



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

## **I N F O R M A T I O N**

### **ON THE LEASING SECTOR IN THE FEDERATION OF BOSNIA AND HERZEGOVINA**

**31.12.2015**

**Sarajevo, March 2016**

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## I INTRODUCTION

The Banking Agency of the Federation of B&H (hereinafter: the Agency) as a regulatory institution for the supervision of leasing companies drafted this Information on the Leasing Sector in the Federation of B&H as of 31.12.2015 based on the analysis of final unaudited reports on business operations submitted to the Agency by leasing companies (indirect off-site supervision), findings from on-site examinations (direct on-site supervision) and other information and data submitted to the Agency by leasing companies.

During 2015, the Agency issued an operating licence to the leasing company Porsche Leasing d.o.o. Društvo za poslove lizinga, which began its business activities at the beginning of the third quarter of 2015. With the aforementioned company's arrival on the market, an increase in the balance sheet total of the leasing sector can be expected in the period to come, as well as an increase in the leasing sector's share in the financial sector of the Federation of B&H.

Furthermore, during 2015, two companies completed the process of transferring ownership shares from a non-resident to a resident legal entity, while two leasing companies undertook recapitalisations.

Financial indicators and the number of newly concluded arrangements in the period from 01.01. to 31.12.2015 point to signs of a stabilisation of business operations, especially if taking into account that, in the aforementioned period, five out of seven leasing companies issued the Agency's operating licence are active on the market (the newly-established leasing company began its business activities in the third quarter of 2015).

According to data of the CBBH published for the first three quarters of 2015, there was a slight economic recovery, which is reflected by the increase in industrial production in the amount of 2.5% (the highest increase was recorded in the process manufacturing sector 4.10%, followed by the mining sector 3.80% and electricity generation 3.50%) as well as by a reduction of the unemployment rate in the amount of 0.50%.

Table 1 of the Information shows the macroeconomic indicators in B&H.

*Table 1. Macroeconomic indicators in B&H*

Pokazatelji	2013	2014	2015
Real GDP growth rate	2.50%	1.00%	3.10% (III quarters in 2015)
Industrial production growth rate	6.40%	0.10%	2.50% (III quarters in 2015)
Average annual inflation	-0.10%	-0.90%	-0.50% (in six months of 2015)
Unemployment rate	27.50%	27.50%	27.00%
Foreign direct investments	KM 478 million	KM 739 million	KM 600 million (III quarters in 2015)

*\*Data source: the CBBH*

The balance sheet total of leasing companies in the Federation of B&H as of 31.12.2015 amounted to KM 464 872 thousand, which is lower by KM 33 560 thousand or 6.73% compared to 31.12.2014.

In the period from 01.01. to 31.12.2015, leasing activities in the Federation of B&H recorded a profit in the amount of KM 6 385 thousand as a result of business operations.

The total capital of leasing companies as of 31.12.2015 amounted to KM 47 281 thousand. Compared to 31.12.2014, this item went up by KM 12 525 thousand or 36.03%.

Authorised persons of the Agency conduct direct supervision of the operations of the leasing companies through comprehensive and targeted examinations – on-site controls of business operations. After the reports become final, the controlled leasing companies are instructed to eliminate identified instances of non-compliance with the law and irregularities in the interest of improvement, legal compliance, profitability, solvency and security in their business operations.

In 2015, a total of eight on-site examinations was carried out, namely three extensive examinations, three examinations of the execution of orders and two targeted examinations. One extensive examination was expanded to include a targeted examination concerning the segment of protecting users of financial services and guarantors, while two extensive examinations were expanded to include an examination of the execution of ordered measures on the basis of protecting the rights of the lessees and guarantors.

On the basis of the examinations of leasing companies carried out in 2015, irregularities have been identified, which were related to deficiencies in the internal controls system in the area of the quality of compliance with internal regulations, the quality of compliance with the Law on Guarantor Protection, and the quality of the internal controls systems in this area of business operations as well as the quality of internal regulations and compliance with arrangements concluded with the co-debtors, non-compliance with the provisions of the Law on Protection of Users of Financial Services, the inadequate establishment of an organisational structure, irregularities in the area of leasing companies' accounting function, the inadequate management of business processes related to risk management and the submission of inadequate data to the Central Credit Registry of at the Central Bank.

The data in the Information as of 31.12.2015 includes the data provided by seven leasing companies licensed for leasing operations in the Federation of B&H, unless specifically stated otherwise.

## **II BUSINESS PERFORMANCE OF THE LEASING SECTOR IN THE FEDERATION OF B&H**

### **1. LEASING SECTOR STRUCTURE**

#### ***1.1. Status, Number and Network of Branches***

As of 31.12.2015, an operating licence for leasing operations was owned by 7 leasing companies, which performed leasing activities in their head offices, as well as in 5 branches, 2 of which are located in the Federation of B&H and 3 of which are located in Republika Srpska.

One leasing company seated in Republika Srpska conducts leasing operations in 4 branches located in the Federation of B&H.

As of 31.12.2015, the following leasing companies have operating licences for leasing operations:

1. ASA Aleasing d.o.o. Sarajevo,
2. NLB Leasing d.o.o. Sarajevo,
3. Porsche Leasing d.o.o. Društvo za poslove lizinga,
4. Raiffeisen Leasing d.o.o. Sarajevo,
5. Sparkasse Leasing d.o.o. Sarajevo,
6. UniCredit Leasing d.o.o. Sarajevo and
7. VB Leasing d.o.o. Sarajevo.

### ***1.2. Ownership Structure***

The ownership structure of the aforementioned leasing companies is as follows: three leasing companies are 100% owned by non-resident legal entities, two leasing companies are in majority ownership (over 51%) of non-resident legal entities, while two leasing companies are in 100% ownership of resident legal entities.

During 2015, two leasing companies saw changes in ownership shares, i.e. a transfer of ownership shares from a non-resident to a resident legal entity. Detailed information on the overview of the ownership structure of leasing companies is provided in Annex 2 to the Information.

### ***1.3. Human Resources***

As of 31.12.2015, the leasing sector had a total of 178 employees on the territory of the Federation of B&H, 141 of which were hired via employment contract (full-time employees) in leasing companies registered in the Federation of B&H, 9 employees were hired in a leasing company seated in Republika Srpska, while working in branches in the Federation of B&H, whereas 28 employees were recruited via student services and organisations mediating in employment (temporary employees). The increase in the number of full-time employees compared to 31.12.2014 is due to the founding of a new leasing company that had seven employees as of 31.12.2015.

Table 2 of the Information shows a parallel overview of the data on the number of employees in leasing companies by quarter.

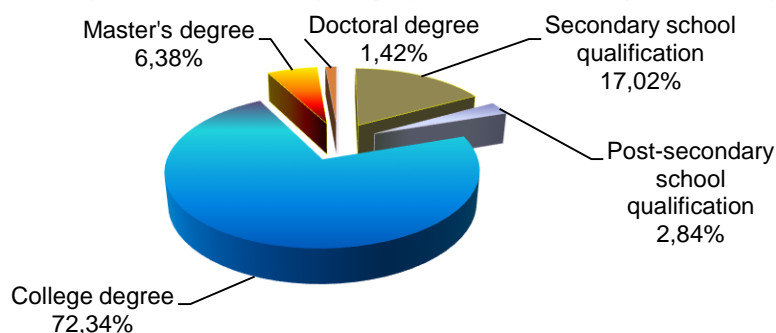
*Table 2. Parallel Overview of the Number of Employees in the Leasing Sector*

	31.12.2014	31.3.2015	30.6.2015	30.9.2015	31.12.2015
<b>Number of employees in leasing companies seated in the FB&amp;H</b>					

Number of full-time employees	130	131	134	141	141
Number of temporary employees	36	31	33	27	28
<b>Number of employees in leasing companies seated in RS on the territory of the FB&amp;H</b>					
Number of full-time employees	7	8	8	8	9
Number of temporary employees	0	0	0	0	0
<b>TOTAL</b>	<b>173</b>	<b>170</b>	<b>175</b>	<b>176</b>	<b>178</b>

There were no significant changes in the qualification structure of employees in the leasing sector as of 31.12.2015 compared to previous reporting periods. The largest share is still that of employees with a college degree (72.34%), followed by employees with secondary school qualifications (17.02%).

*Graph 1. Qualification Structure of Employees in the Leasing Sector as of 31.12.2015*



The efficiency of employees during the assessment of the performance of a leasing company is measured by the assets/headcount ratio (assets per full-time employee). As of 31.12.2015, every employee accounts for KM 3 296 thousand of assets at the leasing sector level (as of 31.12.2014 – KM 3 720 thousand per employee). Analytical indicators for individual leasing companies range from KM 272 to KM 4 738 thousand of assets per employee.

## **2. FINANCIAL BUSINESS INDICATORS**

### **2.1. Balance Sheet**

As of 31.12.2015, the balance sheet total of leasing companies in the Federation of B&H amounted to KM 464 872 thousand, which is lower by KM 33 560 thousand or 6.73% compared to 31.12.2014. If observed individually, one leasing company saw an increase of the balance sheet total in the amount of KM 17 497 thousand, while five leasing companies saw a decrease of the balance sheet total in the amount of KM 52 983 thousand, with KM 16 850 thousand or 31.80% of the overall balance sheet total drop accounting for one leasing company. The balance sheet total of the newly-established leasing company amounted to KM 1 926 thousand as of 31.12.2015.

The two largest leasing companies (by size of assets) account for 61.18% of total assets of leasing companies.

The highest share in the total assets structure of leasing companies accounts for net receivables for financial leasing in the amount of KM 334 238 thousand or 71.90% of total assets of the leasing sector. Compared to 31.12.2014, net receivables for financial leasing are up by KM 10 838 thousand or 3.35%, while gross receivables for financial leasing are up by KM 8 452 thousand or 2.25%. Tables 3 and 4 of this Information provide an overview of the structure of net receivables for financial leasing (net receivables before impairment on the basis of reserves for losses) as of 31.12.2015 and a parallel overview of the structure of receivables as of 31.12.2014.

Table 3. Structure of Receivables for Financial Leasing as of 31.12.2015

(KM 000)

STRUCTURE BY LEASING OBJECT	Short-term receivables	Long-term receivables	Past due receivables	Total receivables	% share in total receivables
Passenger vehicles	37 249	54 205	2 333	<b>93 787</b>	27.60%
Company vehicles (cargo and passenger)	45 507	56 697	2 492	<b>104 696</b>	30.81%
Machinery and equipment	30 553	72 675	2 243	<b>105 471</b>	31.04%
Real estate	3 830	29 958	1 944	<b>35 732</b>	10.52%
Rail vehicles, watercraft and aircraft	0	0	0	<b>0</b>	0.00%
Household appliances	0	0	0	<b>0</b>	0.00%
Other	26	51	1	<b>77</b>	0.03%
<b>TOTAL</b>	<b>117 164</b>	<b>213 586</b>	<b>9 013</b>	<b>339 763</b>	<b>100.00%</b>
STRUCTURE BY LESSEE	Short-term receivables	Long-term receivables	Past due receivables	Total receivables	% share in total receivables
Legal entities	105 515	192 896	8 206	<b>306 617</b>	90.24%
Entrepreneurs	1 765	2 943	248	<b>4 956</b>	1.46%
Natural persons	9 220	16 979	548	<b>26 747</b>	7.87%
Other	664	768	11	<b>1 443</b>	0.43%
<b>TOTAL</b>	<b>117 164</b>	<b>213 586</b>	<b>9 013</b>	<b>339 763</b>	<b>100.00%</b>

Table 4. Parallel Overview of Structure of Receivables

(KM 000)

STRUCTURE BY LEASING OBJECT	Receivables as of 31.12.2014	Receivables as of 31.12.2015	INDEX
Passenger vehicles	96 245	93 787	97
Company vehicles (cargo and passenger)	107 774	104 696	97
Machinery and equipment	88 347	105 471	119
Real estate	39 361	35 732	91
Rail vehicles, watercraft and aircraft	0	0	0
Household appliances	0	0	0
Other	63	77	122
<b>TOTAL</b>	<b>331 790</b>	<b>339 763</b>	<b>102</b>
STRUCTURE BY LESSEE	Receivables as of 31.12.2014	Receivables as of 31.12.2015	INDEX
Legal entities	293 122	306 617	105
Entrepreneurs	5 048	4 956	98
Natural persons	31 688	26 747	84

Other	1 932	1 443	75
<b>TOTAL</b>	<b>331 790</b>	<b>339 763</b>	<b>102</b>

An increase in net and gross receivables for financial leasing was mostly caused by the fact that, in the first half of 2015, one leasing company activated leasing arrangements in a materially significant amount of financing, which were concluded at the end of 2013 and during 2014, but the activation of which was delayed until the moment of the leasing object being delivered (a specific type of equipment with long periods of delivery). This fact has influenced the increase in the amount of receivables with respect to the item „Machinery and equipment“ compared to the balance of the aforementioned as of 31.12.2014, as shown in Table 4 of the Information. The aforementioned table also shows that there was a significant decrease in the amount of receivables for leasing arrangements concluded with natural persons during 2015. This is due to the underdeveloped range of leasing products offered on the market to natural persons and due to the unfavourable tax treatment of interest on financial leasing arrangements, which, in addition to the mandatory casco insurance of the leasing object, makes the financial leasing product significantly more expensive for this type of lessee.

As of 31.12.2015, net receivables for loans amounted to KM 49 114 thousand or 10.56% of the amount of total assets of the leasing sector. Compared to 31.12.2014, net receivables for loans fell by KM 7 833 thousand or 13.75%, while gross receivables fell by KM 70 952 thousand or 16.75%. The significant decrease was caused by the fact that, during the fourth quarter, one leasing company wrote off receivables that were recorded as being 360 days past due in the previous reporting period. Receivables for loans in the structure of total assets of leasing companies are continuously decreasing, since the Law on Leasing prohibited leasing companies from concluding new loan agreements and the aforementioned will remain in the balance sheet until the contracted periods of time they were granted for expire. If observed by period, loan repayment showed signs of stagnation (slow repayment) due to the fact that, in previous business periods, a leasing company whose portfolio has a significant amount of loan receivables approved a moratorium in the payment of contractual obligations until the completion of the process of revitalising business operations of clients to whom the aforementioned had been approved.

Out of the total recorded amount of net receivables for loans, KM 47 940 thousand or 97.61% accounts for receivables of one leasing company with a significant amount of loan receivables in its portfolio. KM 39 461 thousand or 82.31% of that account for receivables from subsidiaries, which had been used for real estate construction projects before the Law on Leasing was passed. In the loans receivables structure, 79.52% accounts for loans approved for real estate financing. As of 30.09.2015, the recorded balance sheet item Cash and Cash Equivalents amounted to KM 17 190 thousand, which is lower by KM 8 452 thousand or 32.96% compared to 31.12.2014. The share of this balance sheet item in total assets dropped from 5.14%, to which it amounted at the end of 2014, to 3.55%, to which it amounted as of 30.09.2015.

As of 31.12.2015, the recorded balance sheet item Cash and Cash Equivalents amounted to KM 6 359 thousand, which is lower by KM 19 283 thousand or 75.20% compared to 31.12.2014. The share of this balance sheet item in total assets dropped from 5.14%, to which it amounted at the end of 2014, to 1.37%, to which it amounted as of 31.12.2015.



As of 31.12.2015, the recorded balance sheet item Facilities to Banks amounted to KM 16 544 thousand, down by KM 5 360 thousand or 24.47% compared to 31.12.2014. This item mostly relates to term deposits of leasing companies at commercial banks. The significant decrease in the aforementioned items was caused by the leasing companies' repayment of loan commitments.

The net value of fixed assets financed via operational leasing as of 31.12.2015 amounted to KM 27 141 thousand, down by KM 116 thousand or 0.43% compared to 31.12.2014. If observed individually, the net value of fixed assets financed via operational leasing rose for three leasing companies in the amount of KM 3 776 thousand, while the aforementioned balance sheet item fell with the remaining leasing companies.

Table 5 of this Information provides an overview of net balance sheet positions of assets per reporting periods.

*Table 5. Structure of Net Balance Sheet Positions of Assets*

(KM 000)

Balance sheet positions	31.12.2014	% share in assets	31.12.2015	% share in assets	INDEX
Financial leasing – net	323 400	64.88%	334 238	71.89%	103
Operational leasing – net	27 257	5.47%	27 141	5.85%	100
Loan – net	56 947	11.43%	49 114	10.56%	86
Other assets	90 828	18.22%	54 379	11.69%	60
<b>Total assets</b>	<b>498 432</b>	<b>100.00%</b>	<b>464 872</b>	<b>100.00%</b>	<b>93</b>

### *2.1.1. Asset Quality*

According to data from the reports of leasing companies, loan loss reserves for financial leasing as of 31.12.2015 are recorded in the amount of KM 5 525 thousand and are down by KM 2 866 thousand or 34.15% compared to 31.12.2014. In the structure of receivables for financial leasing as of 31.12.2015, a total of KM 9 013 thousand outstanding past due receivables has been recorded, up by KM 666 thousand or 6.88% compared to 31.12.2014.

Table 6 of the Information shows a parallel overview of formed reserves by category of default.

*Table 6. Parallel Overview of Formed Reserves for Financial Leasing by Category of Default*

(KM 000)

Days past due	Total reserves 31.12.2014	Total reserves 31.12.2015	INDEX
0-60	1 468	2 188	149
60-90	181	626	346
90-180	1 179	744	63
More than 180	4 958	1 892	38
More than 360	604	74	12
<b>TOTAL</b>	<b>8 390</b>	<b>5 524</b>	<b>66</b>

If observed individually, the two largest leasing companies (by size of assets) account for 64.40% of total formed reserves for loan losses. Three leasing companies recorded an increase in formed reserves for losses in the total amount of KM 855 thousand compared to 31.12.2014, while three leasing companies recorded a decrease in total formed reserves for loan losses in the total amount of KM 3 720 thousand compared to 31.12.2014.

If observed by category of days past due of outstanding receivables, a decrease in reserves for losses in the categories of more than 90 days past due was recorded, while an increase was recorded in the categories of up to 90 days past due, causing a cumulative decrease in formed reserves for losses.

As of 31.12.2015, loan loss reserves amounted to KM 5 310 thousand and went down by KM 3 119 thousand or 37.00% compared to 31.12.2014, when the loan reserves amounted to KM 8 429 thousand, due to a significant amount of written-off receivables. Out of the total amount of formed loan loss reserves as of 31.12.2015, KM 5 283 thousand or 99.50% account for reserves formed by one leasing company with the most significant amount of loan receivables from subsidiary companies, which are in the category of up to 90 days past due.

The total amount of written-off receivables for financial leasing and loans as of 31.12.2015 was KM 116 966 thousand, which is down by KM 6 577 or 5.32% compared to the amount recorded at the end of the previous business year, which is due to the significant collection of previously written-off receivables and permanent write-offs in the amount of KM 12 536 thousand, KM 11 055 thousand or 88.19% of which relate to the permanent write-offs of one leasing company on the basis of a decision of its management functions. Out of the total recorded amount of written-off receivables, KM 54 380 thousand or 46.49% account for write-offs by one leasing company. In the period from 01.01. to 31.12.2015, KM 12 913 thousand of new write-offs were recorded, KM 7 669 thousand or 59.39% of which account for write-offs by one leasing company. In the aforementioned period, collection on the basis of written-off receivables amounted to KM 6 954 thousand, 84.78% of which were collected by two leasing companies.

As of 31.12.2015, the market value of repossessed leasing objects amounted to KM 16 828 thousand and fell by KM 8 644 thousand or 33.94% compared to 31.12.2014 due to the termination of leasing arrangements with lessees or the expiration of arrangements with no contracted purchase of leasing objects. The recorded value relates to 88 repossessed units, down by 38 repossessed units or 28.45% compared to 31.12.2014. Table 7 of the Information shows a parallel structure of repossessed leasing objects as of 31.12.2014 and 31.12.2015.

*Table 7. Number and Value of Repossessed Leasing Objects*

*(in KM 000)*

No.	TYPE OF LEASING OBJECT	31.12.2014		31.12.2015	
		Number of units	Appraised market value	Number of units	Appraised market value
1.	Passenger vehicles	41	609	31	408
2.	Company vehicles (cargo and passenger)	24	927	18	343
3.	Machinery and equipment	34	840	15	545
4.	Real estate	27	23 096	24	15 532
5.	Other	0	0	0	0
<b>Total</b>		<b>126</b>	<b>25 472</b>	<b>88</b>	<b>16 828</b>

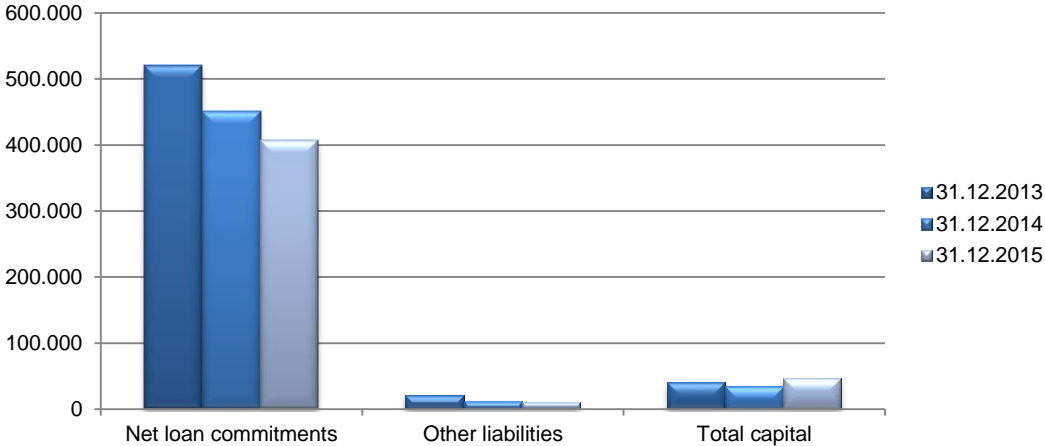
If observed individually, KM 14 885 thousand or 88.45% of the total value of repossessed leasing objects owned by leasing companies relate to repossessed leasing objects of two leasing companies.

Out of the total appraised value of repossessed leasing objects as of 31.12.2015, KM 15 532 thousand or 92.30% relate to real estate (commercial real estate) repossessed by leasing companies due to the lessees’ non-compliance with legal obligations. The total amount of this item relates to three leasing companies. The current market situation and inadequate financing approval criteria cause difficult sales or new financing of repossessed real estate via financial or operational leasing, especially if one takes into account the fact that repossessed real estate constitutes mostly production and commercial facilities.

**2.2. Liabilities Structure**

As of 31.12.2015, loan commitments are still a dominant item in the structure of total liabilities of leasing companies (87.60% of the balance sheet total). Graph 2 of the Information provides a parallel structure of sector liabilities as of 31.12.2013, 31.12.2014, and 31.12.2015.

*Graph 2. Structure of Liabilities – Parallel Overview (KM 000)*



As of 31.12.2015, total loan commitments are down by KM 44 359 thousand or 9.82% compared to 31.12.2014, when the aforementioned item amounted to KM 451 666 thousand. If observed individually, a decrease in the item Loan Commitments was recorded by four leasing companies in the total amount of KM 54 576 thousand, one leasing company recorded an increase in the amount of KM 10 022 thousand, while the item Loan Commitments remained at the same level in the case of one leasing company. As of 31.12.2015, the newly-established leasing company recorded loan commitments in the amount of KM 195 thousand. Out of the total amount of loan commitments, KM 392 205 thousand or 84.35% relate to long-term commitments.

In the structure of sources of funding, KM 79 485 or 22.03% of total loan commitments relate to indebtedness with European development banks (EIB, EBRD, CEDB and DEG). The funds of development banks are mostly purpose funds and relate to development of small and medium-sized enterprises and they have been provided by bank guarantees issued by parent banks or their holding companies. Other loan commitments refer to indebtedness with foreign and local banks,

which mostly belong to groups to which the leasing companies belong, or to direct indebtedness with founders.

The total weighted nominal interest rate paid by leasing companies on sources of funding in the period from 01.01. to 31.12.2015 is 2.56% per annum (the interest rate calculated on the basis of the average balance of taken loans and interest expenses in the reporting period) and is slightly down compared to 31.12.2014, when it amounted to 2.97%. Interest rates on sources of funding of leasing companies are mostly linked to the EURIBOR variable index, the value of which amounted to 0.06% during the first nine months of 2015 (value: 6 M EURIBOR) and is significantly down compared to the average value in 2014, when it amounted to 0.32% per annum.

The total capital of leasing companies as of 31.12.2015 amounted to KM 47 281 thousand. Compared to 31.12.2014, this item is up by KM 12 525 thousand or 36.03%. If observed individually, five leasing companies saw an increase in total capital in the amount of KM 20 888 thousand (the data of the newly-established leasing company, which recorded capital in the amount of KM 1 669, is not included in the amount of increase), while one leasing company saw a decrease in total capital in the amount of KM 10 052 thousand due to the payment of accumulated profit to the company's founder during 2015.

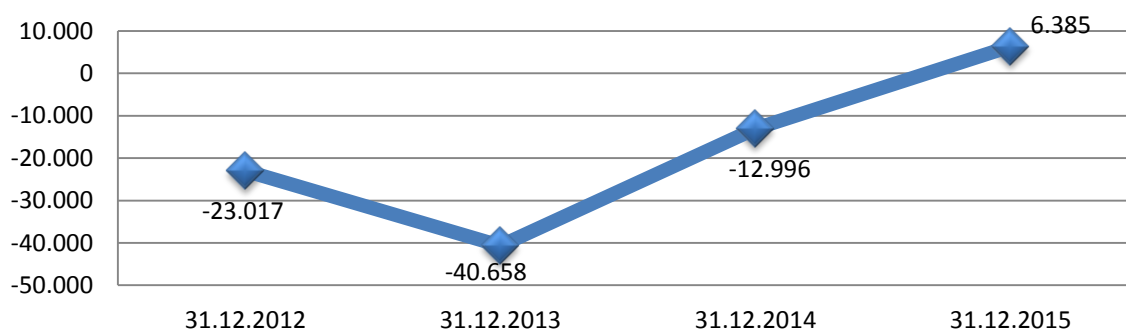
During 2015, two leasing companies undertook recapitalisations in cash in the amount of KM 16 138 thousand, while one leasing company, due to a part of its loan commitments being written-off of by a foreign creditor (a related entity of a previous shareholder) recorded a positive financial result in the amount of KM 8 589 thousand and a significant increase in total capital (in previous reporting periods, this leasing company recorded a capital amount that was lower than the legally defined minimum amount).

### ***2.3. Profitability***

In the period 01.01. to 31.12.2015, a profit in the amount of KM 6 385 thousand was recorded at the level of the leasing sector. The sector recorded a positive business result in all four reporting periods in 2015. If observed individually, five leasing companies recorded a positive financial result in the amount of KM 11 836 thousand, while two leasing companies recorded a negative financial result in the amount of KM 5 451 thousand. Compared to the business result recorded as of 30.09.2014, when a loss in the amount of KM -12 996 was recorded, as well as the fact that the sector recorded a positive business result in all four reporting periods in 2015, it can be concluded that the business operations of leasing companies in the FB&H indicate a stabilisation of business operations.

Graph 3 of the Information provides data on the business results of the sector in previous years.

Graph 3. Data on Leasing Sector Business Results (KM 000)



If observed by type of income, in the period from 01.01. to 31.12.2015, interest income amounted to KM 28 113 thousand. This item saw a decrease of KM 1 933 thousand or 6.43% compared the same period of the previous year. A look at individual items of interest income reveals that interest income for financial leasing amounted to KM 19 506 thousand, down by KM 2 802 thousand or 12.56% compared to the same period of the previous business year. A drop in the interest income may be explained by a lower value of the EURIBOR, to which output interest rates are linked, but also by the fact that the leasing company that recorded the largest volume of new financings financed the aforementioned with an interest rate that is significantly lower compared to the interest rate average of the other leasing companies. The item Other Interest Income is up by KM 984 thousand or 16.47% compared to the same period of the previous year. The item Interest on Facilities to Banks amounted to KM 408 thousand and increased by KM 20 thousand or 5.15% compared to the same period of the previous year due to the fact the leasing companies possessed significant amounts of free cash funds that they term deposited at commercial banks in the country.

Interest expenses amounted to KM 10 981 thousand, down by KM 3 496 thousand or 24.15% compared to the same period of the previous business year as a result of the reduced volume of loan commitments as well as the lower value of the variable index to which input interest rates are linked.

Total net interest income in the period from 01.01. to 31.12.2015 amounted to KM 17 132 thousand, up by KM 1 563 thousand or 10.04% compared to the same period of the previous year.

The item Operating Income is up by KM 14 308 thousand or 74.39% compared to the same period of the previous year. The significant increase in this item is caused by the fact that the leasing company that had loan commitments written-off by a foreign creditor in 2015 recorded income on the basis of the aforementioned under the item Operating Income (Other Operating Income). Another factor that influenced the increase in the item Operating Income was an increase in the collection of written-off receivables, with it being up by KM 2 159 thousand or 74.50% compared to the same period of the previous business year.

As of 31.12.2015, the reporting item Costs of Loss Reserves recorded the amount of KM 4 643 thousand, up by KM 4 970 thousand compared to the same period of the previous year, when the reporting item Costs of Loss Reserves recorded the amount of KM 327 thousand due to a significant amount of loss reserve releases on the basis of receivables for financial leasing

For the purpose of analysing the leasing market, the business indicators shown in Table 8 of the Information have been calculated.

*Table 8. Key Business Indicators*

BUSINESS INDICATORS	31.12.2012	31.12.2013	31.12.2014	31.12.2015
Return on assets (ROA)	-2.85%	-5.63%	-2.55%	1.32%
Return on equity (ROE)	-31.00%	-53.04%	-23.17%	14.59%
Average active interest rate (financial leasing)	7.19%	7.15%	6.39%	5.68%
Average passive interest rate	3.76%	2.88%	2.97%	2.56%
Total liabilities to equity	13.29	13.32	13.34	8.83

At the end of 2015, profitability indicators of leasing companies, return on average assets and return on average equity were positive in contrast to the end of 2014, when these indicators had a negative value. The total liabilities/capital ratio decreased significantly compared to the previous business year, indicating an improvement in the solvency of the leasing sector.

Without disregarding the importance of individual positive business results recorded by leasing companies, it is important to note that the positive business result of the sector is mainly due to a significant increase in operating income resulting from a write-off of loan commitments in one leasing company (one-time effect created on the basis of a single transaction).

### **3. STRUCTURE OF PLACEMENTS, MARKET SHARE, NOMINAL AND EFFECTIVE INTEREST RATES AND LESSEES' COMPLAINTS**

#### ***3.1. Structure of Placements by Leasing Object and Type***

In 2015, there was an upward trend in terms of business activities. The value of newly-concluded activated financial and operational leasing arrangements in the period from 01.01. to 31.12.2015 amounted to KM 179 638 thousand, up by KM 28 237 thousand or 18.65% compared to the same period of the previous year. The number of newly-concluded arrangements in 2015 is 3 555 and it is down by 200 arrangements or 5.33% compared to the previous year.

Table 9 of the Information shows the amount of financings recorded by quarter in 2015.

*Table 9. Parallel Overview of Recorded Value of Newly-concluded Activated Arrangements during 2015*

*(in KM 000)*

Period	Financial leasing	Operational leasing	TOTAL
<b>Q1 2015</b>	38 014	1 445	<b>39 459</b>
<b>Q2 2015</b>	53 642	3 093	<b>56 735</b>
<b>Q3 2015</b>	44 306	2 689	<b>46 995</b>
<b>Q4 2015</b>	31 394	5 055	<b>36 449</b>
<b>TOTAL</b>	167 356	12 282	179 638

The average value of arrangements concluded in the IV quarter of 2015 amounted to KM 40 thousand and is up compared to the average value of arrangements in the same period of the previous year, when it amounted to KM 37 thousand.

Out of the total generated value of newly-concluded arrangements in 2015, KM 167 356 thousand or 93.16% accounts for financial leasing arrangements with an average (weighted) nominal interest rate of 5.79% and a weighted effective interest rate of 8.08% per annum.

Table 10 of the Information shows parallel indicators of new financings by leasing object and type of arrangement.

*Table 10. Structure of Financing Amounts by Leasing Object*

(KM 000)

	31.12.2014			31.12.2015		
	Financial leasing	Operational leasing	TOTAL	Financial leasing	Operational leasing	TOTAL
Vehicles	103 870	16 394	120 264	113 620	12 282	125 902
Equipment	28 064	1 000	29 064	53 704	0	53 704
Real estate	2 032	0	2 032	0	0	0
Other	41	0	41	32	0	32
<b>TOTAL</b>	<b>134 007</b>	<b>17 394</b>	<b>151 401</b>	<b>167 356</b>	<b>12 282</b>	<b>179 638</b>

The total amount of new financings generated in 2014 and 2015 includes the amount of financing generated by the leasing company seated in Republika Srpska through its branches located in the Federation of B&H (this company generates the majority of its business activities in the Federation of B&H).

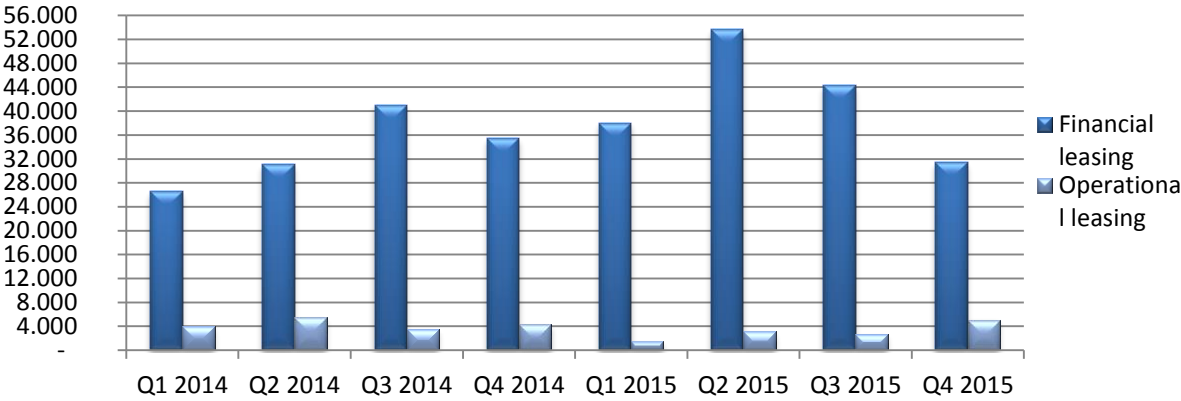
Of the total volume of newly-concluded arrangements, KM 71 151 thousand or 39.61% account for the value of arrangements concluded by one leasing company. The aforementioned is due to the fact that a significant amount of recorded newly-concluded arrangements relates to arrangements concluded in 2013 and 2014, which were activated and recorded as newly-concluded arrangements in 2015 due to delivery and assembly of the financed equipment (successive delivery and activation of the arrangement).

Please note that, in 2015, two leasing companies terminated new financings to stabilise their business operations and recover existing non-performing facilities as well as transfer an ownership share from a non-resident to a resident legal entity, while the newly-established leasing company began its business activities in August 2015.

In the structure of new facilities by type of lessee, the facilities to legal entities are predominant (92.87% of the total amount of financing in 2015). One important reason is the fact that financing via leasing arrangements for natural persons is less favourable than loan facilities due to the underdeveloped range of leasing products offered on the market to natural persons as well as the obligatory payment of the VAT on interest rates, which poses additional costs for clients that are not VAT payers.

Graph 4 of the Information provides a parallel overview of the value of newly-concluded financial and operational leasing arrangements by quarter in 2014 and 2015.

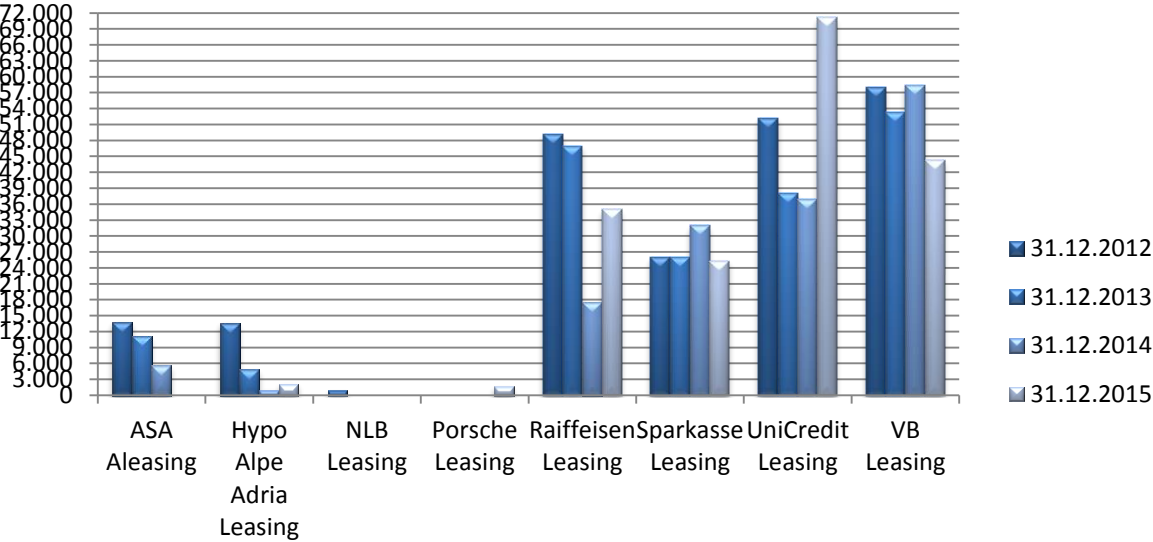
Graph 4. Parallel Overview of the Value of Newly-Concluded Arrangements in 2014 and 2015 (in KM 000)



3.2. Market Share by Financial Volume and Number of Arrangements

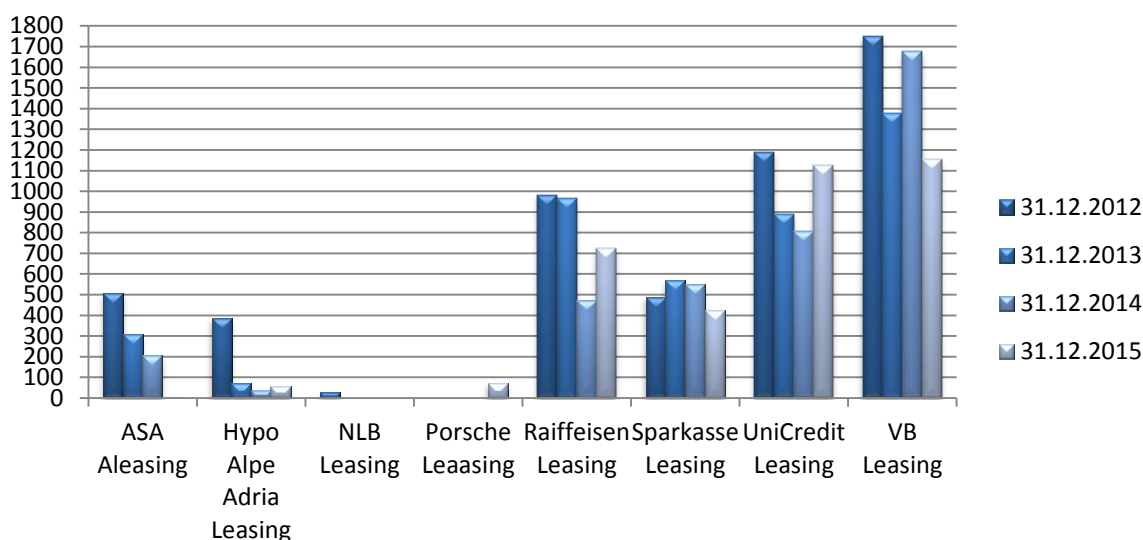
A parallel overview of individual market shares of leasing companies by total volume and number of newly-concluded financial and operational leasing arrangements is provided in Graphs 5 and 6 of this Information.

Graph 5. Market Share by Volume (in KM 000)





Graph 6. Market Share by Number of Arrangements



The above graphs show that three leasing companies (the newly-established leasing company not included) saw an increase in the volume of new financings in 2015 compared to the same period of the previous year, while two leasing companies saw a decrease in the volume of financings. On the basis of its owner's decision, one leasing company has suspended new financings since 2013, while another company also suspended new financings in early 2015 as a result of changes in the ownership structure.

### 3.3. Weighted Nominal and Effective Interest Rate

The effective interest rate is an actual relative price of leasing arrangements, expressed per annum and declared in accordance with the Decision on Uniform Manner and Method of Calculation and Disclosure of Effective Interest Rates for Financial Leasing Agreements.

The total average nominal interest rate for financial leasing arrangements concluded in the IV quarter of 2015 amounted to 4.32% for short-term and 5.31% for long-term arrangements, while the effective interest rate for short-term and long-term arrangements amounted to, respectively, 7.17% and 7.81% per annum. The total weighted nominal interest rate for the aforementioned period amounted to 5.30%, while the effective interest rate amounted to 7.80% per annum. Compared to the same period of the previous business year, when the total weighted nominal interest rate was 6.47% and the effective interest rate 8.92% per annum, a significant decrease in interest rates on financial leasing arrangements is evident in 2015.

Graph 7 of this Information shows weighted nominal and effective interest rates by quarter.

Graph 7. Overview of Average Nominal and Effective Interest Rates for Financial Leasing Arrangements by Quarter

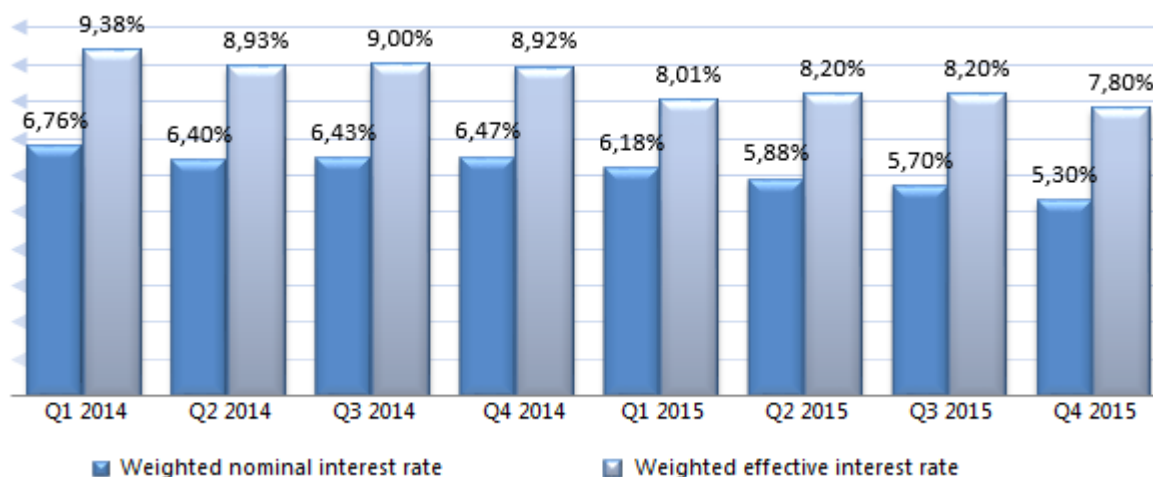


Table 11 of the Information provides the data on the amount of financing, nominal and effective interest rates for financial leasing arrangements concluded in 2015.

Table 11. Average Nominal and Effective Interest Rate for Financial Leasing Arrangements Concluded in 2015

No.	DESCRIPTION	No. of contracts	Amount of financing in KM (000)	Weighted nominal interest rate	Weighted effective interest rate
<b>1.</b>	<b>Short-term leasing arrangements by leasing object</b>	<b>88</b>	<b>2 947</b>	<b>4.72%</b>	<b>7.58%</b>
a.	Passenger vehicles	49	1 418	<b>5.09%</b>	<b>8.21%</b>
b.	Company vehicles (cargo and passenger)	31	1 205	<b>4.49%</b>	<b>7.43%</b>
c.	Machinery and equipment	8	324	<b>3.91%</b>	<b>5.43%</b>
d..	Other	0	0	<b>0</b>	<b>0</b>
<b>1.1.</b>	<b>Short-term leasing arrangement by type of lessee:</b>	<b>88</b>	<b>2 947</b>	<b>4.72%</b>	<b>7.58%</b>
a.	Legal entities	79	2 787	<b>4.62%</b>	<b>7.31%</b>
b.	Entrepreneurs	1	4	<b>6.35%</b>	<b>12.80%</b>
c.	Natural persons	8	156	<b>6.43%</b>	<b>12.35%</b>
<b>2.</b>	<b>Long-term leasing arrangements by leasing object:</b>	<b>3 075</b>	<b>164 409</b>	<b>5.81%</b>	<b>8.09%</b>
a.	Passenger vehicles	1 748	52 288	<b>5.98%</b>	<b>9.07%</b>
b.	Company vehicles (cargo and passenger)	912	58 709	<b>5.40%</b>	<b>7.41%</b>
c.	Machinery and equipment	412	53 380	<b>6.10%</b>	<b>7.88%</b>
d.	Real estate	0	0	<b>0</b>	<b>0</b>
e.	Other	3	32	<b>7.80%</b>	<b>11.43%</b>
<b>2.1.</b>	<b>Long-term leasing arrangements by type of lessee:</b>	<b>3 075</b>	<b>164 409</b>	<b>5.81%</b>	<b>8.09%</b>
a.	Legal entities	2 576	151 782	<b>5.81%</b>	<b>7.81%</b>
b.	Entrepreneurs	90	2 663	<b>6.87%</b>	<b>10.08%</b>
c.	Natural persons	409	9 964	<b>5.54%</b>	<b>11.83%</b>
	<b>TOTAL (1+2)</b>	<b>3 163</b>	<b>167 356</b>	<b>5.79%</b>	<b>8.08%</b>

The trend of decrease in nominal and effective interest rates during 2015 compared to 2014 is caused by the low value of the variable index (EURIBOR), to which output interest rates are linked, as well as by the fact that, at the end of the previous and during the current business year,

most leasing companies active on the market performed financings via promotional products for which the interest on the financing amount (in whole or in part) was subsidised by the supplier of the leasing object, while the leasing object's casco insurance fee was also subsidised by insurance companies in the case of individual promotional products.

The previously presented nominal interest rates are interest rates contracted between a leasing company and lessee when signing a leasing arrangement, while previously stated effective interest rates are discounted rates representing a present value of all future and existing obligations agreed upon between the leasing company and the lessee at an annual level, and they involve all cash flows anticipated under the leasing arrangement referring to the payments of lessees to the leasing company only.

A significant difference between the nominal and effective interest rate is the consequence of the VAT paid on the interest rate, which is a mandatory part of the financial leasing arrangement and is paid in advance by the lessee, the creation of the financial leasing arrangement with purchase value, as well as additional costs of leasing arrangements that are commonly an integral part of a monthly lease in the leasing arrangement. In addition to the aforementioned, the difference in the amount of the nominal and effective interest rate is also influenced by the application of the Law on Protection of Users of Financial Services, according to which the calculation of the EIR for financial leasing arrangements concluded with natural persons also includes the amount of the leasing object's casco insurance fee.

### **III COMPLIANCE OF BUSINESS OPERATIONS WITH ANTI-MONEY LAUNDERING/COUNTER-TERRORIST FINANCING STANDARDS**

The examination of the compliance of leasing companies' business operations with the standards to prevent money laundering and the financing of terrorism revealed 18 discrepancies and irregularities (3.6 irregularities and discrepancies per leasing company).

Based on the individual compliance of leasing companies, from which the assessment of the leasing sector's compliance with the standards to prevent money laundering and the financing of terrorism is derived, it can be concluded that the quantity of the risk of money laundering and the financing of terrorism is moderate, that the quality of the management of this risk is at a satisfactory level, and that there is no reason for supervisory concern.

A look at the leasing sector's compliance with the provisions of the Law on Prevention of Money Laundering and Financing of Terrorist Activities ("Official Gazette of B&H", No.: 47/14), the Law on Leasing, the Decision on Minimum Standards for Activities of Leasing Companies of Preventing Money Laundering and Financing of Terrorist Activities ("Official Gazette of the Federation of B&H", No. 48/12), and other laws and regulations that prescribe the obligations of leasing companies with respect to preventing money laundering and the financing of terrorism, it can be concluded that the leasing sector of the Federation of Bosnia and Herzegovina is largely compliant with the standards prescribed by these laws and regulations.

#### ***Client Eligibility***

Leasing companies have defined a policy on client eligibility. It is certainly very important that it be defined and the risk-analysis-based approach to clients be implemented, i.e. that a decision be made about which and what kind of clients the leasing company deems ineligible. Based on these analyses and elements of the client eligibility policy, client profile registries are organised. The updating of this registry constitutes a certain problem.

### ***Identification and Monitoring Client Activity***

Leasing companies have adopted policies on identification and monitoring client activity. They have adopted the „Know Your Customer“ standard as an essential element of this policy. The customer identification policy of leasing companies is applied when establishing business relationships with clients. However, there is still the problem of updating documents that verify the completed identification of already established business relationships. In these cases, there are also problems in terms of monitoring clients' activities, so that mistakes that were made in the identification and verification of clients' sources of funding are not being rectified.

### ***Management of the Risk of Money Laundering and Financing of Terrorist Activities***

Elements of the policy regarding the management of the risk of money laundering and financing of terrorist activities have been defined in the programmes of leasing companies. There are defined reporting lines, both external and internal. The identified number of irregularities in examinations of the compliance of business operations confirms that the quality of the management of risks resulting from money laundering and the financing of terrorist activities in has an upward trend and that it is satisfactory.

### ***Reporting***

In 2015, leasing companies reported 12 transactions in the amount of KM 419 thousand, which is 10.70% compared to the previous year.

## **IV CONCLUSIONS AND RECOMMENDATIONS**

According to performance indicators of leasing companies in the Federation of B&H as of 31.12.2015, it can be concluded that the leasing companies' business operations during 2015 indicate a slight stabilisation of business operations, which is reflected in the more favourable financial indicators, as well as in the total volume of newly-concluded arrangements. Furthermore, due to the fact that another company was issued an operating licence, an increase in the balance sheet total of the sector and an increase in the leasing sector's share in the financial sector of the FB&H can be expected in the long run.

Within its competences related to the supervision of leasing companies, the Agency is guided by the principles of transparency, building trust with leasing companies, as well as adequate protection of lessees financed through leasing arrangements in the interest of ensuring the financial stability of particular leasing companies and leasing activities at the level of the Federation of B&H.

A process of adopting amendments to the Law on Leasing is underway, with the Law having been drafted in accordance with legislative shortcomings ascertained in the course of previous supervision, as well as compliance with other laws. The amendments relate to: the revocation process of licences for performing leasing operations and the cessation of business operations of leasing companies, the need for supervising other legal entities about which there is information and evidence that they are performing leasing operations, a more detailed definition of the leasing arrangement in relation to the lease agreement, the definition of minimum organisational requirements and the separation of business processes of leasing companies (externalisation), the introduction of new measures to eliminate illegalities and irregularities, the duty of confidentiality, and changes related to violations committed by leasing companies and responsible persons in leasing companies. One part of the amendments to the Law, which refers to a more detailed definition of the concept of the leasing arrangement, was drafted on the basis of recommendations made by the IMF and the World Bank team as part of the Financial Stability Assessment Program of B&H (FSAP). Amendments were also made on the basis of suggestions made by the Association of Leasing Companies in B&H.

In the period to come, the Agency will focus on the following aspects:

- Continuing the ongoing supervision of leasing companies via reports and on-site examinations,
- Insistence on the capital strengthening of leasing companies and the internal defining of capital protection and capital adequacy parameters,
- Amendment of legal regulations and by-laws for the leasing sector, which refer to actions and business operations of leasing companies,
- Supervision of leasing companies' compliance with laws and regulations and the implementation of practices in leasing companies in the segment of protection of users of financial services and guarantors,
- Continuing the monitoring of leasing companies' activities to prevent money laundering and the financing of terrorism,
- Improving the structure and data quality of the Central Credit Registry at the Central Bank of B&H,
- Continuing the permanent education and professional training of staff,
- Improving cooperation with the Association of Leasing Companies in B&H in terms of providing support in the implementation of laws and regulations referring to leasing companies and proposals for the amendments of legal regulations, and
- Improving cooperation with other supervisory and control institutions.

Activities of leasing companies should be focused on the following:

- Creating and furthering regulations for leasing companies in terms of activities and business operations of leasing companies, and particularly in relation to preparing and adopting amendments to the Law on Leasing,
- Implementing laws and regulations in the area of protection of users of financial services and guarantors,

- Strengthening capital and defining parameters for capital protection and capital adequacy,
- Improving policies and procedures for managing risks to which the leasing companies are exposed in their business operations,
- Strengthening the system of internal controls and the functions of the internal audit as an independent audit in the fulfillment of their tasks,
- Improving the range of products offered on the market and finding new sales channels,
- Detailed informing of clients on products offered by leasing companies in the interest of a better understanding and more serious approach to financing through leasing arrangements, and
- Regular, up-to-date and accurate submission of data to the Central Credit Registry at the Central Bank.

## **V THE FBA’S REGULATIONS FOR BUSINESS OPERATIONS OF LEASING COMPANIES**

Under the Law on Leasing, the issuing of licences for establishing and for business operations of leasing companies is defined in detail under the regulations of the FBA, i.e. decisions and regulations adopted by the Management Board of the FBA (issued in the “Official Gazette of the Federation of B&H”, No.: 46/09, 46/11, 48/12, 110/12, 23/14, 46/14, 62/14, 88/14 and 93/15), as well as instructions adopted by the Director of the FBA.

The FBA’s Decisions that define the establishing of the leasing companies and issuing of licences for work and business operations of leasing companies are as follows:

1. Decision on Conditions and Issuance and Revocation Process of Licences for Performing Leasing Operations,
2. Decision on Conditions and Issuance and Revocation Process of Approvals to/from Leasing Companies,
3. Decision on Minimum Standards for Activities of Leasing Companies of Preventing Money Laundering and Financing of Terrorist Activities,
4. Decision on Uniform Manner and Method of Calculation and Disclosure of Effective Interest Rates for Financial Leasing Agreements,
5. Decision on Uniform Manner and Method of Calculation and Disclosure of Leasing Fees under the Operational Leasing Agreement,
6. Decision on Form and Contents of Reports Submitted to the Banking Agency of the Federation of B&H by Leasing Companies and Reporting Deadlines,
7. Decision on Minimum Level and Manner of Forming, Managing and Maintaining Loss Reserves and Risk Management in Leasing Companies,
8. Decision on Supervision of Leasing Companies,
9. Decision on Fees Leasing Companies Pay to the Banking Agency of the Federation of B&H,
10. Decision on Conditions and Manner of Customer Complaint Management in Banks, MCOs and Leasing Companies,

11. Decision on Conditions and Manner of Handling Guarantors' Requests for Release from the Guarantor's Obligation,
12. Decision on Minimum Standards for Documenting Financing under Leasing Agreements and Assessing Creditworthiness,
13. Decision on Minimum Requirements in Terms of Content, Comprehensibility and Availability of General and Special Business Conditions of Providers of Financial Services
14. Instructions for Implementing the Decision on Uniform Manner and Method of Calculation and Disclosure of Effective Interest Rates for Financial Leasing Arrangements,
15. Instructions for Drafting Reports of Leasing Companies, and
16. Code of Conduct of Ombudsmen for Banking System of the Federation of Bosnia and Herzegovina

No.: U.O.-82-4/16  
Sarajevo: 29.03.2016

## **ANNEXES**

**Annex 1. Main Data on Leasing Companies as of 31.12.2015**

No.	Name of leasing company	Address and seat	Director	Phone	Issuance date of FBA licence	Headcount	Web address
1.	<b>ASA ALEASING d.o.o. Sarajevo</b>	Trg Međunarodnog prijateljstva 25	Samir Mustafić	+ 387 33 255 364	22.03.2010.	10	www.asa-alizing.ba
2.	<b>NLB LEASING d.o.o. Sarajevo</b>	Trg Solidarnosti 2a, Sarajevo	Denis Silajdžić	+ 387 33 789 345	19.03.2010.	7	www.nlblizing.ba
3.	<b>PORSCHE LEASING d.o.o.</b>	Trg međunarodnog prijateljstva 24, Sarajevo	Dejan Stupar	+ 387 33 257 147	28.05.2015	7	-
4.	<b>RAIFFEISEN LEASING d.o.o. Sarajevo</b>	Zmaja od Bosne bb, Sarajevo	Munir Čengić	+ 387 33 254 354	19.01.2010.	29	www.rlbh.ba
5.	<b>SPARKASSE LEASING d.o.o. Sarajevo</b>	Zmaja od Bosne 7, Sarajevo	Elma Hošo	+ 387 33 565 850	11.02.2010.	17	www.s-lizing.ba
6.	<b>UNICREDIT LEASING d.o.o. Sarajevo</b>	Ložionička 7, Sarajevo	Izmira Aličić-Tuka	+ 387 33 721 750	16.03.2010.	38	www.unicreditlizing.ba
7.	<b>VB LEASING d.o.o. Sarajevo</b>	Fra Anđela Zvizdovića 1, Sarajevo	Slobodan Vujić	+ 387 33 276 280	12.01.2010.	33	www.vblizing.ba
					<b>TOTAL</b>	<b>141</b>	

**Annex 2. Overview of the Ownership Structure of Leasing Companies as of 31.12.2015**



LEASING COMPANY	NAME OF THE OWNER	% share
<b>ASA ALEASING d.o.o. Sarajevo</b>	ASA AUTO d.o.o. Sarajevo	82.82%
	ASA FINANCE d.d. Sarajevo	17.18%
<b>NLB LEASING d.o.o. Sarajevo</b>	NLB d.d. Ljubljana	100.00%
<b>PORSCHE LEASING d.o.o.</b>	PORSCHE BANK Aktiengesellschaft Salzburg Austrija	100.00%
<b>RAIFFEISEN LEASING d.o.o. Sarajevo</b>	RAIFFEISEN LEASING INTERNATIONAL GmbH, Vienna	51.00%
	RAIFFEISEN BANK d.d. Sarajevo, BiH	49.00%
<b>SPARKASSE LEASING d.o.o. Sarajevo</b>	STEIERMAERKISCHE BANK UND SPARKASSEN AG, Graz	51.00%
	SPARKASSE BANK d.d. Sarajevo	49.00%
<b>UNICREDIT LEASING d.o.o. Sarajevo</b>	UNICREDIT BANKA d.d. MOSTAR	100.00%
<b>VB LEASING d.o.o. Sarajevo</b>	VB LEASING INTERNATIONAL GmbH, Vienna	100.00%

*Annex 3. Overview of Reserves for Leasing Loans as of 31.12.2015 (in KM 000)*

Days past due	Provisioning rate	Amount of receivables	Reserves	Additional calculated allocated reserves	Total reserves
0-60	0.05%	51 269	26	2 365	2.391
60-90	5%	2 892	145	2 748	2.893
90-180	10%	263	26	0	26
180-270	30%	0	0	0	0
270-360	50%	0	0	0	0
More than 360	100%	0	0	0	0
<b>TOTAL</b>			<b>197</b>	<b>5 113</b>	<b>5 310</b>

*Annex 4. Overview of Reserves for Financial Leasing as of 31.12.2015 (in KM 000)*

Days past due	Provisioning rate for financial leasing (moveables)	Provisioning rate for financial leasing (immoveables)	Amount of receivables for moveables	Amount of receivables for immoveables	Principal amount for moveables	Principal amount for immoveables	Reserves			
							For moveables	For immoveables	Additional calculated and allocated reserves	Total reserves
0-60	0.50%	0.50%	285 409	26 850	62 742	8 119	313	41	1 834	2 188
60-90	10%	10%	14 926	6 203	1 650	451	165	45	416	626
90-180	50%	50%	2 362	2 285	944	248	472	124	148	744
More than 180	100%	75%	1 654	0	1 640	0	1 640	0	252	1 892
More than 360	100%	100%	74	0	74	0	74	0	0	74
<b>TOTAL</b>					<b>67 050</b>	<b>8 818</b>	<b>2 664</b>	<b>210</b>	<b>2 650</b>	<b>5 524</b>

*Annex 5. Consolidated Balance Sheet (in KM 000)*

No.	DESCRIPTION	31.12.2014		31.12.2015		INDEX 31.12.2015/ 31.12.2014
		Amount	% in total assets	Amount	% in total assets	
	<b>ASSETS</b>					

<b>1.</b>	<b>Cash and cash equivalents</b>	<b>25 642</b>	<b>5.14%</b>	<b>6 359</b>	<b>1.37%</b>	<b>25</b>
<b>2.</b>	<b>Placements with banks</b>	<b>21 904</b>	<b>4.39%</b>	<b>16 544</b>	<b>3.56%</b>	<b>76</b>
<b>3.</b>	<b>Receivables for financial leasing, net</b>	<b>323 400</b>	<b>64.88%</b>	<b>334 238</b>	<b>71.89%</b>	<b>103</b>
3a)	Receivables for financial leasing, gross	375 422	75.32%	383 874	82.56%	102
3b)	Loan loss reserves	8 390	1.68%	5 524	1.18%	66
3c)	Deferred interest income	43 210	8.67%	43 529	9.36%	101
3d)	Deferred fee income	422	0.08%	582	0.13%	138
<b>4.</b>	<b>Receivables from subsidiaries</b>	<b>2</b>	<b>0.00%</b>	<b>2</b>	<b>0.00%</b>	<b>100</b>
<b>5.</b>	<b>Tangible and intangible assets, net</b>	<b>36 093</b>	<b>7.24%</b>	<b>31 517</b>	<b>6.78%</b>	<b>87</b>
5a)	Tangible and intangible assets – own assets	14 449	2.90%	9 845	2.12%	68
5b)	Tangible and intangible assets – operational leasing	43 520	8.73%	41 460	8.92%	95
5c)	Value adjustment – own assets	5 613	1.13%	5 469	1.18%	97
5d)	Value adjustment – operational leasing	16 263	3.26%	14 319	3.08%	88
<b>6.</b>	<b>Long-term investments</b>	<b>52</b>	<b>0.01%</b>	<b>50</b>	<b>0.01%</b>	<b>96</b>
<b>7.</b>	<b>Other assets</b>	<b>91 339</b>	<b>18.33%</b>	<b>76 161</b>	<b>16.40%</b>	<b>83</b>
7a)	Loans, net	56 947	11.43%	49 114	10.56%	86
7a1)	Loans (due receivables + non-due principal)	65 376	13.12%	54 424	11.70%	83
7a2)	Loan loss reserves	8 429	1.69%	5 310	1.14%	63
7b)	Inventories	25 307	5.08%	16 796	3.61%	66
7c)	Other assets	9 085	1.82%	10 251	2.22%	114
	<b>TOTAL ASSETS</b>	<b>498 432</b>	<b>100.00%</b>	<b>464 872</b>	<b>100.00%</b>	<b>93</b>
	<b>LIABILITIES</b>					
<b>9.</b>	<b>Due for taken loans, net</b>	<b>451 666</b>	<b>90.62%</b>	<b>407 307</b>	<b>87.60%</b>	<b>90</b>
9a)	Due for short-term loans	35 576	7.14%	15 246	3.28%	43
9b)	Due for long-term loans	416 441	83.55%	392 205	84.35%	94
9c)	Prepaid costs and fees	351	0.07%	144	0.03%	41
<b>10.</b>	<b>Other liabilities</b>	<b>12 010</b>	<b>2.41%</b>	<b>10 284</b>	<b>2.23%</b>	<b>86</b>
	<b>TOTAL LIABILITIES</b>	<b>463 676</b>	<b>93.03%</b>	<b>417 591</b>	<b>89.83%</b>	<b>90</b>
<b>11.</b>	<b>Core capital</b>	<b>41 572</b>	<b>8.34%</b>	<b>51 526</b>	<b>11.08%</b>	<b>124</b>
<b>12.</b>	<b>Reserves</b>	<b>10 584</b>	<b>2.12%</b>	<b>364</b>	<b>0.08%</b>	<b>3</b>
<b>13.</b>	<b>Accumulated profit/loss</b>	<b>-17 400</b>	<b>-3.49%</b>	<b>-4 609</b>	<b>-0.99%</b>	<b>26</b>
	<b>TOTAL CAPITAL</b>	<b>34 756</b>	<b>6.97%</b>	<b>47 281</b>	<b>10.17%</b>	<b>136</b>
	<b>TOTAL LIABILITIES</b>	<b>498 432</b>	<b>100.00%</b>	<b>464 872</b>	<b>100.00%</b>	<b>93</b>
	Written-off receivables (initial balance)	118 913	23.86%	123 543	26.57%	104
	New write-off (+)	14 467	2.90%	12 913	2.78%	89
	Collection (-)	2 966	0.60%	6 954	1.50%	234
	Permanent write-off (-)	6 871	1.38%	12 536	2.70%	182
	<b>Written-off receivables (final balance)</b>	<b>123 543</b>	<b>24.79%</b>	<b>116 966</b>	<b>25.16%</b>	<b>95</b>

**Annex 6. Consolidated Income Statement (in KM 000)**

No.	DESCRIPTION	31.12.2014	31.12.2015	INDEX
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		Amount (KM 000)	% in total income	Amount (KM 000)	% in total income	31.12.2015/ 31.12.2014
	<b>FINANCIAL INCOME AND EXPENSES</b>					
<b>1.</b>	<b>Interest income</b>	<b>30 046</b>	<b>60.97%</b>	<b>28 113</b>	<b>45.60%</b>	<b>94</b>
1a)	Interest for financial leasing	22 308	45.27%	19 506	31.64%	87
1b)	Interest on placements with banks	388	0.79%	408	0.66%	105
1c)	Fees (for processing leasing arrangements, etc.)	1 374	2.79%	1 239	2.01%	90
1d)	Other interest income	5 976	12.13%	6 960	11.29%	116
<b>2.</b>	<b>Interest expenses</b>	<b>14 477</b>	<b>29.38%</b>	<b>10 981</b>	<b>17.81%</b>	<b>76</b>
2a)	Interest on borrowed funds	14 025	28.46%	10 720	17.39%	76
2b)	Fees for loan processing	347	0.70%	259	0.42%	75
2c)	Other interest expenses	105	0.21%	2	0.00%	2
<b>3.</b>	<b>Net interest income</b>	<b>15 569</b>	<b>31.59%</b>	<b>17 132</b>	<b>27.79%</b>	<b>110</b>
	<b>OPERATING INCOME AND EXPENSES</b>					
<b>4.</b>	<b>Operating income</b>	<b>19 233</b>	<b>39.03%</b>	<b>33 541</b>	<b>54.40%</b>	<b>174</b>
4a)	Fees for services	49	0.10%	60	0.10%	122
4b)	Fees from operational lease	11 625	23.59%	11 305	18.34%	97
4c)	Income from sale of leasing facilities, net	24	0.05%	0	0.00%	0
4d)	Other operating income	7 535	15.29%	22 176	35.97%	294
4d)1	Income from collected written-off receivables	2 898	5.88%	5 057	8.20%	174
4d)2	Income from notifications	542	1.10%	497	0.81%	92
4d)3	Other	4 095	8.31%	16 622	26.96%	406
<b>5.</b>	<b>Operating expenses</b>	<b>47 773</b>	<b>96.94%</b>	<b>39 302</b>	<b>63.75%</b>	<b>82</b>
5a)	Salaries and contributions	7 743	15.71%	7 281	11.81%	94
5b)	Costs of business premises	14 005	28.42%	12 847	20.84%	92
5c)	Other operating expenses	26 025	52.81%	19 174	31.10%	74
<b>6.</b>	<b>Costs of loan loss reserves</b>	<b>-327</b>	<b>-0.66%</b>	<b>4 643</b>	<b>7.53%</b>	<b>-1.420</b>
6a)	Costs of loan loss reserves financial leasing	-1 230	-2.50%	3 044	4.94%	-247
6b)	Costs of loan loss reserves borrowings	903	1.83%	1 599	2.59%	177
<b>7.</b>	<b>Profit before taxes</b>	<b>-12 644</b>	<b>-25.66%</b>	<b>6 728</b>	<b>10.91%</b>	<b>-53</b>
8.	Profit tax	352	0.71%	343	0.56%	97
<b>9.</b>	<b>Net profit</b>	<b>-12 996</b>	<b>-26.37%</b>	<b>6 385</b>	<b>10.36%</b>	<b>-49</b>

*Annex 7. Balance Sheet Volume Ranking*

31.12.2014					31.12.2015					
Rank	Leasing company	Balance sheet volume (KM 000)	Share 31.12.2014	Cumul. share	Rank	Leasing company	Balance sheet volume (KM 000)	Share 2015	Cumul. share	Balance sheet volume index
1.	Raiffeisen Leasing d.o.o. Sarajevo	151 699	30.44%	30.44%	1.	UniCredit Leasing d.o.o. Sarajevo	146 988	31.62%	31.62%	114
2.	UniCredit Leasing d.o.o. Sarajevo	129 491	25.98%	56.41%	2.	Raiffeisen Leasing d.o.o. Sarajevo	137 402	29.56%	61.16%	91
3.	VB Leasing d.o.o. Sarajevo	109 281	21.92%	78.34%	3.	VB Leasing d.o.o. Sarajevo	97 905	21.06%	82.24%	90
4.	Sparkasse Leasing d.o.o. Sarajevo	56 465	11.33%	89.67%	4.	Sparkasse Leasing d.o.o. Sarajevo	52 537	11.30%	93.54%	93
5.	NLB Leasing d.o.o. Sarajevo	25 429	5.10%	94.77%	5.	NLB Leasing d.o.o. Sarajevo	18 897	4.06%	97.60%	74
6.	Asa Aleasing d.o.o. Sarajevo	26 067	5.23%	100.00%	6.	Asa Aleasing d.o.o. Sarajevo	9 217	1.98%	99.59%	35
					7.	Porsche Leasing d.o.o. Sarajevo	1 926	0.41%	100.00%	-
<b>TOTAL</b>		<b>498 432</b>	<b>100.00%</b>		<b>TOTAL</b>		<b>464 872</b>	<b>100.00%</b>		<b>93</b>

*Annex 8. Overview of Key Financial Indicators as of 31.12.2015 (in KM 000)*

No.	Leasing company	Total capital (KM 000)	Rank based on total capital	Net profit/loss (KM 000)	Rank based on net profit/loss	Placements in 2015 (KM 000)	Rank based on placements in 2015	Number of arrangements in 2015	Rank based on number of arrangements in 2015
1.	Asa Aleasing d.o.o. Sarajevo	3 259	6.	5 472	1.	39	7.	2	7.
2.	NLB Leasing d.o.o. Sarajevo	8 549	3.	-5 140	7.	0	8.	0	8.
3.	Raiffeisen Leasing d.o.o. Sarajevo	14 199	1.	1 944	2.	35 023	3.	725	3.
4.	Sparkasse Leasing d.o.o. Sarajevo	4 249	5.	1 214	5.	25 291	4.	423	4.
5.	Unicredit Leasing d.o.o. Sarajevo	9 285	2.	1 310	4.	71 151	1.	1 125	2.
6.	VB Leasing d.o.o. Sarajevo	6 051	4.	1 896	3.	44 362	2.	1 152	1.
7.	Porsche Leasing d.o.o. Sarajevo	1 689	7.	-311	6.	1 646	6.	73	6.
8.	Hypo Leasing d.o.o. Banja Luka *	-	-	-	-	2 126	5.	55	5.
	<b>TOTAL</b>	<b>47 281</b>		<b>6 385</b>		<b>179 638</b>		<b>3 555</b>	

\* Placements realised via branch offices in the FB&H