



**BOSNIA AND HERZEGOVINA
FEDERATION OF BOSNIA AND HERZEGOVINA
BANKING AGENCY OF 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
AS OF
31.03.2013.

Sarajevo, May 2013.

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1. INTRODUCTION

The Banking Agency of Federation of BiH (in further reading; the Agency), as a regulatory institution which performs the supervision (examination) of the leasing companies, developed the Information on leasing sector in the Federation of BiH (as of 31.03.2013, based on the final unaudited data) based on the analyses of the regulatory reports on performance that the leasing companies submit to the Agency (indirect – off site examination of the performance) and data which it has at disposition from the on-site examinations (direct – on site examination).

Leasing companies' performance is regulated by the Law on leasing which came into effect on 03.01.2009. („Official Gazette of Federation of Bosnia and Herzegovina" number: 85/08 and 39/09). The law regulates establishment, performance and cease of operations of a leasing company, rights and obligations of the parties in the leasing operations, managing risks, financial reporting and supervision of the leasing company performance.

The supervision of the leasing companies was established after the issuing of the license for leasing operations to leasing companies with an aim to permanently monitor the performance and financial condition of each individual leasing company and leasing sector in the Federation of BiH as a whole, determining the compliance in the performance of the leasing companies with the regulations that are in effect, as well as analyzing and evaluating the financial reports of the leasing companies.

During 2011 and 2012 the economic trends in the surroundings had a negative effect on the local economy through the overflow of the debt crises from the euro zone and the region. The noted causes the trend of weakening of the local demand which has been present since 2010, which slowed the business activities of the leasing companies.

The impact of the crises on the real sector is evident, and the consequences will in the coming period inevitably be reflected on the economic environment in which the leasing companies operate, which did have the influence on the aggregate balance sheet of the leasing sector in the Federation of BiH, which as of 31.03.2013., was 675,236 thousand KM, which is by 2,75% or by 19,128 thousand KM less than as of 31.12.2012.

If the individual leasing companies aggregate balance sheet amounts are compared with the data as of 31.12.2012., it can be concluded that balance sheet of two companies is higher by 1,368 thousand KM, while five companies recorded a decline in a total amount of 20,496 thousand KM.

In the period from 01.01. to 31.03.2013., on the leasing performance level in the Federation of BiH, as a result of performance realized is a loss in the amount of 321 thousand KM. Two leasing companies reported a negative financial result in the amount of 3,687 thousand KM, while the remaining five leasing companies reported a positive financial result in the amount of 3,366 thousand KM. In comparison to the same period last year, when the reported total loss was in the amount of 7,133 thousand KM, it can be concluded that the leasing companies in principal stopped the negative trend in reporting high business losses, which are mainly caused by difficulties in collection of the receivables financed in the period up to 2010.

The total leasing companies capital as of 31.03.2013., was 48,263 thousand KM. In comparison to 31.12.2012., the noted position is lower by 321 thousand KM or 0,66%. Two leasing companies reported capital lower than by law prescribed minimum amount of 250 thousand KM.

The on-site examination of the leasing companies is performed by authorized individuals from the Agency through enhanced and targeted examinations – through examination in the leasing companies. Orders for implementing and correcting noted weaknesses are issued to the examined leasing companies upon completion of the report in order to further improve the leasing company's performance quality, their profitability, soundness and safety in performance of the leasing company.

The irregularities determined during the on-site examination referred mainly to improving the internal regulations which define the risks in the performance, improvement of internal regulations in the segment of the accounting function of the leasing company, disregard for the contracted provision by the leasing companies in regard to the contracted compliance of the interest rates with the variable ratio, weaknesses of the internal control systems in regard to lack of adherence to the internal regulations, incompliance with the provisions of the Law on obligations in reference to the amount of past due interest rates and methodology for accrual of the past due interest rates, submitting of the incorrect data to the Central Registry of loans in the Central bank of BiH in regard to the written off receivables.

2. MARKET PARTICIPANTS

2.1. Number of leasing companies

As of 31.03.2013, a total of 7 leasing companies registered in the Federation of BiH perform business activities, while in the period from 2010 to 2011 the leasing operations were performed by 8 leasing companies. Seven leasing companies registered in the Federation of BiH perform leasing operations in 21 organizational units – affiliates (of which 17 in FBiH and 4 in RS). Leasing companies licensed for performing leasing operations are:

1. ASA Aleasing d.o.o. Sarajevo,
2. Euroleasing d.d. Mostar,
3. NLB Leasing d.o.o. Sarajevo,
4. Raiffeisen Leasing d.o.o. Sarajevo,
5. S-Leasing d.o.o. Sarajevo,
6. UniCredit Leasing d.o.o. Sarajevo and
7. VB Leasing d.o.o. Sarajevo.

In comparison to 31.12.2012, during the first quarter of 2013, there were no changes in the number of registered branches.

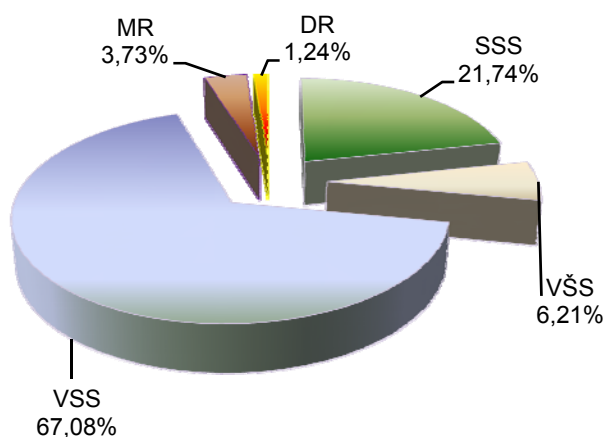
2.2. Ownership structure

Of seven leasing companies, there are three companies that have a 100% nonresident ownership of parent companies, while three are in majority ownership of their non-resident parent companies and/or local banks established with foreign capital. One company has a majority resident ownership. Detailed data in regard to the ownership structure of the leasing companies are presented in the Attachment 2 of this Information.

2.3. Number of employees in the leasing companies

As of 31.03.2012., in the leasing companies there were a total of 161 employees, which is by 5 employees less than as of 31.12.2012. the significant decrease in the number of employees refers to one leasing company (4 employees less than in comparison to the previous reporting period). Apart from the listed number of employees, the leasing companies, as of 31.03.2013, engaged additional 33 employees through the student services and through the employment agency, of which number 66,67% employees are engaged in one leasing company.

Graph 1. Qualification structure in the leasing sector



The efficiency of the employees, in the evaluation of the leasing companies' performance, is measured through the ratio between the assets and the number of employees (assets per employee). As of 31.03.2013, at the level of the leasing sector there are 4,194 thousand KM in assets that relate to each employee (31.12.2012. – 4,183 thousand KM per employee). The analytical indicators for the individual companies range from 3,232 thousand KM to 6,362 KM in assets per employee. Simultaneously, as of 31.03.2013, in the micro credit organizations and funds sector this indicator was 317 thousand KM in assets per employee, and in the banking sector 2,064 thousand KM per employee.

3. BALANCE SHEET STRUCTURE

3.1. Structure of Assets

The total assets of all leasing companies in the Federation of BiH as of 31.03.2013., was 675,236 thousand KM, which in comparison to 31.12.2012., presents a decrease by 19,128 thousand KM or 2,75%. Individually reviewed, two leasing companies had reported an incline of the balance sheet in the total amount of 1,368 thousand KM while five leasing companies reported a decline in the aggregate balance sheet in the total amount of 20,496 KM. The two largest leasing companies (in regard to the size of assets) have 55,62% of total assets of the leasing companies.

In the structure of total assets, the most significant participation is of the net receivables from financial leasing which are 415,931 thousand KM, and that presents 61,60% of the total assets of leasing sector.

In comparison to 31.12.2012, the net receivables from the financial leasing decreased by 11,692 thousand KM or 2,73%, while the gross receivables from the financial leasing decreased by 19,127 thousand KM or 3,63%.

The net receivable from loans as of 31.03.2013 were 106,850 thousand KM or 15,82% of the amount of total assets of the leasing sector.

In comparison to 31.12.2012, the net receivables from loans increased by 581 thousand KM or 0,55%. Reviewed individually, the increase of the noted position was reported by one leasing company due to the reprogram/restructuring of the receivable from the loan which was granted to the subsidiary of the same company. Of the total amount of receivables from loans, as of 31.03.2013, 74,220 thousand KM or 69,46% refers to loans granted by two leasing companies to subsidiaries or related legal entities with a goal to finance of real estate construction. The loans were granted before the Law on leasing came into effect. In the structure of the total assets, the loans will remain in the balance sheet of the leasing companies until the contracted deadlines, for which they were granted, expire.

The participation of the cash and cash equivalent positions as of 31.03.2013., was 17,261 thousand KM, which is by 2,345 thousand KM or 15,72% less than as of 31.12.2012. The participation of the noted position in the total assets increased from 2,15%, at the end of 2012, to 2,56%, as of 31.03.2013.

The net value of funds financed through the operating leasing as of 31.03.2013 was 27,677 thousand KM and it decreased by 2,015 thousand KM or 6,79% in comparison to 31.12.2012.

The Table 1 of the Information gives a review of the data of the net balance positions for assets through the reporting periods.

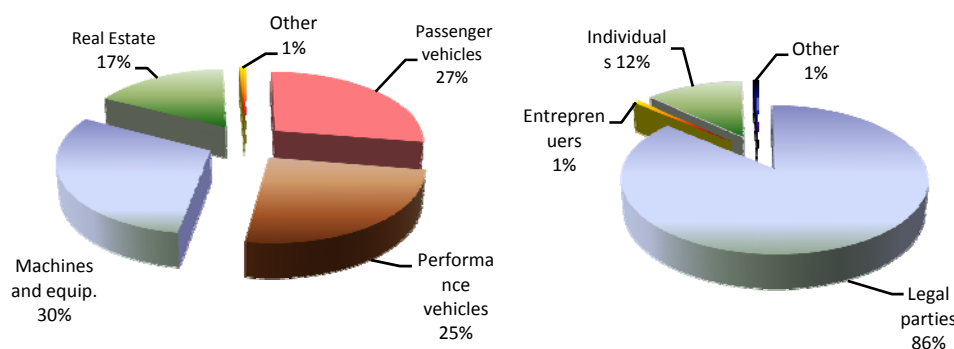
Table 2. Structure of the net balance positions of the assets

(000 KM)

Balance Sheet positions	31.12.2012	% participation in assets	31.3.2013	% participation in assets	31.03.2013/ 31.12.2012
Financial leasing	427.623	62%	415.931	62%	-2,73%
Operating leasing	29.692	4%	27.677	4%	-6,79%
Borrowings	106.269	15%	106.850	16%	0,55%
Other assets	130.780	19%	124.778	18%	-4,59%
Total Assets	694.364	100%	675.236	100%	-2,75%

In the assets structure according to the lessee and leasing subject there were no significant changes in relation to the previous reporting periods.

Graph 2. Financial leasing structure according to the leasing subject and lessee as of 31.03.2013.



In the structure of the balance sheet of the financial sector which is supervised by the Agency, 4,23% of the aggregate balance sheet amount belongs to the leasing sector, 92,77% to the banking sector and 3,00% to the microcredit sector.

3.2. Asset quality

In accordance with the leasing companies reports, the reserves for losses from financial leasing as of 31.03.2013 have been reported in the amount of 23,204 thousand KM and present a decline by 1,399 thousand KM or 5,69% in comparison to 31.12.2012. Individually reviewed, 58,51% of established reserves for losses refers to two largest leasing companies (reviewed by the size of assets).

Table 2. Comparative review of financial leasing established reserves through default categories

(000 KM)

Days of default	Total provisions 31.12.2012	Total provisions 31.03.2013	% of change
0-60	552	421	-23,73%
60-90	649	588	-9,39%
90-180	4.383	3.652	-16,68%
over 180	16.280	18.363	12,79%
over 360	2.739	180	-93,43%
TOTAL	24.603	23.204	-5,69%

In the structure of the provisions for financial leasing losses, 18,363 thousand KM or 79,13% refers to reserves for losses established based on the receivables which are over 180 days past due. The comparison of the relation between the total receivables and the base for the establishment of the reserves in the noted default category, can lead to conclude that the amount of the base presents 94% of the amount of receivable, which indicates to the fact that the leasing company in the noted default category in general did not come to own the financed leasing subjects (visible in the Attachment 4 of this Information). The other default categories had lower reported reserves for losses, which caused the decrease of the total allocated reserves in cumulative (new receivable write off or taking the ownership of the leasing subject and the collection)

Reserves for loans as of 31.03.2013 were 3,661 thousand KM and they decreased by 259 thousand KM or 6,61% in comparison to 31.12.2012 when the provisioning for loans was 3,920 thousand KM. The reason for the decrease in the reserves for loan losses as of 31.03.2013 in comparison to 31.12.2012 are the restructuring (reprogramming) of the receivables which in the previous period were significantly past due and the write off of the uncollected receivables. Of the total amount of the established reserves for loans, 2,620 thousand KM or 71,55% refers to reserves established by one leasing company.

The total amount of written off receivables in the financial leasing and loans as of 31.03.2013 was 70,236 thousand KM and it increased by 4,179 thousand or 6,33% in comparison to 31.12.2012. Of the total reported amount of the written off receivables 37,478 thousand KM or 53,36% refers to the write off by one leasing company. The review of the structure of the written off receivables leads to conclude that during the first quarter of 2013 recorded were in the off balance sheet new receivables in the amount of 4,502 thousand KM, of which 3,397 thousand KM or 75,46% refers to the write off established by one leasing company. The review in the same period, based on the collection of the off-balance sheet receivables, recorded the amount of 321 thousand KM.

As of 31.03.2013, the market value of the leasing subject taken over, which were taken over due to the breach of the contract with the lessee or termination of the contract in which agreed were no purchases of the leasing subject upon the end of the leasing contract, was 35,421 thousand KM and it increased by 1,997 thousand or 5,97% in comparison to 31.12.2012.

Table 3. Number and value of the leasing subjects taken over

(000 KM)

No.	LEASING SUBJECT TYPE	31.12.2012		31.3.2013	
		Number of units	Estimated market value of the leasing subject	Number of units	Estimated market value of the leasing subject
1.	Passenger vehicles	62	771	64	818
2.	Service vehicles (terrain and passenger)	29	507	31	721
3.	Machines and equipment	27	5.962	38	6.533
4.	Real Estate	21	26.181	22	27.346
5.	Track, floating and flying vehicles	1	3	1	3
6.	Kitchen appliances	0	0	0	0
7.	Other	0	0	0	0
TOTAL		139	33.424	156	35.421

In comparison to the previous reporting period, the most important increase of the market value (reviewed in the percent amount) is reported on the position of the service vehicles (increase in the amount of 42,21%), while the largest increase is viewed in the absolute amount reported on the position of the real estate (1,165 thousand KM). Individually reviewed, 30,371 thousand KM or 85,74% of the value of the leasing subjects which are owned by the leasing companies refer to two leasing companies.

Of the noted amount of the estimated value of the taken over leasing subjects as of 31.03.2013, 77,20% refers to real estate (business premises) which the leasing companies came to own due to the lack of implementation of the contracted terms by the lessee. The total amount of the noted position refers to three leasing companies, of which 54,99% or 15,037 thousand KM refers to the value of the taken over real estate of one leasing company.

As of 31.03.2013, there was a total of 156 leasing cases in the category of the leasing subject which are taken over (returned before the deadline) or leasing subjects returned through the regular, which is an increase of 12,23% in comparison to 31.12.2012..

The continuously high amount of the reported values of the leasing subjects which were taken over indicates to the present difficult sale or future placement of the leasing subjects which were taken over.

3.3. Placements based on leasing subject and type of leasing

The value of the newly concluded placements in the period from 01.01. to 31.03.2013, was 42,398 thousand KM, which presents an increase of 1,806 thousand KM or 4,56% in relation to the same period last year.

The number of newly concluded contracts was 979, which is by 7,12% less than in comparison to the same period last year. The average value of the contracts in the noted period in 2013 was

43 thousand KM and it is higher in comparison to the average value of the contracts in the same period last year when it was 38 thousand KM.

Of the total realized value of the newly concluded contracts, 40,298 thousand KM refers to contracts of the financial leasing with an average (risk weighted) nominal interest rate of 7,19% and risk weighted effective interest rate of 9,86%.

The structure of the financing amount based on the leasing subject and the type of contract is illustrated in the Table 4 of this Information.

Table 4. The structure of the financing amounts according to the leasing subject for 2012 and 2013

(000 KM)

	31.03.2012.			31.03.2013.		
	Financial leasing	Operating leasing	TOTAL	Financial leasing	Operating leasing	TOTAL
Vehicles	26.418	1.529	27.947	26.811	2.100	28.911
Equipment	10.345	154	10.499	13.203	0	13.203
Real Estate	2.100	0	2.100	240	0	240
Other	2	0	2	44	0	44
TOTAL	38.865	1.683	40.548	40.298	2.100	42.398

The total amount of financing in the period from 01.01. to 31.03.2013. includes the amount of financing realized by the leasing company with the head office in Republic Srpska through the subsidiary on the territory of the Federation of BiH. The noted company realizes the majority of the business activities in the Federation of BiH.

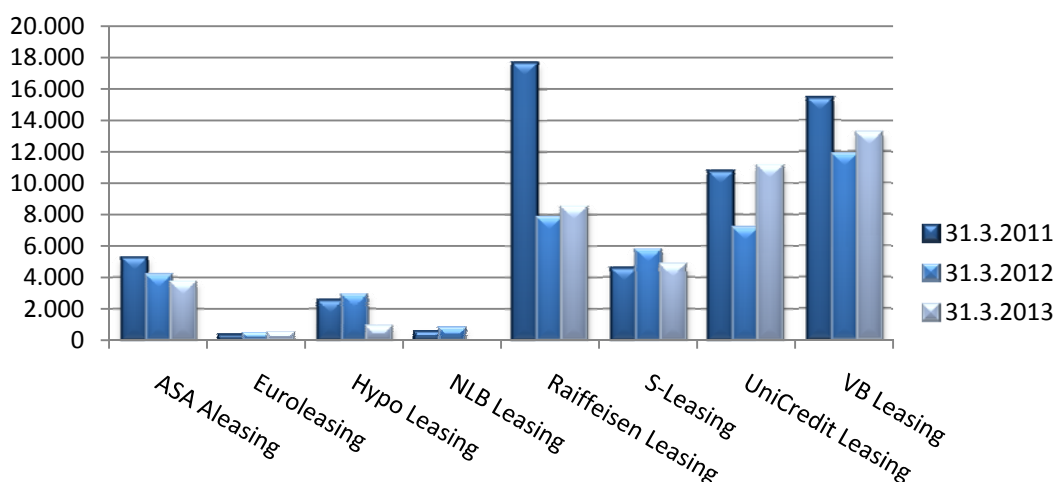
In the structure of the new placements, based on the type of the lessee, dominating are the placements to legal entities (90,22% of total financing amount during the first quarter of 2013.). As one of important reasons is the fact that the financing through leasing for individuals is less favorable in comparison to the loan placements due to the VAT payment on interest, which presents an additional expense to the clients which are not obliged to pay VAT.

The analyses of the markets of the neighboring countries it was concluded that the majority of the countries with the change in the tax regulations freed the leasing companies from the obligation of the VAT accrual on interest in the financial leasing contracts, which caused positive effects on the financing of individuals through leasing, as well as an increase of the tax liabilities due to the increased turnover of new leasing subjects.

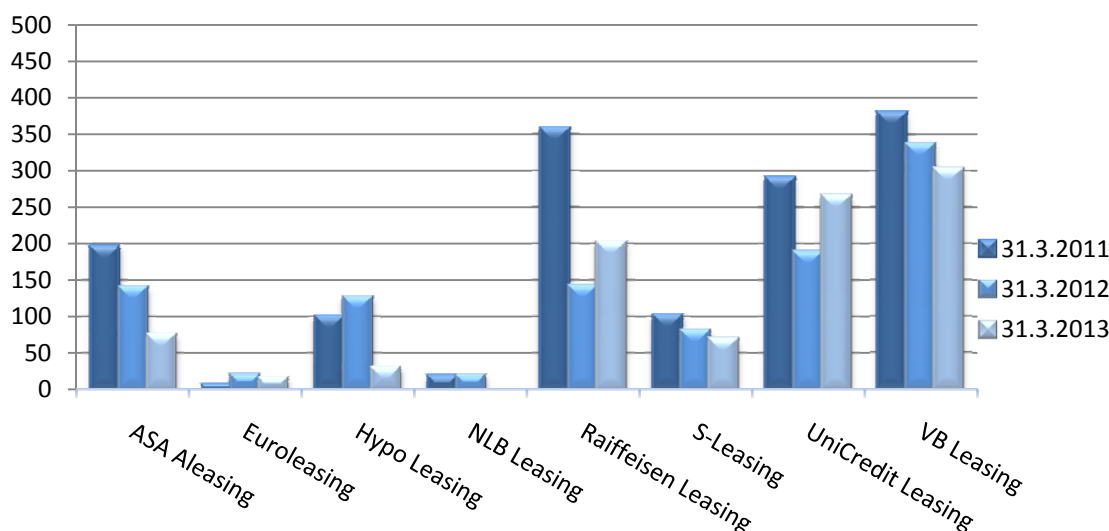
3.4. Market participation according to financial volume and number of contracts

The value of the contracts financed through the financing and operating leasing in the Federation of BiH in the period from 01.01. to 31.03.2013, increased in comparison to the same period last year.

Graph 3. Market participation based on volume (in 000 KM)



Graph 4. Market participation based on the number of contracts



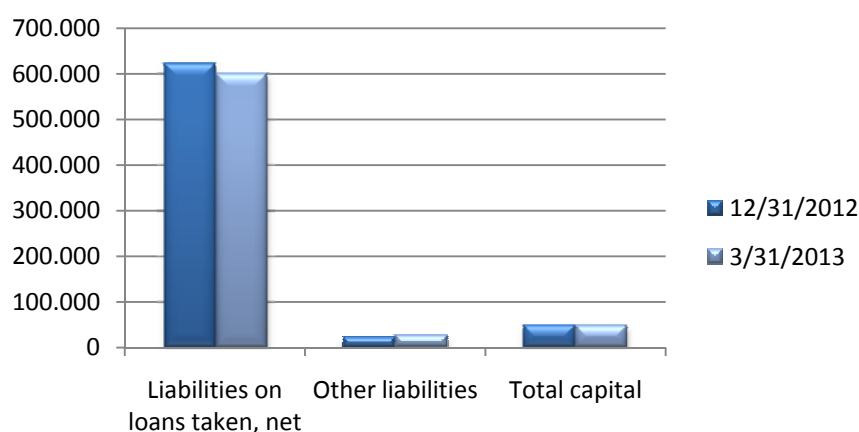
Based on the data published by the highest European association Leaseurope as of 31.12.2012, the European leasing market in the previous business year also recorded a decline of new placements in comparison to the previous year in the amount of 14,3%, which viewed in the period 2009-2012 for the first time caused a decline in the portfolio of the leasing companies by 0,9%. In addition to the noted, from the published aggregate indicators visible is a significant

increase of reserves for losses (2012/2011) in the amount of 16,5% and the decline in profit before taxes in the amount of 16,4%.

3.5. Structure of Liabilities

As of 31.03.2013., there were no significant changes in the structure of liabilities in comparison to previous reporting periods. Liabilities on taken loans still present a dominant position in the structure of total liabilities (88,94% of the amount of total liabilities).

Graph 5. Structure of liabilities – comparative data (000 KM)



The total liabilities from loans as of 31.03.2013 were 600,563 thousand KM and they decreased by 22,040 thousand KM or 3,54% in comparison to 31.12.2011. Of the total amount of liabilities from loans taken, 535,003 thousand KM or 89,08% refers to long term liabilities.

In the funding sources' structure, 58,55% refers to debt of the commercial foreign and local banks which mostly belong to the group to which the leasing companies belong also, while 18,02% refers to direct debt from the founder, and 23,43% refers to debt from European and local development banks (EIB, EBRD, CEDB, DEG, Development bank of FBiH etc.). The funds from these banks are by nature intended for a specific purpose and mostly refer to development of middle and small enterprises, and are secured by banking guarantees issued by parent banks or their holding companies.

The total risk weighted nominal interest rate which the leasing company pay for the sources of funds in the period 01.01. to 31.03.2013, 2,80% is on the annual level (interest rate calculated on the base of the average balance of the loans taken and interest expenses in the reviewed period) and it significantly decreased in comparison to the previous periods.

The noted is caused by the fact that the interest rates on the funding sources of the leasing companies are mostly related to the variable ratio EURIBOR which value during 2012 continuously declined (value 3M EURIBOR as of 01.01.2012. 1,343%, as of 31.12.2012. 0,188%). The noted in a much smaller degree influenced the decrease of the exit nominal and effective interest rates.

As of 31.03.2013., the total capital of the leasing companies was 48.263 thousand KM. In comparison to 31.12.2012, the noted position was lower by 321 thousand KM or 0,66%.

The owners of the company, in which at the end of the previous year reported was a loss higher than the amount of capital, at the end of February of 2013, performed the additional capitalization of the company in the amount of 4,373 thousand KM. Its implementation (registration in court) is expected by the end of the second quarter, when it will be reported in the balance positions of the noted company.

4. FINANCIAL RESULTS OF THE PERFORMANCE

At the level of leasing sector in the period from 01.01.2 to 31.03.2013., reported was a loss in the performance in the amount of 321 thousand KM. In the same period last business year on the level of the sector realized was a loss in the amount of 7,133 thousand KM.

If reviewed individually, two leasing companies reported a negative financial result in the amount of 3,687 thousand KM (both companies reported a total capital lower than the one prescribed by law), while the remaining five leasing companies reported a positive financial result in the amount of 3,366 thousand KM.

Interest income as of 31.03.2013 was 9.389 thousand KM. The noted position is by 2,257 thousand KM or 19,38% lower than in comparison to the same period previous year. If the individual income positions are reviewed, the financial leasing interest income position was 7,345 thousand KM and by 1,646 or 18,31% is lower than in comparison to the same period previous business year. The position of the other interest income increased in regard to the same period previous year by 611 thousand KM or 23,01%.

The expenses from interests were 4,255 thousand KM, which is by 3,162 thousand KM or 42,63% lower than in comparison to the same period last business year.

The total net income reported for the period from 01.01 to 31.03.2013, was 5,134 thousand KM, which presents an increase of 905 thousand KM or 21,40% in comparison to the same period previous business year.

Within the category of expenses, the provisioning for losses expense were 6,519 thousand KM and are lower by 4,760 thousand KM or 42,20% in comparison to the previous period the same year.

5. RISK WEIGHTED NOMINAL AND EFFECTIVE INTEREST RATES

An effective interest rate presents a real relative cost of the leasing contract, reported on the annual level in compliance with the Decision on unified manner and method for accrual and reporting of the effective interest rate for the financial leasing contract (“Official Gazette of the Federation of Bosnia and Herzegovina”, number 46/09).

The total average nominal interest rate for the financial leasing contracts concluded during the first quarter of 2013, was 5,98% for the short term and 7,24% for long term, while the effective interest rate for the short term contracts was 9,63% and long term 9,87% on the annual level.

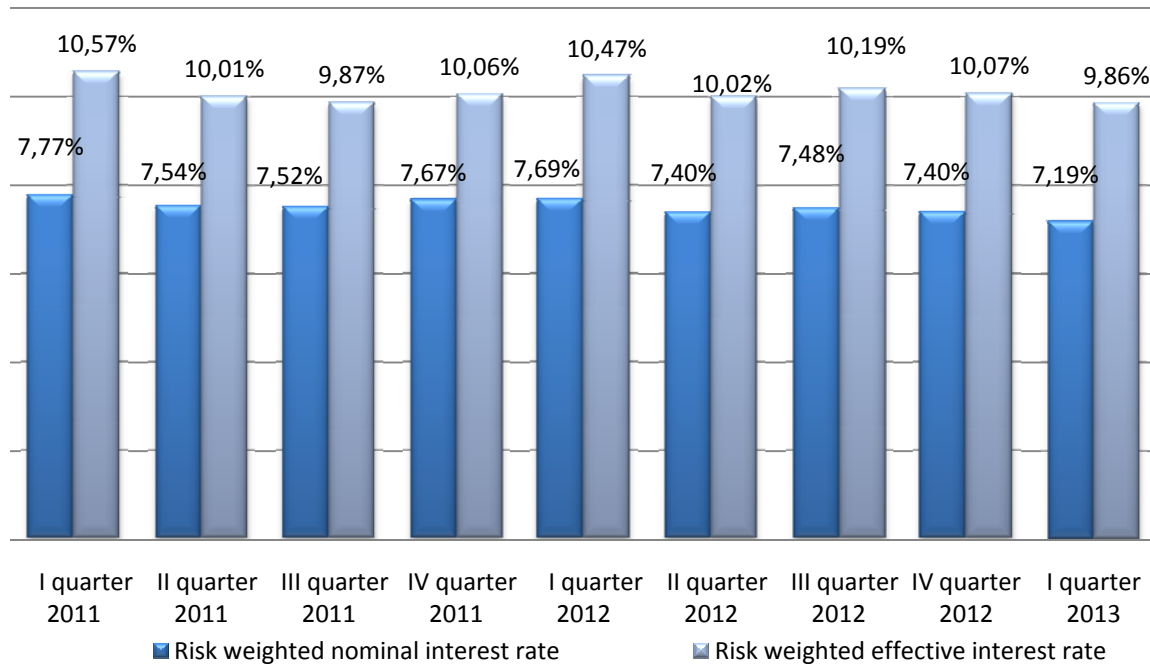
In Table 6 of this Information presented are data about the financing amount, nominal and effective interest rate for the financial leasing contracts concluded during the first quarter of 2013.

Table 5. Average nominal and effective interest rates for the financial leasing contracts concluded during the first quarter of 2013.

No.	DESCRIPTION	Contract No.	Financing amount in (000) KM	Risk weighted nominal interest rate	Risk weighted effective interest rate
1.	Short term leasing contracts based on the leasing subject:	59	1.531	5,98%	9,63%
a.	Passenger vehicles	43	875	6,21%	9,90%
b.	Performance vehicles (terrain and passengers)	11	415	5,39%	9,09%
c.	Machinery and equipment	5	241	6,15%	9,57%
1.1.	Short term leasing contracts based on the lessee:	59	1.531	5,98%	9,63%
a.	Legal entities	51	1.433	5,86%	9,25%
b.	Entrepreneurs	0	0	0,00%	0,00%
c.	Individuals	8	98	7,68%	15,11%
2.	Long term leasing contracts based on the leasing subject:	862	38.767	7,24%	9,87%
0	Passenger vehicles	460	12.024	7,45%	10,30%
b.	Performance vehicles (terrain and passengers)	272	13.497	7,37%	10,01%
c.	Machinery and equipment	125	12.962	6,88%	9,32%
d.	Real Estate	3	240	8,44%	9,23%
g.	Track, floating and flying vehicles	2	44	11,50%	15,57%
2.1.	Long term leasing contracts based on the lessee:	862	38.767	7,24%	9,87%
a.	Legal entities	686	34.741	7,14%	9,71%
b.	Entrepreneurs	12	361	8,60%	11,61%
c.	Individuals	164	3.665	8,05%	11,20%
	TOTAL	921	40.298	7,19%	9,86%

If the risk weighted nominal and effective interest rates are reviewed with the values of the same in the previous reporting periods, concluded is that there is a trend of decrease of nominal and effective interest rates, which is caused by the decrease of the variable ration (EUROBAR) for which tied were entry and exit interest rates.

Graph 6. Review of the average risk weighted nominal and effective interest rates for the contracts about the financial leasing through quarters during 2011., 2012. and 2013.



The significant difference between the nominal and effective interest rate is a consequence of the VAT on interest, which is an obligatory part of leasing contract for financial leasing (paid in advance by the lessee), creation of the financial leasing contract with the purchase value, as well as the additional cost of the leasing arrangement that are often integral part of the monthly rental for the leasing contract (Casco insurance etc.).

6. CONCLUSIONS AND RECOMMENDATIONS

According to the indicators of the leasing companies' performance in FBiH, as of 31.03.2013, it can be concluded that the leasing sector in FBiH during the noted period showed signs of stabilization in the context of values of the newly concluded contracts and the realized result in the performance in comparison to the same period previous business year.

Some of the leasing companies still have difficulties in performance that are coming from the collection of the existing receivables that were generated in the previous periods.

The data for the first quarter of 2013, indicate a slight increase of industrial production and increase of export and if the positive trend is continued until the end of the year, there can be expected a slight increase in the real growth rate and a more favorable economic environment in which leasing companies operate.

Within its responsibilities related to the supervision of the leasing companies the Agency will be guided by the principles of transparency, building the trust in the leasing companies, as well as adequate protection of the users of the financial services financed through the leasing with an aim to realize financial stability of individual companies and leasing operations on the territory of the Federation of BiH.

In the coming period the Agency will focus on the following aspects:

- continue the ongoing supervision of the leasing companies through on site and off site supervision,
- insist on capital enhancements for the leasing sector and internal defining of the benchmarks for capital protection and capital adequacy,
- enhance the leasing sector regulations in the segment of actions and performance of the leasing companies,
- monitor the activities of the leasing companies related to prevention of money laundering and terrorism financing and improve the cooperation with other institutions for examination and control;
- further improvement of the information technology system, which based on the reports of the leasing companies will provide an early warning system and preventive actions in regard to correcting the weaknesses in the performance of the leasing companies;
- improving the structure and quality of the data in the Central Register of loans in the Central Bank of BiH;
- continue the permanent education and professional specialization of the employees and
- improve the cooperation with the Association of the leasing companies in BiH, in reference to the providing of the professional assistance in the implementation of the provisions of the laws and regulations for the leasing companies and the proposals for the changes in the regulations.

In addition to the noted, in 2013 expected is adoption of the Law on protection of the users of financial services. The Agency will, through regular examinations, monitor the performance of the leasing companies in accordance with the noted law.

In the coming period the leasing companies should put additional focus on the control of the past due receivables, that is the highest attention should be devoted to the non performing placements and initiating actions in regard to the improvement of the collection of the due receivables.

Leasing company activities should be directed towards:

- capital strengthening and defining parameters for protection of capital and capital adequacy;
- improvement of policies and procedure for managing the risks that the leasing companies are exposed to in their performance;

- establishment of the internal controls and the internal audit function as independent in performing their tasks;
- update of computer support with an aim to provide adequate accounting records and better quality reporting;
- improvement in regard to the protection of the users of the leasing services;
- implementation of the responsible financing practices;
- informing the clients in more details about the products offered by the leasing companies with an aim of accomplishing a better understanding and a more serious approach to financing through leasing and
- regular, timely and correct reporting of data to the Central Loan Registry at the Central Bank of BiH.

7. REGULATIONS OF THE AGENCY FOR THE PERFORMANCE OF THE LEASING COMPANIES

According to the Law on leasing, the issuing of the licenses for establishment and performance of leasing companies is regulated in details by the regulations of the Banking Agency of Federation of Bosnia and Herzegovina (in further reading Agency), that is by the decisions adopted by the Management Board of the Agency (published in the "Official Gazette of the Federation of Bosnia and Herzegovina " number: 46/09, 46/11, 48/12 and 110/12), as well as the instructions adopted by the Director of the Agency.

The decisions of the Agency that regulate the establishment and issuing of the license for performance and operations of leasing companies are:

1. Decision on conditions and procedure for issuing and revoking the license for performing leasing operations,
2. Decision on condition and procedure for issuing and revoking approvals to a leasing company,
3. Decision on minimal standards for the activities of the leasing company on prevention of money laundering and terrorism financing,
4. Decision on unified manner and method for accrual and reporting of effective interest rate for financial leasing contracts,
5. Decision on unified manner and method for accrual and reporting of leasing fees for operating leasing contracts,
6. Decision on form and content of reporting that the leasing companies submit to the Banking Agency of Federation of BiH and reporting deadlines,
7. Decision on minimal amount and manner for allocation, managing and maintaining the reserves for losses and managing the leasing company risks,

8. Decision on supervision of leasing companies,
9. Decision on the fees that the leasing companies pay to the Banking Agency of Federation of BiH,
10. Decision on conditions and manner of performance for the leasing companies in regard to the complaints of the users of the leasing companies' services.
11. Instructions for implementation of the Decision on the unified manner and method for accrual and reporting of the effective interest rate for contracts on financial leasing and
12. Instructions for development of leasing companies' reports.

Number: U.O. 52-4/13
Sarajevo: 04.06.2013.

8. ATTACHMENTS

Attachment 1. Leasing companies' basic data as of 31.03.2013.

No.	Leasing company name	Address and head office	Director	Telephone	FBA licence Issue date	Number of employees	Web address
1.	ASA Aleasing d.o.o. Sarajevo	Bulevar Meše Selimovića 16, Sarajevo	Alma Kadrić	+ 387 33 771 222	22.03.2010	16	www.asa-aleasing.ba
2.	Euroleasing d.d. Mostar	Vukovarska 1, Mostar	Renata Perić	+ 387 36 394 500	03.02.2010	6	www.euroleasing.ba
3.	NLB Leasing d.o.o. Sarajevo	Trg Solidarnosti 2a, Sarajevo	Dalida Međedović	+ 387 33 789 345	19.03.2010	9	www.nbleasing.ba
4.	Raiffeisen Leasing d.o.o. Sarajevo	Danijela Ozme 3, Sarajevo	Belma Sekavić - Bandić	+ 387 33 254 354	19.01.2010	55	www.rlbh.ba
5.	S-Leasing d.o.o. Sarajevo	Zmaja od Bosne 7 Sarajevo	Elma Hošo	+ 387 33 565 850	11.02.2010	11	www.s-leasing.ba
6.	UniCredit Leasing d.o.o. Sarajevo	Džemala Bijedića 2, Sarajevo	Denis Silajdžić	+ 387 33 721 750	16.03.2010	29	www.unicreditleasing.ba
7.	VB Leasing d.o.o. Sarajevo	Fra Anđela Zvizdovića 1, Sarajevo	Slobodan Vujić	+ 387 33 276 280	12.01.2010	35	www.vbleasing.ba
					TOTAL	161	

Attachment 2. Review of leasing companies' ownership structure as of 31.03.2013.

LEASING COMPANY	TITLE-NAME OF THE OWNER	% participation
ASA ALEASING d.o.o. Sarajevo	ASA FINANCE d.d. Sarajevo	51,00%
	ALEASING d.o.o. Celje	49,00%
EUROLEASING d.d. Mostar	EUROLEASING d.o.o. Zagreb	27,24%
	EUROHERC osiguranje d.d. Sarajevo	17,66%
	EUROHERC osiguranje d.d. Zagreb	13,52%
	BSO d.d. Sarajevo	8,44%
	AGRAM životno osiguranje d.d. Zagreb	6,79%
	JADRANSKO osiguranje d.d. Zagreb	6,79%
	EUROAGRAM TIS d.o.o. Zagreb	6,50%
	EURO DAUS d.d. Split	6,50%
	EURODOM d.o.o. Osijek	6,50%
	AGRAM d.d. Ljubuški	0,06%
RAIFFEISEN LEASING d.o.o. Sarajevo	RAIFFEISEN LEASING INTERNATIONAL GmbH, Vienna	51,00%
	RAIFFEISEN BANK d.d. Sarajevo, BiH	49,00%
NLB LEASING d.o.o. Sarajevo	NLB d.d. Ljubljana	100,00%
S-LEASING d.o.o. Sarajevo	STEIERMAERKISCHE BANK UND SPARKASSEN AG, Graz	90,00%
	SPARKASSE BANK d.d. Sarajevo	10,00%
UNICREDIT LEASING d.o.o. Sarajevo	UNICREDIT LEASING S.p.A., Milan	100,00%
VB LEASING d.o.o. Sarajevo	VB LEASING INTERNATIONAL GmbH, Vienna	100,00%

Attachment 3. Review of provisioning for leasing loans as of 31.03.2013. (IN 000 KM)

Days of delinquency	Provisioning rate	Amount of receivable	Higher accrued allocated reserves	Total provisioning
0-60	0,05%	74.036	0	37
60-90	5%	2.296	0	114
90-180	10%	33.770	0	3.377
180-270	30%	357	0	107
270-360	50%	52	0	26
over 360	100%	0	0	0
TOTAL		110.511	0	3.661

Attachment 4. Review of provisioning for financial leasing (FL) of leasing companies as of 31.03.2013. (in 000 KM)

Days of delinquency	Provisioning rate for FL (movables)	Provisioning rate for FL (immovable)	Amount of receivables for movables	Amount of receivables for immovable	Amount of base for movables	Amount of base for immovable	Reserves			Total reserves
							For movables	For immovable	Surplus of accrued and allocated reserve	
0-60	0,50%	0,50%	299.833	43.752	64.238	5.219	322	26	74	421
60-90	10%	10%	21.231	10.574	3.679	1.829	368	183	37	588
90-180	50%	50%	24.916	11.908	5.048	1.689	2.524	845	283	3.652
over 180	100%	75%	19.193	7.548	18.032	418	18.032	313	17	18.363
over 360	100%	100%	180	0	180	0	180	0	0	180
TOTAL			365.353	73.782	91.177	9.155	21.426	1.367	411	23.204

Attachment 5. Consolidated Balance Sheet (in 000 KM)

No.	DESCRIPTION	31.12.2012		31.3.2013		% growth 31.03.2013/ 31.12.2012
		Amount	% in total assets	Amount	% in total assets	
	ASSETS					
1.	Cash and cash equivalents	14.916	2,15%	17.261	2,56%	15,72%
2.	Placements to banks	12.667	1,82%	1.793	0,27%	-85,85%
3.	Receivables from financial leasing, net (3a-3b-3c-3d)	427.623	61,58%	415.931	61,60%	-2,73%
3a)	receivables from financial leasing, gross	527.508	75,97%	508.381	75,29%	-3,63%
3b)	reserves for losses	24.603	3,54%	23.204	3,44%	-5,69%
3c)	deferred income from interest	74.805	10,77%	68.800	10,19%	-8,03%
3d)	deferred income from fees	477	0,07%	446	0,07%	-6,50%
4.	Receivables from subsidiaries	2	0,00%	2	0,00%	0,00%
5.	Movable and immovable assets, net (5a+5b-5c-5d)	72.368	10,42%	69.525	10,30%	-3,93%
5a)	movable and immovable property-personal funds	52.089	7,50%	51.790	7,67%	-0,57%
5b)	movable and immovable property -operating leasing	46.644	6,72%	45.945	6,80%	-1,50%
5c)	correction of value -personal funds	9.413	1,36%	9.942	1,47%	5,62%
5d)	correction of value - operating leasing	16.952	2,44%	18.268	2,71%	7,76%
6.	Long term investments	93	0,01%	93	0,01%	0,00%
7.	Other assets	166.695	24,01%	170.631	25,27%	2,36%
7a)	Loans, net (7a1-7a2)	106.269	15,30%	106.850	15,82%	0,55%
7a1)	loans (past due rec.+not due principal)	110.189	15,87%	110.511	16,37%	0,29%
7a2)	Reserves for loans	3.920	0,56%	3.661	0,54%	-6,61%
7b)	Other assets	60.426	8,70%	63.781	9,45%	5,55%
	TOTAL ASSETS (1+2+3+4+5+6+7)	694.364	100,00%	675.236	100,00%	-2,75%
	LIABILITIES					
9.	Liabilities from taken loans, net (9a+9b-9c)	622.603	89,67%	600.563	88,94%	-3,54%
9a)	liabilities from short term loans	70.325	10,13%	66.336	9,82%	-5,67%
9b)	liabilities from long term loans	553.134	79,66%	535.003	79,23%	-3,28%
9c)	cost and fees paid in advance	856	0,12%	776	0,11%	-9,35%
10.	Other liabilities	23.177	3,34%	26.410	3,91%	13,95%
	TOTAL LIABILITIES (9+10)	645.780	93,00%	626.973	92,85%	-2,91%
11.	Core capital	78.869	11,36%	64.412	9,54%	-18,33%
12.	Reserves	5.548	0,80%	7.054	1,04%	27,14%
13.	Accumulated profit/loss	-35.833	-5,16%	-23.203	-3,44%	-35,25%
	TOTAL CAPITAL (11+12+13)	48.584	7,00%	48.263	7,15%	-0,66%
	TOTAL LIABILITIES	694.364	100,00%	675.236	100,00%	-2,75%
	Written off receivables (opening balance)	33.922	4,89%	66.057	9,78%	94,73%
	New write off (+)	37.750	5,44%	4.502	0,67%	-88,07%
	Collection (-)	5.449	0,78%	321	0,05%	-94,11%
	Permanent write off (-)	166	0,02%	2	0,00%	-98,80%
	Written off receivables (final balance)	66.057	9,51%	70.236	10,40%	6,33%

Attachment 6. Consolidated income statement (in 000 KM)

No.	DESCRIPTION	31.03.2012.		31.3.2013		% growth 31.03.2013/ 31.03.2012
		Amount (000 KM)	% in total income	Amount (000 KM)	% in total income	
	FINANCIAL INCOME AND EXPENSES					
1.	Interest income (1a+1b)	11.646	53,30%	9.389	40,47%	-19,38%
1a)	Interest on financial leasing	8.991	41,15%	7.345	31,66%	-18,31%
1b)	Other interest income	2.655	12,15%	2.044	9,81%	-23,01%
2.	Interest expenses	7.417	33,95%	4.255	18,34%	-42,63%
3.	Net income from interest (1.-2.)	4.229	19,35%	5.134	22,13%	21,40%
	OPERATING INCOME AND EXPENSES					
4.	Operating income	10.204	46,70%	13.811	59,53%	35,35%
5.	Operating expenses (5a+5b+5c)	10.230	46,82%	12.667	54,60%	23,82%
5a)	Salary and contributions expenses	2.081	9,52%	6.357	27,40%	205,48%
5b)	Business premises expenses	3.498	16,01%	3.123	13,46%	-10,72%
5c)	Other operating expenses	4.651	21,29%	3.187	13,74%	-31,48%
6.	Expenses for reserves for losses	11.279	51,62%	6.519	28,10%	-42,20%
6a)	Expenses for financial leasing losses	10.579	48,42%	6.801	29,31%	-35,71%
6b)	Expenses for reserves for borrowing losses	700	3,20%	-282	-1,22%	-140,29%
7.	Income before taxes	-7.076	-32,38%	-241	-1,04%	-97%
8.	Income taxes	57	0,26%	80	0,34%	40,35%
9.	Net Income	-7.133	-32,65%	-321	-1,38%	-95%

Attachment 7. Rating the aggregate balance sheet amount

31.12.2012					31.3.2013				
Leasing company	Balance Sheet amount (000 KM)	Participation 2012.	Cumulative parti.	Rating	Leasing company	Balance Sheet amount (000 KM)	Participation 31.03.2013.	Cumulative participation	Balance sheet amount ratio
Raiffeisen Leasing d.o.o. Sarajevo	219.292	31,58%	31,58%	1.	Raiffeisen Leasing d.o.o. Sarajevo	204.715	30,32%	30,32%	93
UniCredit Leasing d.o.o. Sarajevo	170.208	24,51%	56,09%	2.	UniCredit Leasing d.o.o. Sarajevo	170.864	25,30%	55,62%	100
VB Leasing d.o.o. Sarajevo	113.128	16,29%	72,39%	3.	VB Leasing d.o.o. Sarajevo	113.840	16,86%	72,48%	101
Asa ALeasing d.o.o. Sarajevo	58.405	8,41%	80,80%	4.	NLB Leasing d.o.o. Sarajevo	57.255	8,48%	80,96%	98
NLB Leasing d.o.o. Sarajevo	58.160	8,38%	89,17%	5.	Asa Aleasing d.o.o. Sarajevo	55.162	8,17%	89,13%	94
S-Leasing d.o.o. Sarajevo	49.405	7,12%	96,29%	6.	S-Leasing d.o.o. Sarajevo	47.837	7,08%	96,21%	97
Euroleasing d.d. Mostar	25.766	3,71%	100,00%	7.	Euroleasing d.d. Mostar	25.563	3,79%	100,00%	99
TOTAL	694.364	100%			TOTAL	675.236	100%		97