



**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**

**31.12.2014**

**Sarajevo, March 2015**

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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 31.12.2014 based on the analysis of the 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.

The business operations of leasing companies in the Federation of B&H are regulated by the Law on Leasing, which entered into force on 03.01.2009 („Official Gazette of the Federation of Bosnia and Herzegovina“, No.: 85/08, 39/09 and 65/13). The Law defines the conditions for establishing leasing companies, their business operations and the cessation of leasing companies' operations, the rights and responsibilities of entities in leasing operations, risk management, financial reporting, activities of leasing companies with respect to preventing money laundering and the financing of terrorism, and the supervision of leasing companies' business operations.

The supervision of leasing companies has been established following the Agency's issuance of operating licences to leasing companies for the purpose of continuous monitoring of the business operations and financial status of each individual leasing company and the leasing sector in the Federation of B&H as a whole, checking the compliance of leasing companies' business operations with valid regulations, and analysing and checking the financial statements of leasing companies.

For quite some time, the business operations of the leasing sector in the Federation of B&H have been taking place in the conditions of the financial and economic crisis that affected the slowdown and stagnation of business activities of leasing companies in previous business periods as well as during 2014.

In the first quarter of 2014, leasing activities recorded a slight decrease in the value and number of newly concluded arrangements compared to the fourth quarter of 2013. The relatively weak start with a reduced number of newly concluded arrangements was replaced by a slight increase in the second and third quarter of 2014, while the fourth quarter again saw a drop in newly concluded arrangements.

Data from the third and fourth quarter indicates that the negative effects of the natural disasters that occurred in May 2014 in B&H did not have substantial direct effects on the leasing sector. The indirect effect manifested itself through a drop in economic activity at the level of B&H, which ultimately affected the business operations of leasing companies in the FB&H. The Agency's Board of Directors adopted the Decision on Provisional Measures for Treatment of Liabilities on the Basis of Leasing Contracts of Leasing Clients Affected by Natural Disasters („Official Gazette of the Federation of B&H“, No. 88/14 from 29.10.2014). The main goal of the aforementioned was to stimulate leasing companies to offer and contract special measures, such as moratoriums and the rescheduling of existing liabilities through

specific regulatory requirements, which are more flexible than the existing prescribed minimum requirements in terms of forming and maintaining reserves for loan losses.

In accordance with the fact that leasing companies in the Federation are oriented mainly toward legal entities (91.08% of receivables from financial leasing are related to legal entities, 6.90% to natural persons and 2.02% to entrepreneurs and others), it can be concluded that trends in the leasing sector are a reflection of the macroeconomic indicators in B&H.

*Table 1. Macroeconomic indicators in B&H*

Indicators	2012	2013	2014
Real GDP growth rate	-1.10%	2.50%	1.00% (estimate)
Industrial production growth rate	-5.20%	6.40%	0.10%
Average annual inflation	1.80%	-0.10%	-0.90%
Unemployment rate	28.00%	27.50%	27.50%
Foreign direct investments	KM 558 million	KM 478 million	KM 700 million (estimate)

*\*Data source: the CBBH*

The balance sheet total of leasing companies in the Federation of B&H as of 31.12.2014 amounted to KM 498 432 thousand, which is lower by KM 76 669 thousand or 13.78% compared to 31.12.2013. If one compares the individual balance sheet totals of six leasing companies with data as of 31.12.2013, one can conclude that an increase in the balance sheet total in the amount of KM 2 814 thousand is evident with one leasing company, while five leasing companies recorded a decrease of the balance sheet total in the amount of KM 82 483 thousand, 79.15% or KM 65 288 thousand of which account for two leasing companies.

In the period from 01.01. to 31.12.2014, leasing activities in the Federation of B&H recorded a loss in the amount of KM 12 996 thousand as a result of business operations. Five leasing companies recorded a negative financial result in the amount of KM 14 780 thousand, 55.37% or KM 8 184 thousand of which account for the loss of one leasing company. One leasing company recorded a positive financial result in the amount of KM 1 784 thousand.

The total capital of leasing companies as of 31.12.2014 amounted to KM 34 756 thousand. Compared to 31.12.2013, this item dropped by KM 1 206 thousand or 3.35%. One leasing companies recorded a capital amount lower than the legal minimum prescribed under the provisions of the Law on Leasing (KM 250 000) and the aforementioned has the Agency's special attention. We remind that the founders of that leasing company have initiated recapitalisation activities during the fourth quarter, and the aforementioned should be completed and recorded in regulatory reports as of 31.03.2015.

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 the period from 01.01 to 31.12.2014, a total of five on-site examinations was carried out, three of which were examinations of the execution of orders enlarged to include targeted examinations in the area of the leasing companies' conduct in accordance with the Law on Protection of Users of Financial Services ("Official Gazette of the Federation of B&H", No.: 31/14 from 23.04.2014) and the Law on Protection of Guarantors ("Official Gazette of the Federation of B&H", No.: 100/13 from 18.12.2013).

Irregularities determined by on-site controls of leasing companies during 2014 are related mainly to the improvement of internal regulations that define risks in business, the improvement of internal regulations in the field of the accounting function of leasing companies, non-compliance with contractual provisions by leasing companies in the context of the agreed harmonisation of the interest rate with the variable index, the shortcomings of the system of internal controls in the area of quality compliance with internal regulations, improper submission of data to the Central Loan Registry at the Central Bank, disregard of the provisions of the Law on Protection of Users of Financial Services and the Law on Contractual Obligations of the Federation of B&H on the basis of the compensation amount for warnings that are calculated for leasing beneficiaries in default as well as the conclusion of leasing arrangements that are at odds with the provisions of the Law on Guarantor Protection in the Federation of B&H.

The assessment of the compliance of the leasing companies' business operations with the standards to prevent money laundering and the financing of terrorism is based on assessments of established examinations of executing given orders and the analysis of reports that leasing companies submit to the Agency.

The data in the Information as of 31.12.2014 includes the data provided by six 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 31.12.2014, leasing activities in the Federation of B&H were performed by 6 leasing companies, while in the period from 2010 to 2011, leasing activities were performed by 8

leasing companies. The number of leasing companies was reduced due to the licences of two leasing companies being revoked by the Agency.

Six leasing companies registered in the Federation of B&H perform leasing operations in 20 branches, 16 of which are located in the Federation of B&H and 4 of which are located in Republika Srpska.

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. Raiffeisen Leasing d.o.o. Sarajevo,
4. S-Leasing d.o.o. Sarajevo,
5. UniCredit Leasing d.o.o. Sarajevo and
6. VB Leasing d.o.o. Sarajevo.

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

During the fourth quarter of 2014, the ownership structure of the leasing companies did not see any changes compared to the previous reporting period. Three leasing companies are still 100% owned by non-resident legal entities, two leasing companies are in majority ownership (over 51%) of non-resident legal entities, while one leasing company is in majority ownership of resident legal entities. Detailed information on the overview of the ownership structure of leasing companies is provided in Annex 2 to the Information.

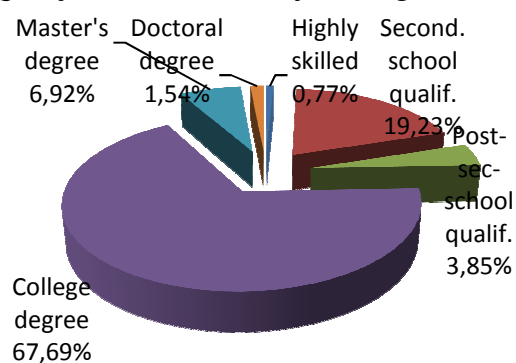
### ***1.3. Human Resources***

As of 31.12.2014, the leasing sector has 130 employees, a decrease by 15.58% or 24 employees compared to 31.12.2013. If observed individually, the most significant change in the number of employees was recorded in one leasing company (29 employees fewer), which saw organisational changes in early 2014 in the context of the consolidation of certain joint functions with the parent bank. The above organisational change has the Agency's special attention, as irregularities concerning conduct contrary to the applicable legislation have been identified in the aforementioned.

The total amount of employees does not account for seven employees of leasing companies seated in Republika Srpska, who work in branches in the Federation of B&H.

Additionally, as of 31.12.2014, the leasing companies had an additional 36 employees recruited via student services and organisations mediating in employment, 63.89% or 23 employees of which have been recruited in one leasing company. Compared to 31.12.2013, the number of temporarily employed staff increased by 6 employees.

**Graph 1. Qualification Structure of Leasing Sector Employees**



The efficiency of employees during the assessment of the performance of a leasing company is measured by the assets/headcount ratio (assets per employee). As of 31.12.2014, every employee accounts for KM 3 834 thousand of assets at the leasing sector level (as of 31.12.2013 – KM 3 754 thousand per employee). Analytical indicators for individual leasing companies range from KM 1 533 to KM 6 068 thousand of assets per employee.

## **2. FINANCIAL BUSINESS INDICATORS**

### **2.1. Balance Sheet**

As of 31.12.2014, the balance sheet total of leasing companies in the Federation of B&H amounted to KM 498 432 thousand, which is lower by KM 79 669 thousand or 13.78% compared to 31.12.2013. The decrease in assets is primarily the result of a continuous decrease in the assets of one leasing company, which had the largest individual market share in the leasing sector of the Federation of B&H in previous periods. If observed individually, one leasing company saw an increase of the balance sheet total in the amount of KM 2 814 thousand, while five leasing companies saw a decrease of the balance sheet total in the amount of KM 82 483 thousand, 75.15% or KM 65 288 thousand of which account for two leasing companies.

The two largest leasing companies (by size of assets) account for 56.41% 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 323 400 thousand or 64.88% of total assets of the leasing sector. Compared to 31.12.2013, net receivables for financial leasing fell by KM 43 782 thousand or 11.92%, while gross receivables or financial leasing fell by KM 70 847 thousand or 15.88%.

As of 31.12.2014, net receivables for loans amounted to KM 56 947 thousand or 11.43% of the amount of total assets of the leasing sector. Compared to 31.12.2013, net receivables for loans fell by KM 7 010 thousand or 10.96%, while gross receivables fell by KM 6 107 thousand or 8.54%. 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 loan agreements and the aforementioned will remain in the balance sheet until the contracted periods of time they were granted for expire.

Out of the total recorded amount of net receivables for loans, KM 54 886 thousand or 96.38% accounts for receivables of one leasing company with a significant amount of loan receivables in its portfolio. KM 42 910 thousand or 78.18% 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, 79.00% accounts for loans approved for real estate financing.

As of 31.12.2014, the recorded balance sheet item Cash and Cash Equivalents amounted to KM 25 642 thousand, which is lower by KM 16 133 thousand or 38.62% compared to 31.12.2013. The share of this balance sheet item in total assets dropped from 7.23%, to which it amounted at the end of 2013, to 5.14%, to which it amounted as of 31.12.2014. As of 31.12.2014, the recorded balance sheet item Facilities to Banks amounted to KM 21 904 thousand, up by KM 6 443 thousand or 41.67% compared to 31.12.2013. This item mostly relates to term deposits of leasing companies at commercial banks.

The net value of fixed assets financed via operational leasing as of 31.12.2014 amounted to KM 27 257 thousand, up by KM 1 960 thousand or 7.75% compared to 31.12.2013. If observed individually, the net value of fixed assets financed via operational leasing rose for two leasing companies in the amount of KM 5 155 thousand, while it fell with 4 leasing companies in the amount of KM 3 195 thousand.

Table 2 of this Information provides an overview of net balance sheet positions of assets per reporting periods.

*Table 2. Structure of Net Balance Sheet Positions of Assets*

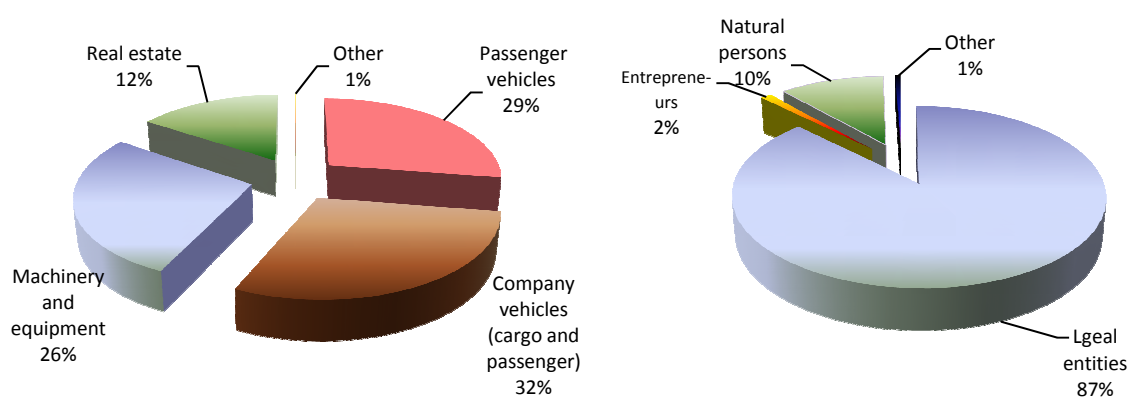
*(KM 000)*

Balance sheet positions	31.12.2013	% share in assets	31.12.2014	% share in assets	31.12.2014 / 31.12.2013
Financial leasing – net	367 940	63.51%	323 400	64.88%	-11.92%
Operational leasing – net	25 297	4.38%	27 257	5.47%	7.75%
Loan – net	63 957	11.06%	56 947	11.43%	-10.96%
Other assets	121 665	21.05%	90 828	18.22%	-25.35%
<b>Total assets</b>	<b>578 101</b>	<b>100.00%</b>	<b>498 432</b>	<b>100.00%</b>	<b>-13.78%</b>

There were no significant changes in the structure of receivables by lessee and leasing object compared to previous reporting periods.



**Graph 2. Structure of Receivables for Financial Leasing Broken Down by Leasing Object and Lessee as of 31.12.2014**



### **2.1.1. Asset Quality**

According to data from the reports of leasing companies, loan loss reserves for financial leasing as of 31.12.2014 are recorded in the amount of KM 8 390 thousand, which represents a decrease of KM 14 911 thousand or 63.99% compared to 31.12.2013. In the structure of receivables for financial leasing as of 31.12.2014, a total of KM 9 679 thousand outstanding receivables has been recorded, while the amount of KM 15 171 thousand was recorded as of 31.12.2013, down by KM 5 492 thousand or 36.20%.

A detailed analysis of individual reports submitted by leasing companies on the basis of formed reserves for losses for financial leasing arrangements revealed that a significant reduction in reserves was caused by the following phenomena and activities:

- the rescheduling of a materially significant amount of receivables for financial leasing arrangements by one leasing company,
- the recovery of the quality of the receivables of a materially significant client exposed at one leasing company and
- a significant amount of new written-off receivables in the off-balance records by one leasing company.

The aforementioned rescheduling and recovery of a materially significant client was, in addition to the reduction of reserves for losses recorded in the balance sheet, caused by an increase in income arising from the release of significant amounts of reserves formed in previous business periods, which resulted in a positive effect on the income statement of the sector and more reported income compared to expenses with respect to the item Reserve Costs for Financial Leasing.

Table 3 of the Information shows a parallel overview of formed reserves by category of default.

*Table 3. Parallel Overview of Formed Reserves for Financial Leasing by Category of Default  
(000 KM)*

Days past due	Total reserves 31.12.2013	Total reserves 31.12.2014	% change
0-60	701	1 468	109.27%
60-90	385	181	-52.99%
90-180	9 425	1 179	-87.49%
More than 180	12 444	4 958	-60.16%
More than 360	346	604	74.57%
<b>TOTAL</b>	<b>23 301</b>	<b>8 390</b>	<b>-63.99%</b>

If observed individually, the two largest leasing companies (by size of assets) account for 84.68% of total formed reserves for loan losses. One leasing companies recorded an increase in formed reserves in the total amount of KM 1 164 thousand compared to 31.12.2013, while five leasing companies recorded a decrease in total formed reserves for loan losses in the total amount of KM 16 075 thousand compared to 31.12.2013.

As of 31.12.2014, loan loss reserves amounted to KM 8 429 thousand and rose by KM 903 thousand or 12.00% compared to 31.12.2013, when the loan reserves amounted to KM 7 526 thousand.

Out of the total amount of formed loan loss reserves as of 31.12.2014, KM 8 119 thousand or 96.32% accounts for reserves formed by one leasing company with the most significant amount of loan receivables from subsidiary companies and receivables from lessees with a significant concentration of the company's exposure.

The total amount of written-off receivables for financial leasing and loans as of 31.12.2014 was KM 123 180 thousand and rose by KM 34 769 thousand or 39.33% compared to 31.12.2013. The recorded increase in written-off receivables was caused by a correction of one leasing company's reports, as ordered by the Agency, and the aforementioned does not represent a real increase in written-off receivables (reporting correction). Out of the total recorded amount of written-off receivables, KM 69 273 thousand or 56.24% account for write-offs by one leasing company.

A review of the structure of written-off receivables revealed additional receivables in the amount of KM 14 104 thousand in off-balance records during 2014, KM 8 274 thousand or 58.66% of which relate to write-offs by one leasing company.

As of 31.12.2014, the amount of KM 2 996 thousand was recorded on the basis of the collection of off-balance receivables, KM 2 128 thousand or 71.75% of which relate to collected off-balance receivables of one leasing company. The total amount of collected receivables in 2014 was up by KM 875 thousand or 41.85% compared to 31.12.2013.

As of 31.12.2014, the market value of repossessed leasing objects amounted to KM 25 472 thousand and fell by KM 8 059 thousand or 24.03% compared to 31.12.2013 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 126 repossessed units, down by 42 repossessed units or 25.00% compared to 31.12.2013. Table 4 of the Information shows a parallel structure of repossessed leasing objects as of 31.12.2013 and 31.12.2014.

*Table 4. Number and Value of Repossessed Leasing Objects* (KM 000)

No.	TYPE OF LEASING OBJECT	31.12.2013		31.12.2014	
		Number of units	Appraised market value	Number of units	Appraised market value
1.	Passenger vehicles	98	1 713	41	609
2.	Company vehicles (cargo and passenger)	31	429	24	927
3.	Machinery and equipment	18	6 613	34	840
4.	Real estate	21	24 776	27	23 096
5.	Rail vehicles, water and air vehicles	0	0	0	0
6.	Household appliances	0	0	0	0
7.	Other	0	0	0	0
<b>Total</b>		<b>168</b>	<b>33 531</b>	<b>126</b>	<b>25 472</b>

If observed individually, KM 23 487 thousand or 92.20% of the total value of repossessed leasing objects owned by leasing companies relates to repossessed leasing objects of two leasing companies.

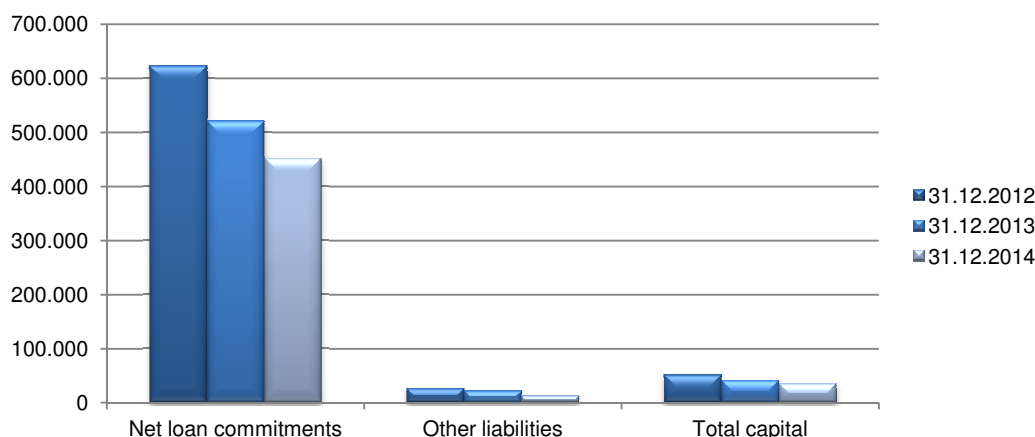
Out of the total appraised value of repossessed leasing objects as of 31.12.2014, KM 23 096 thousand or 90.1667 relate to real estate (commercial real estate) repossessed by leasing companies due to the lessees' non-compliance with legal obligations. The total amount of this item relates to two leasing 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.

In leasing companies' reports on the basis of approved moratoriums and the rescheduling of receivables in areas affected by the natural disasters, submitted on 31.12.2014, 6 arrangements were recorded with receivables in the the total amount of KM 399 thousand, for which the leasing companies approved a moratorium on receivables, as well as 10 arrangements with receivables in the total amount of KM 493 thousand, for which the leasing companies approved a rescheduling of receivables.

## **2.2. Liabilities Structure**

As of 31.12.2014, loan commitments are still a dominant item in the structure of total liabilities of leasing companies (90.62% of the balance sheet total). Graph 3 of the Information provides a parallel structure of sector liabilities as of 31.12.2013 and 31.12.2014.

**Graph 3. Structure of Liabilities – Parallel Overview (KM 000)**



As of 31.12.2014, due to the reduced business activities of leasing companies, total loan commitments are down by KM 68 959 thousand or 13.25% compared to 31.12.2013, when the aforementioned item amounted to KM 520 625 thousand. Out of the total amount of loan commitments, KM 416 441 thousand or 83.55% relate to long-term commitments (short-term loan commitments amount to KM 35 576 as of 31.12.2014).

In the period leading up to the financial crisis (late 2008), the leasing sector in B&H had significant sources of funding from abroad. In the circumstances of the effects of the debtors' crisis in Europe (2011), the access to the money market was made more difficult and there were new business strategies of parent groups, which, in addition to the reorganisation and restructuring of the groups, included measures of more restrictive financing of subsidiaries, which affected the leasing companies operating in the FB&H as well.

In the structure of sources of funding, indebtedness with commercial foreign and local banks belonging to groups to which the leasing companies belong accounts for 62.63% of total loan commitments, while 17.55% account for direct indebtedness with founders and 19.82% relate to indebtedness with European banks (EIB, EBRD, CEDB and DEG). The funds of these 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.

The total weighted nominal interest rate paid by leasing companies on sources of funding in the period from 01.01. to 31.12.2014 is 2.97% 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 up compared to the previous business year, when it amounted to 2.88%. Interest rates on sources of funding of leasing companies are mostly linked to the EURIBOR variable index, the value of which during 2014 did not deviate significantly from the average value in 2013.

The total capital of leasing companies as of 31.12.2014 amounted to KM 34 756 thousand. Compared to 31.12.2013, this item fell by KM 1 206 thousand or 3.35%. The drop was caused by the fact that the sector recorded a loss in terms of business operations as of 31.12.2014, which was due to the deterioration in the quality of the portfolio as well as the insufficient volume of newly-concluded financial and operational leasing arrangements.

The founders of the leasing company that recorded a total capital amount lower than the minimum amount prescribed by the provisions of the Law on Leasing have initiated recapitalisation activities during the fourth quarter, and the aforementioned should be completed and recorded in regulatory reports as of 31.03.2015.

The Agency continuously supervises and carries out activities to strengthen the capital of leasing companies whose capital is lower than the minimum amount defined by the Law on Leasing

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

In the period from 01.01. to 31.12.2014, total losses generated at the level of the leasing sector amounted to KM 12 996, KM 8 184 thousand or 62.97% of which relate to one leasing company.

If observed individually, five leasing companies recorded a negative financial result in the amount of KM 14 780 thousand, while one leasing companies recorded a positive financial result in the amount of KM 1 784 thousand. The total recorded loss is down by KM 27 721 thousand or 68.18% compared to the same period of the previous year.

The analysis of individual operating results of leasing companies resulted in findings that the recorded loss is the result of the value adjustment of a repossessed leasing object in one leasing company, as ordered by the Agency (the entire amount of the recorded stock in the amount of approximately KM 5.5 million written off from the balance sheet records at the cost of the current business period's expenses, because the company was, factually speaking, not in the possession of the aforementioned and the conditions for it being listed in the bookkeeping records under the item Stock were not created), as well as the adjustments of the appraised values of repossessed leasing objects and a new write-off of receivables.

The analysis of individual business performance of leasing companies, it was concluded that the reported loss caused by the correction value of the excluded subject of leasing at a leasing company under the order of the Agency (the entire amount stated value of the stock in the amount of approximately 5.5 million written off from balance sheet records the expense of the current business period from reason that the company was not in possession of the same factual and not preconditions for accounting records to position the stock), as well as corrections to the estimated value of seized items of leasing and new write-off of receivables.

In the period from 01.01. to 31.12.2014, interest income amounted to KM 30 046 thousand. This item saw a decrease of KM 7 755 thousand or 20.52% 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 22 308 thousand, down by KM 6 433 thousand or 22.38% compared to the same period of the previous business year. A drop in the interest income may be explained by a decrease in interest-bearing assets of leasing companies (decrease of the active portfolio) and new business activities. The item Other Interest Income fell by KM 1 174 thousand or 16.42% compared to the same period of the previous year. This item is dominated by interest income from approved loans, the volume of which fell significantly compared to the same period of the previous year, causing a decrease in total interest income. Interest expenses amounted to KM 14 477 thousand, down by KM 2 010 thousand or 12.19% compared to the same period of the previous business year. Lower interest expenses are caused by the significantly lower amount of loans due to a decrease in lending activities of leasing companies.

Total net interest income in the period from 01.01. to 31.12.2014 amounted to KM 15 569 thousand, down by KM 5 745 thousand or 26.95% compared to the same period of the previous business year. The aforementioned indicates that a decrease in interest income is not linearly followed by a decrease in interest expenses due to the fact that a significant amount of facilities that have been approved in the past periods is unrecoverable (written-off receivables), with prolonged payment of loan commitments for credit lines from which the disputed financing was approved.

The item Operating Income is down by KM 7 764 thousand or 28.76% compared to the same period of the previous year since some leasing companies recorded the appraised value of repossessed leasing objects as part of this item in 2013 (parallel with the write-off of receivables to off-balance records).

As of 31.12.2014, the reporting item Costs of Loss Reserves shows a net income in the amount of KM 327 thousand, down by KM 28 907 thousand or 101.14% compared to the same period of the previous year, when the reserve costs amounted to KM 28 580 thousand. The aforementioned drop in reserve costs (the item Reserve Costs shows the net income) is due to the release of the reserves for financial leasing as a result of rescheduling agreements with the aim of recovering a strategically important lessee, actually recovering a materially significant client and entering into possession of the leasing object.

Table 5 of the Information shows the calculated business indicators for the purposes of the analysis of the leasing market.

*Table 5. Key business indicators*

BUSINESS INDICATORS	31.12.2011	31.12.2012	31.12.2013	31.12.2014
<b>Return on assets (ROA)</b>	-1.54%	-2.85%	-5.63%	-2.55%
<b>Return on equity (ROE)</b>	-21%	-31.45%	-53.04%	-23.17%
<b>Average active interest rate (financial leasing)</b>	7.18%	7.19%	7.15%	6.39%
<b>Average passive interest rate</b>	3.76%	3.67%	2.88%	2.97%
<b>Total liabilities to equity</b>	13.37	13.29	13.32	13.34

### 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 2014, the operations of leasing companies saw a continuation of the trend of reduced business activities and the slowdown in the volume of business operations. For the fourth consecutive year, leasing activities recorded a decrease in the value of newly-concluded arrangements and a reduction in the total amount of financing. The recovery of the leasing market depends on the economic situation in the country. During 2014, there was an increase in financing through operational leasing by 76.34% compared to 2013.

The value of newly-concluded financial and operational leasing arrangements in the period from 01.01. to 31.12.2014 amounted to KM 151 401 thousand, down by KM 30 156 thousand or 16.61% compared to the same period of the previous year. A total of 3 755 new arrangements was concluded, 486 or 11.46% less compared to the same period of the previous year.

The average value of arrangements in 2014 amounted to KM 40 thousand and it is slightly below the average value of arrangements in the same period of the previous year, when it amounted to KM 43 thousand.

Out of the total generated value of newly-concluded arrangements, KM 134 007 thousand or 88.15% accounts for financial leasing arrangements with an average (weighted) nominal interest rate of 6.50% and a weighted effective interest rate of 9.04%.

Table 6 of the Information shows parallel indicators of new financings by leasing object and type of arrangement.

*Table 6. Structure of financing amounts by leasing object* (KM 000)

	2013			2014		
	Financial leasing	Operational leasing	TOTAL	Financial leasing	Operational leasing	TOTAL
Vehicles	125 755	9 816	104 980	103 870	16 394	120 264
Equipment	42 854	51	37 127	28 064	1 000	29 064
Real estate	2 851	0	2 476	2 032	0	2 032
Other	458	0	355	41	0	41
<b>TOTAL</b>	<b>171 918</b>	<b>9 864</b>	<b>144 938</b>	<b>134 007</b>	<b>17 394</b>	<b>151 401</b>

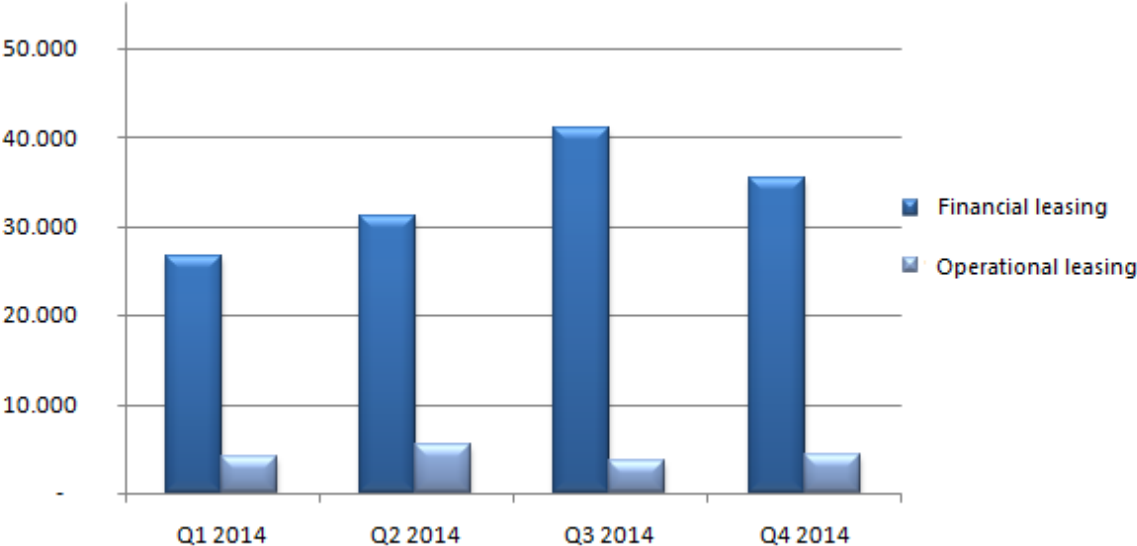
The total amount of new financings generated in 2014 includes the amount of financing generated by the leasing company seated in Republika Srpska through its branches located in the Federation of B&H (this company generates the majority of its business activities in the Federation of B&H).

Please note that, by the owner’s decision, one leasing company terminated new financings to stabilise its business operations and recover existing non-performing facilities as well as that one leasing company recorded a significant drop in the volume of newly-concluded arrangements compared to 2013 (KM 29 388 thousand or 62.57%) due to organisational changes.

In the structure of new facilities by type of lessee, the facilities to legal entities are predominant (91.08% of the total amount of financing in 2014). One important reason is the fact that financing via leasing arrangements for natural persons is less favourable than loan facilities due to the 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.

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



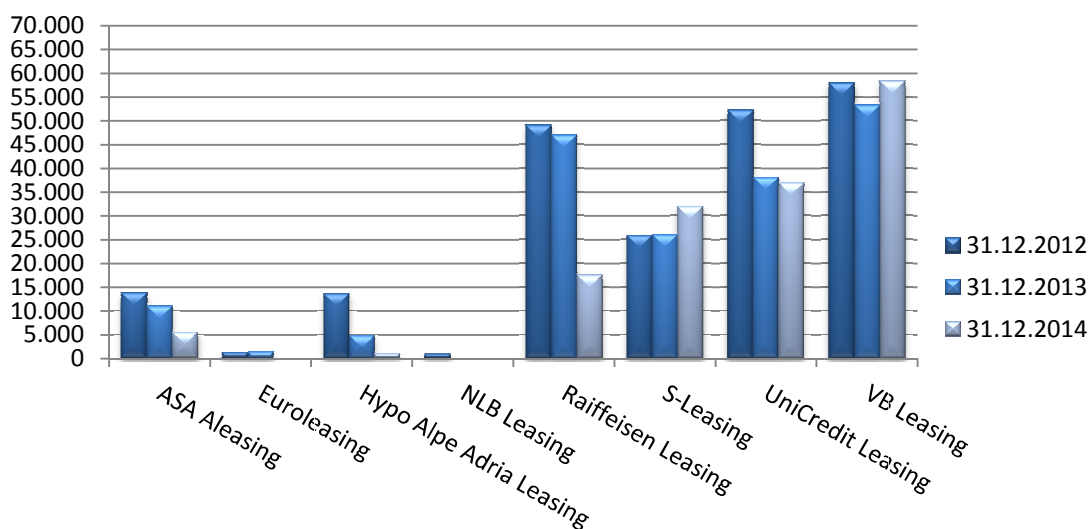
In 2014, the volume of financing via operational leasing arrangements was up by KM 7 527 thousand or 76.34% compared to the same period of the previous business year.

**3.2. Market Share by Financial Volume and Number of Arrangements**

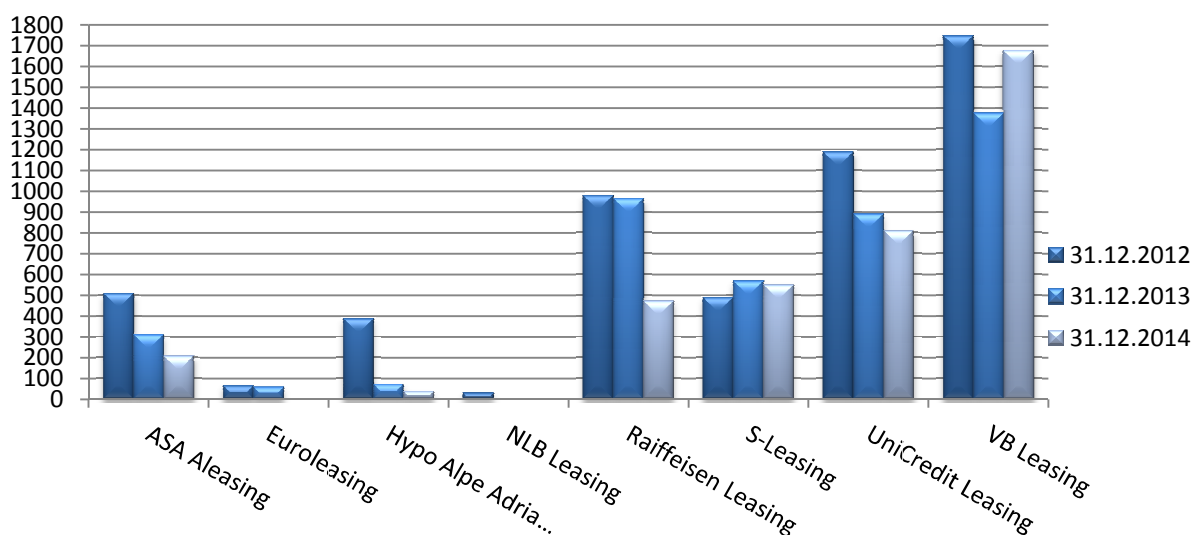
A parallel overview of individual market shares of leasing companies by total volume and number of newly-concluded financial and operational leasing arrangements is provided in Graphs 5 & 6 of this Information.



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



**Graph 6. Market Share by Number of Arrangements**



The above graphs show that two leasing companies saw an increase in the volume of new financings in 2014 compared to 2013, while four leasing companies saw a decrease in the volume of new financings, which ranged from 3.01% to 79.29%.

### **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 2014 amounted to 6.21% for short-term and 6.51% for long-term arrangements, while the effective interest rate for short-term and long-term arrangements amounted to, respectively, 10.27% and 9.01% per annum. The total weighted nominal interest rate for the aforementioned period amounted to 6.50%, while the effective interest rate amounted to 9.04% per annum. Compared to the same period of the previous business year, when the total weighted nominal interest rate was 6.82% and the effective interest rate 9.23% per annum, a slight decrease in interest rates on financial leasing arrangements is evident.

Table 7 of the Information provides the data on the amount of financing, nominal and effective interest rates for financial leasing arrangements concluded in 2014.

*Table 7. Average nominal and effective interest rate for financial leasing arrangements concluded in 2014*

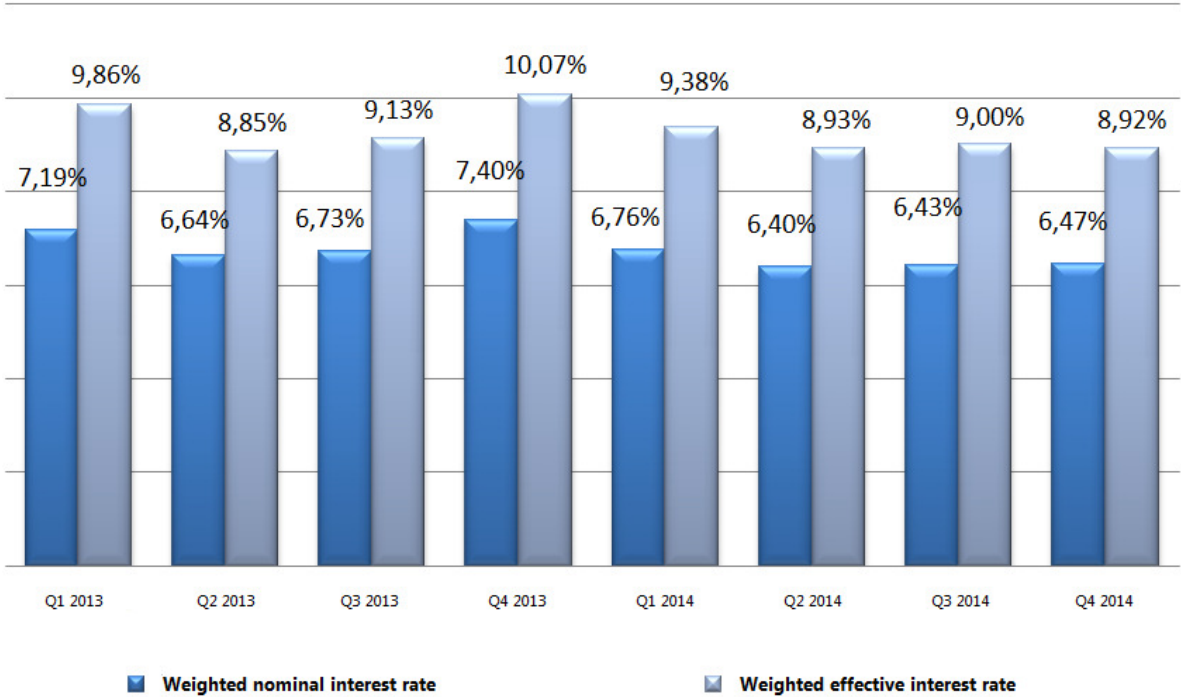
No.	DESCRIPTION	Number of contracts	Amount of financing in KM (000)	Weighted nominal interest rate	Weighted effective interest rate
<b>1.</b>	<b>Short-term leasing arrangements by leasing object</b>	<b>102</b>	<b>3.096</b>	<b>6,21%</b>	<b>10,27%</b>
a.	Passenger vehicles	54	1.197	<b>6,40%</b>	<b>11,55%</b>
b.	Company vehicles (cargo and passenger)	39	1.513	<b>5,97%</b>	<b>9,17%</b>
c.	Machinery and equipment	8	385	<b>6,59%</b>	<b>10,65%</b>
d..	Other	1	1	<b>7,00%</b>	<b>9,62%</b>
<b>1.1.</b>	<b>Short-term leasing arrangement by type of lessee:</b>	<b>102</b>	<b>3.096</b>	<b>6,21%</b>	<b>10,27%</b>
a.	Legal entities	92	2.999	<b>6,14%</b>	<b>9,99%</b>
b.	Entrepreneurs	2	21	<b>9,12%</b>	<b>22,12%</b>
c.	Natural persons	8	76	<b>8,18%</b>	<b>18,34%</b>
<b>2.</b>	<b>Long-term leasing arrangements by leasing object:</b>	<b>3.201</b>	<b>130.911</b>	<b>6,51%</b>	<b>9,01%</b>
a.	Passenger vehicles	1.802	48.973	<b>6,59%</b>	<b>9,49%</b>
b.	Company vehicles (cargo and passenger)	939	52.187	<b>6,29%</b>	<b>8,61%</b>
c.	Machinery and equipment	455	27.679	<b>6,78%</b>	<b>9,11</b>
d.	Real estate	2	2.032	<b>6,23%</b>	<b>6,45</b>
e.	Other	3	40	<b>8,11%</b>	<b>11,91%</b>
<b>2.1.</b>	<b>Long-term leasing arrangements by type of lessee:</b>	<b>3.201</b>	<b>130.911</b>	<b>6,51%</b>	<b>9,01%</b>
a.	Legal entities	2.611	117.529	<b>6,55%</b>	<b>8,92%</b>
b.	Entrepreneurs	108	3.007	<b>7,09%</b>	<b>11,25%</b>
c.	Natural persons	482	10.375	<b>5,88%</b>	<b>9,38%</b>
	<b>TOTAL</b>	<b>3.303</b>	<b>134.007</b>	<b>6,50%</b>	<b>9,04%</b>

The trend of decrease in nominal and effective interest rates during 2014 compared to 2013 and 2013 is also evident when looking at weighted nominal and effective interest rates at a quarterly level, which is caused by a low value of the variable index (EURIBOR) to which

input and output interest rates are linked, as well as by the relationship between the supply and demand for leasing products.

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 in 2013 and 2014**



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.

**3.4. Lessees’ Complaints – Natural Persons and Legal Entities**

In the period from 01.01. to 31.12.2014, a total of 14 complaints by lessees, 8 of which were related to legal entities, and 6 of which were related to natural persons, were submitted to the Agency. Out of the aforementioned number of complaints, 7 complaints were negatively

resolved (during the mediation process, the contracting parties were referred to the court by the Agency), 4 complaints were positively resolved (during the Agency's mediation process, the contracting parties resolved the complaint), and 3 complaints are in the process of being resolved.

### **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 36 discrepancies and irregularities (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 continued the previously recorded upward trend and has come close to 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"), 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, which is consistent with the observed upward trend of the quality of the management of risks that may arise from money laundering and financing of terrorism, is compliant with the standards prescribed by these laws and regulations.

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

Leasing companies have defined a policy on client eligibility, but have not yet organised proper registers of client profiles. Updating the data in the organised registers constitutes a problem. It is certainly very important that the aforementioned be defined and the risk-analysis-based approach to clients start being implemented, i.e. that a decision be made about which clients the leasing company deems ineligible.

#### ***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. Apart from the problem of updating these documents, there is also the problem of identifying and verifying the sources of funding that clients use to complete transactions by way of which annuity is paid for given funding. Not a single case was found in which the given order of this policy was not carried out, confirming that the statement about the upward trend in terms of the quality of risk management applies to this policy as well.

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

The elements of the aforementioned policy are defined in the programmes of leasing companies. Reporting lines, both external and internal, are defined, which shows that the upward trend in terms of the quality of risk management applies to this policy.

### ***Reporting***

In 2014, leasing companies reported 112 transactions in the amount of KM 2 237 038, which is 231.30% compared to the previous year.

Based on the aforementioned, it can be concluded that leasing companies have defined the indicators of suspicious transactions well, and that they have implemented them well and identified suspicious transactions. However, it is necessary to redefine the indicators and the lists of suspicious clients.

## **IV CONCLUSIONS AND RECOMMENDATIONS**

Based on the business indicators of leasing companies in the Federation of B&H as of 31.12.2014, it may be concluded that the business operations of leasing companies in the period from 01.01. to 31.12.2014 in the Federation of B&H still have a downward trend compared to the same period of the previous business year.

Some leasing companies still have difficulties in their business operations arising from the collection of outstanding receivables from past periods.

The impact of the crisis on the real sector is obvious, and the consequences will inevitably take their toll on the economic environment of the leasing companies in the following period as well.

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.

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

- Continuous supervision of the leasing companies through on-site and off-site controls,
- 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,
- Protection of lessees in the interest of achieving the financial stability of the leasing sector as a whole,
- Monitoring of leasing companies' activities to prevent money laundering and the financing of terrorism and improving the cooperation with other supervision and control institutions,
- Improving the structure and data quality of the Central Loan Registry at the Central Bank of B&H,
- Continuing the permanent education and professional training of staff, and
- Improving the 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.

In the period to come, leasing companies should additionally focus on the control of past due receivables, and special attention should be paid to non-performing facilities and initiating activities to improve the system of collection of past due receivables and improve sales capacities and sales channels.

Activities of leasing companies should be focused on the following:

- 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,
- Improving the scope of products offered on the market and finding new sales channels,
- Strengthening the system of internal controls and the functioning of the internal audit as an independent audit in the fulfilment of their tasks,
- Improving IT support in the interest of more adequate accounting records and better reporting quality,
- Improving methods of information and fair treatment of lessees before and during the contractual relationship,
- Implementing practices of responsible financing,
- 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,
- Regular, up-to-date and precise submission of data to the Central Loan Registry at the Central Bank, and

- Harmonising business operations with the Law on Guarantor Protection in the Federation of B&H and the Law on Protection of Users of Financial Services.

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

Under the Leasing Law, 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 adopted by the Management Board of the FBA (issued in the "Official Gazette of the Federation of Bosnia and Herzegovina", No.: 46/09, 46/11, 48/12, 110/12, 23/14 and 46/14), 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. Decision on Provisional Measures for Treatment of Obligations on the Basis of Leasing Agreements of Lessees Affected by Natural Disasters
16. Instructions for Drafting Reports of Leasing Companies, and
17. Code of Conduct of Ombudsmen for Banking System of the Federation of Bosnia and Herzegovina

No.: U.O.-69-6/15  
Sarajevo: 31.03.2015



## ANNEXES

### *Annex 1. Main Data on Leasing Companies as of 31.12.2014*

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>	Bulevar Meše Selimovića 16, Sarajevo	Samir Mustafić	+ 387 33 771 222	22.03.2010	17	www.asa-aleasing.ba
2.	<b>NLB LEASING d.o.o. Sarajevo</b>	Trg Solidarnosti 2a, Sarajevo	Denis Silajdžić	+ 387 33 789 345	19.03.2010	8	www.nlbleasing.ba
3.	<b>RAIFFEISEN LEASING d.o.o. Sarajevo</b>	Danijela Ozme 3, Sarajevo	Munir Čengić	+ 387 33 254 354	19.01.2010	25	www.rlbh.ba
4.	<b>S-LEASING d.o.o. Sarajevo</b>	Zmaja od Bosne 7 Sarajevo	Elma Hošo	+ 387 33 565 850	11.02.2010	14	www.s-leasing.ba
5.	<b>UNICREDIT LEASING d.o.o. Sarajevo</b>	Džemala Bijedića 2, Sarajevo	Izmira Aličić-Tuka	+ 387 33 721 750	16.03.2010	31	www.unicreditleasing.ba
6.	<b>VB LEASING d.o.o. Sarajevo</b>	Fra Anđela Zvizdovića 1, Sarajevo	Slobodan Vujić	+ 387 33 276 280	12.01.2010	35	www.vbleasing.ba
					<b>TOTAL</b>	<b>130</b>	

*Annex 2. Overview of the Ownership Structure of Leasing Companies as of 31.12.2014*

LEASING COMPANY	NAME OF THE OWNER	% share
<b>ASA ALEASING d.o.o. Sarajevo</b>	ASA FINANCE d.d. Sarajevo	17.19%
	ASA AUTO d.o.o. Sarajevo	33.81%
	ALEASING d.o.o. Ljubljana	49.00%
<b>RAIFFEISEN LEASING d.o.o. Sarajevo</b>	RAIFFEISEN LEASING INTERNATIONAL GmbH, Vienna	51.00%
	RAIFFEISEN BANK d.d. Sarajevo, BiH	49.00%
<b>NLB LEASING d.o.o. Sarajevo</b>	NLB d.d. Ljubljana	100.00%
<b>S-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 LEASING S.p.A., Milan	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 31.12.2014 (in KM 000)**

Days past due	Provisioning rate	Amount of receivables	Reserves	Additional calculated allocated reserves	Total reserves
0-60	0.05%	23 725	12	1 161	1 173
60-90	5%	35 553	1 778	476	2 254
90-180	10%	489	49	0	49
180-270	30%	936	280	0	280
270-360	50%	0	0	0	0
preko 360	100%	4 673	4 673	0	4 673
<b>TOTAL</b>		<b>65 376</b>	<b>6 792</b>	<b>1 637</b>	<b>8 429</b>

**Annex 4. Overview of Reserves for Financial Leasing as of 31.12.2014 (in KM 000)**

Days past due							Reserves			
	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	For moveables	For immoveables	Additional calculated and allocated reserves	Total reserves
0-60	0.50%	0.50%	272 124	23 889	52 861	5 179	264	26	1 177	1 468
60-90	10%	10%	12 834	1 218	1 437	0	144	0	37	181
90-180	50%	50%	3 015	12 832	911	617	456	309	415	1 179
preko 180	100%	75%	4 917	355	4 835	128	4 835	96	27	4 958
preko 360	100%	100%	129	477	129	475	129	475	0	604
<b>TOTAL</b>			<b>293 019</b>	<b>38 771</b>	<b>60 173</b>	<b>6 399</b>	<b>5 828</b>	<b>906</b>	<b>1 656</b>	<b>8 390</b>

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

No.	DESCRIPTION	31.12.2013		31.12.2014		% growth
		Amount	% in total assets	Amount	% in total assets	31.12.2014/ 31.12.2013
	<b>ASSETS</b>					
<b>1.</b>	<b>Cash and cash equivalents</b>	<b>41 775</b>	<b>7.23%</b>	<b>25 642</b>	<b>5.14%</b>	<b>-38.62%</b>
<b>2.</b>	<b>Placements with banks</b>	<b>15 461</b>	<b>2.67%</b>	<b>21 904</b>	<b>4.39%</b>	<b>41.67%</b>
<b>3.</b>	<b>Receivables for financial leasing, net</b>	<b>367 182</b>	<b>63.52%</b>	<b>323 400</b>	<b>64.88%</b>	<b>-11.92%</b>
3a)	Receivables for financial leasing, gross	446 269	77.20%	375 422	75.32%	-15.88%
3b)	Loan loss reserves	23 301	4.03%	8 390	1.68%	-63.99%
3c)	Deferred interest income	55 504	9.60%	43 210	8.67%	-22.15%
3d)	Deferred fee income	282	0.05%	422	0.08%	49.65%
<b>4.</b>	<b>Receivables from subsidiaries</b>	<b>2</b>	<b>0.00%</b>	<b>2</b>	<b>0.00%</b>	<b>0.00%</b>
<b>5.</b>	<b>Tangible and intangible assets, net</b>	<b>33 783</b>	<b>5.84%</b>	<b>36 093</b>	<b>7.24%</b>	<b>6.84%</b>
5a)	Tangible and intangible assets – own assets	13 696	2.37%	14 449	2.90%	5.50%
5b)	Tangible and intangible assets – operational leasing	42 375	7.33%	43 520	8.73%	2.70%
5c)	Value adjustment – own assets	5 210	0.90%	5 613	1.13%	7.74%
5d)	Value adjustment – operational leasing	17 078	2.95%	16 263	3.26%	-4.77%
<b>6.</b>	<b>Long-term investments</b>	<b>119</b>	<b>0.02%</b>	<b>52</b>	<b>0.01%</b>	<b>-56.30%</b>
<b>7.</b>	<b>Other assets</b>	<b>119 779</b>	<b>20.72%</b>	<b>91 339</b>	<b>18.33%</b>	<b>-23.74%</b>
7a)	Loans, net	63 957	11.06%	56 947	11.43%	-10.96%
7a1)	Loans (due receivables + non-due principal)	71 483	12.37%	65 376	13.12%	-8.54%
7a2)	Loan loss reserves	7 526	1.30%	8 429	1.69%	12.00%
7b)	Inventories	33 212	5.75%	25 307	5.08%	-23.80%
7c)	Other assets	22 610	3.91%	9 085	1.82%	-59.82%
	<b>TOTAL ASSETS</b>	<b>578 101</b>	<b>100.00%</b>	<b>498 432</b>	<b>100.00%</b>	<b>-13.8%</b>
	<b>LIABILITIES</b>					
<b>9.</b>	<b>Due for taken loans, net</b>	<b>520 625</b>	<b>90.06%</b>	<b>451 666</b>	<b>90.62%</b>	<b>-13.25%</b>
9a)	Due for short-term loans	65 064	11.25%	35 576	7.14%	-45.32%
9b)	Due for long-term loans	456 159	78.91%	416 441	83.55%	-8.71%
9c)	Prepaid costs and fees	598	0.10%	351	0.07%	-41.30%
<b>10.</b>	<b>Other liabilities</b>	<b>21 514</b>	<b>3.72%</b>	<b>12 010</b>	<b>2.41%</b>	<b>-44.18%</b>
	<b>TOTAL LIABILITIES</b>	<b>542 139</b>	<b>93.78%</b>	<b>463 676</b>	<b>93.03%</b>	<b>-14.47%</b>
<b>11.</b>	<b>Core capital</b>	<b>90 502</b>	<b>15.66%</b>	<b>41 572</b>	<b>8.34%</b>	<b>-54.07%</b>
<b>12.</b>	<b>Reserves</b>	<b>8 829</b>	<b>1.53%</b>	<b>10 584</b>	<b>2.12%</b>	<b>19.88%</b>
<b>13.</b>	<b>Accumulated profit/loss</b>	<b>-63 369</b>	<b>-10.96%</b>	<b>-17 400</b>	<b>-3.49%</b>	<b>-72.54%</b>
	<b>TOTAL CAPITAL</b>	<b>35 962</b>	<b>6.22%</b>	<b>34 756</b>	<b>6.97%</b>	<b>-3.35%</b>
	<b>TOTAL LIABILITIES</b>	<b>578 101</b>	<b>100.00%</b>	<b>498 432</b>	<b>100.00%</b>	<b>-13.78%</b>
	Written-off receivables (initial balance)	65 028	11.25%	118 913	23.86%	82.86%
	New write-off (+)	25 562	4.42%	14 104	2.83%	-44.82%
	Collection (-)	2 091	0.36%	2 966	0.60%	41.85%
	Permanent write-off (-)	88	0.02%	6 871	1.38%	7707.95%
	<b>Written-off receivables (final balance)</b>	<b>88 411</b>	<b>15.29%</b>	<b>123 180</b>	<b>24.71%</b>	<b>39.33%</b>

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

No.	DESCRIPTION	31.12.2013		31.12.2014		% growth 30.12.2014/ 31.12.2013
		Iznos (000 KM)	% u ukupnim prihodima	Iznos (000 KM)	% u ukupnim prihodima	
<b>FINANCIAL INCOME AND EXPENSES</b>						
<b>1.</b>	<b>Interest income</b>	<b>37 801</b>	<b>58.34%</b>	<b>30 046</b>	<b>60.97%</b>	<b>-20.52%</b>
1a)	Interest for financial leasing	28 741	44.35%	22 308	45.27%	-22.38%
1b)	Interest on placements with banks	192	0.30%	388	0.79%	102.08%
1c)	Fees (for processing leasing arrangements, etc.)	1 718	2.65%	1 374	2.79%	-20.02%
1d)	Other interest income	7 150	11.03%	5 976	12.13%	-16.42%
<b>2.</b>	<b>Interest expenses</b>	<b>16 487</b>	<b>25.44%</b>	<b>14 477</b>	<b>29.38%</b>	<b>-12.19%</b>
2a)	Interest on borrowed funds	16 129	24.89%	14 025	28.46%	-13.04%
2b)	Fees for loan processing	358	0.55%	347	0.70%	-3.07%
2c)	Other interest expenses	0	0.00%	105	0.21%	0.00%
<b>3.</b>	<b>Net interest income</b>	<b>21 314</b>	<b>32.89%</b>	<b>15 569</b>	<b>31.59%</b>	<b>-26.95%</b>
<b>OPERATING INCOME AND EXPENSES</b>						
<b>4.</b>	<b>Operating income</b>	<b>26 997</b>	<b>41.66%</b>	<b>19 233</b>	<b>39.03%</b>	<b>-28.76%</b>
4a)	Fees for services	34	0.05%	49	0.10%	44.12%
4b)	Fees from operational lease	11 800	18.21%	11 625	23.59%	-1.48%
4c)	Income from sale of leasing facilities, net	37	0.06%	24	0.05%	-35.14%
4d)	Other operating income	15 126	23.34%	7 535	15.29%	-50.19%
4d1)	Income from collected written-off receivables	1 944	3.00%	2 898	5.88%	49.07%
4d2)	Income from notifications	602	0.93%	542	1.10%	-9.97%
4d3)	Other	12 580	19.41%	4 092	8.30%	-67.47%
<b>5.</b>	<b>Operating expenses</b>	<b>59 947</b>	<b>92.51%</b>	<b>47 773</b>	<b>96.94%</b>	<b>-20.31%</b>
5a)	Salaries and contributions	8 537	13.17%	7 743	15.71%	-9.30%
5b)	Costs of business premises	12 300	18.98%	14 005	28.42%	13.86%
5c)	Other operating expenses	39 110	60.36%	26 025	52.81%	-33.46%
<b>6.</b>	<b>Costs of loan loss reserves</b>	<b>28 580</b>	<b>44.11%</b>	<b>-327</b>	<b>-0.66%</b>	<b>-101.14%</b>
6a)	Costs of loan loss reserves financial leasing	22 318	34.44%	-1 230	-2.50%	-105.51%
6b)	Costs of loan loss reserves borrowings	6 262	9.66%	903	1.83%	-85.58%
<b>7.</b>	<b>Profit before taxes</b>	<b>-40 216</b>	<b>-62.06%</b>	<b>-12 644</b>	<b>-25.66%</b>	<b>-68.56%</b>
8.	Profit tax	442	0.68%	352	0.71%	-20.36%
<b>9.</b>	<b>Net profit</b>	<b>-40 658</b>	<b>-62.75%</b>	<b>-12 996</b>	<b>-26.37%</b>	<b>-68.04%</b>

*Annex 7. Balance Sheet Volume Ranking*

31.12.2013					31.12.2014				
Leasing company	Balance sheet volume (KM 000)	Share 31.12. 2013.	Cumulative share	Rank	Leasing company	Balance sheet volume (KM 000)	Share 31.12.2014.	Cumulative share	Balance sheet volume index
Raiffeisen Leasing d.o.o. Sarajevo	192 559	33.31%	33.31%	1.	Raiffeisen Leasing d.o.o. Sarajevo	151 699	30.44%	30.44%	79
UniCredit Leasing d.o.o. Sarajevo	153 919	26.62%	59.93%	2.	UniCredit Leasing d.o.o. Sarajevo	129 491	25.98%	56.41%	84
VB Leasing d.o.o. Sarajevo	110 709	19.15%	79.08%	3.	VB Leasing d.o.o. Sarajevo	109 281	21.92%	78.34%	99
S-Leasing d.o.o. Sarajevo	53 651	9.28%	88.36%	4.	S-Leasing d.o.o. Sarajevo	56 465	11.33%	89.67%	105
NLB Leasing d.o.o. Sarajevo	31 545	5.46%	93.82%	5.	NLB Leasing d.o.o. Sarajevo	25 429	5.10%	94.77%	81
Asa Aleasing d.o.o. Sarajevo	35 718	6.18%	100.00%	6.	Asa Aleasing d.o.o. Sarajevo	26 067	5.23%	100.00%	73
	<b>578 101</b>	<b>100.00%</b>			<b>UKUPNO</b>	<b>498 432</b>	<b>100.00%</b>		<b>86</b>