



**BOSNIA AND HERZEGOVINA  
FEDERATION OF BOSNIA AND HERZEGOVINA  
BANKING AGENCY OF FEDERATION OF BOSNIA AND  
HERZEGOVINA**

**INFORMATION  
ON THE MICRO-CREDIT SYSTEM  
OF THE FEDERATION OF BOSNIA AND HERZEGOVINA  
AS OF 30.09.2010.**

Sarajevo, November 2010

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## **1. INTRODUCTION**

The law on micro-credit organizations („Official Gazette of the Federation of BiH“, number: 59/06) (Law on MCOs) regulates the establishment, registration, activities, form of organization, business operations, manner of management, termination of operations and supervision of micro-credit organization performance (MCO), that is micro credit foundation (MCF) and micro-credit companies (MCC) in the Federation of BiH. The authorities of the Banking Agency of the Federation of BiH (Agency) over these activities are regulated by the Law on the Banking Agency of Federation of Bosnia and Herzegovina („Official Gazette of the Federation of BiH“, number: 9/96, 27/98, 20/00, 45/00, 58/02, 13/03, 19/03, 47/06, 59/06 and 48/08) and internal acts of the Agency, furthermore all the listed activities are performed within the Department for supervision of micro-credit organizations.

### ***1.1. Performance trend of MCOs in BiH Federation in the 3rd<sup>d</sup> quarter of 2010***

There is a continuation of decline of the gross portfolio of MCCs during the third quarter of 2010, due to incapability of completing the loan payment plans and significant write off of loans that are 180 days delinquent. In comparison to the end of 2009, there is a gradual decrease of the negative result of the performance measured by the realized net result accrued on the annual level for the average assets. Although the operating sustainability of the organizations measured by the operating income on the operating expense deteriorated in comparison to the results realized for the first nine months of 2009, an improvement trend is still visible in the operating sustainability since the beginning of 2010 (with 78% in the first quarter, 79% in the second and 84% in the third quarter of 2010). The indicators of the loan portfolio quality had a deteriorating trend for the first two quarters of 2010, while the trend of the loan portfolio quality has improved in the third quarter of 2010. The risk portfolio has declined from 10,66% at the end of the second quarter of 2010 to 7,78%, while the percentage of the written off loans from 14,91% declined to 12,77%. Still, evident is the increasing trend of the restructuring loans.

The result of the presented trend in the performance in this period is the improvement of the internal control systems in major number of MCCs, adjustment of the loan policies and procedures with the emphasis on the importance of the collection in comparison to the previous focus on the loan pay out, as well as the focus on the improvement of the organization sustainability.

However the consequences of the aggressive growth strategy of most of the MCCs in the previous periods, the current economic environment as well as the general attitude of the public towards the sector, has left significant negative effects on the development of the MCCs which it seems can be overcome only by reconstructing the MCCs sector.

### ***1.2. Measures necessary on the level of MCOs sector to eradicate the adverse effects of business operations***

The Banking Agency of the Federation of BiH sees the necessary measures for eradicating the negative effects of the business operations and protection of the donated funds, in the changes to the Law on micro credit organizations with an aim to correct the vagueness of the existing

regulations, adjusting the decisions in regard to the changes of the law, defining all the important aspects of MCCs performance, improving the management segment and leadership, limiting the transactions with the related entities, etc. Also, the new legal framework would enable creation of the legal preconditions for implementation of an advisor role with as special authorizations in the case of significant irregularities in the performance and MCCs losses.

The consolidation on the level of micro-credit organizations is still an imperative for healing of the sector in the coming period which would stabilize the micro-credit sector, decrease the consequences of the excessive competition, increase the MCOs management and personnel competence, strengthen the capital base of a smaller number of stronger and more sound MCOs, as well as implement significant savings in business operation expenses, which in turn would influence the decrease of the micro-credit interest rates.

The Agency will insist on the following: the full application and implementation of the law and regulations of the Agency, improving the transparency of performance of MCOs, overcoming the problems that occurred in the quality of the loan portfolio, obliged exchange of information on the level of sectors and the Central credit registry of CBBiH, improvement of the institutional capacity and internal controls in MCOs, as well as the responsible lending and implementation of the mission and aims of micro-credit sector, and that implies performing the microcredit activities with an aim to improve material position of the users of microcredits, increase of the employment and providing support for the development of the entrepreneurship.

### ***1.3. Agency's regulations regarding business operations of MCOs***

The business operations of MCOs are more closely regulated by Agency's regulations, namely the decisions adopted by the Management Board of the Agency, published in the „Official Gazette of the Federation of BiH“ number: 27/07 and instructions for business operations of MCOs adopted by the Director of the Agency.

#### ***Agency's decisions regarding the business operations of MCOs***

- 1. Decision on conditions and the procedure for issuing the business operation license to micro-credit foundation established through the change of micro-credit organization form;*
- 2. Decision on conditions and the procedure for issuing and revoking the business operation license and other approvals to micro-credit organizations;*
- 3. Decision on conditions and procedure for issuing the business operation license and approval for acquisition of ownership participation through investments and transfer of property of the micro-credit foundation;*
- 4. Decision on supervision of the business operations of the micro-credit organizations;*
- 5. Decision on the form and content of reports that the micro-credit organizations submit to the Banking Agency of Federation of Bosnia and Herzegovina and the reporting deadlines;*
- 6. Decision on the amount and manner for allocating and maintaining reserves for covering the loan losses of micro-credit organizations;*
- 7. Decision on unified manner of accrual and recording of effective interest rates on loans and deposits,*
- 8. Decision on other general conditions for business operations of the macro-credit organizations and*
- 9. Decision on fees that the micro-credit organizations pay to the Banking Agency of the Federation of BiH*

***Agency's instructions for the business operations of MCOs***

- 1. Instructions for implementation of the Decision on unified manner of accrual and recording of effective interest rates on loans and deposits;*
- 2. Instruction for accrual of the risk weighed nominal and effective interest rates;*
- 3. Instruction for accrual of the adjusted return on assets;*
- 4. Instruction for accrual of the operational efficiency indicators and*
- 5. Instruction for development of the micro-credit organization reports.*

## **2. THE STRUCTURE OF MICRO-CREDIT ORGANIZATIONS**

As of 31.09.2010., there are 18 MCOs (licenses have been issued to 19 MCOs) in the Federation of Bosnia and Herzegovina, of that 17 MCF (18 MCFs were granted licenses and 1 MCF's license was revoked ) as nonprofit organizations and 1 MCC as a profit organization, as well as 40 MCCs organization units which head offices are in Republic Srpska. All MCFs that received the Agency's operating license performed the registration in compliance with the Law on MCOs, that is they were created through the change of MCOs form established in accordance with the Law on micro-credit organizations (,Official Gazette of the Federation of BiH, number: 24/00) (Law on MCOs from 2000.). Therefore, all the MCOs are legal successors of the property, rights and obligations of MCOs established in accordance with the Law on MCOs from 2000. In the Attachment 1., there are basic data on MCFs and MCCs to which the Agency issued the operating license for operations regarding the micro-credit lending.

As a result of rationalization of MCCs expenses, and foremost of MCFs, the trend of closing of the organizational units with head offices in the Federation continued as of 30.09.2010, so in comparison to 31.12.2009., the total number of organizational units with the head offices in the Federation declined by 4%. MCFs with head office in the Federation of BiH have a total of 386 organizational units, of which in the Federation of BiH 251, Republic Srpska 132 and District Brčko 3. A total of 218 organizational units of MCFs with head offices in the Federation of BiH have authorization to grant micro-credits, and as such are registered in the Registry of micro-credit foundations in the Federation of BiH at the Federal Ministry of Justice. There are 9 MCFs that have organizational units outside of the Federation of BiH.

The Agency issued a license to organizational units of a MCC with a head office in Republic Srpska, which operates in Federation of BiH through 40 business units and field offices.

## 2.1. Personnel

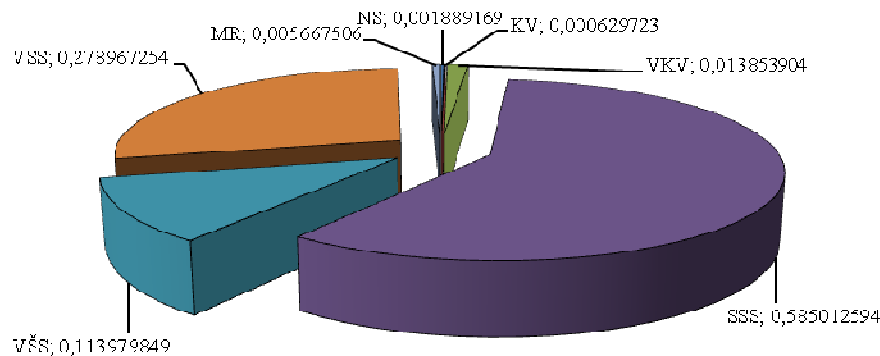
Table 1. Qualification structure of employees

No.	Qualification <sup>1</sup>	31.12.2009.		Total	Participation	30.09.2010.		Total	Participation	Index
		MKF	MCC			MCF	MCC			
1	2	3	4	5=(3+4)	6	7	8	9=(7+8)	10	11=9/5
1.	NS	4	0	4	0	3	0	3	0	75
2.	KV	2	0	2	0	1	0	1	0	50
3.	VKV	23	0	23	1	22	0	22	1	96
4.	SSS	1137	3	1140	64	926	3	929	59	81
5.	VŠS	214	0	214	12	181	0	181	11	85
6.	VSS	394	3	397	22	440	3	443	28	112
7.	MR	10	0	10	1	9	0	9	1	90
<b>TOTAL</b>		<b>1784</b>	<b>6</b>	<b>1790</b>	<b>100</b>	<b>1582</b>	<b>6</b>	<b>1588</b>	<b>100</b>	<b>89</b>

\* The above data do not include the data for MCF Kartagina, because this MKF did not submit its statements as of 30.09.2010.

As of 30.09.2009., micro-credit sector employed a total of 1.588 employees, which is for 204 employees or 11% less than as of 30.09.2009. That is a decrease in comparison to the end of 2009 by 202 employee, or 11%. MCFs employ 1.582 employees or 99,6%, and MCCs 6 employees or 0,4%. In the structure of employees the largest participation is of SSS of 59%, VSS of 28% and VŠS of 11%. Evident is an increase in strengthening the qualification structure through employment of individuals with higher education, that is increase of number of employees with VSS (12 %), and decrease of number of employees with NS, KV, VKV and SSS (by 18 %) in relation to 30.09.2009.

Qualification structure of employees as of 30.09.2010.



<sup>1</sup> NS – elementary education level, KV – vocational qualifications, VKV- higher vocational qualifications, SSS – high school degree, VŠS – two year college degree, VSS – University degree, MR – Master of Arts.

### 3. FINANCIAL INDICATORS OF MCOs PERFORMANCE

The Agency is performing the function of supervision and the examination of the financial condition of MCOs through on-site supervision and off-site (based on the reports that MCOs submit to the Agency), in compliance with the Law on MCOs and regulations of the Agency. The reporting base is composed of quarterly reports on balance sheet, capital, loans, reserves for loan losses, performance results and other reports on individual operation segments, as well as the monthly report on interest rates.

#### 3.1. Balance Sheet

Table 2. Balance Sheet MCO

in 000 KM

DESCRIPTION	31.12.2009.					30.09.2010.					Index
	For MCF	%	For MCC	%	TOTAL	For MCF	%	For MCC	%	TOTAL	
1	2	3	4	5	6=(2+4)	7	8	9	10	11=(7+9)	12
<b>ASSETS</b>											
1. Cash	64.748	8	13	1	64.761	51.021	9	29	2	51.050	79
2. Placements to banks	41.084	5	0	-	41.084	28.772	5	0	0	28.772	70
3. Loans	640.886		1.080		641.966	478.468		1.293		479.761	75
4. Less: reserves for loan losses	50.924		75		50.999	34.407		60		34.467	68
5. Net loans	589.962	77	1.005	90	590.967	444.061	75	1.233	88	445.294	75
6. Business premises and other fixed assets	51.927	7	91	8	52.018	49.989	8	97	7	50.086	96
7. Long term investments	2.000	-	0	-	2.000	3.500	0	0	-	3.500	175
8. Other assets	20.446	3	14	1	20.460	16.451	3	45	3	16.496	81
9. Less: reserves for other assets, except loans	1.610	-	0	-	1.610	901		0	-	901	56
<b>TOTAL ASSETS</b>	<b>768.557</b>	<b>100</b>	<b>1.123</b>	<b>100</b>	<b>769.680</b>	<b>592.893</b>	<b>100</b>	<b>1.404</b>	<b>100</b>	<b>594.297</b>	<b>77</b>
<b>LIABILITIES</b>											
10. Liabilities for loans taken	590.749	77	433	39	591.181	434.538	74	630	45	435.168	74
11. Other liabilities	24.142	3	44	4	24.186	20.320	3	75	5	20.395	84
12. Capital	153.666	20	646	58	154.312	138.035	23	699	50	138.734	90
<b>TOTAL LIABILITIES</b>	<b>768.557</b>	<b>100</b>	<b>1.123</b>	<b>100</b>	<b>769.680</b>	<b>592.893</b>	<b>100</b>	<b>1.404</b>	<b>100</b>	<b>594.297</b>	<b>77</b>
Off-balance sheet items	79.269		34		79.303	128.885		81		128.966	163

As of 30.09.2010., the MCOs balance sheet amount is 594,3 million KM and it decreased by 25% in relation to the amount as of 30.09.2009., and in comparison to the end of 2009, the balance sheet level declined by 23%. The balance sheet growth is recorded by 1 MCF and 1 MCC, and the decline by 15 MCF. The decline of the balance sheet level higher than 10% in relation to the end of 2009 is recorded by 11 MCFs. The highest participation in the total MCOs balance sheet is by six MCFs with assets in the amount of 550,3 million KM or 93%.

In the asset structure of MCOs, the cash funds are 51 million KM or 9% with a decline rate of 20% in comparison to 30.09.2009., that is with a decline rate of 21% in comparison to 31.12.2009., and mainly relate to cash funds of MCF. Some MCFs can face with the liquidity risk, the investors are generally showing a higher degree of caution due to expressed business

results that is the trend shown by the sector, which limit the access that the foundations might have to new loans that could cover for the short term liabilities, and that along with the poor collection of loans can lead to insolvency.

Net loans, that is, the gross loans deducted for the loan loss reserves, are 445,3 million KM or 75% of the total assets and are 32% in decline in comparison to the same quarter of last year that is declined by 25% in relation to the end of previous year. The decline of the net loans higher than 20% is recorded by 11 MCCs (of which 6 MCC have a decline higher than 30%), and only 2 MCCs have the same or higher level of net loans in comparison to the end of last year.

The business premises and other fixed assets are 50,1 million KM or 8% of total assets. Six MCFs have a percentage of fixed assets in the total assets higher than the prescribed amount.

The other assets are 16,5 million KM or 3%, and are composed of accrued interest, advance payments, active time reconciliation assets and other.

In the liability structure of MCOs, the liabilities on acquired loans are the basic source of funds and amount to 435,2 million KM or 73% of total liabilities and decreased by 26% in comparison to 30.09.2009.

Table 3. Maturity structure of loans taken

in 000 KM

DESCRIPTION	31.12.2009.				30.09.2010.				Index
	MCF	MCC	TOTAL	%	MCF	MCC	TOTAL	%	
1	2	3	4=(2+3)	5	6	7	8=(6+7)	9	10=8/4
<b>1. Liabilities on short term loans taken</b>	124.041	433	124.474	21	91.191	330	91.521	21	74
<b>2. Liabilities on long term loans taken</b>	466.708	0	466.708	79	343.347	300	343.647	79	74
<b>TOTAL</b>	<b>590.749</b>	<b>433</b>	<b>591.182</b>	<b>100</b>	<b>434.538</b>	<b>630</b>	<b>435.168</b>	<b>100</b>	<b>74</b>

\* The provided data do not include the information for MCF Kartagina, since this MCF did not submit reports as of 30.09.2010.

Of total liabilities on loans taken 343,6 million KM or 79% are long term loans, with a decline rate of 28% in relation to the same quarter of the last year that is a decline rate of 21% in relation to the end of last year. Of total liabilities on loans taken 91,5 million KM or 21% are short term loans, with a decline of 19% in comparison to the same quarter of last year, and 26% decline rate in comparison to the end of the last year. The liabilities from taken loans of MCFs amount to 434,5 million KM or 99,8% of total loans.

The most significant MCOs creditors are:

- 1.) AECI – Agency for international cooperation of Kingdom of Spain (47,9 million KM)
- 2.) EFSE – European fund for southeast Europe, Luxemburg (44,8 million KM);
- 3.) EBRD – European bank for reconstruction and development, Great Britain (43,8 million KM);
- 4.) DWM – Developing World Markets, USA (32,3 million KM)
- 5.) Blue Orchard Finance S.A., Switzerland (25,7 million KM);
- 6.) ICO – Instituto di Credito Oficial, Spain (23,5 million KM);
- 7.) Development Bank of Federation of BiH<sup>2</sup> (21,5 million KM);
- 8.) Oikokredit,

<sup>2</sup> The funds are allocated within the framework of the Local initiatives project LIP and LIP II, which management has been, by a Decision of the Government of F BiH, („Official Gazette of FBiH, number: 78/06 and 34/07), transferred to Development Bank of Federation of BiH.



Netherlands ( 14,2 million KM) **9.)** Triple Jump, Netherlands (12,7 million KM); **10.)** Triodos-Doen, Netherlands (12,7 million KM); **11)** Dexia Micro-credit, Switzerland (12,0 million KM); **12.)** Symbiotics, Switzerland (9,6 million KM); and other.

Other liabilities are 20,4 million KM or 3% of the total liabilities, and are made of liabilities towards employees, suppliers, passive time reconcilements and other.

Capital of MCOs as of 30.09.2010., is 138,7 million KM or 23% of total liabilities and declined by 23% in relation to the same quarter of last year, and is by 10% less than the end of the last year.

The off-balance sheet is 128,9 million KM, and it is almost 3,6 times higher than as of 30.09.2009. In relation to the end of last year, the off balance sheet is by 63% higher. Such significant increase in the amount of the off-balance sheet records in 2010 is a result of a more comprehensive reporting according to the Decision on amount and manner for establishing and allocating reserves for loan losses of the majority of micro credit organizations based on which all receivables due but not collected for 180 days, are litigated and written off from balance sheet to off balance sheet until their collection or permanent write off.

### 3.2. Capital

The total capital of MCOs as of 30.09.2010., is 138,7 million KM, of which amount the capital of MCFs is 138 million MCF or 99,5%, and the capital of one MCC is 0,7 million KM or 0,5%.

Table 4. Capital structure of MCOs

*in 000 KM*

DESCRIPTION	31.12.2009.					30.09.2010.					Index
	For MCF	%	For MCC	%	TOTAL	For MCF	%	For MCC	%	TOTAL	
1	2	3	4	5	6=2+4	7	8	9	10	11=7+9	12=11/6
Donated capital	43.212	28	0	0	43.212	43.502	32	0	0	43.502	101
Core Capital	5.770	4	600	93	6.370	9.962	7	600	86	10.562	166
Surplus/deficit of income over expenses	98.843	64	0	0	98.843	80.062	58	0	0	80.062	81
Issue premium	0	0	0	0	0	0	0	0	0	0	0
Undistributed income	0	0	46	7	46	0	0	1	0	1	2
Regulatory provisions	0	0	0	0	0	0	0	98	14	98	0
Other reserves	5.841	4	0	0	5.841	4.509	3	0	0	4.509	77
<b>TOTAL CAPITAL</b>	<b>153.666</b>	<b>100</b>	<b>646</b>	<b>100</b>	<b>154.312</b>	<b>138.035</b>	<b>100</b>	<b>699</b>	<b>100</b>	<b>138.734</b>	<b>90</b>

In the capital structure the most significant is the surplus of income over expenses which is 80,1 million KM, and constitutes 58% of total capital of MCFs, and is in decline for 23% in comparison to the end of the same quarter of last year, it is by 10% in decline in relation to the end of previous year. The deficit of income over expenses in the current year is realized by 14 MCF and surplus of income over expenses only 2 MCF, while only the MCC realized a net profit. Undivided profit of one MCC is 99 thousand KM or 14% of the total capital of MCC.

The significant source of capital of MCF is the donated capital which is 43,5 million KM or 31% of the total capital, whereas one MCC does not have donated capital. Other reserves are 4,5 million KM and refer to four MCFs.

### 3.3. Credit portfolio quality

The core activity of MCOs is the micro-crediting that refers to the amount of 479,8 million KM. The level of the total loans of sectors depends on the condition of loans of MCFs referring to 478,5 million KM or 99,7% of total loans, whereas MCCs relate to 1,3 million KM or 0,3% of total loans. Net loans, total loans minus the reserves for loan losses, are presented in the Table 5.

Table 5. Net loans

in 000 KM

No.	DESCRIPTION	31.12.2009.			30.09.2010.			Index
		MCF	MCC	Total	MCF	MCC	Total	
1	2	3	4	5=(3+4)	6	7	8=(6+7)	9=8/5
1.	Loans	640.886	1.080	641.966	478.468	1.293	479.761	75
2.	Reserves for loan losses	50.924	75	50.999	34.407	60	34.467	68
3.	<b>Net loans (1.-2.)</b>	<b>589.962</b>	<b>1.005</b>	<b>590.967</b>	<b>444.061</b>	<b>1.233</b>	<b>445.294</b>	<b>75</b>

Net loans are 445,3 million KM and decreased by 32% in comparison to the same quarter of the previous year, that is, it decreased by 25% in comparison to the end of previous year, while the loans on gross basis decreased by 31% in relation to the same quarter of the previous year, that is by 25% in relation to the end of the previous year. Loan loss reserves are 34,5 million KM and have decreased by 23% in relation to the same quarter of the previous year, that is, by 32% in relation to the end of the previous year. Although the loan loss reserves in the absolute amount are significantly lower in relation to the same period of previous year, the ratio of the loan loss reserves and the loan portfolio has a similar trend that is only a slight increase of around 1% in relation to the ration of the previous period.

Table 6. Department and maturity structure of micro-credit MCOs as of 30.09.2010.  
in 000 KM

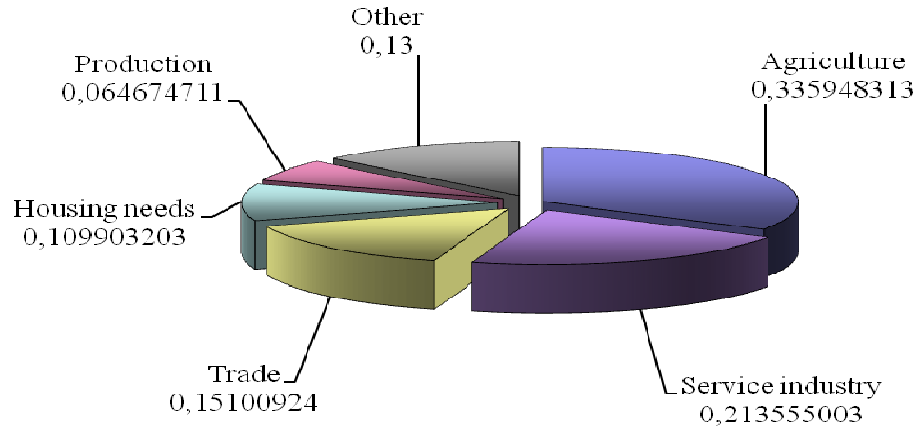
No.	Micro-credits	Short term loans	Long term loans	Past due receivables	TOTAL	%
1	2	3	4	5	6=(3+4+5)	7
<b>1.</b>	<b>Legal entities</b>					
a.)	Service industry	404	2.453	87	<b>2.944</b>	<b>41</b>
b.)	Trade	539	1.975	103	<b>2.617</b>	<b>36</b>
c.)	Agriculture	74	163	6	<b>243</b>	<b>3</b>
d.)	Production	154	780	28	<b>962</b>	<b>13</b>
e.)	Other	49	388	24	<b>461</b>	<b>7</b>
	<b>TOTAL 1:</b>	<b>1.220</b>	<b>5.759</b>	<b>248</b>	<b>7.227</b>	<b>100</b>
<b>2.</b>	<b>Individuals</b>					
a.)	Service industry	8.307	90.225	2.380	<b>100.912</b>	<b>21</b>
b.)	Trade	6.867	62.493	1.997	<b>71.357</b>	<b>15</b>
c.)	Agriculture	8.005	147.950	2.792	<b>158.747</b>	<b>34</b>
d.)	Production	2.522	27.427	612	<b>30.561</b>	<b>6</b>
e.)	Housing needs	1.401	49.630	902	<b>51.933</b>	<b>11</b>
f.)	Other	14.186	43.703	1.135	<b>59.024</b>	<b>13</b>
	<b>TOTAL 2:</b>	<b>41.288</b>	<b>421.428</b>	<b>9.818</b>	<b>472.534</b>	<b>100</b>
	<b>TOTAL (1+2):</b>	<b>42.508</b>	<b>427.187</b>	<b>10.066</b>	<b>479.761</b>	

According to the department structure of the micro-credits, 472,5 million KM or 98% of total loans are granted to the individuals, and 7,2 million or 2% to legal entities.

In the maturity structure of the micro-credits, short term loans, which include the past due receivables, are 52,6 million KM or 11%, and long term loans are 427,2 million KM or 89%. The total past due receivables are 10,1 million KM or 2,1% of the total loans.

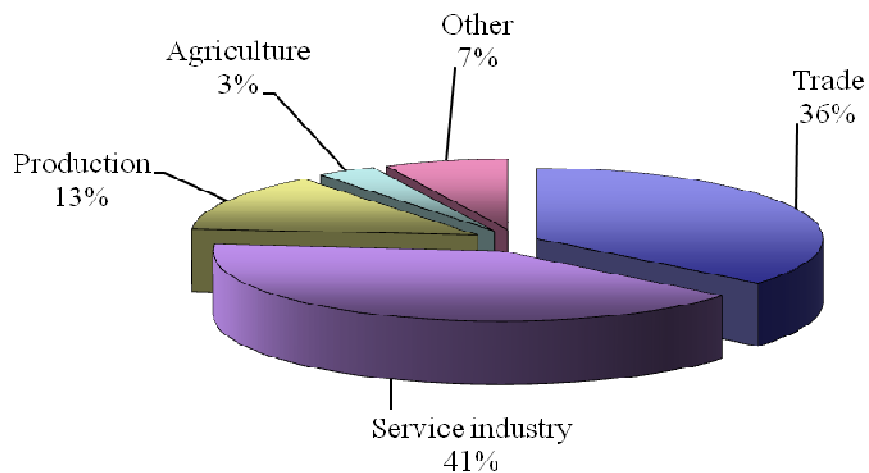
According to the sector structure the largest amount of total amount of micro-credits to legal entities has been allocated in the trade and service sector -trade 2,6 million, or 36%, and service industry 2,9 million KM or 41%. One million KM has been allocated for production, which is 13%, then 0,2 million KM for agriculture or 3%, and 0,5 million or 7% for other purposes.

### Sectorial structure of micro-loans originated to legal entities



In regard to loans to **individuals**, 158,8 million KM or 34% was granted to agriculture, then 100,9 million KM or 21% for service industry, whereas 71,4 million KM or 15% was granted to the sector of trade, for housing needs 51,9 million KM or 11%, and for production 30,6 million KM or 6%, and for other 59 million KM or 13%.

### Sectorial structure of micro-loans originated to individuals



Based on the analyses of the sector structure it is concluded that the micro-credit lending is in most part directed to lending to agriculture and service industry and mainly relates to long term loans to individuals.

According to the Decision on the amount and manner for allocating and maintaining the loan loss reserves of MCOs („Official Gazette of the Federation of BiH“, number: 27/07), MCOs are obliged to allocate all loan funds and other receivables in certain groups by applying the days of default criteria in such a manner that each group is assigned reserves for loan and other losses on the charge of operation expenses.

The base for accrual of the amount of the reserves is the amount of unpaid loan, accrued interest and fees and all other items where MCO is exposed to risk of payment default, which is business failure.

The following table shows the amounts of receivables distributed through the given groups and accrued interests in those groups as of 30.09.2010.:

Table 7. Report on amount and manner of establishing the reserves for loan losses as of 30.09.2010.

in 000 KM

No.	Days of default	Reserve rates	Loan amount	Past due interest		Amount of other assets items	Provisioning			Total Provisioning
				Reserve rates	Amount of interest		For loans	For past due interest	For other items of assets	
1	2	3	4	5	6	7	8=(4x3)/100	9=(5x6)/100	10=(7x3)/100	11=(8+9+10)
1.	1 - 15	2%	14.096	2%	286	531	282	6	11	298
2.	16 - 30	15%	15.750	100%	250	0	2.363	249	0	2.612
3.	31 - 60	50%	11.236	100%	352	0	5.618	352	0	5.970
4.	61 - 90	80%	6.973	100%	300	0	5.577	300	0	5.877
5.	91 - 180	100%	19.111	100%	1.297	0	19.111	1.297	0	20.408
6.	over 180	Charge off	23.965		3.962	0	23.965	3.962	0	27.927
<b>TOTAL</b>			<b>91.131</b>		<b>6.447</b>	<b>531</b>	<b>56.916</b>	<b>6.166</b>	<b>11</b>	<b>63.092</b>

Defaults in payment of longer than one day have loans in the amount of 67,16 million KM or 14% of total loans in the balance sheet. Although the rate for the loans in default of more than one day is higher than in relation to the same quarter of previous year when it was 11,7%, it still is lower than in relation to the end of previous year when it was 14,9%.

The total amount of past due interests on active loans that have a default longer than one day is 2,48 million KM.

Total amount of accrued reserves on all bases is 63 million KM.

### 3.4. Risk weighted nominal and effective interest rates for micro-credits

Effective interest rate on micro-credit loans is the actual market price of those loans, and is accrued and recorded in compliance with the Decision on the unified manner of accrual and recording of the effective interest rate on loans and deposits („Official Gazette of the Federation of BiH“, number: 27/07 and 46/09). The accrual of the effective interest rate includes the data on the amount of the nominal interest rate on loans, the amount of reimbursements and fees that MCOs calculate for the client in the loan approval process and the amount of reimbursements and fees known on the day of the calculation, that MCOs calculate for the client during the implementation of the loan agreement

Weighted nominal and effective interest rates are calculated on the newly approved loans in the reporting month.

Table 8. Average nominal and effective interest rates for microcredit loans

No.	DESCRIPTION	Risk- weighted nominal interest rate (average)	Risk- weighted effective interest rate (average)
<b>1.</b>	<b>Short term loans for:</b>		
1.1.	Service industry	23,91%	33,09%
1.2.	Trade	21,62%	31,56%
1.3.	Agriculture	22,71%	31,64%
1.4.	Production	24,33%	31,54%
1.5.	Housing needs	23,46%	27,29%
1.6.	General purpose – basic needs	32,00%	38,99%
1.7.	Other	21,03%	29,11%
<b>2.</b>	<b>Long term loans for:</b>		
2.1.	Service industry	24,67%	28,78%
2.2.	Trade	25,86%	30,27%
2.3.	Agriculture	20,88%	24,18%
2.4.	Production	23,42%	26,70%
2.5.	Housing needs	20,29%	22,94%
2.6.	General purpose - basic needs	23,93%	27,60%
2.7.	Other	24,77%	30,66%

For short term loans, average nominal interest rates are in the range between 21,03% for other to 32,00% for general purpose loans, and for the effective interest rate in the range of 27,29% for housing needs to 38,99% for general purpose loans.

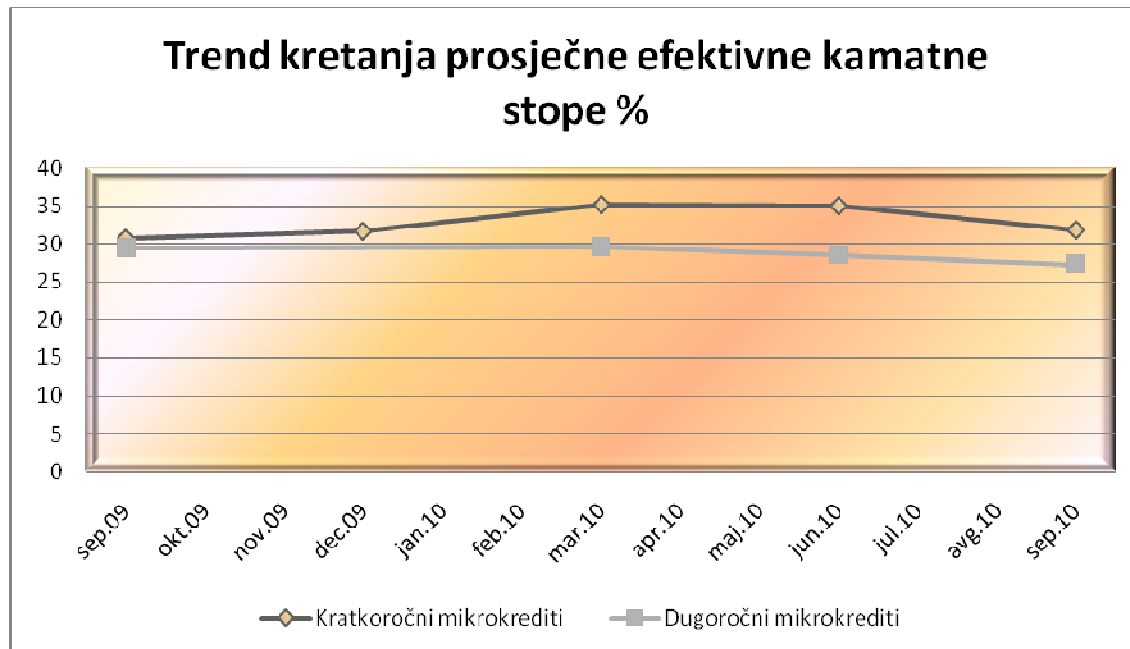
For long term loans, the average nominal interest rates are in the range between 20,29% for housing needs to 25,86% for trade, and effective interest rate in the range of 22,94% for housing needs to 30,66% for other.

The average effective interest rates on short term and long term micro-credits in the Federation of BiH through quarters are presented in the following table.

Table 9. Trend of average effective interest rates (EIR) on micro-credit through quarters

AVERAGE EIR in %	09/2009	12/2009	03/2010	06/2010	09/2010
Short term micro-credits	30,69	31,73	35,20	35,04	31,89
Long term micro-credits	29,39	31,52	29,58	28,54	27,30

Graphic illustration of the average effective interest rates for short term and long term loans through quarters.



The forming of the interest rates for micro-credits is determined on the basis of the capital expenses that MCOs use for funding the portfolio, administration expenses, expenses of provisioning for debt losses, as well as the expense of the capitalization. Higher interest rates on micro-credits in relation to bank loans are calculated so that the organizations could cover for mentioned expenses, and reach the financial sustainability level as the guarantee of a MCO endurance. MCF that has the lowest EIR is not operationally and financially sustainable, so the operating expenses are financed from donations.

### 3.5. Income Statement

The structure of the income statement of the micro-credit sector in the Federation of BiH is presented in the Table 10.

Table 10. Income Statement MCOs for the period from 01.01.to30.09.2010.

No.	DESCRIPTION	For the period 01.01. - 30.09.2009.				For the period 01.01. - 30.09.2010.				Index
		MCF	MCC	Total	%	MCF	MCC	Total	%	
1	2	1	2	3=(1+2)	4	5	6	7=(5+6)	8	9=(7/3)
<b>1.</b>	<b>INTEREST INCOME AND SIMILAR TYPES OF INCOME</b>									
1.1.	Interest income and similar types of income	128.663	158	128.821	96	89.605	218	89.823	94	70
1.2.	Operating income	5.994	31	6.024	4	5.250	27	5.277	6	88
<b>2.</b>	<b>TOTAL INCOME (1.1.+1.2.)</b>	<b>134.656</b>	<b>188</b>	<b>134.845</b>	<b>100</b>	<b>94.855</b>	<b>245</b>	<b>95.100</b>	<b>100</b>	<b>71</b>
<b>3.</b>	<b>EXPENSES</b>									
3.1.	Income expenses and similar expenses	34.954	15	34.969	24	25.733	41	25.774	23	74
3.2.	Operating expenses	55.080	139	55.219	37	52.588	171	52.759	47	96
3.3.	Expenses for reserves for loan and other losses	57.900	27	57.927	39	33.367	33	33.400	30	58
<b>4.</b>	<b>TOTAL EXPENSES (3.1.+3.2.+3.3.)</b>	<b>147.934</b>	<b>181</b>	<b>148.115</b>	<b>100</b>	<b>111.688</b>	<b>245</b>	<b>111.933</b>	<b>100</b>	<b>76</b>
5.	EXTRAORDINARY INCOME	3.297	2	3.299		7.179	1	7.180		218
6.	EXTRAORDINARY EXPENSES	1.503	0	1.503		5.319	0	5.319		353
<b>7.</b>	<b>TOTAL INCOME -EXPENSES (2+5-4-6)</b>	<b>-11.483</b>	<b>9</b>	<b>-11.474</b>		<b>-14.973</b>	<b>1</b>	<b>-14.972</b>		
8.	SURPLUS/DEFICIT OF INCOME OVER EXPENSES	-11.483				-14.973		-14.973		
9.	INCOME BEFORE TAXES		9				1	1		
10.	TAXES		1				0	0		
11.	NET INCOME/LOSS		8				1	1		
<b>12.</b>	<b>TOTAL FINANCIAL RESULT</b>			<b>-11.475</b>				<b>-14.972</b>		

The total income of MCOs for the period of 01.01. - 30.09.2010., is 95,1 million KM, of which 94,9 million KM or 99,7% refers to income of MCFs, and 0,2 million KM or 0,3% on income of one MCC. In comparison to the same period of last year, total income of MCCs is in decline by 39,7 million KM, or 24,3%.

The core income is interest income and it is 89,8 million KM or 94,5 % of total income and in relation to the same period of previous year the interest income is in decline by 39,0 million KM or 30,3%.

The total expenses are 111,9 million KM, of which 111,7 million or 99,8% relates to expenses of MCF, and 0,2 million KM or 0,2% to expenses of one MCC. In relation to the same period of last year the total expenses have declined by 36,2 million KM or 24%.



In the structure of expenses, 25,8 million KM or 23% of total expenses are expenses related to interests on acquired loans and other similar expenses, and have decreased by 9,2 million KM or 26,3% in regard to the same period of last year. Operational expenses are 52,8 million KM or 47% of total expenses and in relation to the same period of last year decreased by 2,5 million KM or 4,5%. The operating expenses refer to expenses of salaries and contributions (27,8 million KM), expenses related to the business premises, other fixed assets and utilities (12,3 million KM: 01.01.-30.09.2009.), and other operating expenses 12,7 million KM. (01.01.-30.09.2009.: 12,1 million KM). The expenses related to the reserves for loan losses and other losses are 33,4 million KM or 30,0% of total expenses, and in comparison to the same period last year decreased by 24,5 million KM or 42,3%.

For the period of 01.01.-30.09.2009., the net income of one MCC was 1 thousand KM (01.01. – 30.09.2009.: 8 thousand KM). In the same period MCF realized a deficit of income over expenses in a total amount of 15,0 million KM, while in the same period of last year the MCFs realized a deficit of income over expenses in a total amount of 11,5 million KM. In the period from 01.01 to 30.09.2010, of total 17 MCFs, 14 MCFs had a deficit of income over expenses in a total amount of 15,1 million KM, and 2 MCF realized an income surplus in the amount of 0,1 million KM). On the level of the microcredit sector in the Federation of BiH, there is realized a negative financial result in the amount of 15 million KM in relation to the same period of the last year the income deficit over the expenses is by 3,5 million KM higher.

#### 4. CONCLUSION

Analyzing the reports of MCOs as of 30.09.2010., we can conclude the following:

- Aggregate balance sheet of MCOs as of 30.09.2010. is 594,3 million KM, of which 592,9 million KM refers to MCFs or 99,8%, and 1,4 million KM to MCCs or 0,2% of the total balance sheet of MCOs;
- At the end of the third quarter, the aggregate balance sheet of MCOs decreased by 197,4 million KM or 25% in comparison to the same quarter of the last year, that is it decreased by 175,4 million KM or 22,8% in comparison to the end of last year;
- The total gross loans of MCOs as of 30.09.2010. are 479,8 and net loans 445,3 million KM and are 75% of total assets of MCOs;
- The basic source of funds for MCOs are liabilities on acquired loans that, as of 30.09.2010., are 435,2 million KM or 73% of total liabilities of MCOs;
- The total capital of MCOs as of 30.09.2010., is 138,7 million KM, of which the capital of MCF is 138 million KM, and MCC 0,7 million KM. The most significant items of capital of MCFs are the surplus of income over expenses in the amount of 80,1 million KM, which constitutes 58% of the total capital of MCF. The undivided profit and reserves of one MCC are 0,1 million KM or 14% of total capital of MCCs, while the core capital is 0,6 million KM or 86% of total capital of MCCs.
- As of 30.09.2010., the MCFs realized a surplus in income over expenses in the amount of 0,1 million KM, while the deficit of income over expenses was 15,1 million KM, which means that MCFs as of 30.09.2010., performed with a deficit income over expenses in the total amount of 15 million KM. As of 30.09.2010., MCCs realized a net profit in the amount of 1 thousand KM.

In the following period, the MCOs need to intensely work on:

- Applying and implementing the law and regulations of the Agency;
- Improving the performance efficiency and optimization of resources of MCOs;
- Responsible lending and implementing the mission and aims of the micro-credit sector;
- Overcoming the problems that occurred in the credit portfolio quality;
- Exchange of information on the level of department and the Central credit registry;
- Improving the institutional capacity and adjusting the systems of loan payout and collection;
- Preserving the donated funds; and
- Finding possibilities for the consolidation of MCOs within the departments in order to provide for the strengthening of the departments, stabilization of the market conditions and use of the potential for further development and preserving the sector sustainability.

## **ATTACHMENTS**

- Attachment 1. Basic Data on MCOs
- Attachment 2. Balance Sheet MCFs
- Attachment 3. Balance Sheet MCCs
- Attachment 4. Income Statement MCFs
- Attachment 5. Income Statement MCCs

## Attachment 1.

## BASIC DATA ON MCOs

No.	Micro-credit organization name	Address and main office	Director	Tel/Fax	E-mail and Web	30.09.2010.	
						Amount of assets in 000 KM	Number of employees
1.	MKD "ADRIA mikro" d.o.o. Mostar	Kneza Višeslava 14 88 000 MOSTAR	Dužanka Begović	036/ 348-891, 348-890 fax	adria.mikro@tel.net.ba	1.404	6
2.	MKF "BOSANSKO SELO" Srebrenik	21. Srebreničke brigade bb 75 350 SREBRENİK	Zijad Smajić	035/ 644-898 tel/fax	mobossel@bih.net.ba	643	5
3.	MKF "EKI" Sarajevo	Džemala Bijedića bb 71 000 SARAJEVO	Sadina Bina	033/ 754-370, 754-388 fax	sbina@mkoeki.com www.mkoeki.com	127.509	274
4.	MKF "KARTAGINA" Sarajevo	Ferde Hauptmana 7 71 000 SARAJEVO	Davor Pozojević	033/ 523-395, 613-334 fax	mkokartagina@gmail.com	-	-
5.	MKF "LIDER" Sarajevo	Skenderija 68 71 000 SARAJEVO	Zijad Hasović	033/ 250-580, 250-581 fax	zijadh@lider.ba www.lider.ba	11.086	45
6.	"LOK MKF" Sarajevo	Skenderija 13 71 000 SARAJEVO	Nusret Čaušević	033/ 564-200, 564-201 fax	central.office@lok.ba www.lok.ba	81.526	262
7.	MKF "MELAHA" Sarajevo	Hamdije Kreševljakovića 59 71 000 SARAJEVO	Iso Abinun	033/ 205-737 tel/fax	iso@melaha.ba	870	3
8.	MKF "MIBA" Tuzla	Đorđa Mihajlovića 4/III 75 000 TUZLA	Mirsad Bahić	035/ 363-601, 277-455 fax	miba@vesta.ba www.miba.ba	737	4
9.	MKF "MI-BOSPO" Tuzla	Bosne srebrene bb 75 000 TUZLA	Nejira Nalić	035/ 270-283, 252-448 fax	mi-bospo@mi-bospo.org www.mi-bospo.org	49.986	130
10.	MKF "MIKRA" Sarajevo	Marka Marulića 2/VI 71 000 SARAJEVO	Sanin Čampara	033/ 616-162, 717-141 fax	mikra@mikra.ba www.mikra.ba	14.420	88
11.	MKF "MIKRO ALDI" Goražde	Panorama bb 73 000 GORAŽDE	Ferida Softić	038/ 226-456, 221-004 fax	mka.aldi@bih.net.ba www.mikroaldi.org	4.102	24
12.	"PARTNER MKF" Tuzla	15. maja bb 75 000 TUZLA	Senad Sinanović	035/ 300-250, 300-269 fax	partner@partner.ba www.partner.ba	133.303	261
13.	MKF "PRIZMA" Sarajevo	Bistrik Medresa 43 71 000 SARAJEVO	Kenan Crnkić	033/ 573-320, 446-583 fax	hq@prizma.ba www.prizma.ba	93.016	232
14.	"PRVA ISLAMSKA MKF" Sarajevo	Jukićeva 75 71 000 SARAJEVO	Edina Hadzimurtezic	033/ 666-224, 268-350 fax	info@islamic-relief.ba	1.545	10
15.	MKF "SANI" Zenica	Mehmedalije Tarabara 10 72 000 ZENICA	Sulejman Haračić	032/ 405-606 tel/fax	mikrosanizenica@yahoo.com	582	3
16.	MKF "SUNRISE" Sarajevo	Hamdije Kreševljakovića 51 71 000 SARAJEVO	Zoran Dučić	033/ 278-020, 278-032 fax	sunrise@microsunrise.ba www.microsunrise.ba	64.999	177
17.	MKF "VORTT-INVEST" Sarajevo	Azize Šaćirbegović 128 71 000 SARAJEVO	Mustafa Kapić	033/720-949, 720-941 fax	vorttdoo@yahoo.com	649	1
18.	MKF "ŽENE ZA ŽENE International" Sarajevo	Džemala Bijedića 130 71 000 SARAJEVO	Seida Sarić	033/ 770-010, 770-012 fax	general@zenezazene.ba www.womenforwomen.org	7.920	63
<b>TOTAL</b>						<b>594.297</b>	<b>1.588</b>

Attachment 2.

**BALANCE SHEET OF MCFs**

in 000 KM

No.	DESCRIPTION	31.12.2009.	%	30.09.2010.	%	Index
1	2	3	4	5	6	7=5/3
<b>ASSETS</b>						
<b>1.</b>	<b>Cash (1a+1b)</b>	<b>64.748</b>	<b>8</b>	<b>51.021</b>	<b>8</b>	<b>79</b>
1a)	Cash and noninterest –bearing deposit accounts	17.274	2	14.250	2	82
1b)	Interest-bearing deposit accounts	47.474	6	36.771	6	77
2.	Placement to banks	41.084	5	28.772	5	68
3.	Loans	640.886		478.468		75
3a)	Reserves for loan losses	50.924		34.407		68
<b>3b)</b>	<b>Net loans (3-3a)</b>	<b>589.962</b>	<b>77</b>	<b>444.061</b>	<b>75</b>	<b>75</b>
4.	Premises and other fixed assets	51.927	7	49.989	8	96
5.	Long term investments	2.000	0	3.500	1	175
6.	Other assets	20.446	3	16.451	3	80
7.	Less: reserves for other items of the assets, except loans	1.610		901		56
<b>8.</b>	<b>TOTAL ASSETS</b>	<b>768.557</b>	<b>100</b>	<b>592.893</b>	<b>100</b>	<b>77</b>
<b>LIABILITIES</b>						
9.	Liabilities on taken short term loans	124.041	16	91.191	15	74
10.	Liabilities on taken long term loans	466.708	61	343.347	58	74
11.	Other liabilities	24.142	3	20.320	4	84
<b>12.</b>	<b>TOTAL LIABILITIES</b>	<b>614.891</b>	<b>80</b>	<b>454.858</b>	<b>77</b>	<b>74</b>
13.	Donated capital	43.212		43.502		101
14.	Core capital	5.770		9.962		173
<b>15.</b>	<b>Surplus of income over expenses</b>	<b>140.934</b>		<b>109.785</b>		<b>78</b>
15a)	For previous years	139.202		109.625		79
15b)	For current year	1.733		160		9
<b>16.</b>	<b>Deficit of income over expenses</b>	<b>42.091</b>		<b>29.723</b>		<b>71</b>
16a)	For previous years	905		14.655		0
16b)	For current year	41.186		15.068		37
17.	Other reserves	5.841		4.509		77
<b>18.</b>	<b>TOTAL CAPITAL</b>	<b>153.666</b>	<b>20</b>	<b>138.035</b>	<b>23</b>	<b>90</b>
<b>19.</b>	<b>TOTAL LIABILITIES</b>	<b>768.557</b>	<b>100</b>	<b>592.893</b>	<b>100</b>	<b>77</b>
<b>OFF BALANCE SHEET</b>						
	<b>- written off loans</b>	79.269		113.370		143

Attachment 3.

**BALANCE SHEET MCCs**

*In 000 KM*

No.	DESCRIPTIONS	31.12.2009.	%	30.09.2010.	%	Index
1	2	3	4	5	6	7=5/3
<b>ASSETS</b>						
<b>1.</b>	<b>Cash (1a+1b)</b>	<b>13</b>	<b>1</b>	<b>29</b>	<b>2</b>	<b>223</b>
1a)	Cash and noninterest –bearing deposit accounts	13	1	29	2	223
1b)	Interest-bearing deposit accounts	0	0	0	0	0
2.	Placements to banks	0	0	0	0	0
3.	Loans	1.080		1.293		120
3a)	Reserves for loan losses	75		60		80
<b>3b)</b>	<b>Net loans (3-3a)</b>	<b>1.005</b>	<b>90</b>	<b>1.233</b>	<b>88</b>	<b>123</b>
4.	Premises and other fixed assets	91	8	97	7	107
5.	Long term investments	0	0	0	0	0
6.	Other assets	14	1	45	3	32
7.	Less: reserves for other items of the assets, except loans	0		0		0
<b>8.</b>	<b>TOTAL ASSETS</b>	<b>1.123</b>	<b>100</b>	<b>1.404</b>	<b>100</b>	<b>125</b>
<b>LIABILITIES</b>						
9.	Liabilities on taken short term loans	433	38	330	24	76
10.	Liabilities on taken long term loans	0	0	300	21	-
11.	Other liabilities	44	4	75	4	170
<b>12.</b>	<b>TOTAL LIABILITIES</b>	<b>477</b>	<b>42</b>	<b>705</b>	<b>50</b>	<b>148</b>
13.	Donated capital	0		0		0
14.	Core capital	600		600		100
15.	Issue premium	0		0		-
<b>16.</b>	<b>Undistributed profit (16a+16b)</b>	<b>46</b>		<b>1</b>		<b>4</b>
16a)	Previous years	24		0		0
16b)	Current year	23		1		4
17.	Regulatory reserves	0		98		-
18.	Other reserves	0		0		-
<b>19.</b>	<b>TOTAL CAPITAL</b>	<b>646</b>	<b>58</b>	<b>699</b>	<b>50</b>	<b>108</b>
<b>20.</b>	<b>TOTAL LIABILITIES</b>	<b>1.123</b>	<b>100</b>	<b>1.404</b>	<b>100</b>	<b>125</b>
<b>OFF BALANCE SHEET</b>						
	<b>- written off loans</b>	34		81		238

Attachment 4.

**INCOME STATEMENT OF MCFs**

in 000 KM

No.	DESCRIPTION	From 01.01. to 30.09.2009.	%	From 01.01. to 31.12.2009.	%	From 01.01. to 30.09.2010.	%	Index 9=(7/3)
1	2	3	4	5	6	7	8	9=(7/3)
<b>I</b>	<b>FINANCIAL INCOME AND EXPENSES</b>							
<b>1.</b>	<b>Interest income and similar income</b>							
1.1.	Interest from interest bearing deposit accounts with depositary institutions	279	0	687	1	912	1	327
1.2.	Interest from placements to banks	350	0	307	0	717	1	205
1.3.	Loan interest	127.763	100	164.760	99	87.203	97	68
1.4.	Other financial income	271	0	532	0	773	1	285
<b>1.5.</b>	<b>Total interest income and similar income (1.1. to 1.4.)</b>	<b>128.663</b>	<b>100</b>	<b>166.287</b>	<b>100</b>	<b>89.605</b>	<b>100</b>	<b>70</b>
<b>2.</b>	<b>Interest expenses and similar expenses</b>							
2.1.	Interest on borrowings	33.189	95	42.930	94	23.855	93	72
2.2.	Other financial expenses	1.765	5	2.861	6	1.878	7	48
<b>2.3.</b>	<b>Total interest expenses and similar expenses (2.1. to 2.2.)</b>	<b>34.954</b>	<b>100</b>	<b>45.791</b>	<b>100</b>	<b>25.733</b>	<b>100</b>	<b>74</b>
<b>3.</b>	<b>Net financial income (1.5. - 2.3.)</b>	<b>93.709</b>		<b>120.496</b>		<b>63.872</b>		<b>68</b>
<b>II</b>	<b>OPERATING INCOME AND EXPENSES</b>							
<b>4.</b>	<b>Operating income</b>							
4.1.	Fees for completed services	5.297	88	6.794	91	4.918	94	93
4.2.	Other operating income	697	12	647	9	332	6	48
<b>4.3.</b>	<b>Total operating income (4.1. to 4.2.)</b>	<b>5.994</b>	<b>100</b>	<b>7.441</b>	<b>100</b>	<b>5.250</b>	<b>100</b>	<b>88</b>
<b>5.</b>	<b>Operating expenses</b>							
5.1.	Cost of salaries and benefits	30.792	56	41.232	55	27.700	53	90
5.2.	Costs of business premises, other fixed assets and utilities	12.201	22	17.075	23	12.265	23	101
5.3.	Other operating expenses	12.087	22	17.286	23	12.623	24	104
<b>5.4.</b>	<b>Total operating expenses (5.1. to 5.3.)</b>	<b>55.080</b>	<b>100</b>	<b>75.593</b>	<b>100</b>	<b>52.588</b>	<b>100</b>	<b>95</b>
6.	Cost of provisioning for loan and other losses	57.900		98.349		33.367		58
<b>7.</b>	<b>Surplus/deficit of income over expenses from direct business operations (3.+4.3.- 5.4.-6.)</b>	<b>-13.277</b>		<b>-46.005</b>		<b>-16.833</b>		<b>127</b>
8.	Extraordinary income	3.297		10.026		7.179		217
9.	Extraordinary expenses	1.503		3.474		5.319		354
<b>10.</b>	<b>Surplus/deficit of income over expenses (7.+8.-9.)</b>	<b>-11.483</b>		<b>-39.453</b>		<b>-14.973</b>		<b>130</b>

Attachment 5.

INCOME STATEMENT MCCs

in 000 KM

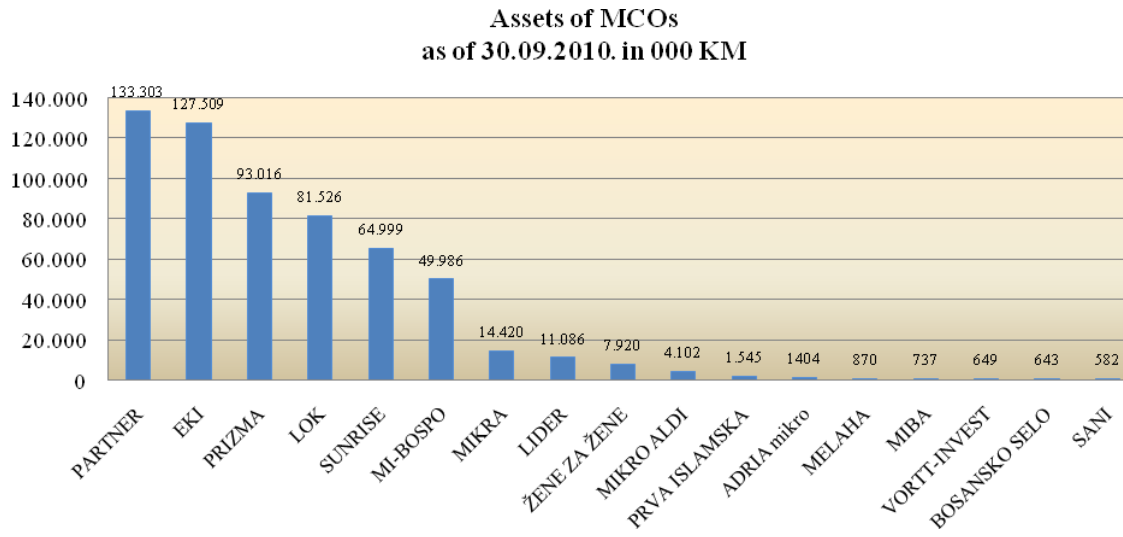
No.	DESCRIPTION	From 01.01. to 30.09.2009.	%	From 01.01. to 31.12.2009.	%	From 01.01. to 30.09.2010.	%	Index
1	2	3	4	5	6	7	8	9=(7/3)
<b>I</b>	<b>FINANCIJSKI PRIHODI I RASHODI</b>							
<b>1.</b>	<b>Interest income and similar income</b>							
1.1.	Interest from interest bearing deposit accounts with depositary institutions	0	0	0	0	0	0	0
1.2.	Interest from placements to banks	0	0	0	0	0	0	0
1.3.	Interest from loans	157	99	214	99	217	100	138
1.4.	Other financial income	1	1	2	1	1	0	100
<b>1.5.</b>	<b>Total interest income and similar income (1.1. to 1.4.)</b>	<b>158</b>	<b>100</b>	<b>216</b>	<b>100</b>	<b>218</b>	<b>100</b>	<b>138</b>
<b>2.</b>	<b>Interest expenses and similar expenses</b>							
2.1.	Interest on borrowings	15	100	25	100	41	100	273
2.2.	Other financial expenses	0	0	0	0	0	0	-
<b>2.3.</b>	<b>Total interest expenses and similar expenses (2.1. to 2.2.)</b>	<b>15</b>	<b>100</b>	<b>25</b>	<b>100</b>	<b>41</b>	<b>100</b>	<b>273</b>
<b>3.</b>	<b>Net financial income (1.5. - 2.3.)</b>	<b>143</b>		<b>192</b>		<b>177</b>		<b>124</b>
<b>II</b>	<b>OPERATIONAL INCOME AND EXPENSES</b>							
<b>4.</b>	<b>Operating income</b>							
4.1.	Fees for completed services	27	88	36	86	19	70	70
4.2.	Other operating income	4	12	6	14	8	30	750
<b>4.3.</b>	<b>Total operating income (4.1. to 4.2.)</b>	<b>31</b>	<b>100</b>	<b>42</b>	<b>100</b>	<b>27</b>	<b>100</b>	<b>323</b>
<b>5.</b>	<b>Operating expenses</b>							
5.1.	Costs of salaries and benefits	59	42	79	43	65	38	110
5.2.	Costs of business premises, other fixed assets and utilities	54	39	72	38	47	27	87
5.3.	Other operating expenses	26	19	36	19	59	35	227
<b>5.4.</b>	<b>Total operating expenses (5.1. to 5.3.)</b>	<b>139</b>	<b>100</b>	<b>187</b>	<b>100</b>	<b>171</b>	<b>100</b>	<b>123</b>
6.	Cost of provisioning for loan and other losses	27		28		33		122
<b>7.</b>	<b>PROFIT/LOSS FROM DIRECT BUSINESS OPERATIONS (3.+4.3.-5.4.-6.)</b>	<b>7</b>		<b>19</b>		<b>0</b>		<b>0</b>
8.	Extraordinary income	2		3		1		50
9.	Extraordinary expenses	0		0		0		0
10.	INCOME/LOSS BEFORE TAXES	9		23		1		11
11.	TAXES	1		2		0		0
<b>12.</b>	<b>NET PROFIT/LOSS</b>	<b>8</b>		<b>20</b>		<b>1</b>		<b>12</b>



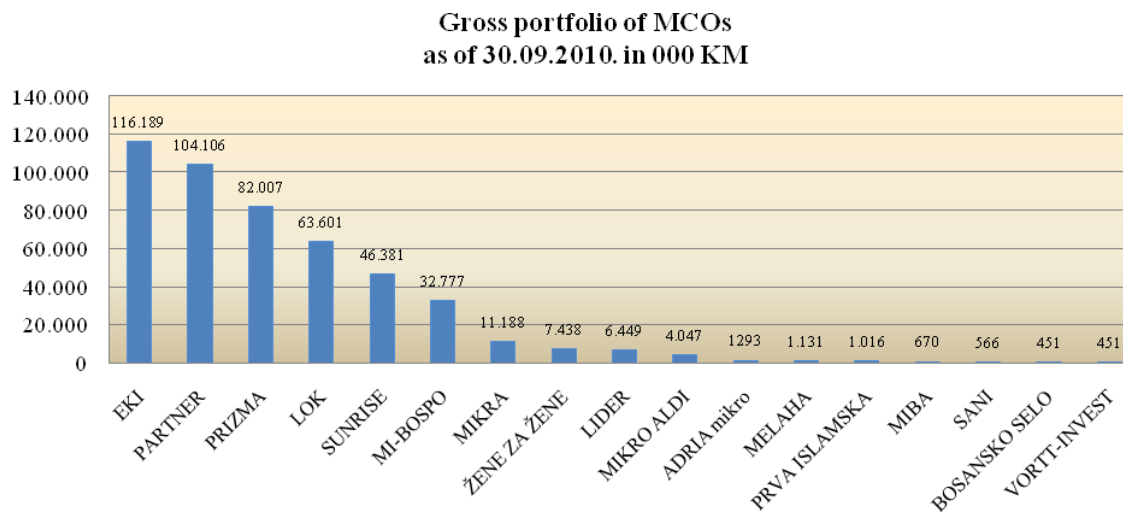
**GRAPHS:**

- Graph 1. Amount of MCOs assets as of 30.09.2010 in 000 KM.
- Graph 2. Amount of MCOs gross portfolio as of 30.09.2010. in 000 KM
- Graph 3. Amount of MCOs capital as of 30.09.2010.
- Graph 4. Income surplus/deficit over the expenses of MCFs,  
that is net profit/loss of MCCs as of 30.09.2010. in 000 KM
- Graph 5. Number of MCOs employees as of 30.09.2010.
- Graph 6. Average risk weighted EIR for short term loans for MCOs in the 3<sup>rd</sup> quarter  
of 2010.
- Graph 7. Average risk weighted EIR for long term loans for MCOs in the third  
quarter of 2010.

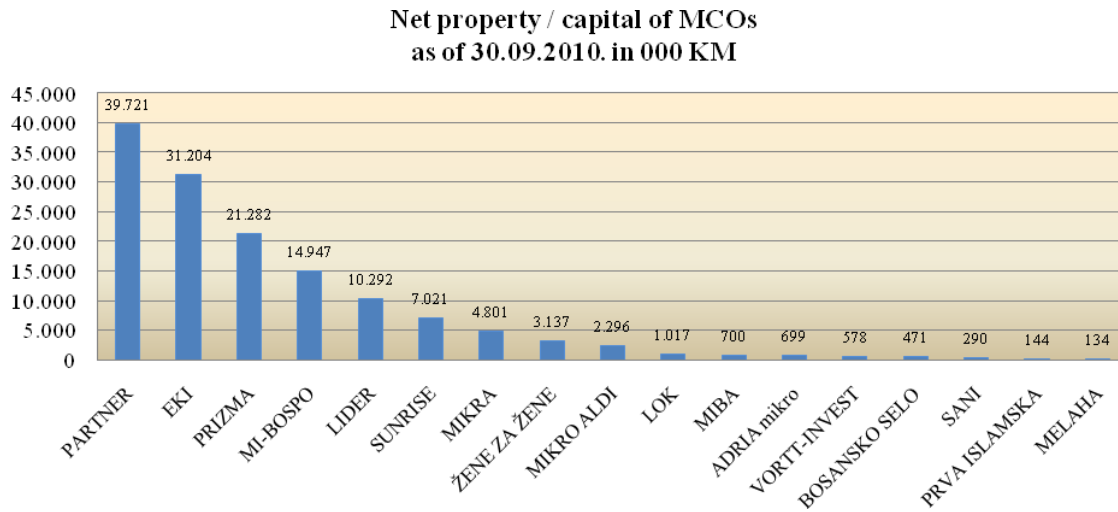
**Graph 1.**



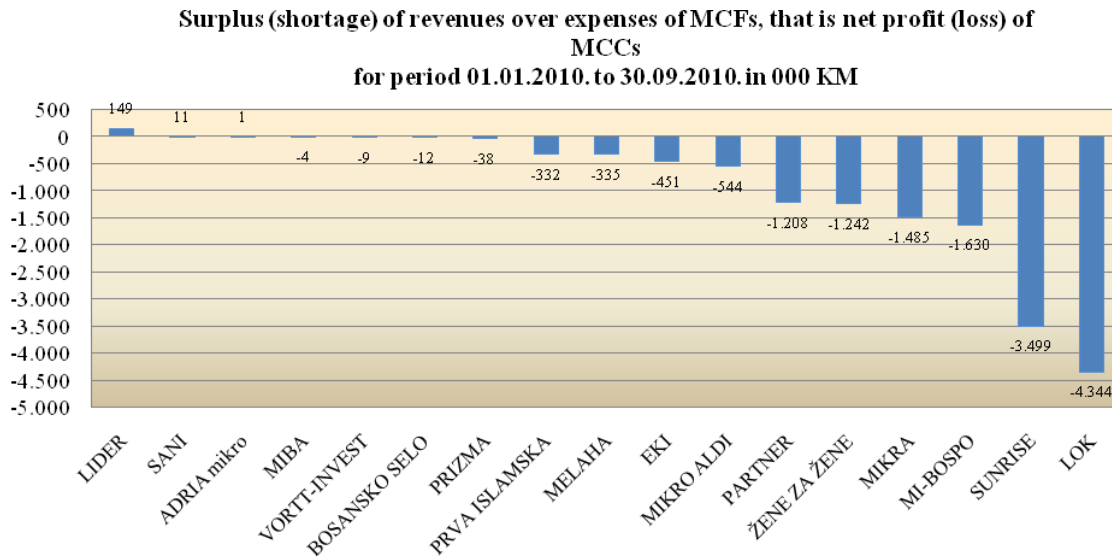
**Graph 2.**



**Graph 3.**

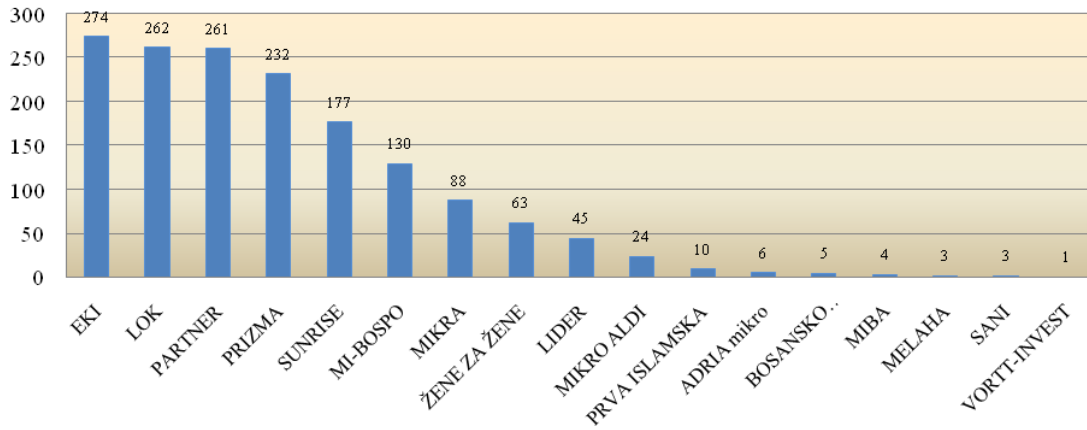


**Graph 4.**



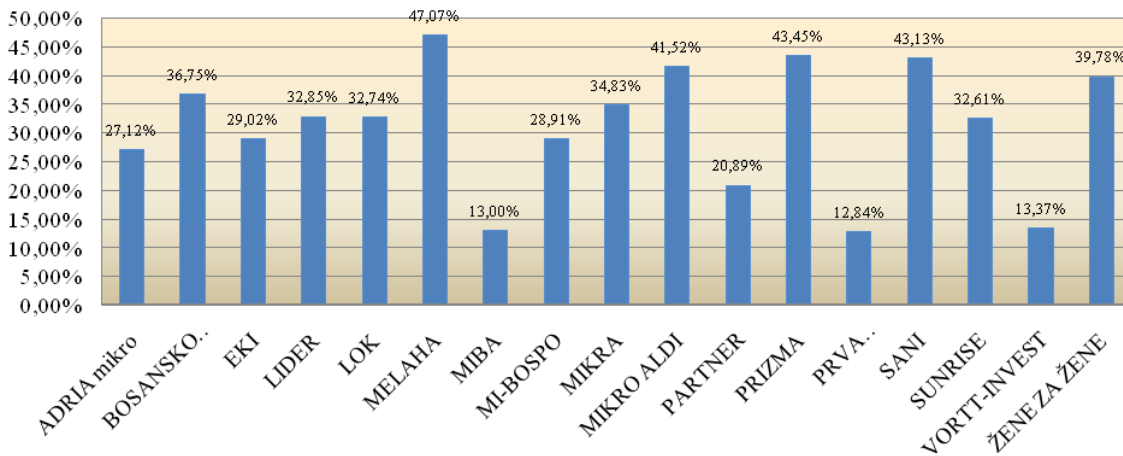
**Graph 5.**

**Number of employees as of 30.09.2010.**



**Graph 6.**

**Average risk-weighted EIR for short term loans based on the MCOs reports in III quarter of 2010**



**Graph 7.**

