



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

**INFORMATION
ON THE MICRO-CREDIT SYSTEM
OF THE FEDERATION OF BOSNIA AND HERZEGOVINA
AS OF 30.09.2011.**

Sarajevo, November 2011.

Table of Contents

1. INTRODUCTION.....	3
1.1. Agency's regulations regarding business operations of MCOs	3
1.2. Performance trend of MCOs in BiH Federation in the 3rd quarter of 2011	4
1.3. Measures necessary on the level of MCOs sector to eradicate the adverse effects of business operations	6
2. STRUCTURE OF MICRO-CREDIT ORGANIZATIONS	7
2.1. Personnel.....	7
3. ANALISES OF THE INANCIAL CONDITION AND PERFORMANCE	
ACHIEVEMENT OF MCOs	8
3.1. Balance Sheet.....	8
3.2. Capital.....	11
3.3. Loan portfolio	12
3.4. Risk weighted nominal and effective interest rates for micro credits	16
3.5. Income Statement.....	18
4. CONCLUSION AND RECOMMENDATION.....	20

ATTACHMENTS:

- Attachment 1. Basic data on MCOs
- Attachment 2. Balance sheet MCF
- Attachment 3. Balance Sheet of MCCs
- Attachment 4. Income Statement MCF
- Attachment 5. Income Statement MCC
- Attachment 6. Preview of the donated capital MCF

GRAPHS:

- Graph 1. Amount of MCOs assets as of 30.09.2011. in 000 KM
- Graph 2. Amount of MCOs gross portfolio as of 30.09.2011.in 000 KM
- Graph 3. Amount of MCOs capital as of 30.09.2011. in 000 KM
- Graph 4. Income surplus/deficit over the expenses of MCFs, that is net profit/loss of MCCs as of 30.09.2011.in 000 KM
- Graph 5. Average risk weighted EIR on short term loans according to reports of MCOs in the third quarter of 2011.
- Graph 6. Average risk weighted EIR on long term loans according to reports of MCOs in the third quarter of 2011
- Graph 7. Number of MCOs employees as of 30.09.2011.
- Graph 8. Fixed assets and capital in relation to the total assets as of 30.09.2011.
- Graph 9. Total receivables on written off loans in relation to the gross portfolio of MCOs as of 30.09.2011.
- Graph 10. Risk portfolio over 30 days as of 30.09.2011.

1. INTRODUCTION

The law on micro-credit organizations („Official Gazette of the Federation of BiH“, number: 59/06) (Law on MCOs) regulates the establishment, registration, activities, form of organization, business operations, manner of management, termination of operations and supervision of micro-credit organization performance (MCO), that is micro credit foundation (MCF) and micro-credit companies (MCC) in the Federation of BiH. The authorities of the Banking Agency of the Federation of BiH (Agency) over these activities are regulated by the Law on the Banking Agency of Federation of Bosnia and Herzegovina („Official Gazette of the Federation of BiH“, number: 9/96, 27/98, 20/00, 45/00, 58/02, 13/03, 19/03, 47/06, 59/06 and 48/08) and internal acts of the Agency, furthermore all the listed activities are performed within the Department for supervision of micro-credit organizations.

1.1. Agency’s regulations regarding business operations of MCOs

The business operations of MCOs are more closely regulated by Agency’s regulations, namely the decisions adopted by the Management Board of the Agency, and instructions for business operations of MCOs adopted by the Director of the Agency.

<i>Agency’s decisions regarding the business operations of MCOs</i>	Official Gazette of the Federation of BiH
1. Decision on conditions and the procedure for issuing the business operation license to micro-credit foundation established through the change of micro-credit organization form;	27/07
2. Decision on conditions and the procedure for issuing and revoking the business operation license and other approvals to micro-credit organizations;	27/07 and 46/11
3. Decision on conditions and procedure for issuing the business operation license and approval for acquisition of ownership participation through investments and transfer of property of the micro-credit foundation;	27/07
4. Decision on supervision of the business operations of the micro-credit organizations;	27/07
5. Decision on the form and content of reports that the micro-credit organizations submit to the Banking Agency of Federation of Bosnia and Herzegovina and the reporting deadlines;	27/07
6. Decision on the amount and manner for allocating and maintaining reserves for covering the loan losses of micro-credit organizations;	27/07
7. Decision on unified manner of accrual and recording of effective interest rates on loans and deposits;	27/07, 46/09 and 46/11
8. Decision on other general conditions for business operations of the macro-credit organizations;	27/07
9. Decision on conditions and the manner of micro credit organization’s acting on client’s complaints;	32/10
10. Decision on fees that the micro-credit organizations pay to the Banking Agency of the Federation of BiH.	46/11

Agency's instructions for the business operations of MCOs

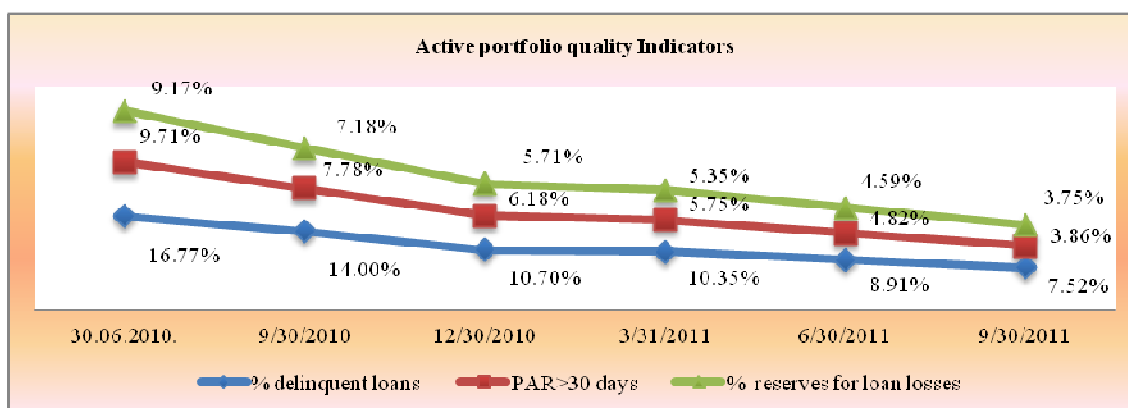
- 1. Instructions for implementation of the Decision on unified manner of accrual and recording of effective interest rates on loans and deposits;*
- 2. Instruction for accrual of the risk weighed nominal and effective interest rates;*
- 3. Instruction for accrual of the adjusted return on assets;*
- 4. Instruction for accrual of the operational efficiency indicators and*
- 5. Instruction for development of the micro-credit organization reports.*

1.2. Performance trend of MCOs in BiH Federation in the third quarter of 2011.

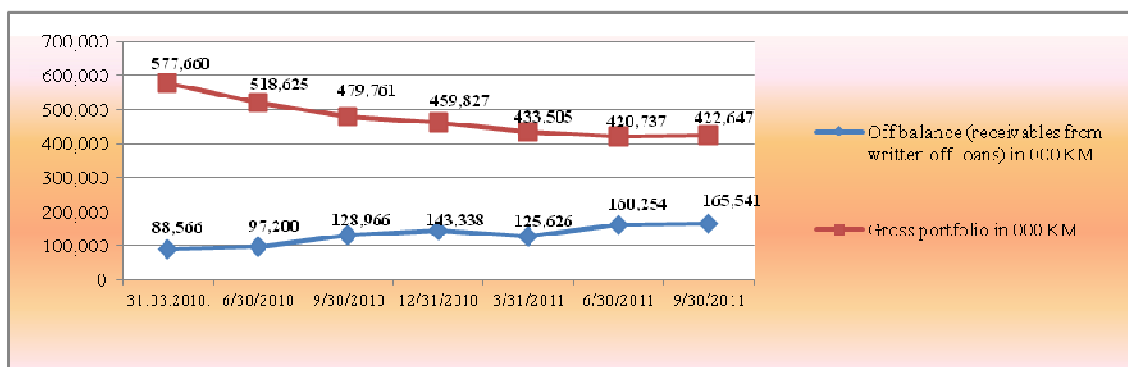
There is a continuation of decline of the gross portfolio of MCCs during the third quarter of 2011. The reason for the decline of the portfolio are the more restrictive lending policies that MCOs introduced as an answer to increased credit risk that occurred due to uncontrolled expansion of the credit activities in the transition period for MCOs from 2008. With the new Law from 2006, the organizations, which operated according to the Law from 2000, and which were obliged to preregister as micro credit foundations which had a lending restriction of 10.000 KM, had largely granted loans in the amounts of 30.000 KM until they received the legal title of the MCF – that ultimately lead to overlapping of the clients and an increased degree of debt. Along with the global crises the MCOs were impacted with the significant decline of the loan portfolio quality, as well as increased provisioning and write offs. With an aim to prevent and overcome the debt problem, the Agency ordered MCOs to fully implement the regulations on obliged exchange of information at the level of sectors and Central registry of loans at CBBiH. During 2011, most of MCOs invested additional efforts in implementing the practices for responsible lending and realizing the micro credit sector's mission and objectives.

Additional reasons for the decline of the portfolio are evident in the decreased demand from the clients, due to an increased competition from the banks which offer more convenient exchange loans to certain categories of clients of micro credit organizations. Also, the MCOs creditors, who experienced losses in the previous period, express a higher degree of caution in lending to MCOs, which leads to questionable future for some micro credit organizations.

In spite the decline of the micro credit portfolio, the results of the larger MCOs according to the reports on reserves record visible improvement of active loan portfolio quality in comparison to the same period last year. The improvement of the active portfolio quality is reported in the decline of the loan loss provisioning from 7,18% to 3,75%. Percent of the past due loans over one day declined from 14% to 7,52%. The risk portfolio (over 30 days delinquent) declined from 7,78% to 3,86%, by which the total result of the sector in the portfolio risk achieved the standard prescribed by the Agency.



However, of concern is the increase of the level of restructured loans, which is the situation in certain MCOs which systematically perform restructuring/refinancing of poor loans from the period of 2008/2009, as well as the fact that the off balance sheet records for total written off loans have increased by almost 30% in the period of one year. As of 30.09.2011, 39% of the loan portfolio is in the off balance sheet. There are significant differences in the portfolio quality among different MCOs, which are evident from the data that five MCOs have over 80% of written off loans in relation to the total gross portfolio (in one MCO the amount of the receivables from the written off loans is by 20% higher than the amount of assets), which is a direct consequence of the credit expansion in the past, while three MCOs reported write offs under 15% of the total gross portfolio.



The consequences of the loan expansion in the past, current economic atmosphere, significant debt of clients and congestion of the local markets in which there are several microcredit organizations, as well as general opinion of the public about the sector requires urgent consolidation at the level of the microcredit foundations in the Federation, which due to losses in performance from the previous years have remained without the needed level of capital that would absorb future losses. The creditors that have so far supported the micro credit organizations are expressing a degree of hesitation in providing further support to the sector due to poor performance results, slow consolidation and transformation from the non-profit forms in the profit companies. The merger process of the smaller foundations has been initiated in 2011., and we expect that the merger trend will continue in the following period.

In 000 KM

Off balance sheet records: receivables from written off principal and interest						
DESCRIPTION	INDIVIDUALS		LEGAL ENTITIES		TOTAL	
	Principal written off	Interest written off	Principal written off	Interest written off	Principal written off	Interest written off
1	2	3	4	5	6	7
<i>Initial balance as of 01.01.2011.</i>	126.850	22.239	2.531	414	129.381	22.653
<i>Changes in 2011.:</i>						
<i>New write off (in the current year)</i>	17.311	4.185	312	37	17.623	4.222
<i>Collected in the current year</i>	7.013	2.703	128	32	7.140	2.735
<i>Permanent write off</i>	23	4	0	0	23	4
<i>Balance as of 30.09.2011.</i>	137.125	23.716	2.716	420	139.841	24.136

1.3. Measures necessary on the level of MCOs sector to eradicate the adverse effects of business operations

The consolidation on the level of micro-credit organizations, especially the medium size MCOs, is necessary for the stabilization of the micro credit sector, with an aim to increase the economy of volume. The consolidation at the level of the micro foundations is important for the potential establishment of micro credit companies by the micro credit foundations, which would lead to decline of the number of microcredit foundations which would not fulfill the purpose of achieving improvement of the material position for users of loans and increase of employment and providing support for development of the entrepreneurship as provisioned by the Law on the MCOs..

The consolidation on the level of MCO, especially mid size MCOs, is necessary for the stabilization of the microcredit sector, with an aim to increase the economy of volume, improvement of the efficiency of the performance of the foundations through significant savings in expenses and decrease in interest rates, as well as increase of the competency of the management board, management and other personnel of MCOs. The consolidation would make possible the strengthening of the capital base of a smaller number of stronger and healthier MCOs. Also, a significant amount of loans in liabilities of the microcredit organizations is due in the coming year, therefore in absence of the support of creditors, the organizations could be exposed to liquidity problem.

The Banking Agency of the Federation of BiH expects that the changes to the Law on micro credit organizations will correct the vagueness of the existing regulations, provide adequate instruments for the supervision of the performance, and provide for a more effective correction of the noted problems in the MCCs performance as well as correcting possible violations. Also, the new legal framework would enable space for additional improvement of the Agency's regulations with an aim to protect donated funds which directly provide for lending to a large number of clients which do not have access to traditional sources of financing.

The microcredit sector's strategy, also, should be directed to improvement of the cooperation with the Center for financial and credit counseling, which as an independent body, could offer restructuring of loans of clients who have too much debt, and negotiate about that with the

relevant institutions in order to try to find a solution for the clients who are faced with financial difficulties.

2. THE STRUCTURE OF MICRO-CREDIT ORGANIZATIONS

As of 30.09.2011., there are 16 MCOs in the Federation of Bosnia and Herzegovina, of that 15 MCF (nonprofit organizations) and 1 MCF's (profit organization), as well as 28 MCCs organization units which head offices are in Republic Srpska. At the end of the third quarter of 2011, the Agency revoked license from one MCF for performing the operations of issuing micro credit loans due it its merger to another MCO (which data are included in the Information), while for one MCF in process is the performance termination procedure. All MCFs that received the Agency's operating license performed the registration in compliance with the Law on MCOs, that is they were created through the change of MCOs form established in accordance with the Law on micro-credit organizations („Official Gazette of the Federation of BiH, number: 24/00) (Law on MCOs from 2000.). Therefore, all the MCOs are legal successors of the property, rights and obligations of MCOs established in accordance with the Law on MCOs from 2000. In the Attachment 1., there are basic data on MCFs and MCCs to which the Agency issued the operating license for operations regarding the micro-credit lending.

As a result of rationalization of MCCs expenses, and foremost of MCFs, the trend of closing of the organizational units with head offices in the Federation continued as of 30.09.2011, so in comparison to 31.12.2010., the total number of organizational units with the head offices in the Federation declined by 9%. MCFs with head office in the Federation of BiH have a total of 352 organizational units, of which in the Federation of BiH 230, Republic Srpska 119 and District Brčko 3. A total of 186 organizational units of MCFs with head offices in the Federation of BiH have authorization to grant micro-credits, and as such are registered in the Registry of micro-credit foundations in the Federation of BiH. There are 9 MCFs that have organizational units outside of the Federation of BiH. The Agency issued a license to organizational units of one MCC with a head office in Republic Srpska, which operates in Federation of BiH through 28 business units and field offices.

2.1. Personnel

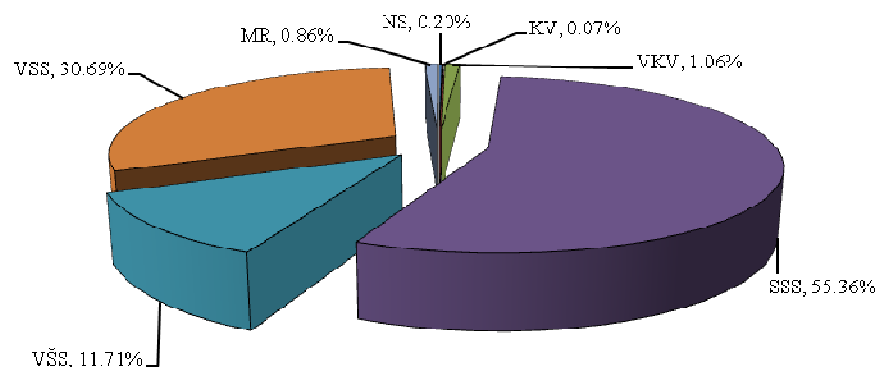
Table 1. Qualification structure of employees

No.	Qualification ¹	31.12.2010.		Total	Participation	30.09.2011.		Total	Participation	Index
		MCF	MCC			MCF	MCC			
1	2	3	4	5=(3+4)	6	7	8	9=(7+8)	10	11=9/5
1.	NS	3	0	3	0	3	0	3	0,20	100
2.	KV	2	0	2	0	1	0	1	0,07	50
3.	VKV	21	0	21	1	16	0	16	1,06	76
4.	SSS	876	3	879	58	833	4	837	55,36	95
5.	VŠS	232	0	232	15	177	0	177	11,71	76
6.	VSS	378	3	381	25	460	4	464	30,69	122
7.	MR	10	0	10	1	13	0	13	0,86	130
8.	DR	0	0	0	0	1	0	1	0,07	n/a
TOTAL		1522	6	1528	100	1504	8	1512	100,00	99

¹ NS – elementary education level, KV – vocational qualifications, VKV- higher vocational qualifications, SSS – high school degree, VŠS – two year college degree, VSS – University degree, MR – Master of Arts.

As of 30.09.2011., micro-credit sector employed a total of 1.512 employees, which is for 16 employees or 1% less than as of 31.12.2010. MCFs employ 1.504 employees or 99,5%, and MCCs 8 employees or 0,5%. In the structure of employees the largest participation is of SSS of 55,36%, VSS of 30,69% and VŠS of 11,71%. The percentage of employees with higher education is increasing (by 22%) and masters of art (by 30%), while the number of employees with VSS and NS is decreasing in relation to 31.12.2010

Qualification structure of employees as of 30.09.2011.



3. ANALYSES OF THE FINANCIAL CONDITION AND PERFORMANCE ACHIEVEMENT OF MCOs

The Agency is performing the function of supervision and the examination of the financial condition of MCOs through on-site supervision and off-site (based on the reports that MCOs submit to the Agency), in compliance with the Law on MCOs and regulations of the Agency. The reporting base is composed of quarterly reports on balance sheet, capital, loans, reserves for loan losses, performance results and other reports on individual operation segments, as well as the monthly report on interest rates.

3.1. Balance Sheet

Table 2. Balance Sheet of MCCs

in 000 KM

DESCRIPTION	31.12.2010.					30.09.2011.					Index
	For MCF	%	For MCC	%	TOTAL	For MCF	%	For MCC	%	TOTAL	
1	2	3	4	5	6=(2+4)	7	8	9	10	11=(7+9)	12
ASSETS											
1. Cash	47.527	8	36	3	47.563	27.804	5	68	4	27.872	59
2. Placements to banks	28.751	5	0	0	28.751	18.525	4	0	0	18.525	64
3. Loans	458.551		1.276		459.826	421.201		1.446		422.647	92
4. Less: reserves for loan losses	26.214		36		26.250	15.822		15		15.837	60
5. Net loans	432.337	75	1.240	91	433.576	405.379	80	1.431	90	406.810	94
6. Business premises and other fixed assets	49.115	9	84	6	49.200	47.408	9	82	5	47.490	97

Information on the Micro credit system of the Federation of Bosnia and Herzegovina as of 30.09.2011.

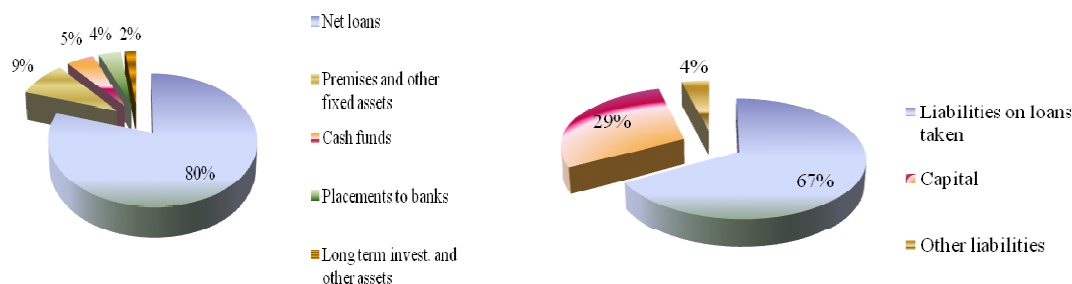
7. Long term investments	3.500	1	0	0	3.500	2.715	1	0	0	2.715	78
8. Other assets	14.319	2	9	1	14.328	8.411	2	18	1	8.429	59
9. Less: reserves for other assets, except loans	701	0	0	0	701	511	0	2	0	514	73
TOTAL ASSETS	574.848	100	1.369	100	576.217	509.731	100	1.597	100	511.328	89
LIABILITIES											
10. Liabilities for loans taken	409.898	71	598	44	410.496	344.533	68	790	49	345.322	84
11. Other liabilities	23.025	4	71	5	23.096	18.911	4	68	4	18.979	82
12. Capital	141.924	25	700	51	142.625	146.287	29	739	46	147.026	103
TOTAL LIABILITIES	574.848	100	1.369	100	576.217	509.731	100	1.597	100	511.328	89
Off balance sheet	144.521		88		144.609	165.921		66		165.987	115

As of 30.09.2011., the MCOs balance sheet amount is 511,3 million KM and it decreased by 83 million KM or 14% in relation to the same period last year, and in comparison to the balance as of 31.12.2010, the balance sheet level declined by 65 million KM or 11%. The balance sheet growth was recorded by 5 MCF and 1 MCC, the decline by 11 MCFs. The decline of the balance sheet level higher than 10% in relation to the end of 2010 is recorded by 5 MCFs, decline over 20% by 4 MCFs and decline over 30% was recorded by 2 MCFs. The highest participation in the total MCOs balance sheet is by six MCFs with assets in the amount of 469 million KM or 92%.

In the asset structure of MCOs, the cash funds are 27,9 million KM or 5% with a decline rate of 41% in comparison to 31.12.2010., and mainly relate to cash funds of MCF. In review, the cash funds balance declined by 38% that is 17 million KM from the previous quarter. Placements to banks are 18,5 million KM or 4%. Some MCFs can face with the liquidity risk, the investors are generally showing a higher degree of caution due to expressed business results that is the trend shown by the sector, which limit the access that the foundations might have to new loans that could cover for the short term liabilities, and that along with the poor collection of loans can lead to insolvency.

Net loans, that is, the gross loans deducted for the loan loss reserves, are 406,8 million KM or 80% of the total assets and are by 38,4 million KM or 9% in decline in comparison to the same period last year, 26,7 million KM or 6% in relation to 31.12.2010. The decline of net loans in comparison to the previous year as recorded by 11 MCFs, while the growth is reported by 5 MCFs and 1 MCC. In comparison to 31.12.2010, the decline of the net loans higher than 10% is recorded by 5 MCFs, and decline higher than 20% is recorded by 3 MCF, while 1 MCF recorded a decline of net loans over 40%.

The business premises and other fixed assets are 47,5 million KM or 9% of total assets and have declined by 3% in comparison to the end of the previous year. Seven MCFs have a percentage of fixed assets in the total assets (deducted for the amount of the donated capital) higher than the prescribed amount. The amount of 10,6 million KM or 2% are long term investment (2,7 million KM) and other assets (7,9 million KM deducted for the provisioning for other items of assets apart from loans), and are composed of accrued interest, advance payments, active time reconciliation assets and other. Long term investments refer to one MCF, while two MCFs have a percent of other assets higher than 10% in relation to the total assets which does not exceed 6%.



In the liability structure of MCOs, the liabilities on acquired loans are the basic source of funds and amount to 345,3 million KM or 67% of total liabilities and decreased by 16% in comparison to 31.12.2010.

Table 3. Maturity structure of loans taken

in 000 KM

DESCRIPTION	31.12.2010.				30.09.2011.				Index
	MCF	MCC	TOTAL	%	MCF	MCC	TOTAL	%	
1					6	7	8=(6+7)	9	10=8/4
1. Liabilities from short term loans taken	88.871	513	89.384	22	75.481	478	75.959	22	85
2. Liabilities from long term loans taken	321.027	86	321.113	78	269.051	312	269.363	78	84
TOTAL	409.898	598	410.496	100	344.533	790	345.322	100	84

Of total liabilities on loans taken 269,3 million KM or 78% are long term loans, with a decline rate of 16% in relation to the end of last year. Of total liabilities on loans taken 76 million KM or 22% are short term loans, with a decline rate of 15% in comparison to the end of previous year. The liabilities from taken loans of MCFs amount to 344,5 million KM or 99,8% of total liabilities on loans taken.

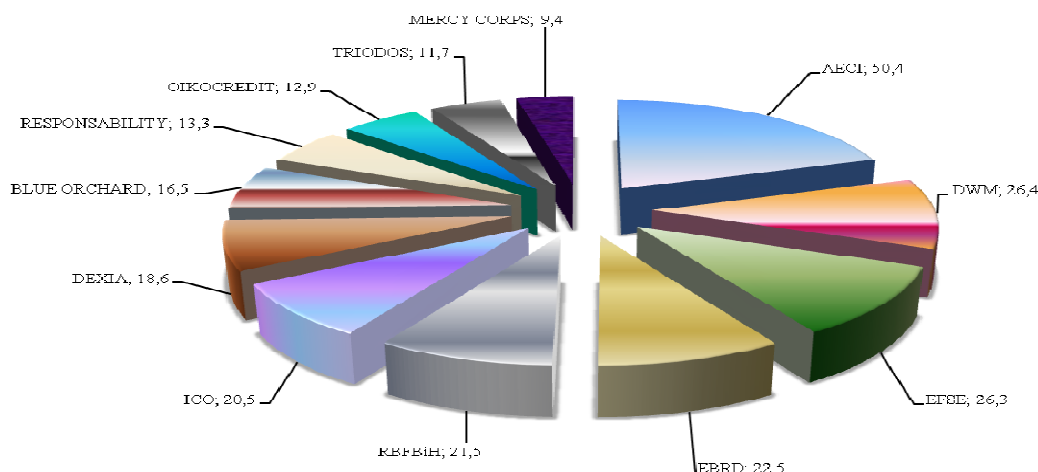
The most significant MCO creditors, with 82% of the credit liabilities, are²:

- 1.) AECI – Agency for international cooperation Kingdom of Spain (50,4 million KM);
- 2.) DWM – Developing World Markets, USA (26,4 million KM);
- 3.) EFSE – European Fund for the southeast Europe, Luxemburg (26,3 million KM);
- 4.) EBRD – European bank for reconstruction and development, Great Britain (22,5 million KM);
- 5.) Development bank of the Federation of BiH³ (21,5 million KM);
- 6.) ICO – Instituto de Credito Oficial, Spain (20,5 million KM);
- 7.) Dexia Microcredit, Switzerland (18,6 million KM);
- 8.) Blue Orchard Finance S.A., Switzerland (16,5 million KM);
- 9.) Responsibility SICAV, Switzerland (13,3 million KM);
- 10) Oikokredit, Netherlands (12,9 million KM);
- 11) Triodos – Doen, Netherlands (11,7 million KM);
- 12) Mercy Corps, USA (9,4 million KM);

² Of 45 recorded MCOs creditors, the Information lists only the most significant ones.

³ The funds are granted under the Project of local initiatives LIP I and LIP II which management by the Decision of the Government of the Federation of BiH („Official Gazette of the Federation of BiH“, number: 78/06 and 34/07) has been transferred to the Development bank of the Federation of BiH.

Funding sources for MCCs as of 30.09.2011. in mil. KM



Other liabilities are 19 million KM or 4% of total liabilities, and they consist of liabilities towards employees, suppliers, passive time reconcilements and other. A total of 5 MCF have a percentage of other liabilities higher than 10% in relation to the total liabilities.

The off-balance sheet is 165,9 million KM, and it consists of charged off credit receivables (165,5 million KM) and agent contracts (one MCF has 0,4 million KM), and it increased by 15% in comparison to 31.12.2010.

3.2. Capital

The total capital of MCOs as of 30.09.2011., was 147 million KM, or 29% of total liabilities and it increased by 8,3 million KM or 6% in comparison to the same period previous year, that is 4,4 million KM or 3% in relation to the end of 2010. Capital of MCFs is 146,3 million MCF or 99,5%, and the capital of one MCC is 0,7 million KM or 0,5%.

Table 4. Capital structure of MCOs

DESCRIPTION	31.12.2010.					30.09.2011.					Index
	For MCF	%	For MCC	%	TOTAL	For MCF	%	For MCC	%	TOTAL	
1	2	3	4	5	6=2+4	7	8	9	10	11=7+9	12=11/6
Donated capital	42.619	30	0	0	42.619	43.048	29	0	0	43.048	101
Core Capital	9.957	7	600	86	10.557	10.383	7	600	81	10.983	104
Surplus/deficit of income over expenses	84.856	60	0	0	84.856	89.906	61	0	0	89.906	106
Issue premium	0	0	0	0	0	0	0	0	0	0	0
Undistributed income	0	0	3	0	3	0	0	39	5	39	1297
Regulatory provisions	0	0	98	14	98	0	0	100	14	100	102
Other reserves	4.493	3	0	0	4.493	2.950	2	0	0	2.950	66
TOTAL CAPITAL	141.924	100	700	100	142.625	146.287	100	739	100	147.026	103

In the capital structure the most significant is the surplus of income over expenses which is 90 million KM, and constitutes 61% of total capital of MCFs, and is in incline by 6% in comparison to the end of the last year. The deficit of income over expenses for nine months in 2011 is realized by 8 MCF, and surplus of income over expenses 8 MCF, while one MCC realized a net profit. Undivided profit of one MCC is 139 thousand KM or 19% of the total capital of MCC. Only two MCF and one MCC realized a surplus of income over expenses in regular operations, while 14 MCFs realized deficit of income over expenses in regular operations. At the end of the third quarter, of those 14 MCF, six have, owing to extraordinary income that is higher than the realized deficit in regular operations, realized a positive result. The extraordinary income is a direct result of the increased collection of the receivables from written off loans

The significant source of capital of MCF is the donated capital which is 43 million KM or 29% of the total capital, whereas one MCC does not have donated capital. Four MCFs had an increase of donated capital in the amount of 429 thousand KM, that is donated capital has in comparison to the end of the previous year increased by 1%. Core capital of MCOs as of 30.09.2011, was 11 million KM or 8% of the total capital. Other reserves are 3 million KM, or 2% of total capital and refer to two MCFs.

3.3. Loan portfolio

The core activity of MCOs is the micro-crediting that refers to the amount of 422,6 million KM or 83% of the total assets of the micro credit sector. In comparison to the previous quarter, noticeable is an incline in the participation of the grow loans by 3% in the total assets. The level of the total loans of sectors depends on the condition of loans of MCFs referring to 421,2 million KM or 99,7% of total loans, whereas MCCs relate to 1,4 million KM or 0,3% of total loans. Net loans, total loans minus the reserves for loan losses, are presented in the Table 5.

Table 5. Net loans

in 000 KM

No.	DESCRIPTION	31.12.2010.			30.09.2011.			Index
		MCF	MCC	Total	MCF	MCC	Total	
1	2	3	4	5=(3+4)	6	7	8=(6+7)	9=8/5
1.	Loans	458.551	1.276	459.826	421.201	1.446	422.647	92
2.	Loan loss reserves	26.214	36	26.250	15.822	15	15.837	60
3.	Net loans (1.-2.)	432.337	1.240	433.576	405.379	1.431	406.810	94

Net loans are 406,8 million KM and decreased by 9% in comparison to the same period last year, that is 6% in comparison to 31.12.2010. Loans on gross basis decreased by 12% in relation to the same period last year, which is by 8% in relation to 31.12.2010. Loan loss reserves are 15,8 million KM and have decreased by 54% in relation to the same period last year, which is 40% in comparison to 31.12.2010. The ratio of the loan loss reserves and the loan portfolio is 3,75%, and has improved by 1,96% in relation to the ration as of 31.12.2010

Table 6. Department and maturity structure of micro-credit MCOs as of 30.09.2011.

in 000 KM

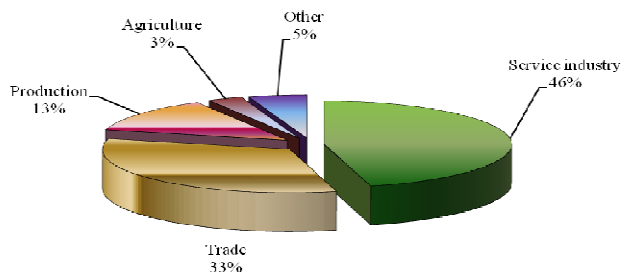
No.	Micro-credits	Short term loans	Long term loans	Past due receivables	TOTAL	%
1	2	3	4	5	6=(3+4+5)	7
1.	Legal entities					
a.)	Service industry	946	3.288	57	4.292	46%
b.)	Trade	892	2.192	42	3.126	33%
c.)	Agriculture	76	155	1	232	3%
d.)	Production	379	871	11	1.260	13%
e.)	Other	67	392	2	461	5%
TOTAL 1:		TOTAL 1:	6.898	114	9.371	100%
2.	Individuals					
a.)	Service industry	28.059	64.581	1.318	93.958	23%
b.)	Trade	24.223	34.148	1.040	59.411	14%
c.)	Agriculture	33.868	103.390	2.066	139.323	34%
d.)	Production	14.898	11.363	515	26.776	6%
e.)	Housing needs	6.401	43.468	519	50.388	12%
f.)	Other	10.689	32.040	690	43.419	11%
TOTAL 2:		TOTAL 2:	288.991	6.148	413.276	100%
TOTAL (1+2):		TOTAL (1+2):	295.889	6.262	422.647	

According to the department structure of the micro-credits, 413,2 million KM or 98% of total loans are granted to the individuals, and 9,4 million or 2% to legal entities.

In the maturity structure of the micro-credits, short term loans, which include the past due receivables, are 126,7 million KM or 30%, and long term loans are 295,9 million KM or 70%. The total past due receivables are 6,2 million KM or 1,5% of the total loans and almost entirely refer to loans to individuals. In comparison to the previous quarter, there is an increase of the short term loans by 18%, and decrease in the long term loans for the same per cent, which is a result of a more vigilant lending policy, approval of loans for shorter terms, as well as matching of maturities of the assets and liabilities.

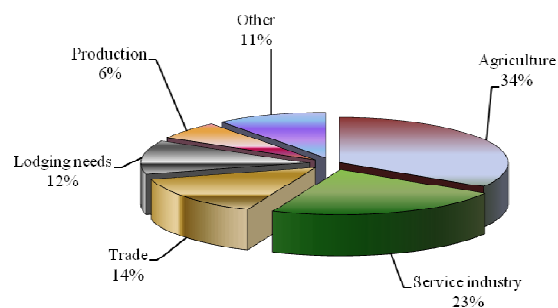
According to the sector structure the largest amount of total amount of micro-credits to **legal entities** has been allocated in the trade and service sector – service industry 4,3 million, or 46%, and trade 3,1 million KM or 33%. For production allocated is 1,3 million KM or 13% of the total amount of micro-credits granted to legal entities, then 0,2 million KM for agriculture or 3%, and 0,5 million or 5% for other purposes.

Sector structure of microcredit loans placed to legal entities



In regard to loans to **individuals**, 139,3 million KM or 34% was granted to agriculture, then 94 million KM or 23% for service industry, whereas 59,4 million KM or 14% was granted the sector of trade, for housing needs 50,4 million KM or 12%, and for production 26,7 million KM or 6%, and for other 43,4 million KM or 11%.

Sector structure of microcredit loans to individuals



Based on the analyses of the sector structure it is concluded that the micro-credit lending is in most part directed to lending to agriculture and service industry and mainly relates to long term loans to individuals, which leads to loans being granted to individuals that do not have access to traditional financing sources, partly due to the risk in the business they perform and partly due to the lack of adequate collateral.

According to the Decision on the amount and manner for allocating and maintaining the loan loss reserves of MCOs („Official Gazette of the Federation of BiH“, number: 27/07), MCOs are obliged to allocate all loan funds and other receivables in certain groups by applying the days of default criteria in such a manner that each group is assigned reserves for loan and other losses on the charge of operation expenses.

The base for accrual of the amount of the reserves is the amount of unpaid loans, accrued interest and fees and all other items where MCO is exposed to risk of payment default, which is business failure.

The following table shows the amounts of receivables distributed through the given groups and accrued interests in those groups as of 30.09.2011.,:

Table 7. Report on amount and manner of establishing the reserves for loan losses as of 30.09.2011.

in 000 KM

No.	Days of default	Reserve rates	Loan amount	Past due interest		Amount of other assets items	Provisioning			Total Provisioning
				Reserve rates	Amount of interest		For loans	For past due interest	For other items of assets	
1	2	3	4	5	6	7	8=(4x3)/100	9=(5x6)/100	10=(7x3)/100	11=(8+9+10)
1.	0	0%	390.878	0%	66	0	0	0	0	0
2.	1 - 15	2%	7.115	2%	149	0	141	4	0	145
3.	16 - 30	15%	8.353	100%	130	0	1.253	130	0	1.383
4.	31 - 60	50%	5.450	100%	182	0	2.649	183	0	2.832
5.	61 - 90	80%	3.294	100%	180	0	2.564	180	0	2.744
6.	91 - 180	100%	7.557	100%	1.176	0	7.557	1.176	0	8.733
TOTAL			422.647		1.883	0	14.164	1.673	0	15.837

7.	over 180	Write off	10.706	100%	2.204					
----	----------	-----------	--------	------	--------------	--	--	--	--	--

Defaults in payment of longer than one day have loans in the amount of 31,8 million KM. The rate for the loans in default of more than one day in the third quarter of 2011, is 7,52%, and continued declining, it is lower than in relation to the end of previous year by 3,18%.

The total amount of past due interests on active loans that have a default longer than one day is 1,8 million KM.

Total amount of accrued reserves on all bases is 15,8 million KM and have declined by 18% in comparison to the previous quarter.

- Collection of loan from the guarantor--

The negative impact and the consequences of the global economic crises on the financial sector are especially present in the segment of lending and credit portfolio quality of MCOs operations. Due to the trend of increase of delinquent receivables, that is the delay of clients in paying their obligations, there were activated guarantor obligations in a number of delinquent loans, which had such a security, so the repayment obligation passed on to the guarantors. With an aim to collect, monitor and analyze the data on the loans that are being paid by the guarantors, as of 31.12.2009, the Agency issues a new reporting form OKJ – repayment of loans by the guarantor.

As of 30.09.2011, according to the reports of the MCOs in the Federation of BiH, 9.847 guarantors repaid 4,85 million KM of the total granted amount of loans of 51,8 million KM (9.018 credit units), which is by 23% higher than in relation to the amount paid by the

guarantor at the end of the last year (4,21 million KM, paid by 12.734 guarantors, while the amount of the total granted loans was 52,6 million KM – 9.036 credit units). Of the total number of loan units, paid by the guarantor are 4,07%, and in comparison to the last year the number of loans paid by the guarantors has a slight incline. As of 30.09.2011., the balance of the remaining debt paid by the guarantors is 14,3 million KM, that is 3,4% of gross loans of MCOs in comparison to 31.12.2010, the participation of the remaining debt in the gross portfolio declined by 0,7% . (as of 31.12.2010., the balance of the remaining debt was: 18,5 million KM).

3.4. Risk weighted nominal and effective interest rates for micro-credits

Effective interest rate on micro-credit loans is the actual market price of those loans, and is accrued and recorded in compliance with the Decision on the unified manner of accrual and recording of the effective interest rate on loans and deposits („Official Gazette of the Federation of BiH“, number: 27/07, 46/09 and 46/11). The accrual of the effective interest rate includes the data on the amount of the nominal interest rate on loans, the amount of reimbursements and fees that MCOs calculate for the client in the loan approval process and the amount of reimbursements and fees known on the day of the calculation, that MCOs calculate for the client during the implementation of the loan agreement

Weighted nominal and effective interest rates are calculated on the newly approved loans in the reporting month.

Table 8. Average nominal and effective interest rates for microcredit loans for the 3rd quarter of 2011 – through products

No.	DESCRIPTION	Weighted nominal interest rate (average)	Weighted effective interest rate (average)
1.	Short term loans for:		
1.1.	Service industry	26,08%	31,96%
1.2.	Trade	25,41%	31,62%
1.3.	Agriculture	24,69%	32,42%
1.4.	Production	25,68%	30,33%
1.5.	Housing needs	22,37%	27,21%
1.6.	General purpose – basic needs	32,01%	38,79%
1.7.	Other	20,66%	29,03%
2.	Long term loans for:		
2.1.	Service industry	24,32%	28,75%
2.2.	Trade	24,80%	29,09%
2.3.	Agriculture	20,90%	24,59%
2.4.	Production	24,20%	27,88%
2.5.	Housing needs	22,09%	24,95%
2.6.	General purpose - basic needs	28,10%	33,52%
2.7.	Other	23,50%	28,24%

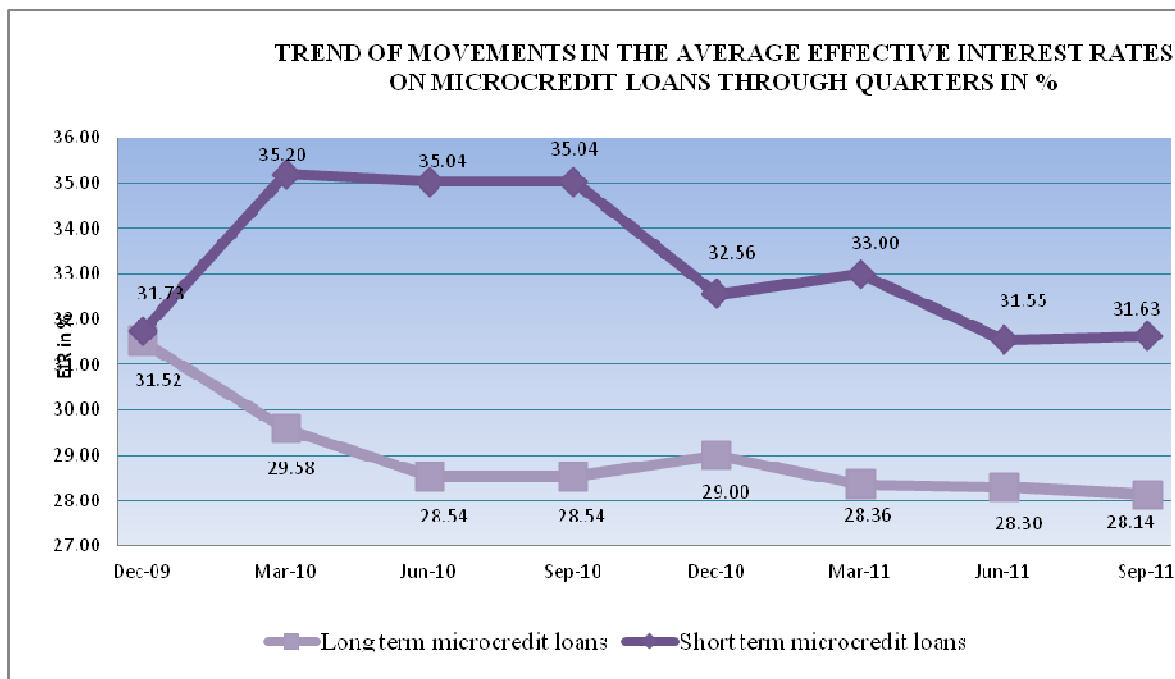
For short term loans, average nominal interest rates are in the range between 20,66% for other to 32,01% for general purpose loans, and for the effective interest rate in the range of 27,21% for housing needs to 38,79% for general purpose loans.

For long term loans, the average nominal interest rates are in the range between 20,90% for agriculture to 28,10% for general purpose loans, and effective interest rate in the range of 24,59% for agriculture to 33,52% for general purpose loans.

The average effective interest rates on short term and long term micro-credits in the Federation of BiH through quarters are presented in the Table 9.

Table 9. Trend of average effective interest rates (EIR) on micro-credit through quarters

AVERAGE EIR in % for	2009.	2010.				2011.		
Short term micro-credits	31.12.	31.03.	30.06.	30.09.	31.12.	31.03.	30.06.	30.09.
Long term micro-credits	31,73	35,20	35,04	35,04	32,56	33,00	31,55	31,63
	31,52	29,58	28,54	28,54	29,00	28,36	28,30	28,14



In the third quarter of 2011, the average effective interest rates in the microcredit sector on the long term loans recorded a slight decline (by 0,16%), while the average effective interest rates on the short term loans are slightly increasing (by 0,08%) which is a result of more short term loans approved.

With an aim to increase the transparency in lending and protect clients of the micro credit organizations, the Agency prevented the reporting of interest rates on the monthly bases even when reported are effective interest rates on loans, so that MCOs clients are not deceived. The Agency expects that the implementation of the above mentioned regulation will result in additional decline of the interest rates in micro credit organizations, as the clients will be

better informed about the unified reporting on interest rates for micro-credit loans in public media, advertising, as well as in the loan contracts.

The most significant item in the establishment of the interest rates for the micro-credits is the high administrative expense of the micro credit organizations. The Agency pays special attention during the examinations of MCOs to the justification of individual expenses in compliance with the Article 38 of the Law on the MCOs, which at the end influence the establishment of the interest rates for the micro credit organizations, sustainability of the organization and protection of the donated funds.

3.5. Income Statement

The structure of the income statement of the micro-credit sector in the Federation of BiH is presented in the Table 10.

Table 10. Income Statement MCOs

in 000 KM

No.	DESCRIPTION	For the period 01.01. - 30.09.2010.				For the period 01.01. - 30.09.2011.				Index
		MCF	MCC	Total	%	MCF	MCC	Total	%	
1	2	1	2	3=(1+2)	4	5	6	7=(5+6)	8	9=(7/3)
1.	INTEREST INCOME AND SIMILAR TYPES OF INCOME									
1.1.	Interest income and similar types of income	89.605	218	89.823	94	68.786	248	69.034	92	77
1.2.	Operating income	5.250	27	5.277	6	6.140	44	6.184	8	117
2.	TOTAL INCOME (1.1.+1.2.)	94.855	245	95.100	100	74.926	291	75.218	100	79
3.	EXPENSES									
3.1.	Income expenses and similar expenses	25.733	41	25.774	23	17.082	50	17.132	22	66
3.2.	Operating expenses	52.588	171	52.759	47	50.379	231	50.610	65	96
3.3.	Expenses for reserves for loan and other losses	33.367	33	33.400	30	10.218	5	10.223	13	31
4.	TOTAL EXPENSES (3.1.+3.2.+3.3.)	111.688	245	111.933	100	77.680	286	77.966	100	70
5.	EXTRAORDINARY INCOME	7.179	1	7.180		11.176	34	11.209		156
6.	EXTRAORDINARY EXPENSES	5.319	0	5.319		738	0	738		14
7.	TOTAL INCOME -EXPENSES (2+5-4-6)	-14.973	1	-14.972		7.684	39	7.723		-52
8.	SURPLUS/DEFICIT OF INCOME OVER EXPENSES	-14.973		-14.973		7.684		7.684		-51
9.	INCOME BEFORE TAXES		1	1			39	39		
10.	TAXES		0	0			4	4		
11.	NET INCOME/LOSS		1	1			35	35		
12.	TOTAL FINANCIAL RESULT			-14.972				7.719		

The total income of MCOs for the period of 01.01. - 30.09.2011., is 75,2 million KM, of which 74,9 million KM or 99,6% refers to income of MCFs, and 0,3 million KM or 0,4% on income of one MCC. In comparison to the same period of last year, total income of MCCs is in decline by 19,9 million KM, or 21%.

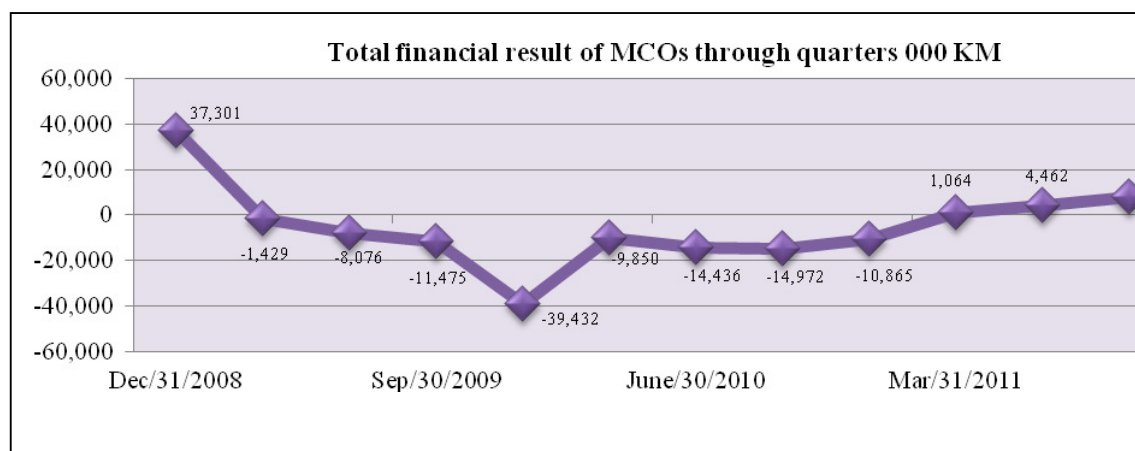
The core income is interest income and it is 69 million KM or 92 % of total income and in relation to the same period of previous year the interest income is in decline by 20,8 million KM or 23%.

The total expenses are 77,9 million KM, of which 77,64 million or 99,6% relates to expenses of MCF, and 0,3 million KM or 0,4% to expenses of one MCC. In relation to the same period of last year the total expenses have declined by 34 million KM or 36%.

In the structure of expenses, 17,1 million KM or 22% of total expenses are expenses related to interests on acquired loans and other similar expenses, and have decreased by 8,6 million KM or 34% in regard to the same period of last year. Operational expenses are 50,6 million KM or 65% of total expenses and in relation to the same period of last year decreased by 2,1 million KM or 4%. The operating expenses refer to expenses of salaries and contributions 28 million KM (01.01. – 30.09.2010: 27,7 million KM)), expenses related to the business premises, other fixed assets and utilities 13,1 million KM (01.01.-30.09.2010: 12,3 million KM), and other operating expenses 9,5 million KM. (01.01.-30.09.2010.: 12,7 million KM). The expenses related to the reserves for loan losses and other losses declined by 23,1 million KM or 69%. One MCF had provisioning expenses for loans and other losses that are negative, which means that the income from terminated reserves was higher than the reserves' expenses.

As of 30.09.2011, the extraordinary income of MCO was 11,2 million KM and in comparison to the same period last year was higher by 4 million KM, that is 56%. Over 90% of extraordinary income, refers to the collection of receivables from written off loans. At the end of the third quarter the extraordinary expenses of MCOs were 0,7 million KM, and in comparison to the same period last year they declined by 4,6 million KM that is 86%.

For the period of 01.01.-30.09.2011., the net income of one MCC was 35 thousand KM (01.01. – 30.09.2010.: 1 thousand KM). In the same period MCF realized a surplus of income over expenses in a total amount of 7,7 million KM, while in the same period of last year the MCFs realized a deficit of income over expenses in a total amount of 14,9 million KM. In the period from 01.01 to 30.09.2011, of total 16 MCFs, 8 MCFs had a deficit of income over expenses in a total amount of 0,8 million KM, and 8 MCF realized an income surplus in the total amount of 8,5 million KM).



On the level of the microcredit sector in the Federation of BiH, there is realized a positive financial result in the amount of 7,7 million KM which indicates to a gradual recovery of the sector, taken that in the first quarter of 2011, for the first time since 2008, the sector recorded a financial result, and the trend continued in the second and third quarter of this year.

4. CONCLUSION AND RECOMMENDATIONS

Analyzing the reports of MCOs as of 30.09.2011., we can conclude the following:

- Aggregate balance sheet of MCOs as of 30.09.2011. is 511,3 million KM, of which 509,7 million KM refers to MCFs or 99,7%, and 1,6 million KM to MCCs or 0,3% of the total balance sheet of MCOs;
- At the end of the third quarter, the aggregate balance sheet of MCOs decreased by 83 million KM or 14% in comparison to the same quarter of the last year, that is it decreased by 65 million KM or 11% in comparison to 31.12.2010;
- The total gross loans of MCOs as of 30.09.2011. are 422,6 and are 83% of total assets of MCOs, and net loans are 406,8 million KM;
- The basic source of funds for MCOs are liabilities on acquired loans that, as of 30.09.2011., are 345,3 million KM or 67% of total liabilities of MCOs;
- The total capital of MCOs as of 30.09.2011., is 147 million KM, of which the capital of MCF is 146,3 million KM, and capital of one MCC is 0,7 million KM. The most significant items of capital of MCFs are the surplus of income over expenses in the amount of 90 million KM, which constitutes 61% of the total capital of MCF. The undivided profit and reserves of one MCC are 139 thousand KM or 19% of total capital of MCCs, while the core capital is 600 thousand KM or 81% of total capital of MCCs.
- In the period from 01.01. to 30.09.2011, the 8 MCFs realized a surplus in income over expenses in the amount of 8,5 million KM, while the deficit of income over expenses was realized by 8 MCFs in the amount of 0,8 million KM, which means that MCFs as of 30.09.2011., performed with a surplus income over expenses in the total amount of 7,7 million KM. As of 30.09.2011, one MCC realized a net profit in the amount of 35 thousand KM.

In order to improve the performance of the sector in the following period, work needs to be intensified on:

- Finding partners for consolidation, the MCF which have smaller amounts of capital, and high amounts of written off loans, should adopt clear strategies for merger with larger and stronger MCFs in order to optimize resources, preserving the donated funds, provide for support from foreign creditors, as well as provide future for the employees in the MCOs;

- Further improvement of the internal control system, improvement of the performance efficiency and optimization of the resources of MCOs with an aim to decrease interest rates;
- Adoption and full implementation of the responsible lending principles;
- Full implementation of the Article 2 of the Law on MCOs which implies performance with an aim to improve the material position of the user of microcredit, increase of the employment and providing the support for the entrepreneurship;
- Obligatory exchange of information on the level of department and the Central credit registry;
- Improving the cooperation with the Center for financial consulting with an aim to solve problems of clients and creditors with too much debt;
- Improving the institutional capacity including the improvement of the management function and governance;
- Complete implementation of the regulations that are in effect and increase of the transparency in performance.

ATTACHMENTS

- Attachment 1. Basic Data on MCOs
- Attachment 2. Balance Sheet MCFs
- Attachment 3. Balance Sheet MCCs
- Attachment 4. Income Statement MCFs
- Attachment 5. Income Statement MCCs
- Attachment 6. Review of donated capital of MCFs

Attachment 1

BASIC DATA ON MCOs

No.	Micro-credit organization name	Address and main office	Director	Tel/Fax	E-mail and Web	30.09.2011.	
						Amount of assets in 000 KM	Number of employees
1.	MKD "ADRIA mikro" d.o.o. Mostar	ul. Kneza Višeslava 14 88 000 MOSTAR	Sena Martina Topić	036/ 348-891, 348-890 fax	adria.mikro@tel.net.ba	1.597	8
2.	MKF „BOSANSKO SELO“ Srebrenik	u. 21. Srebreničke brigade bb 75 350 SREBRENİK	Hajrudin Husanović	035/ 644-898 tel/fax	mobossel@bih.net.ba	412	4
3.	MKF "EKI" Sarajevo	ul. Džemala Bijedića bb 71 000 SARAJEVO	Sadina Bina	033/ 754-370, 754-388 fax	sbina@mkoeki.com www.mkoeki.com	108.422	270
4.	MKF "LIDER" Sarajevo	ul. Skenderija 68 71 000 SARAJEVO	Zijad Hasović	033/ 250-580, 250-581 fax	zijadh@lider.ba www.lider.ba	11.366	50
5.	"LOK MKF" Sarajevo	ul. Skenderija 13 71 000 SARAJEVO	Nusret Čaušević	033/ 564-200, 564-201 fax	central.office@lok.ba www.lok.ba	66.588	200
6.	MKF "MELAHA" Sarajevo	ul. Hamdije Kreševljakovića 59 71 000 SARAJEVO	Iso Abinun	033/ 205-737 tel/fax	iso@melaha.ba	978	3
7.	MKF "MIBA" Tuzla	ul. Đorđa Mihajlovića 4/III 75 000 TUZLA	Mirsad Bahić	035/ 277-455 tel/fax	miba@vesta.ba www.miba.ba	432	3
8.	MKF "MI-BOSPO" Tuzla	ul. Bosne srebrene bb 75 000 TUZLA	Nejira Nalić	035/ 270-283, 252-448 fax	mi-bospo@mi-bospo.org www.mi-bospo.org	33.176	130
9.	MKF "MIKRA" Sarajevo	ul. Marka Marulića 2/VI 71 000 SARAJEVO	Sanin Čampara	033/ 616-162, 717-141 fax	mikra@mikra.ba www.mikra.ba	17.018	87
10.	MKF "MIKRO ALDI" Goražde	ul. Panorama bb 73 000 GORAŽDE	Ferida Softić	038/ 226-456, 221-004 fax	mka.aldi@bih.net.ba www.mikroaldi.org	3.034	22
11.	"PARTNER MKF" Tuzla	ul. 15. maja bb 75 000 TUZLA	Senad Sinanović	035/ 300-250, 300-269 fax	partner@partner.ba www.partner.ba	106.763	255
12.	MKF "PRIZMA" Sarajevo	ul. Bistrik Medresa 43 71 000 SARAJEVO	Kenan Crnkić	033/ 573-320, 446-583 fax	hq@prizma.ba www.prizma.ba	115.817	252
13.	"PRVA ISLAMSKA MKF" Sarajevo	ul. Jukićeva 75 71 000 SARAJEVO	Edina Hadžimurtezić	033/ 666-233, 666-224 fax	info@mfi.ba	1.546	10
14.	MKF "SANI" Zenica	ul. Mehmedalije Tarabara 10 72 000 ZENICA	Sulejman Haračić	032/ 405-606 tel/fax	mikrosanizenica@yahoo.com	405	3
15.	MKF "SUNRISE" Sarajevo	ul. Hamdije Kreševljakovića 51 71 000 SARAJEVO	Zoran Dučić	033/ 278-020, 278-032 fax	sunrise@microsunrise.ba www.microsunrise.ba	38.157	152
16.	MKF "VORTT-INVEST" Sarajevo	ul. Azize Šaćirbegović 128 71 000 SARAJEVO	Mustafa Kapić	033/720-949, 720-941 fax	vorttdoo@yahoo.com	371	2
17.	MKF "ŽENE ZA ŽENE International" Sarajevo	ul. Džemala Bijedića 130 71 000 SARAJEVO	Seida Sarić	033/ 770-010, 770-012 fax	general@zenezazene.ba www.womenforwomen.org	5.245	61
TOTAL						511.328	1.512

Attachment 2.

BALANCE SHEET OF MCF

In 000 KM

No.	DESCRIPTION	31.12.2010.	%	30.09.2011.	%	Ratio
1	2	3	4	5	6	7=5/3
ASSETS						
1.	Cash (1a+1b)	47.527	8	27.804	5	59
1a)	Cash and noninterest –bearing deposit accounts	18.252	3	16.240	3	89
1b)	Interest-bearing deposit accounts	29.275	5	11.564	2	40
2.	Placement to banks	28.751	5	18.525	4	64
3.	Loans	458.551		421.201		92
3a)	Reserves for loan losses	26.214		15.822		60
3b)	Net loans (3-3a)	432.337	75	405.379	80	94
4.	Premises and other fixed assets	49.115	9	47.408	9	97
5.	Long term investments	3.500	0	2.715	0	78
6.	Other assets	14.319	2	8.411	2	59
7.	Less: reserves for other items of the assets, except loans	701		511		73
8.	TOTAL ASSETS	574.848	100	509.731	100	89
LIABILITIES						
9.	Liabilities on taken short term loans	88.871	15	75.481	15	85
10.	Liabilities on taken long term loans	321.027	56	269.051	53	84
11.	Other liabilities	23.025	4	18.911	4	82
12.	TOTAL LIABILITIES	432.923	75	363.444	71	84
13.	Donated capital	42.619		43.048		101
14.	Core capital	9.957		10.383		104
15.	Surplus of income over expenses	110.607		111.114		100
15a)	For previous years	109.640		102.423		93
15b)	For current year	967		8.691		899
16.	Deficit of income over expenses	25.751		21.209		82
16a)	For previous years	13.997		20.330		0
16b)	For current year	11.754		879		7
17.	Other reserves	4.493		2.950		66
18.	TOTAL CAPITAL	141.925	25	146.287	29	103
19.	TOTAL LIABILITIES	574.848	100	509.731	100	89
OFF-BALANCE SHEET						
	- charged-off loans	79.269		165.475		209
	- agent contracts	1.272		446		35

Attachment 3.

BALANCE SHEET OF MCD

in 000 KM

No.	DESCRIPTION	31.12.2010.	%	30.09.2011.	%	Ratio
1	2	3	4	5	6	7=5/3
ASSETS						
1.	Cash (1a+1b)	36	3	68	4	190
1a)	Cash and noninterest –bearing deposit accounts	36	3	68	4	190
1b)	Interest-bearing deposit accounts	0	0	0	0	0
2.	Placements to banks	0	0	0	0	0
3.	Loans	1.276		1.446		113
3a)	Reserves for loan losses	36		15		41
3b)	Net loans (3-3a)	1.240	90	1.431	90	115
4.	Premises and other fixed assets	84	6	82	5	98
5.	Long term investments	0	0	0	0	0
6.	Other assets	9	1	18	1	0
7.	Less: reserves for other items of the assets, except loans	0		2		0
8.	TOTAL ASSETS	1.369	100	1.597	100	117
LIABILITIES						
9.	Liabilities on taken short term loans	513	38	478	30	93
10.	Liabilities on taken long term loans	86	6	312	20	
11.	Other liabilities	71	5	68	4	96
12.	TOTAL LIABILITIES	669	49	858	54	128
13.	Donated capital	0		0		0
14.	Core capital	600		600		100
15.	Issue premium	0		0		0
16.	Undistributed profit (16a+16b)	3		39		1297
16a)	Previous years	0		0		0
16b)	Current year	3		39		1297
17.	Regulatory reserves	98		100		
18.	Other reserves	0		0		0
19.	TOTAL CAPITAL	700	51	739	46	106
20.	TOTAL LIABILITIES	1.369	100	1.597	100	117
OFF BALANCE SHEET						
	- charged-off loans	88		66		75
	- agent contracts	0		0		0

Attachment 4.

INCOME STATEMENT OF MCF

in 000 KM

No.	DESCRIPTION	Fore period 01.01. - 30.09.2010.	%	For period 01.01. - 30.09.2011.	%	Ratio
1	2	3	4	5	6	7=(5/3)
I	FINANCIAL INCOME AND EXPENSES					
1.	Interest income and similar income					
1.1.	Interest from interest bearing deposit accounts with depositary institutions	912	1	40	0	4
1.2.	Interest from placements to banks	717	1	963	1	134
1.3.	Loan interest	87.203	97	67.157	98	77
1.4.	Other financial income	773	1	627	1	81
1.5.	Total interest income and similar income (1.1. to 1.4.)	89.605	100	68.786	100	77
2.	Interest expenses and similar expenses					
2.1.	Interest on borrowings	23.855	93	16.598	97	70
2.2.	Other financial expenses	1.878	7	484	3	26
2.3.	Total interest expenses and similar expenses (2.1. to 2.2.)	25.733	100	17.082	100	66
3.	Net financial income (1.5. - 2.3.)	63.872		51.704		81
II	OPERATING INCOME AND EXPENSES					
4.	Operating income					
4.1.	Fees for completed services	4.918	94	5.592	91	114
4.2.	Other operating income	332	6	548	9	165
4.3.	Total operating income (4.1. to 4.2.)	5.250	100	6.140	100	117
5.	Operating expenses					
5.1.	Cost of salaries and benefits	27.700	53	27.825	55	100
5.2.	Costs of business premises, other fixed assets and utilities	12.265	23	13.119	26	107
5.3.	Other operating expenses	12.623	24	9.434	19	75
5.4.	Total operating expenses (5.1.to 5.3.)	52.588	100	50.379	100	96
6.	Cost of provisioning for loan and other losses	33.367		10.218		31
7.	Surplus/deficit of income over expenses from direct business operations (3.+4.3.-5.4.-6.)	-16.833		-2.753		16
8.	Extraordinary income	7.179		11.176		156
9.	Extraordinary expenses	5.319		738		14
10.	Surplus/deficit of income over expenses (7.+8.-9.)	-14.973		7.684		-51

Attachment 5.

INCOME STATEMENT OF MCD

In 000 KM

No.	DESCRIPTION	For period 01.01. - 30.09.2010.	%	For period 01.01. - 30.09.2011.	%	Ratio
1	2	3	4	5	6	7=(5/3)
I	FINANCIAL INCOME AND EXPENSES					
1.	Interest income and similar income					
1.1.	Interest from interest bearing deposit accounts with depositary institutions	0	0	0	0	n/a
1.2.	Interest from placements to banks	0	0	0	0	n/a
1.3.	Interest from loans	217	100	246	99	113
1.4.	Other financial income	1	0	2	1	220
1.5.	Total interest income and similar income (1.1. to 1.4.)	218	100	248	100	114
2.	Interest expenses and similar expenses					
2.1.	Interest on borrowings	41	85	49	97	118
2.2.	Other financial expenses	0	15	2	3	n/a
2.3.	Total interest expenses and similar expenses (2.1. to 2.2.)	41	100	50	100	122
3.	Net financial income (1.5. - 2.3.)	177		198		112
II	OPERATING INCOME AND EXPENSES					
4.	Operating income					
4.1.	Fees for completed services	19	73	18	40	93
4.2.	Other operating income	8	27	26	60	324
4.3.	Total operating income (4.1. to 4.2.)	27	100	44	100	161
5.	Operating expenses					
5.1.	Costs of salaries and benefits	65	40	87	38	134
5.2.	Costs of business premises, other fixed assets and utilities	47	40	75	32	159
5.3.	Other operating expenses	59	20	69	30	117
5.4.	Total operating expenses (5.1. to 5.3.)	171	100	231	100	135
6.	Cost of provisioning for loan and other losses	33		5		15
7.	PROFIT/LOSS FROM DIRECT BUSINESS OPERATIONS (3.+4.3.-5.4.-6.)	0		5		n/a
8.	Extraordinary income	1		34		3.360
9.	Extraordinary expenses	0		0		n/a
10.	INCOME/LOSS BEFORE TAXES	1		39		3.890
11.	TAXES	0		4		n/a
12.	NET PROFIT/LOSS	1		35		3.501

Attachment 6.

REVIEW OF THE DONATED CAPITAL OF MCFs
As of 30.09.2011.

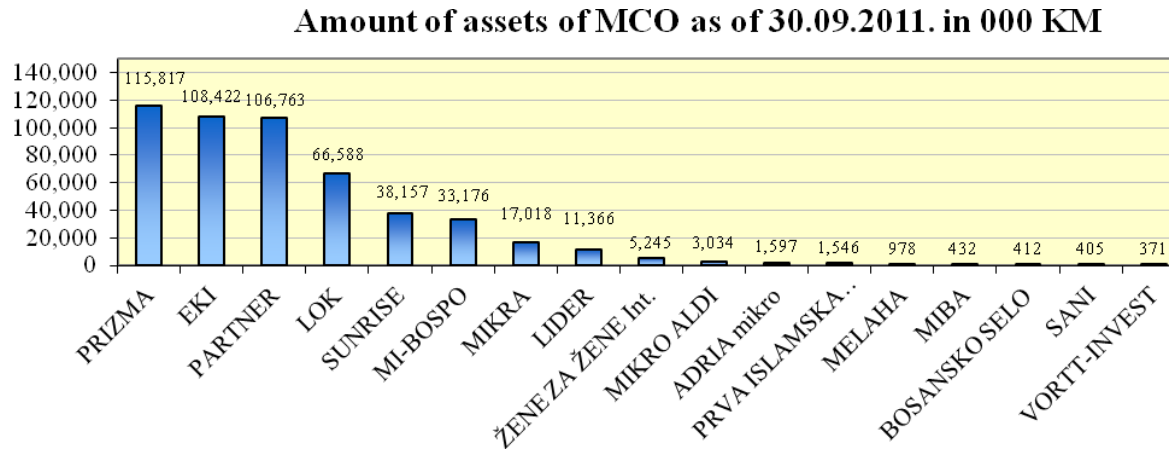
in 000 KM

No .	Name of the Donator	MCF EKI Sarajevo	MCF LIDER Sarajevo	MCF MIBA Tuzla	MCF MI-BOSPO Tuzla	MCF MIKRA Sarajevo	MCF MIKRO ALDI Gorazde	PARTNER MKF Tuzla	MCF PRIZMA Sarajevo	MCF SUNRISE Sarajevo	MCF ŽENE ZA ŽENE Sarajevo	TOTAL
Donations for the credit fund		5.246	6.106	298	2.685	3.412	804	6.828	7.490	1.942	2.259	37.070
1.	USAID	3.046						3.046	3.046		543	9.681
2.	CHF-(SIDA, MEDI, HILP)		6.106									6.106
3.	UNHCR				479		200	1.229	992	614	450	3.964
4.	CRS					3.412						3.412
5.	LIP (funds of FBiH Government)				947			675		1.214		2.836
6.	PRM/USA State Department								2.006		577	2.583
7.	UNDP	1.932						59	672			2.437
8.	UMCOR			298	79			316	774		637	2.104
9.	Women's World Banking				1.034							1.034
10.	IRC							805				805
11.	Mercy Corps							697				697
12.	OXSFAM						500					500
14.	USDA Know-How Project	237										237
15.	Church World Service				146							146
16.	Citizens' association "ALDI"						104					104
17.	DK merger with "LORI" Orašje									98		98
18.	Women for Women Int.										52	52
19.	CRIC	31										31
20.	SOLIDARITES									16		16
Donations for fixed assets		8	0	0	0	65	0	228	61	10	0	373
21.	Mercy Corps							228				228
22.	CRS					65						65
23.	ICMC								53			53
24.	SOLIDARITES									10		10
25.	WORLD Vision Int.	8										8
26.	PHARE								8			8
Donations for operating expenses		2.037	813	0	0	0	0	1.322	3.087	709	0	7.968
27.	SIDA Housing	1.828										6.106
28.	IFC	104										6.106
29.	PRM								2.047			2.047
30.	UNHCR							129	840			969
31.	LIP (funds of FBiH government)							201		709		910
32.	CHF		813									813
33.	Mercy Corps							725				725
34.	CGAP							45	150			195
35.	EBRD	105										105
36.	WORLD BANK							60				60
37.	USAID							55				55
38.	MFC							12	34			46
39.	UNDP							48				45
40.	ADA ASBL (RATING)							21				21
41.	Other							27	17			33
TOTAL DONATED CAPITAL		7.291	6.919	298	2.685	3.477	804	8.378	10.639	2.661	2.259	45.411

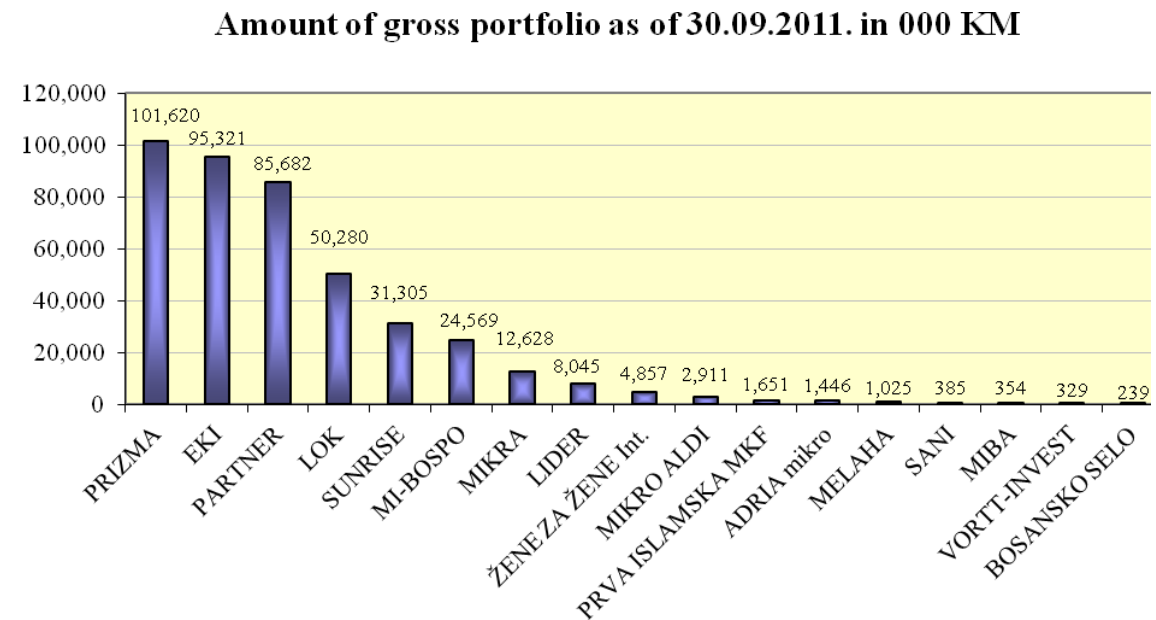
GRAPHS:

- Graph 1. Amount of MCOs assets as of 30.09.2011 in 000 KM.
- Graph 2. Amount of MCOs gross portfolio as of 30.09.2011. in 000 KM
- Graph 3. Amount of MCOs capital as of 30.09.2011.
- Graph 4. Income surplus/deficit over the expenses of MCFs, that is net profit/loss of MCCs as of 30.09.2011. in 000 KM
- Graph 5. Average risk weighted EIR on short term loans according to reports of MCOs in the third quarter of 2011.
- Graph 6. Average risk weighted EIR on long term loans according to reports of MCOs in the third quarter of 2011.
- Graph 7. Number of MCOs employees as of 30.09.2011.
- Graph 8. Total receivables on written off loans in relation to the gross portfolio of MCOs as of 30.09.2011.
- Graph 9. Risk portfolio over 30 days as of 30.09.2011.
- Graph 10. Fixed assets and capital in relation to the total assets as of 30.09.2011.

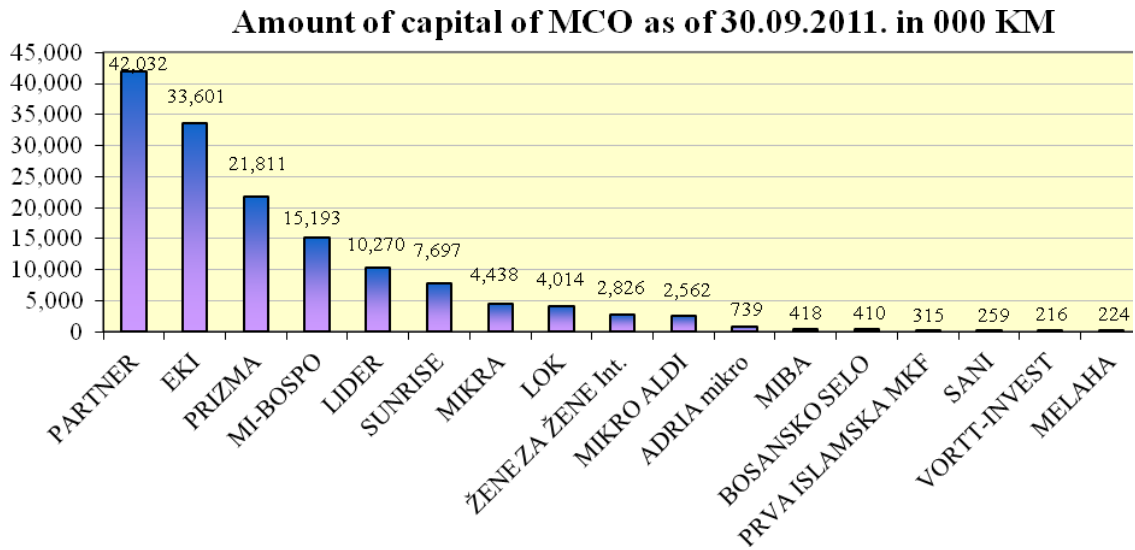
Graph 1.



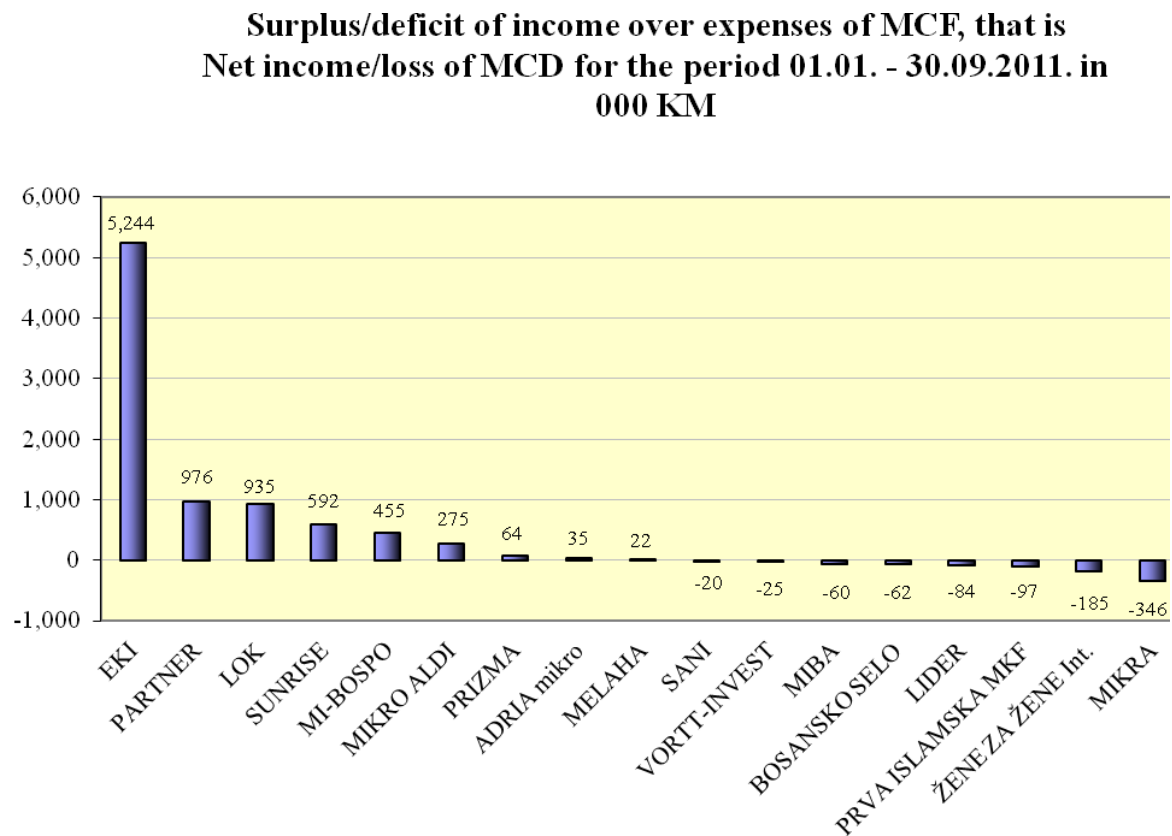
Graph 2.



Graph 3.

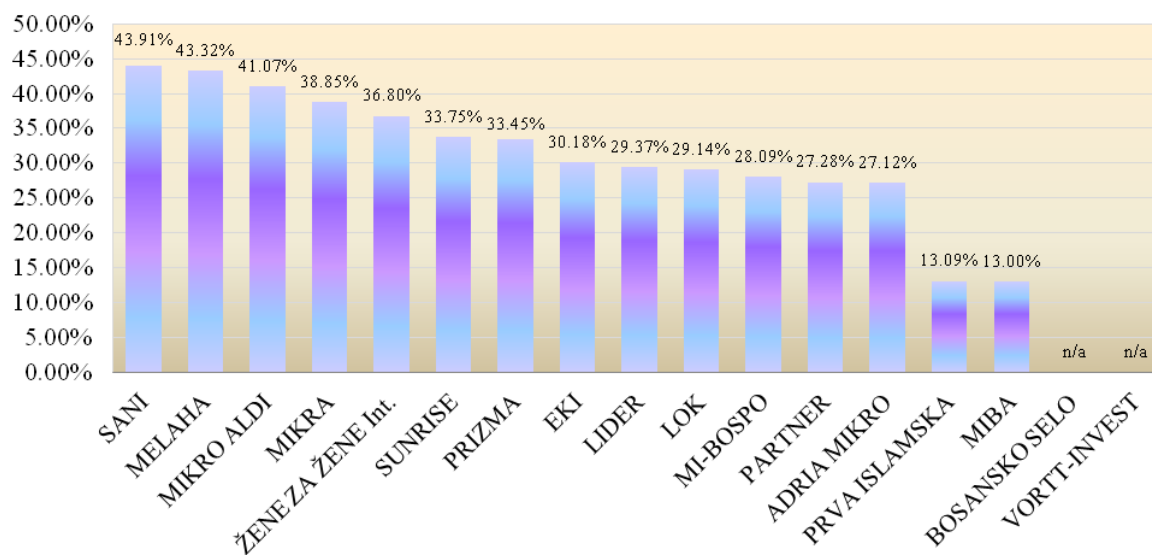


Graph 4.



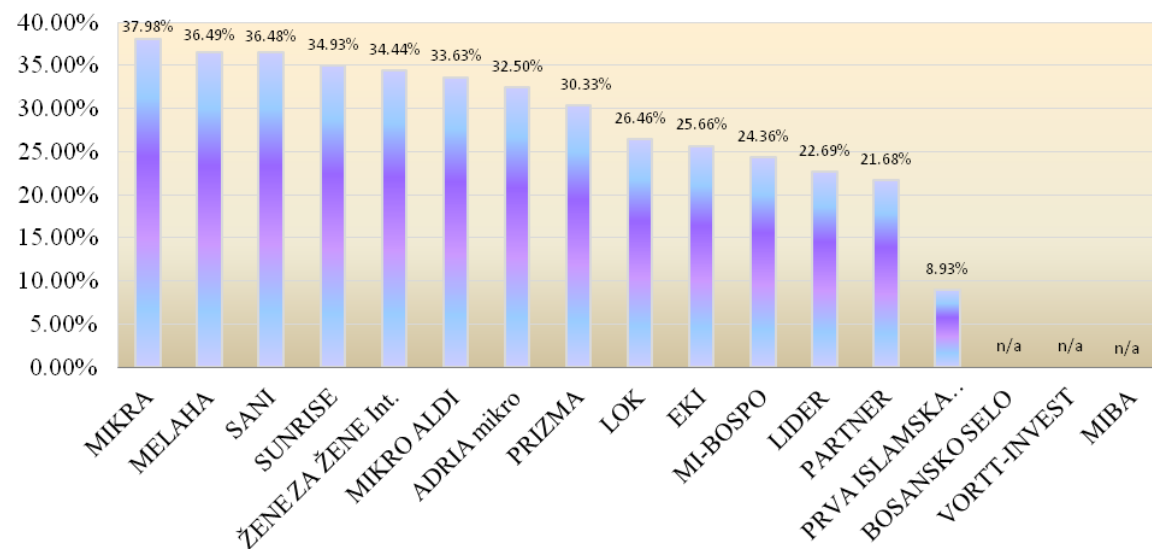
Graph 5.

Average risk weighted EIR on short term loans based on the reports of MCOs in the III quarter of 2011.

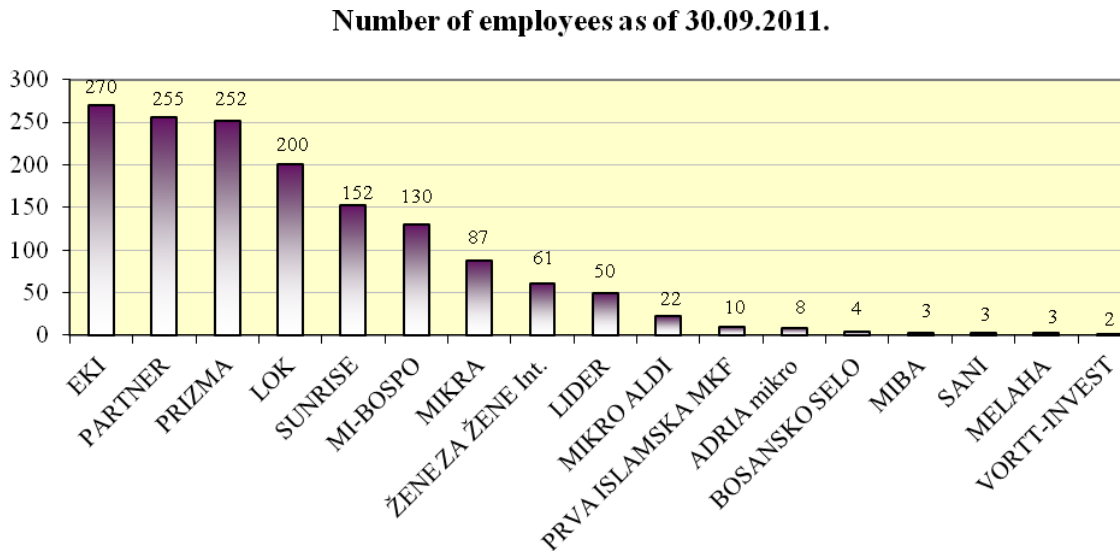


Graph 6.

Average risk weighted EIR on long term loans based on reports of MCOs in the III quarter of 2011.

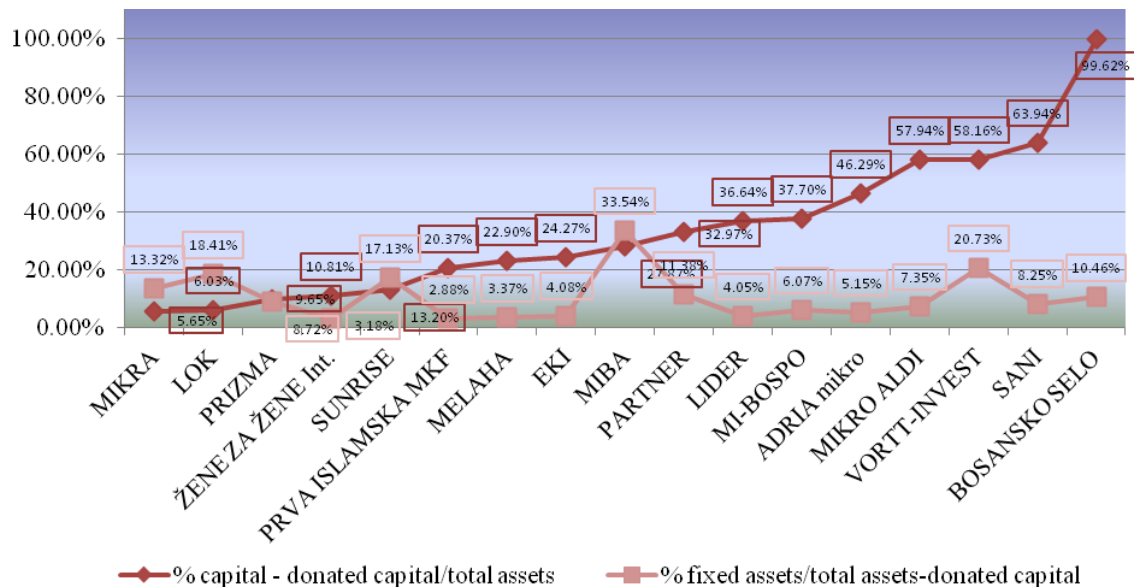


Graph 7.



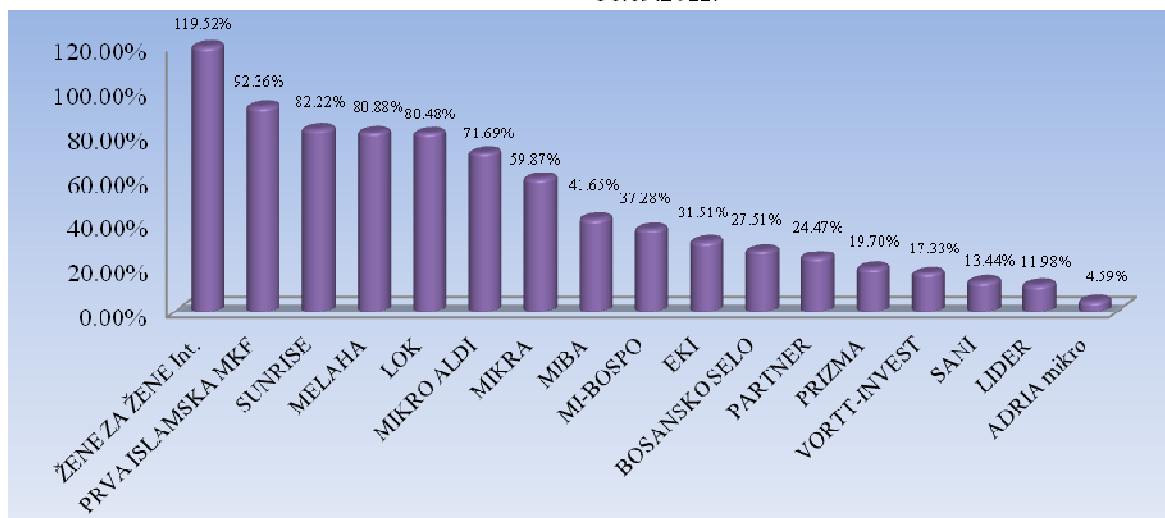
Graph 8.

Fixed assets and capital in relation to the total assets as of 30.09.2011.



Graph 9.

Total receivables from written off loans in relation to gross portfolio of MCOs as of 30.09.2011.



Graph 10.

Portfolio in the risk over 30 days as of 30.09.2011.

