



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

**INFORMATION
ON THE MICROCREDIT SYSTEM
OF THE FEDERATION OF BOSNIA AND HERZEGOVINA
AS OF 31.03.2012.**

Sarajevo, May 2012.

Content

1. INTRODUCTION.....	3
1.1. Agency's regulations regarding business operations of MCOs.....	4
1.2. Performance trend of MCOs in BiH Federation in the first quarter of 2011.	4
1.3. Measures necessary on the level of MCOs sector to eradicate the adverse effects of business operations.....	6
2. THE STRUCTURE OF MICRO-CREDIT ORGANIZATIONS.....	7
2.1. Personnel.....	7
3. ANALYSES OF THE FINANCIAL CONDITION AND PERFORMANCE ACHIEVEMENT OF MCOs.....	9
3.2. <i>Capital</i>	13
3.3. <i>Loan portfolio</i>	15
Table 6. Net loans.....	15
3.4. <i>Risk weighted nominal and effective interest rates for micro-credits</i>	20
3.5. <i>Income Statement</i>	22

ATTACHMENTS:

Attachment 1.	<i>Basic data on MCO</i>
Attachment 2.	<i>Balance sheet MCF</i>
Attachment 3.	<i>Balance Sheet of MCC</i>
Attachment 4.	<i>Income Statement MCF</i>
Attachment 5.	<i>Income Statement MCC</i>
Attachment 6	<i>Preview of the donated capital MCF</i>

GRAPHS:

Graph 1.	<i>Amount of MCO assets as of 31.03.2012.</i>
Graph 2.	<i>Amount of MCO gross portfolio as of 31.03.2012. in 000 KM</i>
Graph 3.	<i>Amount of MCO capital as of 31.03.2012.</i>
Graph 4.	<i>Income surplus/deficit over the expenses of MCFs, that is net profit/loss of MCCs for the period from 01.01 – 31.03.2012 in 000KM.</i>
Graph 5.	<i>Average risk weighted EIR for short term loans for MCOs in the 1st quarter 2011.</i>
Graph 6.	<i>Average risk weighted EIR for long term loans for MCOs in the 1st quarter 2012.</i>
Graph 7.	<i>Number of MCO employees as of 31.03.2012.</i>
Graph 8.	<i>Fixed assets and capital in relation to the total assets as of 31.03.2012.</i>
Graph 9.	<i>Total receivables on written off loans in relation to the gross portfolio of MCOs as of 31.03.2012.</i>
Graph 10.	<i>Risk portfolio over 30 days as of 31.03.2012.</i>

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, 48/08 and 34/12) and internal acts of the Agency, furthermore all the listed activities are performed within the Department for supervision of micro-credit organizations.

The function of supervision of the MCOs, the Agency performs through on site examinations and analyses of the reports that the MCOs submit to the Agency (*off-site*), in accordance with the Law on MCOs and regulations of the Agency. The reporting base is made of quarterly reports on balance sheet, capital, loans, loan loss reserves, performance results and other reports about individual performance segments, as well as a monthly report on interest rates.

During the first quarter of 2012, the Agency continued the regular supervision of the MCOs, and in on-site examinations controlled 22% of the assets of the entire microcredit system in the Federation of BiH. On site examinations were performed in accordance with the determined examination plan and priority, in the cases of the significantly irregular performance of MCOs. The Agency had in place a special control of the significantly irregular performance of a MCO. In this period the Agency especially supervised the lending department, in other words the credit risk management and liquidity risk, the performance of the clients' and guarantors' objections and complaints department, accrual and manner of reporting of effective interest rates, capital and performance with the donated funds of MCOs, as well as the compliance with the standards in performance defined by the decision on other general conditions of performance, compliance with the Law on the micro credit organizations, Law on the organizations and foundations (ZUF) and other regulations.

The irregularities noticed in the on-site examination of the MCO performed in the first quarter of 2012 are mainly in reference to the lack of compliance with the provisions of the Law on Micro credit organizations and implemented provisions of the Agency, especially in regard to establishment and maintenance of the reserves for loan losses, and especially in the cases of a repeated loan agreement. Additional irregularities determined in the on-site examinations of MCOs, referred to violations of the Decision on other general conditions for performance of MCOs in regard to the prescribed standards of the Agency for performance of MCOs, covering of losses on the expense of the donated capital for loan portfolio.

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 i 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 i 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

<i>Agency's instructions for the business operations of MCOs</i>
<ol style="list-style-type: none"> 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 first quarter of 2011.

In comparison to the end of the previous year, at the end of the first quarter of 2012, there is a continuation of the slight decline of the gross portfolio of MCCs. MCOs are exposed to the pressure of the competition from larger MCOs as well as from the banks, therefore the smaller MCOs are faced with a lack of funds for financing the credit portfolio.

The funds offered by the creditors for micro lending are increasingly declining, and at the end of the first quarter of 2011, the long term sources of funding declined by 4% in comparison to

the end of the previous year. During the first quarter of 2012 written off were 3,2 million KM in principal, which is 0,78% of total gross loans. Micro credit organizations are investing more efforts in collecting the receivables from written off loans, which is evident from the reported extraordinary income at the end of the first quarter of 2012, which increased by 13% in comparison to the end of the previous year.

Table 1. Off balance sheet records: receivables from written off principal and interest

in 000 KM

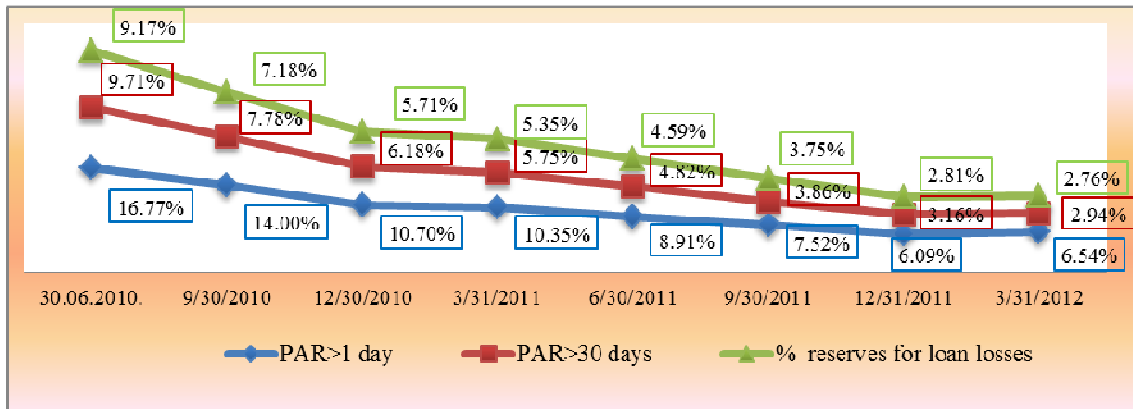
DESCRIPTION	INDIVIDUALS		LEGAL ENTITIES		TOTAL	
	Principal written off	Interest written off	Principal written off	Interest written off	Principal written off	Interest written off
1	2	3	4	5	6=2+4	7=3+5
<i>Initial balance as of 01.01.2012.</i>	138.622	24.836	2.656	466	141.279	25.302
<i>Changes in 2012.:</i>						
<i>New write off (in the current year)</i>	3.177	1.081	28	2	3.205	1.084
<i>Collected in the current year</i>	2.663	827	44	8	2.707	835
<i>Permanent write off</i>	128	19	3	0	131	19
<i>Balance as of 31.03.2012.</i>	139.009	25.071	2.637	460	141.645	25.531

The decline of the credit portfolio, the loss of the market segment, the dialogue of the investors as well as the lack of reaching the prescribed standards promotes the need for consolidation in the micro credit sector, and accelerated negotiations are being held to merge smaller and midsize micro credit organizations, which presents an important step in the protection of the sector.

So far, the negotiations of larger MCOs in the Federation of BiH about establishing a joint company through transfer of property from microcredit foundation did not give results, and majority of MCOs see their chance in establishing a company through one of the foundations, which would multiply the number of legal subject performing microcredit lending in the Federation of BiH. In contrast with the position of the MCOs in the Federation of BiH, 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 require urgent consolidation at the level of the microcredit foundations in the Federation through a joint establishment of microcredit companies by more micro credit foundations. That would make the investment process in the microcredit companies easier, and improve the segment of the corporate management, which presents the weakest link in most of the industries.

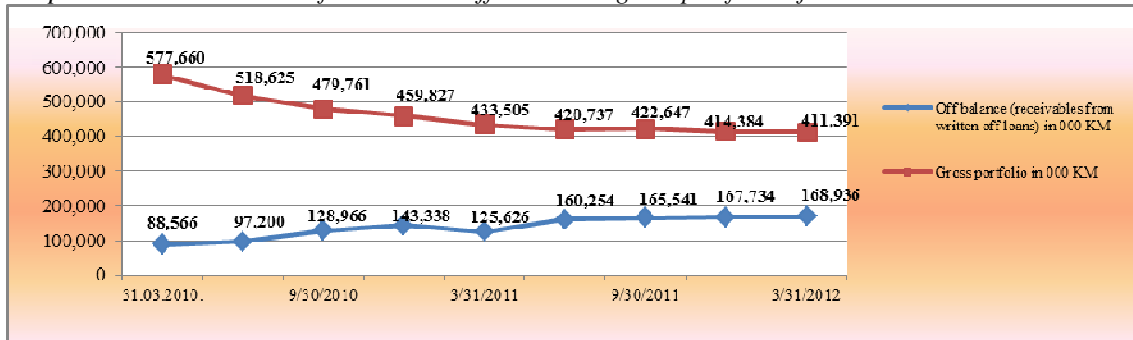
With an aim to prevent and overcome the excessive debt problem, the Agency ordered to the MCOs a full implementation of the regulations in the obligatory exchange of information at the level of the sector and Central loan registry of the CBBiH. In the recent period, most of MCOs invested additional efforts to implement the practice of responsible lending and realization of the mission and aims of the micro credit sector.

Graph 1. MCOs Active portfolio asset quality indicators



In spite of the slight decline of the micro credit portfolio by 1% in comparison to the end of the previous year, the results of the larger MCOs, based on the reports about the reserves show improvement of the quality of the active credit portfolio in comparison to the same period last year. The improvement of the active portfolio quality is reflected in the decrease of the rate for the loan loss reserves from 2,81% (as of 31.12.2011) to 2,76%. Portfolio in risk over one day of delinquency decreased from 3,16 to 2,94%. Portfolio in the risk over 30 days of delinquency declined from 3,16% to 2,94%, which brought the total result of the sector in regard to the risk in the portfolio within the standards prescribed by the Agency. Of 16 MCOs, 5 MCFs do not fulfill the standard of the Agency in regard to the risk in the portfolio which should be under 5%. Portfolio in risk over one day of delinquency recorded a slight increase (by 0,45 percent), from 6,09% (at the end of the previous year) increased to 6,54%.

Graph 2. Receivables from written off loans and gross portfolio of MCOs



However, of concern is the fact that the off balance sheet records of the total written off loans continues to increase and at the end of the first quarter of 2012, the total receivables from written off loans of MCOs were 169 million KM, which is 41% of the total credit portfolio.

There are significant differences in portfolio quality among the different MCOs, which is evident in the data that four MCOs have over 80% of total written off loans in relation to the total gross portfolio (in one MCO the total amount of receivables from written off loans is by 16% higher than the amount of assets), which is a direct consequence of the credit expansion in the past, while three MCOs reported a total write off under 15% of total gross portfolio

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, improve the performance efficiency of MCFs through significant savings in expenses and decreasing the interest rates, as well as increasing the competence of the management boards, management and other personnel of MCOs. The consolidation would facilitate the strengthening of capital base of a smaller number of stronger and sounder MCOs. Also, a significant amount of the loan in the macro credit organizations' liabilities will mature in the coming year, and with a lack of creditors' support, the organizations may be exposed to a liquidity problem.

The Agency expects that the changes to the Law on micro credit organizations will correct the incomplete regulations, provide adequate instruments for MCOs performance supervision, allow a more efficient correction of the noted problems in the performance of MCOs, and eradicate possible misuse. The expected changes to the Law on micro credit organizations would enable space for additional improvements 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.

2. THE STRUCTURE OF MICRO-CREDIT ORGANIZATIONS

As of 31.03.2011., 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 27 MCCs organization units which head offices are in Republic Srpska. Currently, the Agency is conducting the procedure for terminating the performance of one MCO. 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.

In the first quarter of 2012, the trend of closing of the organizational units of MCOs with head offices in the Federation continued and as of 31.03.2012, in comparison to the end of the previous year, have a total of 343 organizational units, of which in the Federation of BiH 227, Republic Srpska 113 and District Brčko 3. A total of 187 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 appropriate Registry. During the first quarter of 2012, the Agency issued and 3 consents for closing organizational units of MCOs. There are 9 MCFs that have organizational units outside of the Federation of BiH

Agency issued licenses for operations of organizational units of one MCC which has a head office in republic Srpska, and which operates in Federation through 27 branches and field offices.

2.1. Personnel

Table 1. Qualification structure of employees

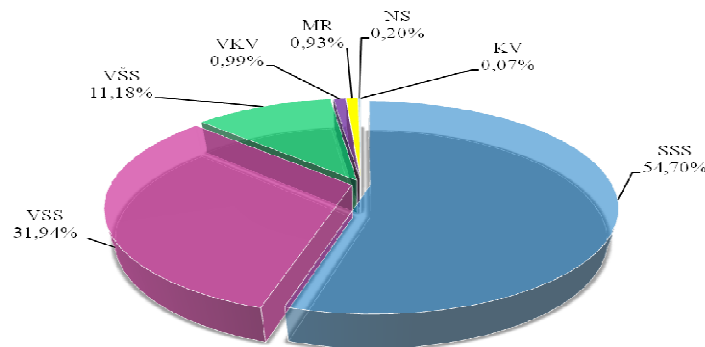
No.	Qualific	31.12.2011.	Total	Partic.	31.03.2012.	Total	Partic.	Ratio
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	ation ¹	McF	MCC		(%)	MCF	MCC		(%)	
1	2	3	4	5=(3+4)	6	7	8	9=(7+8)	10	11=9/5
1.	NS	3	0	3	0,20	3	0	3	0,20	100
2.	KV	1	0	1	0,07	1	0	1	0,07	100
3.	VKV	15	0	15	0,99	15	0	15	0,99	100
4.	SSS	817	4	821	54,41	824	3	827	54,70	101
5.	VŠS	183	0	183	12,13	169	0	169	11,18	92
6.	VSS	469	4	473	31,35	479	4	483	31,94	102
7.	MR	13	0	13	0,86	14	0	14	0,93	108
TOTAL		1.501	8	1.509	100,00	1.505	7	1.512	100,00	100

As of 31.03.2012., micro-credit sector employed a total of 1.512 employees, which is an increase by 3 in comparison to 31.12.2011. MCFs employ 1.505 employees or 99,5%, and MCCs 7 employees or 0,5%. In the structure of employees the largest participation is of SSS of 54,70%, VSS of 31,94% and VŠS of 11,18%.

The percentage of employees with high school is increasing (by 1%), higher education (by 2%) and masters of art (by 8%), while the number of employees with VSS and NS is decreasing (by 8%) in relation to 31.12.2011.

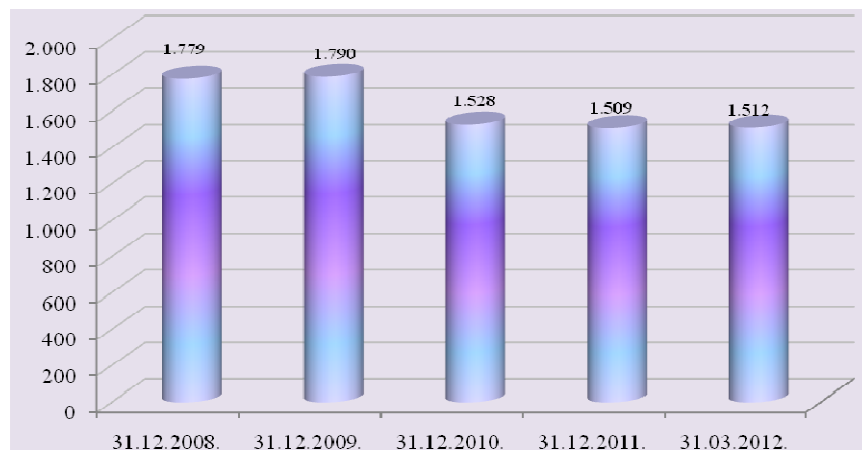
Graph 3. Qualification structure of employees in MCOs as of 31.03.2012.



Reviewing the number of employees over the years of performance of MCOs, it can be concluded that the largest number of employees was reported at the end of 2009, when MCOs were employing 1.790 employees, which when compared with the data as of 31.03.2012 presents a decline of 16%. Comparing these two periods, in individual MCOs, two MCFs reported the largest decline of the number of employees, in which it declined by 37%, and 32%.

Graph 4. Number of employees in MCOs through years

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.



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

3.1 Balance Sheet

As of 31.03.2012., the MCOs balance sheet amount is 488 million KM and it decreased by 14,5 million KM or 3% in relation to 31.12.2011. The balance sheet growth, in comparison to the end of previous year, was recorded by 5 MCF and the decline by 10 MCFs and 1 MCC. The decline of the balance sheet level up to 10% in relation to 31.12.2011 is recorded by 9 MCFs, decline over 10% by 2 MCFs in relation to the end of the previous year was recorded by 1 MCFs and 1 MCC. The highest participation in the total MCOs balance sheet is by six MCFs with assets in the amount of 446,7 million KM or 92%.

Table 3. Balance Sheet of MCOs

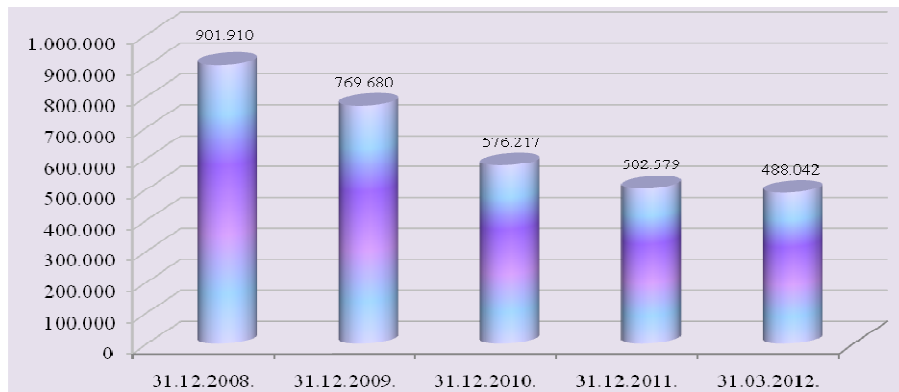
in 000 KM

DESCRIPTION	31.12.2011.					31.03.2012.					Ratio
	Balance for MCF	%	Balance for MCC	%	TOTAL	Balance for MCF	%	Balance for MCC	%	TOTAL	
1	2	3	4	5	6=(2+4)	7	8	9	10	11=(7+9)	12
AKTIVA											
ASSETS	28.973	6	270	14	29.243	26.093	5	74	4	26.167	89
1. Cash	14.975	3	0	0	14.975	6.100	1	0	0	6.100	41
2. Placements to banks	412.802		1.582		414.384	409.848		1.543		411.391	99
3. Loans	11.647		11		11.658	11.342		30		11.373	98
4. Less: reserves for loan losses	401.155	80	1.572	80	402.727	398.506	82	1.512	88	400.018	99
5. Net loans	47.838	10	75	4	47.913	47.896	10	79	5	47.975	100
6. Business premises and other fixed assets	15	0	0	0	15	15	0	0	0	15	100
7. Long term investments	9.048	2	57	3	9.105	8.997	2	56	3	9.053	99
8. Other assets	1.398	0	2	0	1.400	1.285		2		1.287	92
9. Less: reserves for other assets, except loans	500.606	100	1.973	100	502.579	486.323	100	1.719	100	488.042	97
TOTAL ASSETS											

LIABILITIES	330.981	66	1.175	60	332.156	314.056	65	922	54	314.978	95
10. Liabilities for loans taken	20.054	4	69	3	20.122	20.228	4	67	4	20.295	101
11. Other liabilities	149.571	30	729	37	150.301	152.039	31	730	42	152.769	102
12. Capital	500.606	100	1.973	100	502.579	486.323	100	1.719	100	488.042	97
TOTAL LIABILITIES	168.222		60		168.282	169.386		60		169.446	101
Off balance sheet											

Reviewing the aggregate balance sheet of MCOs over the years, the largest amount was reported at the end of 2008, when it was 902 million KM, which in comparison to the balance as of 31.03.2012, presents a decline of 46%. Comparing these two periods, in individual MCOs, two MCFs reported the largest decline of the balance sheet, in which it declined by a high 73% and 68% .

Graph 5. The amount of assets of MCOs (in 000 KM)



In the asset structure of MCOs, the cash funds are 26,1 million KM or 5% with a decline rate of 11% in comparison to 31.12.2011., and mainly relate to cash funds of MCF. Placements to banks are 6,1 million KM or 1%. 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.

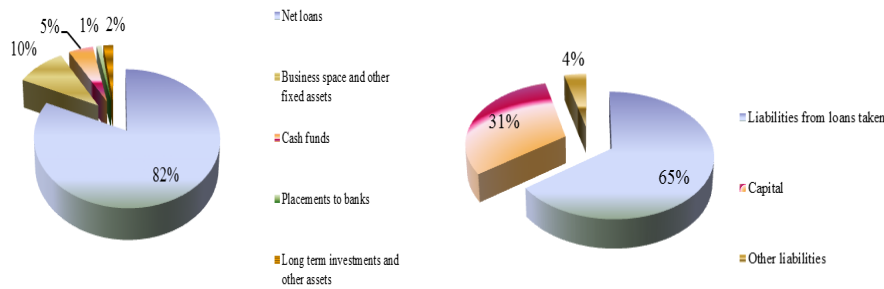
Net loans, that is, the gross loans deducted for the loan loss reserves, are 400 million KM or 82% of the total assets and are by 2,7 million KM or 1% in decline in comparison to 31.12.2011. The decline of net loans in comparison to the previous year as recorded by 80 MCFs and 1 MCC, while the growth is reported by 7 MCFs. In comparison to 31.12.2011, the decline of the net loans up to 10% is recorded by 6 MCFs and 1 MCC, decline over 20% is recorded by 2 MCF.

The business premises and other fixed assets are 48 million KM or 10% 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 7,8 million KM or 2% are long term investment (15 thousand KM) and other assets (7,767 thousand 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 the percentage of other

assets in 14 MCFs and 1 MCC declined by 10% in comparison to the total assets, and only in one MCF that percentage is 17,91%.

Graph 6. Structure of MCOs Assets and Liabilities



In the liability structure of MCOs, the liabilities on acquired loans are the basic source of funds and amount to 315 million KM or 65% of total liabilities and decreased by 5% in comparison to 31.12.2011.

Table 4. Maturity structure of loans taken

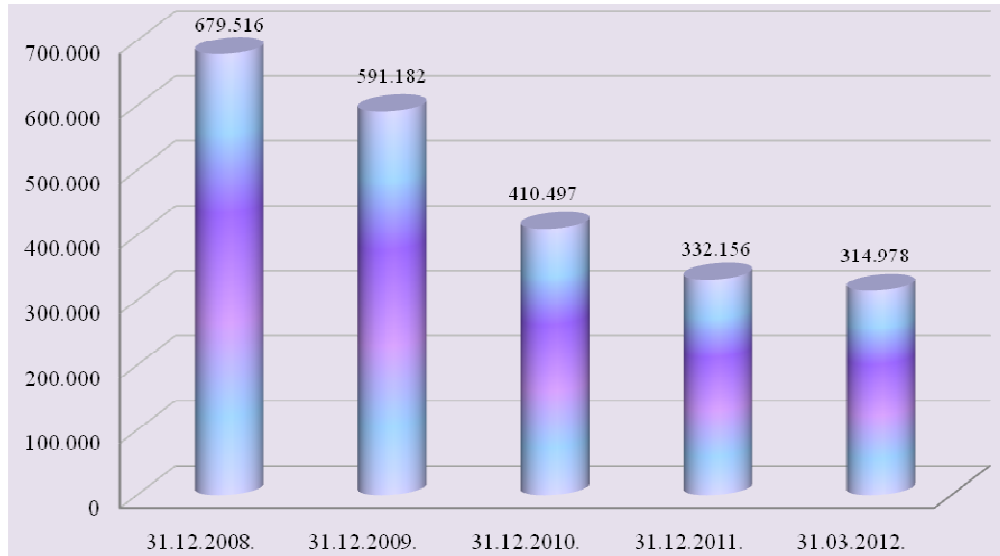
in 000 KM

DESCRIPTION	31.12.2011.				31.03.2012.				Ratio
	MCF	MCC	TOTAL	%	MCF	MCC	TOTAL	%	
1	2	3	4=(2+3)	5	6	7	8=(6+7)	9	10=8/4
1. Liabilities from short term loans taken	82.347	723	83.070	25	75.508	470	75.979	24	91
2. Liabilities from long term loans taken	248.634	452	249.086	75	238.548	451	238.999	76	96
TOTAL	330.981	1.175	332.156	100	314.056	922	314.978	100	95

Of total liabilities on loans taken, 239 million KM or 76% are long term loans (4 MCFs do not have them), with a decline rate of 4% in relation to the end of last year. Of total liabilities on loans taken 76 million KM or 24% are short term loans, with a decline rate of 9% in comparison to the end of previous year. The liabilities from taken loans of MCFs amount to 314 million KM or 99,7% of total liabilities on loans taken.

Reviewing the amount of total liabilities of MCOs on loans taken through years of performance of MCOs, their largest amount is recorded at the end of 2008. when they were 679,5 million KM, which in comparison to the balance as of 31.03.2012. presents a decline of 54%. Comparing these two periods, in individual MCOs, two MCFs recorded the largest decline of the amount of total liabilities on loans taken, in which they declined by a high 87% and 86%, respectively.

Graph 7. The amount of liabilities of MCOs on loans taken through years (in 000 KM)



The most significant MCO creditors, with 79% of the credit liabilities, are:

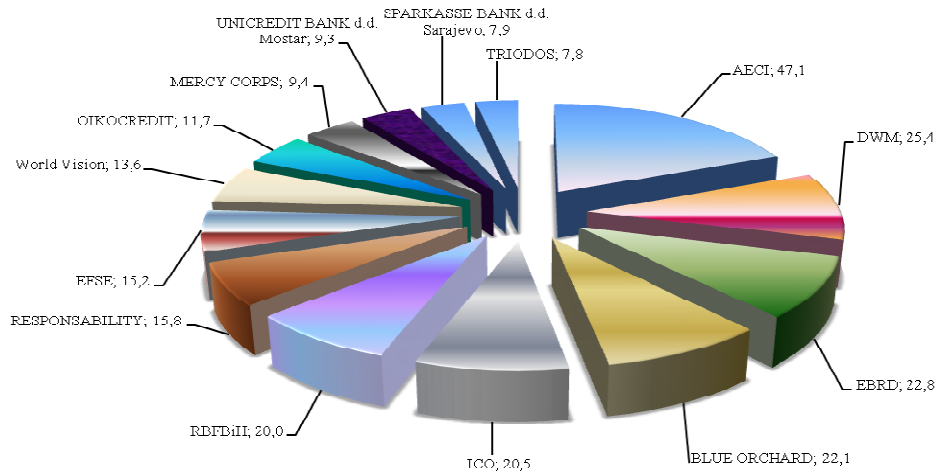
- 1.) AECI – Agency for international cooperation Kingdom of Spain (47,1 million KM);
- 2.) DWM – Developing World Markets, USA (25,4 million KM);
- 3.) EBRD – European bank for reconstruction and development, Great Britain (22,8 million KM);
- 4.) Blue Orchard Finance S.A., Switzerland (22,1 million KM);
- 5.) ICO – Instituto de Credito Oficial, Spain (20,5 million KM);
- 6.) Development bank of the Federation of BiH² (20,0 million KM);
- 7.) Responsibility SICAV, Switzerland (15,8 million KM);
- 8.) EFSE – European Fund for the southeast Europe, Luxemburg (15,2 million KM)
- 9.) World Vision International, USA (13,6 million KM);
- 10.) Oikokredit, Netherlands (11,7 million KM);
- 11.) Mercy Corps, USA (9,4 million KM)
- 12.) UniCredit Bank d.d. Mostar, BiH (9,3 million KM),
- 13.) Sparkasse Bank d.d. Sarajevo, BiH (7,9 million KM) and
- 14.) Triodos – Doen, Netherlands (7,8 million KM);

During the first quarter of 2012, recorded is a decline of the participation of EFSE in total liabilities of MCOs, which in comparison to 31.12.2011 declined by 42% its participation in the credit liabilities of MCOs, while Sparkasse Bank d.d. Sarajevo increased its participation by 7,1 million KM, and in comparison to the end of the previous year it increased the number of MCOs financed through loans from one to five MCOs.

Also, recorded is that only one MCF in the first creditor has an exposure of 41%, and 58 in the second creditor, and since it is a large concentration in the sources of funding, it presents a danger for this MCF, as in the case of withdrawal of funds, its future could significantly be jeopardized.

² 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.

Graph 8. Funding sources for MCCs as of 31.03.2012. (in mil. KM)



Other liabilities are 20,3 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 169,4 million KM, and it consists of charged off credit receivables (168,9 million KM) and agent contracts (one MCF has 0,5 million KM), and it increased by 1% in comparison to 31.12.2011.

3.2. Capital

The total capital of MCOs as of 31.03.2012., was 152,7 million KM, or 31% of total liabilities and it increased by 2,4 million KM or 2% in comparison to the end of 2011. That is mainly a result of increase of capital in one MCF in which performed was a rebooking within the structure of capital in the examination, as it was not correctly reported to the Agency. Capital of MCFs is 152 million MCF or 99,5%, and the capital of one MCC is 0,7 million KM or 0,5%. Three MCFs have a percentage of the ratio of the amount of capital (deducted for the donated capital) to total assets lower than allowed.

Table 4. Structure of capital of MCOs

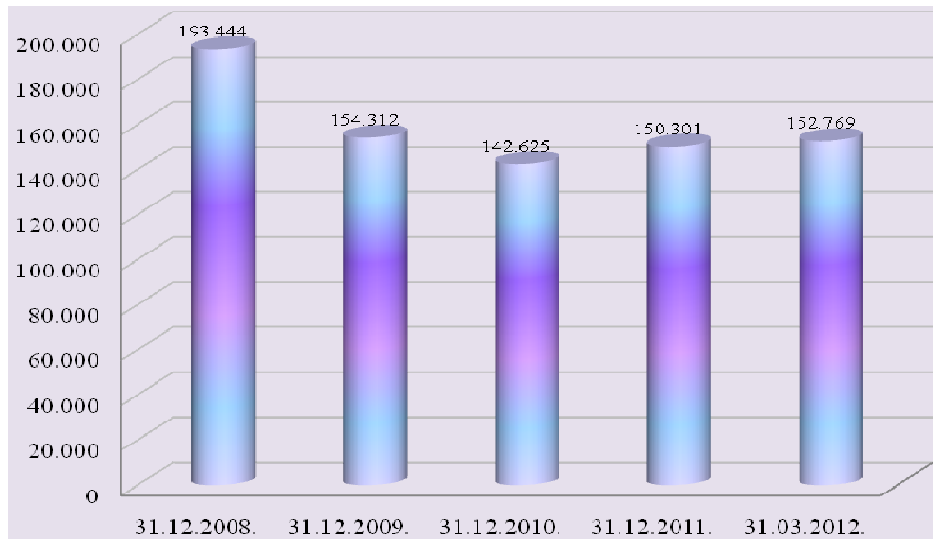
in 000 KM

DESCRIPTION	31.12.2011.					31.03.2012.					Ratio
	Balance for MCF	%	Balance for MCC	%	TOTAL	Balance for MCF	%	Balance for MCC	%	TOTAL	
1	2	3	4	5	6=2+4	7	8	9	10	11=7+9	12=11/6
Donated capital	43.061	29	0	0	43.061	45.160	30	0	0	45.160	105
Core Capital	10.157	7	600	82	10.757	10.245	7	600	82	10.845	101
Surplus/deficit of income over expenses	93.411	62	0	0	93.411	93.708	62	0	0	93.708	100
Issue premium	0	0	0	0	0	0	0	0	0	0	0
Undistributed income	0	0	29	4	29	0	0	29	4	29	102

Regulatory provisions	0	0	100	14	100	0	0	100	14	100	100
Other reserves	2.942	2	0	0	2.942	2.926	2	0	0	2.926	99
TOTAL CAPITAL	149.571	100	729	100	150.301	152.039	100	730	100	152.769	102

Reviewing the amount of capital over the years of the MCOs performance, it can be concluded that the highest amount was reported at the end of 2008 when it was 193,4 million KM, which in comparison to the balance as of 31.03.2012 presents a decline of 21%. Reviewing these two periods, in individual MCOs, we can conclude that two MCFs reported the largest decline in the amount of capital, which was by a high 79% and 70% respectively.

Graph 9. Amount of capital of MCOs through years (in 000 KM)



In the capital structure the most significant is the surplus of income over expenses which is 93,7 million KM, and constitutes 61% of total capital of MCFs, and ii increased by 297 thousand KM or 0,32% in comparison to the end of the last year. The deficit of income over expenses for the period of 01.01. to 31.03.2012 realized by 4 MCFs, and surplus of income over expenses 11 MCF, while one MCC realized a net profit.

Undivided profit of one MCC is 129 thousand KM or 18% of the total capital of MCC. Only 4 MCFs realized a surplus of income over expenses in regular operations, while 11 MCFs and one MCC realized deficit of income over expenses, which is loss, in regular operations. At the end of the first quarter of 2012, of those 11 MCFs, seven have, owing to extraordinary income that is higher than the realized deficit in regular operations, at the end of 2011, realized a positive result.

Also, one MCC at the end of the first quarter of 2012, owing to extraordinary income, realized a net profit. 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 45,1 million KM or 30% of the total capital, whereas one MCC does not have any donated capital. The donated capital, in comparison to the end of the previous year increased by 2,1 million KM, that is 5%

and refers to the increase of the donated capital in only one MCF in which the examination determined that the balance was incorrectly reported to the Agency in the previous periods.

Core capital of MCOs, as of 31.03.2012, was 10,8 million KM or 7% of total capital.

Other reserves are 3 million KM, or 2% of total capital and refer to 3 MCF.

3.3. Loan portfolio

The core activity of MCOs is the micro-crediting that refers to the amount of 414,4 million KM or 84% of the total assets of the micro credit sector. The level of the total loans of sectors depends on the condition of loans of MCFs referring to 409,9 million KM or 99,6% of total loans, whereas MCCs relate to 1,5 million KM or 0,4% of total loans.

Net loans, total loans minus the reserves for loan losses, are presented in the Table 6.

Table 6. Net loans

in 000 KM

No.	DESCRIPTION	31.12.2011.			31.03.2012.			Ratio
		MCF	MCC	Total	MCF	MCC	Total	
1	2	3	4	5=(3+4)	6	7	8=(6+7)	9=8/5
1.	Loans	412.802	1.582	414.384	409.848	1.543	411.391	99
2.	Loan loss reserves	11.647	11	11.658	11.342	30	11.373	98
3.	Net loans (1.-2.)	401.155	1.572	402.727	398.506	1.512	400.018	99

Net loans are 400 million KM and decreased by 1% in comparison to 31.12.2011 while loans on gross basis also decreased by 1% in relation to the same period last year.

Loan loss reserves are 11,4 million KM and have decreased by 2% in relation to 31.12.2011. The ratio of the loan loss reserves and the total loan portfolio is 2,76%, and has improved by 0,05% in relation to the ratio as of 31.12.2011.

Reviewing the gross portfolio of the MCOs, over the years of MCOs performance, it can be concluded that the largest amount was recorded at the end of 2008 when it was 830,2 million KM, which in comparison to the balance as of 31.03.2012 presents a decline of a high 50%. Comparing these two periods, in individual MCOs, it can be concluded that two MCFs reported the largest gross portfolio, in which it declined by a high 73% and 71% respectively.

Graph 10. The amount of gross portfolio of MCOs over the years (in 000 KM)

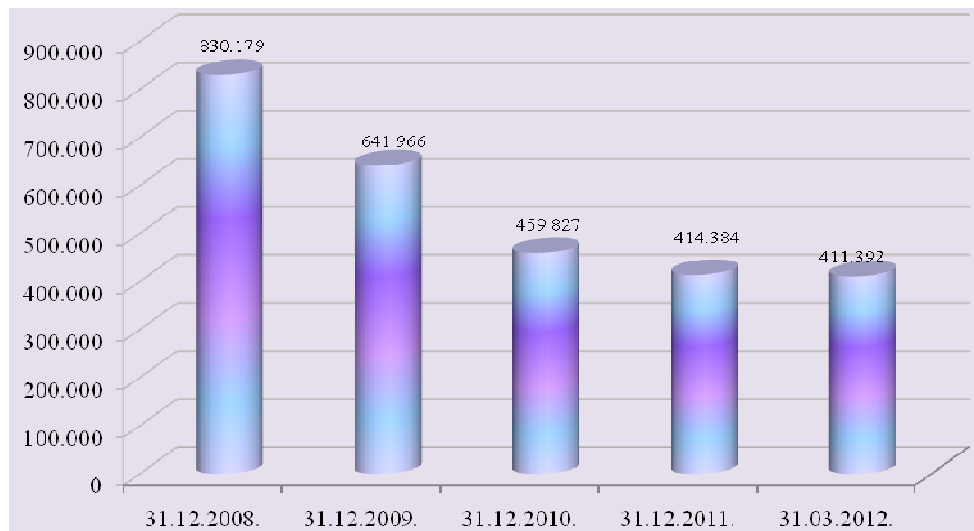


Table 7. Department and maturity structure of micro-credit MCOs as of 31.03.2012.

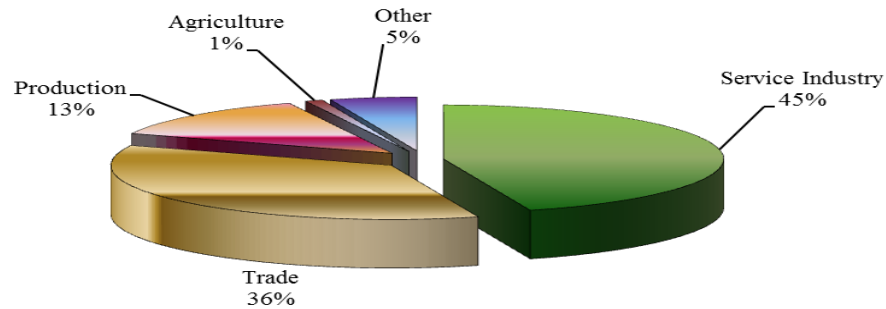
in 000 KM

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	1.286	3.571	49	4.906	45%
b.)	Trade	1.293	2.534	42	3.870	36%
c.)	Agriculture	37	113	1	151	1%
d.)	Production	544	825	17	1.386	13%
e.)	Other	158	420	3	582	5%
	TOTAL 1:	3.319	7.463	112	10.895	100%
2.	Individuals					
a.)	Service industry	10.518	78.924	1.061	90.503	23%
b.)	Trade	6.946	43.065	641	50.652	13%
c.)	Agriculture	9.491	127.568	1.124	138.183	34%
d.)	Production	2.222	21.408	235	23.866	6%
e.)	Housing needs	2.939	44.370	399	47.707	12%
f.)	Other	13.987	35.050	548	49.585	12%
	TOTAL 2:	46.104	350.385	4.007	400.496	100%
	TOTAL (1+2):	49.423	357.848	4.119	411.391	

According to the department structure of the micro-credits, 400,5 million KM or 97% of total loans are granted to the individuals, and 10,9 million or 3% to legal entities.

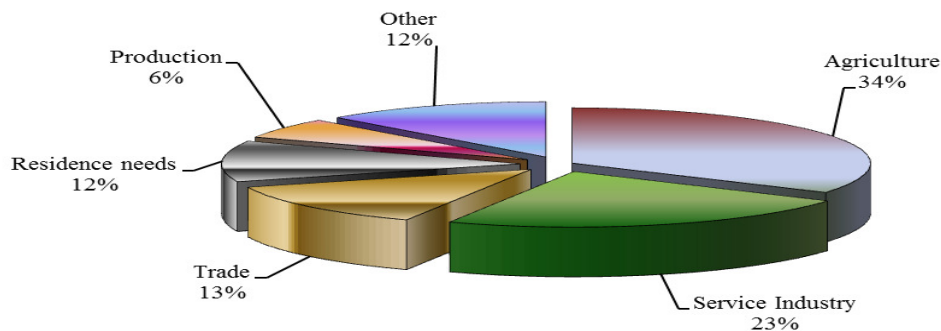
In the maturity structure of the micro-credits, short term loans, which include the past due receivables, are 53,5 million KM or 13%, and long term loans are 357,9 million KM or 87%. The past due receivables alone are 4,1 million KM or 1% of the total loans and almost entirely refer to loans to individuals.

Graph 11. Sector structure of microcredit loans granted to legal entities



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 4,9 million, or 45%, and trade 3,9 million KM or 36%. For production allocated is 1,4 million KM or 13% of the total amount of micro-credits granted to legal entities, then 0,2 million KM for agriculture or 1%, and 0,5 million or 5% for other purposes.

Graph 12. Sector structure of microcredit loans granted to individuals



In regard to loans to **individuals**, 138,2 million KM or 34% was granted to agriculture, then 90,5 million KM or 23% for service industry, whereas 50,6 million KM or 13% was granted the sector of trade, for housing needs 47,7 million KM or 12%, and for production 23,9 million KM or 6%, and for other 49,6 million KM or 12%.

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.

The percentage of loans granted to individuals in service industry is also increasing, while the loans granted for housing needs and other purposes are declining, which means that the focus of the sector is on the support to the micro-entrepreneurship.

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 31.03.2012:

Table 8. Report on amount and manner of establishing the reserves for loan losses as of 31.03.2012.

in 000 KM

No.	Days of default	Reserve rates	Loan amount	Past due Interest		Amount of other items of assets	Provisioning			Total provisionin g
				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%	384.470	0%	61	307	0	0	0	0
2.	1 – 15	2%	6.018	2%	124	0	119	3	0	123
3.	16 – 30	15%	8.817	100%	129	0	1.323	129	0	1.452
4.	31 – 60	50%	4.133	100%	130	0	2.066	129	0	2.196
5.	61 – 90	80%	2.709	100%	140	0	2.166	140	0	2.307
6.	91 – 180	100%	5.244	100%	879	0	5.699	885	0	6.583
TOTAL			411.391		1.463	307	11.373	1.287	0	12.660

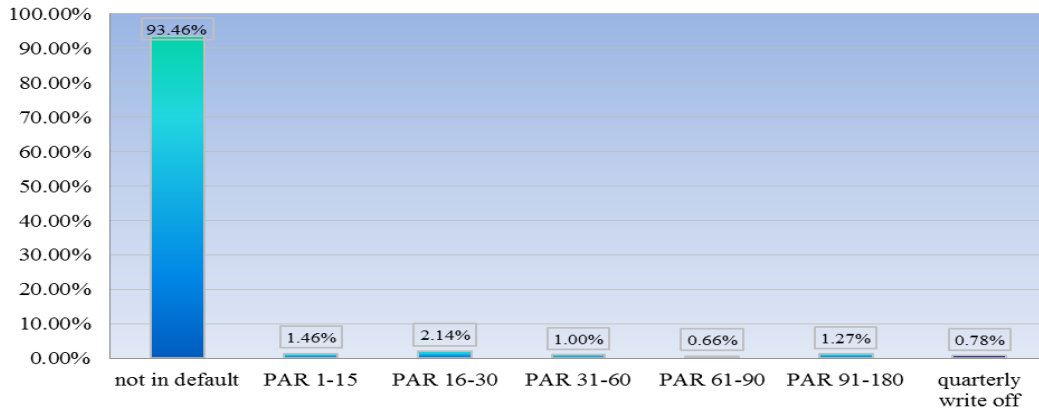
7.	Over 180	Write off	3.201	100%	1.031					
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Defaults in payment of longer than one day have loans in the amount of 26,9 million KM. The rate for the loans in default of more than one day, at the end of the first quarter of 2012, is 6,54%, and recorded a slight incline in relation to the end of previous year by 0,45%.

The total amount of past due interests on active loans that have a default longer than one day is 1,4 million KM.

Total amount of accrued reserves on all bases is 12,6 million KM and have declined by 3% in comparison to the previous quarter, while the write off in the 1st quarter of 2012 was 3,2 million KM in principal and 1 million KM in interest.

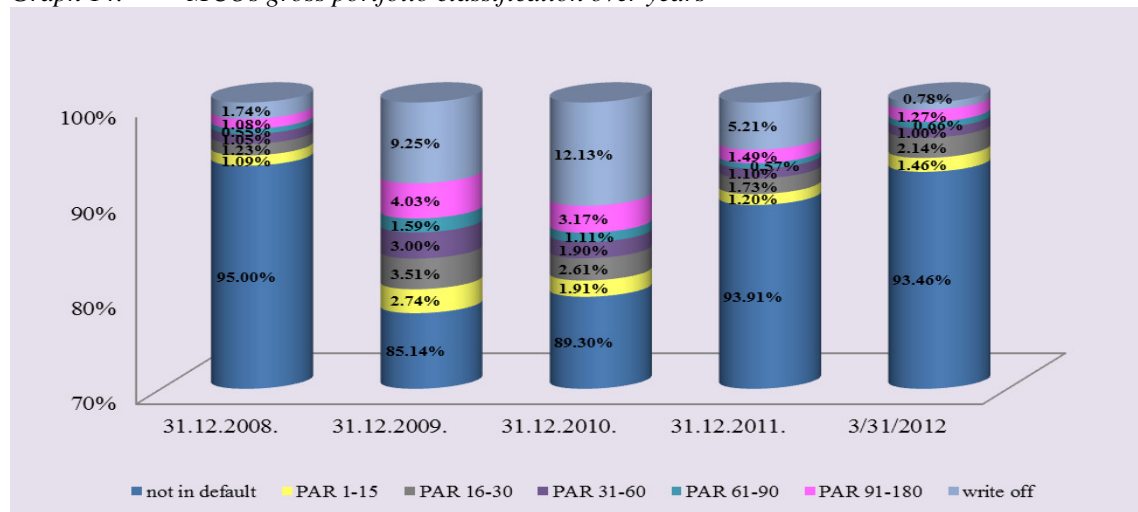
Graph 13. MCOs portfolio asset quality as of 31.03.2012.



In comparison with the previous years of the MCOs performance, in spite the microcredit portfolio decline, the micro credit sector is showing an improvement in the quality of the active credit portfolio.

The improvement of the active credit portfolio quality is reflected in the decrease of the loan loss reserves rate from 7,94%, at the end of 2009, to 2,76% as it was realized as of 31.03.2012. The portfolio in the risk of over one day being past due decreased from 14,87%, in 2009 to 6,54%, while the portfolio in the risk (over 30 days of delinquency) decreased from 8,62% at the end of 2009 to 2,94%, so the total result of the sector in regard to the risk portfolio, as of 31.03.2012 is within the standards prescribed by the Agency. Of 16 MCOs, 5 MCF do not fulfill the standard the Agency set for the risk in the portfolio which should be below 5%. In the first quarter of 2012, MCOs wrote off 3,2 million KM of principal, which makes 0,78% of total gross loans.

Graph 14. MCOs gross portfolio classification over years



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 31.03.2012, according to the reports of the MCOs in the Federation of BiH, 8.380 guarantors repaid 4,2 million KM of the total granted amount of loans of 44,1 million KM (7.612 credit units), which is by 2% less guarantors who repay loans of others in comparison to 31.12.2011. (4,2 million KM, paid by 8.553 guarantors, while the amount of the total granted loans was 45,6 million KM – 7.805 credit units). Of the total number of loan units, paid by the guarantor are 3,57% of credit units, and in comparison to the end of 2011, the number of loans paid by the guarantors has a slight decline, of 0,05%. As of 31.03.2012., the balance of the remaining debt paid by the guarantors is 11,2 million KM, that is 2,73% of gross loans of MCOs in comparison to 31.12.2011, the participation of the remaining debt in the gross portfolio declined by 0,14% . (as of 31.12.2011., the balance of the remaining debt on the loans repaid by the guarantors was: 11,9 million KM in comparison to 414,4 million KM of gross portfolio).

According to the reports of the MCOs, and in reference with the Decision on conditions and manner of performance of the micro credit organizations in reference to the client's complaints („Official Gazette of the Federation of BiH“, number: 32/10), in the period from 01.01.-31.03.2012, the clients of the MCOs submitted a total of 100 complaints and all referred to complaints against MCFs. Of 15 MCFs with a license for operations from the Agency, for 6 there are no recorded complaints. The largest number of complaints is based on the category „other“, a total of 90, and in most refer to complaints based on the unapproved application for a loan or restructuring of a loan, then complaints in regard to guarantee's disputes, complaints in reference to guarantees in the collection process, and in reference to employees behavior. Guarantors submitted 57 complaints. MCFs resolved in a positive manner 56 complaints, while 11 complaints are in the processing or resolution phase.

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 9. Average nominal and effective interest rates for microcredit loans for the 1st quarter of 2012 – through products

No.	DESCRIPTION	Weighted nominal interest rate (average)	Weighted effective interest rate (average)
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1.	Short term loans for:		
1.1.	Service industry	25,57%	33,21%
1.2.	Trade	25,05%	32,66%
1.3.	Agriculture	24,08%	31,71%
1.4.	Production	23,87%	29,70%
1.5.	Housing needs	21,69%	27,60%
1.6.	General purpose – basic needs	35,56%	42,96%
1.7.	Other	21,06%	31,38%
2.	Long term loans for:		
2.1.	Service industry	23,17%	27,21%
2.2.	Trade	24,30%	28,42%
2.3.	Agriculture	20,41%	23,60%
2.4.	Production	23,37%	26,80%
2.5.	Housing needs	22,05%	24,70%
2.6.	General purpose - basic needs	30,57%	36,26%
2.7.	Other	24,77%	30,05%

For short term loans, average nominal interest rates are in the range between 21,06% for other to 35,56% for general purpose loans, and for the effective interest rate in the range of 27,60% for housing needs to 42,96% for general purpose loans.

For long term loans, the average nominal interest rates are in the range between 20,41% for agriculture to 30,57% for general purpose loans, and effective interest rate in the range of 23,60% for housing needs to 36,26% for general purpose loans.

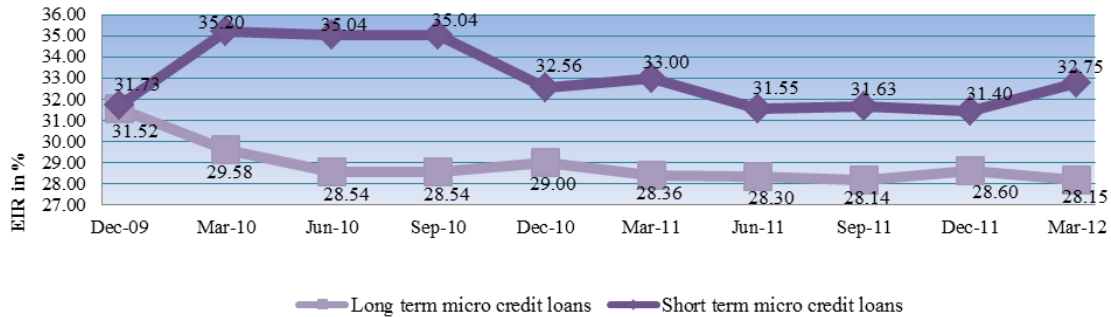
Based on the analyses of the MCOs' interest rates on lending products it can be concluded that the cheapest loans are granted to agriculture activities, and the most expensive are general purpose loans, loans for basic needs.

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 10.

Table 10. Trend of average effective interest rates (EIR) on micro-credit through quarters

AVERAGE EIR in % for	2009.	2010.				2011.				2012.
	31.12.	31.03.	30.06.	30.09.	31.12.	31.03.	30.06.	30.09.	31.12.	31.03.
Short term micro-credits	31,73	35,20	35,04	35,04	32,56	33,00	31,55	31,63	31,40	32,75
Long term micro-credits	31,52	29,58	28,54	28,54	29,00	28,36	28,30	28,14	28,60	28,15

Graph 15. Movement trend for average effective interest rates on microcredits through quarters (in %)



At the end of the first quarter of 2012, the average effective interest rates in the microcredit sector on the long term loans recorded a slight incline (by 0,45%), while the average effective interest rates on the short term loans are increasing (by 1,35%).

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 11.

Table 11. Income Statement MCOs

in 000 KM

No.	DESCRIPTION	For the period 01.01. - 31.03.2011.				For the period 01.01. - 31.03.2012.				Ratio
		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	23.283	79	23.362	93	21.447	96	21.543	90	92
1.2.	Operating income	1.880	7	1.887	7	2.467	14	2.481	10	131
2.	TOTAL INCOME (1.1.+1.2.)	25.163	86	25.249	100	23.914	110	24.024	100	95
3.	EXPENSES									

3.1.	Income expenses and similar expenses	6.152	14	6.166	23	5.053	19	5.072	20	82
3.2.	Operating expenses	15.979	67	16.047	58	17.255	71	17.326	67	108
3.3.	Expenses for reserves for loan and other losses	5.232	5	5.237	19	3.243	23	3.266	13	62
4.	TOTAL EXPENSES (3.1.+3.2.+3.3.)	27.364	87	27.451	100	25.551	114	25.665	100	93
5.	EXTRAORDINARY INCOME	3.372	16	3.388		3.839	4	3.843		113
6.	EXTRAORDINARY EXPENSES	121	0	121		212	0	212		175
7.	TOTAL INCOME - EXPENSES (2+5-4-6)	1.050	16	1.065		1.989	0	1.990		187
8.	SURPLUS/DEFICIT OF INCOME OVER EXPENSES	1.050		1.050		1.989		1.989		189
9.	INCOME BEFORE TAXES		16	16			0	0		
10.	TAXES		2	2			0	0		
11.	NET INCOME/LOSS		14	14			0	0		
12.	TOTAL FINANCIAL RESULT			1.064				1.990		

The total income of MCOs for the period of 01.01. - 31.03.2012., is 24 million KM, of which 23,9 million KM or 99,6% refers to income of MCFs, and 0,1 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 1,2 million KM, or 5%.

The core income is interest income and it is 21,5 million KM or 90 % of total income and in relation to the same period of previous year the interest income is in decline by 1,8 million KM or 8% while operating expenses are 2,5 million KM or 10% of total income and in relation to the same period last year increased by 0,6 million KM, or 31%.

The total expenses are 25,6 million KM, of which 25,5 million or 99,6% relates to expenses of MCF, and 0,1 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 1,8 million KM or 7%.

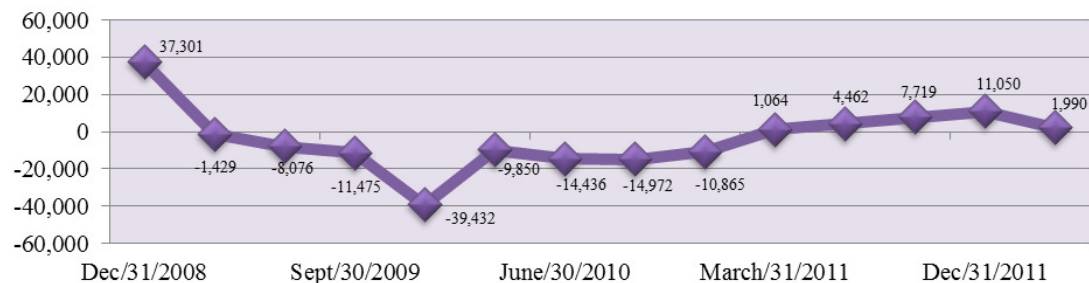
In the structure of expenses, 5,1 million KM or 20% of total expenses are expenses related to interests on acquired loans and other similar expenses, and have decreased by 1,1 million KM or 18% in regard to the same period of last year. Operational expenses are 17,3 million KM or 67% of total expenses and in relation to the same period of last year decreased by 1,3 million KM or 8%. The operating expenses refer to expenses of salaries and contributions 9,4 million KM (01.01. – 31.03.2011: 8,9 million KM), expenses related to the business premises, other fixed assets and utilities 4,3 million KM (01.01.-31.03.2011: 4.4 million KM), and other operating expenses 3,6 million KM. (01.01.-31.03.2011.: 2,7 million KM). The expenses related to the reserves for loan losses and other losses are 3,2 million or 13% of total expenses, and in comparison to the same period last year declined by 2 million KM or 38%.

In the period from 01.01 to 31.12.2011, the extraordinary income of MCOs was 3,8 million KM and in comparison to the same period last year was higher by 455 thousand KM, which is

by 13%. Over 90% of extraordinary income, refers to the collection of receivables from written off loans. The extraordinary expenses of MCOs, realized during 2012, were 212 thousand KM, and in comparison to the same period last year they increased by 91 thousand KM that is 75%.

For the period of 01.01.-31.03.2012., the net income of one MCC was 0,25 thousand KM (01.01. – 31.03.2011.: 14 thousand KM). In the same period MCF realized a surplus of income over expenses in a total amount of 1,989 thousand KM, while in the same period of last year the MCFs realized a deficit of income over expenses in a total amount of 1,050 thousand KM. In the period from 01.01 to 31.03.2011, of total 15 MCFs, 4 MCFs had a deficit of income over expenses in a total amount of 233 thousand KM, and 11 MCF realized an income surplus in the total amount of 2,222 thousand KM.

Graph 16. Total financial result of MCOs through quarters (in 000 KM)



On the level of the microcredit sector in the Federation of BiH, there is realized a positive financial result in the amount of 1,990 thousand KM, which is by 926 thousand KM or 87% higher than in comparison to the same period last year.

4. CONCLUSION AND RECOMMENDATIONS

Analyzing the reports of MCOs as of 31.03.2012., we can conclude the following:

- As of 31.03.2012, the MCOS employ a total of 1,512 employees, which is by 3 employees more than as of 31.12.2011.
- Aggregate balance sheet of MCOs as of 31.03.2012. is 488 million KM, of which 486,3 million KM refers to MCFs or 99,7%, and 1,7 million KM to MCCs or 0,3% of the total balance sheet of MCOs;
- At the end of the first quarter of 2012, the aggregate balance sheet of MCOs decreased by 14,5 million KM or 3% in comparison to 31.12.2011;
- The total gross loans of MCOs as of 31.03.2012. are 411,4 and are 84% of total assets of MCOs, and net loans are 400 million KM. The loans on gross base decreased by 1% in comparison to 31.12.2011;

- The basic source of funds for MCOs are liabilities on acquired loans that, as of 31.03.2012., are 315 million KM or 65% of total liabilities of MCOs and decreased by 5% in comparison to 31.12.2011;
- The total capital of MCOs as of 31.03.2012., is 152,7 million KM, of which the capital of MCF is 152 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 93,7 million KM, which constitutes 61% of the total capital of MCF. The undivided profit and reserves of one MCC are 129 thousand KM or 18% of total capital of MCCs, while the core capital is 600 thousand KM or 82% of total capital of MCCs.
- In the period from 01.01. to 31.03.2012, the 11 MCFs realized a surplus in income over expenses in the amount of 2,222 thousand KM, while the deficit of income over expenses was realized by 4 MCFs in the amount of 233 thousand KM, which means that MCFs as of 31.03.2012., performed with a surplus income over expenses in the total amount of 1,989 thousand KM. As of 31.03.2012, one MCC realized a net profit in the amount of 0,5 thousand KM, which means that a positive financial result in the amount of 1,990 thousand KM was realized on the level of the micro credit sector in the Federation of BiH.

In the following period, MCOs need to intensify their work 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;
- Decrease the performance expenses, implement the principles of good economic performance with the funds of the foundation and application of the principles of good cooperative practices;
- Further improvement of the internal audit and internal control system, improvement of the performance efficiency and optimization of the resources of MCOs through mergers with the similar 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.

Number: U.O.-41-3/12

Sarajevo, 07.06.2012.

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

N o.	Micro-credit organization name	Address and main office	Director	Tel/Fax	E-mail and Web	31.03.2012.		
						Amount of assets in 000 KM	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	1.719	730	7
2.	MKF "EKI" Sarajevo	ul. Džemala Bijedića bb 71 000 SARAJEVO	Sadina Bina	033/ 754-370, 754-388 fax	sbina@mkoeki.com www.mkoeki.com	101.384	36.146	274
3.	MKF "LIDER" Sarajevo	ul. Turhanija 2 71 000 SARAJEVO	Džavid Sejfović	033/ 250-580, 250-581 fax	dzavids@lider.ba www.lider.ba	11.266	10.427	48
4.	"LOK MKF" Sarajevo	ul. Skenderija 13 71 000 SARAJEVO	Nusret Čaušević	033/ 564-200, 564-201 fax	central.office@lok.ba www.lok.ba	65.437	3.549	193
5.	MKF "MELAHA" Sarajevo	ul. Hamdije Kreševljakovića 59 71 000 SARAJEVO	Iso Abinun	033/ 205-737 tel/fax	iso@melaha.ba	971	211	3
6.	MKF "MIBA" Tuzla	ul. Đorđa Mihajlovića 4/III 75 000 TUZLA	Mirsad Bahić	035/ 277-455 tel/fax	miba@vesta.ba www.miba.ba	406	397	3
7.	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	29.936	15.382	137
8.	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	16.215	4.315	90
9.	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	3.511	2.805	22
10.	"PARTNER MKF" Tuzla	ul. 15. maja bb 75 000 TUZLA	Senad Sinanović	035/ 300-250, 300-269 fax	partner@partner.ba www.partner.ba	105.207	42.460	274
11.	MKF "PRIZMA" Sarajevo	ul. Bistrik Medresa 43 71 000 SARAJEVO	Jure Žigo	033/ 573-320, 446-583 fax	hq@prizma.ba www.prizma.ba	110.667	22.345	246
12.	"PRVA ISLAMSKA MKF" Sarajevo	ul. Jukićeva 75 71 000 SARAJEVO	Edina Hadžimurtezić	033/ 666-233, 666-224 fax	info@mfi.ba	1.607	1.384	11
13.	MKF "SANI" Zenica	ul. Mehmedalije Tarabara 10 72 000 ZENICA	Sulejman Haračić	032/ 405-606 tel/fax	mikrosanizenica@yahoo.com	385	268	3
14.	MKF "SUNRISE" Sarajevo	ul. Hamdije Kreševljakovića 51 71 000 SARAJEVO	Zoran Dučić	033/ 278-020, 278-032 fax	sunrise@microsunrise.ba www.microsunrise.ba	34.082	9.294	144
15.	MKF "VORTT-INVEST" Sarajevo	ul. Azize Šaćirbegović 128 71 000 SARAJEVO	Mustafa Kapić	033/720-949, 720-941 fax	vorttdoo@yahoo.com	306	168	2
16.	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	4.943	2.888	55
TOTAL						488.042	152.769	1.512

Attachment 2.

BALANCE SHEET OF MCF

In 000 KM

No.	DESCRIPTION	31.12.2011.	%	31.03.2012.	%	Ratio
1	2	3	4	5	6	7=5/3
ASSETS						
1.	Cash (1a+1b)	28.973	6	26.093	5	90
1a)	Cash and noninterest –bearing deposit accounts	20.935	4	20.908	4	100
1b)	Interest-bearing deposit accounts	8.038	2	5.185	1	65
2.	Placement to banks	14.975	3	6.100	1	41
3.	Loans	412.802		409.848		99
3a)	Reserves for loan losses	11.647		11.342		97
3b)	Net loans (3-3a)	401.155	80	398.506	82	99
4.	Premises and other fixed assets	47.838	10	47.896	10	100
5.	Long term investments	15	0	15	0	100
6.	Other assets	9.048	2	8.998	2	99
7.	Less: reserves for other items of the assets, except loans	1.398		1.285		92
8.	TOTAL ASSETS	500.606	100	486.323	100	97
LIABILITIES						
9.	Liabilities on taken short term loans	82.347	16	75.508	16	92
10.	Liabilities on taken long term loans	248.634	50	238.548	49	96
11.	Other liabilities	20.054	4	20.229	4	101
12.	TOTAL LIABILITIES	351.035	70	334.285	69	95
13.	Donated capital	43.061		45.160		105
14.	Core capital	10.157		10.245		101
15.	Surplus of income over expenses	114.647		117.191		102
15a)	For previous years	102.577		114.953		112
15b)	For current year	12.070		2.238		19
16.	Deficit of income over expenses	21.236		23.483		111
16a)	For previous years	20.330		23.250		0
16b)	For current year	906		233		26
17.	Other reserves	2.942		2.926		99
18.	TOTAL CAPITAL	149.571	30	152.039	31	102
19.	TOTAL LIABILITIES	500.606	100	486.323	100	97
OFF BALANCE SHEET						
	- written off loans	167.674		168.876		101
	- agent contracts	548		510		93

Attachment 3.

BALANCE SHEET OF MCD

in 000 KM

No.	DESCRIPTION	31.12.2011.	%	31.03.2012.	%	Ratio
1	2	3	4	5	6	7=5/3
ASSETS						
1.	Cash (1a+1b)	270	14	74	4	27
1a)	Cash and noninterest –bearing deposit accounts	270	14	74	4	27
1b)	Interest-bearing deposit accounts	0	0	0	0	0
2.	Placements to banks	0	0	0	0	0
3.	Loans	1.582		1.543		98
3a)	Reserves for loan losses	11		30		290
3b)	Net loans (3-3a)	1.572	80	1.512	88	96
4.	Premises and other fixed assets	75	4	79	5	105
5.	Long term investments	0	0	0	0	0
6.	Other assets	57	3	56	3	0
7.	Less: reserves for other items of the assets, except loans	2		2		0
8.	TOTAL ASSETS	1.973	100	1.719	100	87
LIABILITIES						
9.	Liabilities on taken short term loans	723	37	470	27	65
10.	Liabilities on taken long term loans	452	23	451	26	
11.	Other liabilities	69	3	68	4	99
12.	TOTAL LIABILITIES	1.244	63	990	58	80
13.	Donated capital	0		0		0
14.	Core capital	600		600		100
15.	Issue premium	0		0		0
16.	Undistributed profit (16a+16b)	29		29		102
16a)	Previous years	0		29		0
16b)	Current year	29		0		2
17.	Regulatory reserves	100		100		
18.	Other reserves	0		0		0
19.	Liabilities on taken short term loans	729	37	730	42	100
20.	TOTAL LIABILITIES	1.973	100	1.719	100	87
OFF BALANCE SHEET						
	- written off loans	60		60		99
	- agent contracts	0		0		0

Attachment 4.

INCOME STATEMENT OF MCF

in 000 KM

No.	DESCRIPTION	For the period 01.01. - 31.03.2011.	%	For the period 01.01. - 31.03.2012.	%	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	163	1	39	0	24
1.2.	Interest from placements to banks	273	1	108	1	40
1.3.	Loan interest	22.644	97	21.070	98	93
1.4.	Other financial income	203	1	230	1	113
1.5.	Total interest income and similar income (1.1. to 1.4.)	23.283	100	21.447	100	92
2.	Interest expenses and similar expenses					
2.1.	Interest on borrowings	5.886	96	4.672	92	79
2.2.	Other financial expenses	266	4	381	8	143
2.3.	Total interest expenses and similar expenses (2.1. to 2.2.)	6.152	100	5.053	100	82
3.	Net financial income (1.5. - 2.3.)	17.131		16.395		96
II	OPERATING INCOME AND EXPENSES					
4.	Operating income					
4.1.	Fees for completed services	1.662	88	2.031	82	122
4.2.	Other operating income	218	12	435	18	200
4.3.	Total operating income (4.1. to 4.2.)	1.880	100	2.467	100	131
5.	Operating expenses					
5.1.	Cost of salaries and benefits	8.927	56	9.368	54	105
5.2.	Costs of business premises, other fixed assets and utilities	4.396	28	4.328	25	98
5.3.	Other operating expenses	2.656	17	3.559	21	134
5.4.	Total operating expenses (5.1.to 5.3.)	15.979	100	17.255	100	108
6.	Cost of provisioning for loan and other losses	5.232		3.243		62
7.	Surplus/deficit of income over expenses from direct business operations (3.+4.3.-5.4.-6.)	-2.201		-1.637		74
8.	Extraordinary income	3.372		3.839		114
9.	Extraordinary expenses	121		212		175
10.	Surplus/deficit of income over expenses (7.+8.-9.)	1.050		1.989		189

Attachment 5.

INCOME STATEMENT OF MCD

in 000 KM

No.	DESCRIPTION	For the period 01.01. - 31.03.2011.	%	For the period 01.01. - 31.03.2012.	%	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	78	99	96	100	123
1.4.	Other financial income	1	1	0	0	44
1.5.	Total interest income and similar income (1.1. to 1.4.)	79	100	96	100	122
2.	Interest expenses and similar expenses					
2.1.	Interest on borrowings	14	100	18	91	122
2.2.	Other financial expenses	0	0	2	9	n/a
2.3.	Total interest expenses and similar expenses (2.1. to 2.2.)	14	100	19	100	135
3.	Net financial income (1.5. - 2.3.)	64		77		120
II	OPERATING INCOME AND EXPENSES					
4.	Operating income					
4.1.	Fees for completed services	5	66	14	100	288
4.2.	Other operating income	3	34	0	0	0
4.3.	Total operating income (4.1. to 4.2.)	7	100	14	100	191
5.	Operating expenses					
5.1.	Costs of salaries and benefits	23	34	47	66	208
5.2.	Costs of business premises, other fixed assets and utilities	20	30	12	16	59
5.3.	Other operating expenses	25	37	12	17	49
5.4.	Total operating expenses (5.1. to 5.3.)	67	100	71	100	105
6.	Cost of provisioning for loan and other losses	5		23		469
7.	PROFIT/LOSS FROM DIRECT BUSINESS OPERATIONS (3.+4.3.-5.4.-6.)	-1		-3		384
8.	Extraordinary income	16		4		24
9.	Extraordinary expenses	0		0		n/a
10.	INCOME/LOSS BEFORE TAXES	16		0		3
11.	TAXES	2		0		3
12.	NET PROFIT/LOSS	14		0		3

Attachment 6.

REVIEW OF THE DONATED CAPITAL OF MCFs
As of 31.03.2012

in 000 KM

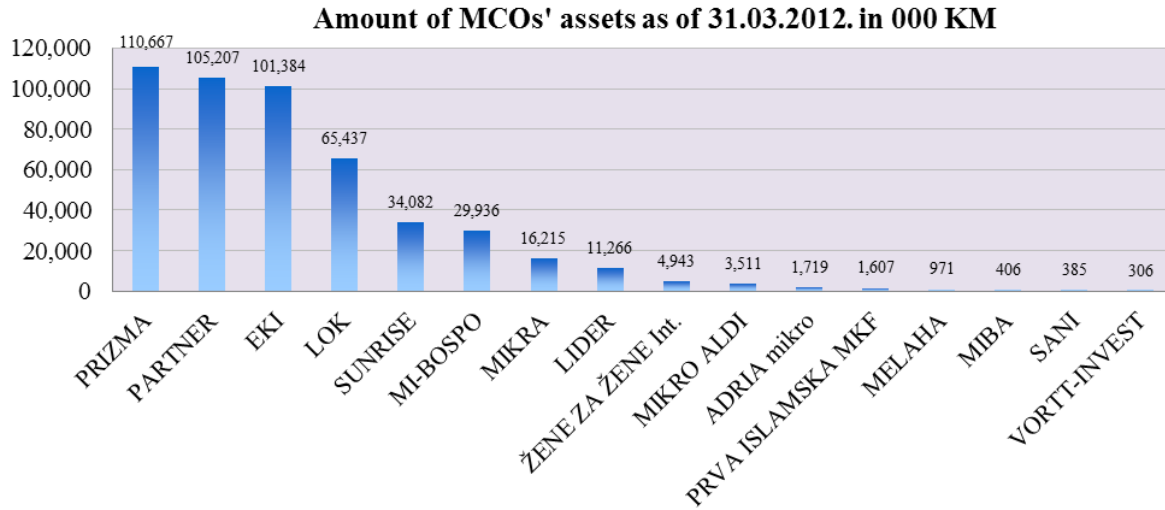
No.	Name of the Donator	MKF EKI Sarajevo	MKF LIDER Sarajevo	MKF MIBA Tuzla	MKF MI-BOSPO Tuzla	MKF MIKRA Sarajevo	MKF MIKRO ALDI Goražde	PARTNER MKF Tuzla	MKF PRIZMA Sarajevo	PRVA ISLAMSKA MKF Sarajevo	MKF SUNRISE Sarajevo	MKF ŽENE ZA ŽENE Sarajevo	TOTAL
Donations for the credit fund		5.246	5.891	298	2.911	3.412	804	6.828	7.490	2.099	1.942	2.259	39.180
1.	USAID	3.046						3.046	3.046			543	9.681
2.	CHF-(SIDA, MEDI, HILP)		5.891										5.891
3.	UNHCR				479		200	1.229	992		614	450	3.964
4.	CRS					3.412							3.412
5.	LIP (funds of the government of FBiH)				947			675			1.214		2.836
6.	PRM/USA State Department								2.006			577	2.583
7.	UNDP	1.932						59	672				2.663
8.	UMCOR			298	79			316	774			637	2.104
9.	Islamic Relief WW, Predstavništvo Sarajevo									2.099			2.099
10.	Women's World Banking				1.034								1.034
11.	IRC				226			805					1.031
12.	Mercy Corps							697					697
13.	OXSfam						500						500
15.	USDA Know-How Project	237											237
15.	Church World Service				146								146
16.	Udruga građana "ALDI"						104						104
17.	DK spajanje s "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	0	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		2.039	864	0	0	0	0	1.395	3.087	0	709	0	8.095
27.	SIDA Housing	1.828											5.891
28.	IFC	104											5.891
29.	PRM								2.047				2.047
30.	UNHCR							129	840				969
31.	LIP (funds of the Government of FBiH)							201			709		910
32.	CHF		864										831
33.	Mercy Corps							725					725
34.	CGAP							45	150				195
35.	EBRD	105											105
36.	WORLD BANK							65					65
37.	USAID							112					96
38.	MFC							12	34				46
39.	UNDP							43					43
40.	ADA ASBL (RATING)							21					21
41.	Other	2						44	17				47

TOTAL DONATED CAPITAL	7.293	6.755	298	2.911	3.477	804	8.452	10.639	2.099	2.661	2.259	47.648
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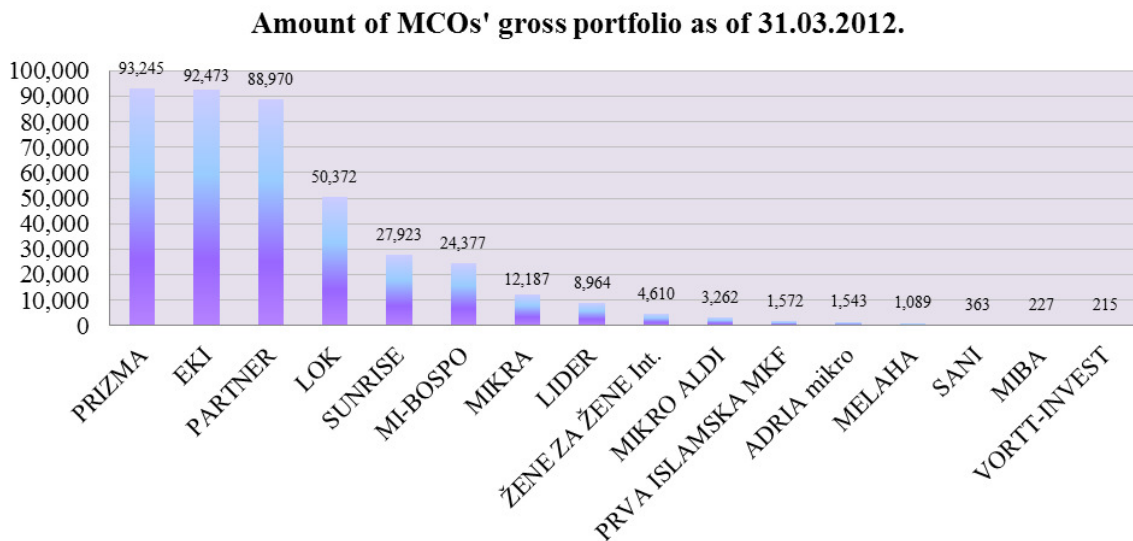
GRAPHS:

- Graph 1. Amount of MCO assets as of 31.03.2012.
- Graph 2. Amount of MCO gross portfolio as of 31.03.2012. in 000 KM
- Graph 3. Amount of MCO capital as of 31.03.2012.
- Graph 4. Income surplus/deficit over the expenses of MCFs, that is net profit/loss of MCCs for the period from 01.01 – 31.03.2012 in 000KM.
- Graph 5. Average risk weighted EIR for short term loans for MCOs in the 1st quarter 2011.
- Graph 6. Average risk weighted EIR for long term loans for MCOs in the 1st quarter 2012.
- Graph 7. Number of MCO employees as of 31.03.2012.
- Graph 8. Fixed assets and capital in relation to the total assets as of 31.03.2012.
- Graph 9. Total receivables on written off loans in relation to the gross portfolio of MCOs as of 31.03.2012.
- Graph 10. Risk portfolio over 30 days as of 31.03.2012.

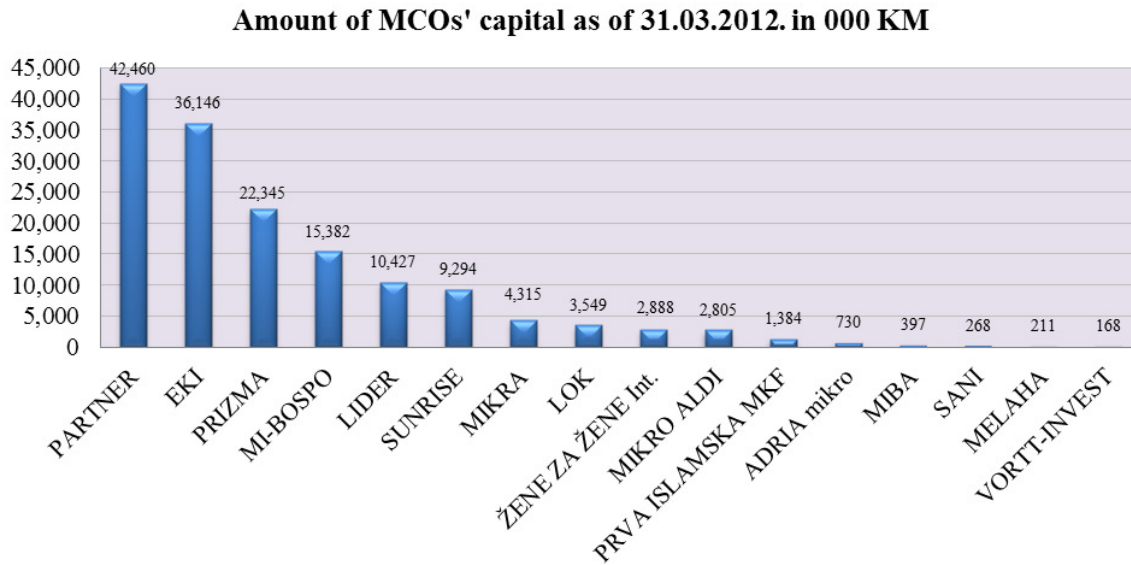
Graph 1.



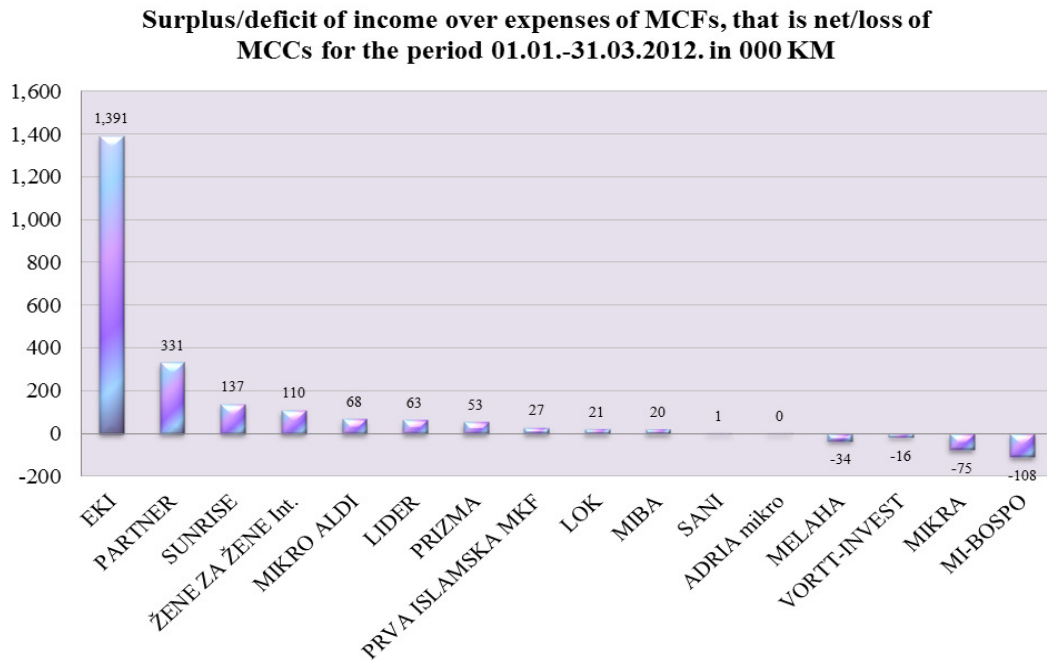
Graph 2.



Graph 3.

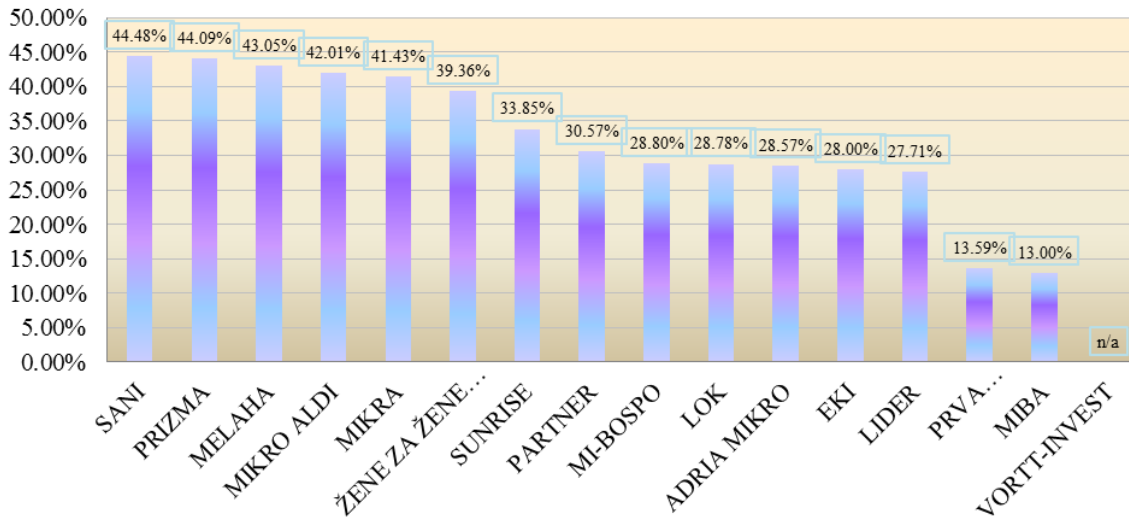


Graph 4.



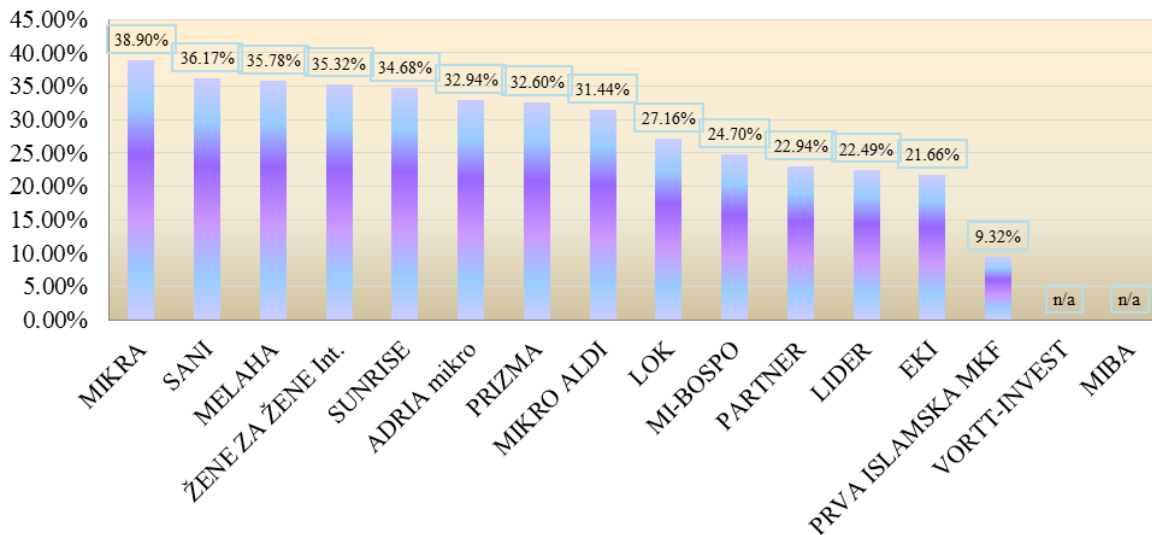
Graph 5.

**Average risk weighted EIR on short term loans
based on reports of MCOs for the 1st quarter of 2012.**

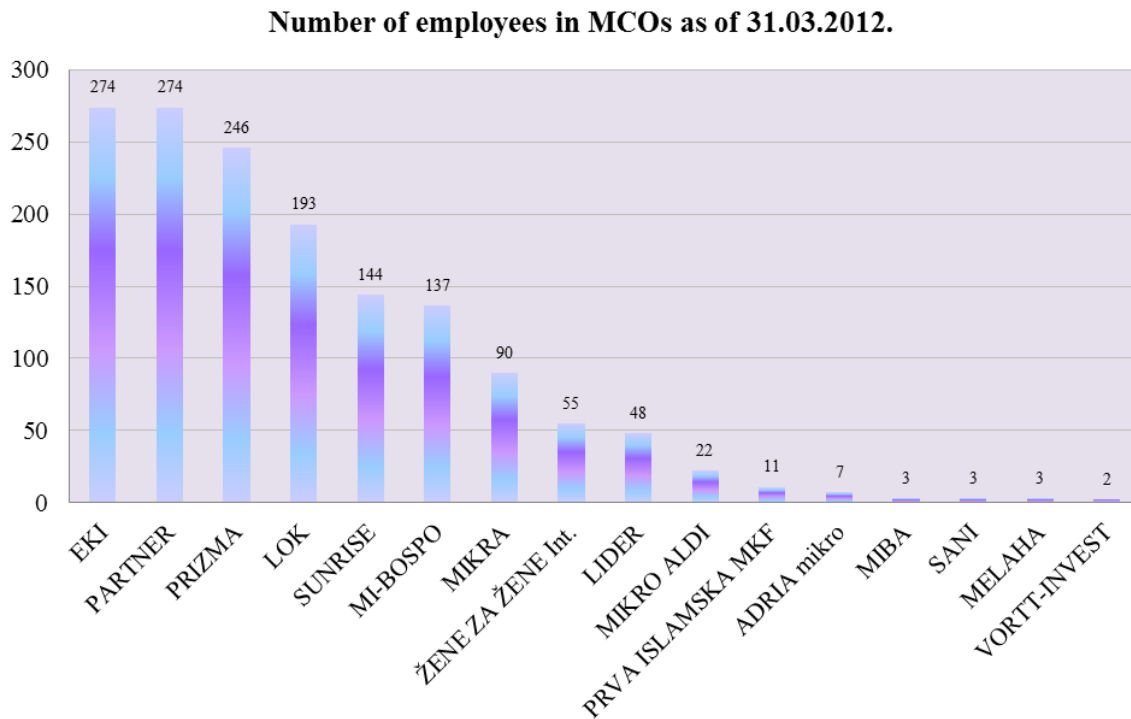


Graph 6.

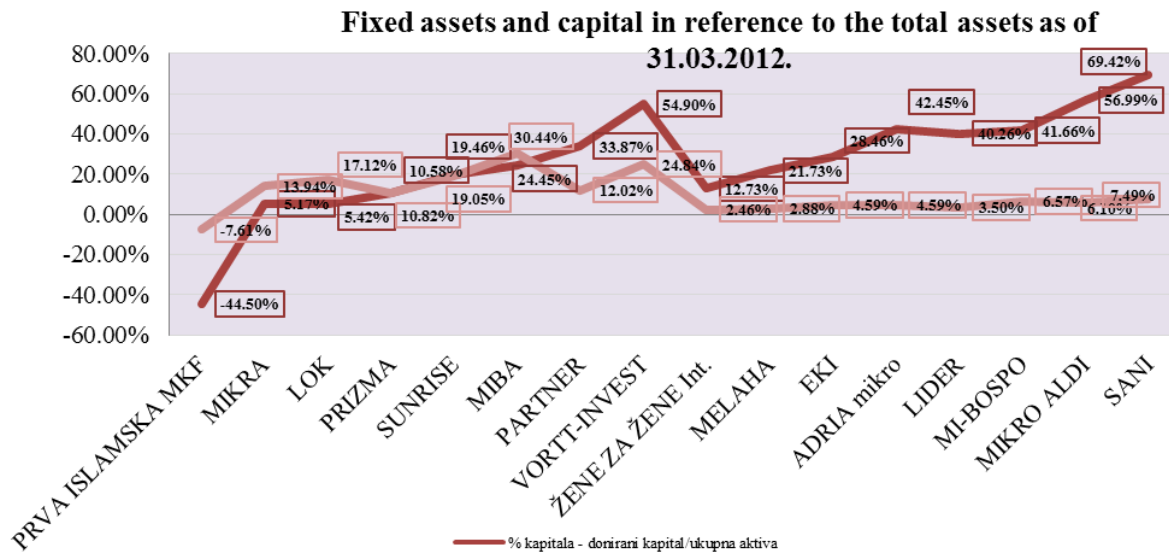
**Average risk weighted EIR on long term loans
based on reports of MCOs for the 1st quarter of 2012.**



Graph 7.

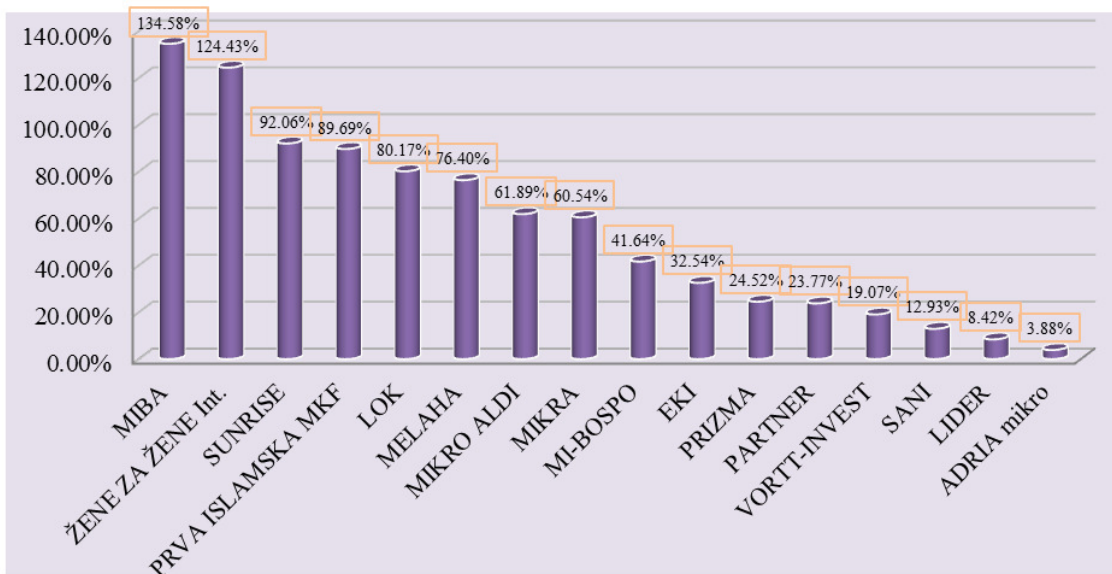


Graph 8.



Graph 9.

Total receivables from written off loans in relation to the total gross portfolio of MCOs as of 31.03.2012.



Graph 10.

Risk in portfolio over 30 days as of 31.03.2012.

