based on the above reported profitability ratios it can be concluded that in the course of 2002 banks' total expenses had faster trend of growth than total income in the banking sector, which resulted in a very modest profit of less than 1% of assets.

It should be pointed out that the level of generated profit is not a realistic presentation of the RS banking sector since total generated loss of five banks is six times larger than the profit generated by nine other banks.

5. INTERNAL PAYMENT TRANSACTIONS

The payment operation of Republika Srpska included twelve commercial banks, one branch office of a foreign bank, and five branch offices from Federation of Bosnia and Herzegovina, having both retail and wholesale payment transaction licenses, and one bank with a license for retail payment transactions.

As of September 30, 2002 there were 75,908 transaction accounts opened.

The following table shows the number and amounts of transactions performed:

Date	Retail Payment Transactions (Debiting of Accounts)		Wholesale Payment Transactions (Debiting of Accounts)	
	Number of transactions	Amount of transactions (000 KM)	Number of transactions	Amount of transactions (000 KM)
31.01.2002	244,924	823,991	259,005	310,838
28.02.2002	390,075	1,093,346	324,269	410,840
31.03.2002	442,760	1,190,401	407,334	452,092
30.04.2002	424,286	1,297,034	416,240	553,209
31.05.2002	380,285	1,277,315	381,025	542,570
30.06.2002	367,733	1,201,733	354,472	505,308
31.07.2002	464,783	1,558,051	471,689	680,374
31.08.2002	407,458	1,486,531	452,755	665,086
30.09.2002	406,125	1,428,316	444,652	654,731
UKUPNO:	3,528,429	11,356,718	3,511,441	4,775,048

Related to number of transactions and their value two banks were placed among the first ten banks in performing payment transactions in Bosnia and Herzegovina, where one bank was the first when number of transactions is taken into consideration and related to the value of transactions the same bank was at the fifth position on that list.

In the period from January 1, to September 30, 2002 CBBH - RS Main Office Banja Luka, that is to say all banks under control of that Office participating in the BH payment transactions performed 33% of total number of transactions or in value of an amount of KM 28.22%.

6. CONCLUSION

Based on the above listed indicators, the most important features of the banking sector in the first nine months of 2002 can be given as follows:

- *Balance sheet assets amounted to KM 899.5 million, and increased by 16% compared to the previous year, but it was still insufficient to support economic growth;*
- *Off-balance sheet assets related to guarantees and letters of credit amounted to KM 122.9 million, and increased by 40% compared to the previous year, but it was still too high compared to balance sheet assets;*
- *Citizens savings were still at a low level (KM 132 million);*
- *Receivables due increased by 3% compared to the previous year and amounted to KM 83.9 million;*
- *High level and further increase of litigated receivables indicate an inefficient operation of courts;*
- *Loans increased by 16%, which was identical to the increase of total assets;*
- *Cash funds increased by 32% compared to the previous year;*
- *Separated general and special reserves for potential loan losses did not meet the legally prescribed level, which, realistically, diminishes the reported result of the banks' operation;*
- *Total capital amounted to KM 206.8 million and decreased by 4% compared to the previous year-end;*
- *Capital share in liabilities amounted to 16%, which is lower by 6% compared to the previous year, and deposit share amounted to 70% being larger by 15% than in the previous year. However, composition of liabilities was still unsatisfactory;*
- *Banks' profitability continued to be poor, since five banks reported loss, and nine banks operated with positive results. The profitability of banks would have been even poorer had banks separated legally required amounts of reserves;*
- *Such a low profitability resulted also from a large number of employees;*
- *Liquidation of banks not complying with legal provisions, privatization of large state-owned banks, and merger of some banks made possible for the RS banking sector to stabilize in the reporting period;*
- *In the course of the reporting period new Law on Deposit Insurance and the Law on Bankruptcy were adopted, while new Law on Banks in RS was proposed.*

The following is necessary to accelerate the process of improving banking sector:

-
- *To complete privatization of remaining state-owned banks,*
 - *To put in additional capital within the legally provided deadline,*
 - *To resolve issue of frozen foreign currency savings,*
 - *To establish business courts, which would resolve problem receivables in shorter periods of time, as well as to speed up the process of re-possession of collateral (mortgage, lien, etc.),*
 - *To complete legal regulation, which will provide for quality and efficient financial discipline,*
 - *To speed up the process of establishing Central Register for Clients□ Accounts.*

ATTACHMENTS

Attachment No. 1 **Basic Information on Banks in Republika Srpska**

Attachment No. 2 **Balance Sheet**

Attachment No. 3 **Capital Schedule**

Attachment No. 4 **Income Statement**

Attachment No. 5 **Information on Banks □ Employees**

Attachment 1

BASIC INFORMATION ON BANKS

No.	BANK	LOCATION	ADDRESS	DIRECTOR	PHONE	FAX	30.09.2002 (in 000KM)		NUMBER OF EMPLOYEES
							ASSETS	CAPITAL	
1.	Nova Banjalucka banka	Banja Luka	M.Bursac 7	Milenko Vracar	051/243-200	212-830	201,153	23,036	594
2.	Agroprom banka	Banja Luka	Knjaza Milosa 19	Aleksandar Dzombic	051/303-611	314-181	20,642	11,966	67
3.	Kristal banka	Banja Luka	I.F.Jukica 9	acting Slavica Milikic	051/212-930	212-878	166,136	-13,125	264
4.	Privredna banka	Doboj	Svetog Save 1	acting Rodoljub Milovanovic	053/241-544	241-662	26,383	13,514	162
5.	Razvojna banka	Banja Luka	Bana Milosavljevica 4	acting Ranko Travar	051/242-101	242-192	142,189	13,436	514
6.	VB banka	Banja Luka	K.Petra Karadjordjevica 103	Radovan Bajic	051/221-600	221-623	54,618	15,957	51
7.	Privredna banka	Brcko	M.Aganovica 2	Nada Pavlovic	054/216-222	216-055	5,534	1,733	38
8.	Nova banka	Bijeljina	Svetog Save 46	Milorad Andzic	055/209-094	201-410	71,136	11,848	211
9.	Privredna banka ad S.Sarajavo	Pale	Dobroslava Jevtica 14	Dragan Popovic	056/210-173	057/226-805	38,047	9,026	299
10.	Bobar banka	Bijeljina	Filipa Visnjica 211	Dragan Radumilo	055/201-862	201-862	27,917	10,524	54
11.	Zepter komerc banka	Banja Luka	Brace Mazar 68	Acting Labovic Ranko	051/241-100	215-771	68,961	12,598	117
12.	Balkan Investment Bank	Banja Luka	Krajiskih brigada 2	Saulius Zostautas	051/216-285	211-445	20,505	9,571	32
13.	BSEI	Banja Luka	Jevrejska 1	Mico Vracar	051/218-200	218-984	31,809	9,597	19
14.	Pavlovic International Bank	Slobomir, Bijeljina	Pavlovica Most	Milenko Mihajlovic	055/209-588	472-247	24,485	11,862	136
	TOTAL:						899,515	141,543	2,558

BALANCE SHEET

(in 000
KM)

DESCRIPTION/PERIOD	31.12.01	%	30.09.02	%	INDEX
1. Cash funds and deposit accounts at depository institutions (1.a.+1.b.)	211,364	27	278,256	31	132
1.1. Cash and non-interest bearing deposit accounts	143,266	18	147,385	16	103
1.2. Interest-bearing deposit accounts	68,098	9	130,871	15	192
2. Trading Securities	1,142	0	2,637	0	231
3. Placements to other banks	5,334	1	5,959	1	112
4. Loans, leasing and receivables due (4.a.+4.b.+4.c.)	377,107	49	437,233	49	116
4.a. Loans	290,481	38	345,320	38	119
4.b. Leasing receivables	5,285	1	7,975	1	151
4.c. Loan and leasing receivables due	81,341	10	83,938	10	103
5. Securities held up to maturity	4	0	4	0	100
6. Office space and other fixed assets	123,379	16	121,328	14	98
7. Other immovables	1,228	0	1,175	0	96
8. Investments in non-consolidated related companies	4,190	1	7,324	0	175
9. Other assets (9b)	48,454	6	45,599	5	94
TOTAL (1 to 9)	772,202	100	899,515	100	116
10. MINUS: Reserves for potential losses (10.a.+10.b.+10.c.)	60,441		80,676		133
11. TOTAL ASSETS: (1.to 9.-10.)	711,761		818,839		115
11.1 Total off-balance sheet items					
11.a. Active off-balance sheet items	87,851		122,934		140
11.b. Classified assets – loss E	42,401		95,534		225
11.c. Commission (agent) services	39,387		32,538		83
TOTAL ASSETS (11.+11.1)	881,400		1,069,845		121
12. Deposits (12.a.+12.b.)	422,632	59	632,415	77	150
12.a. Interest-bearing deposits	297,426	42	466,579	57	157
12.b. Non-interest bearing deposits	125,206	17	165,836	20	132
13. Borrowings – obligations due (13.a.+13.b.)	14	0	0	0	0
13.a. Obligations due, not paid	14	0	0	0	0
13.b. Off-balance sheet obligations not paid-called for repayment	0	0	0	0	0
14. Borrowings from other banks	1,830	0	889	0	49
15. Obligations to Government	2,039	0	1,253	0	61
16. Obligations based on loans and other borrowings (16.a.+16.b.)	23,935	3	13,542	2	57
16.a. remaining maturity up to one year	11,219	1	5,679	1	51
16.b. remaining maturity over one year	12,716	2	7,863	1	62
17. Subordinated debt and subordinated bonds	0	0	0	0	0
18. Reserve to cover off-balance sheet items (18.b.+18.c.)	4,763	1	4,584	1	96
Other obligations (18.d.)	57,557	9	24,613	3	43
19. TOTAL LIABILITIES (12 to 18)	512,770	72	677,296	83	132
20. Permanent preferred shares	0		0		0
21. Regular shares	168,223		157,506		94
22. Premium (22.a. +22.b)	0		9,779		0
22.a. on permanent preferred shares	0		0		0
22.b. on regular shares	0		9,779		0
23. Undistributed profit and capital reserves	5,742		4,984		87
24. Capital reserves	34,899		26,134		75
25. Other capital	-9,873		-56,860		576
26. TOTAL CAPITAL: (20. To 25.)	198,991	28	141,543	17	71
27. TOTAL LIABILITIES AND CAPITAL: (19. + 26.)	711,761	100	818,839	100	115
28.1. Total off-balance					
28.a. Active off-balance sheet	87,851		122,934		140
28.b. Classified assets – loss E	42,401		95,534		225
28.c. Commissioned (agent) services	39,387		32,538		83
TOTAL LIABILITIES (27.+28.a)	881,400		1,069,845		121

CAPITAL STATEMENT

(in 000 KM)

DESCRIPTION/PERIOD	31.12.2001	30.09.2002	INDEX
1. CORE CAPITAL OF BANKS			
1.1. Equity capital based on nominal values and amounts of regular and preferred non-cumulative shares issued against cash fund payments into shareholders □ capital:	164,628	154,107	94
1.2. Equity capital based on nominal amounts of regular and preferred non-cumulative shares issued against immovables and rights invested into shareholders □ capital:	3,595	3,399	95
1.3. Premiums collected for share payments:	0	9,779	0
1.4. General reserves required (reserves required by the law):	25,398	11,557	46
1.5. Other reserves which are not taken into account when rating asset quality:	9,498	14,562	153
1.6. Retained – undistributed profit from previous years:	17	380	2,235
1. AMOUNT OF CORE CAPITAL:	203,136	193,784	95
2. ADDITIONAL CAPITAL OF BANKS			
2.1. Equity capital based on nominal amounts of permanent preferred cumulative shares issued against cash fund payments into shareholders □ capital:	0	0	0
2.2. Equity capital based on nominal amounts of permanent preferred cumulative shares issued against immovables and rights invested into shareholders □ capital:	0	0	0
2.3. General reserves for loan loss coverage for bank □s assets rated as category A – Pass:	6,016	8,472	141
2.4. Accrued profit in the current year:	5,716	4,619	81
2.5. Amount of profit for which BA-RS issued Decision on Temporary Suspension of Distribution:	12	0	0
2.6. Amount of subordinated debt maximum 50% of amount of Core Capital:	0	0	0
2.7. Amount of hybrid i.e. convertible items-instruments of capital maximum 50% of amount of Core Capital:	0	0	0
2.8. Amount of items-commitments of a permanent character without obligation to be repaid:	0	0	0
2. AMOUNT OF ADDITIONAL CAPITAL:	11,744	13,091	111
3. ITEMS TO BE DEDUCTED FROM BANKS □ CAPITAL			
3.1. Portion of general credit risk and potential loan losses for which bank has not established General and Special reserves for loan losses:	7,573	3,614	48
3.2. Uncovered losses carried over from previous years:	345	15,179	4,400
3.3. Current Year Loss:	9,528	41,681	437
3.4. Bookkeeping value of bank □s owned (vault) shares:	0	0	0
3.5. Nominal amount of shares issued against investments from bank □s loans, up to not-repaid amount of the loan, i.e. not-repaid portion of the loan:	0	0	0
3.6. Part of invested shareholders □ capital, which represents, according to BA-RS, received, but overstated value:	0	0	0
3.7. Intangible property: patents, licenses, concession, investments in: marketing, commercial name, trade mark, goodwill and similar:	0	4,392	0
3.8. Bank □s investments in capital of other legal entities exceeding 5% of the bank □s core capital:	1,458	3,058	210
3.9. Receivables from shareholders having a significant voting right in the bank, which receivables are based on the bank □s approvals contrary to provisions of the Law, BA-RS and the bank □s business policy:	0	0	0
3.10. Bank □s large risk exposure related to shareholders having a significant voting right in the bank, which exposure has not been previously approved by the BA-RS:	0	0	0
4. ITEMS TO BE DEDUCTED FROM BANKS □ CAPITAL:	18,904	67,924	359
A. ITEMS OFF-SETTING FROM BANK □S CAPITAL:			
1. AMOUNT OF BANK □S CORE CAPITAL	203,136	193,784	95
2. AMOUNT OF BANK □S ADDITIONAL CAPITAL	11,744	13,091	111
3. AMOUNT OF BANK □S ITEMS OFF-SETTING FROM THE CAPITAL	18,904	67,924	359
4. AMOUNT OF BANK □S NET-CAPITAL (1. + 2. - 3.)	195,976	138,951	71
B. RISK WEIGHTED ASSETS AND LOAN EQUIVALENTS	522,142	643,937	123
C. NET CAPITAL RATE	38	22	58

Attachment 4

INCOME STATEMENT

(in 000 KM)

DESCRIPTION/PERIOD	30.09.2001	%	30.09.2002	%	INDEX
1. INTEREST INCOME AND EXPENSE					
a) Interest income and similar income					
1) Interest bearing deposit accounts at depository institutions	1,182	3	1,898	4	161
2) Placements to other banks	2,515	6	753	2	30
3) Loans and leasing operations	37,129	87	39,386	88	106
4) Securities held up to maturity	0	0	0	0	0
5) Other companies' shares owned by banks	0	0	0	0	0
6) Paid off-balance sheet obligation receivables	348	0	193	1	55
7) Other interest income and similar income	1,659	4	2,281	5	137
8) TOTAL INTEREST INCOME AND OTHER INCOME (1 to7)	42,833	100	44,511	100	104
b) Interest expense and similar expense					
1) Deposits	2,736	27	5,072	69	185
2) Borrowings from other banks	1,026	10	615	8	60
3) Borrowings – due obligations	0	0	63	1	0
4) Loan and other borrowing obligations	1,048	11	1,007	14	96
5) Subordinated debt and subordinated bonds	0	0	0	0	0
6) Other interest expense and similar expense	5,244	52	568	8	11
7) TOTAL INTEREST EXPENSE AND SIMILAR EXPENSE (1 to 6)	10,054	100	7,325	100	73
c) NET INTEREST AND SIMILAR INCOME a.8)-b.7)	32,779		37,186		113
2. OPERATING INCOME					
a) Foreign currency operation income	6,785	11	23,401	29	345
b) Loan fees	8,006	14	2,380	3	30
c) Off-balance sheet operation fees	2,014	3	2,571	3	128
d) Service fees	17,526	30	34,882	43	199
e) Trading operation income	6	0	1,854	2	30,900
f) Other operating income	25,052	42	16,744	20	67
g) TOTAL OPERATING INCOME (a to f)	59,389	100	81,832	100	138
3. NON-INTEREST BEARING EXPENSE					
a) Operating and direct expense					
1) Reserves for general loan risk and potential loan and other losses	23,769	81	64,924	73	273
2) Other operating and direct expenses	5,625	19	23,769	24	423
3) TOTAL OPERATING AND DIRECT EXPENSES 1) + 2)	29,394	100	88,693	100	302
b) Operating expenses					
1) Salaries and contributions	25,341	42	28,207	42	111
2) Office space, other fixed assets and overheads	23,470	39	29,981	45	128
3) Other operating expenses	11,276	19	9,081	13	81
4) TOTAL OPERATING EXPENSES (1 to 3)	60,087	100	67,269	100	112
c) TOTAL NON-INTEREST BEARING EXPENSES a.3) + b.4)	89,481		155,962		174
4. PROFIT BEFORE TAX 1.c)+2.g)-3.c)	7,757		4,735		61
5. LOSS 1.c) + 2.g) - 3.c)	5,070		41,679		822
6. TAX	93		118		127
7. NET-PROFIT 4. - 6.	7,664		4,619		60

BANKS □ EMPLOYEES

R/ B.	BANKS	QUALIFICATION STRUCTURE								TOTAL	%
		NS*	KV*	VKV	SSS*	VS*	VSS*	MR*	DR*		
1.	Nova banjalučka banka a.d.	21	23	8	370	70	101	1	0	594	23
2.	Kristal banka a.d.	10	0	1	170	15	68	0	0	264	10
3.	Agroprom banka a.d.	1	1	2	34	10	18	1	0	67	3
4.	PB a.d. Srpsko Sarajevo	8	7	2	203	24	54	1	0	299	12
5.	Razvojna banka Jugoistočne Evrope (Development Bank of South-East Europe)	9	15	8	263	95	121	2	1	514	20
6.	PB Dobojski ad	15	3	0	105	16	23	0	0	162	6
7.	PB Brčko	4	2	0	17	4	11	0	0	38	2
8.	Nova banka	2	0	0	77	45	84	3	0	211	8
9.	Bobar banka	0	3	0	28	5	16	2	0	54	2
10.	VB banka	1	1	1	23	2	23	0	0	51	2
11.	Zepster komerc banka	0	2	1	53	14	47	0	0	117	5
12.	Balkan Investment	1	0	0	14	4	10	3	0	32	1
13.	BSEI	0	0	0	14	1	4	0	0	19	1
14.	Pavlović International Banka	14	6	1	83	9	23	0	0	136	5
TOTAL		86	63	24	1,454	314	603	13	1	2,558	100
%		3	2	1	57	12	24	1	0	100	

NS* Not Skilled Worker

KV* Skilled Worker

VKV* Highly Skilled Worker

SSS* Secondary School Diploma

VS* Junior College

VSS* College Graduation