



**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 31.12.2009.**

**Sarajevo, March 2010**

## ***Table of Contents***

1. INTRODUCTION .....	3
1.1. Performance trend of MCOs in the Federation of BiH in 2009 .....	3
1.2. Measures necessary on the level of MCOs sector to eradicate the adverse effects of business operations .....	4
1.3. Agency's regulations regarding business operations of MCOs.....	4
2. STRUCTURE OF MICRO-CREDIT ORGANIZATIONS.....	5
2.1. Personnel .....	6
3. FINANCIAL INDICATORS OF MCOs PERFORMANCE .....	6
3.1. Balance Sheet .....	7
3.2. Capital.....	8
3.3. Credit portfolio quality .....	9
3.4. Risk weighted nominal and effective interest rates for micro-credits .....	12
3.5. Income Statement .....	14
4. CONCLUSION.....	16

### **ATTACHEMENTS:**

- Attachment 1. Basic data on MCOs
- Attachment 2. Balance sheet of MCFs
- Attachment 3. Income Statement of MCC
- Attachment 4. Income Statement of MCF
- Attachment 5. Income Statement of MCC

### **GRAPHS:**

- Graph 1. Amount of MCOs assets as of 31.12.2009.
- Graph 2. Amount of MCOs gross portfolio as of 31.12.2009. in 000 KM
- Graph 3. Amount of MCOs capital as of 31.12.2009.
- Graph 4. Income surplus/deficit over the expenses of MCFs,  
that is net profit/loss of MCCs for the period of 01.01 to 31.12.2009.
- Graph 5. Number of MCOs employees as of 31.12.2009.

## 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 the 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. Performance trend of MCOs in BiH Federation in 2009***

During 2007, in the Federation of BiH, MCOs had recorded growth of 100% in comparison to 2006, and a somewhat slower, but not less ambitious, growth continued during 2008. The ambitious growth plan was followed with a 100% increase in the active clients and with a significant expansion and broadening of the network and institutional capacities in regard to a more complex organizational structure, improvement of the internal audit department, however not adequate enough as a follow up for the growth, and with implementation and strengthening of the department for research, development and promotion of the credit products.

The most ambitious growth has been recorded with the organizations of the middle level; however it has not been adequately followed with development and adjustment of their institutional capacities. The reason being the overly optimistic rating reports of the international Rating agencies, which in turn attracted the interest of the investors, especially during the period of excess funds on the international market in 2007, the general mood for investing, as well as the relatively high yield on assets (Euribor + 4,5%) in relation to the acquired risk.

The high level of available funds for this organization type has significantly influenced their lending policy, the level of the clients' indebtedness, the market overflow, overlapping activities on the field and the portfolio quality deterioration, and the beginning of 2009 already gave first negative effects of such growth strategy. Although, in the majority of cases the loan granting process used the reports of the Central Credit Registry of the CBBiH and the client's credit history, the lending practice during 2007 and 2008 became considerably more flexible in relation to the previous periods.

As a result of the flexible lending, the MCOs performance indicators in the Federation of BiH show a drastic deterioration already at the end of 2008, namely the beginning of 2009, coinciding with the effects of the global financial crisis in our country. Especially significant is the relapse of the portfolio maturity structure, explicitly the higher percentage of the past due loans in relation to the average gross portfolio, the increase of reserves for loan losses that is a direct result of the relapse of the portfolio maturity classification, as well as the increase of charged off loans. The direct consequence of the relapse of the loan portfolio quality is the consolidated result of the MCO sector in the Federation, which reveals a loss of around 40

million KM solely during 2009. Unless adequate measures are taken, the loss trend will continue as well in the coming period.

### ***1.2. Measures necessary on the level of MCOs sector to eradicate the adverse effects of business operations***

The Banking Agency of the Federation of BiH is considering, as an urgent measure for eradicating the negative effects of the business operations and protection of the donated funds, the consolidation on the level of micro-credit organizations, which would stabilize the micro-credit sector, decrease the consequences of the excessive competition, increase the MCOs management and personnel competence, strengthen the capital base of a smaller number of stronger and more sound MCOs, as well as implement significant savings in business operation expenses, which in turn would influence the decrease of the micro-credit interest rates.

The Agency will insist on the following: the full application and implementation of the law and regulations of the Agency, improving the transparency of performance of MCOs, overcoming the problems that occurred in the quality of the loan portfolio, obliged exchange of information on the level of sectors and the Central Credit Registry of the CBBiH, improvement of the institutional capacity and internal controls in MCOs, as well as the responsible lending and implementation of the mission and aims of micro-credit sector.

### ***1.3. 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, published in the „Official Gazette of the Federation of BiH“ number: 27/07 and instructions for business operations of MCOs adopted by the Director of the Agency.

#### ***Agency's decisions regarding the business operations of MCOs***

- 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;*
- 2. Decision on conditions and the procedure for issuing and revoking the business operation license and other approvals to micro-credit organizations;*
- 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;*
- 4. Decision on supervision of the business operations of the micro-credit organizations;*
- 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;*
- 6. Decision on the amount and manner for allocating and maintaining reserves for covering the loan losses of micro-credit organizations;*
- 7. Decision on unified manner of accrual and recording of effective interest rates on loans and deposits,*
- 8. Decision on other general conditions for business operations of the macro-credit organizations and*
- 9. Decision on fees that the micro-credit organizations pay to the Banking Agency of the Federation of BiH.*

***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.*

## **2. THE STRUCTURE OF MICRO-CREDIT ORGANIZATIONS**

As of 31.12.2009., there are 18 MCOs (licenses have been issued to 19 MCOs) in the Federation of Bosnia and Herzegovina, of that 17 MCF (18 MCFs were granted licenses) as nonprofit organizations and 1 MCC as a profit organization, as well as 40 MCCs organization units which head offices are in Republica Srpska. 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 of 31.12.2009., MCFs with head office in the Federation of BiH have a total of 401 organizational units, of which in the Federation of BiH 260, Republic Srpska 138 and District Brčko 3. A total of 225 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 at the Federal Ministry of Justice. There are 9 MCFs that have organizational units outside of the Federation of BiH. The Agency recorded an increasing trend in closing of the organizational units with head offices in the Federation due to poor performing results of the micro-credit sector.

The Agency issued a license to organizational units of a MCC with a head office in Republic Srpska, which operates in Federation of BiH through 40 business units and field offices.

## 2.1. Personnel

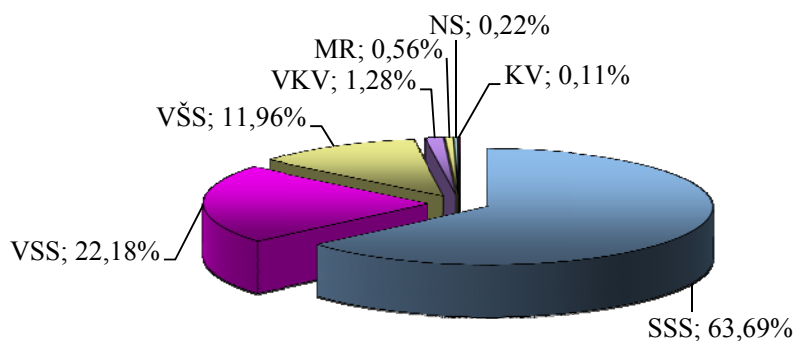
Table 1: Qualification structure of employees

No.	Qualification <sup>1</sup>	31.12.2008.		Total	Participation	31.12.2009.		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	6	0	6	0	4	0	4	0	67
2.	KV	14	0	14	1	2	0	2	0	14
3.	VKV	25	0	25	1	23	0	23	1	92
4.	SSS	1182	3	1185	67	1137	3	1140	64	96
5.	VŠS	194	0	194	11	214	0	214	12	110
6.	VSS	345	3	348	20	394	3	397	22	114
7.	MR	7	0	7	0	10	0	10	1	143
<b>TOTAL</b>		<b>1773</b>	<b>6</b>	<b>1779</b>	<b>100</b>	<b>1784</b>	<b>6</b>	<b>1790</b>	<b>100</b>	<b>101</b>

As of 31.12.2009., micro-credit sector employed a total of 1.790 employees, which is for 11 employees or 1% higher than as of 31.12.2008. MCFs employ 1784 employees or 99,7%, and MCCs 6 employees or 0,3%.

In the structure of employees the largest participation is of SSS of 63,69%, VSS of 22,18% and VŠS of 11,96%. The percentage of participation of the employees with higher education is increasing, while the percentage of the employees with high school diploma is decreasing in relation to 31.12.2008.

Qualification structure of employees as of 12.2009.



## 3. FINANCIAL INDICATORS OF MCOs PERFORMANCE

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.

<sup>1</sup> 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.

### 3.1. Balance Sheet

Table 2. Balance Sheet of MCOs

In 000 KM

OPIS	31.12.2008.					31.12.2009.					Ratio
	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
<b>ASSETS</b>											
1. Cash	31.279	3	25	3	31.304	64.748	8	13	1	64.761	207
2. Placements to banks	2.749	0	0	0	2.749	41.084	5	0	0	41.084	1494
3. Loans	829.414		767		830.181	640.886		1.080		641.966	77
4. Less: reserves for loan losses	20.386		48		20.434	50.924		75		50.999	250
5. Net loans	809.028	90	719	92	809.747	589.962	77	1.005	90	590.967	73
6. Business premises and other fixed assets	43.362	5	35	4	43.397	51.927	7	91	8	52.018	120
7. Long term investments	135	0	0	0	135	2.000	0	0	0	2.000	1487
8. Other assets	15.137	2	0	0	15.137	20.446	3	14	1	20.460	135
9. Less: reserves for other assets, except loans	560		0	0	560	1.610		0	0	1.610	288
<b>TOTAL ASSETS</b>	<b>901.131</b>	<b>100</b>	<b>779</b>	<b>100</b>	<b>901.910</b>	<b>768.557</b>	<b>100</b>	<b>1.123</b>	<b>100</b>	<b>769.680</b>	<b>85</b>
<b>LIABILITIES</b>											
10. Liabilities for loans taken	679.392	75	125	16	679.517	590.749	77	433	39	591.181	87
11. Other liabilities	28.925	3	25	3	28.950	24.142	3	44	4	24.186	84
12. Capital	192.814	21	629	81	193.443	153.666	20	646	58	154.312	80
<b>TOTAL LIABILITIES</b>	<b>901.131</b>	<b>100</b>	<b>779</b>	<b>100</b>	<b>901.910</b>	<b>768.557</b>	<b>100</b>	<b>1.123</b>	<b>100</b>	<b>769.680</b>	<b>85</b>
Off-balance sheet records	17.317		37		17.354	79.269		34		79.303	457

As of 31.12.2009., the MCOs balance sheet amount is 769,7 million KM and it decreased for 15% in relation to the amount as of 31.12.2008. The balance sheet growth is recorded by 3 MCF and 1 MCC, and the decline by 14 MCF. The highest decline of the balance sheet amount in relation to the end of the previous year is recorded by one MCF, which is 39%. The highest participation in the total MCOs balance sheet is by six MCFs with assets in the amount of 715,6 million KM or 93%.

In the asset structure of MCOs, the cash funds are 64,7 million KM or 8% with a growth rate of 107% in comparison to 31.12.2008., and mainly relate to cash funds of MCF. The lending to banks amounts to 41 million KM or 5%. Net loans, that is, the gross loans deducted for the loan loss reserves, are 591 million KM or 77% of the total assets and are 27% in decline in comparison to the last year. The highest decline of net loans is recorded by one MCF, which net loans decreased for almost 9 million KM, that is 44%, in relation to the end of the last year. The business premises and other fixed assets are 52 million KM or 7% of total assets. The other assets are 20 million KM or 3%, and are composed of accrued interest, advance payments, active time reconciliation assets and other.

In the liability structure of MCOs, the liabilities on acquired loans are the basic source of funds and amount to 591,2 million KM or 77% of total liabilities and decreased for 13% in comparison to 31.12.2008.

Table 3: Maturity structure of the loans taken

in 000 KM

DESCRIPTION	31.12.2008.				31.12.2009.				Index
	MCF	MCC	TOTAL	%	MCF	MCC	TOTAL	%	
1	2	3	4=(2+3)	5	6	7	8=(6+7)	9	10=8/4
<b>1. Liabilities on short term loans taken</b>	134.280	125	134.405	20	124.041	433	124.474	21	93
<b>2. Liabilities on long term loans taken</b>	545.112	0	545.112	80	466.708	0	466.708	79	86
<b>TOTAL</b>	<b>679.392</b>	<b>125</b>	<b>679.517</b>	<b>100</b>	<b>590.749</b>	<b>433</b>	<b>591.181</b>	<b>100</b>	<b>87</b>

Of total liabilities on loans taken 466,7 million KM or 79% are long term loans, and 124,5 million KM or 21% short term loans. The short term loans are in decline for 7%, and the long term loans for 14% in relation to the end of the last year. The taken loans of MCFs amount to 590,7 million KM or 99,9% of total loans.

The most significant MCOs creditors are:

**1.)** EFSE – European fund for southeast Europe, Luxemburg (89,7 million KM); **2.)** EBRD – European bank for reconstruction and development, Great Britain (65,2 million KM); **3.)** AECI – Agency for international cooperation of Kingdom of Spain (51,8 million KM); **4.)** Blue Orchard Finance S.A., Switzerland (37,4 million KM); **5.)** DWM – Developing World Markets, USA (32,3 million KM); **6.)** Development Bank of Federation of BiH<sup>2</sup> (29,2 million KM); **7.)** Symbiotics, Switzerland (21,6 million KM), **8.)** Dexia Micro-credit, Switzerland (21,1 million KM); **9.)** ICO – Instituto de Credito Oficial, Spain (17,6 million KM); **10.)** Triodos-Doen, Netherlands (15,6 million KM); **11.)** Oikokredit, Netherlands (15,5 million KM); **12.)** Triple Jump, Netherlands (14,7 million KM); **13.)** Global Microfinance Facility (11,7 million KM) and other.

Other liabilities are 24,2 million KM or 3% of the total liabilities, and are made of liabilities towards employees, suppliers, passive time reconcilements and other.

Capital of MCOs as of 31.12.2009., is 154,3 million KM or 20% of total liabilities and declined for 20% in relation to 31.12.2008.

The off-balance sheet is 79,3 million KM, and it is made of written off interest receivables and it increased for 357% in comparison to the off-balance sheet records as of 31.12.2008.

### 3.2. Capital

The total capital of MCOs as of 31.12.2009., is 154,3 million KM, of which amount the capital of MCFs is 153,7 million MCF or 99,6%, and the capital of one MCC is 0,6 million KM or 0,4%.

<sup>2</sup> The funds are allocated within the framework of the Local initiatives project LIP and LIP II, which management has been, by a Decision of the Government of F BiH, („Official Gazette of FBiH, number: 78/06 and 34/07), transferred to Development Bank of Federation of BiH.



Table 4: Capital structure of MCOs

In 000 KM

DESCRIPTION	31.12.2008.					31.12.2009.					Ratio
	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	46.313	24	0	0	46.313	43.212	28	0	0	43.212	93
Core Capital	6.026	3	600	95	6.626	5.770	4	600	93	6.370	96
Surplus/deficit of income over expenses	139.913	73	0	0	139.913	98.843	64	0	0	98.843	71
Issue premium	0	0	0	0	0	0	0	0	0	0	0
Undistributed income	0	0	29	5	29	0	0	46	7	46	160
Regulatory provisions	0	0	0	0	0	0	0	0	0	0	0
Other reserves	561	0	0	0	561	5.841	4	0	0	5.841	1041
<b>TOTAL CAPITAL</b>	<b>192.814</b>	<b>100</b>	<b>629</b>	<b>100</b>	<b>193.443</b>	<b>153.666</b>	<b>100</b>	<b>646</b>	<b>100</b>	<b>154.312</b>	<b>80</b>

All of the MCOs, except one, fulfill the core capital minimum of 50.000 KM proscribed by law for MCF and 500.000 KM for MCC.

The most significant capital source for MCFs is the surplus of income over expenses which is 98,8 million KM, and constitutes 64% of total capital of MCFs, and is in decline for 29% in comparison to the end of the last year. The total realized surplus of income over expenses of MCFs is 140,9 million KM, of which 139,2 million KM refers to previous years and 1,7 million KM for the current year, from which subtracted is the deficit of income over expenses in the amount of 42,1 million KM, which for the previous years is 0,9 million KM and 41,2 million KM for the current year. The deficit of income over expenses in the current year is realized by 11 MCF. Undivided profit of one MCC is 46 thousand KM or 7% of the total capital of MCC. The significant source of capital of MCF is the donated capital which is 43,2 million KM or 28% of the total capital, whereas one MCC does not have donated capital. Other reserves are 5,8 million KM and refer to four MCFs.

### 3.3. Credit portfolio quality

The core activity of MCOs is the micro-crediting that refers to the amount of 642 million KM or 83% of 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 641 million KM or 99,8% of total loans, whereas MCCs relate to 1 million KM or 0,2% 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	31.12.2008.			31.12.2009.			Index
		MCF	MCD	Total	MCF	MCC	Total	
1	2	3	4	5=(3+4)	6	7	8=(6+7)	9=8/5
1.	Loans	829.414	767	830.181	640.886	1.080	641.966	77
2.	Reserves for loan losses	20.386	48	20.434	50.924	75	50.999	250
<b>3.</b>	<b>Net loans (1.-2.)</b>	<b>809.028</b>	<b>719</b>	<b>809.747</b>	<b>589.962</b>	<b>1.005</b>	<b>590.967</b>	<b>73</b>

Net loans are 591 million KM and show a decrease of 27% in relation to 31.12.2008., and loans on the gross level show a decrease of 23%, while reserves for loan losses are 51 million KM and show an increase of 150% in relation to the end of the previous year.

Table 6: Department and maturity structure of micro-credit MCOs as of 31.12.2009.  
in 000 KM

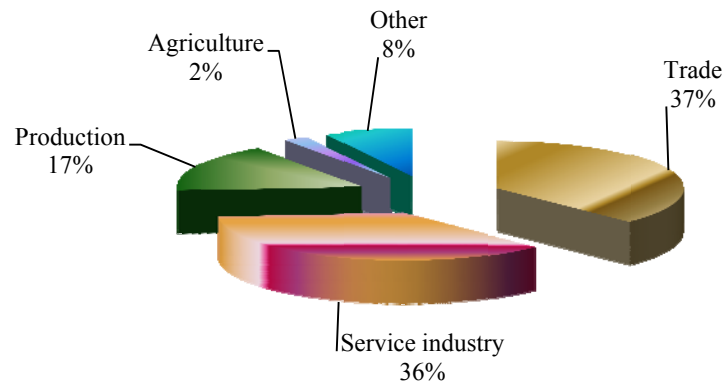
No.	Micro-credits	Short term loans	Long term loans	Past due receivables	TOTAL	%
1	2	3	4	5	6=(3+4+5)	7
<b>1.</b>	<b>Legal entities</b>					
a.)	<b>Service industry</b>	659	3.024	89	<b>3.772</b>	<b>36%</b>
b.)	<b>Trade</b>	684	3.035	158	<b>3.877</b>	<b>37%</b>
c.)	<b>Agriculture</b>	16	192	2	<b>210</b>	<b>2%</b>
d.)	<b>Production</b>	271	1.389	44	<b>1.704</b>	<b>16%</b>
e.)	<b>Other</b>	67	674	50	<b>791</b>	<b>8%</b>
	<b>TOTAL 1:</b>	<b>1.697</b>	<b>8.314</b>	<b>343</b>	<b>10.354</b>	<b>100%</b>
<b>2.</b>	<b>Individuals</b>					
a.)	<b>Service industry</b>	11.811	127.087	2.972	<b>141.870</b>	<b>22%</b>
b.)	<b>Trade</b>	9.779	95.399	2.677	<b>107.855</b>	<b>17%</b>
c.)	<b>Agriculture</b>	10.929	187.365	3.469	<b>201.763</b>	<b>32%</b>
d.)	<b>Production</b>	3.984	36.651	841	<b>41.476</b>	<b>7%</b>
e.)	<b>Housing needs</b>	2.253	64.905	1.207	<b>68.365</b>	<b>11%</b>
f.)	<b>Other</b>	14.924	54.077	1.282	<b>70.282</b>	<b>11%</b>
	<b>TOTAL 2:</b>	<b>53.680</b>	<b>565.484</b>	<b>12.447</b>	<b>631.611</b>	<b>100%</b>
	<b>TOTAL (1+2):</b>	<b>55.377</b>	<b>573.798</b>	<b>12.790</b>	<b>641.966</b>	

According to the department structure of the micro-credits, 631,6 million KM or 98% of total loans are granted to the individuals, and 10,4 million or 2% to legal entities.

In the maturity structure of the micro-credits, short term loans, which include the past due receivables, are 55,4 million KM or 9%, and long term loans are 573,8 million KM or 89%. The total past due receivables are 12,8 million KM or 2% of the total loans and almost in whole refer to loans to individuals.

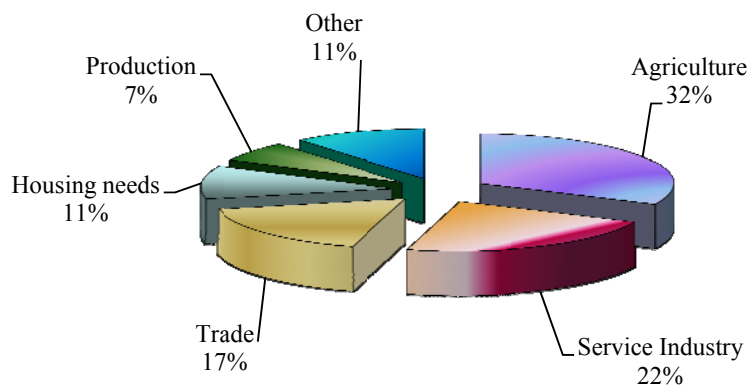
According to the sector structure the largest amount of total amount of micro-credits to **legal entities** has been allocated in the trade sector, nearly 3,9 million, or 37%, then service industry 3,8 million KM or 36%, 1,7 million KM for production, that is 17%, 0,2 million KM for agriculture or 2%, and 0,8 million or 8% for other.

### Sector structure of micro-credit placements to legal entities



In regard to loans to **individuals**, 201,8 million KM or 32% was granted to agriculture, then 141,8 million KM or 22% for service industry, whereas 107,8 million KM or 17% was granted to the sector of trade, for housing needs 68,4 million KM or 11%, and for production 41,5 million KM or 7%, and for other 70,3 million KM or 11%.

### Sector structure of micro-credit placements 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 (54%) and mainly relates to long term loans to individuals.

The Micro-credit organizations cannot give loans to related entities in accordance to Law on MCOs, consequently the amount of micro-credits granted to related entities as of 31.12.2009., is 0. 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 loan, accrued interest and fees and all other items where MCO is exposed to risk of payment default that is business failure.

The following table shows the amounts of receivables distributed through the given groups and accrued interests in those groups as of 31.12.2009.:

Table 7: Report on amount and manner of establishing the reserves for loan losses as of 31.12.2009.

in 000 KM

No.	Days of default	Reserve rates	Loan amount	Past due interest		Amount of other assets items	Provisioning			Total reserves
				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.	1 - 15	2%	17.591	2%	392	892	352	8	18	378
2.	16 - 30	15%	22.516	100%	426	0	3.377	426	0	3.804
3.	31 - 60	50%	19.255	100%	680	0	9.627	680	0	10.307
4.	61 - 90	80%	10.194	100%	523	0	8.155	523	0	8.678
5.	91 - 180	100%	25.865	100%	1.968	0	25.865	1.968	0	27.833
6.	over 180	charge off	14.913		2.470	0	0	0	0	0
<b>TOTAL</b>			<b>110.334</b>		<b>6.460</b>	<b>892</b>	<b>47.377</b>	<b>3.605</b>	<b>18</b>	<b>50.999</b>

Default in payment of longer than one day have loans in the amount of 110,3 million KM or 17% of total loans. The largest amounts of loans have default in payment of 91 to 180 days (25,9 million KM or 4% of total loans).

The total amount of past due interest is 6,5 million KM, of that amount 2 million KM or 31% is in the default group of 91 to 180 days.

The amount of the other items of assets for which the reserves were accrued is 0,9 million KM and refers solely on one MCF.

Total amount of accrued reserves on all bases is 51 million KM.

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

Effective interest rate on micro-credit loans is the actual price of those loans that is accrued and recorded in a unified manner with an aim to provide for transparency and comparability in different MCOs. Effective interest rate 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 and 46/09). 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: Review of the risk-weighted nominal and effective interest rates for loans through maturity and allocation for December 2009.

DESCRIPTION	Risk-weighted nominal interest rate (average)	Risk-weighted effective interest rate (average)
<b>Short term loans for:</b>		
Service industry	23,36%	32,62%
Trade	20,12%	31,35%
Agriculture	23,31%	33,01%
Production	21,10%	28,58%
Housing needs	22,14%	25,86%
General purpose – basic needs	29,39%	37,66%
Other	24,27%	33,01%
<b>Long term loans for:</b>		
Service industry	27,26%	31,56%
Trade	27,86%	32,28%
Agriculture	23,38%	26,90%
Production	27,98%	32,27%
Housing needs	23,76%	27,53%
General purpose - basic needs	31,90%	38,38%
Other	26,25%	31,72%

For short term loans, risk-weighted nominal interest rates, in the fourth quarter of 2009, were in the range between 20,12% to 29,27%, whereas the risk-weighted effective interest rates for micro-credit were in the range of 25,86% for housing needs, up to 37,66% for general purpose loans.

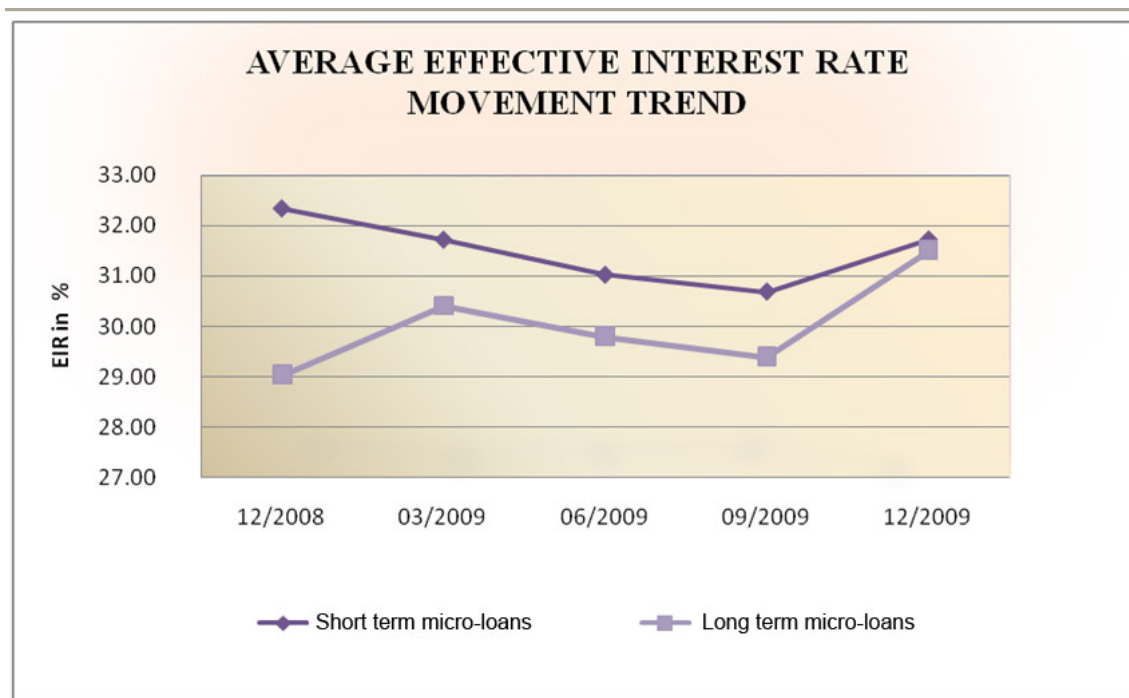
Risk-weighted nominal interest rates for long term loans were in the range between 23,38% to 31,90%, while the effective interest rates on long term loans were in the range of 26,90% for agriculture to 38,38% for general purpose loans.

The average effective interest rates on 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 %	12/2008	03/2009	06/2009	09/2009	12/2009
Short term micro-credits	32,35	31,72	31,02	30,69	31,73
Long term micro-credits	29,04	30,41	29,81	29,39	31,52

**Graphic illustration of the average effective interest rates for short term and long term loans through quarters.**



The forming of the interest rates for micro-credits is determined on the basis of the high capital expenses that MCOs use for funding the portfolio (Eurolibor +4,5%), high administration expenses (around 15%), expenses of provisioning for debt losses that are in constant incline since 2007, as well as the expense of the capitalization. The price of capital and provisioning are proportional to the granted loans, while the administrative expenses are not proportional to the debt and present the highest item on each given loan. Higher interest rates on micro-credits in relation to bank loans are calculated so that the organizations could cover for mentioned expenses, and reach the financial sustainability level as the guarantee of a MCO endurance.

According to the indicators from Micro-banking Bulletin, micro-credit organizations in the region of Eastern Europe, in average, calculate around 29,8% for micro-credits. Of that the organization of the small volume economy is around the average of 41,8%, middle around 30,8% and large around 27,3%. The average of the effective interest rates for MCOs in the Federation is according to these data is within the standard of interest rates for micro-credit organizations in the world and the region.

### 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 9.

Table 9: Income Statement MCOs

in 000 KM

No.	DESCRIPTION	For the period of 01.01. - 31.12.2008.				For the period of 01.01. - 31.12.2009.				Ratio
		MCF	MCC	Total	%	MCF	MCC	Total	%	
1	2	1	2	3=(1+2)	4	5	6	7=(5+6)	8	9
<b>1.</b>	<b>INTEREST INCOME AND SIMILAR TYPES OF INCOME</b>									
1.1.	Interest income and similar types of income	172.407	105	172.513	95	166.287	216	166.503	96	97
1.2.	Operating income	9.017	88	9.105	5	7.441	42	7.483	4	82
<b>2.</b>	<b>TOTAL INCOME (1.1.+1.2.)</b>	<b>181.424</b>	<b>193</b>	<b>181.617</b>	<b>100</b>	<b>173.728</b>	<b>258</b>	<b>173.986</b>	<b>100</b>	<b>96</b>
<b>3.</b>	<b>EXPENSES</b>									
3.1.	Income expenses and similar expenses	47.788	4	47.792	32	45.791	25	45.816	21	96
3.2.	Operating expenses	72.983	112	73.095	48	75.593	187	75.780	34	104
3.3.	Expenses for reserves for loan and other losses	29.811	48	29.859	20	98.349	28	98.377	45	329
<b>4.</b>	<b>TOTAL EXPENSES (3.1.+3.2.+3.3.)</b>	<b>150.583</b>	<b>163</b>	<b>150.746</b>	<b>100</b>	<b>219.733</b>	<b>239</b>	<b>219.972</b>	<b>100</b>	<b>146</b>
5.	EXTRAORDINARY INCOME	7.666	2	7.668		10.026	3	10.030		
6.	EXTRAORDINARY EXPENSES	1.236	0	1.236		3.474	0	3.474		
<b>7.</b>	<b>TOTAL INCOME -EXPENSES (2+5-4-6)</b>	<b>37.272</b>	<b>32</b>	<b>37.303</b>		<b>-39.453</b>	<b>23</b>	<b>-39.430</b>		
8.	SURPLUS/DEFICIT OF INCOME OVER EXPENSES	37.272				-39.453				
9.	INCOME BEFORE TAXES		32				23			
10.	TAXES		3				2			
11.	NET INCOME/LOSS		29				20			
<b>12.</b>	<b>TOTAL FINANCIAL RESULT</b>			<b>37.300</b>				<b>-39.432</b>		

The total income of MCOs, for the period of 01.01. - 31.12.2009., is 174 million KM, of which 173,7 million KM or 99,8% refers to income of MCFs, and 0,258 million KM or 0,2% on income of one MCC. The income has declined for 4% in relation to the same period last year. The core income is interest income and it is 166,5 million KM or 96% of total income and declined for 3% in relation to the same period of last year.

The total expenses are 220 million KM, of which 219,7 million or 99,9% relates to expenses of MCF, and 0,239 million KM or 0,1% to expenses of one MCC. The expenses were increasing at a rate of 46% due to the increase in the expenses for reserves for loan losses and other losses of 229% in relation to the end of the previous year. In the structure of expenses, 45,8 million KM or 21% of total expenses are expenses related to interests on acquired loans and other similar expenses, and have decreased for 4% in regard to the condition as of 31.12.2008. Operational expenses are 75,8 million KM or 34% of total expenses, and refer to expenses of salaries and contributions (41,4 million KM), expenses related to the business premises, other fixed assets and utilities (17,1 million KM), and other operating expenses (17,3 million KM). Operating expenses increased by 4% in relation to the end of the last year. The expenses related to the reserves for loan losses and other losses are 98,4 million KM or 45% of total expenses, and are 229% higher than for the same period last year, which indicates a significant deterioration of the loan repayments.

For the period of 01.01.-31.12.2009., the net income of one MCC was 20 thousand KM. In the same period MCF realized a deficit of income over expenses in a total amount of 39,5 million KM, of which 11 MCF has an income deficit over expenses in a total amount of 41,2 million KM, and 6 MCF realized an income surplus over expenses in the amount of 1,7 million KM.

On the level of the micro-credit sector in the Federation of BiH, there is a negative financial result in the amount of 39,4 million KM.

#### **4. CONCLUSION**

Analyzing the reports of MCOs as of 31.12.2009., we can conclude the following:

- Aggregate balance sheet of MCOs as of 31.12.2009. is 769,7 million KM, of which 768,5 million KM refers to MCFs or 99,8%, and 1,1 million KM to MCCs or 0,2% of the total balance sheet of MCOs;
- Aggregate balance sheet of MCOs for the twelve months of 2009. decreased by 132,3 million KM or 15%;
- The total loans of MCOs as of 31.12.2009. are 642 million KM, that is 83% of total assets of MCOs;
- The basic source of funds for MCOs are liabilities on acquired loans that, as of 31.12.2009., are 591,2 million KM or 77% of total liabilities of MCOs;
- The total capital of MCOs as of 31.12.2009., is 154,3 million KM, of which the capital of MCF is 153,7 million KM, and MCC 0,6 million KM. The most significant items of capital of MCFs are the surplus of income over expenses in the amount of 98,8 million KM, which constitutes 64% of the total capital of MCF. The total realized surplus of income over the expenses for MCF is 140,9 million KM decreased for the income deficit over expenses in the amount of 41,2 million KM, which for the previous year is 0,9 million KM and 41,2 million KM for the current year. A significant source of capital of MCFs is the donated capital, which is 43,2 million KM or 28% of total capital of MCFs, while the core capital of MCFs is 5,8 million or 4% of total capital of MCF. Undivided profit of MCCs is 46 thousand KM or 7% of total capital of MCCs, while the core capital is 0,6 million KM or 93% of total capital of MCCs.
- In the period of 01.01. to 31.12.2009., MCFs realized a surplus in income over expenses in the amount of 1,7 million KM, while the deficit of income over expenses was 41,2 million KM, which means that MCFs in the current year operated with deficit income over expenses in the total amount of 39,5 million KM. In 2009, MCC realized a net profit of 20 thousand KM.

In the following period, the MCOs need to intensely work on:

- Applying and implementing the law and regulations of the Agency;
- Improving the performance efficiency and optimization of resources of MCOs;
- Responsible lending and implementing the mission and aims of the micro-credit sector;
- Overcoming the problems that occurred in the credit portfolio quality;
- Exchange of information on the level of department and the Central credit registry;
- Improving the institutional capacity and adjusting the systems of loan payout and collection;
- Preserving the donated funds; and



- Finding possibilities for the consolidation of MCOs within the departments in order to provide for the strengthening of the departments, stabilization of the market conditions and use of the potential for further development and preserving the sector sustainability.

## **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 1.

## BASIC DATA ON MCOs

No.	Micro-credit organization name	Address and main office	Director	Tel/Fax	E-mail and Web	31.12.2009.	
						Amount of assets in 000 KM	Number of employees
1.	MKD "ADRIA mikro" d.o.o. Mostar	Kneza Višeslava 14 88 000 MOSTAR	Duškanka Begović	036/ 348-891, 348-890 fax	adria.mikro@tel.net.ba	1.123	6
2.	MKF "BONUS" Zenica*	ul. Vatrogasni put 1 72 000 ZENICA	Meho Padalo	032/ 401-672 tel/fax	-	N/A	N/A
3.	MKF "BOSANSKO SELO" Srebrenik	21. Srebreničke brigade bb 75 350 SREBRENİK	Zijad Smajić	035/ 644-898 tel/fax	mobosel@bih.net.ba	626	6
4.	MKF "EKI" Sarajevo	Džemala Bijedića bb 71 000 SARAJEVO	Sadina Bina	033/ 754-370, 754-388 fax	sbina@mkoeki.com www.mkoeki.com	174.273	316
5.	MKF "KARTAGINA" Sarajevo	Ferde Hauptmana 7 71 000 SARAJEVO	Davor Pozojević	033/ 523-395, 613-334 fax	mkokartagina@gmail.com	394	5
6.	MKF "LIDER" Sarajevo	Skenderija 68 71 000 SARAJEVO	Zijad Hasović	033/ 250-580, 250-581 fax	zijadh@lider.ba www.lider.ba	12.133	47
7.	"LOK MKF" Sarajevo	Skenderija 13 71 000 SARAJEVO	Nusret Čaušević	033/ 564-200, 564-201 fax	central.office@lok.ba www.lok.ba	112.710	306
8.	MKF "MELAHA" Sarajevo	Hamdije Kreševljakovića 59 71 000 SARAJEVO	Iso Abinun	033/ 205-737 tel/fax	iso@melaha.ba	1.361	3
9.	MKF "MIBA" Tuzla	Đorđa Mihajlovića 4/III 75 000 TUZLA	Mirsad Bahić	035/ 277-455 tel/fax	miba@vesta.ba www.miba.ba	771	6
10.	MKF "MI-BOSPO" Tuzla	Bosne srebrene bb 75 000 TUZLA	Nejira Nalić	035/ 270-283, 252-448 fax	mi-bospo@mi-bospo.org www.mi-bospo.org	67.089	148
11.	MKF "MIKRA" Sarajevo	Marka Marulića 2/VI 71 000 SARAJEVO	Sanin Čampara	033/ 616-162, 717-141 fax	mikra@mikra.ba www.mikra.ba	16.082	102
12.	MKF "MIKRO ALDI" Goražde	Panorama bb 73 000 GORAŽDE	Ferida Softić	038/ 226-456, 221-004 fax	mka.aldi@bih.net.ba www.mikroaldi.org	5.690	25
13.	"PARTNER MKF" Tuzla	15. maja bb 75 000 TUZLA	Senad Sinanović	035/ 300-250, 300-269 fax	partner@partner.ba www.partner.ba	175.774	296
14.	MKF "PRIZMA" Sarajevo	Bistrik Medresa 43 71 000 SARAJEVO	Kenan Crnković	033/ 573-320, 446-583 fax	hq@prizma.ba www.prizma.ba	94.051	226
15.	"PRVA ISLAMSKA MKF" Sarajevo	Jukićeva 75 71 000 SARAJEVO	Samir Bajraktarević	033/ 666-224, 268-350 fax	info@islamic-relief.ba	1.939	12
16.	MKF "SANI" Zenica	Mehmedalije Tarabara 10 72 000 ZENICA	Sulejman Haračić	032/ 405-606 tel/fax	mikrosanizenica@yahoo.com	677	3
17.	MKF "SUNRISE" Sarajevo	Hamdije Kreševljakovića 51 71 000 SARAJEVO	Zoran Dučić	033/ 278-020, 278-032 fax	sunrise@microsunrise.ba www.microsunrise.ba	91.712	212
18.	MKF "VORTT-INVEST" Sarajevo	Azize Šaćirbegović 128 71 000 SARAJEVO	Mustafa Kapić	033/720-949, 720-941 fax	vorttdoo@yahoo.com	657	1
19.	MKF "ŽENE ZA ŽENE International" Sarajevo	Džemala Bijedića 130 71 000 SARAJEVO	Seida Sarić	033/ 770-010, 770-012 fax	general@zenezazene.ba www.womenforwomen.org	12.618	70
<b>TOTAL</b>						<b>769.680</b>	<b>1.790</b>

\* MKF „BONUS“ Zenica did not submit reports for the 4th quarter of 2009, so the data for this MCF had not been taken into account in the developing of the Information.

## Attachment 2.

**BALANCE SHEET OF MCFs***in 000 KM*

No.	DESCRIPTION	31.12.2008.	%	31.12.2009.	%	Index
1	2	3	4	5	6	7=5/3
<b>ASSETS</b>						
<b>1.</b>	<b>Cash (1a+1b)</b>	<b>31.279</b>	<b>3</b>	<b>64.748</b>	<b>8</b>	<b>207</b>
1a)	Cash and noninterest –bearing deposit accounts	26.351	3	17.274	2	66
1b)	Interest-bearing deposit accounts	4.927	1	47.474	6	963
2.	Placement to banks	2.749	0	41.084	5	1494
3.	Loans	829.414		640.886		77
3a)	Reserves for loan losses	20.386		50.924		250
<b>3b)</b>	<b>Net loans (3-3a)</b>	<b>809.028</b>	<b>90</b>	<b>589.962</b>	<b>77</b>	<b>73</b>
4.	Premises and other fixed assets	43.362	5	51.927	7	120
5.	Long term investments	135	0	2.000	0	1487
6.	Other assets	15.137	2	20.446	3	135
7.	Less: reserves for other items of the assets, except loans	560		1.610		288
<b>8.</b>	<b>TOTAL ASSETS</b>	<b>901.131</b>	<b>100</b>	<b>768.557</b>	<b>100</b>	<b>85</b>
<b>LIABILITIES</b>						
9.	Liabilities on taken short term loans	134.280	15	124.041	16	92
10.	Liabilities on taken long term loans	545.112	60	466.708	61	86
11.	Other liabilities	28.925	3	24.142	3	83
<b>12.</b>	<b>TOTAL LIABILITIES</b>	<b>708.316</b>	<b>79</b>	<b>614.891</b>	<b>80</b>	<b>87</b>
13.	Donated capital	46.313		43.212		93
14.	Core capital	6.026		5.770		96
<b>15.</b>	<b>Surplus of income over expenses</b>	<b>141.269</b>		<b>140.934</b>		<b>100</b>
15a)	For previous years	102.641		139.202		136
15b)	For current year	38.627		1.733		4
<b>16.</b>	<b>Deficit of income over expenses</b>	<b>1.355</b>		<b>42.091</b>		<b>3106</b>
16a)	For previous years	0		905		0
16b)	For current year	1.355		41.186		3039
17.	Other reserves	561		5.841		1040
<b>18.</b>	<b>TOTAL CAPITAL</b>	<b>192.814</b>	<b>21</b>	<b>153.666</b>	<b>20</b>	<b>80</b>
<b>19.</b>	<b>TOTAL LIABILITIES</b>	<b>901.131</b>	<b>100</b>	<b>768.557</b>	<b>100</b>	<b>85</b>
<b>OFF BALANCE SHEET</b>						
	<b>- written off loans</b>	17.041		62.703		368
	<b>- commission contracts</b>	276		16.566		6002

**Attachment 3.**

**BALANCE SHEET OF MCCs**

*in 000 KM*

No.	DESCRIPTION	31.12.2008.	%	31.12.2009.	%	Index
1	2	3	4	5	6	7=5/3
<b>ASSETS</b>						
<b>1.</b>	<b>Cash (1a+1b)</b>	<b>25</b>	<b>3</b>	<b>13</b>	<b>1</b>	<b>50</b>
1a)	Cash and noninterest –bearing deposit accounts	25	3	13	1	50
1b)	Interest-bearing deposit accounts	0	0	0	0	0
2.	Placements to banks	0	0	0	0	0
3.	Loans	767		1.080		141
3a)	Reserves for loan losses	48		75		155
<b>3b)</b>	<b>Net loans (3-3a)</b>	<b>719</b>	<b>92</b>	<b>1.005</b>	<b>90</b>	<b>140</b>
4.	Premises and other fixed assets	35	4	91	8	260
5.	Long term investments	0	0	0	0	0
6.	Other assets	0	0	14	1	0
7.	Less: reserves for other items of the assets, except loans	0		0		0
<b>8.</b>	<b>TOTAL ASSETS</b>	<b>779</b>	<b>100</b>	<b>1.123</b>	<b>100</b>	<b>144</b>
<b>LIABILITIES</b>						
9.	Liabilities on taken short term loans	125	16	433	39	346
10.	Liabilities on taken long term loans	0	0	0	0	0
11.	Other liabilities	25	3	44	4	176
<b>12.</b>	<b>TOTAL LIABILITIES</b>	<b>150</b>	<b>19</b>	<b>477</b>	<b>42</b>	<b>318</b>
13.	Donated capital	0		0		0
14.	Core capital	600		600		100
15.	Issue premium	0		0		0
<b>16.</b>	<b>Undistributed profit (16a+16b)</b>	<b>29</b>		<b>46</b>		<b>160</b>
16a)	Previous years	0		24		0
16b)	Current year	29		23		78
17.	Regulatory reserves	0		0		0
18.	Other reserves	0		0		0
<b>19.</b>	<b>TOTAL CAPITAL</b>	<b>629</b>	<b>81</b>	<b>646</b>	<b>58</b>	<b>103</b>
<b>20.</b>	<b>TOTAL LIABILITIES</b>	<b>779</b>	<b>100</b>	<b>1.123</b>	<b>100</b>	<b>144</b>
<b>OFFBALANCE SHEET</b>						
	<b>- written off loans</b>	37		34		93
	<b>- commission contracts</b>	0		0		0

Attachment 4.

**INCOME STATEMENT OF MCFs**

*in 000 KM*

No.	DESCRIPTION	For the period of 01.01. - 31.12.2008.	%	For the period of 01.01. - 31.12.2009.	%	Index
1	2	3	4	5	6	7=(5/3)
<b>I</b>	<b>FINANCIAL INCOME AND EXPENSES</b>					
<b>1.</b>	<b>Interest income and similar income</b>					
1.1.	Interest from interest bearing deposit accounts with depositary institutions	112	0	687	0	612
1.2.	Interest from placements to banks	132	0	307	0	233
1.3.	Loan interest	171.581	100	164.760	99	96
1.4.	Other financial income	582	0	532	0	91
<b>1.5.</b>	<b>Total interest income and similar income (1.1. to 1.4.)</b>	<b>172.407</b>	<b>100</b>	<b>166.287</b>	<b>100</b>	<b>96</b>
<b>2.</b>	<b>Interest expenses and similar expenses</b>					
2.1.	Interest on borrowings	45.447	95	42.930	94	94
2.2.	Other financial expenses	2.341	5	2.861	6	122
<b>2.3.</b>	<b>Total interest expenses and similar expenses (2.1. to 2.2.)</b>	<b>47.788</b>	<b>100</b>	<b>45.791</b>	<b>100</b>	<b>96</b>
<b>3.</b>	<b>Net financial income (1.5. - 2.3.)</b>	<b>124.619</b>		<b>120.496</b>		<b>97</b>
<b>II</b>	<b>OPERATING INCOME AND EXPENSES</b>					
<b>4.</b>	<b>Operating income</b>					
4.1.	Fees for completed services	8.637	96	6.794	91	79
4.2.	Other operating income	380	4	647	9	170
<b>4.3.</b>	<b>Total operating income (4.1. to 4.2.)</b>	<b>9.017</b>	<b>100</b>	<b>7.441</b>	<b>100</b>	<b>83</b>
<b>5.</b>	<b>Operating expenses</b>					
5.1.	Cost of salaries and benefits	42.934	59	41.232	55	96
5.2.	Costs of business premises, other fixed assets and utilities	13.799	19	17.075	23	124
5.3.	Other operating expenses	16.250	22	17.286	23	106
<b>5.4.</b>	<b>Total operating expenses (5.1. to 5.3.)</b>	<b>72.983</b>	<b>100</b>	<b>75.593</b>	<b>100</b>	<b>104</b>
6.	Cost of provisioning for loan and other losses	29.811		98.349		330
<b>7.</b>	<b>Surplus/deficit of income over expenses from direct business operations (3.+4.3.-5.4.-6.)</b>	<b>30.841</b>		<b>-46.005</b>		<b>-149</b>
8.	Extraordinary income	7.666		10.026		131
9.	Extraordinary expenses	1.236		3.474		281
<b>10.</b>	<b>Surplus/deficit of income over expenses (7.+8.-9.)</b>	<b>37.272</b>		<b>-39.453</b>		<b>-106</b>

Attachment 5.

**INCOME STATEMENT OF MCCs**

in 000 KM

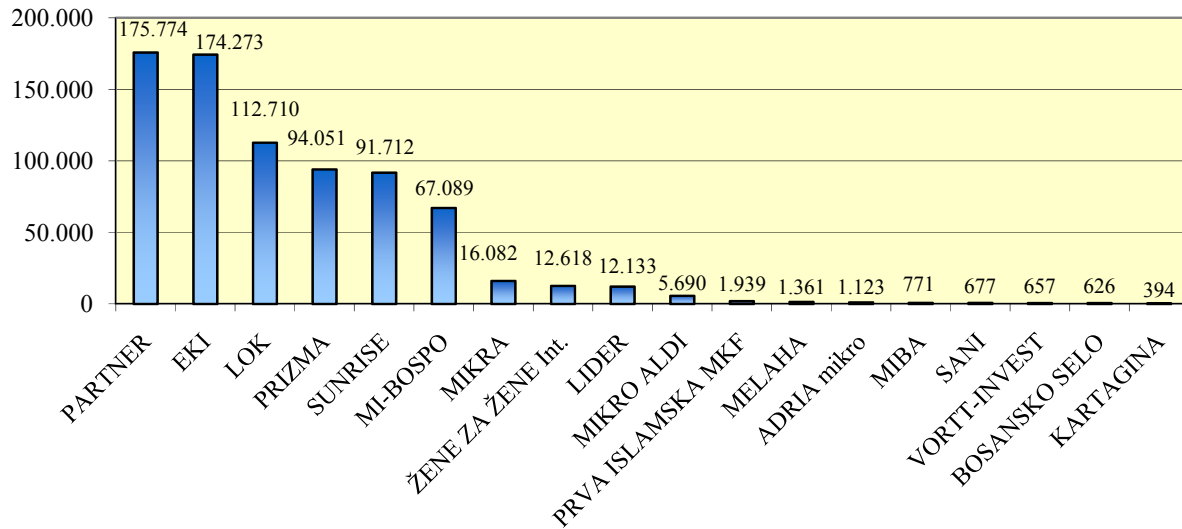
No.	DESCRIPTION	For the period 01.01. - 31.12.2008. g.	%	For the period 01.01. - 31.12.2009. g.	%	Index
1	2	3	4	5	6	7=(5/3)
<b>I</b>	<b>FINANCIJSKI PRIHODI I RASHODI</b>					
<b>1.</b>	<b>Interest income and similar income</b>					
1.1.	Interest from interest bearing deposit accounts with depositary institutions	0	0	0	0	0
1.2.	Interest from placements to banks	0	0	0	0	0
1.3.	Interest from loans	104	99	214	99	206
1.4.	Other financial income	1	1	2	1	180
<b>1.5.</b>	<b>Total interest income and similar income (1.1. to 1.4.)</b>	<b>105</b>	<b>100</b>	<b>216</b>	<b>100</b>	<b>206</b>
<b>2.</b>	<b>Interest expenses and similar expenses</b>					
2.1.	Interest on borrowings	4	100	25	100	615
2.2.	Other financial expenses	0	0	0	0	0
<b>2.3.</b>	<b>Total interest expenses and similar expenses (2.1. to 2.2.)</b>	<b>4</b>	<b>100</b>	<b>25</b>	<b>100</b>	<b>615</b>
<b>3.</b>	<b>Net financial income (1.5. - 2.3.)</b>	<b>101</b>		<b>192</b>		<b>190</b>
<b>II</b>	<b>OPERATIONAL INCOME AND EXPENSES</b>					
<b>4.</b>	<b>Operating income</b>					
4.1.	Fees for completed services	25	28	36	86	144
4.2.	Other operating income	63	72	6	14	10
<b>4.3.</b>	<b>Total operating income (4.1. to 4.2.)</b>	<b>88</b>	<b>100</b>	<b>42</b>	<b>100</b>	<b>48</b>
<b>5.</b>	<b>Operating expenses</b>					
5.1.	Costs of salaries and benefits	41	37	79	42	192
5.2.	Costs of business premises, other fixed assets and utilities	6	5	72	38	1198
5.3.	Other operating expenses	65	58	36	19	56
<b>5.4.</b>	<b>Total operating expenses (5.1. to 5.3.)</b>	<b>112</b>	<b>100</b>	<b>187</b>	<b>100</b>	<b>167</b>
6.	Cost of provisioning for loan and other losses	48		28		57
<b>7.</b>	<b>PROFIT/LOSS FROM DIRECT BUSINESS OPERATIONS (3.+4.3.-5.4.-6.)</b>	<b>30</b>		<b>19</b>		<b>64</b>
8.	Extraordinary income	2		3		165
9.	Extraordinary expenses	0		0		0
10.	INCOME/LOSS BEFORE TAXES	32		23		71
11.	TAXES	3		2		75
<b>12.</b>	<b>NET PROFIT/LOSS</b>	<b>29</b>		<b>20</b>		<b>70</b>

## **GRAPHS**

- Graph 1. Amount of assets of MCOs as of 31.12.2009., in 000 KM
- Graph 2. Amount of gross portfolio as of 31.12.2009., in 000 KM
- Graph 3. Amount of capital of MCOs as of 31.12.2009., in 000 KM
- Graph 4. Income surplus/deficit over the expenses of MCFs,  
that is net profit/losses of MCCs for the period of 01.01. to 31.12.2009., in 000 KM
- Graph 5. Number of employees of MCOs as of 31.12.2009.

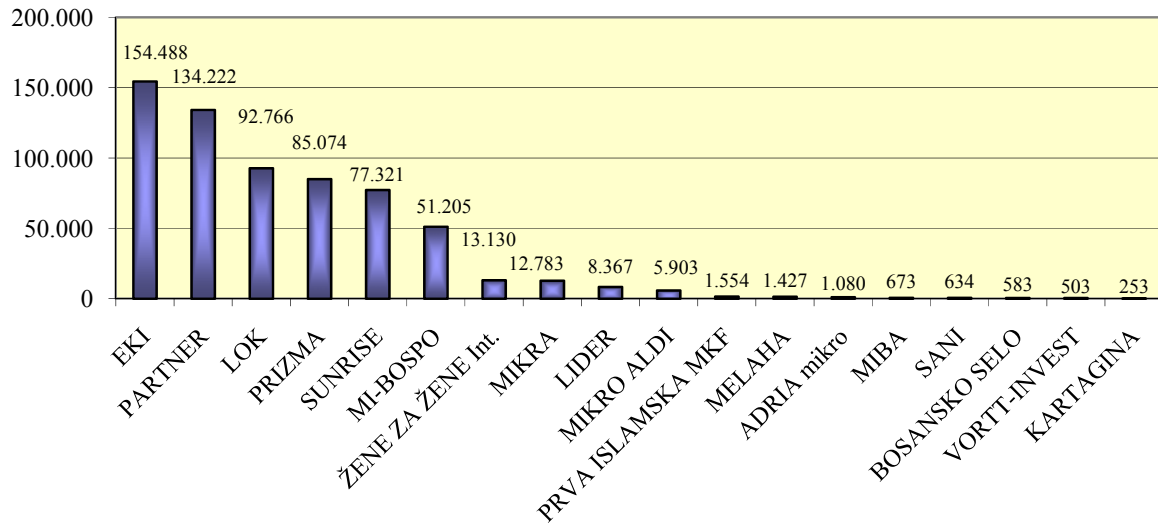
**Graph 1.**

**Amount of assets of MCOs as of 31.12.2009., in 000 KM**



**Graph 2.**

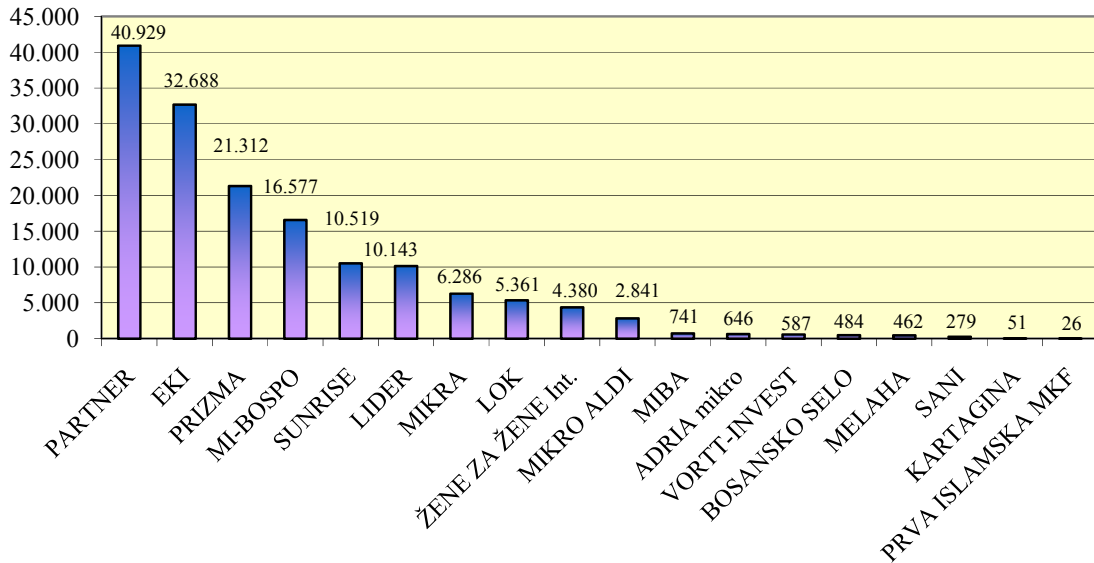
**Amount of gross portfolio as of 31.12.2009., in 000 KM**





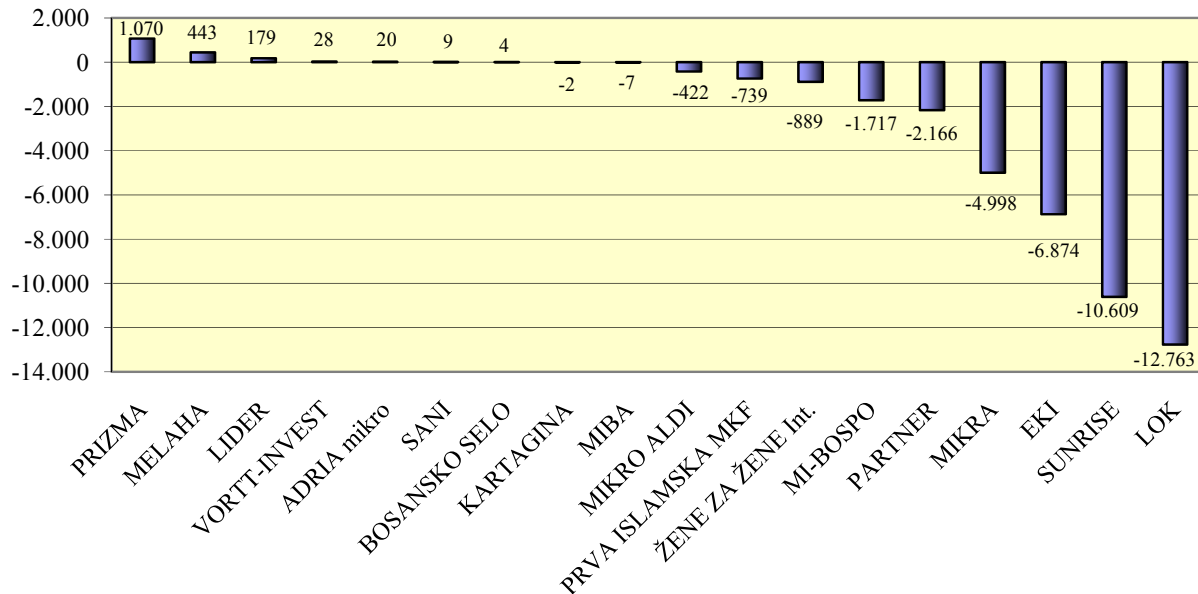
**Graph 3.**

**Amount of capital of MCOs as of 31.12.2009., in 000 KM**



**Graph 4.**

**Income surplus/deficits over the expenses of MCFs, that is net profit/loss of MCCs for the period of 01.01. - 31.12.2009., in 000 KM**



**Graph 5.**

**Number of MCOs employees as of 31.12.2009.**

