



**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
AS OF 30.09.2010.**

Sarajevo, November 2010

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1. INTRODUCTION

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

In compliance with the provisions of this Law, the leasing companies on the territory of the Federation of BiH were obliged to comply their performance, that is they had to receive from the Banking Agency of Federation of BiH (in further reading Agency) a license for performing the leasing operations within 12 months. All eight leasing companies, which operate in the Federation of BiH, completed the process of compliance with the Law within the first quarter of 2010, and the Agency issued the resolutions approving performance of leasing operations.

At the end of 2008 the negative effects of the global economic and financial crises stopped the expansion of the growth of leasing companies, which had its peak in the period from 2006 to 2008.

In the first nine months of 2010, noted was a continued slow down of the business activities of leasing in the Federation of BiH, in comparison to the periods of the maximum expansion of the leasing industry in the Federation of BiH (2006-2008). as a consequence of the global economic and financial crises. As of 30.09.2010 the aggregate leasing balance sheet was 1.231 million KM which is by 12,7% less in relation to 31.12.2009.

The listed information, as well as the other information on the leasing sector in the Federation of BiH indicates that the leasing companies are gradually adopting their performance to the current market situation and environment in which they are performing business activities. The significant decline of the aggregate balance sheet in the first and second quarter is conditioned by the implementation of the *Decision on the minimum amount and manner for establishing, managing and maintaining the provisions for loan losses and risk management of leasing companies* which the leasing companies in the Federation of BiH encountered considerably unprepared in relation to defining the internal policies for collection of receivables. Towards the end of the third quarter there was also a slowdown in the negative trend in this segment.

It is necessary to mention the fact that the poor financial picture of the overall sector is mostly generated by a poor financial position of one leasing company. The mentioned company, viewed on the cumulative basis, caused a loss that is higher than the amount of capital (which is even more evident if the company is viewed individually). The business operations of the mentioned company are under special attention of the Agency and during the fourth quarter they will together with the owner of the company try to find an acceptable solution for rehabilitation and overcoming of the existing problem. If the balance sheet positions of the mentioned company are excluded from the cumulative positions, the remaining part of the leasing sector gains a completely different picture (total capital is 40,4 million KM, net losses 13,4 million KM, reserve ratio / average assets through period 2,86%).

Although the negative trends have slightly slowed down, that still does not imply that the crises has been completely stopped within leasing sector, nor that the demand for leasing products has increased in relation to the previous periods. The listed facts indicate that there is a slight slowdown of the negative trends and the transformation of the leasing sector performance. The leasing sector operations are still dominated by the decreased funding, increased provisioning expenses, increase of the written off receivables (dominating are the write offs of the borrowing receivables), and as a consequence five leasing companies realized losses. Additionally, the total leasing sector loss (86,2 million KM) is above the amount of the core capital of the leasing companies, and the total capital of the sector at the end of the third quarter is negative (-8,5 million KM). A longer period is needed for a complete recovery, as well as reanimating business operations in the real sector in BiH.

In the third quarter of 2010, the Association of the leasing companies in BiH had in the name of the leasing companies issued an initiative to the Management Board of the Institution for direct/indirect taxation of Bosnia and Herzegovina, for the changes and additions to the Guidelines for implementation of the Law on taxes for added value, by which the taxes calculated on financial leasing contracts would be excluded from the base for calculation of the VAT, which would in turn increase the financial leasing product competitiveness in comparison to the banking loans.

The Banking Agency of Federation of BiH, as a regulatory institution which performs the supervision (examination) of the leasing companies, developed the Information on leasing sector in the Federation of BiH (as of 30.09.2010.) based on the analyses of the reports on performance that the leasing companies submit to the Agency on quarterly and monthly basis (indirect – off site examination of the performance).

The data in the Information that relate to the financial volume, number of contracts and market participation are obtained from the Association of the leasing companies in Bosnia and Herzegovina. Financial indicators in the information that relate to 2008 and 2009 were taken from the annual revised financial reports of the leasing companies edited by the external auditors.

1.1. Regulations of the Agency for leasing company performance

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

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

1. Decision on conditions and procedure for issuing and revoking the license for performing leasing operations,
2. Decision on condition and procedure for issuing and revoking approvals to a leasing company,
3. Decision on minimal standards for the activities of the leasing company on prevention of money laundering and terrorism financing,
4. Decision on unified manner and method for accrual and reporting of effective interest rate for financial leasing contracts,

5. Decision on unified manner and method for accrual and reporting of leasing fees for operating leasing contracts,
6. Decision on form and content of reporting that the leasing companies submit to the Banking Agency of Federation of BiH and reporting deadlines,
7. Decision on minimal amount and manner for allocation, managing and maintaining the reserves for losses and managing the leasing company risks,
8. Decision on supervision of leasing companies and
9. Decision on the fees that the leasing companies pay to the Banking Agency of Federation of BiH

The Agency issued the Instructions for implementation of the Decision on unified manner and method for accrual and reporting of effective interest rates for the contract on financial leasing and the Instructions for development of leasing company reports. Also, planned are additions to the existing decisions for the end of 2010.

2. MARKET PARTICIPANTS

2.1. Number of leasing companies

As of 30.09.2010., there are no changes in the number of the leasing companies that have licenses to perform leasing operations. A total of 8 leasing companies registered in the Federation of BiH perform business activities in 33 organizational units – affiliates (of which 28 in FBiH and 5 in RS). The listed organizational units are owned by three leasing companies from the Federation of BiH. In the third quarter of 2010 initiated is the procedure for opening one more organizational unit in RS. Leasing companies licensed for performing leasing operations are:

1. ASA Abanka Leasing d.o.o. Sarajevo,
2. Euroleasing d.d. Mostar,
3. Hypo Alpe Adria Leasing d.o.o. Sarajevo,
4. NLB Leasing d.o.o. Sarajevo,
5. Raiffeisen Leasing d.o.o. Sarajevo,
6. S-Leasing d.o.o. Sarajevo,
7. UniCredit Leasing d.o.o. Sarajevo and
8. VB Leasing d.o.o. Sarajevo.

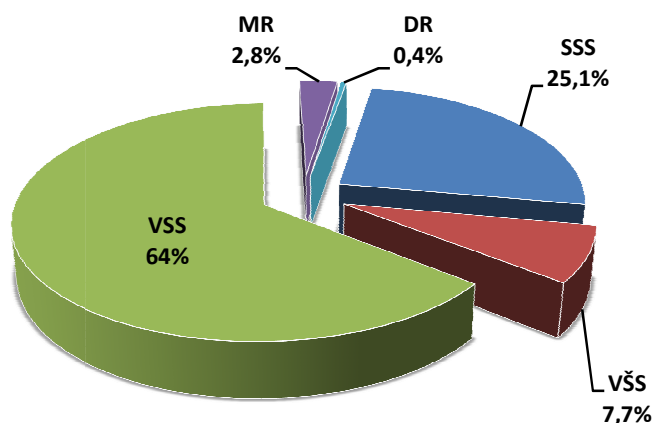
2.2. Ownership structure

Of 8 leasing companies, there are 3 leasing companies that are with 100% ownership of foreign companies, while majority owners of 4 leasing companies are also foreign companies or local banks established with foreign capital. The majority owner of one leasing company is a domestic shareholders company.

2.3. Number of employees in the leasing companies

As of 30.09.2010., in the leasing companies in the FBiH there were no significant changes in relation to the qualification structure and number of employees. There are a total of 247 employees, which is by one less than as of 30.06.2010. The qualification structure as of 30.09.2010 is the following: : 1 PhD, 7 Master of Art, 158 with four year university degree, 19 with two year college degree and 62 employees with high school degree. The qualification structure of the employees in the leasing sector is satisfactory.

Graph 1. Qualification structure in the leasing sector



One of the indicators that influence the evaluation of the leasing company performance and leasing sector is the efficiency of the employees, presented as a ratio between the assets and the number of employees (assets per employee). As of 30.09.2010, at the level of the leasing sector there are 4, 9 million KM in assets that relate to each employee (30.06.2010. - 5,1 million KM, 31.03.2010. - 5,4 million KM per employee). Simultaneously, as of 30.09.2010, in the sector of microcredit organizations and funds this indicator was 374 thousand KM per employee, and the banking sector 2 million KM per employee.

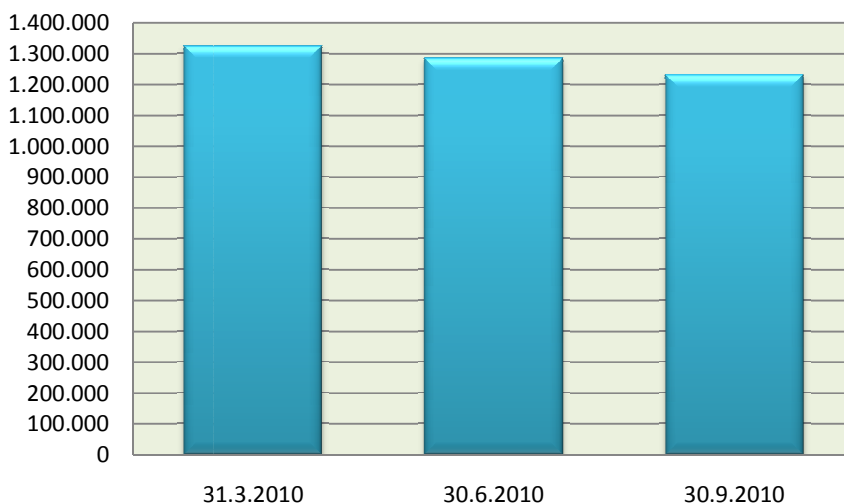
3. BALANCE SHEET STRUCTURE

3.1. Structure of Assets

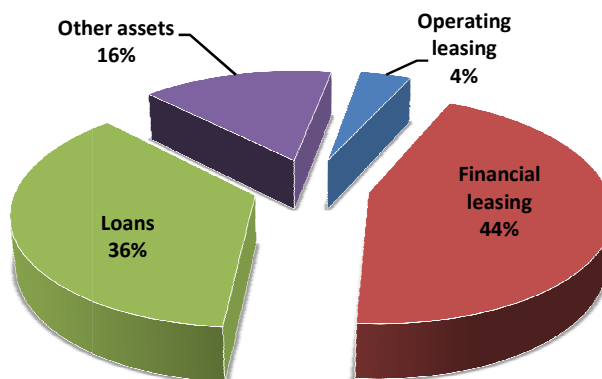
The total assets of all leasing companies as of 30.09.2010., was 1.231 million KM, which in comparison to 31.12.2009 presents a decrease by 180 million KM or 12,7%. As of 30.09.2010, 73% of the leasing company aggregate balance sheet refers to three leasing companies.

Through analyses of the assets, observed individually by leasing companies, in the third quarter of 2010, four leasing companies recorded an increase of the balance sheet in relation to the previous quarter.

Graph 2. Consolidated Assets of the leasing sector (in 000 KM)

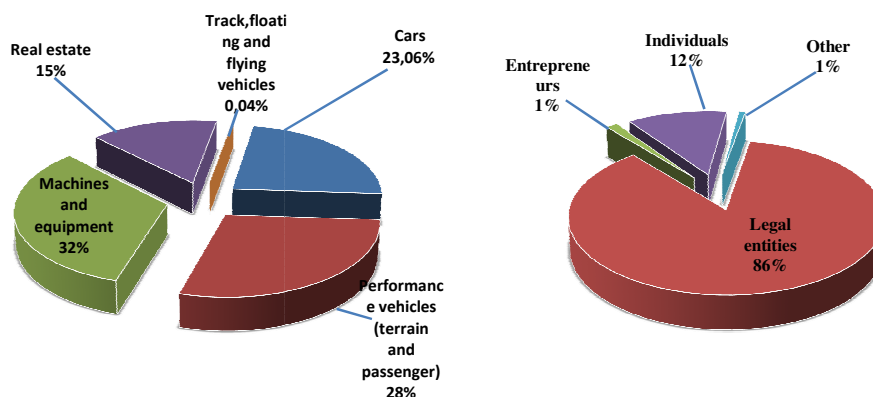


Graph 3. Structure of the total assets of the leasing sector as of 30.09.2010.



In the structure of total assets, the most significant participation is of the net receivables from financial leasing which are 547,6 million KM, and that presents 44% of the assets of leasing operations. In relation to 30.06.2010, the net receivables from financial leasing have decreased by 0,11%, while in relation to 31.12.2009 the decrease by 4,4%. The decrease is caused by the increase of the provisions for losses established for financial leasing. When analyzing the gross receivables there is an evident growth of 1,16% as of 30.06.2010. The slight growth on the gross level is a result of the increased amount of new placements in the third quarter of 2010, which is presented in more details in the part of the Information titled: 3.4 Placements by leasing subject and number of contract.

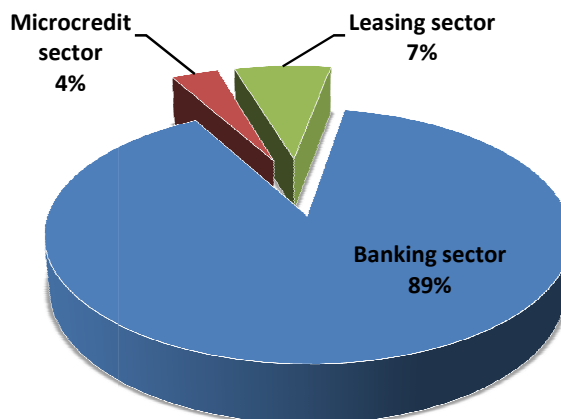
Graph 4. Aggregate balance sheet of the leasing sector in the banking sector as of 30.09.2010. (in 000 KM)



As of 30.09.2010., in the structure of the total assets of the leasing companies, 440 million KM or 36% represent net loan receivables. There is a decline of 13% in comparison to the previous quarter when the net loan receivables were 504 million KM, caused by establishment of new write offs of loan receivables and increased provisioning for loans during the third quarter of 2010. In the structure of the total assets the loans will remain in the leasing companies' balance sheet until the granted maturity.

In the financial sector's aggregate balance sheet structure (total assets of banks, leasing companies, MCO and MCF) 7% relates to the leasing sector, 89% to the banking sector and 4% of the aggregate balance sheet belongs to the microcredit sector.

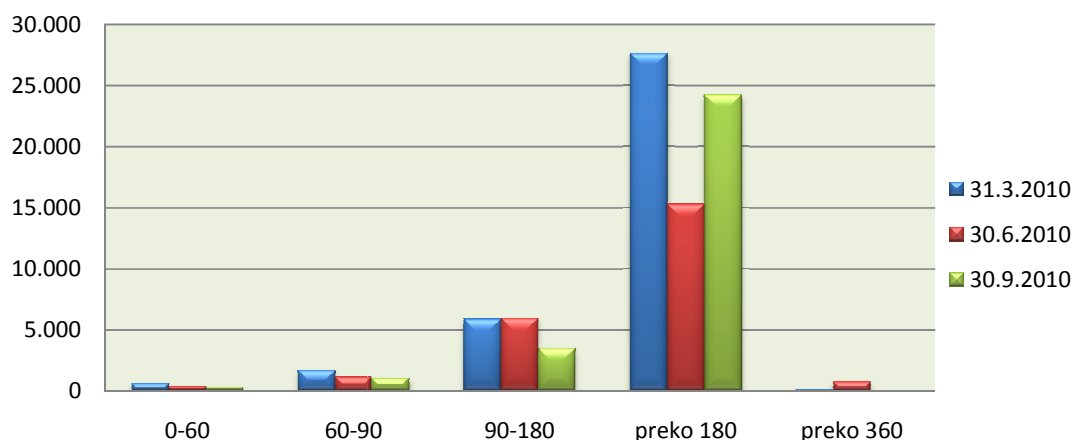
Graph 5. Structure of financial sector as of 30.09.2010.



3.2. Asset quality

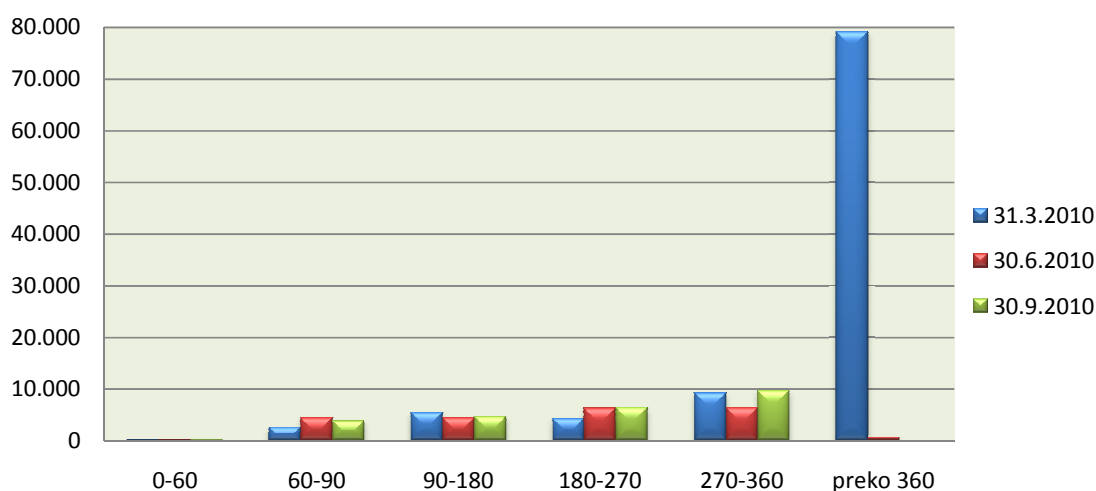
The reserves for losses from financial leasing as of 30.09.2010 have been reported in the amount of 29,1 million KM and it presents an increase by 24% (5,6 million KM) in comparison to 30.06.2010. The increase of the reserves for losses from financial leasing in the third quarter in comparison to the second quarter, is a result of an increase of receivables delinquent over 180 days.

Graph 6. Provisioning for Financial leasing through delinquency in 2010 (in 000 KM)



Provisioning for loans as of 30.09.2010., are 24,6 million KM and increased by 11% (2,4 million KM) in comparison to 30.06.2010. In comparison to 31.03.2010, due to write offs of receivables, provisions for loan losses decreased by 75% (76,1 million KM). Namely, during the first quarter it was evident that leasing companies did not establish write offs for delinquency over 360 days, and that fact caused incompliance and irregularity. The increase of reserves in the third quarter in comparison to the second quarter 2010, was caused by the increase of receivables which are delinquent 270-360 days.

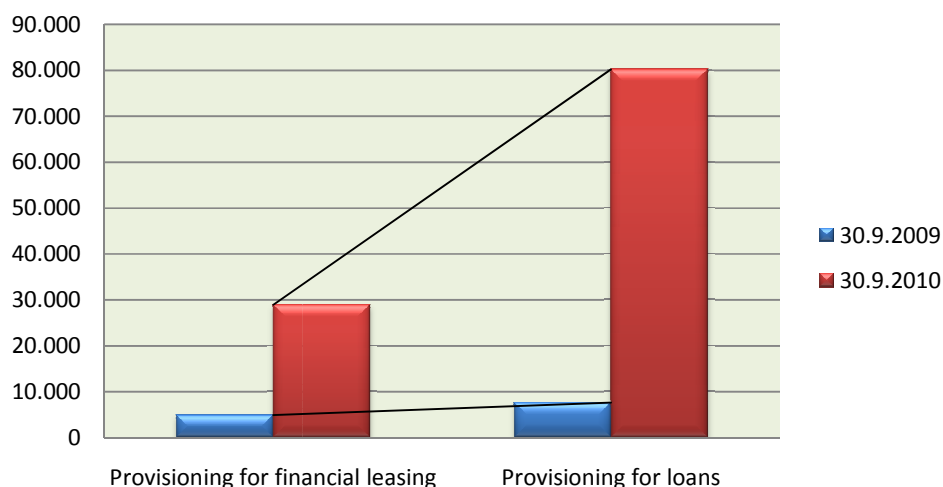
Graph 7. Provisioning for loans through delinquency (in 000 KM)



The cause for the high level of provisioning and write offs, or the high level of participation of provisioning in the total assets of the leasing companies is the fact that the leasing companies have not been allocating a sufficient level of reserves for losses due to deterioration of asset quality in the

periods before the obligation of implementing the Decision on minimum amount and manner for establishing, managing and maintaining the loan loss reserves and leasing companies risk management, and have not written off suspicious and doubtful receivables. Also, significant impact on the more difficult collection of the receivables financed through the leasing companies has the decrease of the economic activity of the business companies in BiH and the poor liquidity of the real sector in BiH.

Graph 8. Expenses of reserves for losses from financial leasing and loans (in 000 KM)

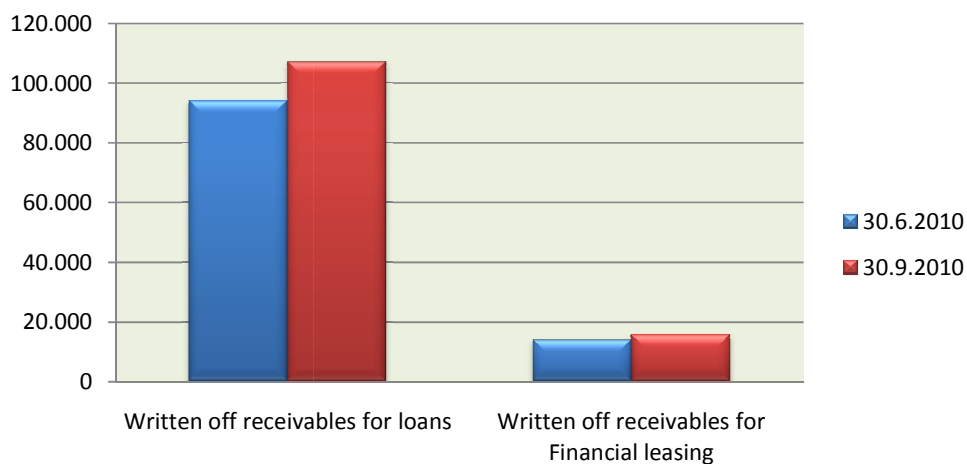


3.3.Off balance sheet – written off receivables

Total written off receivables (off balance sheet) as of 30.09.2010. were 123,1 million KM. Of the mentioned amount, 87% or 107,3 million KM refers to written off loan receivables. In the structure of the written off loans, 90% of the write off items was by one leasing company. From the total write off loans, 99% are the write offs performed during 2010.

In the structure of the total written off items, 13% or 15,7 million KM refers to receivables from financial leasing of which 87% refers to items written off by three leasing companies. Of the total amount of the financial leasing write offs 77% of items were written off during 2010.

Graph 9. Written off receivables from loans and financial leasing (in 000 KM)



3.4. Placements based on leasing subject and number of contracts

The total amount of financing through leasing during 2010, at the end of the third quarter of 2010, is 161,1 million KM and refers to 4.030 active leasing contracts.

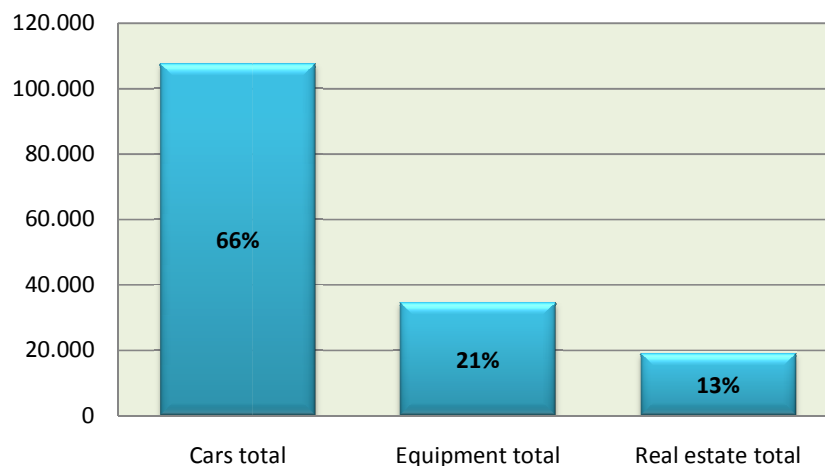
In the third quarter of 2010, the total financing amount was 62,7 million KM and that presents an increase by 21,7% in relation to the second quarter of 2010 and 33,6% in relation to the first quarter of 2010.. The number of activated contracts in the third quarter of 2010 was 1.537 which presents an increase by 12,6% in relation to the second quarter of 2010. The trends of the increasing number of contracts and financing amount present an indicator of slight improvement of the demand for financing through leasing, strengthened activities of leasing companies on the market.

According to the type of leasing, the largest amount of 107,5 million KM refers to financed vehicles, amount of 34,5 million KM to financed equipment and 19 million KM to financed real estate.

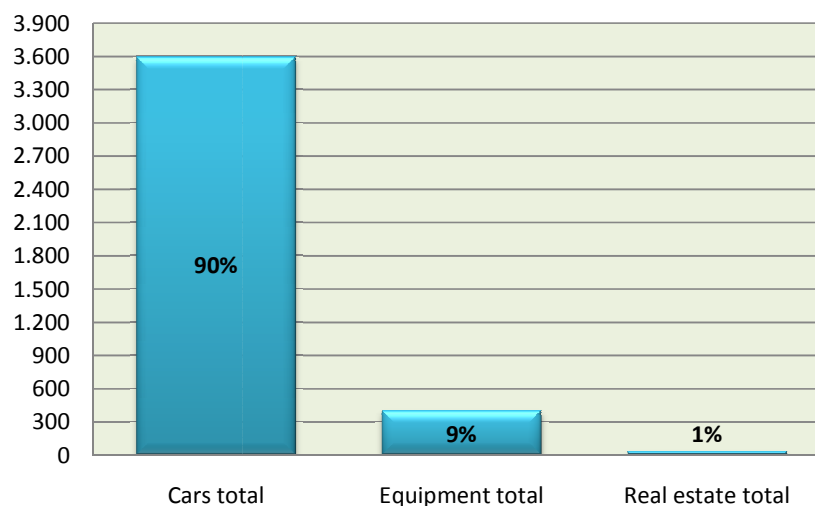
Table 1. Review of financing through leasing in the first nine months of 2010.

Leasing contracts according to the subject of leasing	I QUARTER		II QUARTER		III QUARTER		TOTAL	
	Financial volume (000 KM)	Contract number	Financial volume (000 KM)	Contract number	Financial volume (000 KM)	Contract number	Financial volume (000 KM)	Contract number
Cars	14.839	586	21.813	891	21.469	1.006	58.121	2.483
Delivery vehicles	3.978	220	2.832	134	2.940	131	9.750	485
Trucks and trailers	9.239	149	11.201	183	14.311	218	34.751	550
Other	581	20	1.840	25	2.514	30	4.935	75
TOTAL VEHICLES	28.637	975	37.687	1.233	41.233	1.385	107.557	3.593
Machines and ind. Equipment	6.319	31	5.610	41	3.772	61	15.701	133
Construction machines	2.940	31	3.602	37	5.993	45	12.535	113
IT and business equipment	0	0	0	0	254	6	254	6
Other	1.371	80	1.592	46	3.116	24	6.079	150
Storehouse	0	0	0	0	0	0	0	0
TOTAL EQUIPMENT	10.630	142	10.804	124	13.135	136	34.569	402
Industrial and business buildings	7.387	8	2.672	4	7.671	8	17.730	20
Residential buildings	260	3	364	4	675	8	1.299	15
Hotels	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0
TOTAL REAL ESTATE	7.647	11	3.036	8	8.345	16	19.029	35
TOTAL	46.914	1.128	51.527	1.365	62.714	1.537	161.155	4.030

Graph 10. Financial volume according to the subject of financing for nine months of 2010 (in 000 KM)



Graph 11. Number of contracts according to subject of financing for first nine months of 2010 (in 000 KM)



In the third quarter of 2010 concluded were 1.385 contracts on leasing for financing of vehicles, in the amount of 41,2 million KM and that presents 90% of total number of concluded leasing contracts and 66% of total financial volume. Financing equipment has 21% of the total financial volume and 9% of total number of concluded contracts. Financing the real estate has 13% of the total financial amount, and 1% of the total number of activated contracts in the third quarter of 2010.

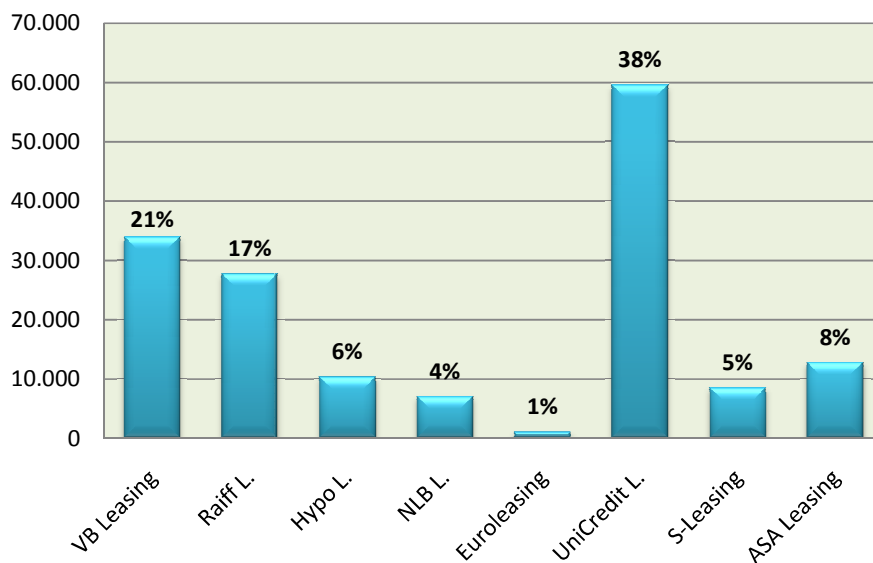
Table 2. Review of financing and market participation through leasing subjects in the third quarter of 2010

Leasing contracts according to the subject of leasing	Financial volume (000 KM)	Contract number	Market part. fin. volume %	Market part. contract no. %
	21.469	1.006	52%	73%
Cars	2.940	131	7%	9%
Delivery vehicles	14.311	218	35%	16%
Trucks and trailers	2.514	30	6%	2%
Other	41.233	1.385	66%	90%
TOTAL VEHICLES	3.772	61	28%	45%
Machines and ind. Equipment	5.993	45	46%	33%
Construction machines	254	6	2%	4%
IT and business equipment	3.116	24	24%	18%
Other	0	0	0%	0%
Storehouse	13.135	136	21%	9%
TOTAL EQUIPMENT	7.671	8	92%	50%
Industrial and business buildings	675	8	8%	50%
Residential buildings	0	0	0%	0%
Hotels	0	0	0%	0%
Other	8.345	16	13%	1%
TOTAL REAL ESTATE	62.714	1.537		

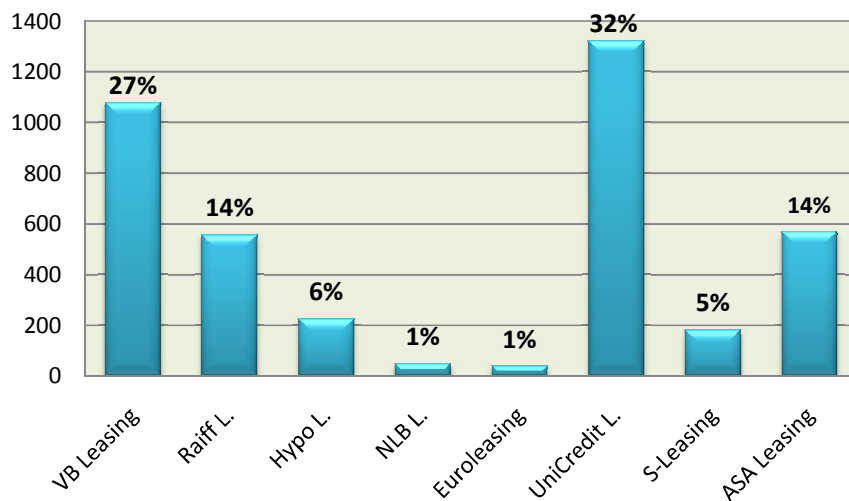
3.5. Individual market participation according to the financial volume and number of contracts

In the third quarter of 2010, three leasing companies realized 76% of the total financial volume for the listed period and 73% according to the concluded contracts.

Graph 12. Market participation according to the volume for the first nine months of 2010 (in 000 KM)



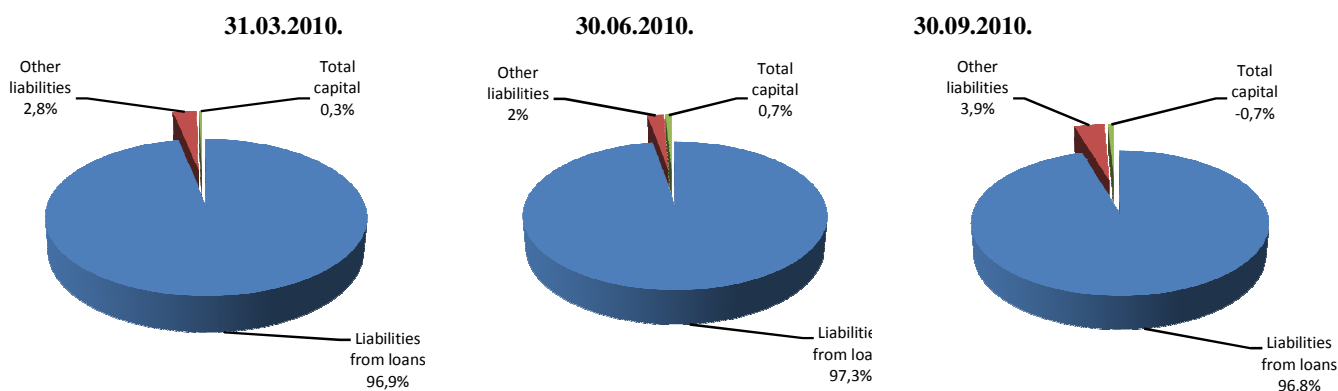
Graph 13. Market participation according to the number of contracts for the first nine months in 2010



3.6. Structure of Liabilities

In the third quarter of 2010 there were no significant changes in relation to the obligations from taken loans. Obligations from taken loans still make 97% of total liabilities of the leasing companies. Long term liabilities in the third quarter of 2010 as well in the second quarter of 2010 are 95% of the total liabilities from loans. The total loan liabilities decreased by 2,8% in relation to 30.06.2010, that is 9% in relation to 31.12.2009. The decrease is caused by payment of the existing loans of the leasing companies as well as the decrease of credit activities. Also, the deteriorated borrowing position on the money market caused the decrease of leasing companies loan liabilities, so leasing companies have not concluded new credit arrangements.

Graph 14. Structure of liabilities in 2010 through quarters



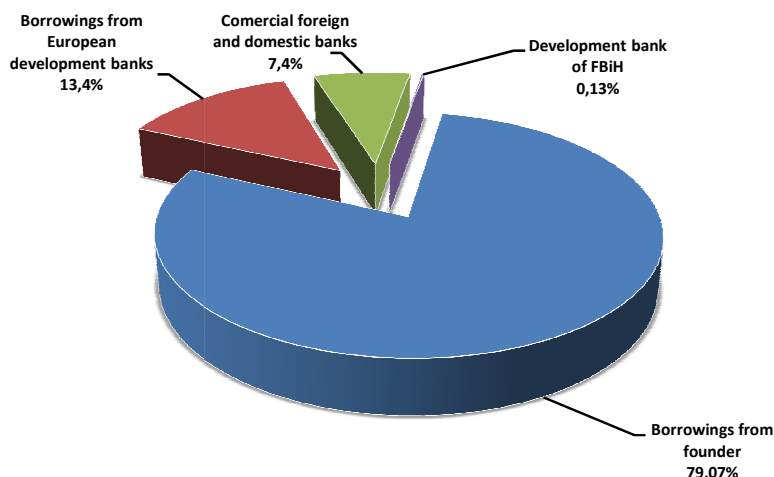
3.7. Funding sources

The structure of the financing sources as of 30.09.2010 is similar to the financing sources structure as of 30.06.2010 except for a slight increase in the borrowings from the parenting leasing companies. In the structure of the financing sources, 79,07% refers to borrowings from parent banks or their related entities, while 13,4% refers to borrowings from European banks for development (EIB, EBRD, CEDB, DEG etc.,) The funds from these banks are by nature per specific purpose and mostly refer to development of middle and small size companies, and are secured with banking guarantees issued by parent banks from abroad or their holding companies. Due to the poor condition in which is the performance of the leasing companies the borrowings from the European banks for development has been more difficult. Also, 7,4% in the financing sources structure refers to the domestic and foreign commercial banks, while 0,13% refers to the local bank for development (Razvojna Banka of the Federation of BiH)

The total risk weighted nominal interest rate that leasing company pays for funding sources for the first nine months of 2010 was 3,57% on the annual level (interest rate calculated on the basis of the average positions of the taken loans and expenses related to interest for the first nine months of 2010.). The risk weighted interest rate that the companies paid for the financing sources in 2009. (calculated in the same manner as for the first nine months of

2010.) was 4,33% annually. The downfall is caused with the decrease of the related interest rates on the money market.

Graph 15. Structure of the funding sources as of 30.09.2010.

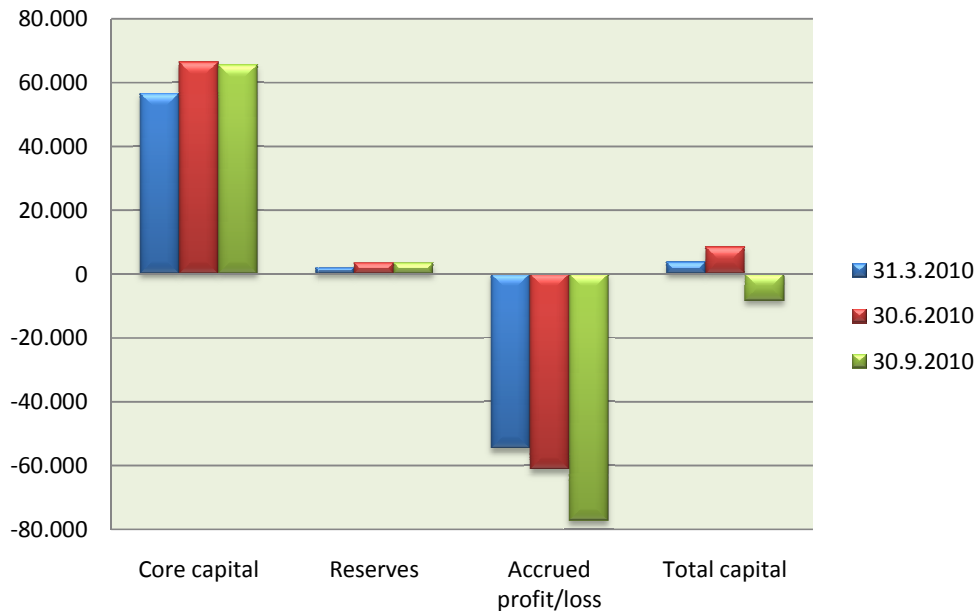


3.8. Capital and reserves

The core capital of the leasing sector as of 30.09.2010 is 65.5 million KM and has decreased in relation to 30.06.2010 for 1,2% (850 thousand KM). The listed decrease happened with one leasing company, during the direct examination performed by the Agency's examiners it was noted that the Decision of the leasing company's Assembly about the decrease of core capital was wrongly recorded and the performed correction decreased the amount by 850 thousand KM. The analysis of the core capital of the leasing companies indicates that 84% of the core capital refers to three leasing companies.

Total capital of leasing companies in the third quarter of 2010 was negative in the amount of 8,5 million KM. increased losses in the third quarter of 2010 are the consequence of the negative total capital.

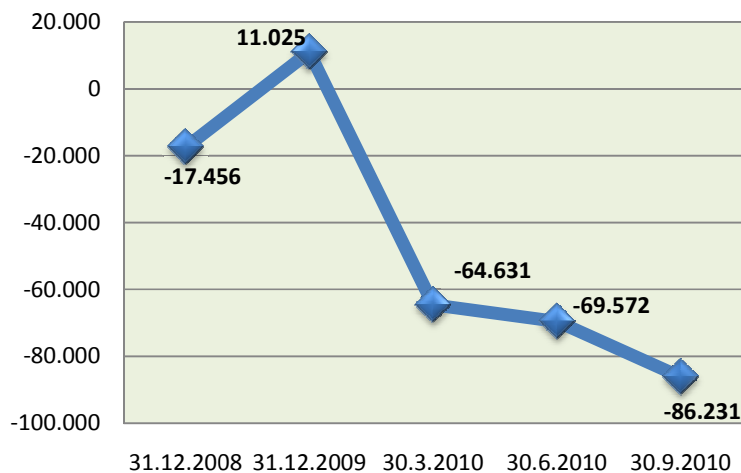
Graph 16. Review of reserves and capital for 2010 (in 000 KM)



4. FINANCIAL RESULTS OF THE PERFORMANCE

At the level of leasing sector in the period from 01.01. to 31.09.2010., reported was a loss in the performance in the amount of 86,2 million KM, which presents an increase in relation to the previous quarter by 16,6% Profit after taxes was realized by three leasing companies in the amount of 1,5 million KM, while loss has been reported by 5 leasing companies in the amount of 87,7 million KM.

Graph 17. Review of profit/ loss for 2008, 2009 and three quarters of 2010 (in 000 KM)

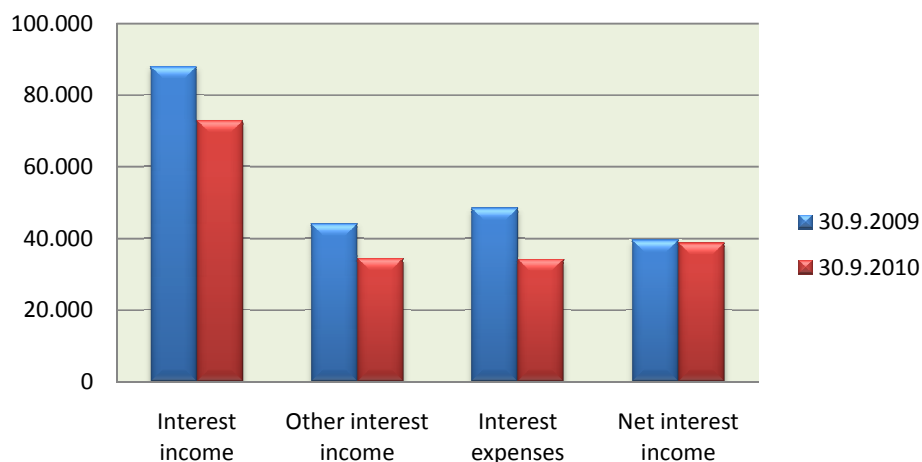


Interest income from financial leasing (average on the monthly basis) in the third quarter of 2010 was at the same level as in relation to the second quarter of 2010. The total net interest income in the third

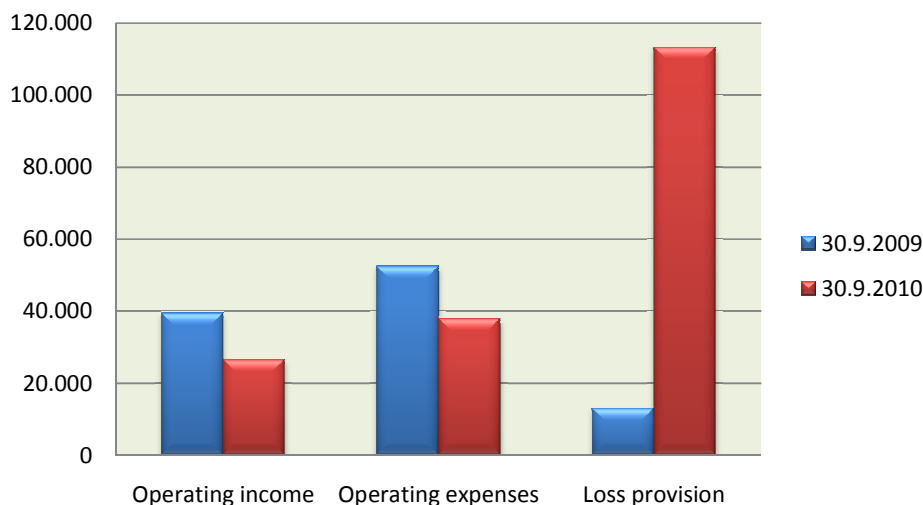
quarter of 2010 was 38,6 million KM, while as of 30.09.2009 the total interest income was 39,4 million KM which present a decrease by 2%. The decrease of the business activity (new placements) of the leasing companies is mostly the cause of the decrease of the interest income.

Risk weighted nominal interest rate for financial leasing placements for the first nine months of 2010 was 8% (calculated based on the average positions and interest income from financial leasing), while in the second quarter the risk weighted nominal interest rate was 8,61%. The decrease of the risk weighted nominal interest rate for financial leasing was impacted by the decrease of the related interest rates on the money market (EURIBOR and LIBOR) and the reprogramming of leasing loans that were performed in the third quarter of 2010.

Graph 18. Review of financial income and expenses (in 000 KM)



Graph 19. Review of operating income and expenses (in 000 KM)



In comparison to the same period from previous year, evident is a decline of the operating income as well as of the operating expenses, which is caused by the decreased volume of operations and activities of the leasing companies on the decrease of the operating expenses

as one of the measures during the economic crises. The increase of the provisioning for losses is caused by the fact that the leasing companies allocated insufficient amount of reserves for losses in the previous performance periods. Also, the coming into effect of the Decision on the minimum amount and manner for allocation, managing and maintaining of reserves for losses and risk management in the leasing companies, found the majority of the companies in the portfolio with past due receivables with many days of delinquency, and that caused significant amount of write offs and increase of loss provisioning expense.

5. RISK WEIGHTED NOMINAL AND EFFECTIVE INTEREST RATES

An effective interest rate presents a real relative cost of the leasing contract, reported on the annual level in compliance with the Decision on unified manner and method for accrual and reporting of the effective interest rate for the financial leasing contract.

The average nominal interest rate in the third quarter of 2010, for short term leasing contracts was in a range between 7% to 9,05%, and the effective interest rate in a range between 8,35% to 15,08%.

The average nominal interest rate in the third quarter of 2010., for long term leasing contracts was in the range from 7,75% to 9,05%, and effective interest rate in the range from 8,97% to 12,88%.

The total nominal interest rate in the third quarter of 2010 for leasing contracts was 8,31%, and the effective interest rate was 10,95%.

In comparison to the previous quarter, in the third quarter of 2010 evident is a slow decline of the nominal and effective interest rates for the newly concluded contracts in the listed periods.

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

The comparison of the financing amount from the second and the third quarter of 2010 lead to conclude that there was an increase of the financing amount in the third quarter of 40,11% in relation to the second quarter. The largest increase is recorded in the financing of the and cargo and passenger vehicles, as well as in the segment of the long term real estate financing.

The total risk weight nominal interest rate decreased in the third quarter of 2010. by 0,35%, while total risk weighted effective interest rate decreased by 2,4%.

The leasing companies are obliged to report to the Agency on the monthly basis about the risk weighted nominal and effective interest rates in compliance with the proscribed methodology for the contracts on financial leasing that were approved in the reporting month. In such manner realized is the transparency and comparability of the financing through leasing.

Table 4 – Comparison of the nominal and effective interest rates for the second and third quarter of 2010:

No.	Description	II QUARTER			III QUARTER		
		Amount of financing (000) KM	Risk weighted nominal interest rate (average)	Risk weighted effective interest rate (average)	Amount of financing (000) KM	Risk weighted nominal interest rate (average)	Risk weighted effective interest rate (average)
1.	Short term leasing contract according to the subject of leasing :	1.461	8,61%	12,83%	1.575	8,38%	13,03%
a.	Cars	1.051	8,70%	12,97%	1.219	8,58%	13,03%
b.	Performance vehicles (terrain and passenger)	391	8,35%	12,26%	355	7,71%	13,07%
.	Machines and equipment	7	7,00%	10,72%	1	7,00%	8,35%
d.	Real estate	0	0,00%	0,00%	0	0,00%	0,00%
e.	Track, floating and flying vehicles	0	0,00%	0,00%	0	0,00%	0,00%
f.	Household appliances	0	0,00%	0,00%	0	0,00%	0,00%
g.	Other	12	10,00%	20,06%	0	0,00%	0,00%
1.1.	Short term leasing contract according to the lessee:	1.460	8,63%	12,90%	1.575	8,38%	13,03%
a.	Legal entities	1.258	8,57%	12,54%	1.257	8,25%	12,51%
b.	Entrepreneurs	53	9,78%	15,17%	0	0,00%	0,00%
c.	Individuals	149	8,72%	15,16%	318	8,92%	15,08%
2.	Long term leasing contract according to the subject of leasing:	44.752	8,33%	11,17%	63.175	8,31%	10,90%
a.	Cars	15.162	8,82%	12,06%	19.793	8,55%	11,82%
b.	Performance vehicles (terrain and passenger)	11.841	7,97%	10,72%	18.583	7,75%	10,46%
c.	Machines and equipment	10.008	8,60%	11,60%	13.718	8,55%	11,37%
d.	Real estate	7.731	7,58%	9,52%	11.070	8,54%	9,40%
e.	Track, floating and flying vehicles	0	0,00%	0,00%	0	0,00%	0,00%
f.	Household appliances	0	0,00%	0,00%	0	0,00%	0,00%
g.	Other	10	11,36%	17,72%	11	8,19%	8,97%
2.1.	Long term leasing contract according to the lessee:	44.752	8,34%	11,21%	63.175	8,32%	10,84%
a.	Legal entities	36.449	8,18%	10,93%	53.299	8,24%	10,62%
b.	Entrepreneurs	755	9,65%	12,77%	513	9,05%	12,88%
c.	Individuals	7.549	8,98%	12,41%	9.363	8,73%	11,95%
TOTAL WEIGHTED INTEREST RATE FOR II AND III QUARTER OF 2010:		46.212	8,34%	11,22%	64.750	8,31%	10,95%

6. CONCLUSIONS AND RECOMENDATIONS

Upon a detailed analysis of the indicators of the leasing companies' performance in FBiH, for the first nine months of 2010, and comparison with the previous periods, it can be concluded that the leasing sector in FBiH is still faced with numerous difficulties in performance that are coming from the collection of the existing receivables that were generated in the previous periods.

A more difficult collection that dominated in the leasing sector in the period up to the implementation of the Decisions of FBA, negative effects of the recession and slowing down of the economic activities in BiH, less accessible borrowings on the local and foreign money market, and the illiquidity of the parent banks are the key factors that influenced the existing condition.

A slight incline trend of the macroeconomic indicators (in BiH, but also in the neighboring countries and EU) and with that a slight increase of the demand for the financing through leasing, as well as the reorganization of the performance within leasing companies related to adjustment of performance under the conditions of crises and compliance with the regulatory demands, are the factors that can significantly impact the end of the negative trends that dominate within the sector and stabilize the existing situation in the context of revitalization of the leasing sector in the Federation of BiH.

Based on the indicators received from the leasing sector in the neighboring countries, it can be concluded that the leasing companies in the region have a similar trend in performance as the leasing companies in the Federation of BiH. In the countries in the region the leasing market is significantly more developed in the context of the volume of financing, so the performance losses are absorbed from a large amount of transactions, and also there is the fact that their regulatory institutions and tax authorities started earlier the compliance of the leasing companies with the regulations.

The largest impact on the leasing companies' performance have loans that were granted by leasing companies up to 01.01.2009. The analyses of leasing companies indicates that the leasing companies that did not grant loans have significantly less problems and succeed to maintain good financial indicators.

The financial leasing portfolio can be evaluated as satisfactory taken into account the objective market circumstances and the condition in BiH economy.

In the following period, the Agency will focus on the following:

- Taking up measures and activities within its authority for overcoming and reduce the negative effects of the global financial crises on the leasing sector in the Federation of BiH,
- continue the ongoing supervision of the leasing companies through on site and off site supervision,
- enhance the leasing sector regulations that relate to the performance and operations of the leasing companies,
- improving the cooperation with the Association of the leasing companies in BiH, as well as offering professional assistance in implementation of the law and regulations for leasing companies.

Having in mind the decrease of the business and economic activities in F BiH, and in order to protect the performance quality, the leasing companies should put an additional focus on the past due uncollected receivables, in other words the highest attention should be given to poor quality placements, as well as a more efficient collection of the due receivables.

Leasing company activities should be directed towards:

- Policies and procedure for managing credit, operational and market risks;
- Cover the reported losses in the 2010., through increase of core capital;

- Establishment of internal controls and the internal audit function independent in performing their tasks;
- Update of computer support with an aim to provide adequate accounting records and quality reporting;
- informing the clients in more details about the products offered by the leasing companies with an aim of accomplishing a better understanding and a more serious approach to financing through leasing;
- Regular, timely and correct reporting of data to the Central Loan Registry at the Central Bank of BiH.

7. ATTACHMENT

Attachment 1. Leasing companies' basic data

No.	Leasing company name	Address and head office	Director	Telephone	Date of issuing of the FBA license	No. of employees	Web address
1.	Euroleasing d.d. Mostar	Vukovarska 1, Mostar	Renata Perić	+ 387 36 394 500	03.02.201.	7	www.euroleasing.ba
2.	S-Leasing d.o.o. Sarajevo	Dženetića čikma 1, Sarajevo	Katarina Sabol	+ 387 33 565 850	11.02.2010	8	www.s-leasing.ba
3.	ASA Aleasing d.o.o. Sarajevo	Bulevar Meše Selimovića 16, Sarajevo	Abaza Dženamir	+ 387 33 771 222	22.03.201.	21	www.asa-abanka-leasing.ba
4.	Raiffeisen Leasing d.o.o. Sarajevo	Branilaca Sarajeva 20, Sarajevo	Belma Sekavić - Bandić	+ 387 33 254 354	19.01.2010	70	www.rlbh.ba
5.	UniCredit Leasing d.o.o. Sarajevo	Džemala Bijedića 2, Sarajevo	Denis Silajdžić	+ 387 33 721 750	16.03.2010	24	www.unicreditleasing.ba
6.	Hypo Alpe Adria Leasing d.o.o. Sarajevo	Trg solidarnosti 12, Sarajevo	Alma Nefić	+ 387 33 702 100	16.03.2010.	72	www.hypo-leasing.ba
7.	VB Leasing d.o.o. Sarajevo	Fra Anđela Zvizdovića 1, Sarajevo	Slobodan Vujić	+ 387 33 276 280	12.01.2010.	36	www.vbleasing.ba
8.	NLB Leasing d.o.o. Sarajevo	Zmaja od Bosne 14c, Sarajevo	Amela Kalisi	+ 387 33 716 135	19.03.2010.	9	www.nlbleasing.ba
					TOTAL	247	

Attachment 2. Review of leasing companies' ownership structure

LEASING COMPANY	NAME OF THE OWNER	participation
ASA ALEASING d.o.o. Sarajevo	ASA FINANCE d.d. Sarajevo	51,00%
	ALEASING d.o.o. Celje	49,00%
EUROLEASING d.d. Mostar	EUROLEASING d.o.o. Zagreb	27,24%
	EUROHERC osiguranje d.d. Sarajevo	17,66%
	EUROHERC osiguranje d.d. Zagreb	13,52%
	BSO d.d. Sarajevo	8,40%
	AGRAM životno osiguranje d.d. Zagreb	6,79%
	JADRANSKO osiguranje d.d. Zagreb	6,79%
	EUROAGRAM TIS d.o.o. Zagreb	6,50%
	EURO DAUS d.d. Split	6,50%
	EURODOM d.o.o. Osijek	6,50%
HYPO ALPE ADRIA LEASING d.o.o. Sarajevo	HYPO ALPE ADRIA LEASING HOLDING AG. Klagenfurt	100,00%
RAIFFEISEN LEASING d.o.o. Sarajevo	RAIFFEISEN LEASING INTERNATIONAL GmbH, Vienna	51,00%
	RAIFFEISEN BANK d.d. Sarajevo, BiH	49,00%
NLB LEASING d.o.o. Sarajevo	NLB LEASING d.o.o. Ljubljana	100,00%
S-LEASING d.o.o. Sarajevo	STEIERMAERKISCHE BANK UND SPARKASSEN AG, Graz	90,00%
	SPARKASSE BANK d.d. Sarajevo	10,00%
UNICREDIT LEASING d.o.o. Sarajevo	UNICREDIT LEASING S.p.A., Milan	100,00%
VB LEASING d.o.o Sarajevo	VB LEASING INTERNATIONAL GmbH, Vienna	51,00%
	VOLKSBANK d.d. Sarajevo	49,00%

Attachment 3. Review of provisioning for leasing loans as of 30.09.2010 (in 000 KM)

Number	Days of delinquency	Provisioning rate for loans	Amount of receivables for loans	Total provisioning
1	0-60	0,05%	277.137	139
2	60-90	5%	76.291	3.815
3	90-180	10%	46.017	4.602
4	180-270	30%	21.239	6.371
5	270-360	50%	19.317	9.658
6	over 360	100%	42	42
TOTAL			440.043	24.627

Attachment 4. Review of provisioning for financial leasing (FL) of leasing companies as of 30.09.2010 (in 000 KM)

No.	Days of delinquency	Provisioning rate for FL (movables)	Provisioning rate for FL (immovable)	Amount of receivables for movables	Amount of receivables for immovable	For movables	For immovable	Total provisioning
1	0-60	0,50%	0,50%	56.518	6.503	283	33	315
2	60-90	10%	10%	9.394	95	1.047	10	1.056
3	90-180	50%	50%	6.352	246	3.370	123	3.493
4	over 180	100%	75%	23.108	1.517	23.105	1.136	24.243
5	over 360		100%	0	0	0	0	0
TOTAL				95.372	8.361	27.805	1.302	29.107

Attachment 5. Consolidated Balance Sheet through periods (000 KM)

No.	DESCRIPTION	31.12.2009		30.6.2010		30.9.2010		% growth	
		Amount	%	Amount	%	Amount	%	30.6.2010 / 31.12.2009	30.09./ 30.06.2010
	ASSETS								
1.	Cash and cash equivalents	28.940	2,06%	27.516	2,14%	21.560	1,75%	-4,92%	-21,65%
2.	Placements to banks	45.000	3,20%	45.000	3,50%	45.000	3,66%	0,00%	0,00%
3.	Receivables from financial leasing, net (3a-3b-3c-3d)	564.464	40,09%	548.266	42,67%	547.686	44,49%	-2,87%	-0,11%
3a)	receivables from financial leasing, gross	674.582	47,92%	671.166	52,24%	678.925	55,15%	-0,51%	1,16%
3b)	reserves for losses	10.245	0,73%	23.472	1,83%	29.107	2,36%	129,11%	24,01%
3c)	deferred income from interest	98.648	7,01%	98.223	7,64%	101.084	8,21%	-0,43%	2,91%
3d)	deferred income from fees	1.225	0,09%	1.205	0,09%	1.048	0,09%	100,00%	-13,03%
4.	Receivables from subsidiaries	84.333	5,99%	83.587	6,51%	83.102	6,75%	-0,88%	-0,58%
5.	Movable and immovable assets, net (5a+5b-5c-5d)	95.739	6,80%	98.449	7,66%	95.383	7,75%	2,83%	-3,11%
5a)	movable and immovable property-personal funds	46.865	3,33%	50.820	3,96%	50.616	4,11%	8,44%	-0,40%
5b)	movable and immovable property - operating leasing	73.914	5,25%	76.138	5,93%	74.066	6,02%	3,01%	-2,72%
5c)	correction of value -personal funds	8.085	0,57%	9.248	0,72%	9.795	0,80%	14,38%	5,91%
5d)	correction of value - operating leasing	16.955	1,20%	19.261	1,50%	19.504	1,58%	13,60%	1,26%
6.	Long term investments	40.039	2,84%	37.435	2,91%	36.973	3,00%	-6,50%	-1,23%
7.	Other assets	549.308	39,02%	444.603	34,61%	401.243	32,60%	-19,06%	-9,75%
	TOTAL ASSETS (1+2+3+4+5+6+7)	1.407.823	100,00%	1.284.856	100,00%	1.230.947	100,00%	-8,73%	-4,20%
	LIABILITIES								
9.	Liabilities from taken loans, net (9a+9b-9c)	1.320.288	93,78%	1.250.695	97,34%	1.191.363	96,78%	-5,27%	-4,74%
9a)	liabilities from short term loans	61.817	4,39%	61.300	4,77%	60.888	4,95%	-0,84%	-0,67%
9b)	liabilities from long term loans	1.259.252	89,45%	1.190.027	92,62%	1.130.998	91,88%	-5,50%	-4,96%
9c)	cost and fees paid in advance	781	0,06%	632	0,05%	523	0,04%	-19,08%	-17,25%
10.	Other liabilities	40.242	2,86%	25.694	2,00%	48.079	3,91%	-36,15%	87,12%
	TOTAL LIABILITIES (9+10)	1.360.530	96,64%	1.276.389	99,34%	1.239.442	100,69%	-6,18%	-2,89%
11.	Core capital	36.064	2,56%	66.379	5,17%	65.529	5,32%	84,06%	-1,28%
12.	Reserves	1.975	0,14%	3.423	0,27%	3.423	0,28%	73,32%	0,00%
13.	Accumulated profit/loss	9.254	0,66%	-61.335	-4,78%	-77.447	-6,29%	-762,79%	26,27%
	TOTAL CAPITAL (11+12+13)	47.293	3,36%	8.467	0,66%	-8.495	-0,69%	-82,10%	-200,33%
	TOTAL LIABILITIES (9+10+11+12+13)	1.407.823	100,00%	1.284.856	100,00%	1.230.947	100,00%	-8,73%	-4,20%

Attachment 6. Core performance indicators

	31.12.2008	31.12.2009	30.6.2010	30.9.2010
Assets per employee (000 KM)	5.928	5.677	5.181	4.984
Total liabilities in relation to total capital (in %)	54,92	28,77	150,75	- 145,90
Total liabilities in relation to core capital (in %)	55,92	37,73	19,23	18,91
CIR (Cost Income Ratio)* (in %)	99,44	75,22	71,59	75,77
Provisioning expense ratio and average assets	1,15	1,68	13,03	11,03

* **Note:** the expenses do not include the provisioning expense.

Attachment 7. Consolidated Income Statement through periods (in 000 KM)

No.	DESCRIPTION	31.12.2009		30.6.2010		30.9.2010		% growth (pro rate)	
		Amount (000 KM)	% in total income	Amount (000 KM)	% in total income	Amount (000 KM)	% in total income	30.6.2010 / 31.12.2009	30.09./ 30.06.2010
1.	FINANCIAL INCOME AND EXPENSES	120.123	78%	48.864	76%	72.854	77%	-19%	-1%
1a)	Interest income (1a+1b)	64.479	42%	23.954	37%	35.770	38%	-26%	0%
1b)	Interest on financial leasing	55.644	36%	24.910	39%	37.084	39%	-10%	-1%
2.	Other interest income	61.774	40%	22.530	35%	34.173	36%	-27%	1%
3.	Interest expenses	58.349	38%	26.334	41%	38.681	41%	-10%	-2%
	Net income from interest (1.-2.)								
II									
4.	OPERATING INCOME AND EXPENSES	33.743	22%	15.331	24%	22.364	23%	-9%	-3%
4a)	Operating income (4a+4b)	14.746	10%	6.789	11%	10.083	11%	-8%	-1%
4b)	Operating leasing income	18.997	12%	8.542	13%	12.281	13%	-10%	-4%
5.	Other operating income	53.959	35%	23.428	36%	37.978	40%	-13%	8%
5a)	Operating expenses (5a+5b+5c)	11.089	7%	5.394	8%	8.291	9%	-3%	2%
5b)	Salary and contributions expenses	14.281	9%	7.642	12%	11.544	12%	7%	1%
5c)	Business premises expenses	28.590	19%	10.392	16%	18.143	19%	-27%	16%
6.	Other operating expenses	25.270	16%	87.714	137%	109.137	115%	594%	-17%
7.	Expenses for reserves for losses	12.864	8%	-69.477	-108%	-86.070	-90%	-1.180%	-17%
8.	Income before tax (3+4-5-6)	1.839	1%	95	0%	161	0%	-90%	13%
9.	Income tax	11.025	7%	-69.572	-108%	-86.231	-91%	-1.362%	-17%

Attachment 8. Rating the aggregate balance sheets

30.06.2010.					30.9.2010.					
Rating	Leasing company	Balance sheet amount (000 KM)	Partic. 2010.	Cumul. partic.	Rating	Leasing company	Balance sheet amount (000 KM)	Partic. 2010.	Cumul. partic.	Aggreg. Balance Sheet ratio
1.	Hypo Alpe-Adria-Leasing d.o.o.	499.645	38,89%	38,89%	1.	Hypo Alpe-Adria-Leasing d.o.o.	485.350	39,43%	39,43%	97
2.	Raiffeisen Leasing d.o.o.	270.109	21,02%	59,91%	2.	Raiffeisen Leasing d.o.o.	233.703	18,99%	58,41%	87
3.	UniCredit Leasing doo	180.962	14,08%	73,99%	3.	UniCredit Leasing doo	176.749	14,36%	72,77%	98
4.	VB Leasing d.o.o.	105.676	8,22%	82,22%	4.	VB Leasing d.o.o.	106.238	8,63%	81,40%	101
5.	NLB Leasing d.o.o. Sarajevo	78.096	6,08%	88,30%	5.	NLB Leasing d.o.o. Sarajevo	79.066	6,42%	87,83%	101
6.	Asa Aleasing d.o.o.	74.633	5,81%	94,11%	6.	Asa Aleasing d.o.o.	74.791	6,08%	93,90%	100
7.	S-Leasing d.o.o. Sarajevo	44.789	3,49%	97,59%	7.	S-Leasing d.o.o. Sarajevo	45.009	3,66%	97,57%	100
8.	Euroleasing d.d. Mostar	30.946	2,41%	100,00%	8.	Euroleasing d.d. Mostar	30.041	2,43%	100,00%	97
TOTAL		1.284.856	100%				1.230.947	100%		96