

BANKING AGENCY OF REPUBLIKA SRPSKA

INFORMATION

ON BANKING SECTOR OF REPUBLIKA SRPSKA
for the period from January 1, to September 30, 2003

Banja Luka, November 2003

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1. INTRODUCTION

This year has been a year of private banking in Republika Srpska since the process of sale of the state owned capital in banks was completed at the end of 2002. Beside completion of the privatization process, a new Law on Banks of Republika Srpska was passed and the Law started to be implemented at the end of May 2003. Also, significant activities of banks were targeted to fulfillment of requirements under the Law on Deposit Insurance. All changes, as well as adjustments of the legal regulation had as a goal further improvements of the banking sector, which has had significant activities in improving asset quality, reduction of operation costs, and offered new products to both businesses and citizens.

In the past period the Agency worked hard on creating as high quality as possible regulatory framework, which should enable banks to operate independently on market principles, and take responsibilities for their operation. The Agency will continue with fine-tuning of the overall legal regulation with an objective to create a high quality legal framework for operation of banks.

The Agency had special activities related to implementation of the Law on Prevention of Money Laundering. The Agency has established the Department for Prevention of Money Laundering, which has intensively examined payment operation in banks.

We expect other segments of economic environment to follow intensively banking sector activities, since up to now they have been falling behind in both adjusting legal regulation and completing started processes (privatization of state owned capital in enterprises, operation of courts, and similar).

In the reporting period the Banking Sector of Republika Srpska consisted of ten banks with majority privately owned capital, out of which one bank has been put under Provisional Administration, which is still in existence.

Beside the above banks, in the territory of Republika Srpska there are twelve operating units of banks from Federation of BiH supervised by the Federation Banking Agency, while in Federation BiH there are four operating units of banks from Republika Srpska.

Under the signed Memorandum the Banking Agency of Republika Srpska is authorized to examine payment operation in operating units of banks from Federation of Bosnia and Herzegovina.

2. BANKING SECTOR STRUCTURE

As of September 30, 2003 ten banks were in operation in Republika Srpska. In the course of the reporting period provisional administration was introduced in two banks due to incompliance with business operation legal requirements. Privredna banka a.d. Doboj had been already merged with an existing bank, and the PA procedure has been completed, while Privredna banka Sarajevo ad Srpsko Sarajevo is still under provisional administration.

Banks from Federation of Bosnia and Herzegovina have 12 organizational units operating in the territory of Republika Srpska.

Raiffeisen bank dd has four organizational units, Zagrebacka banka Mostar has three organizational units, and Pro Credit Banka Sarajevo has five organizational units.

Banks having their headquarters in Republika Srpska have four organizational units in operation in Federation of BiH, and they are Zepter Komerc banka ad Banja Luka with one organizational unit, Nova banjalucka banka ad Banja Luka with one organizational unit, and Nova banka ad Bijeljina with two organizational units.

Bankruptcy procedure is being conducted in four banks; all banks from Republika Srpska and branch offices from Federation of Bosnia and Herzegovina are licensed to perform internal payment transactions.

Two RS banks have been licensed by the Deposit Insurance Agency.

2.1. Ownership Structure

Shareholders' Capital Structure

(in 000 KM)

Order number	B a n k	Private Capital		State Owned Capital		Cooperative Capital	
		Amount	%	Amount	%	Amount	%
I	<u>Majority Private Capital</u>						
1.	Nova Banjalucka banka a.d.	23,991	92	1,370	5	601	2
2.	Hypo Alpe-Adria-Bank a.d.	43,280	98	0	0	683	2
3.	Privredna banka a.d. Srpsko Sarajevo	15,562	99	0	0	95	1
4.	Razvojna banka Jugoistocne Evrope a.d.	18,555	93	1,354	7	0	0
5.	Nova banka a.d.	14,361	96	0	0	640	4
6.	Bobar banka a.d.	15,350	100	0	0	0	0
7.	VB banka a.d.	16,819	100	0	0	0	0
8.	Zepter Komerc banka a.d.	17,569	100	0	0	0	0
9.	Balkan Investment Bank a.d.	18,000	100	0	0	0	0
10.	Pavlovic International Bank a.d.	18,453	98	0	0	321	2
II	TOTAL:	201,940	98	2,724	1	2,340	1

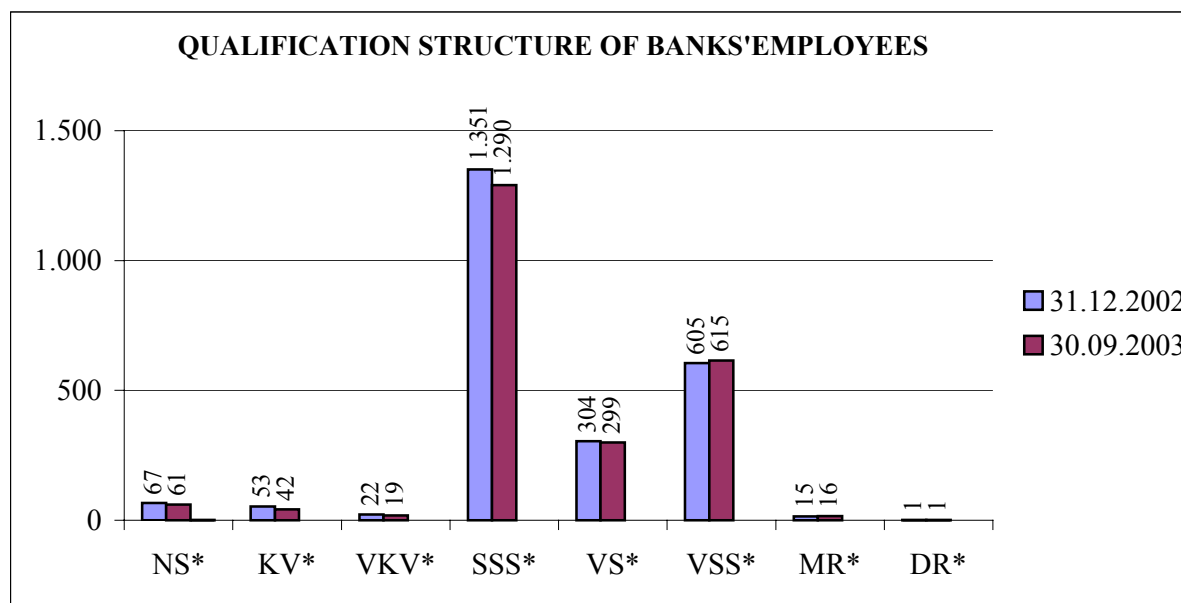
All RS banks have majority private capital. As of September 30, 2003 shareholders' capital amounted to KM 207,004 thousand out of which privately owned capital amounted to KM 201,940 thousand or 98%, state owned amounted to KM 2,724 thousand or 1%, and cooperative capital amounted to KM 2,340 thousand or 1%.

2.2. STAFF

As of September 30, 2003 RS banks had 2,343 employees, which compared to December 31, 2002 figures decreased by 3% or 75 employees. That decrease was in number of employees with junior college and secondary school level of education, highly skilled, skilled and non-skilled workers, while number of college-graduated and employees with master degree had a slight increase.

Employees Qualification Structure

Order Number	Qualification	Amount 31.12.2002	%	Amount 30.09.2003	%	Index
1.	Non-Skilled	67	3	61	3	91
2.	Skilled	53	2	42	2	79
3.	Highly Skilled	22	1	19	1	86
4.	Secondary School	1,351	56	1,290	55	95
5.	Junior College	304	13	299	13	98
6.	College - Graduated	605	25	615	26	102
7.	Master Degree	15	0	16	0	107
8.	D. Sc.	1	0	1	0	100
	TOTAL	2,418	100	2,343	100	97



One of the indicators of success of both banking system and individual banks is the ratio between assets and number of employees. A larger ratio indicates larger success in operation of the particular bank and the system in general.

Assets Per Employee

DATE	Number of Employees	Assets (000 KM)	Assets per Employee (000KM)
31.12.2002	2,418	938,574	388
30.09.2003	2,343	1,100,943	470

As of September 30, 2003 assets per employee amounted to KM 470 thousand, and compared to December 31, 2002 it increased by 12%. This increase resulted from an increase of the balance sheet assets by 17% and decreased number of employees by 3%. The assets-per-employee ratio ranged in individual banks from KM 126 thousand to KM 1,420 thousand. Five banks had an amount of assets per employee lower than KM 500 thousand, indicating that the number of employees is too large compared to the assets. Also, high overhead expense affects profitability of such banks.

One RS bank had assets-per-employee ratio exceeding KM 1,400 thousand, which represented a good bank operation indicator.

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 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' operational results submitted on a three-month basis (Income Statement and Cash Flow).
4. Daily, ten-day period, and monthly reports on liquidity, etc.

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

As of September 30, 2003 the RS banks' balance sheet amount increased by 13% compared to December 31, 2002.

Balance Sheet

DESCRIPTION	AMOUNT (000 KM)				INDEX 2003/2002
	31.12.2002		30.09.2003		
	Amount	%	Amount	%	
1	2	3	4	5	6=4/2
ASSETS (PROPERTY):					
1. Cash Funds	228,326	24	315,176	29	138
2. Trading Securities	3,607	0	3,130	0	87
3. Placements to other banks	24,192	3	3,283	0	14
4. Loans	523,122	56	630,791	57	121
5. Securities held up to maturity	161	0	21	0	13
6. Premises and Other Fixed Assets	112,182	12	109,481	10	98
7. Other Assets	46,984	5	39,061	4	83
8. TOTAL ASSETS	938,574	100	1,100,943	100	117
9. Total Off-Balance Sheet (10+11+12)	254,496		350,485		138
10. Active Off-Balance Sheet	111,734		162,507		145
11. Classified Assets-Loss E	117,334		151,811		129
12. Fees for Agent and Other Operation	25,428		36,167		142
13. TOTAL ASSETS (8+9)	1,193,070		1,451,428		122
LIABILITIES (COMMITMENTS):					
14. Deposits	629,692	67	791,626	72	126
15. Borrowings	963	0	1,445	0	150
16. Obligations Based on Loans	35,349	4	52,698	5	149
17. Other Commitments	21,750	2	24,783	2	114
18. Special Reserves for Potential Loss	60,307	7	62,972	6	104
19. Capital	190,513	20	167,419	15	88
20. TOTAL LIABILITIES (COMMITMENTS AND CAPITAL)	938,574	100	1,000,943	100	117
21. Total Off-Balance Sheet (22+23+24)	254,496		350,485		138
22. Active Off-Balance Sheet	111,734		162,507		145
23. Classified Assets-Loss "E"	117,334		151,811		129
24. Fees for Agent and Other Operation	25,428		36,167		142
25. TOTAL LIABILITIES (20+21)	1,193,070		1,451,428		122

Balance sheet assets amounted to KM 1,101 million, and increased by 17%, compared to December 31, 2002. In the asset structure, cash funds and loans increased constituting 86% of total balance sheet assets. Off-balance sheet assets increased by 38% and amounted to KM 350 million, and the largest increase was 45% in assets classified as category "E" – loss, agent based activities increased by 42%, and active off-balance sheet items by 38%.

Share of Individual Group of Banks in Total Assets

(in 000 KM)

ASSETS AMOUNT	31.12.2002			30.09.2003		
	Amount	%	Number of banks	Amount	%	Number of banks
Over 150	544,990	58	3	632,900	58	3
100 to 150	0	0	0	230,620	21	2
50 to 100	236,722	25	3	90,866	8	1
25 to 50	145,078	16	4	121,835	11	3
Under 25	11,784	1	1	24,722	2	1
TOTAL:	938,574	100	11	1,100,943	100	10

As of September 30, 2003 the share of individual groups of banks in total assets was the following: three banks with assets amounting to 58% of total assets falling into group of banks with over KM 150 million, two banks were in the group of KM 100-150 million, one

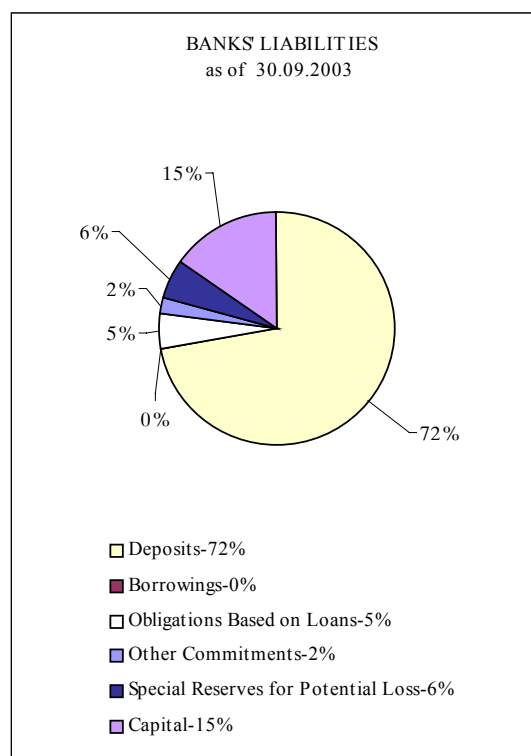
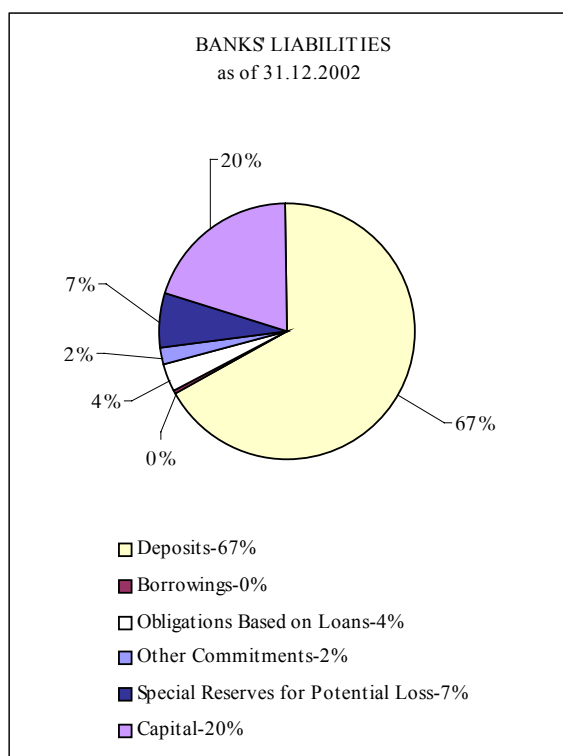
bank in the group of KM 50-100 million, three banks with assets of KM 25-50 million, and one bank having assets lower than KM 25 million.

3.1.1. Liabilities

Liability structure, that is, structure of obligations and capital in the balance sheet as of September 30, 2003 can be seen from the following table:

Liability Structure

DESCRIPTION/PERIOD	AMOUNT(000KM)				INDEX
	31.12.2002		30.09.2003		
	Amount	%	Amount	%	
1	2	3	4	5	6=4/2
LIABILITIES (COMMITMENTS):					
1.Deposits	629,692	67	791,626	72	126
2.Borrowings	963	0	1,445	0	150
3.Obligations based on loans	35,349	4	52,698	5	149
4.Other obligations	21,750	2	24,783	2	114
5.Reserves required for potential loss	60,307	7	62,972	6	104
6.Capital	190,513	20	167,419	15	88
7.TOTAL LIABILITIES (COMMITMENTS AND CAPITAL)	938,574	100	1,100,943	100	117



Liability structure consisted of obligations amounting to 79%, and capital with special reserves for potential losses amounted to 21%.

If compared to December 31, 2002, the amount of obligations increased, while capital with reserves decreased.

The largest increase in the liability structure is seen in borrowings amounting to 50%, and obligations for taken loans of 49%, deposits 26%, and reserves for potential losses by 4%. Capital decreased by 12%.

33.1.1.1 Capital and Capital Adequacy

Capital

(in 000 KM)					
DESCRIPTION/PERIOD	31.12.2002	%	30.09.2003	%	Index
1. BANK'S CORE CAPITAL					
1.1. Shareholders' Capital	205,318	88	207,004	88	101
1.2. Legally Required Reserves	11,469	5	11,488	5	100
1.3. Other Reserves	15,620	7	16,002	7	102
1.4. Undistributed Earnings	121	0	726	0	600
1. AMOUNT OF CORE CAPITAL	232,528	100	235,220	100	101
2. BANK'S ADDITIONAL CAPITAL					
2.1. Amount of General Reserves for A	13,983	68	16,814	36	120
2.2. Current Earnings	6,626	32	9,501	20	143
2.3. Amount of Profit – Distribution Temporarily Stopped	0	0	866	2	0
2.4. Amount of Permanent Obligations Not to Be Repaid	0	0	20,000	42	0
2. AMOUNT OF ADDITIONAL CAPITAL:	20,609	100	47,181	100	229
3. ITEMS TO BE DEDUCTED FROM BANKS' CAPITAL:					
3.1. Less Established Reserves	0	0	0	0	0
3.2. Uncovered Losses from Previous Years	20,474	36	36,643	42	179
3.3. Current Year Loss	28,167	50	40,858	47	145
3.4. Amount of Intangible Property	4,805	9	5,745	7	120
3.8. Bank's Investments in Other Legal Persons' Capital Exceeding 5% of Bank's Core Capital	2,828	5	3,295	4	117
3. AMOUNT OF DEDUCTIBLE ITEMS:	56,274	100	86,541	100	154
4. BANK'S NET CAPITAL (1+2-3):	196,863		195,860		99

In the above Capital table it can be seen that core capital increased by 1% compared to December 31, 2002, additional capital increased by 129%, while items to be deducted from capital increased by 54%.

In the structure of core capital shareholders' capital increased by 1%, legally required reserves remained at the same level, other reserves increased by 2%, and undistributed earnings increased by 500%. Undistributed earnings increased due to Agency's preventing such distribution in those banks not having satisfactory capital level and adequate reserves for loan losses.

Additional capital increased by 129%, and it consisted of a significant amount of items of a permanent nature without an obligation to be repaid representing 42% of additional capital. Reserves for good assets – category "A" – increased by 20%, while accrued profit in the current year increased by 43% indicating an improvement in banks' profitability.

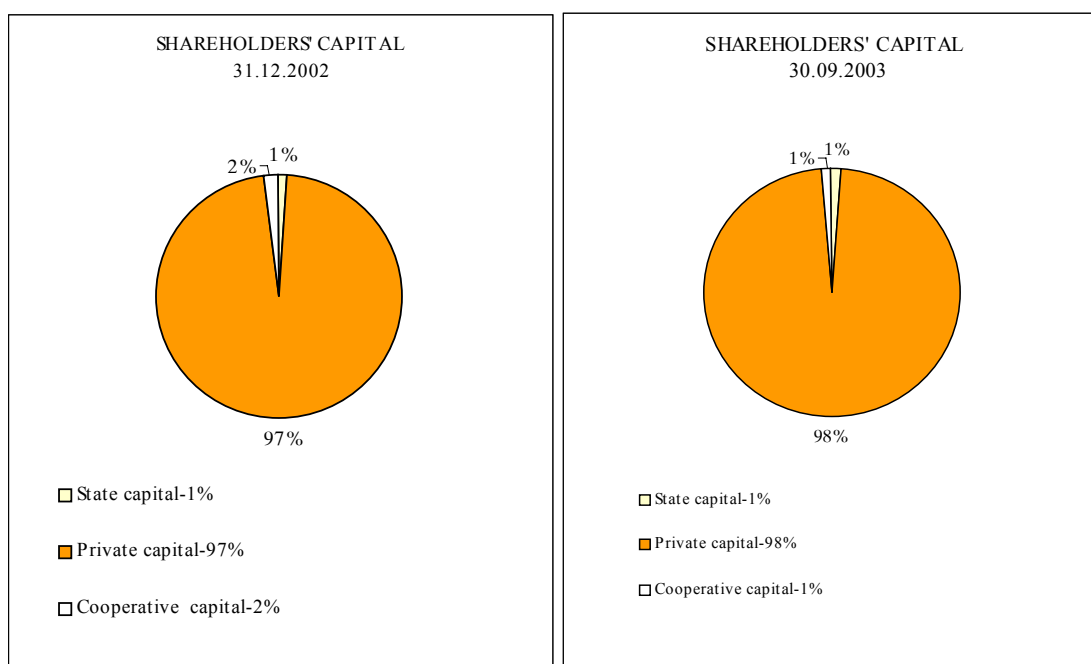
Items to be deducted from capital increased by 54% compared to December 31, 2002, and that resulted from an increase by 79% of non-covered loss carried over from the previous period, current year loss of 45%, increase of amount of intangible property by 20%, and an increase by 17% of banks' investments into other legal persons' capital exceeding 5%.

All the above stated resulted in net capital decrease by 1% compared to December 31, 2002. Net capital decreased by 1% due to an increase of deductible capital items.

Shareholders' Capital Structure

(in 000 KM)

SHAREHOLDERS' CAPITAL	31.12.2002		30.09.2003		INDEX
	Amount	%	Amount	%	
1	2	3	4	5	6=4/2
1. State-Owned Capital	2,724	1	2,724	1	100
2. Private Capital	199,849	98	201,940	98	101
2.1. Foreign Capital	133,349	67	152,574	76	114
2.2. Domestic Capital	66,500	33	49,366	24	74
3. Cooperative Capital	2,745	1	2,340	1	85
TOTAL (1+2+3):	205,318	100	207,004	100	101



Ownership structure based on state, private, and co-operative share in equity as of September 30, 2003 shows that state-owned capital share in equity amounted to 1% (no changes compared to December 31, 2002), privately owned capital amounted to 98% (increased by 1% compared to December 31, 2002), and share of capital owned by co-operatives amounted to 1% (decreased by 15% if compared to December 31, 2002).

Privately owned share of equity capital consists of foreign and domestic investors' capital amounting to 76% and 24% respectively.

The share of equity capital privately owned by foreign investors increased by 14% compared to December 31, 2002, and the share privately owned by domestic investors decreased by 26%.

Another important indicator in capital rating is capital adequacy rate, which actually represents a ratio between net capital and total risk assets, and should be at least 12%. Average capital adequacy for RS banks in this reporting period amounted to 21%, which compared to December 31, 2002 represents a decrease by 12%.

Capital Adequacy

1	31.12.2001	31.12.2002	30.09.2003	Index	
	2	3	4	5=4/2	6=4/3
Capital Adequacy	38%	24%	21%	55	88

Other capital ratios are shown in the following table:

Capital Ratios

in 000 KM

DESCRIPTION/PERIOD		31.12.2002	30.09.2003
1.	Net Capital	196,863	195,860
	Total Assets	938,574	1,100,943
	%	21	18
2.	Shareholders' Capital	205,318	207,004
	Total Assets	938,574	1,100,943
	%	22	19
3.	Core Capital	232,528	235,220
	Total Risk Assets	822,355	927,785
	%	28	25
4.	Total Capital	253,137	282,401
	Total Risk Assets	822,355	927,785
	%	31	30
5.	Net Loans	490,468	588,707
	Total Capital	253,137	282,401
	%	194	208
6.	Profit	6,779	12,816
	Shareholders' Capital	205,318	207,004
	%	3	6

*Income Statement data on annual basis

Capital ratios indicate that equity slightly decreased compared to assets. Fluctuations of net capital are not in proportion with fluctuations in total assets. Assets increased faster, having as a consequence a decrease of net capital, which is also seen from the ratio between total capital and total risk assets. This indicator warns that there was some deterioration in the segment of risky operation of a bank. Conclusion made is that additional capitalization is required in order to cover losses and to stabilize banking operation in Republika Srpska.

3.1.1.2. Deposits

Sector Based Deposit Structure

(in 000 KM)

DEPOSITS	31.12.2002		30.09.2003		Index
	Amount	%	Amount	%	
Government and Government Institutions	104,208	17	140,863	18	135
Public and State Enterprises	46,860	7	48,769	6	104
Private Enterprises and Associations	132,657	21	134,912	17	102
Non-Profit Organizations	19,035	3	16,013	2	84
Banks and Banking Institutions	145,762	23	219,706	27	151
Non-Banking Financial Institutions	20,055	3	22,748	3	113
Citizens	146,133	24	179,799	23	123
Other	14,982	2	28,816	4	192
TOTAL	629,692	100	791,626	100	126

Deposits increased by 26% compared to December 31, 2002.

The largest share within deposit structure consisted of deposits of banks and other banking institutions 27%, citizens' deposits 23%, private companies 17%, and government institutions 18%. The largest increase was recorded with Other Deposits – 92% (foreign organizations and similar) but their share in the structure amounted to 4%. Next fastest increase was noted with banks and other banking institutions' deposits, which increased by 51%, and which was actually caused by a deposit of a permanent nature with no obligation to be repaid representing the largest share in the deposit structure. Deposits of Government and Government Institutions increased by 35%, while Citizens' deposits increased by 23%, and deposits of Non-Profit Organizations decreased by 16%.

Currency Based Deposit Structure

(in M KM)

DEPOSITS	31.12.2002		30.09.2003		Index
	Amount	%	Amount	%	
Deposits in KM	309.6	49	412.3	52	133
Deposits in FC	320.1	51	379.3	48	118
TOTAL	629.7	100	791.6	100	126

The currency based deposit structure shows an increase of domestic currency deposits by 33%, and an increase of foreign currency deposits by 18%, while in the overall structure domestic deposits represented 52%.

Term Deposit Structure

(in 000 KM)

DEPOSITS	31.12.2002		30.09.2003		Index
	Amount	%	Amount	%	
Savings and Deposits on Demand	384,120	61	437,578	56	114
Up to 3 months	74,226	12	71,488	9	96
Up to 1 year	39,038	6	65,465	8	168
1. Total Short-Term	497,384	79	574,531	73	116
Up to 3 years	20,751	3	31,462	4	152
Over 3 years	111,557	18	185,633	23	166
2. Total Long-Term	132,308	21	217,095	27	164
TOTAL (1+2)	629,692	100	791,626	100	126

It can be seen that 73% of deposits were short-term deposits, and 27% were long-term deposits. Share of long-term deposits increased compared to December 31, 2002, but that is still not sufficient to meet increasing requests for long-term loans.

3.1.1.3. Bank Liquidity

From the deposit term structure above it can be seen that short-term deposits were still prevailing. 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.

In the last ten-day period of the first quarter one bank did not meet minimum required reserves with the CBBH.

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		31.12.2002	30.09.2003
1.	Short Term Assets/ Short Term Liabilities	429,833 504,691	493,495 580,806
	%	85	85
2.	Short Term Assets/ Total Assets	429,833 938,574	493,495 1,100,943
	%	46	45
3.	Short Term Liabilities/ Total Assets	504,691 938,574	580,806 1,100,943
	%	54	53
4.	Net Shoert Term Liabilities/ Total Assets	74,858 938,574	87,311 1,100,943
	%	8	8
5.	Net Loans/ Deposits	490,468 629,692	588,707 791,626
	%	78	74
6.	Net Loans and Finanacial Commitments; Letters of Credit/ Total Assets	500,045 938,574	592,750 1,100,943
	%	53	54

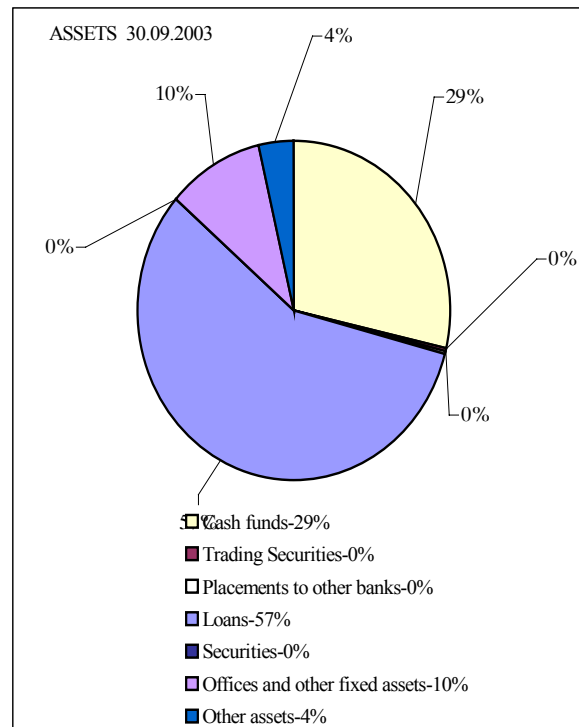
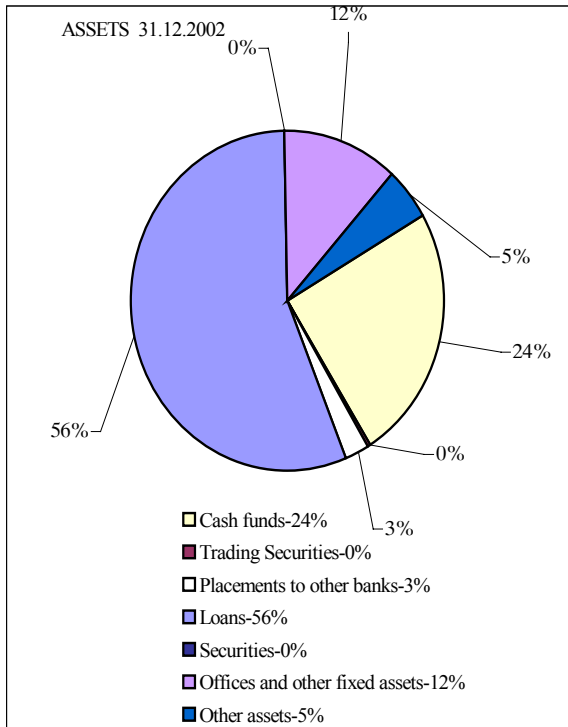
Liquidity ratios indicate certain inadjustment in short-term operation, since 85% of banks' obligations were covered by receivables. Ratio of net loans to total deposits had falling tendency, and some improvement was made, which means that banks should pursue that trend and strengthen their deposit base.

3.1.2. Assets

Active Asset Structure

DESCRIPTION	AMOUNT (000 KM)				INDEX 2003/2002
	31.12.2002		30.09.2003		
	Amount	%	Amount	%	
1	2	3	4	5	6=4/2
ASSETS (PROPERTY):					
1, Cash Funds	228,326	24	315,176	29	138
2, Trading Securities	3,607	0	3,130	0	87
3, Placements to other banks	24,192	3	3,283	0	14
4, Loans	523,122	56	630,791	57	121
5, Securities held up to maturity	161	0	21	0	13
6, Premises and Other Fixed Assets	112,182	12	109,481	10	98
7, Other Assets	46,984	5	39,061	4	83
8, TOTAL ASSETS	938,574	100	1,100,943	100	117

Total active assets as of Septemebr 30, 2003 amounted to KM 1,101 million and were larger by 17% compared to December 31, 2002. Cash funds made 29% of balance sheet assets (increased by 38%), loans 57% (larger by 21%), office space and fixed assets 10% (decreased by 2%), and other assets 4% (decreased by 17%).



Off-Balance Assets Structure

DESCRIPTION/PERIOD	AMOUNT (000KM)				Index
	31.12.2002		30.09.2003		
	Amount	%	Amount	%	
1	2	3	4	5	6=4/2
1. Active Off-balance Sheet Items	111,734	100	162,507	100	145
- Irrevocable lending Obligations	12,340	11	11,942	7	97
- Foreign Checks Sent for Collection	284	0	25	0	9
- Irrevocable Documentary L/C	9,577	8	1,734	1	18
- Other L/C for Payments Abroad	0	0	2,309	2	0
- Guarantees Issued	87,056	78	143,661	88	165
- Bills and Sureties Issued	649	1	521	0	80
- Nostro financially active – collection in process	5	0	0	0	0
- Current Agreements for FC Transactions	1,819	2	2,311	2	127
- Other Off-Balance Sheet Items	4	0	4	0	100
2. Classified Assets – Loss E	117,334		151,811		129
3. Agent Based Activities	25,428		36,167		142
4. TOTAL	254,496		350,485		138

Off-balance sheet assets amounted to KM 350 million and it increased by 38%. Active off-balance sheet items increased by 45%, assets classified as category "E" - loss, increased by 29% and agent based activities by 52%. Guaranties issued amounted to 88% of active off-balance sheet.

3.1.2.1. Cash Funds

Cash Funds Structure

(in 000 KM)

DESCRIPTION	31.12.2002		30.09.2003		Index
	Total	%	Total	%	
1	2	3	4	5	6=4/2
KM					
Cash Funds	28,936	13	30,660	10	106
Reserve Accounts at CBBH	54,631	24	109,371	35	200
Deposit Accounts at BH Depository Institutions	31	0	3,020	1	9742
Deposit Accounts at Depository Institutions Abroad	0	0	0	0	0
Cash Funds in Process of Collecting	11	0	0	0	0
Non-Repaid Debts	0	0	0	0	0
TOTAL:	83,609	37	143,051	45	171
FOREIGN CURRENCY					
Cash Funds	44,695	20	40,486	13	91
Reserve Account at CBBH	371	0	0	0	0
Deposit Accounts at Depository Institutions in BH	1,784	1	1,287	0	72
Deposit Accounts at Depository Institutions Abroad	97,223	42	128,713	41	132
Cash Funds in Process of Collecting	644	0	1,639	1	255
Non-Repaid Debts	0	0	0	0	0
TOTAL:	144,717	63	172,125	55	119
GRAND TOTAL:	228,326	100	315,176	100	138

Cash Funds composition shows that FC Cash Funds amounted to KM 172 million or 55%, while Cash Funds in domestic currency amounted to KM 143 million or 45%.

Foreign Currency Cash Funds increased by 19%, and domestic currency Cash Funds increased by 71%.

Compared to December 31, 2002 domestic currency cash funds increased by 6%, and FC cash funds decreased by 9%.

In this reporting period, within the structure of cash funds in domestic currency the share of cash funds on the deposit accounts at BH deposit institutions increased, but the share was not significant one, yet.

Deposits held on accounts with deposit institutions abroad represented the largest portion of cash funds amounting to 41%, and such deposits increased by 32%.

3.1.2.2. Loans

In the composition of assets loans amounted to 57% and compared to December 31, 2002 increased by 21%.

Total Loans Breakdown per Sectors

(in 000 KM)

No.	DESCRIPTION/PERIOD	31.12.2002	%	30.09.2003	%	Index
1	2	3	4	5	6	7=5/3
1.	Government Institutions	14,473	3	4,599	1	32
2.	Public and state enterprises	112,378	21	60,724	10	54
3.	Private companies and associations	225,510	43	289,440	46	128
4.	Nonprofit organizations	580	0	1,189	0	205
5.	Banks	930	0	4,129	1	444
6.	Non-bank financial institution	5,728	1	2,050	0	36
7.	Citizens	155,469	30	253,389	40	163
8.	Other	8,054	2	15,271	2	190
9.	TOTAL:	523,122	100	630,791	100	121

In the structure of total loans, the largest share amounting to 46% were loans to private enterprises, while loans to citizens amounted to 40%, and loans to public and state enterprises were 10%.

The largest increase was recorded with loans to banks and banking institutions amounting to 344%, but their share in the structure was only 1%. Other loans increased by 90% and their share in the structure was 2%; loans to citizens increased by 63% and their share in the structure amounted to 40%. Loans to private enterprises and associations amounted to 46% having an increase of 28%, while loans to public and state enterprises recorded a share of 10%, but that represented a decrease of 46% compared to December 31, 2002.

Compared to the previous year the term structure of loans was as follows:

Loan Term Structure

(in 000 KM)

No	DESCRIPTION	Short Term < 1 year		Index	Long Term > 1 year		Index	Receivables Due			Index	Total		Index
		31.12.2002	30.09.2003		31.12.2002	30.09.2003		31.12.2002	30.09.2003	31.12.2002		30.09.2003		
1.	Government institutions	12,018	227	2	1,016	3,873	381	1,439	499	35	14,473	4,599	32	
2.	Public and state enterprises	43,547	20,146	46	42,399	19,317	46	26,432	21,261	80	112,378	60,724	54	
3.	Private companies and associations	113,664	127,406	112	75,363	120,370	160	36,483	41,664	114	225,510	289,440	128	
4.	Nonprofit organizations	576	1,132	197	0	0	0	4	57	1,425	580	1,189	205	
5.	Banks	930	3,102	334	0	535	0	0	492	0	930	4,129	444	
6.	Non-bank financial institution	3,370	29	1	2,358	1,953	83	0	68	0	5,728	2,050	36	
7.	Citizens	18,770	17,866	95	135,843	233,572	172	856	1,951	228	155,469	253,389	163	
8.	Other	5,025	5,281	105	926	3,887	420	2,103	6,103	290	8,054	15,271	190	
9.	TOTAL	197,900	175,189	89	257,905	383,507	149	67,317	72,095	107	523,122	630,791	121	

Short-term loans with maturity up to one year amounted to KM 175 million and compared to December 31, 2002 decreased by 11%, while long-term loans amounted to KM 384 million and increased by 49%.

Within the short-term loan structure the largest share represented loans extended to private companies increasing by 12%. Within the long-term loan structure loans extended to citizens represented the largest share with an increase of 72%, loans extended to private companies increased by 60%, while other loans increased by 320%, but their share in the structure was very small. Receivables due increased by 7% compared to December 31, 2002, and their largest share was related to loans extended to private companies, while the largest increase was recorded with receivables due related to other loans of 120% and loans to citizens of 128%.

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 000KM -

BALANCE SHEET AND OFF-BALANCE SHEET ASSET ITEMS	31.12.2002	30.09.2003	INDEX
1. Short-term Loans	199,067	170,832	86
2. Long-Term Loans	257,908	381,482	148
3. Other Placements	45,685	31,435	69
4. Accrued Interest	16,923	6,099	36
5. Receivables Due	63,542	71,219	112
6. Paid Guarantee based Receivables	6,385	1,069	17
7. Other Assets	154,492	173,681	112
8. TOTAL BALANCE SHEET ASSET ITEMS:	744,002	835,817	112
9. General Loan Risk and Potential Loan Loss	55,546	56,341	101
10. Already Separated General Reserve and Special Reserve	54,872	56,668	103
11. Balance 10.-9.	-674	374	-55
12a. Payable Guarantees	69,485	106,979	154
12b. Performance Guarantees	17,568	36,681	209
13. Non-Covered Letters of Credit	9,376	4,024	43
14. Irrevocable Loan based Commitments	12,340	11,942	97
15. Other Potential Commitments	2,829	2,881	102
16. TOTAL OFF-BALANCE SHEET ITEMS:	111,598	162,507	146
17. General Loan Risk and Potential Loan Loss	4,455	6,310	142
18. Already Separated General Reserves and Special Reserves	5,435	6,304	116
19. Balance 18.-17.	980	-6	-1
20. TOTAL BALANCE AND OFF-BALANCE SHEET ITEMS	855,600	998,324	117
21. General Loan Risk and Potential Loan Loss	60,001	62,652	104
22. Already Separated General Reserves and Special Reserves	60,307	62,972	104
23. OVERAGE of Separated Reserves	306	327	107
SHORTAGE of Separated Reserves	0	7	0
NON-CLASSIFIED ACTIVE ASSETS	194,707	265,127	136

Total classified assets as of September 30, 2003 amounted to KM 998 million, and increased by 17% in comparison with the amount as of December 31, 2002. The balance sheet assets increased by 12%, and off-balance sheet increased by 46%.

Long-term loans represented the largest item of risk assets amounting to 46%, short-term loans amounted to 20%, other assets 21% and receivables due 9%.

Compared to December 31, 2002, long-term loans increased by 48%, other assets and receivables due increased by 12%, while other risk asset items recorded a decrease.

When rating asset quality, a share of poor assets in total balance sheet and off-balance sheet assets is to be observed, as well as potential loan loss composition per classification categories.

Classification of banks' balance sheet and off-balance sheet assets as of September 30, 2003 can be seen in the following table:

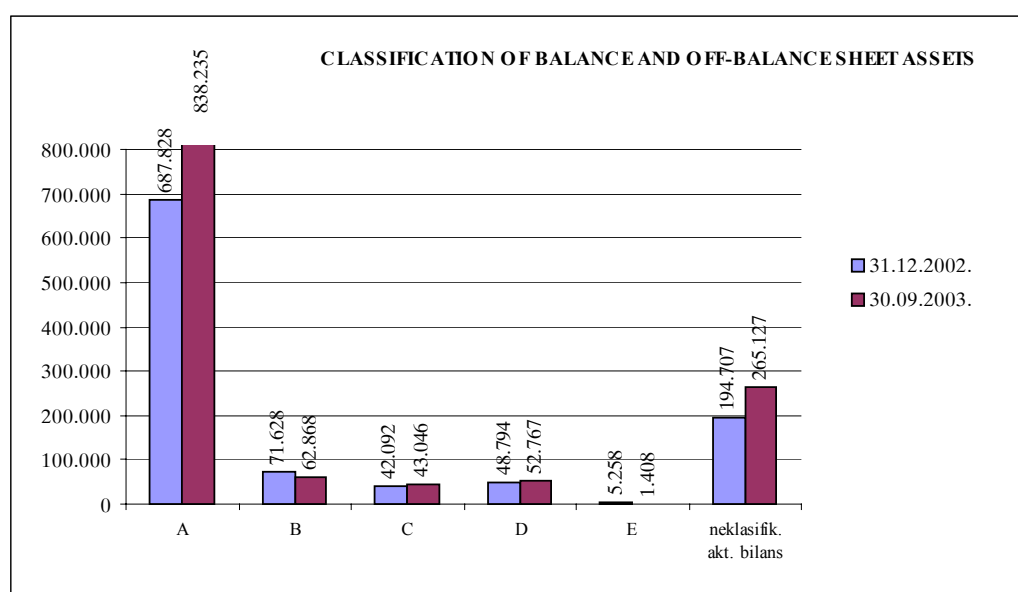
(in 000 KM)

BALANCE SHEET AND OFF-BALANCE SHEET ASSET ITEMS	A	B	C	D	E	TOTAL
1. Short-term Loans	148,843	13,180	4,236	4,573	0	170,832
2. Long-Term Loans	323,994	31,645	18,233	7,610	0	381,482
3. Other Placements	30,265	1	1,099	70	0	31,435
4. Accrued Interest	3,508	2,358	92	141	0	6,099
5. Receivables Due	10,165	7,884	13,900	38,418	852	71,219
6. Paid Guarantee based Receivables	436	46	28	559	0	1,069
7. Other Assets	173,087	589	0	5	0	173,681
8. TOTAL BALANCE SHEET ASSET ITEMS:	690,298	55,703	37,588	51,376	852	835,817
9. General Loan Risk and Potential Loan Loss (no. 8 X % loss)	13,844	5,642	9,088	26,915	852	56,341
10. Already Separated General Reserve (A) and Special Reserve (B, C, D, E)	13,854	5,748	9,156	27,058	852	56,668
11. Balance 10. - 9.	10	106	115	143	0	374
12.a) Payable Guarantees	93,826	6,696	4,510	1,391	556	106,979
b) Performance Guarantees	35,634	157	890	0	0	36,681
13. Non-Covered Letters of Credit	4,018	6	0	0	0	4,024
14. Irrevocable Loan based Commitments	11,578	306	58	0	0	11,942
15. Other Potential Commitments	2,881	0	0	0	0	2,881
16. TOTAL OFF-BALANCE SHEET ITEMS:	147,937	7,165	5,458	1,391	556	162,507
17. General Loan Risk and Potential Loan Loss (no. 16 X % loss)	2,965	717	1,370	702	556	6,310
18. Already Separated General Reserves (A) and Special Reserves (B, C, D, E)	2,959	717	1,370	702	556	6,304
19. Balance 18. -17.	-6	0	0	0	0	- 6
20. TOTAL BALANCE SHEET & OFF-BALANCE SHEET ITEMS (8 + 13)	838,235	62,868	43,046	52,767	1,408	998,324
21. General Loan Risk and Potential Loan Loss (no. 20 X % loss)	16,810	6,359	10,458	27,617	1,408	62,652
22. Already Separated General Reserve (A) and Special Reserve (B, C, D, E)	16,813	6,465	10,526	27,759	1,409	62,972
23. OVERAGE of Separated Reserves (+)(amount) (no.22. - no.21.)	10	106	68	142	1	327
SHORTAGE of Separated Reserves (-)(amount) (no.21. - no.22.)	7	0	0	0	0	7
NON-CLASSIFIED ACTIVE ASSETS						265,127

- in 000KM -

Classification Category	31.12.2002	%	30.09.2003	%	INDEX
A	687,828	66	838,235	66	122
B	71,628	7	62,868	5	88
C	42,092	4	43,046	4	102
D	48,794	5	52,767	4	108
E	5,258	1	1,408	0	27
Non-classified active balance sheet	194,707	18	265,127	21	136
TOTAL:	1,050,307	100	1,263,451	100	120
Required potential loan loss general reserves (A)	13,826		16810		122
Already established general reserve (A)	13,981		16,813		120
Balance for A:	155		3		
Required special reserves for potential loan loss (B-E)	46,175		45,842		99
Already separated special reserves (B-E)	46,326		46,159		100
Balance for (B-E):	151		317		

The largest share amounting to 66% was made by assets classified in category “A”, which compared to December 31, 2002 increased by 22%. The share of assets classified as "B" amounted to 5% and decreased by 12%, category “C” amounted to 4% and increased by 2%,



category “D” amounted to 4% and increased by 8%, while a considerable decrease of the category "E" by 73% making its share in the structure quite insignificant resulted from removing this category from balance sheet to off-balance sheet records.

Calculated special reserves for assets classified as categories of risk from "B" to "E" totaled KM 45,842 thousand, while total established reserves amounted to KM 46,159 thousand, indicating that banks separated an amount larger by KM 317 thousand than required reserves.

Asset Quality Ratios
- in 000 KM -

DESCRIPTION/PERIOD		31.12.2002	30.09.2003
1.	Loans Due/	67,317	72,095
	Total Loans	523,122	630,791
	%	13	11
2.	Loans Due/	67,317	72,095
	Potential Loss Reserve	32,654	42,084
	%	206	171
3.	Loans Due/	67,317	72,095
	Total Capital	253,137	282,401
	%	27	26
4.	Classified Assets/	855,600	998,324
	Total Capital	253,137	282,401
	%	338	354
5.	Potential Loss/	32,654	42,084
	Total Loans	523,122	630,791
	%	6	7
6.	Total Risk Assets	822,355	927,785
	Total Assets	938,574	1,100,943
	%	88	84

Looking at the above asset quality ratios it can be concluded that improvement of the past due loans to total loans ratio resulted from obligatory removal from books of loan losses classified as “E” category in the previous period, and not from real improvement of asset quality. Both classified-assets-to-total-assets, and total-risk-assets-to-total-assets ratios, which are significantly large, confirm the above statement.

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;
- Total loans extended to all related person shall not exceed an amount of 40% of 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% of voting rights, as well as from Supervisory board members, executive managers and officials of the bank.

Schedule of Loans Extended to Shareholders with over 5% of Voting Rights, Supervisory Board Members, Executive Managers and Bank's Employees

(in 000 KM)

DESCRIPTION	31.12.2002	%	30.09.2003	%	Index
1	2	3	4	5	6=4/2
Loans Extended To:					
1. Shareholders with over 5% of Voting Rights	7,932	52	9,145	52	115
2. Supervisory Board Members	1,165	8	1,026	6	88
3. Executive Managers	788	4	947	5	120
4. Banks' Employees	5,973	36	6,355	36	106
5. TOTAL LOANS (1 to 4)	15,858	100	17,473	99	110
6. Potential and taken off-balance sheet obligations	666		773		
7. GRAND TOTAL (5+6)	16,524		18,246		

As of September 30, 2003 loans extended to related persons increased by 10% compared to December 31, 2002, but remained within legal provisions.

Loans extended to shareholders represented the largest share within the structure amounting to 52% and increased by 15%.

Compared to December 31, 2002 loans extended to the Supervisory Board members decreased by 12%, loans to executive managers increased by 20%, and loans to banks' employees increased by 6%.

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 10%. Compared to December 31, 2002 fixed assets increased by 2.

Five banks exceeded 50% of investment into fixed assets related to their core capital, but it is expected that additional capitalization of banks and sale of office space will put that item within the legal framework in the coming period.

Banks had submitted their action plans giving precise time schedules for such adjustments and Agency gave its approval for them, which is a precondition to enter deposit insurance procedure.

3.1.2.6. Other Assets

Other assets within the total asset structure represented a share of 4% and compared to December 31, 2002 decreased by 7%. Other assets mostly consisted of accrued interest and fees. Other items in the composition are insignificant and represented investments into non-consolidated related entities (funds), transition accounts for foreign currency payments, current payments of previously taken obligations, accrued receivables, and other.

4. INCOME STATEMENT

Income Statement

(in 000 KM)

DESCRIPTION/PERIOD	30.09.2002		30.09.2003		Index
	Total	%	Total	%	
1	2	3	4	5	6
1. INTEREST INCOME AND SIMILAR INCOME					
a) Interest Income and Similar Income	44,511	35	44,004	36	99
b) Operating Income	81,832	65	78,947	64	96
2. TOTAL INCOME (1.a+1.b)	126,343	100	122,951	100	97
3. EXPENSE					
a) Interest Expense and Similar Expense	7,325	4	12,435	8	170
b) Business Operation and Direct Expense	88,693	55	71,303	46	80
c) Operating Expense	67,269	41	70,459	46	105
4. TOTAL EXPENSE (3.a+3.b+3.v)	163,287	100	154,197	100	94
PROFIT BEFORE TAX	4,735		9,612		203
LOSS	41,679		40,858		98
TAX	118		111		94
NET PROFIT	4,619		9,501		206

In the first nine months of 2003 banks' total income amounted to KM 122,951 thousand, decreasing by 3% in comparison to September 30, 2002.

Total expense amounted to KM 154,197 thousand and decreased by 6% in comparison with September 30, 2002.

Decreased amount of total income and expense in this reporting period resulted partially from decreased number of banks, which completely covered their losses.

Profit-before-tax amounted to KM 9,612 thousand, and increased by 103%. Loss amounted to KM 40,858 thousand, and decreased by 2% compared to September 30, 2002.

Net profit amounted to KM 9,501 thousand and increased by 106%.

We can see that banks improved their financial result, and the Agency approved their action plans to cover losses, which was a precondition to enter deposit insurance procedure.

Operating income amounted to 64% in the income structure, but compared to September 30, 2002 decreased by 4%, while interest income amounted to 36%, and decreased by 1%. That means that banks were still orientated to activities generating fee-income in favor of lending activities.

Operating expenses were larger than interest income by KM 26,455 thousand.

In the reporting period two banks generated losses in an amount of KM 40,858 thousand, and eight banks had a positive financial result in an amount of KM 9,612 thousand, while the banking system balance sheet loss amounted to KM 77,501 thousand, and it consisted of loss from the current year and non-covered loss from previous years.

Profitability Ratios

(in 000 KM)

DESCRIPTION/PERIOD		31.12.2002	30.09.2003
1.	Total Income/ Total Assets	172,359 938,574	163,935 1,100,943
	%	18	15
2.	Total Income / Total Capital	172,359 253,137	163,935 282,401
	%	68	58
3.	Total Expense/ Total Assets	200,757 938,574	205,596 1,100,943
	%	21	19
4.	Interest Income/ Total Assets	51,382 938,574	58,672 1,100,943
	%	5	5
5.	Interest Income/ Total Assets	11,104 938,574	16,580 1,100,943
	%	1	2
6.	Net Interest Income / Total Assets	40,278 938,574	42,092 1,100,943
	%	4	4
7.	Net Interest Expense/ Total Capital	40,278 253,137	42,092 282,401
	%	16	15
8.	Fees/ Total Assets	41,234 938,574	49,348 1,100,943
	%	4	4
9.	Material Expense and Gross Earnings/ Total Assets	75,563 938,574	93,945 1,100,943
	%	8	9
10.	Non-Interest Expense/ Total Assets	189,653 938,574	189,016 1,100,943
	%	20	17
11.	Profit before Taxes/ Total Assets	6,779 938,574	12,816 1,100,943
	%	1	1

*Income Statement Data showed on annual basis

The above profitability ratios show that in the first nine months of 2003 banks' total expenses grew faster than total income. Compared to December 31, 2002 total expenses to total assets ratio slightly decreased, while interest income and net interest income remained at the same level, indicating that interest expense was also increasing, and that fee income remained the basic source of banks' financing.

The most important ratios are presented in the following table:

(in 000 KM)

	RATIO	31.12. 1999	31.12. 2000	31.12. 2001	31.12. 2002	30.09. 2003
1.	Profit/ Total assets	10,761 604,753	3,538 651,212	6,249 772,202	6,779 938,574	12,816 1,100,943
	Return on Assets (%) - ROA	2	1	1	1	1
2.	Profit/ Capital	10,761 177,556	3,538 200,993	6,249 214,880	6,779 253,137	12,816 282,401
	Return on Capital (%)	6	2	3	3	5
3.	Profit/ Equity	10,761 123,117	3,538 142,754	6,249 168,223	6,779 205,318	12,816 207,004
	Return on Equity (%) - ROE	9	2	4	3	6
4.	Net Interest Income / Total Assets	42,304 604,753	44,227 651,212	46,129 772,202	40,278 938,574	42,092 1,100,943
	%	7	7	6	4	4
5.	Fees/ Total Assets	15,151 604,753	20,866 651,212	34,231 772,202	41,234 938,574	49,348 1,100,943
	%	3	3	4	4	4
6.	Operating Expenses/ Total Assets	129,605 604,753	83,286 651,212	82,546 772,202	75,563 938,574	93,945 1,100,943
	%	21	13	11	8	9
7.	Capital/ Total Assets	177,556 604,753	200,993 651,212	214,880 772,202	253,137 938,574	282,401 1,100,943
	Banks' Capitalization (%)	29	31	28	27	26

*Income Statement Data showed on annual basis

ROA – return on assets ratio was 1% and met international standards, while in the reporting period ROE – return on equity ratio was oscillating and in 2003 amounted to 6% being far below international standards which range from 12 to 18%.

Net interest income to total assets ratio was the same as of December 31, 2002.

Fee to total assets ratio remained at the same level, but it continued to have a significant share in the total income.

Operating expenses to total assets increased compared to December 31, 2002 from 8% to 9%.

Capital to total assets ratio was decreasing since the year 2000, since assets grew faster than capital, but we hope that implementation of the new Decision on Capital calculation will contribute to further improvement of this ratio.

5. INTERNAL PAYMENT TRANSACTIONS

The payment operation of Republika Srpska included ten commercial banks, and twelve branch offices from Federation of Bosnia and Herzegovina.

As of September 30, 2003 there were 85,959 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 (000KM)	Number of transactions	Amount of transactions (000KM)
31.01.2003	345,979	1,098,600	336,145	451,099
28.02.2003	401,114	1,131,163	443,018	492,749
31.03.2003	492,191	1,414,444	492,348	561,831
30.04.2003	497,702	1,552,028	507,209	571,909
31.05.2003	477,548	1,489,507	509,027	596,644
30.06.2003	495,806	1,600,351	502,578	593,371
31.07.2003	526,815	1,726,532	579,607	650,925
31.08.2003	460,622	1,665,204	517,838	615,562
30.09.2003	499,605	1,645,524	543,810	623,508
TOTAL:	4,197,382	13,323,353	4,431,580	5,157,598

Related to the number of transactions and their value three banks from RS were placed among the first ten banks in performing payment transactions in Bosnia and Herzegovina.

In the reporting period CBBH - RS Main Office Banja Luka, that is to say all banks under control of that Office participating in the BH payment transactions performed 34% of total number of transactions or in value of an amount of KM 28%.

6. CONCLUSION

Based on the above listed indicators related to the operation of the banking sector as of September 30, 2003 compared to December 31, 2002 the following can be concluded:

- *Total assets increased by 22% out of which balance sheet assets increased by 17%;*
- *Cash funds increased by 38%, and loans by 21%;*
- *Loans to citizens increased by 63%, and receivables due related to such loans increased by 128%;*
- *Deposits increased by 26%, out of which citizens' saving deposits amounted to 23%, and rate of growth was 23%;*
- *Banks' liquidity improved, but it has not reached a satisfactory level, yet;*
- *Equity increased by 1%, and net capital decreased by 1%, which resulted from an increase of deductible capital of 54%;*
- *Banks separated required amount of reserves for loan losses;*
- *Banks' profitability improved but it was not at satisfactory level, yet;*
- *Two RS banks were licensed for deposit insurance, and the rest of banks are making intensive preparations to have their deposits insured.*

Taking into consideration positive movements in banking, for continuation of such positive changes the following would be necessary:

- *To complete legal regulation for the system of justice as soon as possible, and to accelerate resolving court litigations, reaching solutions and collecting collaterals;*
- *To establish Central Register of Internal Payment Participants' Transaction Accounts (data base of all transaction accounts opened by legal persons);*
- *To further improve legal and institutional framework in order to provide for stronger financial discipline, and prevention of money-laundering;*
- *To keep improving supervision of banking sector.*
- *To accelerate privatization of state-owned capital in enterprises.*

Apart from obligations to be performed by the environment and institutions in order to create a better quality-banking sector, banks themselves have to undertake a lot of activities to achieve the following:

- *To further improve asset quality and risk management especially with increasing lending activities and risks in operation with related entities;*
- *To further improve payment transactions in order to speed up information exchange, and develop detailed procedures to monitor financial transactions, which might have money laundering features;*
- *To strengthen banks' internal controls and internal audit;*
- *To decrease expenses and fixed assets, which would also improve banks' profitability;*
- *To strengthen hardware and software functions, as well as building up staff's computer skills, especially in those segments of operation dealing with small and medium size companies, and citizens;*
- *The RS Bank Association should be more active and develop a new organization chart in order to offer quality solutions of banking sector issues (cooperation with institutions having an importance for banks' operation, training of banks' employees, issuing legal regulation, and similar).*

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***

BASIC INFORMATION ON BANKS

R/B	BANKA	HEADQUARTERS	ADDRESS	DIRECTOR	TELEPHONE	FAX	30.09.2003 (in 000KM)		NUMBER OF EMPLOYEES
							Assets	Equity	
1.	Nova Banjalučka banka a.d.	Banja Luka	M.Bursać 7	Dragoljub Lekić	051/243-200	212-830	176,957	25,962	414
2.	Hypo Alpe-Adria-Bank a.d.	Banja Luka	I.F.Jukića 9	Kurt Makula	051/212-930	212-878	260,420	43,963	278
3.	Razvojna banka Jug. Evrope a.d.	Banja Luka	Kralja Petra I 85-A	Ranko Travar	051/242-101	242-192	195,523	19,909	494
4.	VB banka a.d.	Banja Luka	Milana Tepića 4	Radovan Bajić	051/221-600	221-623	90,866	16,819	64
5.	Nova banka a.d.	Bijeljina	Svetog Save 46	Milorad Anđić	055/209-094	201-410	121,172	15,001	281
6.	Privredna banka ad S.Sarajevo	Pale	Kninska bb	PA Mile Maksimović	056/210-173	057/226-805	37,167	15,657	294
7.	Bobar banka a.d.	Bijeljina	Filipa Višnjića 211	Dragan Radumilo	055/201-862	201-862	35,274	15,350	73
8.	Zepter komerc banka a.d.	Banja Luka	Jevrejska bb/ II sprat	Ranko Labović	051/241-100	215-771	109,448	17,569	143
9.	Balkan Investment Bank a.d.	Banja Luka	Krajiških brigada 2	Sauilus Žostautas	051/216-285	211-445	24,722	18,000	41
10.	Pavlović International Bank a.d.	Slobomir, Bijeljina	Slobomir	Nada Pavlović	055/209-588	210-247	49,394	18,774	261
	TOTAL						1,100,943	207,004	2,343

BALANCE SHEET

(u 000 KM)

DESCRIPTION/PERIOD	31.12.02	%	30.09.03	%	INDEX
1. Cash funds and deposit accounts at depository institutions (1.a.+1.b.)	228,326	24	315,176	29	138
1.1. Cash and non-interest bearing deposit accounts	118,587	13	150,364	14	127
1.2. Interest-bearing deposit accounts	109,739	11	164,812	15	150
2. Trading Securities	3,607	0	3,130	0	87
3. Placements to other banks	24,192	3	3,283	0	14
4. Loans, leasing and receivables due (4.a.+4.b.+4.c.)	523,122	56	630,791	57	121
4.a. Loans	455,805	49	558,696	51	123
4.b. Leasing receivables	0	0	0	0	0
4.c. Loan and leasing receivables due	67,317	7	72,095	6	107
5. Securities held up to maturity	161	0	21	0	13
6. Office space and other fixed assets	112,182	12	109,481	10	98
7. Other immovables	1,173	0	6	0	1
8. Investments in non-consolidated related companies	7,024	1	6,932	1	99
9. Other assets (9b)	38,787	4	32,123	3	83
TOTAL (1 to 9)	938,574	100	1,100,943	100	117
10. MINUS: Reserves for potential losses (10.a.+10.b.+10.c.)	54,871		56,667		103
11. TOTAL ASSETS: (1.to 9.-10.)	883,703		1,044,276		118
11.1 Total off-balance sheet items					
11.a. Active off-balance sheet items	111,734		162,507		145
11.b. Classified assets – loss E	117,334		151,811		129
11.c. Commission (agent) services	25,428		36,167		142
TOTAL ASSETS (11.+11.1)	1,138,199		1,394,761		123
12. Deposits (12.a.+12.b.)	629,692	71	791,626	76	126
12.a. Interest-bearing deposits	481,231	54	642,118	62	133
12.b. Non-interest bearing deposits	148,461	17	149,508	14	101
13. Borrowings – obligations due (13.a.+13.b.)	313	0	157	0	50
13.a Obligations due, not paid	313	0	157	0	50
13.b Off-balance sheet obligations not paid-called for repayment	0	0	0	0	0
14. Borrowings from other banks	650	0	1,288	0	198
15. Obligations to Government	739	0	0	0	0
16. Obligations based on loans and other borrowings (16.a.+16.b.)	35,349	4	52,698	5	149
16.a. remaining maturity up to one year	5,605	1	4,830	1	86
16.b. remaining maturity over one year	29,744	3	47,868	4	161
17. Subordinated debt and subordinated bonds	0	0	0	0	0
18. Reserve to cover off-balance sheet items (18.b.+18.c.)	5,436	0	6,305	1	116
Other obligations (18.d.)	21,011	3	24,783	2	118
19. TOTAL LIABILITIES (12 to 18)	693,190	78	876,857	84	126
20. Permanent preferred shares	9,778		14,643		150
21. Regular shares	195,540		192,361		98
22. Premium (22.a. +22.b)	0		0		0
22.a. on permanent preferred shares	0		0		0
22.b. on regular shares	0		0		0
23. Undistributed profit and capital reserves	6,747		10,426		155
24. Capital reserves	27,089		27,490		101
25. Other capital	-48,641		-77,501		159
26. TOTAL CAPITAL: (20. To 25.)	190,513	22	167,419	16	88
27. TOTAL LIABILITIES AND CAPITAL: (19. + 26.)	883,703	100	1,044,276	100	118
28.1.Total off-balance					
28.a. Active off-balance sheet	111,734		162,507		145
28.b. Classified assets – loss E	117,334		151,811		129
28.c. Commissioned (agent) services	25,428		36,167		142
TOTAL LIABILITIES (27.+28.a)	1,138,199		1,394,761		123

CAPITAL STATEMENT

u 000 KM

DESCRIPTION/PERIOD	31.12.2002	30.09.2003	INDEX 2003/2002
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:	201,919	203,605	101
1.2. Equity capital based on nominal amounts of regular and preferred non-cumulative shares issued against immovables and rights invested into shareholders' capital:	3,399	3,399	100
1.3. Premiums collected for share payments:	0	0	0
1.4. General reserves required (reserves required by the law):	11,469	11,488	100
1.5. Other reserves which are not taken into account when rating asset quality:	15,620	16,002	102
1.6. Retained – undistributed profit from previous years:	121	726	600
1. AMOUNT OF CORE CAPITAL:	232,528	235,220	101
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:	13,983	16,814	120
2.4. Accrued profit in the current year:	6,626	9,501	143
2.5. Amount of profit for which BA-RS issued Decision on Temporary Suspension of Distribution:	0	866	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	20,000	0
2. AMOUNT OF ADDITIONAL CAPITAL:	20,609	47,181	229
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:	0	0	0
3.2. Uncovered losses carried over from previous years:	20,474	36,643	179
3.3. Current Year Loss:	28,167	40,858	145
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:	4,805	5,745	120
3.8. Bank's investments in capital of other legal entities exceeding 5% of the bank's core capital:	2,828	3,295	117
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:	56,274	86,541	154
A. ITEMS OFF-SETTING FROM BANK'S CAPITAL:			
1. AMOUNT OF BANK'S CORE CAPITAL	232,528	235,220	101
2. AMOUNT OF BANK'S ADDITIONAL CAPITAL	20,609	47,181	229
3. AMOUNT OF BANK'S ITEMS OFF-SETTING FROM THE CAPITAL	56,274	86,541	154
4. AMOUNT OF BANK'S NET-CAPITAL (1. + 2. - 3.)	196,863	195,860	99
B. RISK WEIGHTED ASSETS AND LOAN EQUIVALENTS			
	822,355	927,785	113
C. NET CAPITAL RATE			
	23,9	21,1	88

INCOME STATEMENT

(in 000 KM)

DESCRIPTION/PERIOD	30,09,2002	%	30,09,2003	%	INDEX
1. INTEREST INCOME AND EXPENSE					
a) Interest income and similar income					
1) Interest bearing deposit accounts at depository institutions	1,898	4	2,290	5	121
2) Placements to other banks	753	2	1,863	4	247
3) Loans and leasing operations	39,386	88	30,874	71	78
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	193	1	39	0	20
7) Other interest income and similar income	2,281	5	8,938	20	392
8) TOTAL INTEREST INCOME AND OTHER INCOME (1 to 7)	44,511	100	44,004	100	99
b) Interest expense and similar expense					
1) Deposits	5,072	69	10,848	87	214
2) Borrowings from other banks	615	8	897	7	146
3) Borrowings – due obligations	63	1	0	0	0
4) Loan and other borrowing obligations	1,007	14	214	2	21
5) Subordinated debt and subordinated bonds	0	0	0	0	0
6) Other interest expense and similar expense	568	8	476	4	84
7) TOTAL INTEREST EXPENSE AND SIMILAR EXPENSE (1 to 6)	7,325	100	12,435	100	170
c) NET INTEREST AND SIMILAR INCOME a.8)-b.7)	37,186		31,569		85
2. OPERATING INCOME					
a) Foreign currency operation income	23,401	29	10,507	13	45
b) Loan fees	2,380	3	8,074	10	339
c) Off-balance sheet operation fees	2,571	3	3,988	5	155
d) Service fees	34,882	43	24,949	32	72
e) Trading operation income	867	2	573	1	66
f) Other operating income	17,731	20	30,856	39	174
g) TOTAL OPERATING INCOME (a to f)	81,832	100	78,947	100	96
3. NON-INTEREST BEARING EXPENSE					
a) Operating and direct expense					
1) Reserves for general loan risk and potential loan and other losses	64,924	73	66,381	93	102
2) Other operating and direct expenses	23,769	27	4,922	7	21
3) TOTAL OPERATING AND DIRECT EXPENSES 1) + 2)	88,693	100	71,303	100	80
b) Operating expenses					
1) Salaries and contributions	28,207	42	27,050	38	96
2) Office space, other fixed assets and overheads	29,981	45	25,768	37	86
3) Other operating expenses	9,081	13	17,641	25	194
4) TOTAL OPERATING EXPENSES (1 to 3)	67,269	100	70,459	100	105
c) TOTAL NON-INTEREST BEARING EXPENSES a.3) + b.4)	155,962		141,762		91
4. PROFIT BEFORE TAX 1.c)+2.g)-3.c)	4,735		9,612		203
5. LOSS 1.c) + 2.g) - 3.c)	41,679		40,858		98
6. TAX	118		111		94
7. NET-PROFIT 4. - 6.	4,619		9,501		206

STAFF

No.	BANKS	QUALIFICATION STRUCTURE									%
		NS*	KV*	VKV	SSS*	VS*	VSS*	MR*	DR*	TOTAL	
1.	Nova Bawalučka banka a.d.	7	11	4	242	49	97	4	0	414	18
2.	Hypo Alpe-Adria-Bank a.d.	9	0	1	172	19	75	2	0	278	12
3.	PB a.d. Srpsko Sarajevo	9	7	2	199	24	53	0	0	294	12
4.	Razvojna banka Jug. Evrope a.d.	5	12	9	262	84	120	1	1	494	21
5.	Bobar banka a.d.	0	6	0	37	8	20	2	0	73	3
6.	VB banka a.d.	2	0	1	28	4	29	0	0	64	3
7.	Zepter komerc banka a.d.	0	2	1	65	19	55	1	0	143	6
8.	Balkan Investment Bank a.d.	1	0	0	15	4	20	1	0	41	2
9.	Pavlović Internacional Bank a.d.	25	4	1	161	23	45	2	0	261	11
10.	Nova banka a.d.	3	0	0	109	65	101	3	0	281	12
UKUPNO		61	42	19	1,290	299	615	16	1	2,343	100
%		3	2	1	55	13	26	0	0	100	

*

NS = Non-Skilled Worker

KV = Skilled Worker

VKV = Highly Skilled Worker

SSS = Secondary School Diploma

VS = Junior College Graduation

VSS = College Graduation

MR = Master Degree

DR = Ph. D. Degree