



**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**

31.12.2016

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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 31.12.2016 based on the analysis of final unaudited reports on business operations submitted to the Agency by leasing companies (indirect off-site supervision), findings from on-site examinations (direct on-site supervision) and other information and data submitted to the Agency by leasing companies.

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I INTRODUCTION

The balance sheet total of leasing companies in the Federation of B&H as of 31.12.2016 amounted to KM 421 515 thousand, which is down by KM 43 357 thousand or 9.33% compared to 31.12.2015.

When comparing the individual balance sheet totals of seven leasing companies with data as of 31.12.2016, it can be concluded that an increase in the balance sheet total amounting to KM 24 538 thousand is evident in the case of two leasing companies, while a decrease in the balance sheet total in the amount of KM 67 895 thousand is evident in the case of five leasing companies, 69.46% or KM 47 159 thousand of which applies to one leasing company.

In the period from 01.01. to 31.12.2016, leasing activities in the Federation of B&H recorded a loss in the amount of KM 798 thousand as a result of business operations. Three leasing companies recorded a negative financial result in the amount of KM 4 062 thousand, while four leasing companies recorded a positive financial result in the amount of KM 3 264 thousand.

The total capital of leasing companies as of 31.12.2016 amounted to KM 46 411 thousand. Compared to 31.12.2015, this item went down by KM 870 thousand or 1.84%. All seven leasing companies recorded a total capital amount above the minimum amount prescribed by statutory provisions.

The value of newly concluded financial and operational leasing arrangements in 2016 amounted to KM 143 627 thousand and is down by KM 36 011 thousand or 20.05%, as well as the number of newly concluded arrangements, which is down by 258 or 7.26% compared to the same period of the previous year. It can be pointed out that the value of newly concluded arrangements in the second half of 2016 amounted to KM 68 114 thousand and that it was up by KM 7 399 thousand or 10.86% compared to the first half of 2016.

Based on the analysis of the final unaudited reports of leasing companies in the Federation of B&H in 2016, the operations of leasing companies recorded a slight drop in business activities, a decrease in the value and number of newly concluded arrangements. The decrease in the total amount of financings compared to previous business periods is due to the fact that three leasing companies were not commercially active in 2016 in the context of concluding new arrangements, as well as due to the fact that the leasing company registered in Republika Srpska, which carried out its operations on the territory of the Federation of B&H through four subsidiaries, closed all subsidiaries in the Federation of B&H in the first half of 2016. An important fact is also that the financing via leasing arrangements for natural persons is less favourable than loan facilities because of the obligatory payment of the VAT on interest, which poses additional cost to clients who are not VAT payers.

The unofficial (estimated) macroeconomic indicators in B&H for 2016 point to a stabilisation of economic trends in B&H. Table 1 of the Information shows the macroeconomic indicators in B&H.

Table 1. Macroeconomic indicators in B&H

Indicators	2014	2015	2016 assessment 31.12.2016
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Real GDP growth rate	1.1%	3.00%	3.20%
Industrial production growth rate	0.1%	3.1%	4.1%
Average annual inflation	-0.9%	-1.00%	-1.00%
Unemployment rate	27.50%	27.70%	25.00%
Foreign direct investments	KM 780 million	KM 477 million	KM 390 million

**Data source: the CBBH*

The data in the Information as of 31.12.2016 includes the data submitted by seven leasing companies licensed for leasing operations in the Federation of B&H, unless specifically stated otherwise.

1. REGULATORY ACTIVITIES OF THE AGENCY

1.1. Normative Activities

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. In late 2016, amendments to the Law on Leasing were adopted and the aforementioned were published on 30.12.2016 („Official Gazette of the Federation of B&H“, No. 104/16).

The amendments to the Law on Leasing were created in accordance with the inadequacies of existing legislation. They refer to a more detailed definition of the revocation process of licences for performing leasing operations and the cessation of business operations of leasing companies (pre-registration activities), the need for supervising other legal entities about which there is information and evidence that they are performing leasing operations, a more detailed definition of the leasing arrangement in relation to the lease agreement, the definition of minimum organisational requirements and the separation of business processes of leasing companies (outsourcing), the introduction of new measures to eliminate illegalities and irregularities, the duty of confidentiality, and changes related to violations committed by leasing companies and responsible persons in leasing companies. One part of the amendments to the Law, which refers to a more detailed definition of the concept of the leasing arrangement, was drafted on the basis of recommendations made by the IMF and the World Bank team as part of the Financial Stability Assessment Program of B&H (FSAP). Amendments were also made on the basis of suggestions made by the Association of Leasing Companies in B&H.

1.2. Licensing

As of 31.12.2016, an operating licence for leasing operations was owned by 7 leasing companies, which performed leasing activities in their head offices, as well as in 7 subsidiaries, 3 of which are located in the Federation of B&H and 4 of which are located in Republika Srpska.

Regarding the issuance process of prior approvals for the acquisition or increase in an ownership interest in a leasing company in 2016, the Agency issued two prior approvals for an increase in ownership interest in leasing companies (one prior approval for an increase in an ownership share and one prior approval for the acquisition of a 100% ownership share).

In terms of the issuance process of approvals for the establishment of a subsidiary, two approvals were issued to leasing companies for the establishment of subsidiaries (an approval to establish a subsidiary in Banja Luka and to establish a subsidiary in Sarajevo).

1.3. Supervision

The supervision of leasing companies is established after the issuance of an operating licence to the leasing companies by the Agency in the interest of a continuous monitoring of operations and the financial situation of each individual leasing company and the leasing sector in the Federation of B&H as a whole by determining the compliance of leasing companies' operations with the applicable regulations as well as by analysing and reviewing leasing companies' financial statements.

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.

Authorised persons of the Agency conduct direct supervision of the operations of 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 31.12.2016, seven on-site examinations and one off-site examination were performed. The examinations resulted in the appropriate corrective measures to leasing companies, i.e. requests that they comply with legal regulations (five decisions were issued with a total of 26 orders to eliminate the irregularities and instances of non-compliance identified during the examination).

The main irregularities identified during the direct supervision of leasing companies in 2016 pertained to shortcomings of the internal controls system, the quality of leasing companies' actions in accordance with the provisions of the Law on Guarantor Protection and the provisions of the Law on Protection of Users of Financial Services, the inadequate establishment of an organisational structure, irregularities in the area of leasing companies' accounting functions, the inadequate management of business processes related to risk management and the submission of inadequate data related to operational leasing arrangements to the Central Credit Registry with the Central Bank of B&H.

When examining the regulatory reports in the course of 2016, the examiners requested that the leasing companies correct the reports on several occasions due to them having been drafted incorrectly, as well as that they explain the significant discrepancies compared to previous reporting positions.

In accordance with the dynamics of submitting the prescribed reports, the Division regularly conducted reviews and examinations of the reports, other information and data on the business operations of leasing companies and analysed the financial situation of leasing companies, trends in business operations and the risks to which the leasing companies are exposed in their business operations on the basis of the aforementioned and used them to plan activities for the direct supervision of leasing companies.

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

1. LEASING SECTOR STRUCTURE

As of 31.12.2016, the following leasing companies have operating licences for leasing operations:

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

1.1. Ownership Structure

The ownership structure of the aforementioned leasing companies is as follows: three leasing companies are 100% owned by non-resident legal entities, one leasing company is in majority ownership (51%) of a non-resident legal entity, while three leasing companies are in 100% ownership of resident legal entities. In 2016 (in the fourth quarter of 2016), two leasing companies saw changes in ownership shares, i.e. a transfer of ownership shares from non-resident to resident legal entities.

Detailed information on the overview of the ownership structure of leasing companies is provided in Annex 2 to the Information.

1.2. Human Resources

As of 31.12.2016, leasing companies registered on the territory of the Federation of B&H had a total of 160 employees, 149 of which were hired via employment contract (full-time employees), whereas 11 employees were recruited via student services and organisations mediating in employment (temporary employees). In the first half of 2016, a leasing company seated in Republika Srpska shut down all subsidiaries registered in the Federation of B&H, which had an impact on the decrease in the total number of employees in the leasing sector.

Table 2 of the Information shows a parallel overview of the data on the number of employees in leasing companies by quarter in 2016.

Table 2. Overview of the Number of Employees in the Leasing Sector by Quarter in 2016

Number of employees in leasing companies seated in the Federation of B&H	31.3.2016	30.6.2016	30.9.2016	31.12.2016
Number of full-time employees	128	130	150	149
Number of temporary employees	30	32	12	11
Number of employees in leasing companies seated in RS on the territory of the Federation of B&H	31.3.2016	30.6.2016	30.9.2016	31.12.2016
Number of full-time employees	6	6	0	0

Number of temporary employees	0	0	0	0
TOTAL	164	168	162	160

There were no significant changes in the qualification structure of employees in the leasing sector as of 31.12.2016 compared to previous reporting periods. The largest share is still that of employees with a college degree (74.50%), followed by employees with secondary school qualifications (14.09%).

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 31.12.2016, every employee accounts for KM 2 829 thousand of assets at the leasing sector level (30.09.2016 – KM 2 950 thousand, 30.06.2016 – KM 3 179 thousand, 31.12.2015 – KM 3 296 thousand per employee). Analytical indicators for individual leasing companies range from KM 526 to KM 3 788 thousand of assets per employee.

2. FINANCIAL BUSINESS INDICATORS

2.1. Balance Sheet

As of 31.12.2016, the balance sheet total of leasing companies in the Federation of B&H amounted to KM 421 515 thousand, which is lower by KM 43 357 thousand or 9.33% compared to 31.12.2015. If observed individually, two leasing companies saw an increase of the balance sheet total in the amount of KM 24 538 thousand, while four leasing companies saw a decrease of the balance sheet total in the amount of KM 67 895 thousand, 69.46% or KM 47 159 thousand of which account for one leasing company.

The two largest leasing companies (by size of assets) account for 64.33% 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 306 599 thousand or 72.74% of total assets of the leasing sector. Compared to 31.12.2015, net receivables for financial leasing are down by KM 27 640 thousand or 8.27%, while gross receivables for financial leasing are down by KM 37 917 thousand or 9.88%. In the structure of receivables for financial leasing, arrangements approved on the basis of financing passenger vehicles and company vehicles account for 63.82%, arrangements approved on the basis of financing equipment account for 26.96%, while financial leasing arrangements that finance real estate account for 9.18%.

Tables 3 and 4 of this Information provide an overview of the structure of net receivables for financial leasing (net receivables before impairment on the basis of reserves for losses) as of 31.12.2016 and a parallel overview of the structure of receivables as of 31.12.2015.

Table 3. Structure of Receivables for Financial Leasing as of 31.12.2016

(KM 000)

STRUCTURE BY LEASING OBJECT	Short-term receivables	Long-term receivables	Past due receivables	Total receivables	Share in total receivables
Passenger vehicles	37 592	55 381	1 415	94 388	30.34%
Company vehicles (cargo and passenger)	44 254	57 780	2 137	104 171	33.48%
Machinery and equipment	26 402	55 859	1 607	83 868	26.96%

Real estate	4 175	23 777	601	28 553	9.18%
Other	96	23	0	119	0.04%
TOTAL	112 519	192 820	5 760	311 099	100.00%
STRUCTURE BY LESSEE	Short-term receivables	Long-term receivables	Past due receivables	Total receivables	Share in total receivables
Legal entities	102 768	175 262	5 225	283 255	91.05%
Entrepreneurs	1 746	2 413	70	4 229	1.36%
Natural persons	7 423	13 960	457	21 840	7.02%
Other	582	1 185	8	1 775	0.57%
TOTAL	112 519	192 820	5 760	311 099	100.00%

Table 4. Parallel Overview of Structure of Receivables

(KM 000)

STRUCTURE BY LEASING OBJECT	Receivables as of 31.12.2015	Receivables as of 31.12.2016	INDEX
Passenger vehicles	93 787	94 388	101
Company vehicles (cargo and passenger)	104 696	104 171	99
Machinery and equipment	105 471	83 868	80
Real estate	35 732	28 553	80
Other	77	119	155
TOTAL	339 763	311 099	92
STRUCTURE BY LESSEE	Receivables as of 31.12.2015	Receivables as of 31.12.2016	INDEX
Legal entities	306 617	283 255	92
Entrepreneurs	4 956	4 229	85
Natural persons	26 747	21 840	82
Other	1 443	1 775	123
TOTAL	339 763	311 099	92

As of 31.12.2016, net receivables for loans amounted to KM 40 500 thousand or 9.61% of the amount of total assets of the leasing sector. Compared to 31.12.2015, net receivables for loans fell by KM 8 614 thousand or 17.54%, while gross receivables fell by KM 12 161 thousand or 22.34%. Receivables for loans in the structure of total assets of leasing companies are continuously decreasing, since the Law on Leasing prohibited leasing companies from concluding new loan agreements and the aforementioned will remain in the balance sheet until the contracted periods of time they were granted for expire. If observed by period, loan repayment showed signs of stagnation (slow repayment) due to the fact that, in previous business periods, a leasing company whose portfolio has a significant amount of loan receivables approved a moratorium in the payment of contractual obligations until the completion of the process of revitalising business operations of clients to whom the aforementioned had been approved. Out of the total recorded amount of net receivables for loans, KM 39 558 thousand or 97.67% account for the receivables of one leasing company with a significant amount of loan receivables in its portfolio. KM 38 023 thousand or 96.12% 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 structure of receivables for loans, loans approved on the basis of financing real estate account for 96.01%.

As of 31.12.2016, the recorded balance sheet item Cash and Cash Equivalents amounted to KM 8 048 thousand, which is up by KM 1 689 thousand or 26.56% compared to 31.12.2015. The share of this balance sheet item in total assets amounted to 1.91% as of 31.12.2016 and it is up compared to 31.12.2015, when it amounted to 1.37%.

As of 31.12.2016, the recorded balance sheet item Facilities to Banks amounted to KM 10 520 thousand, down by KM 6 024 thousand or 36.41% compared to 31.12.2015. 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 31.12.2016 amounted to KM 29 060 thousand, up by KM 1 919 thousand or 7.07% compared to 31.12.2015. If observed individually, the net value of fixed assets financed via operational leasing rose for two leasing companies in the amount of KM 6 148 thousand, while four leasing companies recorded a decrease in the amount of KM 4 229 thousand.

Table 5 of this Information provides an overview of net balance sheet positions of assets by reporting period.

Table 5. Structure of Net Balance Sheet Positions of Assets

Balance sheet positions	31.12.2015 in KM 000	% share in assets	31.12.2016 in KM 000	% share in assets	31.12.2015 / 31.12.2016	INDEX
Financial leasing – net	334 238	71.90%	306 599	72.74%	-8.27%	92
Operational leasing – net	27 141	5.84%	29 060	6.89%	7.07%	107
Loan – net	49 114	10.57%	40 500	9.61%	-17.54%	82
Other assets	54 379	11.70%	45 356	10.76%	-16.59%	83
Total assets	464 872	100.00%	421 515	100.00%	-9.33%	91

2.1.1. Asset Quality

According to data from the reports of leasing companies, loan loss reserves for financial leasing as of 31.12.2016 are recorded in the amount of KM 4 500 thousand and are down by KM 1 024 thousand or 18.54% compared to 31.12.2015. In the structure of receivables for financial leasing as of 31.12.2016, a total of KM 5 760 thousand outstanding past due receivables was recorded, whereas the amount of KM 9 013 thousand was recorded as of 31.12.2015, thus constituting a decrease in the amount of KM 3 253 thousand or 36.09%.

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

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

Days past due	Total reserves 31.12.2015 in KM 000	Total reserves 31.12.2016 in KM 000	INDEX
0-60	2 188	2 610	119
60-90	626	604	96
90-180	744	715	96
More than 180	1 892	571	30
More than 360	74	0	0

TOTAL	5 524	4 500	81
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If observed individually, three leasing companies account for 93.94% of total formed reserves for loan losses. At the same time, all leasing companies recorded a decrease in total formed reserves for loan losses compared to 31.12.2015, which indicates a stabilisation of business operations and improved asset quality related to receivables for financial leasing.

If observed by category of default of past due outstanding receivables, a decrease in reserves for losses was recorded in the categories of default of 60-90 days, 90-180 days, more than 180 days, and more than 360 days compared to 31.12. 2015, while an increase was recorded in the categories of 0-60 days compared to 31.12.2015.

As of 31.12.2016, loan loss reserves amounted to KM 1 763 thousand and went down by KM 3 547 thousand compared to 31.12.2015, when the loan reserves amounted to KM 5 310 thousand. The total amount of formed loan loss reserves as of 31.12.2016 was formed by one leasing company with the most significant amount of loan receivables from subsidiary companies in its portfolio.

The total amount of written-off receivables for financial leasing and loans as of 31.12.2016 was KM 111 784 thousand, which is down by KM 4 693 or 4.03% compared to the amount recorded at the end of the previous business year. Out of the total recorded amount of written-off receivables, KM 52 656 thousand or 47.11% account for write-offs by one leasing company.

In 2016, KM 3 224 thousand of new write-offs were recorded, KM 2 523 thousand or 78.26% of which account for write-offs by two leasing companies. The total amount of new write-offs is down by KM 9 689 thousand or 75.03% compared to the previous business year. In 2016, collection on the basis of written-off receivables amounted to KM 3 161 thousand. The aforementioned item is down by KM 4 282 thousand or 57.53% compared to the data recorded for the previous business year. As of 31.12.2016, the item Permanent Write-Offs recorded an amount of KM 4 671 thousand. Out of the aforementioned amount, KM 4 531 thousand or 97.00% accounts for permanent write-offs by two leasing companies.

As of 31.12.2016, the market value of repossessed leasing objects amounted to KM 13 478 thousand and fell by KM 3 471 thousand or 20.48% compared to 31.12.2015 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 61 repossessed units, down by 31 repossessed units or 33.7% compared to 31.12.2015.

Table 7 of the Information shows a parallel structure of repossessed leasing objects as of 31.12.2015 and 31.12.2016.

Table 7. Number and Value of Repossessed Leasing Objects

(in KM 000)

No.	TYPE OF LEASING OBJECT	31.12.2015		31.12.2016	
		Number of units	Appraised market value	Number of units	Appraised market value
1.	Passenger vehicles	31	408	31	283
2.	Company vehicles	21	429	6	15
3.	Machinery and equipment	16	580	7	408
4.	Real estate	24	15 532	17	12 772
5.	Rail vehicles, watercraft and aircraft	0	0	0	0
6.	Household appliances	0	0	0	0

7.	Other	0	0	0
Total		92	16 949	61
				13 478

If observed individually, KM 13 244 thousand or 98.26% of the total value of repossessed leasing objects relate to repossessed leasing objects of three leasing companies.

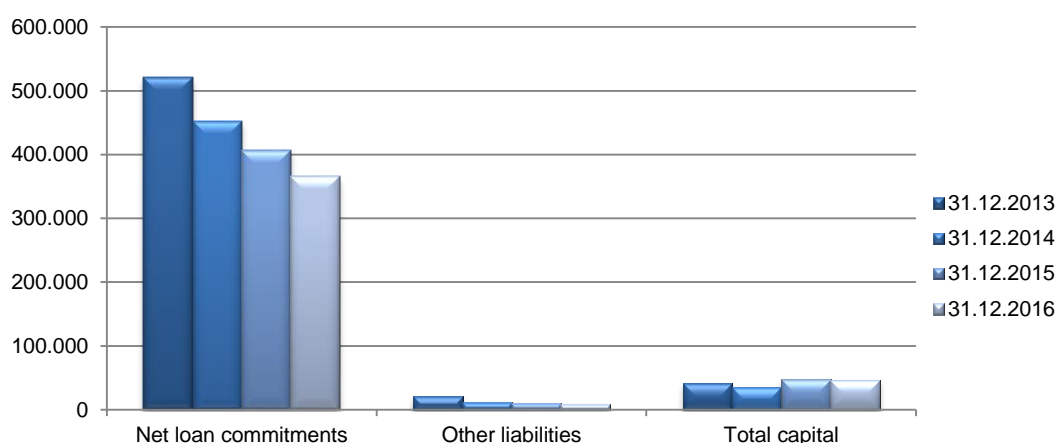
Out of the total appraised value of repossessed leasing objects as of 31.12.2016, KM 12 772 thousand or 94.76% relate to real estate (commercial real estate) repossessed by leasing companies due to the lessees' non-compliance with legal obligations. The total amount of this item relates to three leasing companies. The current market situation and inadequate financing approval criteria cause difficult sales or new financing of repossessed real estate via financial or operational leasing, especially if one takes into account the fact that repossessed real estate constitutes mostly production and commercial facilities.

2.2. Liabilities Structure

As of 31.12.2016, loan commitments are still a dominant item in the structure of total liabilities of leasing companies (86.79% of the balance sheet total).

Graph 1 of the Information provides a parallel structure of sector liabilities by reporting period.

Graph 1. Structure of Liabilities – Parallel Overview (KM 000)



Total loan commitments as of 31.12.2016 amounted to KM 365 834 thousand and are down by KM 41 473 thousand or 10.18% compared to 31.12.2015, when the aforementioned item amounted to KM 407 307 thousand. Out of the total amount of loan commitments, KM 314 554 thousand or 85.98% relate to long-term commitments.

There were no significant changes in the structure of sources of funding compared to previous reporting periods. 56.48% of total loan commitments relate to indebtedness with foreign and domestic commercial banks mostly belonging to groups to which leasing companies belong, while 21.47% relate to direct indebtedness of the founders and 22.05% relate to indebtedness with European banks (EIB, EBRD, CEDB and DEG). These banks' funds 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 31.12.2016 is 2.00% 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 down compared to 31.12.2015, when it amounted to 2.56%.

Interest rates on sources of funding of leasing companies are mostly linked to the EURIBOR variable index, the value of which was negative during 2016 (average value 6 MEURIBOR - 0.16%).

The total capital of leasing companies as of 31.12.2016 amounted to KM 46 411 thousand. Compared to 31.12.2015, this item is down by KM 870 thousand or 1.84%. If observed individually, four leasing companies saw an increase in total capital in the amount of KM 3 193 thousand (as a result of positive business operations of the aforementioned), while three leasing companies saw a decrease in total capital in the amount of KM 4 063 thousand, with one leasing company accounting for a decrease in total capital in the amount of KM 2 332 thousand or 57.40%. All leasing companies recorded a total capital amount in excess of the minimum amount prescribed by the provisions of Article 8 of the Law on Leasing.

2.3. Profitability

In the period from 01.01. to 31.12.2016, a loss in the amount of KM 798 thousand was recorded at the level of the leasing sector. If observed individually, four leasing companies recorded a positive financial result in the amount of KM 3 264 thousand, while three leasing companies recorded a negative financial result in the amount of KM 4 062 thousand, KM 2 331 thousand or 57.39% of which account for one leasing company.

If observed by type of income, interest income amounted to KM 23 237 thousand in the period from 01.01. to 31.12.2016. This item saw a decrease of KM 4 876 thousand or 17.34% 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 17 501 thousand, down by KM 2 005 thousand or 10.28% compared to the same period of the previous business year. The item Other Interest Income is down by KM 2 563 thousand or 36.82% compared to the same period of the previous year. The item Interest on Facilities to Banks amounted to KM 263 thousand and is down by KM 145 thousand or 35.54% compared to the same period of the previous year. Interest expenses amounted to KM 7 892 thousand, down by KM 3 089 thousand or 28.13% compared to the same period of the previous business year. The reason for the decrease in interest expenses is the significantly lower amount of loan commitments due to the reduced volume of new financings as well as the continuous decrease in the EURIBOR variable index, to which the leasing companies' loan debt is mainly linked.

Total net interest income in the period from 01.01. to 31.12.2016 amounted to KM 15 345 thousand, down compared to the same period of the previous year by KM 1 787 thousand or 10.43%).

The item Operating Income is down by KM 11 106 thousand or 33.11% compared to the same period of the previous year as a result of income on the basis of the collection of written-off receivables and the item Other Operating Income being significantly down by KM 8 647 thousand or 52.02%.

In the period from 01.01. to 31.12.2016, the reporting item Costs of Loss Reserves recorded the amount of KM 5 110 thousand, up by KM 467 thousand or 10.06% compared to the same period of the previous year, when reserve costs amounted to KM 4 643 thousand.

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

Table 8. Key Business Indicators

BUSINESS INDICATORS	31.12.2013	31.12.2014	31.12.2015	31.12.2016
Return on assets (ROA)	-5.63%	-2.55%	1.33%	-0.18%
Return on equity (ROE)	-53%	-23.17%	14.62%	-1.57%
Average active interest rate (financial leasing)	7.15%	6.39%	5.68%	5.41%
Average passive interest rate	2.88%	2.97%	2.56%	2.00%
Total liabilities to equity	13.32	13.34	8.83	8.08

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

3.1. Structure of Placements by Leasing Object and Type

The value of newly-concluded financial and operational leasing arrangements in the period from 01.01. to 31.12.2016 amounted to KM 143 627 thousand, down by KM 36 011 thousand or 20.05% compared to the same period of the previous year. The number of newly-concluded arrangements in 2016 was 3 297 and it is down by 258 arrangements or 7.26% compared to the same period of the previous year.

The value of newly-concluded arrangements in the period from 01.07. to 31.12.2016 amounted to KM 75 513 and refers to 1 662 arrangements. The value of newly-concluded arrangements is up by KM 7 399 thousand or 10.86%, while the number of newly-concluded arrangements is up by 258 arrangements compared to the period from 01.01. to 30.06.2016.

The average value of arrangements concluded in 2016 amounted to KM 44 thousand and it is down compared to the average value of arrangements in the same period of the previous year, when it amounted to KM 51 thousand.

Out of the total generated value of newly-concluded arrangements in 2016, KM 129 208 thousand or 89.96% account for financial leasing arrangements with an average (weighted) nominal interest rate of 5.06% and a weighted effective interest rate of 7.95% per annum.

Table 9 of the Information shows parallel indicators of new financings by leasing object and type of arrangement.

Table 9. Structure of Financing Amounts by Leasing Object

(KM 000)

	31.12.2015			31.12.2016		
	Financial leasing	Operational leasing	TOTAL	Financial leasing	Operational leasing	TOTAL
Vehicles	113 620	12 282	125 902	111 403	14 419	125 822

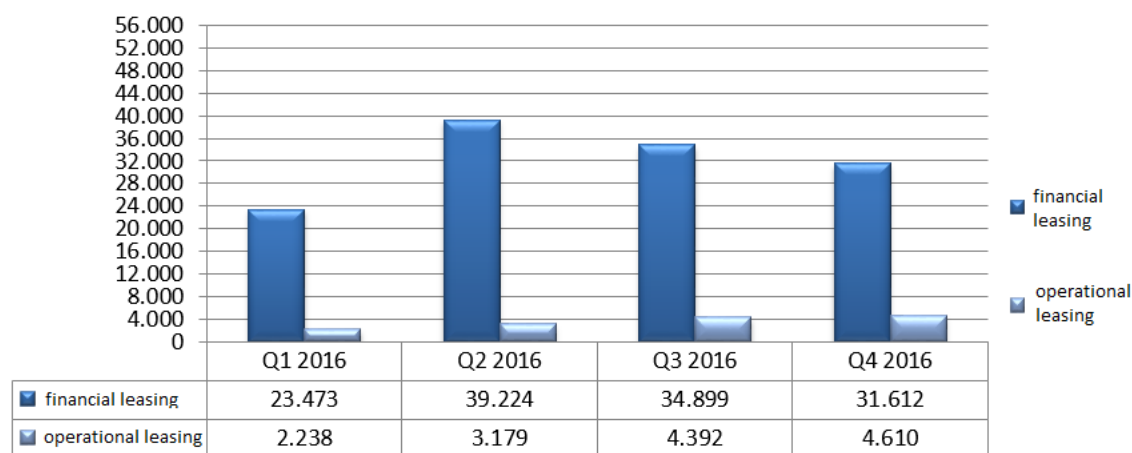
Equipment	53 704	0	53 704	17 487	0	17 487
Real estate	0	0	0	0	0	0
Other	32	0	32	318	0	318
TOTAL	167 356	12 282	179 638	129 208	14 419	143 627

The total amount of new financings in 2015 was recorded by six leasing companies and four subsidiaries of the leasing company registered in Republika Srpska, while the total amount in 2016 was recorded by four leasing companies. The leasing company registered on the territory of Republika Srpska closed all subsidiaries registered on the territory of the Federation of B&H in the first half of 2016, while three leasing companies registered on the territory of the Federation of B&H suspended the conclusion of new arrangements, with the exception of sporadic cases of financings of repossessed leasing objects.

In the structure of new facilities by type of lessee, the facilities to legal entities are predominant (93.49% of the total amount of financing in 2016). One important reason is the fact that financing via leasing arrangements for natural persons is less favourable than loan facilities due to the obligatory payment of the VAT on interest rates, which poses additional costs for clients that are not VAT payers.

Graph 2 of the Information provides an overview of the value of newly-concluded financial and operational leasing arrangements by quarter in 2016.

Graph 2. Overview of the Value of Newly-Concluded Arrangements in 2016 (in KM 000)

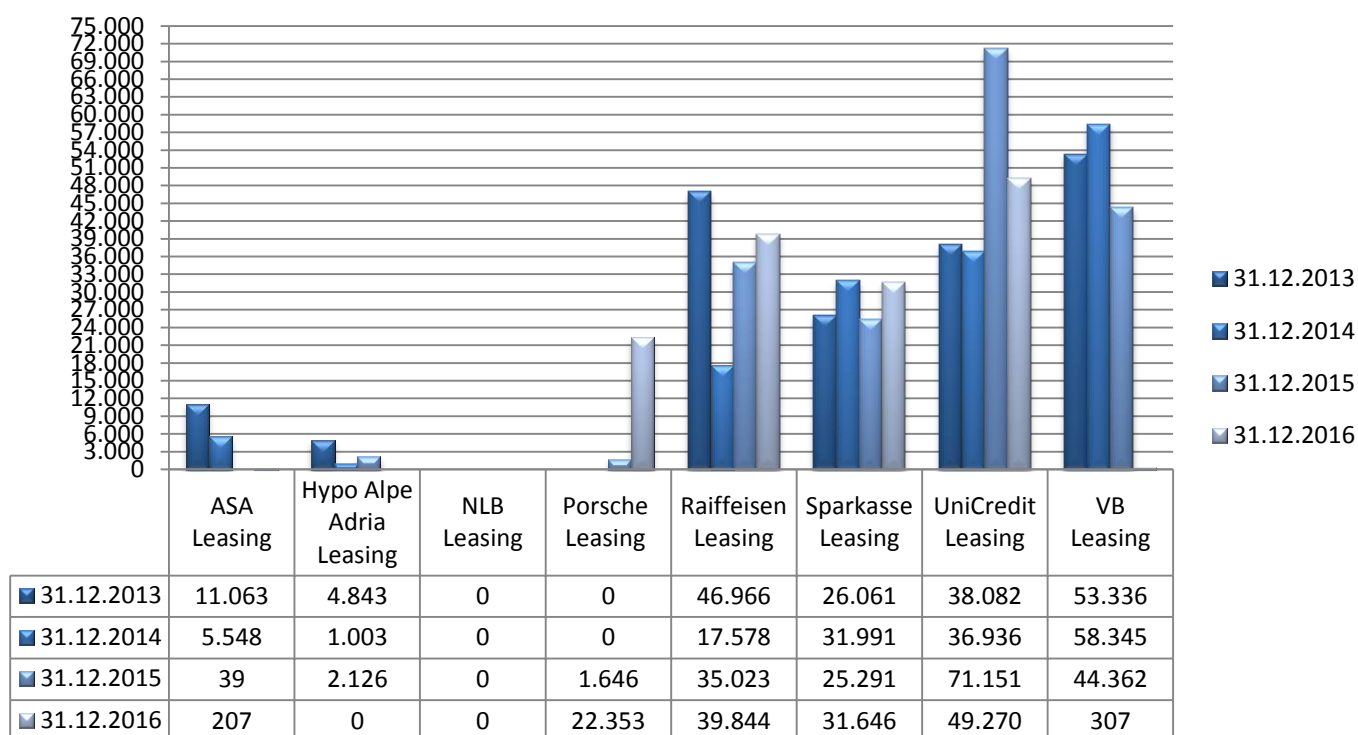


The volume of financings via operational leasing in 2016 was up by KM 2 137 thousand or 17.40% compared to the previous business year.

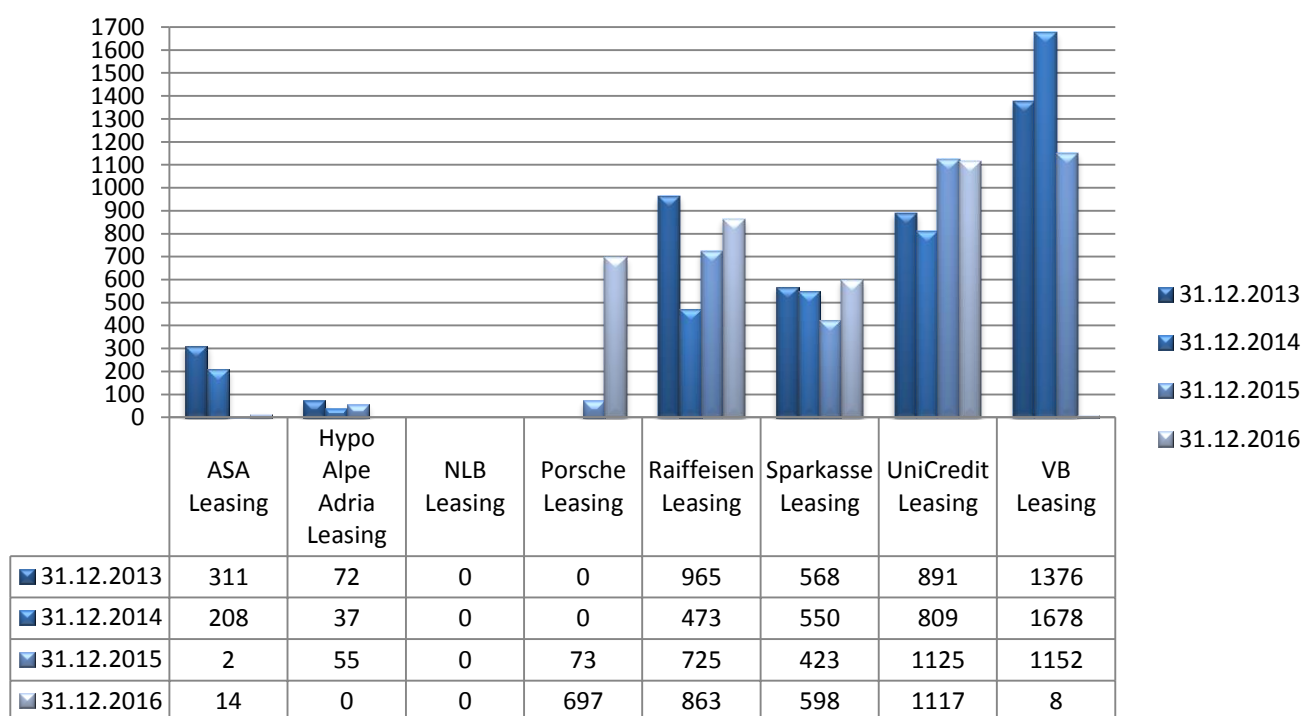
3.2. Market Share by Financial Volume and Number of Arrangements

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 3 and 4 of this Information.

Graph 3. Market Share by Volume (in KM 000)



Graph 4. Market Share by Number of Arrangements



The above graphs show that four leasing companies saw an increase in the volume of new financings and the number of newly-concluded arrangements in 2016 compared to the same period of the previous year, three leasing companies saw a decrease in the volume of financings, while one leasing company did not conclude any leasing arrangements in all reporting periods.

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 2016 amounted to 3.84% for short-term and 5.08% for long-term arrangements, while the effective interest rate for short-term and long-term arrangements amounted to, respectively, 6.76% and 7.97% per annum. The total weighted nominal interest rate in 2016 amounted to 5.06%, while the effective interest rate amounted to 7.95% per annum. Compared to the same period of the previous business year, when the total weighted nominal interest rate was 5.79% and the effective interest rate 8.08% per annum, a decrease in interest rates for financial leasing arrangements during 2016 is evident.

The trend of decrease in nominal interest rates continued in 2016 as well compared to 2015 and it is caused by the low value of the variable index (EURIBOR), to which output interest rates are linked, as well as by the reduced demand for leasing products and the fact that, at the end of the previous and at the beginning of the current business year, most leasing companies active on the market offered promotional products for which the interest on the financing amount (in whole or in part) was subsidised by the supplier of the leasing object, while the leasing object's casco insurance fee was also subsidised by insurance companies in the case of individual promotional products. The recorded oscillations of weighted effective interest rates by period are mainly caused by the fact that the calculation of the effective interest rate on arrangements concluded with natural persons is not identical to the calculation of the aforementioned on arrangements concluded with legal entities (its calculation does not include a casco insurance premium, which is a legal requirement when it comes to arrangements with natural persons).

Table 10 of the Information shows data on the amount of financing, the nominal and effective interest rate for financial leasing arrangements concluded in 2016.

Table 10. Average Nominal and Effective Interest Rate for Financial Leasing Arrangements Concluded in the Period from 01.01. to 31.12.2016

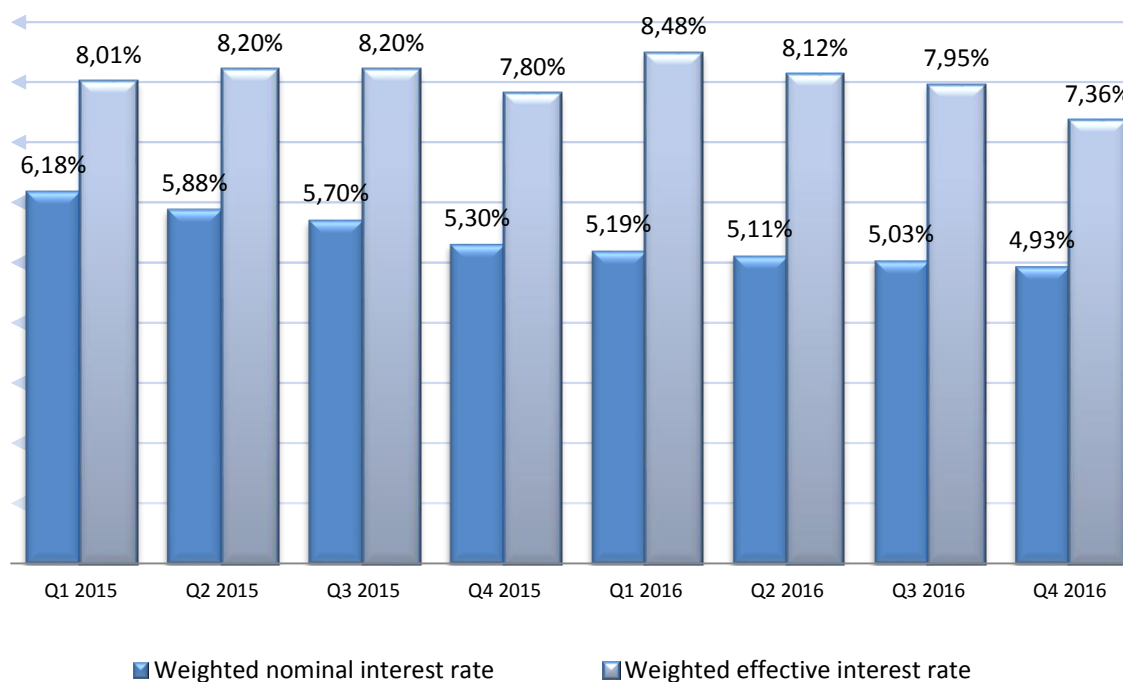
No.	DESCRIPTION	No. of contracts	Amount of financing in KM (000)	Weighted nominal interest rate	Weighted effective interest rate
1.	Short-term leasing arrangements by leasing object	61	1 974	3.84%	6.76%
a.	Passenger vehicles	38	783	4.86%	10.04%
b.	Company vehicles (cargo and passenger)	15	806	3.84%	5.18%
c.	Machinery and equipment	8	385	1.17%	3.40%
d..	Other	0	0	0	0
1.1.	Short-term leasing arrangement by type of lessee:	61	1 974	3.84%	6.76%
a.	Legal entities	55	1 875	3.73%	5.71%
b.	Entrepreneurs	2	43	5.95%	11.70%
c.	Natural persons	4	56	5.85%	37.44%
2.	Long-term leasing arrangements by leasing object:	2 775	96 286	5.08%	7.97%

a.	Passenger vehicles	1 685	53 873	5.48%	9.49%
b.	Company vehicles (cargo and passenger)	686	55 941	4.73%	6.94%
c.	Machinery and equipment	138	17 102	4.95%	6.54%
d.	Real estate	0	0	0	0
e.	Other	3	318	6.05	9.19
2.1.	Long-term leasing arrangements by type of lessee:	2 775	127 234	5.08%	7.97%
a.	Legal entities	2 428	118 022	5.07%	7.19%
b.	Entrepreneurs	54	1 759	6.29%	8.66%
c.	Natural persons	293	7 453	4.98%	20.26%
	TOTAL (1+2)	2 836	129 208	5.06%	7.95%

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

Graph 5 of this Information shows weighted nominal and effective interest rates by quarter.

Graph 5 . Overview of Average Nominal and Effective Interest Rates for Financial Leasing Arrangements by Quarter



3.4. Lessees' Complaints – Natural Persons

In the period from 01.01. to 31.12.2016, two leasing companies cited eight complaints by lessees (seven complaints were filed by five natural persons – one natural person filed three complaints, and one complaint was filed by a legal entity) in reports submitted to the Agency. Three complaints referred to financing fees and five complaints were filed on other grounds. Three complaints were given the status of negatively resolved complaints, while two complaint were given the status of positively resolved complaints. The Agency submitted a request for the leasing company to make a statement regarding three complaints.

III INFORMATION ON COMPLIANCE OF LEASING COMPANIES' BUSINESS OPERATIONS WITH ANTI-MONEY LAUNDERING/COUNTER-TERRORIST FINANCING STANDARDS

The assessment of leasing companies' compliance with the standards to prevent money laundering and the financing of terrorism was determined on the basis of the following:

a) the leasing companies' situation in the previous period.

The assessment of the compliance of business operations with standards to prevent money laundering and the financing of terrorist activities in the previous period is provided in the Information for 2015.

b) the status of issued orders, determined in examinations of the execution of orders.

In examinations of the execution of issued orders, it was determined that 10 out of 18 issued orders were executed (3.6 orders per leasing company), which amounts to 55.55% or 2 orders per leasing company; 7 orders were partially executed, which amounts to 38.90% or 1.4 orders per leasing company; and 1 order, which amounts to 5.55% or approximately 0.2 orders per leasing company, was not executed, in spite of the measures taken.

c) the assessment of compliance determined in examinations of compliance.

d) the analysis of reports leasing companies submit to the Agency.

Table 11 provides an overview of the statuses of orders issued to leasing companies:

No.	Policy on:	No. of issued orders	%	No. of executed orders	%	%	No. of part. executed orders	%	%	No. of unexecuted orders	%	%	Σ (%)
1.	2	3	4= 3/Σ3	5	6= 5/Σ5	7= 5/3	8	9= 8/Σ8	10= 8/3	11	12= 11/Σ11	13= 11/3	14=Σ 7,10,13
1.	Client eligibility	5	28.00	1	10.00	20.00	4	57.00	80.00	0	-	-	100
2.	Identification and monitoring client activity	10	56.00	7	70.00	70.00	3	43.00	43.00	0	-	-	100
4.	Management of the risk of AML/CFT	3	17.00	2	20.00	66.66	0	-	-	1	100	33.33	100
5.	Total	18	100	10	100	-	7	100	-	1	100	-	-
6.	Total (%)	100	-	55.55	-	-	38.90	-	-	5.55	-	-	-

Considering the aforementioned parameters from which the assessment of leasing companies' compliance with the standards to prevent money laundering and the financing of terrorism is

derived as well as the status of issued orders and the assessment of compliance determined in examinations of compliance, 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 has continued its previously recorded upward trend and come closer to a satisfactory level, and that there are no reasons for supervisory concern. However, a look at the leasing sector's compliance with the provisions of the Law on Prevention of Money Laundering and Financing of Terrorist Activities, the Law on Leasing, the Decision on Minimum Standards for Activities of Leasing Companies of Preventing Money Laundering and Financing of Terrorist Activities, and other laws and regulations that prescribe the obligations of leasing companies with respect to preventing money laundering and the financing of terrorism, it can be concluded that the leasing sector of the Federation of Bosnia and Herzegovina is largely compliant with the standards prescribed by these laws and implementing regulations, which is in accordance with the recorded upward trend in terms of the quality of the management of risks resulting from money laundering and the financing of terrorist activities.

The situation with respect to the individual policies that leasing companies are obliged to apply to the activities on implementing the standards to prevent money laundering and the financing of terrorist activities is described as follows:

1.1. Client Eligibility

Leasing companies have defined a policy on client eligibility. It is certainly very important that it be defined and the risk-analysis-based approach to clients be implemented, i.e. that a decision be made about which and what kind of clients the leasing company deems ineligible. Based on these analyses and elements of the client eligibility policy, client profile registries are organised. The updating of this registry constitutes a certain problem. Specifically, leasing companies executed 1 order (20%) out of the 5 issued orders aimed at eliminating the discrepancies identified in the examinations, while 4 orders (80%) were partially executed. There were no unexecuted orders.

1.2. 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. Leasing companies are paying an increasing amount of attention to updating the documents that verify the completed identification of already established business relationships. Specifically, out of the 10 issued orders aimed at eliminating the identified discrepancies, leasing companies executed 7 orders (70%) via activities they undertook, while 3 orders (30%) were partially executed. There were no unexecuted orders.

1.3. Management of the Risk of Money Laundering and Financing of Terrorist Activities

Elements of the aforementioned policy are defined in the programmes of leasing companies. Reporting lines, both external and internal, are defined. The status of issued orders determined in examinations of the execution of orders confirms that the quality of the management of risks resulting from money laundering and the financing of terrorist activities has an upward trend and

that it is satisfactory. Specifically, out of the 3 orders referring to this policy, 2 orders (66.70%) were executed, while 1 order (33.30%) was not executed, in spite of the measures taken.

1.4. Reporting

In 2016, leasing companies reported 12 transactions (as was the case in the previous year) in the amount of KM 787 807.00, which is 188% compared to the previous year.

Tables 12 and 13 provide an overview of the number and value of reported transfers and an overview of the number of reported suspicious clients.

Table 12. Number and Value of Reported Transfers

(KM)

No	Transfer name	Transfers in 2015		Transfers in 2016		%	
		Number	Value	Number	Value	Number	Value
1	2	3	4	5	6	7 (5/3)	8 (6/4)
1.	Total reported transfers	12	419 200	12	787 807	100.00	188 00
2.	Transfers on which the FID requested data	1	76 544	9	646 884	900.00	845 10
4.	Transfers on which the FID did not request data	11	342 656	3	140 923	27.30	41 10

Table 13. Overview of Number of Reported Suspicious Clients

No.	Reported suspicious clients:	In 2015	In 2016	%
1	2	3	4	5 (4/3)
1.	Total	12	10	83.30
1.	On which the FID requested data	1	5	500.00
2.	On which the FID did not request data	11	5	45.40

The Financial Intelligence Department requested additional data on 9 transactions in the amount of KM 646 884.00 and did not request additional data on the other three transactions in the amount of KM 140 923.00. In addition to suspicious transactions, leasing companies also reported 10 suspicious clients, which amounts to 83.30% compared to the previous year. The Financial Intelligence Department requested additional data on 5 clients, while it did not request additional data on the remaining 5. It can be concluded from these reports that the number of reported suspicious transactions (100.00%) and the number of suspicious clients (83.30%) is at the same level as in the previous year. This shows that the List of Indicators of Suspicious Activity is well drafted, so that leasing companies correct their subjective suspicions with the indicators from the adopted lists, which is also demonstrated by the requests of the FID.

IV CONCLUSIONS AND RECOMMENDATIONS

According to performance indicators of leasing companies in the Federation of B&H as of 31.12.2016, it can be concluded that leasing companies' business operations in 2016 indicate a slight drop in business activities, with the more favourable financial indicators primarily being reflected in the indicators of leasing companies that did not suspend new business activities. A decrease in the total volume of financings and the number of newly-concluded arrangements reflects the leasing companies' lack of activities when it comes to the development and

improvement of leasing products aimed at providing support to the overall economic development of B&H in accordance with the experiences of the EU. The increase in assets of the newly established leasing company in 2016 indicates a long-term possibility of increasing the balance sheet volume of the sector and increasing the share of the leasing sector in the financial sector of the Federation of B&H.

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:

- updating by-laws in terms of the drafting of new and amending of existing by-laws in accordance with the adopted amendments to the Law on Leasing,
- continuing the ongoing supervision of leasing companies via reports and on-site examinations,
- insistence on the capital strengthening of leasing companies and the internal defining of capital protection and capital adequacy parameters,
- supervision of leasing companies' compliance with laws and regulations and the implementation of practices in leasing companies in the segment of protection of users of financial services and guarantors,
- continuing the monitoring of leasing companies' activities to prevent money laundering and the financing of terrorism,
- improving the structure and data quality of the Central Credit Registry at the Central Bank of B&H,
- continuing the permanent education and professional training of staff,
- improving cooperation with the Association of Leasing Companies in B&H in terms of providing support in the implementation of laws and regulations referring to leasing companies, and
- improving cooperation with other supervisory and control institutions.

Activities of leasing companies should be focused on the following:

- creating and furthering regulations for leasing companies in terms of activities and business operations of leasing companies,
- strengthening capital and defining parameters for capital protection and capital adequacy,
- strengthening the internal controls system in the interest of: ensuring the reliability and integrity of data and information, ensuring accuracy, validity and comprehensiveness of accounting and non-accounting records, compliance with operating policies, plans, work programmes, laws and other regulations and documents as well as the protection of company assets, preventive action and prevention of fraud and error,
- providing an adequate and organisationally independent internal audit function, which assesses the activity, efficiency and effectiveness of the internal controls system and gives expert opinions, recommendations, and advice on carried out examinations,

- improving policies and procedures in risk management (basic risks leasing companies are exposed to: credit risk, risk of financed assets, market risk, liquidity risk and operational risk)
- implementing laws and regulations in the area of protection of users of financial services and guarantors,
- improving the range of products offered on the market and finding new sales channels,
- detailed informing of clients on products offered by leasing companies in the interest of a better understanding and more serious approach to financing through leasing arrangements, and
- regular, up-to-date and accurate submission of data to the Central Credit Registry at the Central Bank.

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

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

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

1. Decision on Conditions and Issuance and Revocation Process of Licences for Performing Leasing Operations,
2. Decision on Conditions and Issuance and Revocation Process of Approvals to/from Leasing Companies,
3. Decision on Minimum Standards for Activities of Leasing Companies of Preventing Money Laundering and Financing of Terrorist Activities,
4. Decision on Uniform Manner and Method of Calculation and Disclosure of Effective Interest Rates for Financial Leasing Arrangements,
5. Decision on Uniform Manner and Method of Calculation and Disclosure of Leasing Fees under the Operational Leasing Arrangement,
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 Arrangements and Assessing Creditworthiness,

13. Decision on Minimum Requirements in Terms of Content, Comprehensibility and Availability of General and Special Business Conditions of Providers of Financial Services
14. Instructions for Implementing the Decision on Uniform Manner and Method of Calculation and Disclosure of Effective Interest Rates for Financial Leasing Arrangements,
15. Instructions for Drafting Reports of Leasing Companies, and
16. Code of Conduct of Ombudsmen for Banking System of the Federation of Bosnia and Herzegovina

No.: U.O.-02-04/17
Sarajevo, 27.03.2017

ANNEXES

Annex 1. Main Data on Leasing Companies as of 31.12.2016

No.	Name of leasing company	Address and seat	Director	Phone	Issuance date of licence	Headcount	Web address
1.	ASA LEASING d.o.o. Sarajevo	Trg Međunarodnog Prijateljstva 25, Sarajevo	Aida Rifelj	+ 387 33 774 852	22.03.2010	8	www.asa-leasing.ba
2.	NLB LEASING d.o.o. Sarajevo	Trg Solidarnosti 2a, Sarajevo	Denis Silajdžić	+ 387 33 789 345	19.03.2010	6	www.nlbleasing.ba
3.	PORSCHE LEASING d.o.o.	Trg međunarodnog prijateljstva 24, Sarajevo	Dejan Stupar	+ 387 33 257 147	28.05.2015	14	www.porscheleasing.ba
4.	RAIFFEISEN LEASING d.o.o. Sarajevo	Zmaja od Bosne bb, Sarajevo	Munir Čengić	+ 387 33 254 354	19.01.2010	33	www.rlbh.ba
5.	SPARKASSE LEASING d.o.o. Sarajevo	Zmaja od Bosne 7, Sarajevo	Elma Hošo	+ 387 33 565 850	11.02.2010	17	www.s-leasing.ba
6.	UNICREDIT LEASING d.o.o. Sarajevo	Ložionička 7, Sarajevo	Izmira Aličić-Tuka	+ 387 33 721 750	16.03.2010	52	www.unicreditleasing.ba
7.	VB LEASING d.o.o. Sarajevo	Fra Anđela Zvizdovića 1, Sarajevo	Slobodan Vujić	+ 387 33 276 280	12.01.2010	19	www.vbleasing.ba
					TOTAL	149	

Annex 2. Overview of the Ownership Structure of Leasing Companies as of 31.12.2016

LEASING COMPANY	NAME OF THE OWNER	% share
ASA LEASING d.o.o. Sarajevo	ASA AUTO d.o.o. Sarajevo	82.81%
	ASA FINANCE d.d. Sarajevo	17.19%
NLB LEASING d.o.o. Sarajevo	NLB d.d. Ljubljana	100.00%
PORSCHE LEASING d.o.o.	PORSCHE BANK Aktiengesellschaft Salzburg Austrija	100.00%
RAIFFEISEN LEASING d.o.o. Sarajevo	RAIFFEISEN BANK d.d. Sarajevo, BiH	100.00%
SPARKASSE LEASING d.o.o. Sarajevo	STEIERMAERKISCHE BANK UND SPARKASSEN AG, Graz	51.00%
	SPARKASSE BANK d.d. Sarajevo	49.00%
UNICREDIT LEASING d.o.o. Sarajevo	UNICREDIT BANK d.d. Mostar	100.00%
VB LEASING d.o.o. Sarajevo	VB LEASING INTERNATIONAL GmbH, Vienna	100.00%

Annex 3. Overview of Reserves for Leasing Loans as of 31.12.2016 (in KM 000)

Days past due	Provisioning rate	Amount of receivables	Reserves	Additional calculated allocated reserves	Total reserves
0-60	0.05%	37 430	19	0	19
60-90	5%	4 833	241	1 503	1 744
90-180	10%	0	0	0	0
180-270	30%	0	0	0	0
270-360	50%	0	0	0	0
More than 360	100%	0	0	0	0
TOTAL		42 263	260	1 503	1 763

Annex 4. Overview of Reserves for Financial Leasing as of 31.12.2016 (in KM 000)

Days past due	Provisioning rate for financial leasing (moveables)	Provisioning rate for financial leasing (immoveables)	Amount of receivables for moveables	Amount of receivables for immoveables	Principal amount for moveables	Principal amount for immoveables	For moveables	For immoveables	Additional calculated and allocated reserves	Total reserves
0-60	0.50%	0.50%	274 975	25 122	64 542	2 639	323	13	2 274	2 610
60-90	10%	10%	5 025	1 957	1 082	1 057	108	106	390	604
90-180	50%	50%	1 949	1 498	594	115	297	58	360	715
More than 180	100%	75%	571	0	571	0	571	0	0	571
More than 360	100%	100%	0	0	0	0	0	0	0	0
TOTAL			282 520	28 577	66 789	3 811	1 299	177	3 024	4 500

Annex 5. Consolidated Balance Sheet (in KM 000)

No.	DESCRIPTION	31.12.2015		31.12.2016		INDEX
		Amount	% in total assets	Amount	% in total assets	
	ASSETS					
1.	Cash and cash equivalents	6 359	1.37%	8 048	1.91%	127
2.	Placements with banks	16 544	3.56%	10 520	2.50%	64
3.	Receivables for financial leasing, net	334 239	71.90%	306 599	72.74%	92
3a)	Receivables for financial leasing, gross	383 874	82.58%	345 957	82.07%	90
3b)	Loan loss reserves	5 524	1.19%	4 500	1.07%	81
3c)	Deferred interest income	43 529	9.36%	34 347	8.15%	79
3d)	Deferred fee income	582	0.13%	511	0.12%	88
4.	Receivables from subsidiaries	2	0.00%	2	0.00%	100
5.	Tangible and intangible assets, net	31 517	6.78%	33 037	7.84%	105
5a)	Tangible and intangible assets – own assets	9 845	2.12%	8 973	2.13%	91
5b)	Tangible and intangible assets – operational leasing	41 460	8.92%	44 267	10.50%	107
5c)	Value adjustment – own assets	5 469	1.18%	4 996	1.19%	91
5d)	Value adjustment – operational leasing	14 319	3.08%	15 207	3.61%	106
6.	Long-term investments	50	0.01%	48	0.01%	96
7.	Other assets (7a + 7b)	76 161	16.38%	63 261	15.01%	83
7a)	Loans, net	49 114	10.57%	40 500	9.61%	82
7a1)	Loans (due receivables + non-due principal)	54 424	11.71%	42 263	10.03%	78
7a2)	Loan loss reserves	5 310	1.14%	1 763	0.42%	33
7b)	Inventories	16 796	3.61%	13 468	3.20%	80
7c)	Other assets	10 251	2.21%	9 293	2.20%	91
	TOTAL ASSETS	464 872	100.00%	421 515	100.00%	91
	LIABILITIES					
9.	Due for taken loans, net	407 307	87.62%	365 834	86.79%	90
9a)	Due for short-term loans	15 246	3.28%	51 431	12.20%	337
9b)	Due for long-term loans	392 205	84.37%	314 554	74.62%	80
9c)	Prepaid costs and fees	144	0.03%	151	0.04%	105
10.	Other liabilities	10 284	2.21%	9 270	2.20%	90
	TOTAL LIABILITIES	417 591	89.83%	375 104	88.99%	90
11.	Core capital	51 526	11.08%	48 116	11.42%	93
12.	Reserves	364	0.08%	3 691	0.88%	1.014
13.	Accumulated profit/loss	-4 609	-0.99%	-5 396	-1.28%	117
	TOTAL CAPITAL	47 281	10.17%	46 411	11.01%	98
	TOTAL LIABILITIES	464 872	100.00%	421 515	100.00%	91
	Written-off receivables (initial balance)	123 543	26.58%	116 392	27.61%	94
	New write-off (+)	12 913	2.78%	3 224	0.76%	25
	Collection (-)	7 443	1.60%	3 161	0.75%	42
	Permanent write-off (-)	12 536	2.70%	4 671	1.11%	37
	Written-off receivables (final balance)	116 477	25.06%	111 784	26.52%	96

Annex 6. Consolidated Income Statement (in KM 000)

No.	DESCRIPTION	31.12.2015		31.12.2016		INDEX 31.12.2016/ 31.12.2015
		Amount (KM 000)	% in total income	Amount (KM 000)	% in total income	
	FINANCIAL INCOME AND EXPENSES					
1.	Interest income	28 113	45.60%	23 237	50.88%	83
1a)	Interest for financial leasing	19 506	31.64%	17 501	38.32%	90
1b)	Interest on placements with banks	408	0.66%	263	0.58%	64
1c)	Fees (for processing leasing arrangements, etc.)	1 239	2.01%	1 076	2.36%	87
1d)	Other interest income	6 960	11.29%	4 397	9.63%	63
2.	Interest expenses	10 981	17.81%	7 892	17.28%	72
2a)	Interest on borrowed funds	10 720	17.39%	7 721	16.91%	72
2b)	Fees for loan processing	259	0.42%	171	0.37%	66
2c)	Other interest expenses	2	0.00%	0	0.00%	0
3.	Net interest income	17 132	27.79%	15 345	33.60%	90
	OPERATING INCOME AND EXPENSES					
4.	Operating income	33 541	54.40%	22 435	49.12%	67
4a)	Fees for services	60	0.10%	10	0.02%	17
4b)	Fee for operational lease	11 305	18.34%	11 364	24.88%	101
4c)	Income from sale of leasing facilities	0	0.00%	56	0.12%	0
4d)	Other operating income	22 176	35.97%	11 005	24.10%	50
4d1)	Income from collected written-off receivables	5 057	8.20%	2 555	5.59%	0
4d2)	Income from notifications	497	0.81%	475	1.04%	96
4d3)	Other	16 622	26.96%	7 975	17.46%	48
5.	Operating expenses	39 302	63.75%	32 918	72.07%	84
5a)	Salaries and contributions	7 281	11.81%	6 756	14.79%	93
5b)	Costs of business premises	12 847	20.84%	12 947	28.35%	101
5c)	Other costs	19 174	31.10%	13 215	28.93%	69
6.	Costs of loan loss reserves	4 643	7.53%	5 110	11.19%	110
7.	Profit before taxes	6 728	10.91%	-248	-0.54%	-4
8.	Profit tax	343	0.56%	550	1.20%	160
9.	Net profit	6 385	10.36%	-798	-1.75%	-12

Annex 7. Balance Sheet Volume Ranking

Rank	Leasing company	Balance sheet volume (KM 000)	Share 2015	Cumul. share	Rank	Leasing company	Balance sheet volume (KM 000)	Share 2016	Cumul. share	Balance sheet volume index
1.	UniCredit Leasing d.o.o. Sarajevo	146 988	31.62%	31.62%	1.	UniCredit Leasing d.o.o. Sarajevo	146 163	34.68%	34.68%	99
2.	Raiffeisen Leasing d.o.o. Sarajevo	137 402	29.56%	61.18%	2.	Raiffeisen Leasing d.o.o. Sarajevo	124 991	29.65%	64.33%	91
3.	VB Leasing d.o.o. Sarajevo	97 905	21.06%	82.24%	3.	Sparkasse Leasing d.o.o. Sarajevo	57 295	13.59%	77.92%	109
4.	Sparkasse Leasing d.o.o. Sarajevo	52 537	11.30%	93.54%	4.	VB Leasing Leasing d.o.o. Sarajevo	50 746	12.04%	89.96%	52
5.	NLB Leasing d.o.o. Sarajevo	18 897	4.06%	97.60%	5.	Porsche Leasing d.o.o.	21 706	5.15%	95.11%	1.127
6.	ASA Leasing d.o.o. Sarajevo	9 217	1.98%	99.59%	6.	NLB Leasing d.o.o. Sarajevo	16 410	3.89%	99.00%	87
7.	Porsche Leasing d.o.o.	1 926	0.41%	100.00%	7.	ASA Leasing d.o.o. Sarajevo	4 204	1.00%	100.00%	46
TOTAL		464 872	100.00%		TOTAL		421 515	100.00%		91

Annex 8. Overview of Key Financial Indicators as of 31.12.2016

No.	Leasing company	Total capital (KM 000)	Rank based on total capital	Net profit/loss (KM 000)	Rank based on net profit/loss	Placements in 2016 (KM 000)	Rank based on placements in 2016	Number of arrangements in 2016	Rank based on number of arrangements in 2016
1.	Asa Aleasing d.o.o. Sarajevo	3 527	6.	340	4.	207	6.	14	6.
2.	NLB Leasing d.o.o. Sarajevo	7 000	2.	-1.549	6.	0	7	0	7.
3.	Porsche Leasing d.o.o.	1 507	7.	-182	5.	22 353	4.	697	3.
4.	Raiffeisen Leasing d.o.o. Sarajevo	15 829	1.	1.630	1.	39 844	2.	863	2.
5.	Sparkasse Leasing d.o.o. Sarajevo	5 154	5.	904	2.	31 646	3.	598	4.
6.	UniCredit Leasing d.o.o. Sarajevo	6 953	3.	-2.331	7.	49 270	1.	1 117	1.
7.	VB Leasing d.o.o. Sarajevo	6 441	4.	390	3.	307	5.	8	7.
8.	Hypo Leasing d.o.o. Banja Luka	-	-	-	-	-	-	-	-
	TOTAL	46 411		-798		143 627		3 297	