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**TO THE MEDIA**

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***Banking Sector of the Federation of B&H in 2014***

In the banking sector of the Federation of Bosnia and Herzegovina and in 2014, positive trends were recorded, which is reflected in the increase in the balance sheet total, loans, deposits, and especially retail savings, as well as improvements in the profitability of the entire banking sector. The banking sector remains stable and adequately capitalised, and the sector's liquidity is still satisfactory.

The balance sheet total as of 31.12.2014 amounted to KM 16.2 billion and is up by KM 719 million or 4.7% compared to the end of 2013, which is a positive sign and it is expected that the same trend will continue in period to come as well.

The increase in the balance sheet total is primarily a result of the increase in deposits and total capital, while the loan commitment reduction trend continued in 2014 too. The structure saw minor changes related to two key assets items: the share of loans decreasing from 70.3% to 69.1% and that of cash funds from 28.6% to 28.2%.

As of 31.12.2014, 17 banks in the Federation of B&H had banking licences, as was the case at the end of 2013. In 2014, the trend of a slight decrease in the number of bank employees in the FB&H continued. As of 31.12.2014, the number of employees amounted to 6 960, which is down by 91 employees or 1% compared to the end of 2013.

Loans, as the largest assets item of banks in 2014 were up by 2.9% or KM 318 million and amounted to 11.2 KM billion at the end of the year. Retail loans amounted to KM 5.4 billion and were up by 5% or KM 253 million, with a share of 48.8% in total loans. Loans to legal entities amounted to KM 5.8 billion and were at the same level as at the end of 2013, with a share of 51.2%.

In the structure of banks' sources of funding, deposits in the amount of KM 12.1 billion and with a share of 75.0% are still the most important source of funding for banks in the FB&H,

and they increased by 5.3% or KM 607 million in 2014. Savings deposits, as the most important and largest segment of the deposit and financial potential of banks, maintained a positive growth trend and amounted to KM 6.7 billion at the end of 2014, up by 7.9% or KM 491 million compared to the end of 2013. year.

Loan commitments of banks amounted to KM one billion or 6.4% of total sources of funding as of 31.12.2014 and are down by KM 13 million or 1.2% compared to the end of 2013. The total capital of banks amounted to KM 2.43 billion as of 31.12.2014, up by 5.5% or KM 127 million compared to the end of 2013.

The capital adequacy ratio of the banking system, as one of the most important indicators of the strength and capital adequacy of banks, amounted to 16.1% as of 31.12.2014, 1.9 percentage points less than at the end of 2013, when it amounted to 18.0%, which was influenced by regulation changes, but the capital adequacy ratio is still significantly higher than the legal minimum (12%), which represents a satisfactory capitalisation of the overall system and a strong foundation and basis for the preservation of its security and stability.

According to unaudited data from the income statement for 2014, banks in the FB&H recorded a profit in the amount of KM 131 million. A positive financial result was recorded by 15 banks, totalling KM 167 million, while two banks reported a loss in the amount of KM 36 million.

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