



BOSNA I HERCEGOVINA
FEDERACIJA BOSNE I HERCEGOVINE
AGENCIJA ZA BANKARSTVO
FEDERACIJE BOSNE I HERCEGOVINE

INFORMATION

ON THE FEDERATION OF BOSNIA AND HERZEGOVINA BANKING SYSTEM
ENTITIES WITH BALANCE AS OF 30/09/2021

Sarajevo, December 2021

Abbreviations and terms

DIA	Deposit Insurance Agency of Bosnia and Herzegovina
BD	Brčko District
BiH	Bosnia and Herzegovina
CBBiH	Central Bank of Bosnia and Herzegovina
CLR	Central Loan Register in B&H (for legal entities and private individuals)
EBA	European Banking Authority
EBRD	European Bank for Reconstruction and Development
ECB	European Central Bank
ECL	Expected credit loss
EFSE	European Fund for Southeast Europe
EIR	Effective Interest Rate
EU	European Union
FBA	Federation of Bosnia and Herzegovina Banking Agency
FBiH	Federation of Bosnia and Herzegovina
FSAP	Financial Sector Assessment Program
FX risk	Foreign Exchange Risk
ICAAP	Internal Capital Adequacy Assessment Process
ILAAP	Internal Liquidity Adequacy Assessment Process
LCR	Liquidity Coverage Ratio
MCC	Micro credit company
MCF	Micro credit foundation
MCO	Micro credit organisation
IMF	International Monetary Fund
IFRS	International Financial Reporting Standards
NFI	Non-deposit Financial Institutions
NIR	Nominal Interest Rate
NPL	Non performing loans
LLP	Loan Loss Provisions
RS	Republic of Srpska
USA	United States of America
WB	World Bank
BSE	FB&H Banking System Entities: banks, banking groups, development banks, MCOs, leasing companies, factoring companies, exchange offices, and other financial organizations whose operations are supervised by the FBA
SREP	Supervisory Review and Evaluation Process
BABiH	Banks Association of Bosnia and Herzegovina
BiHALC	B&H Association of Leasing Companies
USAID Project	United States Agency for International Development - Financial Reform Agenda Activity Project
FBA MB	Management Board of the FB&H Banking Agency
LoA	Law on the Banking Agency of the Federation of Bosnia and Herzegovina
LoB	Law on Banks
LoF	Law on Factoring
LoL	Law on Leasing
LoMCO	Law on Micro Credit Organisations

TABLE OF CONTENTS

ABBREVIATIONS AND TERMS	2
LIST OF TABLES:	5
LIST OF CHARTS:	7
SUMMARY OF REGULATORY REQUIREMENTS AND OPERATING STANDARDS OF BSES.....	8
EXECUTIVE SUMMARY	11
INTRODUCTION	16
1. BANKING SECTOR	18
<i>1.1. FB&H BANKING SECTOR'S STRUCTURE</i>	<i>18</i>
<i>1.1.1. Status, Number and Business Network</i>	<i>18</i>
<i>1.1.2. Ownership Structure and Market Share.....</i>	<i>18</i>
<i>1.1.3. Staff Structure</i>	<i>21</i>
1.2. FINANCIAL PERFORMANCE INDICATORS	22
<i>1.2.1. Balance Sheet.....</i>	<i>22</i>
<i>1.2.2. Liabilities</i>	<i>26</i>
<i>1.2.3. Capital and Capital Adequacy.....</i>	<i>29</i>
<i>1.2.4. Credit Risk</i>	<i>32</i>
<i>1.2.5. Profitability</i>	<i>39</i>
<i>1.2.6. Weighted NIR and EIR.....</i>	<i>43</i>
<i>1.2.7. Liquidity.....</i>	<i>44</i>
<i>1.2.8. Foreign Exchange (FX) Risk</i>	<i>47</i>
<i>1.2.9. Interest Rate Risk in the Banking Book</i>	<i>49</i>
1.3. BANKING SECTOR RECOMMENDATIONS.....	50
2. SECTOR OF NON-DEPOSIT FINANCIAL INSTITUTIONS	52
2.1. MICROCREDIT SECTOR.....	53
2.1.1. MICROCREDIT SECTOR STRUCTURE IN THE FB&H	53
2.1.1.1. Status, Number and Business Network	53
2.1.1.2. Ownership Structure	53
2.1.1.3. Staff Structure	53
2.1.2. FINANCIAL INDICATORS OF PERFORMANCE	54
2.1.2.1. Balance Sheet	54
2.1.2.2. Capital and Liabilities.....	56
2.1.2.3. Assets and Asset Quality	58
2.1.2.4. Financial Performance of the FB&H Microcredit Sector.....	61
2.1.3. MICROCREDIT SECTOR RECOMMENDATIONS.....	63
2.2. LEASING SECTOR.....	64
2.2.1. FB&H LEASING SECTOR STRUCTURE	64
2.2.1.1. Number of Leasing Companies.....	64
2.2.1.2. Ownership Structure	64
2.2.1.3. Staff Structure	65
2.2.2. FINANCIAL INDICATORS OF PERFORMANCE	65
2.2.2.1. Balance Sheet	65
2.2.2.2. Capital and Liabilities.....	67
2.2.2.3. Assets and Assets Quality	67
2.2.2.4. Profitability.....	69
2.2.3. LEASING SECTOR RECOMMENDATIONS.....	73
2.3. FACTORING BUSINESS	73
2.3.1. <i>Participants in the FB&H Factoring Market</i>	<i>73</i>

2.3.2. Scope, Structure and Trend of Factoring Business in the FB&H	74
2.3.3. RECOMMENDATIONS FOR THE FACTORING BUSINESS.....	75
CONCLUSION	77
ANNEXES - BANKING SECTOR	79
Annex 1 - Basic information on FB&H banks - 30.09.2021.....	79
Annex 2 - FB&H banks' balance sheet according to the FBA scheme (active sub-balance sheet) - 30.09.2021	80
Annex 3 - Overview of assets, loans and deposits of FB&H banks - 30.09.2021	81
Annex 4 - Sector Structure of Loans in the FB&H and ECL - 30.09.2021	82
Annex 5 - FB&H banks' income statement according to FBA's scheme - 30.09.2021	83
Annex 6 - Average weighted NIR and EIR on loans and deposits by periods	84
ANNEXES - MICROCREDIT SECTOR	85
Annex 7 - Basic information on FB&H MCOs - 30.09.2021.....	85
Annex 8 - MCFs' aggregate balance sheet - 30.09.2021.....	86
Annex 9 - MCCs' aggregate balance sheet - 30.09.2021.....	87
Annex 10 - Overview of key indicators of MCOs in the FB&H - 30.09.2021	88
Annex 11 - Overview of average weighted NIR and EIR for MCOs - 30.09.2021.....	89
Annex 11a - Comparative overview of average weighted NIR and EIR for MCOs.....	89
Annex 12 - MCFs aggregate income statement - 30.09.2021.....	90
Annex 13 - MCCs aggregate income statement - 30.09.2021.....	91
ANNEXES – LEASING SECTOR	92
Annex 14 - Basic information on leasing companies in the FB&H - 30.09.2021	92
Annex 15 - Leasing companies' aggregate balance sheet - 30.09.2021	93
Annex 16 - Basic indicators of leasing companies in the FB&H - 30.09.2021	94
Annex 17 - Leasing companies' aggregate income statement - 30.09.2021	95
Annex 18 – Overview of average weighted NIR and EIR financial leasing contracts - 30.09.2021	96
Annex 18a - Comparative overview of average weighted NIR and EIR for financial leasing contracts	96

List of tables:

Table 1:	Org. parts, network of ATMs and POS devices of banks operating in the FB&H.....	18
Table 2:	Ownership structure according to total capital.....	20
Table 3:	Ownership structure according to state-owned, private and foreign capital.....	20
Table 4:	Market shares of banks by ownership type (majority capital).....	21
Table 5:	Qualification structure of employees in FB&H banks.....	21
Table 6:	Total assets per employee.....	21
Table 7:	Balance sheet.....	22
Table 8:	Banks' assets according to ownership structure.....	23
Table 9:	Share of groups of banks in total assets.....	24
Table 10:	Bank's cash.....	24
Table 11:	Investments in securities according to type of instrument.....	25
Table 12:	Securities of B&H entity governments	25
Table 13:	Sector structure of deposits	27
Table 14:	Retail savings.....	28
Table 15:	Maturity structure of retail savings deposits	29
Table 16:	Retail loans, savings and deposits.....	29
Table 17:	Report on the balance of own funds.....	29
Table 18:	Risk exposure structure.....	31
Table 19:	Capital adequacy indicators.....	32
Table 20:	Financial leverage ratio.....	32
Table 21:	Financial assets, off-balance sheet items and ECL.....	33
Table 22:	Exposures by credit risk grades.....	34
Table 23:	Loan structure by sectors.....	36
Table 24:	Maturity structure of loans.....	36
Table 25:	Loans by credit risk grades.....	36
Table 26:	Credit risk indicators.....	38
Table 27:	Actual financial performance of banks.....	40
Table 28:	Structure of total income of banks.....	40
Table 29:	Structure of total expenses of banks.....	41
Table 30:	Profitability, productivity, and efficiency ratios.....	43
Table 31:	LCR.....	44
Table 32:	Liquidity buffer.....	44
Table 33:	Net liquidity outflows.....	45
Table 34:	Maturity structure of deposits by residual maturity.....	45
Table 35:	Liquidity ratios.....	46
Table 36:	Maturity matching of financial assets and financial liabilities of up to 180 days.....	47
Table 37:	Foreign exchange matching of financial assets and financial liabilities (EUR and total).....	48
Table 38:	Total weighted position of the banking book.....	49
Table 39:	Qualification structure of employees in MCOs in the FB&H.....	54
Table 40:	Microcredit sector's balance sheet.....	54
Table 41:	Structure of the microcredit sector's capital.....	56
Table 42:	Maturity structure of loans taken.....	57
Table 43:	Net microloans.....	58
Table 44:	Sector and maturity structure of microloans.....	58
Table 45:	LLP.....	59
Table 46:	Actual financial result of MCOs.....	61
Table 47:	Structure of total income of MCOs.....	61
Table 48:	Structure of total expenses of MCOs.....	62

Table 49:	Qualification structure of employees in leasing companies in the FB&H.....	65
Table 50:	Structure of financial leasing receivables.....	66
Table 51:	Structure of net balance sheet assets positions.....	67
Table 52:	Overview of financial leasing reserves.....	68
Table 53:	Actual financial result of leasing companies.....	69
Table 54:	Structure of total income of leasing companies.....	70
Table 55:	Structure of total expenses of leasing companies.....	70
Table 56:	Structure of the number of concluded contracts and financing amount of the leasing system	72
Table 57:	Redeemed monetary claims and settled payables of buyers to suppliers in the FB&H - by type of factoring and domicile status.....	74

List of charts:

Chart 1:	Structure of foreign capital by countries (share in %)	19
Chart 2:	Structure of foreign capital by countries – residence of the group (share in %)	20
Chart 3:	Herfindahl index of concentration in assets, loans, and deposits	23
Chart 4:	Concentration ratios for five biggest banks - CR5: assets, loans, and deposits	24
Chart 5:	Structure of investments in securities according to the criterion of country of issuer	26
Chart 6:	Total deposits	27
Chart 7:	Loan-to-deposit ratio	27
Chart 8:	Total retail savings	28
Chart 9:	Loans	35
Chart 10:	Share of NPLs in loans	38
Chart 11:	Assets, microloans and capital by years	56
Chart 12:	Sector structure of microloans (comparative overview)	59
Chart 13:	Portfolio quality indicators	60
Chart 14:	Structure of financial leasing receivables (comparative overview)	66
Chart 15:	Structure of the appraised value of foreclosed leasing objects and number of foreclosed objects	69

Summary of Regulatory Requirements and Operating Standards of BSEs

Minimum amount of paid in shareholder capital – BAM 15 million	Article 24, Paragraph (2) of LoB ¹
Common Equity Tier 1 capital ratio – 6.75%	Article 34, Paragraph (1), Item a) of the Decision on Capital Calculation in Banks ²
Tier 1 capital ratio – 9%	Article 34, Paragraph (1), Item b) of the Decision on Capital Calculation in Banks
Own funds ratio – 12%	Article 34, Paragraph (1), Item c) of the Decision on Capital Calculation in Banks
Capital buffer in form of Tier 1 Capital – 2.5% of the total risk exposure	Article 39, Paragraph (1) of the Decision on Capital Calculation in Banks
Financial leverage ratio – 6%	Article 37, Paragraph (2) of the Decision on Capital Calculation in Banks
Liquidity Coverage Ratio - LCR \geq 100%	Article 17, Paragraph (2) of the Decision on Liquidity Risk Management in Banks ³
Maturity matching of financial assets and financial liabilities	<p>Maturity matching of remaining terms to contractual maturities of assets and liabilities instruments:</p> <ul style="list-style-type: none"> - Minimum 65% of funding sources with maturity up to 30 days shall be used for purpose of facilities (assets instruments) with maturity up to 30 days, Article 43, Paragraph (8), Item a) of the Decision on Liquidity Risk Management in Banks; - Minimum 60% of funding sources with maturity up to 90 days shall be used for purpose of facilities (assets instruments) with maturity up to 90 days, Article 43, Paragraph (8), Item b) of the Decision on Liquidity Risk Management in Banks; - Minimum 55% of funding sources with maturity up to 180 days shall be used for purpose of facilities (assets instruments) with maturity up to 180 days, Article 43, Paragraph (8), Item c) of the Decision on Liquidity Risk Management in Banks.
Limitation regarding individual overnight foreign exchange position of the bank, except in EUR – up to 20% of the bank's eligible capital	Article 3, Paragraph (2), Item a) of the Decision on Foreign Exchange Risk Management in Banks ⁴
Limitation regarding individual overnight foreign exchange position of the bank in EUR – up to 40% of the bank's eligible capital	Article 3, Paragraph (2), Item b) of the Decision on Foreign Exchange Risk Management in Banks

¹ FB&H Official Gazette No. 27/17

² FB&H Official Gazette Nos. 81/17, 50/19, 37/20 and 81/20

³ FB&H Official Gazette No. 39/21

⁴ FB&H Official Gazette Nos. 81/17 and 37/20

<p>Limitation regarding aggregate foreign exchange position of the bank – up to 40% of the bank's eligible capital.</p>	<p>Article 3, Paragraph (2), Item c) of the Decision on Foreign Exchange Risk Management in Banks</p>
<p>Ratio of change in economic value of the banking book and regulatory own funds ≤ 20%</p>	<p>Article 7 of the Decision on Interest Rate Risk Management in the Banking Book⁵</p>
<p>Herfindahl-Hirschman Index - HHI</p>	<p>It represents the most frequently used measure of concentration in European and U.S. economic systems. HHI is calculated by summing up the squares of percentage shares of specific items (e.g. assets, deposits, loans) of all market participants in a particular system. If HHI value is below 1,000, it indicates to absence of market concentration, while its value ranging from 1,000 to 1,800 units shows moderate concentration in the market and HHI above 1,800 means high market concentration.</p>
<p>Concentration Ratio - CR</p>	<p>CR is an indicator of concentrations in the banking sector. It represents a total share of largest banks in the sector in relevant categories: in assets, loans and deposits. It is being designated by the number of banks included in the calculation, e.g. CR 5. There is no unique and commonly accepted opinion on interpretation of results of CR. With higher the value, comes higher the market concentration</p>
<p>Ratio of loans/deposits and loans taken</p>	<p>This is a ratio between the most important bank loans, on the assets side, and deposits and loans taken on the liabilities side. With higher rate comes weaker liquidity position of the bank. Behavioral standards are: below 70% - very sound, 71%-75% - satisfactory, 76%-80% - marginally satisfactory, 81%-85% - insufficient, over 85% - critical.</p>
<p>Minimum amount of Tier 1 capital of MCCs - BAM 500,000</p>	<p>Article 26, Paragraph (1) of LoMCO⁶</p>
<p>Minimum amount of Tier 1 capital of MCFs - BAM 50,000</p>	<p>Article 36, Paragraph (1) of LoMCO</p>
<p>Ratio of fixed assets to total assets minus donated capital – up to 10% for MCFs and MCCs where MCF holds majority ownership</p>	<p>Article 11, Paragraph (2) of the Decision on Business Conditions and Other Standards and Limitations of Micro Credit Organisations⁷</p>
<p>Ratio of equity (minus donated capital) and total assets of MCOs – over 10%</p>	<p>Article 11, Paragraph (1) of the Decision on Business Conditions and Other Standards and Limitations of Micro Credit Organisations</p>
<p>Portfolio at risk of MCOs over 30 days (PAR)</p>	<p>Article 12, Paragraph (1), Item c) of the Decision on Business</p>

⁵ FB&H Official Gazette No. 41/20

⁶ FB&H Official Gazette No. 59/06

⁷ FB&H Official Gazette No. 103/18

– up to 5%	Conditions and Other Standards and Limitations of Micro Credit Organisations
Annual write off in MCOs – up to 3%	Article 12, Paragraph (1), Item d) of the Decision on Business Conditions and Other Standards and Limitations of Micro Credit Organisations
Operating efficiency of MCOs – up to 45%	Article 12, Paragraph (1), Item b) of the Decision on Business Conditions and Other Standards and Limitations of Micro Credit Organisations
Return on Assets of MCOs adjusted by inflation, market price of capital and donations (AROA) - positive	Article 12, Paragraph (1), Item a) of the Decision on Business Conditions and Other Standards and Limitations of Micro Credit Organisations
Minimum amount of Tier 1 capital of leasing companies – BAM 250,000	Article 8, Paragraph (1) of LoL ⁸
Minimum amount of Tier 1 capital of factoring companies – BAM 750,000	Article 27, Paragraph (1) of LoF ⁹

⁸ FB&H Official Gazette Nos. 85/08, 39/09, 65/13 and 104/16

⁹ FB&H Official Gazette Nos. 14/16 and 74/20

EXECUTIVE SUMMARY

FB&H banking sector's key performance indicators



Operating licence | 15 commercial banks, 527 organisational parts and 6,457 employees, which is 65 employees or 1% less than at the end of the previous year



Balance sheet exposures according to the credit risk grades | **BAM 23.5 billion** (90% of total balance sheet exposures) within the credit risk grade 1 and within the credit risk grade 2 – **BAM 1.6 billion** (6.2% of total balance sheet exposures), while **BAM 1.0 billion** (3,8% of total balance sheet exposures) is within the credit risk grade 3



Assets | Net assets amount to **BAM 25.5 billion**, loans **BAM 16.1 billion**, cash **BAM 7.5 billion**, investment in securities **BAM 2.0 billion**



Off-balance sheet exposures according to risk grades | **BAM 3.6 billion** within the credit risk grade 1 (91% of total off-balance sheet exposures), within the credit risk grade 2 – **BAM 345.1 million** (8.9% of total off-balance sheet exposures) and **BAM 5.1 million** within the credit risk grade (0.1% of total off-balance sheet exposures)



Capital | Total capital **BAM 3.3 billion** (13.1% of liabilities), of which shareholders capital is **BAM 1.3 billion**, own funds **BAM 2.8 billion**, common equity Tier 1 capital and Tier 1 capital **BAM 2.7 billion**, Tier 2 capital **BAM 107.1 million**



ECL coverage rate for balance sheet exposures | **4.5%** total coverage rate: credit risk grade 1 – **0.7%**, credit risk grade 2 – **13.1%** and credit risk grade 3 – **80.3%**



Capital ratios | **19.2%** own funds ratio, **18.5%** Common Equity Tier 1 capital ratio and Tier 1 capital ratio, **10.1%** financial leverage ratio



ECL coverage rate for off-balance sheet exposures | **1.2%** total coverage rate: credit risk grade 1 – **0.5%**, credit risk grade 2 – **7.3%**, credit risk grade 3 – **60.9%**



Loan portfolio | Loan portfolio increase by **5.7%**, i.e. **2.8%** if excluding the increase of short term low-risk exposures. Retail loans amount to **BAM 7.5 billion** (up by BAM 271.6 million or 3.7%) and corporate loans equal **BAM 8.6 billion** (up by BAM 605.4 million or 7.6%)



Liabilities based on loans taken | **BAM 741.1 million** (2.9% of total liabilities)



Loan portfolio within the credit risk grade 3 (NPL) | **BAM 953.4 million**, it represents 5.9% of the total loan portfolio (decrease by 0.5%). NPL rate for the corporate portfolio is **5.9%**, for the retail portfolio **6%**. **ECL coverage rate** | **79.9%** (corporate 78.5%, retail 81.5%), thus posting a rise by 2.2 percentage points



Trend | An **increase** was noted with net assets (4.5%), loan portfolio (5.7%), cash (1.4%), investments in securities (20.7%), deposits (4.7%) and capital (8.5%), while **decrease** was evident with placements to other banks (60.7%), fixed assets (8%), other assets (11.2%), liabilities based on loans taken (8.7%) and other liabilities (2.8%)



Deposits | **BAM 20.6 billion** (80.8% of total liabilities), of which **savings deposits amount to BAM 10.3 billion** and have a growth rate of 4.3%



FB&H banking sector liquidity | **Satisfactory**, despite negative economic effects caused by the pandemic



Profitability | **BAM 264 million** of net profit, all banks posted a positive financial result

Key performance indicators of the FB&H Microcredit Sector



Operating licence | 13 MCOs (10 MCFs and 3 MCCs), **358 organisational parts and 1,375 employees**, which is 19 employees or 1.4% less



Capital | BAM 329.2 million (47.6% of liabilities), up by BAM 17.6 million or 5.7% (capital rate of MCCs dropped by 1.4%, while it rose with MCFs by 7%)



MCOs assets | BAM 692.1 million, up by BAM 34 million or 5.2%. Assets growth rate for MCCs is 10.1% and for MCFs 3.5%



Liabilities based on loans taken | BAM 313.8 million (45.3% of liabilities), down by BAM 1.6 million or 0.5% (growth rate of loan obligations of MCCs is 5.2%, while this rate for MCFs has dropped by 3.5%)



Net micro loans | BAM 551.8 million (79.7% of assets), up by BAM 17.9 million or 3.4% (6.7% for MCCs and 2.1% for MCFs)



Trend | An increase was noted regarding placements with banks (1,363.6%), gross micro loans (3.2%), net micro loans (3.4%), other assets (392.2%), capital (5.7%) and other liabilities (58%), while a **decrease** was seen with cash (6.4%), LLP (10.4%), tangible and intangible assets (2.5%) and liabilities based on loans taken (0.5%). Long term investments, reserves for other assets items, except for loans, **remained the same**



PAR over 30 days | 1.20% of annual rate of write offs | 1.47%

Portfolio quality indicators are within the prescribed limits with a PAR decrease by 0.21 percentage points and an increase of the write off rate by 0.26 percentage points



Operating efficiency | 18.15%, **return on assets adjusted by inflation, market price of capital and donations | 3.64%**, which is in line with the prescribed standards



105,788 concluded contracts (8.8% more) and **BAM 367.4 million micro loans disbursed** (9% more)



Positive financial result | BAM 12.8 million, up by BAM 4.5 million. Net profit of MCCs | BAM 1.5 million, and excess income over expenses of MCFs | BAM 11.3 million

Key performance indicators of the FB&H leasing sector



Operating licence | 4 leasing companies, 102 employees, which is 1 employee or 1% more



Liabilities based on loans taken | BAM 339.7 million (90.1% of liabilities), up by BAM 31.8 million or 10.3%, with a dominant share of long term loans



Assets of the leasing sector | BAM 376.8 million, up by BAM 33 million or 9.6%



Capital | BAM 28.1 million (7.5% of liabilities), up by BAM 0.4 million or 1.4%



Net receivables based on financial leasing | BAM 290 million (76.9% of assets), up by BAM 33.2 million or 12.9%



Trend | An **increase** was noted with gross receivables based on financial leasing (13.7%), net receivables based on financial leasing (12.9%), net value of fixed assets financed via operational leasing (15.9%), liabilities based on loans taken (10.3%), capital (1.4%) and other liabilities (10.2%), while there was a **decrease** of cash and cash equivalents (26%), placements with banks (43.6%) and net receivables based on borrowings (5.5%)



Overdue receivables | BAM 2.9 million, down by 18.9%.
Loss reserves for financial leasing | BAM 6.3 million, up by 197.8%



Number and value of newly concluded contracts for financial and operational leasing at the leasing system level – increase by 23.1% and 28.8% respectively



Positive financial result | BAM 3.5 million, up by BAM 1.8 million

Key indicators of the factoring business in the FB&H



FB&H factoring business | four commercial banks (three are members of international banking groups and seated in the EU countries and one is in mostly local ownership)



263 concluded factoring contracts (less by 48 contracts or 15.4%) **with nominal value of redeemed monetary claims of BAM 134.9 million** (up by BAM 51.1 million or 61%)



Total income of the factoring service providers in the FB&H | BAM 801 ths, down by BAM 2.0 ths or 1%

Information on FBA's special measures for BSEs in the FB&H



BAM 438.5 million (2.7% of total loans of the FB&H banking sector) **was captured by some of the active special measures**. Corporate loan portfolio encompassed by some of the active measures amounts to BAM 414.9 million (4.8% of the corporate loan portfolio), while retail loan portfolio covered by some of the active measures equals BAM 23.6 million (0.3% of the retail loan portfolio)



BAM 44.1 million (5.4% of the total loan portfolio of NFIs) **was captured by some of the special active measures**. In the retail segment, exposures covered by some of these measures amounted to BAM 31.3 million (5.6% of the total retail loan portfolio), while corporate loan exposures covered by these measures equal BAM 12.8 million (4.7% of the total corporate loan portfolio)

INTRODUCTION

FBA was established in 1996 as an independent and self-standing institution which exercises its competences in accordance with the prescribed provisions of the LoA, international standards and supervision principles and professional rules. The FBA MB performs general supervision of the FBA's operations, taking measures for efficient performance of the functions from the FBA's purview in accordance with its statutory competences and reporting to the FB&H Parliament. As part of its regular execution of its statutory competences, the FBA draws up and discloses publicly on its website quarterly updates on BSEs approved by the FBA's MB.

Accordingly, this Information on the BSEs, with balance as of 30/09/2021 was drawn up using reporting data and other data and information provided by the FB&H BSEs to the FBA and used in regular supervision of the BSEs.

Content-wise, this Information is divided into two sections. The first section presents a detailed analysis of the FB&H banking sector, its structure, financial performance indicators and FBA's recommendations for the FB&H banking sector. The second section relates to detailed analysis of operations of NFIs, as well as compliance of their operations with the laws and regulations within which microcredit and leasing sectors, as well as factoring business, in the FB&H were addressed as separate segments, with related specific FBA's recommendations.

An overview of average weighted NIR and EIR on loans approved and deposits received by banks, as well as average weighted NIR and EIR for MCOs and financial leasing contracts per segments, is presented herewith for purpose of greater transparency and comparability for financial service users. This has been provided through annexes which form an integral part of this Information.

Data expressed in percentages in the Information are typically shown with one decimal place, except for the data on the NIR and EIR levels with BSEs and other data wherein this is relevant.

In 2021, FBA has, subject to its prescribed competences, extended deadlines for filing applications for approval of special measures defined in the Decision on Temporary Measures of Banks to Ensure Recovery from Negative Economic Consequences Caused by Covid-19. Implementation of these measures will have a positive impact on the entire economy in the FB&H and its banking sector. Therein, FBA has adopted the Decision on Amendments to the Decision on Temporary Measures of Banks to Ensure Recovery from Negative Economic Consequences Caused by Covid-19¹⁰ and the Decision on Temporary Measures of Leasing Companies and Microcredit Organisations to Ensure Recovery from Negative Economic Consequences Caused by Covid-19¹¹, all aimed to preserve stability of the banking, microcredit and leasing sectors in the FB&H and at enabling approval of relief measures to customers of BSEs whose income, i.e. repayment sources, are still reduced as a result of the pandemic effect, thus making it difficult or rendering them incapable of due settlement of their obligations to BSEs.

¹⁰ FB&H Official Gazette Nos. 60/20 and 21/21

¹¹ FB&H Official Gazette Nos. 60/20 and 21/21

BANKING SECTOR

FB&H BANKING SECTOR STRUCTURE
19

FINANCIAL PERFORMANCE INDICATORS
22

BANKING SECTOR RECOMMENDATIONS
50

1. BANKING SECTOR

1.1. FB&H BANKING SECTOR'S STRUCTURE

1.1.1. Status, Number and Business Network

As of 30/09/2021, 15 commercial banks had banking license in the FB&H. Number of banks remained the same as on December 31st, 2020. All banks are members of the DIA.

A special law regulates the establishment and operations of the Development Bank of the Federation of B&H and its supervision is being performed under the Decree on the FB&H Development Bank's Operations Supervision Criteria and Management Method. Hence, data on its operations are not included in this Information.

Annex 1 provides basic information about the FB&H banks as at 30/09/2021.

The FB&H banks had, as of 30/09/2021, a total of 527 organizational units, which was fewer by 4 organisational parts or 0.8% compared to December 31st, 2020. In the territory of the FB&H, there are 464 organizational units of banks. Seven banks from the FB&H have 52 organizational units in the RS, while 10 banks have 11 organizational units in the BD. Three banks from the RS have 28 organisational parts in the FB&H, being the same as at December 31st, 2020.

Table No. 1 below shows a comparative overview of organisational parts and network of ATMs and POS devices of banks in the FB&H:

Table 1: Org. parts, network of ATMs and POS devices of banks operating in the FB&H					
No.	Description	Business unit/higher org.parts	Other organisational parts	POS devices	ATMs
31.12.2020					
1.	Banks seated in the FB&H (in the territory of B&H)	408	123	23,845	1,247
2.	Organisational parts of banks from the RS doing business in the FB&H	10	18	551	38
Total		418	141	24,396	1,285
30.09.2021					
1.	Banks seated in the FB&H (in the territory of B&H)	409	118	24,088	1,250
2.	Organisational parts of banks from the RS doing business in the FB&H	10	18	490	38
Total		419	136	24,578	1,288

1.1.2. Ownership Structure and Market Share

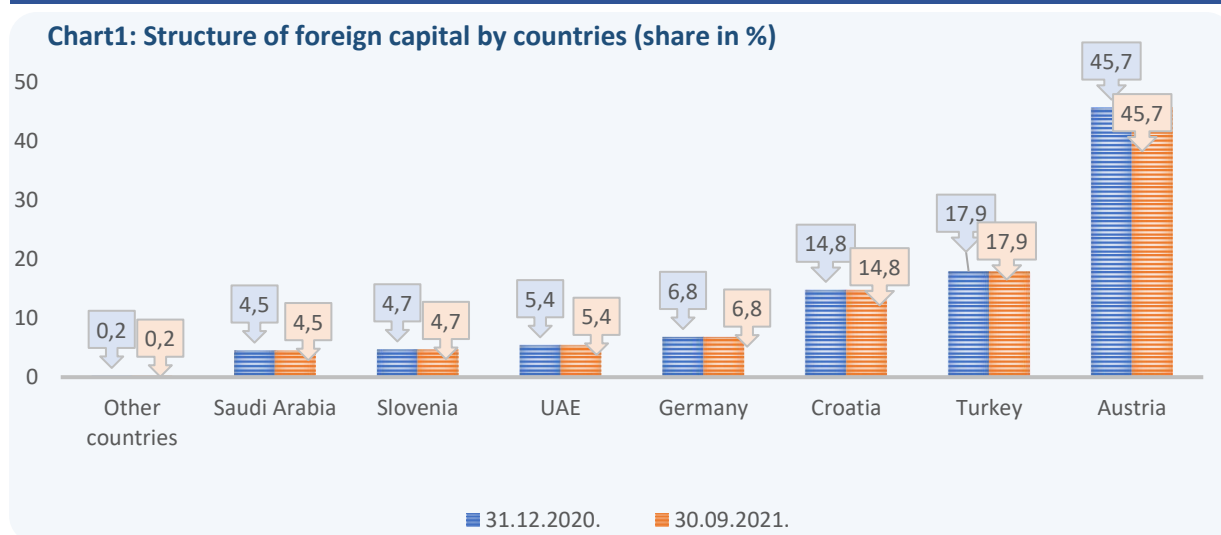
Ownership structure of the FB&H banks ¹² as of 30/09/2021 is the following:

- privately owned and predominantly privately owned - 14 banks,
- state-owned and predominantly state-owned ¹³ - one bank.

¹² Criteria here was the ownership over shareholder capital in banks

¹³ State ownership refers to the capital of the FB&H Government.

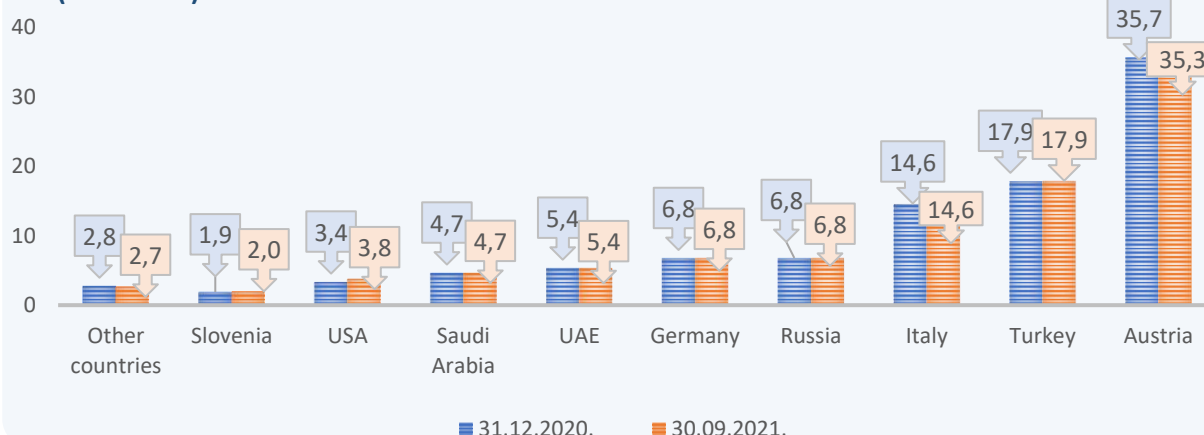
Of 14 private and predominantly privately owned banks, four banks are majority-owned by domestic legal and natural persons (residents), while ten banks are majority foreign-owned. If only foreign capital is analysed, according to the shareholder country of origin criterion, as at 30/09/2021 (Chart No. 1), the situation is unchanged compared to the end of 2020, since the highest share is still held by the shareholders from Austria (45.7% of foreign capital), followed by shareholders from Turkey (17.9%) and Croatia (14.8%), while other countries have no major individual shares. Since there are no longer difficulties in activities of the FB&H Securities Commission, we can expect changes in the ownership structure.



If the capital ties are considered, the foreign capital structure can also be viewed according to the criterion of the country of residence of the parent, i.e. the banking group that majority-owns (directly or indirectly through the members from the banking group) the FB&H banks (Chart No. 2).

According to this criterion, the highest share as of 30/09/2021 is held by the banking groups and banks from Austria (35.3%), followed by the banking groups and banks from Turkey (17.9%) and Italy (14.6%), while the banking groups and banks from other countries have no major individual shares (below 7%).

Chart 2: Structure of foreign capital by countries – residence of the group (share in %)



The total capital of the FB&H banking sector with the balance as at 30/09/2021 increased by BAM 261.6 million or 8.5% compared to the end of 2020, amounting to BAM 3.3 billion (Table No. 2). The increase of total capital was realized as a net effect of: an increase on the basis of the current financial result for the first nine months of 2021 of BAM 264 million, an increase based on fair valuation of assets items through other comprehensive income of BAM 3.5 million, an increase based on an income tax adjustment of BAM 0.5 million and a decrease resting on changes to the accounting policy of measurement of tangible assets with one bank of BAM 6.4 million.

- BAM 000 -

Table 2 - Ownership structure according to total capital

No.	Banks	31.12.2019*		31.12.2020		30.09.2021		Index	
		Amount	% share	Amount	% share	Amount	% share	(5/3)	(7/5)
1	2	3	4	5	6	7	8	9	10
1.	State-owned banks	68,881	2.2	63,642	2.1	71,786	2.2	92	113
2.	Private banks	3,068,277	97.8	3,002,440	97.9	3,255,910	97.8	98	108
	Total	3,137,158	100	3,066,082	100	3,327,696	100	98	109

* As a part of the 2020 audit, corrections were made to Y2019 financial statements due to subsequent measurement of financial assets at fair value in case of a share with one bank, which led to an increase of total capital of the FB&H banking system by BAM 5.8 million.

If viewed through the state-owned, private and foreign capital shares in the share capital of the banks, this results in a more detailed analytical overview on the ownership structure of banks' capital in the FB&H, which is shown in the following (Table No. 3):

- BAM 000 -

Table 3: Ownership structure according to state-owned, private and foreign capital

No	Share capital	31.12.2019		31.12.2020		30.09.2021		Index	
		Amount	% share	Amount	% share	Amount	% share	(5/3)	(7/5)
1	2	3	4	5	6	7	8	9	10
1.	State-owned capital	41,619	3.2	41,619	3.2	41,619	3.2	100	100
2.	Private capital (residents)	139,355	10.7	140,547	10.8	140,850	10.8	101	100
3.	Foreign capital (non-residents)	1,118,725	86.1	1,117,534	86.0	1,117,231	86.0	100	100
	Total	1,299,699	100	1,299,700	100	1,299,700	100	100	100

As for the ownership structure of share capital in the FB&H banking sector according to shares of the state-owned capital, private capital and foreign capital as of 30/09/2021, remained at the same level compared to the end of 2020.

Table No. 4 provides an overview of market shares of banks by ownership type (majority capital) across periods:

No	Banks	31.12.2019			31.12.2020			30.09.2021		
		Number of banks	Share in total capit. %	Share in total assets %	Number of banks	Share in total capit. %	Share in total assets %	Number of banks	Share in total capit. %	Share in total assets %
1	2	3	4	5	6	7	8	9	10	11
1.	Banks with majority state-owned capital	1	2.2	3.3	1	2.1	3.6	1	2.2	4.0
2.	Banks with majority private capital - residents	4	5.9	6.3	4	5.3	6.7	4	5.2	6.6
3.	Banks with majority foreign capital	10	91.9	90.4	10	92.6	89.7	10	92.6	89.4
Total		15	100	100	15	100	100	15	100	100

1.1.3. Staff Structure

The number of employees across the banking sector as at 30/09/2021 is 6,457, which is lower by 65 employees or 1% compared to the end of 2020. A decrease in the number of employees is present in 8 banks, while the number of employees increased in 5 banks and this number remained the same with 2 banks compared to YE2020.

No	Qualification level	31.12.2019		31.12.2020		30.09.2021		Index	
		Number of employees	% share	Number of employees	% share	Number of employees	% share	(5/3)	(7/5)
1	2	3	4	5	6	7	8	9	10
1.	University degree	4,125	61.9	4,088	62.7	4,059	62.9	99	99
2.	Two-year post-secondary school degree	485	7.3	453	6.9	429	6.6	93	95
3.	Secondary school degree	2,041	30.7	1,975	30.3	1,963	30.4	97	99
4.	Others	8	0.1	6	0.1	6	0.1	75	100
Total		6,659	100	6,522	100	6,457	100	98	99

A decrease of the number of employees in the FB&H banking sector as of 30/09/2021 compared to the end of 2020 is present with the employees across all qualification levels.

One of indicators affecting the assessment of the performance of an individual bank and banking sector is the assets to number of employees ratio, i.e. the amount of assets per an employee (Table No. 6), where a higher ratio is an indicator of better operational efficiency of the bank and the overall sector.

- BAM 000 -

No. of employ.	31.12.2019		No. of employ.	31.12.2020		No. of employ.	30.09.2021	
	Assets	Assets per employee		Assets	Assets per employee		Assets	Assets per employee
1	2	3	4	5	6	7	8	9
6.659	24.217.016	3.637	6.522	24.396.438	3.741	6.457	25.493.266	3.948

1.2. FINANCIAL PERFORMANCE INDICATORS

1.2.1. Balance Sheet

The presented indicators of the FB&H banks' performance and banking sector analyses include the indicators from the active sub-balance sheet of one bank with a majority of state-owned capital¹⁴, in accordance with provisions of the FB&H Law on the Opening Balance Sheet of Enterprises and Banks, under which banks with a majority of state-owned capital are required to report to the FBA based on the „total“ balance sheet broken down into: passive, neutral, and active sub-balance sheets.

In that respect, the data are reported in Annex 2 of this Information - Balance Sheet of FB&H Banks According to the FBA Scheme (Active Sub-Balance Sheet). Annex 3 provides an overview of assets, loans, deposits and financial performance of the FB&H banks as at 30/09/2021.

The following Table No. 7 provides an overview of the banking sector's balance sheet:

- BAM 000 -

No.	Description	31.12.2019*		31.12.2020		30.09.2021		Index	
		Amount	% share	Amount	% share	Amount	% share	(5/3)	(7/5)
1	2	3	4	5	6	7	8	9	10
ASSETS									
1.	Cash	7,641,570	31.6	7,414,615	30.4	7,520,470	29.5	97	101
2.	Securities	1,462,770	6.0	1,687,459	6.9	2,036,528	8.0	115	121
3.	Placements to other banks	149,197	0.6	275,941	1.1	108,344	0.4	185	39
4.	Loans	15,220,759	62.8	15,254,651	62.5	16,131,633	63.3	100	106
5.	Impairments	1,120,940	4.6	1,127,176	4.6	1,112,657	4.4	101	99
6.	Net loans (loans minus impairments)	14,099,819	58.2	14,127,475	57.9	15,018,976	58.9	100	106
7.	Business premises and other fixed assets	600,684	2.5	553,475	2.3	509,169	2.0	92	92
8.	Other assets	262,976	1.1	337,473	1.4	299,779	1.2	128	89
TOTAL ASSETS		24,217,016	100	24,396,438	100	25,493,266	100	101	104
LIABILITIES									
9.	Deposits	19,414,294	80.2	19,660,862	80.6	20,590,697	80.8	101	105
10.	Borrowings from other banks	0	0.0	0	0.0	0	0.0	-	-
11.	Liabilities on loans	856,626	3.5	811,878	3.3	741,091	2.9	95	91
12.	Other liabilities	808,938	3.3	857,616	3.5	833,782	3.2	106	97
CAPITAL									
13.	Capital	3,137,158	13.0	3,066,082	12.6	3,327,696	13.1	98	109
TOTAL LIABILITIES (LIABILITIES AND CAPITAL)		24,217,016	100	24,396,438	100	25,493,266	100	101	104

* As a part of the 2020 audit, corrections were made to Y2019 financial statements due to subsequent measurement of financial assets at fair value in case of one share, which led to an increase of the balance sheet total of the FB&H banking system by BAM 6.4 million.

The total net assets across the FB&H banking sector as of 30/09/2021 are BAM 25.5 billion, which is by BAM 1.1 billion or 4.5% higher compared to the end of 2020. The banks' net loans have the highest share (58.9%) within the assets in the banks' balance sheet, followed by cash (29.5%), securities (8%), fixed assets (2%), other assets (1.2%) and placements to other banks (0.4%). The deposits (80.8%) have the highest share within the liabilities in the banks' balance sheet, followed by capital (13.1%), other liabilities (3.2%) and liabilities based on loans (2.9%).

¹⁴ The majority state-owned banks report in the "total" balance sheet passive and neutral items.

As of 30/09/2021, compared to the end of 2020, an increase was evident with cash, investments in securities, loans, deposits and total capital, while a decrease was seen with , placements with other banks, business premises, other fixed assets, other assets and liabilities under loans taken and other liabilities.

The following Table No. 8 provides an overview of the banks' assets banks according to ownership structure:

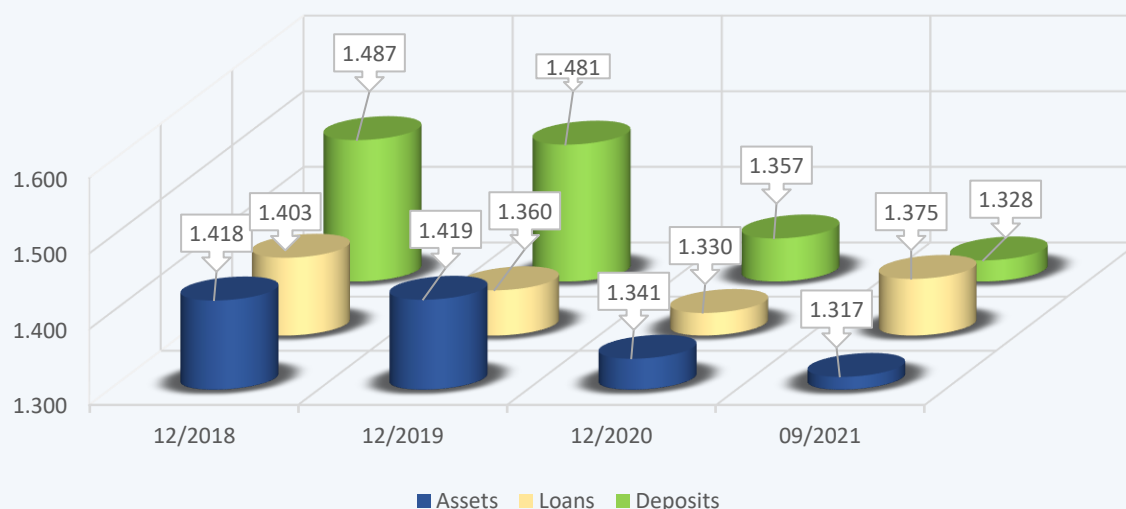
- BAM 000 -

Table 8: Banks' assets according to ownership structure

No	Banks	Number of banks	31.12.2019		31.12.2020		30.09.2021		Index			
			Assets (BAM '000s)	% share	Number of banks	Assets (BAM '000s)	% share	Number of banks	Assets (BAM '000s)	% share	(7/4)	(10/7)
1	2	3	4	5	6	7	8	9	10	11	12	13
1.	State-owned	1	801,261	3.3	1	879,736	3.6	1	1,020,813	4.0	110	116
2.	Private	14	23,415,755	96.7	14	23,516,702	96.4	14	24,472,453	96.0	100	104
	Total	15	24,217,016	100	15	24,396,438	100	15	25,493,266	100	101	104

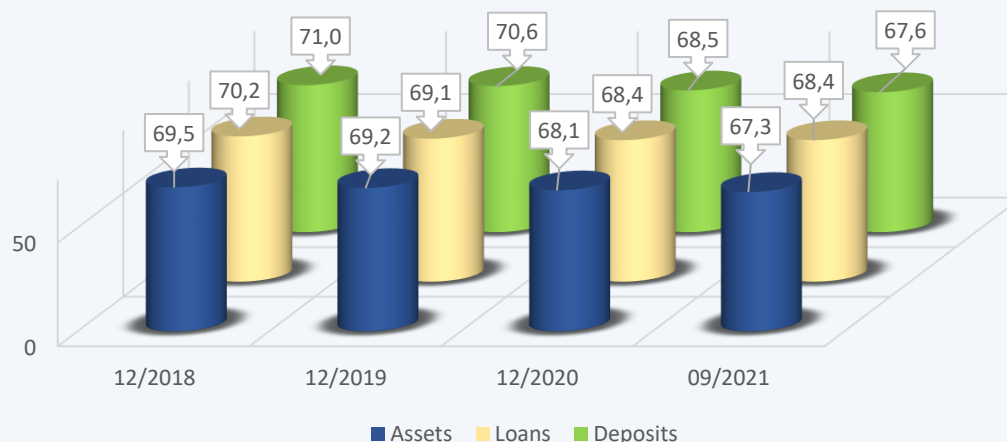
The Herfindahl index of concentration (Chart No. 3) as of 30/09/2021, compared to the end of 2020, rose for loans by 45 units, while it dropped for assets by 24 units and for deposits by 29 units. The Herfindahl index of concentration for the reporting period shows a moderate concentration in all three relevant categories.

Chart 3: Herfindahl index of concentration in assets, loans, and deposits



Looking into the concentration ratio, i.e. total share of the five biggest banks in the sector - CR5 as of 30/09/2021 is viewed compared to the end of 2020 (Chart No. 4), there is a decrease with all categories - market share by 0.8 percentage points and deposits by 0.9 percentage points, while the concentration rate for loans remained the same (68.4%). Two biggest banks in the sector account for 44.4% of the market (assets 44.5%, loans 43.9% and deposits 44.8%).

Chart 4: Concentration ratios for five biggest banks - CR5: assets, loans, and deposits



The banking sector can also be analysed according to the criterion of classification to the groups created according to the size of assets¹⁵ (Table No. 9). As of 30/09/2021, three banks in the FB&H banking sector with a 53.8% share stand out according to the size of assets, comprising group I of banks with the assets of over BAM 2.0 billion.

- BAM 000 -

Table 9: Share of groups of banks in total assets

No	Assets amount	31.12.2019		31.12.2020		30.09.2021			
		Amount	% share	Amount	% share	Amount	% share	Amount	
1.	I (over BAM 2 billion)	13,686,527	56.5	13,375,256	54.8	13,704,010	53.8	13,704,010	53.8
2.	II (BAM 1-2 billion)	6,652,374	27.5	7,906,422	32.4	8,457,218	33.2	8,457,218	33.2
3.	III (BAM 0.5-1 billion)	3,451,044	14.2	2,708,664	11.1	2,888,622	11.3	2,888,622	11.3
4.	IV (BAM 0.1-0.5 billion)	427,071	1.8	406,096	1.7	443,416	1.7	443,416	1.7
5.	V (below BAM 0.1 billion)	0	0.0	0	0.0	0	0.0	0	0.0
	Total	24,217,016	100	24,396,438	100	25,493,266	100	25,493,266	100

As of 30/09/2021 (compared to YE2020), there was no change in the number of banks by groups, but their structure has changed where one bank moved from group III to group II of banks and one bank moved from group II to group III of banks. Over the observed period, none of the banks had assets below BAM 100 million.

Cash across the FB&H banking sector as of 30/09/2021 (Table No. 10) amounted to BAM 7.5 billion, up by BAM 105.9 million or 1.4% vs. YE2020. Banks still hold major amount of cash in excess of the mandatory reserves.

- BAM 000 -

Table 10: Bank's cash

No	Cash	31.12.2019		31.12.2020		30.09.2021		Index	
		Amount	% share	Amount	% share	Amount	% share	(5/3)	(7/5)
1.	Cash	1,004,445	13.1	1,267,712	17.1	1,549,707	20.6	126	122
2.	Reserve account with CBB&H	4,329,659	56.7	4,478,515	60.4	4,511,038	60.0	103	101
3.	Accounts with deposit institutions in B&H	48,611	0.6	30,194	0.4	7,040	0.1	62	23
4.	Accounts with deposit	2,258,758	29.6	1,638,190	22.1	1,452,683	19.3	73	89

¹⁵ Banks are divided into five groups depending on the size of assets.

institutions abroad									
5.	Cash in process of collection	97	0.0	4	0.0	2	0.0	4	50
Total		7,641,570	100	7,414,615	100	7,520,470	100	97	101

As of 30/09/2021, compared to the end of 2020, there was an increase of the banks' cash funds related to cash and reserve accounts with CBB&H, while decrease was evident with deposit accounts with deposit institutions in B&H and abroad and cash in process of collection.

In the currency structure of cash funds as of 30/09/2021 (compared to the end of 2020), the share of local currency rose from 73.7% to 75.9%, along with a simultaneous decrease of the share in foreign currency from 26.3% to 24.1%.

The portfolio of securities as at 30/09/2021 (Table No. 11) amounted to BAM 2.0 billion, which was higher by BAM 349.1 million or 20.7% compared to the end of 2020.

- BAM 000-

Table 11: Investments in securities according to type of instrument

No.	Investments in securities	31.12.2019*		31.12.2020		30.09.2021		Index	
		Amount	% share	Amount	% share	Amount	% share	(5/3)	(7/5)
1	2	3	4	5	6	7	8	9	10
1.	Equity securities	11,762	0.8	11,844	0.7	5,587	0.3	101	47
2.	Debt securities:	1,451,008	99.2	1,675,615	99.3	2,030,941	99.7	115	121
2.1.	- Securities of all levels of governments in B&H	747,632	51.1	992,337	58.8	1,145,764	56.3	133	115
2.2.	- Government securities (other countries)	549,649	37.6	544,646	32.3	722,649	35.4	99	133
2.3.	- Corporate bonds ¹⁶	153,727	10.5	138,632	8.2	162,528	8.0	90	117
Total		1,462,770	100	1,687,459	100	2,036,528	100	115	121

* As a part of the 2020 audit, corrections were made to Y2019 financial statements based on the external auditor's order with one bank (caused by subsequent measurement of financial assets at fair value in case of one share), there was an increase of equity securities, i.e. securities portfolio at the F&H banking sector level by an amount of BAM 6.4 million.

As of 30/09/2021, the most significant item within the investments in debt securities (Table No. 12) are the securities of entity governments, namely the securities issued by the FB&H¹⁷ of altogether BAM 724.1 million and the securities of the RS as the issuer of BAM 373.8 million.

- BAM 000 -

Table 12: Securities of B&H entity governments

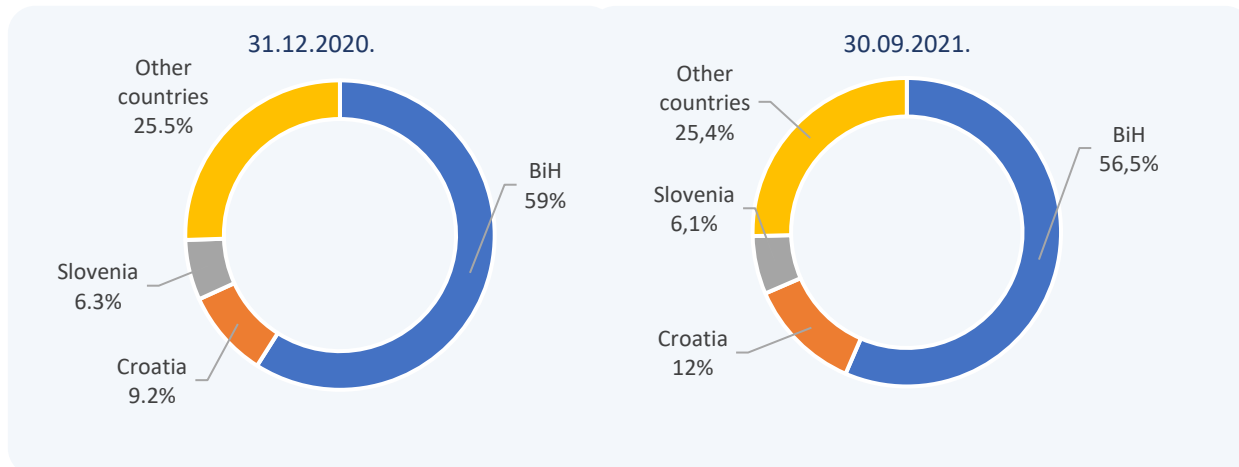
No.	Investments in securities	31.12.2019		31.12.2020		30.09.2021		Index	
		Amount	% share	Amount	% share	Amount	% share	(5/3)	(7/5)
1	2	3	4	5	6	7	8	9	10
1.	Debt securities of FB&H as issuer:	532,147	72.6	699,554	71.5	724,079	65.9	131	104
1.1.	- Treasury bills	18,921	2.6	100,007	10.2	77,256	7.0	529	77
1.2.	- Bonds	513,226	70.0	599,547	61.3	646,823	58.9	117	108
2.	Debt securities of RS:	201,089	27.4	278,325	28.5	373,847	34.1	138	134
2.1.	- Treasury bills	0	0.0	41,759	4.3	17,978	1.7	-	43
2.2.	- Bonds	201,089	27.4	236,566	24.2	355,869	32.4	118	150
Total		733,236	100	977,879	100	1,097,926	100	133	112

¹⁶ Majority, i.e. app. 94%, relates to the EU and US banks' bonds, while the rest refers to bonds of companies from the EU.

¹⁷ All types of securities of the FB&H as the issuer

If total investments in securities are analysed according to the exposures by countries (Chart No. 5), the highest share of 56.5% is to the issuers from B&H, followed by Croatia with a 12% share, Slovenia with 6.1% share and other countries with individual shares below 5%.

Chart 5: Structure of investments in securities according to the criterion of country of issuer



1.2.2. Liabilities

As of 30/09/2021, the share of deposits, as the most significant source of the banks' funding, increased by 0.2 percentage points (80.8%), while the share of loan obligations decreased by 0.4 percentage points compared to the YE2020 (2.9%).

The banks' loan obligations with the amount of BAM 741.1 million have decreased by BAM 70.8 million or 8.7% compared to the end of 2020. If subordinated loans of BAM 201.4 million are also added to the loan obligations, total loans have a 3.7% share in the funding sources.

Deposits recorded an increase of BAM 929.8 million or 4.7% compared to the end of 2020, amounting to BAM 20.6 billion as at 30/09/2021. Out of the total amount of deposits at the end of the reporting period, BAM 1.3 billion or 6.6% relates to deposits collected in the FB&H banks' organizational parts in the RS and the BD.

The following charts No. 6 and No. 7 provide an overview of total deposits and the ratio of loans and deposits by periods:

Chart 6: Total deposits

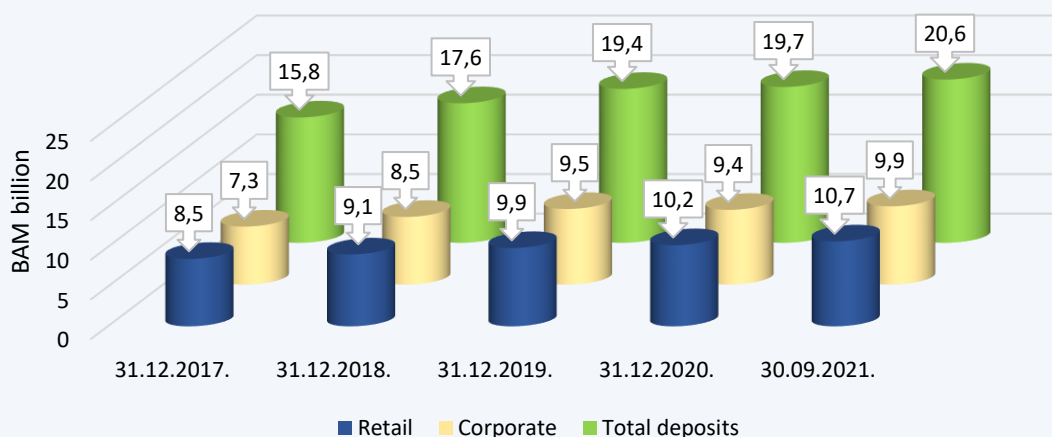
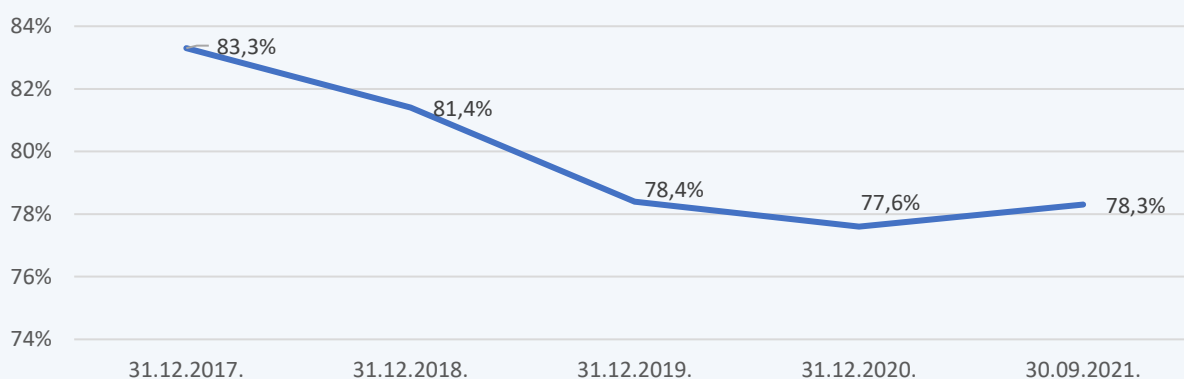


Chart 7: Loan-to-deposit ratio



The following Table No. 13 provides an overview of the sector structure of deposits:

- BAM 000 -

Table 13: Sector structure of deposits

No	Sectors	31.12.2019		31.12.2020		30.09.2021		Index	
		Amount	% share	Amount	% share	Amount	% share	(5/3)	(7/5)
1	2	3	4	5	6	7	8	9	10
1.	Government institutions	2,157,147	11.1	2,236,845	11.4	2,383,480	11.6	104	107
2.	Public enterprises	1,651,976	8.5	1,453,080	7.4	1,560,836	7.6	88	107
3.	Priv. enterp. and companies	3,236,224	16.7	3,783,548	19.2	4,221,235	20.5	117	112
4.	Banking institutions	1,208,613	6.2	568,484	2.9	357,294	1.7	47	63
5.	Non-bank fin. institutions	803,516	4.1	848,319	4.3	800,602	3.9	106	94
6.	Retail	9,877,414	50.9	10,236,559	52.1	10,717,633	52.1	104	105
7.	Other	479,404	2.5	534,027	2.7	549,617	2.6	111	103
	Total	19,414,294	100	19,660,862	100	20,590,697	100	101	105

The largest share in the sector structure of deposits refers to retail deposits with 52.1% and this share remained the same as at YE2020. As of 30/09/2021, retail deposits stood at BAM 10.7 billion.

An increase in deposits as of 30/09/2021, compared to the end of 2020, was realized in relation to the government institutions' deposits by BAM 146.6 million or 6.6%, deposits of

public companies by BAM 107.8 million or 7.4%, deposit of private companies by BAM 437.7 million or 11.6%, retail deposits by BAM 481.1 million or 4.7% and other deposits by BAM 15.6 million or 2.9%. A decrease of deposits as of 30/09/2021, compared to the end of 2020, was recorded in relation to banking institutions' deposits by BAM 211.2 million or 37.1% and deposits of non-banking financial institutions by BAM 47.7 million or 5.6%.

Financing in form of deposits of banking groups is present in eight banks in the FB&H, so that 85.7% of total deposits of banking institutions refer to deposits of these groups.

The currency structure of deposits as at 30/09/2021 has changed compared to the end of 2020, i.e. the share of deposits in domestic currency increased from 64.6% to 66.6% and the share of deposits in foreign currency decreased from 35.4% to 33.4%. Deposits in BAM amounted to BAM 13.7 billion (up by BAM 1.0 billion or 8.1% vs. YE2020), while deposits in foreign currencies stood at BAM 6.9 billion (down by BAM 94.6 million or 1.4% vs. YE2020).

The structure of deposits according to the origin of depositors as of 30/09/2021, compared to the end of 2020, has the following structure: residents' deposits of BAM 19.8 billion have a 96.3% share (up by 1.0 percentage point), while non-residents' deposits are BAM 0.8 billion, which was 3.7% of total deposits (down by 1.0 percentage point).

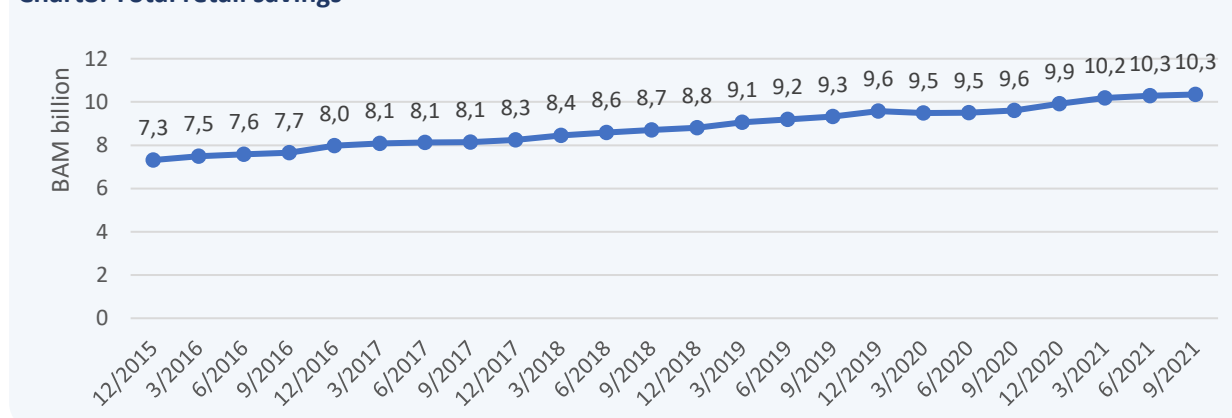
The long term upward trend of savings deposits (Table No. 14 and Chart No. 8) (as the most significant segment of deposit and financial potential of banks) has continued as of 30/09/2021 as well. As of 30/09/2021, savings deposits amounted to BAM 10.3 billion, up by BAM 430.4 million or 4.3% compared to the end of 2020.

- BAM 000 -

Table 14: Retail savings

No.	Banks	Amount			Index	
		31.12.2019	31.12.2020	30.09.2021	(4/3)	(5/4)
1	2	3	4	5	6	7
1.	State-owned	96,979	105,980	117,958	109	111
2.	Private	9,476,470	9,809,340	10,227,767	104	104
	Total	9,573,449	9,915,320	10,345,725	104	104

Chart8: Total retail savings



53.7% of savings are concentrated in two biggest banks, while five banks have the individual shares of less than 2%, amounting to 5.4% of the total savings in the sector. Of the total amount of the savings, 52.8% relate to savings deposits in domestic currency, while 47.2% relate to savings deposits in foreign currency.

As of 30/09/2021 vs. YE2020, short term retail savings deposits rose by BAM 441.5 million or 7.2% (while their share rose by 1.7 percentage points) and long term retail savings deposits dropped by BAM 11.0 million or 0.3% (while they went down by 1.7 percentage points).

The maturity structure of savings deposits can be seen in the Table No. 15 below:

- BAM 000 -

No	Savings deposits	31.12.2019		31.12.2020		30.09.2021		Index	
		Amount	% share	Amount	% share	Amount	% share	(5/3)	(7/5)
1	2	3	4	5	6	7	8	9	10
1.	Short term savings	5,634,426	58.9	6,142,454	61.9	6,583,905	63.6	109	107
2.	Long term savings	3,939,023	41.1	3,772,866	38.1	3,761,820	36.4	96	100
	Total	9,573,449	100	9,915,320	100	10,345,725	100	104	104

Retail loans as of 30/09/2021 amounted to BAM 7.6 billion, up by 3.7% vs. YE2020. At the same time, retail deposits went up by 4.7% to BAM 10.7 billion as of 30/09/2021.

The table No. 16 below provides an overview of retail loans, savings and deposits by periods.

- BAM 000 -

No.	Description	31.12.2019	31.12.2020	30.09.2021	Index	
		Amount	Amount	Amount	(4/3)	(5/4)
1	2	3	4	5	6	7
1.	Retail loans	7,400,278	7,281,540	7,553,138	98	104
2.	Retail savings	9,573,449	9,915,320	1,345,725	104	104
2.1.	Term deposits	4,280,620	4,089,390	4,040,831	96	99
2.2.	Demand deposits	5,292,829	5,825,930	6,304,894	110	108
3.	Loans/savings	77%	73%	73%	-	-
4.	Retail deposits	9,877,414	10,236,559	10,717,633	104	105
5.	Loans/Retail deposits	75%	71%	70%	-	-

As of 30/09/2021, there was also an increase of both, retail loans and deposits, whereas deposits grew at faster pace. Therein, the ratio of loans and savings remained the same as at YE2020 while the ratio of loans and deposits of the retail segment showed a downward trend across periods.

1.2.3. Capital and Capital Adequacy

As of 30/09/2021, total banks' capital was BAM 3.3 billion, increasing by BAM 261.6 million or 8.5% compared to the end of 2020 (more details are provided under Subheading 1.1.2 - Ownership Structure and Market Share).

The following Table No. 17 provides a report on the balance, i.e. the structure of the FB&H banks' own funds:

- BAM 000 -

No.	Description	31.12.2019*	31.12.2020	30.09.2021	Index	
		Amount	Amount	Amount	(4/3)	(5/4)
1	2	3	4	5	6	7

1.	Own funds	2,696,142	2,698,561	2,798,098	100	104
1.1.	Tier 1 capital	2,662,338	2,581,508	2,690,979	97	104
1.1.1.	Common Equity Tier 1	2,662,338	2,581,508	2,690,979	97	104
1.1.1.1.	Paid-up capital instruments	1,299,335	1,299,335	1,299,335	100	100
1.1.1.2.	Share premium	137,290	137,290	137,290	100	100
1.1.1.3.	(-) Own Common Equity Tier 1 instruments	-215	-214	-214	100	100
1.1.1.4.	Previous year retained profit	403,027	343,453	356,970	85	104
1.1.1.5.	Recognized gain or loss	-36,302	-145,228	-135,306	400	93
1.1.1.6.	Accumulated other comprehensive income	32,434	29,151	25,743	90	88
1.1.1.7.	Other reserves	970,088	1,000,959	1,013,732	103	101
1.1.1.8.	(-) Other intangible assets	-57,589	-58,638	-56,324	102	96
1.1.1.9.	(-) Deferred tax assets that rely on future profitability and of up to not arise from temporary differences less related tax liabilities	-14	-34	-83	243	244
1.1.1.10.	(-) Deduction from Addition Tier 1 items exceeding Additional Tier 1	-1,255	0	0	-	-
1.1.1.11.	(-) Deferred tax assets that are deductible and rely on future profitability and arise from temporary differences	-1,349	-8,300	-7,699	615	93
1.1.1.12.	(-) Financial sector entities' Common Equity Tier 1 instruments if bank has material investment	-15,950	-16,266	-16,266	102	100
1.1.1.13.	Elements or deductions from Common Equity Tier 1 – other	-67,162	0	73,801	0	-
1.1.2.	Additional Tier 1	0	0	0	-	-
1.2.	Tier 2 capital	33,804	117,053	107,119	346	92
1.2.1.	Paid-up capital instruments and subordinated debts	170,158	117,067	107,133	69	92
1.2.2.	(-) Own Tier 2 instruments	-14	-14	-14	100	100
1.2.3.	General impairments for credit risk under standardized approach	163,609	0	0	0	-
1.2.4.	Deduction from Tier 2 items exceeding Tier 2 capital (deducted from Additional Tier 1 capital)	1,255	0	0	0	-
1.2.5.	Paid-up capital instruments and subordinated debts	-301,204	0	0	0	-

* Y2019 data were adjusted by BAM 5.8 million since one bank (during Y2020 audit) changed financial statements for 2019 due to changed accounting policy of measurement of one part of its securities.

The FB&H banks' own funds as of 30/09/2021 were BAM 2.8 billion and, compared to the end of 2020, it increased by BAM 99.5 million or 3.7%. At the same time, the banks' T1 and CET1 capital equal BAM 2.7 billion, with a realized increase of BAM 109.5 million or 4.2%, while Tier 2 capital is BAM 107.1 million, with a realized decrease of BAM 9.9 million or 8.5% compared to the end of 2020. The reduction of Tier2 capital came as a result of reduced position of paid-up capital instruments and subordinated debt with three banks, while one bank saw an increase of this position. The own funds' structure of the FB&H banking sector includes a share of Tier 1 capital of 96.2% (12/2020: 95.7%), while Tier 2 capital participates with 3.8% (12/2020: 4.3%).

A detailed analysis has shown that the biggest effect to the T1 capital change referred to these items:

- increase based on included profit for 2020 in an amount of BAM 34.4 million,
- increase based on implementation of the Decision on Conditions for Temporary Recognition of Common Equity Tier 1 capital¹⁸ of BAM 73.8 million,
- increase based on reduction of an off-set item – intangible assets in an amount of BAM 2.3 million,
- increase of profit based on deferred tax assets of BAM 0.8 million,
- increased based on effect of implementation of the accounting policy of measurement of real estate of BAM 0.5 million,
- increase based on adjustment of income tax of BAM 0.5 million,
- increased based on reduction of an off-set item – deferred tax assets that is deductible and depends on future profitability and results from temporary differences of BAM 0.6 million, and
- decrease of accumulated other comprehensive income in an amount of BAM 3.4 million.

According to the Decision on Capital Calculation in Banks, total amount of risk exposure is a sum of exposures weighted by credit risk, market risk, operational risk, settlement risk/free deliveries risk and risk related to large exposures resulting from the trading book items. The FB&H banking sector's total risk exposure as at 30/06/2021 was BAM 14.5 billion (Table No. 18).

- BAM 000 -

Table 18: Risk exposure structure

No	Risk exposure	31.12.2019*		31.12.2020		30.09.2021		Index	
		Amount	% share	Amount	% share	Amount	% share	(5/3)	(7/5)
1	2	3	4	5	6	7	8	9	10
1.	Risk weighted exposures for credit risk	13,088,785	87.1	12,843,833	91.0	13,134,112	90.3	98	102
2.	Settlement/free delivery risk exposures	0	0.0	0	0.0	0	0.0	-	-
3.	Market risk (position and currency risk) exposures	237,686	1.6	119,065	0.8	267,811	1.8	50	225
4.	Risk exposures for operational risk	1,705,834	11.3	1,150,236	8.2	1,147,302	7.9	67	100
Total risk exposure amount		15,032,305	100	14,113,134	100	14,549,225	100	94	103

* Information was corrected due to changed accounting policy of measurement of one part of securities with one bank.

The total risk exposure amount across the FB&H banking sector increased in the current year by BAM 436.1 million or 3.1% against the end of the previous year. Over the reporting period, there was an increase of credit risk weighted exposures by BAM 290.3 million or 2.3% and the market risk weighted exposures rose by BAM 148.7 million or 124.9%, while the operational risk weighted exposures dropped by BAM 2.9 million or 0.3%. during the observed period, there were three banks in the sector that have not posted currency risk exposures since their net open currency position did not exceed 2% of the own funds, while there were five such banks at the end of 2020. This major increase of the market risk exposure at the FB&H banking sector level mostly came as a result of increased net open position for EUR with one bank.

As of 30/09/2021, banks were most exposed to the credit risk (90.3% share), which is dominant in the FB&H banking sector. Compared to the end of the previous year, there were changes in the structure of shares by individual risk types in the total exposure, i.e. the share

¹⁸ FB&H Official Gazette No. 68/21

of credit risk went down by 0.7 percentage points and the share of the operational risk exposure decreased by 0.3 percentage points, while the market risk exposure increased by 1.0 percentage point. Within the credit risk weighted exposures, the biggest share is with retail exposures (BAM 4.6 billion or 34.8%), followed by corporate exposures (BAM 3.4 billion or 25.8%) and real estate-secured exposures (BAM 3.3 billion or 24.8%).

The banking sector's capital adequacy has continuously been maintained above 15% in the last few years, which is satisfactory capitalization across the sector. The FB&H banking sector capital adequacy indicators are provided in the following Table No. 19:

- BAM 000 -

Table 19: Capital adequacy indicators

No.	Capital ratios	% and amount of regulatory minimum surplus or deficit		
		31.12.2019*	31.12.2020	30.09.2021
1	2	3	4	5
1.	Common Equity Tier 1 capital ratio	17.7%	18.3%	18.5%
2.	Surplus (+) / Deficit (-) of Common Equity Tier 1	1,647,657	1,628,872	1,708,906
3.	Tier 1 capital ratio	17.7%	18.3%	18.5%
4.	Surplus (+) / Deficit (-) of Tier 1 capital	1,309,430	1,311,327	1,381,550
5.	Own funds ratio	17.9%	19.1%	19.2%
6.	Surplus (+) / Deficit (-) of own funds	892,267	1,004,986	1,052,191

* Information was corrected due to changed accounting policy of measurement of one part of securities with one bank, but this had no effect on the presented capital ratios.

The own funds rate as at 30/09/2021 is 19.2% and it is considerably higher compared to the statutory minimum and the same stands for other capital ratios (Common Equity Tier 1 capital and Tier 1 capital ratios). Compared to YE2020, own funds ratio rose by 0.1 percentage point. Over the same period, CET1 and T1 ratios also increased by 0.2 percentage points.

The following Table No. 20 provides an overview of the FB&H banking sector's financial leverage ratio across periods:

- BAM 000 -

Table 20: Financial leverage ratio

No.	Exposure values	31.12.2019*	31.12.2020	30.09.2021
1	2	3	4	5
1.	Leverage ratio exposures - under Article 37(4) of Decision on Capital Calculation in Banks	25,208,367	25,523,184	26,700,015
2.	Tier 1 capital - under Article 37(3) of Decision on Capital Calculation in Banks	2,662,338	2,581,508	2,690,979
	Financial leverage ratio	10.6%	10.1%	10.1%

* Information was corrected due to changed accounting policy of measurement of one part of securities with one bank.

The financial leverage ratio across the banking sector as at 30/09/2021 is 10.1%, which is the same as at the end of 2020.

1.2.4. Credit Risk

The Decision on Credit Risk Management and Determination of Expected Credit Losses¹⁹ defines rules of credit risk management, manner of exposure allocation to credit risk grades

¹⁹ FB&H Official Gazette Nos.. 44/19 and 37/20

and ECL determination, types of eligible collateral, etc. It is in effect since 01/01/2020. All exposures are being allocated to one of the following credit risk grades: credit risk grade 1 – low level of credit risk, credit risk grade 2 – increased level of credit risk and credit risk grade 3 – exposures in default status.

The Table No. 21 below provides an overview of balance sheet exposures at the FB&H banking sector level based on key categories of financial assets, off-balance sheet exposures and related ECLs:

- BAM 000 -

Table 21: Financial assets, off-balance sheet items and ECL

No	Description	31.12.2019			31.12.2020			30.09.2021		
		Amount	ECL	% ECL	Amount	ECL	% ECL	Amount	ECL	% ECL
1	2	3	4	5	6	7	8	9	10	11
1.	Cash and cash facilities	7,796,241	7,696	0.1	7,693,909	9,887	0.1	7,633,142	9,730	0.1
2.	Financial assets at amortised cost	15,417,105	1,150,848	7.5	15,460,513	1,136,925	7.4	16,371,189	1,131,414	6.9
3.	Financial assets at fair value	1,325,084*	0	0.0	1,552,559	0	0.0	1,885,537	0	0.0
4.	Other financial receivables	224,665	36,030	16.0	258,027	33,250	12.9	203,061	23,484	11.6
I Total balance sheet exposure		24,763,095	1,194,574	4.8	24,965,008	1,180,062	4.7	26,092,929	1,164,628	4.5
5.	Issued guarantees	1,350,083	21,488	1.6	1,373,899	24,965	1.8	1,395,965	23,736	1.7
6.	Uncovered letters of credit	48,255	554	1.1	39,203	1,432	3.7	35,414	941	2.7
7.	Irrevocably approved, but undrawn loans	2,058,199	19,685	1.0	2,468,359	32,597	1.3	2,200,122	20,412	0.9
8.	Other contingent liabil.	54,122	310	0.6	8,274	26	0.3	270,656	2,569	0.9
II Total off-bal.sheet items		3,510,659	42,037	1.2	3,889,735	59,020	1.5	3,902,157	47,658	1.2
Total exposure (I+II)		28,273,754	1,236,611	4.4	28,854,743	1,239,082	4.3	29,995,086	1,212,286	4.0

* Data corrected by an amount of BAM 6.4 million due to changed accounting policy of measurement of one part of securities with one bank.

Total exposure of banks as of 30/09/2021 stood at BAM 39 billion, thereof BAM 26.1 billion referring to balance sheet exposures and BAM 3.9 billion to off-balance sheet items.

Over the first nine months of 2021, there was an increase of balance sheet exposures compared to the YE2020 by BAM 1.1 billion or 4.5%, as caused by a net effect of elevated financial assets measured at fair value and at amortised cost, as well as due to a significant decrease of cash with one bank and other financial receivables with two banks.

Over the same period, there was an increase of off-balance sheet items by BAM 12.4 million or 0.3%. This increase refers to issued guarantees and other contingent liabilities, while a decrease was noted with uncovered letters of credit and irrevocably approved, but undrawn loans. This increase of other contingent liabilities resulted solely from repositioning in relevant reports of approved, but undrawn loans having certain elements of revocability and for which the bank allocated provisions for contingent liabilities (one bank) (as they were previously posted among “irrevocably approved, but undrawn loans”).

The following Table No. 22 shows balance sheet and off-balance sheet exposures at the FB&H banking sector level by credit risk grades and related ECLs:

Table 22: Exposures by credit risk grades

No.	Description	31.12.2019			31.12.2020			30.09.2021		
		Amount	ECL	% ECL	Amount	ECL	% ECL	Amount	ECL	% ECL
1	2	3	4	5	6	7	8	9	10	11
1.	Credit risk grade 1	21,793,866*	123,558	0.6	22,301,920	179,478	0.8	23,479,159	156,038	0.7
2.	Credit risk grade 2	1,652,439	113,839	6.9	1,645,274	204,681	12.4	1,623,292	212,980	13.1
3.	Credit risk grade 3	1,316,790	957,177	72.7	1,017,814	795,903	78.2	990,478	795,610	80.3
I Total balance sheet exposure		24,763,095	1,194,574	4.8	24,965,008	1,180,062	4.7	26,092,929	1,164,628	4.5
4.	Credit risk grade 1	3,027,094	20,431	0.7	3,440,487	21,343	0.6	3,551,968	19,203	0.5
5.	Credit risk grade 2	474,159	15,610	3.3	443,246	34,354	7.8	345,079	25,345	7.3
6.	Credit risk grade 3	9,406	5,996	63.7	6,002	3,323	55.4	5,110	3,110	60.9
II Total off-balance sheet exposure		3,510,659	42,037	1.2	3,889,735	59,020	1.5	3,902,157	47,658	1.2
Total exposure (I+II)		28,273,754	1,236,611	4.4	28,854,743	1,239,082	4.3	29,995,086	1,212,286	4.0

* Data corrected by an amount of BAM 6.4 million due to changed accounting policy of measurement of one part of securities with one bank.

As of 30/09/2021, balance sheet exposures within the credit risk grade 1 amounted to BAM 23.5 billion and make up for 90% of the total balance sheet exposures. Compared to YE2020, they have risen by BAM 1.2 billion or 5.3%. The increase mostly came as a net effect of: increased loan portfolio within this credit risk grade by BAM 900.1 million, financial assets measured at fair value by BAM 334.1 million and debt securities measured at amortised cost by BAM 40 million, as well as decreased cash and cash receivables by BAM 61.8 million and other financial assets by BAM 36.2 million.

As of 30/09/2021, balance sheet exposures within the credit risk grade 2 stood at BAM 1.6 billion, representing 6.2% of the total balance sheet exposures. Compared to YE2020, they have dropped by BAM 22 million or 1.3%. The decrease of total balance sheet exposures within this credit risk grade came mostly as a result of: increase of the loan portfolio within the credit risk grade 2 by BAM 7.2 million and cash and cash receivables by BAM 1.0 million, as well as a decrease of securities measured at amortised cost by BAM 12.9 million, other financial receivables by BAM 9.7 million and other assets measured at amortised cost by BAM 7.9 million.

As of 30/09/2021, balance sheet exposures within the credit risk grade 3 equaled BAM 1.0 billion, representing 3.8% of the total balance sheet exposures. If observed against YE2020, they have dropped by BAM 27.3 million or 2.7%. This largely came as a result of a decrease of the loan portfolio within this credit risk grade by BAM 18.4 million and decrease of other financial receivables by BAM 9.1 million.

Over the first nine months of 2021, ECLs at the credit risk grade 1 for the balance sheet exposures decreased by BAM 23.4 million and increased for the credit risk grade 2 by BAM 8.3 million and for the credit risk grade 3 it went down by BAM 293 ths. Over the observed

period, ECL coverage rate at the credit risk grade 1 went down by 0.1 percentage point, while this rate rose at the credit risk grade 2 by 0.7 percentage points and at the credit risk grade 3 by 2.1 percentage points. Total ECL coverage rate for balance sheet exposures is 4.5%, whereas at the end of the previous year it was 4.7%.

As of 30/09/2021, off-balance sheet exposures at the credit risk grade 1 stood at BAM 3.6 billion, thus representing 91% of the total off-balance sheet exposures. Exposures at the credit risk grade 2 amounted to BAM 345.1 million or 8.9% of the total off-balance sheet exposures, while the credit risk grade 3 includes exposures of BAM 5.1 million or 0.1% of the total off-balance sheet exposures.

Total ECL coverage for off-balance sheet exposures is 1.2%, which is by 0.3 percentage points lower than at the end of the previous year. The decrease of individual coverage rates was noted with credit risk grades 1 and 2 and they increased for the credit risk grade 3 (compared to the end of the previous year).

As of 30/09/2021, loans stood at BAM 16.1 billion, up by BAM 877 million or 5.7% vs. YE2020. Looking at the sector structure of loans, the biggest increase came from loans to banking institutions (BAM 464.7 million or 53% of total loan growth). This increase of loans to banking institutions of BAM 449.1 million refers to the increase of short term low-risk exposures being included in the loan portfolio. If the increase of this item would be excluded, the loan portfolio would show a growth of 2.8% over the observed period.

Retail loans amount to BAM 7.5 billion and hold a share in total loans of 46.8% (up by BAM 271.6 million or 3.7% compared to YE2020). Corporate loans (amounting to BAM 8.6 billion and representing 53.2% of total loans) have risen by BAM 605.4 million or 7.6% against end of 2020 (Chart No. 9). If the increase of short term low-risk exposures with one bank would be excluded, the corporate loan portfolio would show a growth of 2% during the observed period.

Chart 9: Loans



The following Table No. 23 shows a trend and changes of individual sectors of loan users in the total loan structure:

- BAM 000 -

Table 23: Loan structure by sectors

No	Sectors	31.12.2019		31.12.2020		30.09.2021		Index	
		Amount	% share	Amount	% share	Amount	% share	(5/3)	(7/5)
1	2	3	4	5	6	7	8	9	10
1.	Government institutions	189,360	1.2	199,032	1.3	212,579	1.3	105	107
2.	Public sector enterprises	359,635	2.4	395,157	2.6	405,911	2.5	110	103
3.	Private companies	6,922,742	45.5	6,500,322	42.6	6,607,809	41.0	94	102
4.	Banking institutions	247,501	1.6	772,554	5.1	1,237,229	7.7	312	160
5.	Non-banking financial instit.	86,902	0.6	83,921	0.6	91,065	0.6	97	109
6.	Retail	7,400,278	48.6	7,281,540	47.7	7,553,138	46.8	98	104
7.	Other	14,341	0.1	22,125	0.1	23,902	0.1	154	108
	Total	15,220,759	100	15,254,651	100	16,131,633	100	100	106

Here, the biggest changes were seen with short term low-risk exposures to banking institutions (temporary repo deals).

The following Table No. 24 provides maturity structure of loans by sectors:

- BAM 000 -

Table 24: Maturity structure of loans

No	Sectors	31.12.2020			30.09.2021			Index		
		ST loans	LT loans	Receiv. due	ST loans	LT loans	Receiv. due	(6/3)	(7/4)	(8/5)
1	2	3	4	5	6	7	8	9	10	11
1.	Government institutions	4,732	193,928	372	5,064	207,338	177	107	107	48
2.	Public sector enterprises	40,618	342,373	12,166	66,289	338,348	1,274	163	99	10
3.	Private companies	2,301,850	3,782,059	416,413	2,341,531	3,808,447	457,831	102	101	110
4.	Banking institutions	772,554	0	0	1,237,229	0	0	160	-	-
5.	Non-banking financial instit.	18,777	65,113	31	28,334	62,714	17	151	96	55
6.	Retail	400,340	6,655,109	226,091	393,655	6,908,846	250,637	98	104	111
7.	Other	6,476	15,426	223	6,761	16,743	398	104	109	178
	Total	3,545,347	11,054,008	655,296	4,078,863	11,342,436	710,334	115	103	108

As of 30/09/2021, compared to the end of 2020, short term loans in the FB&H banking sector have risen by BAM 533.5 million or 15% (as largely attributable to the increase of short term low-risk exposures) and long term loans by BAM 288.4 million or 2.6%. Receivables due amount to BAM 710.3 million, up by BAM 55 million or 8.4% vs. YE2020.

In the currency structure of loans, loans approved in domestic currency have the highest share of 50.6% or BAM 8.2 billion, followed by loans approved with a currency clause with a share of 41.2% or BAM 6.6 billion (EUR: BAM 6.6 billion or 99.9%, CHF: BAM 5.5 million or 0.1%), while loans approved in foreign currency have the lowest share of 8.2% or BAM 1.3 billion (of which 98.8% relates to EUR).

The following Table No. 25 provides an overview of corporate and retail loans by credit risk grades and related ECLs:

- BAM 000 -

Table 25: Loans by credit risk grades

No.	Description	31.12.2019			31.12.2020			30.09.2021		
		Amount	ECL	% ECL	Amount	ECL	% ECL	Amount	ECL	% ECL
1	2	3	4	5	6	7	8	9	10	11

I Corporate loans

1. Credit risk grade 1	6,146,371	51,146	0.8	6,272,170	78,817	1.3	6,906,808	64,220	0.9
2. Credit risk grade 2	904,039	55,829	6.2	1,157,194	141,218	12.2	1,169,345	161,691	13.8
3. Credit risk grade 3	770,071	516,128	67.0	543,747	421,893	77.6	502,342	394,097	78.5
Total I	7,820,481	623,103	8.0	7,973,111	641,928	8.1	8,578,495	620,008	7.2
II Retail loans									
4. Credit risk grade 1	6,451,878	59,562	0.9	6,395,495	84,591	1.3	6,669,667	77,434	1.2
5. Credit risk grade 2	471,019	57,081	12.1	446,971	58,801	13.2	432,462	47,703	11.0
6. Credit risk grade 3	477,381	381,194	79.9	439,074	341,856	77.9	451,009	367,512	81.5
Total II	7,400,278	497,837	6.7	7,281,540	484,248	6.7	7,553,138	492,649	6.5
Total loans									
7. Credit risk grade 1	12,598,249	110,708	0.9	12,667,665	163,408	1.3	13,576,475	141,654	1.0
8. Credit risk grade 2	1,375,058	112,910	8.2	1,604,165	200,019	12.5	1,601,807	209,394	13.1
9. Credit risk grade 3	1,247,452	897,322	71.9	982,821	763,749	77.7	953,351	761,609	79.9
Total loans (I+II)	15,220,759	1,120,940	7.4	15,254,651	1,127,176	7.4	16,131,633	1,112,657	6.9

The loan portfolio allocated to the credit risk grade 1 as of 30/09/2021 stood at BAM 13.6 billion, representing 84.2% of the total loan portfolio. This represents an increase against YE2020 by BAM 908.8 million or 7.2% and is mostly caused by higher level of short term low-risk exposures. The ECL coverage rate for the credit risk grade 1 is 1% (corporate 0.9% and retail 1.2%), thus being lower by 0.3 percentage points against end of 2020.

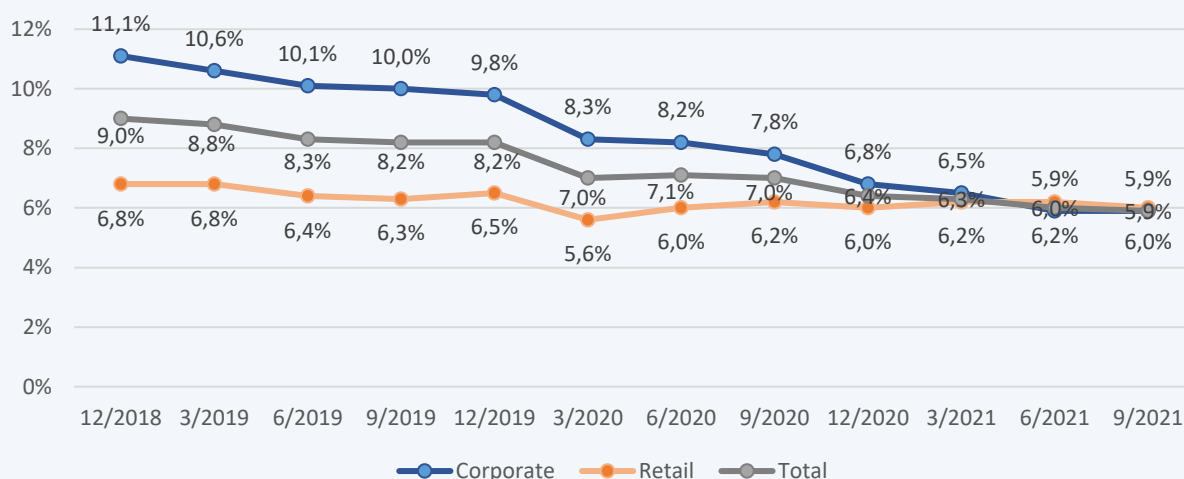
The loan portfolio in the credit risk grade 2 as of 30/09/2021 stood at BAM 1.6 billion, thus making up for 9.9% of the total loan portfolio. Compared to YE2020, it is by BAM 2.4 million or 0.1% lower. The ECL coverage rate for this credit risk grade is 13.1% (corporate 13.8% and retail 11%), up by 0.6 percentage points compared to 31/12/2020.

The loan portfolio in the credit risk grade 3 (NPL) as of 30/09/2021 amounted 953.4 million, thus constituting 5.9% of the total loan portfolio, while the NPL rate stood at 6.4% at the end of the previous year. Its reduction by BAM 29.5 million or 3% vs. YE2020 was largely resulting from the net effect of: new non-performing loans of BAM 178.6 million, recoveries of BAM 34.6 million, collection of BAM 111.3 million, accounting and permanent write offs of BAM 60.5 million and other items of BAM 1.7 million. The ECL coverage rate for the credit risk grade 3 is 79.9% (corporate 78.5% and retail 81.5%), up by 2.2 percentage points vs. 31/12/2020.

Out of total corporate loans, BAM 502.3 million or 5.9% refers to the NPL segment, down by 0.9 percentage points vs. YE2020. If short term low-risk exposures would be excluded from the calculation, the corporate NPL rate would be 6.9%. As for the retail segment, NPLs stood at BAM 451 million or 6% of the retail loan portfolio, thus being relatively the same as at YE2020.

An overview of NPLs (loan portfolio allocated to the credit risk grade 3) is provided in the following Chart No. 10:

Chart 10: Share of NPLs in loans



Total NPL rate is being calculated as a ratio of non-performing loans and total loan portfolio. If short term low-risk exposures would be excluded from the NPL calculation, the NPL rate would be higher.

A more detailed and complete sector analysis of the loan portfolio of the FB&H banking sector is provided in the Annex 4 of this Information. It rests on data of sector-level concentration of loans within corporate (by NACE) and retail segments (by purpose).

As for corporate loans, the biggest share relates to the trade sector (BAM 2.7 billion or 31.7% of corporate loans, i.e. 16.9% of the total loan portfolio), processing industry (BAM 1.9 billion or 22.4% of corporate loans, i.e. 11.9 % of total loans) and financial industry (BAM 1.4 billion or 16.1% of corporate loans, i.e. 8.6% of total loans).

The share of NPLs in loans to the trade sector is 5.7%, to the processing industry 9.3% and to the financial industry 0%. With regards to other corporate loans, the biggest share of NPLs at the end of the first nine months of 2021 referred to loans approved to agriculture (23.8%), education (23.5%), hotel and hospitality business (10.7%) and IT and communications (10.2%).

As far as retail loans are concerned, the largest share is with general consumption loans (BAM 6.0 billion or 79% of retail loans, i.e. 37% of the total loan portfolio) and housing loans (BAM 1.5 billion or 19.9% of retail loans, i.e. 9.3% of the total loan portfolio). The share of NPLs in general consumption loans is 6.8% and with housing loans 2.7%. The high share of general consumption loans in the loan portfolio of the FB&H banking sector calls for greater caution in shaping credit policies in banks.

Table No. 26 provides an overview of key ratios used in credit risk assessments in FB&H banks:

- % -

Table 26: Credit risk indicators

No.	Description	31.12.2019	31.12.2020	30.09.2021
1	2	3	4	5
1.	Rate of non-performing exposures	4.7	3.5	3.3

2.	ECL coverage rate for non-performing exposures	72.6	78.1	80.2
3.	ECL coverage rate for total assets	4.4	4.3	4.0
4.	NPL rate	8.2	6.4	5.9
5.	ECL coverage rate for NPLs	71.9	77.7	79.9
6.	ECL coverage rate for total loans	7.4	7.4	6.9
7.	New NPLs*/Total performing loans	-0.3	0.7	0.2
8.	NPLs/Total capital and ECL for NPL	30.9	25.7	23.3
9.	Net NPLs/Tier 1 capital	13.2	8.5	7.1
10.	Loans due/Total loans	6.2	4.2	4.4

* NPL increase/decrease amount at the reporting period vs. At the comparable period

Credit risk is the dominant risk in the FB&H banking sector, which is why the supervisor's focus is on reviewing the credit risk management practices, i.e. on an assessment of practices regarding approval, monitoring and analysis of credit risk exposures, establishment of an early warning system for cases of increased credit risk, allocation of exposures to credit risk grades and ECL determination, as well as treatment of non-performing exposures and concentration risk management.

The measures prescribed by the FBA during the Pandemic are aimed to avoid negative economic consequences of the pandemic and enable recovery of the economy. This should also result in mitigating the increase of NPLs in the total loan portfolio over the upcoming period. The NPL increase was expected, but it may also depend on efficiency of other measures intended to maintain and recover economic activities.

As of the end of September 2021, BAM 438.5 million or 2.7% of total loans was encompassed by some of active special measures prescribed by the Decision on Temporary Measures of Banks to Ensure Recovery from Negative Economic Consequences Caused by Covid-19. Total amount of the corporate loan portfolio subjected to active measures was BAM 414.9 million or 4.8% of the corporate loan portfolio, while active measures referring to the retail portfolio amount to BAM 23.6 million or 0.3% of the retail loan portfolio.

1.2.5. Profitability

Bank profitability is affected the most by asset quality. Also, the profitability indicator may be impacted by other risks, structure, diversification and funding costs, cost efficiency, FB&H banking, i.e. financial sector specific external factors (financial system development, regulatory features, industry concentration, etc.) and external macroeconomic factors (economic growth, global market interest rates, employment and unemployment rates, salary trend, inflation, etc.).

From the supervisory perspective, profitability of the FB&H banking sector, as well as that of individual banks in the sector, is viewed in the context of sustainability, i.e. the stability and quality of the earnings level and strengthening of the capital base through retained earnings.

FB&H Banking Sector's Earnings Level, Quality and Trend

Positive financial performance of BAM 264 million across the FB&H banking sector was

reported for the January 1 – September 30, 2021 period, which was higher by BAM 112.8 million compared to the same period of 2020 when the Pandemic had greater impact on the banks' profitability (Table No. 27). Positive financial result was posted by all FB&H banks in the first nine months of 2021.

- BAM 000 -

Table 27: Actual financial performance of banks

No.	Description	30.09.2019		30.09.2020		30.09.2021	
		Amount	Number of banks	Amount	Number of banks	Amount	Number of banks
1	2	3	4	5	6	7	8
1.	Profit	251,571	14	166,670	13	263,976	15
2.	Loss	647	1	15,478	2	0	0
	Total	250,924	15	151,192	15	263,976	15

Annex 5 shows an aggregate income statement of banks in the FB&H for the period from 01/01/2021 to 30/09/2021 (as per the FBA schedule) with comparable data for the same reporting period in 2020.

FB&H Banking Sector's Total Income

According to the banks' reporting data as of 30/09/2021, the total income across the FB&H banking sector is BAM 917.7 million and, compared to the same period last year, it increased by BAM 46.9 million or 5.4% (Table No. 28).

- BAM 000 -

Table 28: Structure of total income of banks

No.	Structure of total income	30.09.2020		30.09.2021		Index (5/3)
		Amount	%	Amount	%	
1	2	3	4	5	6	7
	I Interest income and similar income					
1.	Interest-bearing deposit accounts with deposit institutions	2,169	0.2	599	0.1	28
2.	Loans and leasing operations	468,473	53.8	464,290	50.6	99
3.	Other interest income	53,038	6.1	56,067	6.1	106
	Total I	523,680	60.1	520,956	56.8	99
	II Operating income					
4.	Service fees	250,951	28.8	289,368	31.5	115
5.	Income from FX operations	40,427	4.6	51,291	5.6	127
6.	Other operating income	55,700	6.4	56,088	6.1	101
	Total II	347,078	39.9	396,747	43.2	114
	Total income (I+II)	870,758	100	917,703	100	105

In the total income structure, interest income and similar income hold a share of 56.8%, while operating income participate with 43.2%. Compared to the same period the year before, there was a decrease of share of interest and similar income by 3.3 percentage points, while share of operating income increased by the same percentage point. Total interest and similar income reported a decrease in the reporting period by BAM 2.7 million or 0.5%. A dominant item among this income category was income from interest on loans and leasing facilities with a share in total income dropping by 3.2 percentage points. At the same time, the share of loans and leasing type receivables in total assets decreased by 0.2 percentage points (from 63.5% to 63.3%), while average weighted NIR related to loans went up from 3.14% to 3.28% (up by 0.14 percentage points).

Over the first nine months of 2021, interest income under interest-bearing deposit accounts with deposit institutions dropped by BAM 1.6 million or 72.4% compared to the same period last year. Over the same period, the share of interest-bearing deposit accounts with deposit institutions in total assets of the FB&H banking sector has dropped from 15.6% to 14.4% (i.e. by 1.2 percentage points).

As for other interest income, there was an increase of interest income positions related to placements to other banks by 14%, interest income from held-to-maturity securities by 11% and other interest income by 5%.

Looking into the sector structure of interest income, most of this refers to income from the retail segment (61.4%), although retail loans make up for 46.8% of the total loan portfolio of the FB&H banking sector due to higher average NIR of the Retail segment of 5.28% compared to the corporate segment's NIR of 2.48%. Out of total interest income, the part that refers to private companies is 29.2%, 4.9% refers to government institutions and 1.6% to public companies.

Total operating income recorded an increase of BAM 49.7 million or 14.3% in the reporting period. The largest item in the structure of total operating income is income from service fees which recorded an increase of BAM 38.4 million or 15.3%. Income from foreign exchange operations showed the biggest growth rate of 26.9%, i.e. they went up by BAM 10.9 million vs. the same period the year before.

FB&H Banking Sector's Total Expenses

According to the banks' reporting data as of 30/09/2021, total expenses across the FB&H banking sector are BAM 650.8 million, which decreased by BAM 68.4 million or 9.5% compared to the same period last year (Table No. 29).

- BAM 000 -

Table 29: Structure of total expenses of banks

No.	Structure of total expenses	30.09.2020		30.09.2021		Index (5/3)
		Amount	%	Amount	%	
1	2	3	4	5	6	7
I Interest expenses and similar expenses						
1.	Deposits	68,728	9.6	59,634	9.2	87
2.	Liabilities on loans and other borrowings	6,092	0.8	5,237	0.8	86
3.	Other interest expenses	23,587	3.3	25,479	3.9	108
Total I		98,407	13.7	90,350	13.9	92
II Non-interest expenses						
4.	Costs of impairments of assets at risk, provisions on contingent liabilities and other value adjustments	133,504	18.6	48,847	7.5	37
5.	Salary and contribution costs	192,141	26.7	195,486	30.0	102
6.	Business premises costs and depreciation	118,273	16.4	124,610	19.1	105
7.	Other operating and direct costs	100,312	13.9	116,758	17.9	116
8.	Other operating costs	76,533	10.6	74,715	11.5	98
Total II		620,763	86.3	560,416	86.1	90
Total expenses (I+II)		719,170	100	650,766	100	90

The total expenses structure is dominated by non-interest expenses with a share of 86.1%, while interest expenses and similar expenses account for 13.9%. Compared to the same

period last year, the share of interest expenses rose by 0.2 percentage points, while the share of non-interest expenses dropped by equivalent percentage points.

In the reporting period, interest and similar expenses decreased by BAM 8.1 million or 8.2%, which is mostly a result of a reduction on interest expenses on deposits by BAM 9.1 million or 13.2%, despite them being the FB&H banking sector's dominant funding source. The deposit potential at the end of the first nine months of 2021 stood at BAM 20.6 billion, up by BAM 1.4 billion compared to the same period last year when it was BAM 19.2 billion.

Interest-bearing deposits participate in total deposit potential as of 30/09/2021 with a share of 67.6%, thus their share has dropped since 30/09/2020 when they participated with 70.3%. This reduction of interest expenses on deposits came as a result of reduced share of interest-bearing deposits and lower average NIR on deposits going from 0.67% as of 30/09/2020 to 0.51% at the end of Q3 2021.

Over the observed period, interest expenses on loans and other borrowings dropped by BAM 855 ths or 14%, while the FB&H banking sector's level of indebtedness on loans and other borrowings went down by BAM 61.6 million or 7.7%.

Other interest expenses increased during the observed period by BAM 1.9 million or 8%. Therein, the biggest changes refer to a decrease of interest expenses on subordinated debts by BAM 330 ths or 6%, although subordinated debts as at 30/09/2021 were higher by BAM 10.1 million than as at 30/09/2020.

Across the FB&H banking sector, there was a decrease by BAM 60.3 million or 9.7% of total non-interest expenses in the reporting period, where the most significant structural changes relate to a decrease of costs of value adjustments, provisions for contingent liabilities and other value adjustments by BAM 84.7 million or 63.4% while there was an increase of costs of business premises and depreciation by BAM 6.3 million or 5.4% and an increase of other operating and direct expenses by BAM 16.4 million or 5.4% and costs of salaries by BAM 3.3 million or 1.7%. There were four banks that posted no value adjustments this year and only three banks had value adjustment costs shown as of September this year to be greater than in the same period last year. Out of total decrease of value adjustment costs over the observed period, BAM 47.3 million or 55.9% relates to two banks. This reduction resulted from a major collection of NPLs, as well as the fact that last year saw significant rise of value adjustments based on more conservative assumptions regarding the macroeconomic model and implementation of a holistic approach under the IFRS 9 (post model adjustment – PMA) for several customers where additional risk was identified because of the pandemic. Conversely, in 2021, macroeconomic forecasts are more favourable, hence certain customers showed an internal rating improvement, i.e. PMA deactivation. This in turn resulted in the decrease of value adjustments.

FB&H Banking Sector's Operational Profitability, Productivity and Efficiency Ratios

The following Table No. 30 provides an overview of the most important ratios that are used as measures for assessing the FB&H banks' operational profitability, productivity, and efficiency:

- BAM 000 or % -

Table 30: Profitability, productivity, and efficiency ratios

No. 1	Description 2	30.09.2019 3	30.09.2020 4	30.09.2021 5
1.	Net profit	250.924	151.192	263.976
2.	Average net assets	22.947.679	23.725.550	24.834.480
3.	Average total capital	3.092.301	2.975.110	3.189.637
4.	Total income	802.962	772.351	827.353
5.	Net interest income	453.366	425.273	430.606
6.	Operating income	349.596	347.078	396.747
7.	Operating expenses	388.236	386.947	394.811
8.	Operating and direct expenses	162.084	233.816	165.605
9.	Other operating and direct expenses	103.937	100.312	116.758
10.	Return on average assets (ROAA)	1,1	0,6	1,1
11.	Return on average equity (ROAE)	8,1	5,1	8,3
12.	Total income/average assets	3,5	3,3	3,3
13.	Net interest income/average assets (NIM)*	2,0	1,8	1,7
14.	Net interest margin (interest income /average interest-bearing assets – interest expenses/average interest-based liabilities)	2,0	1,9	1,9
15.	Operating expenses/total income minus other operating and direct expenses (CIR)**	55,5	57,6	55,6

* NIM - Net Income Margin

** CIR - Cost-income Ratio

Looking into the net interest income, there is an increase vs. the same period in 2020 by BAM 5.3 million or 1.3%, although its share in total income has dropped. Over the first nine months of 2021, this item constituted 52% of total income, while in the same period in 2020 its share was 55.1%.

Return on average assets and average total capital posted an upward trend compared to the same period last year, while other profitability indicators remained the same except for CIR that saw an improvement.

1.2.6. Weighted NIR and EIR

In order to increase transparency and facilitate the comparability of the banks' terms for approving loans and receiving deposits, as well as to protect clients through introduction of transparent disclosure of the loan costs, i.e. the deposit income, in accordance with the international standards, criteria, and practices in other countries, the FBA prescribed a uniform method of calculating and disclosing EIR for all banks seated in the FB&H, as well as the organizational parts of the banks seated in the RS, which operate in the FB&H, as well as mandatory monthly reporting to the FBA on weighted NIR and EIR on approved loans and received deposits in the reporting month, in accordance with the prescribed methodology²⁰.

For purposes of loan beneficiaries and when analysing the interest rate trend, it is relevant to monitor the weighted EIR trend since it includes all costs paid by the client, which are directly related to the loan, i.e. the terms of use of the loan, and are factored in the pricing of the loan (for example, loan processing costs, insurance premium costs for natural persons if insurance

²⁰ Decision on Uniform Method of Calculating and Disclosing Effective Interest Rates on Loans and Deposits ("Official Gazette of the Federation of B&H", No. 81/17), and Instructions for Calculating Weighted Nominal and Effective Interest Rates

is a loan approval requirement, then other costs related to ancillary services paid by the client, which are a requirement for using the loan).

Annex 6 provides weighted average NIR and EIR on loans and deposits by periods.

When it comes to long term loans, weighted average EIR at the FB&H banking sector level is 5.33%, down by 0.13 percentage points compared to the same period last year (when it stood at 5.46%), whereas short term loans saw a reduction of average weighted EIR by 0.05 percentage points (from 2.51% to 2.46%)

Viewed in the aforementioned period according to the sector structure, EIR on total corporate loans decreased by 0.01 percentage point¹ (from 2.73% to 2.72), while on retail loans it decreased by 0.41 percentage points (from 7.05% to 6.64%).

Viewed according to the deposit maturity, the weighted average EIR on short-term deposits recorded a decrease by 0.14 percentage points (from 0.34% to 0.20%), while it decreased by 0.18 percentage points (from 1.00% to 0.82%) on long-term deposits.

1.2.7. Liquidity

In addition to credit risk management, liquidity risk management is one of the most important and complex segments of banking operations. Maintaining liquidity in market economy is a permanent requirement for a bank and a main prerequisite for its sustainability in the financial market, as well as one of key prerequisites for building and maintaining trust in the banking sector in any country, its stability and security.

Table No. 31 provides the trend of LCR performance in the FB&H banking sector, as well as short term buffers of banks related to the liquidity risk (at the FB&H banking sector level):

- BAM 000 -

No.	Description	31.12.2019	31.12.2020	30.09.2021	Index	
					(4/3)	(5/4)
1	2	3	4	5	6	7
1.	Liquidity buffer	4,727,454	5,849,379	6,824,932	124	117
2.	Net liquidity outflows	1,628,421	2,186,642	2,734,932	134	125
	LCR	290%	268%	250%	92	93

As of 30/09/2021, LCR across the FB&H banking sector was 250%. All banks in the FB&H banking sector meet the requirements in respect of LCR.

The liquidity buffer structure by market value (after corrective factor) is shown in Table No. 32:

- BAM 000 -

No.	Description	31.12.2019	31.12.2020	30.09.2021	Index	
					(4/3)	(5/4)
1	2	3	4	5	6	7
1.	Level 1 liquid assets	4,714,414	5,844,033	6,819,584	124	117
1.1.	Cash	1,004,447	1,267,715	1,549,703	126	122

1.2.	Withdrawable central bank reserves	2,322,240	2,467,371	2,377,477	106	96
1.3.	Central government assets	645,804	1,112,172	1,748,618	172	157
	Assets of regional governments and local authorities		981,701	1,120,239	134	114
1.4.	Assets of multilateral development bank and international organisations	733,801		23,547	186	156
1.5.		8,122	15,074			
2.	Level 2 liquid assets	13,040	5,346	5,348	41	100
2.1.	Level 2a liquid assets	3,027	0	0	0	-
2.2.	Level 2b liquid assets	10,013	5,346	5,348	53	100
	Total (1+2)	4,727,454	5,849,379	6,824,932	124	117

Liquidity buffer amounts to BAM 6.8 billion and posted a rise by BAM 975.6 million or 16.7% compared to the end of the previous year. It consists of 99.9% of level 1 liquid assets - the same as the year before. The largest share in the level 1 liquid assets refers to excess legal reserves banks hold with CBBH (34.9%), followed by central government assets (25.6%) and cash (22.7%).

Calculation of net liquidity outflows can be seen from the Table No. 33 below:

- BAM 000 -

Table 33: Net liquidity outflows

No.	Description	31.12.2019	31.12.2020	30.09.2021	Index	
					(4/3)	(5/4)
1	2	3	4	5	6	7
1.	Total outflows	3,890,270	4,875,334	5,467,927	125	112
2.	Total inflows	2,723,567	2,716,263	2,854,275	100	105
3.	Inflows subject to cap of 75% of outflows	2,261,849	2,688,692	2,732,995	119	102
4.	Net liquidity outflows (1-3)	1,628,421	2,186,642	2,734,932	134	125

When it comes to the net liquidity outflows calculation as of 30/09/2021, all banks, except one, had their outflows reduced to the total inflows amount, while one bank has capped its liquidity inflows to 75% of total liquidity outflows.

Outflows amounted to BAM 22.8 billion as of 30/09/2021 (prior to application of the outflow rate) and consisted mostly of outflows from retail deposits (BAM 9.6 billion or 42.2% of total outflows, of which BAM 5.4 billion refers to stable deposits or 56.1% of outflows of retail deposits), followed by deposits of other customers (BAM 7.2 billion or 31.8% of total outflows) and other products and services (BAM 2.6 billion or 11.5% of total outflows).

Total inflows amounted to BAM 2.9 billion, as largely relating to cash receivables from financial customers (BAM 1.4 billion or 49.4% of total inflows), thus being subject to the inflow rate of 100%, followed by inflows from financial derivatives (BAM 961.1 million or 33.7% of total inflow) – also being subject to the inflow rate of 100%, and receivables from non-financial customers of BAM 302.8 million or 10.6% of total inflows (being subject to the inflow rate of 50%).

The maturity structure of deposits by residual maturity is shown in the following Table No. 34:

- BAM 000 -

Table 34: Maturity structure of deposits by residual maturity

No.	Deposits	31.12.2019		31.12.2020		30.09.2021		Index	
		Amount	%	Amount	%	Amount	%	(5/3)	(7/5)

			share		share		share		
1	2	3	4	5	6	7	8	9	10
1.	Savings and sight deposits (up to 7 days)	11,196,133	57.7	12,948,828	65.9	14,107,937	68.5	116	109
2.	7-90 days	855,191	4.4	989,184	5.0	692,417	3.4	116	70
3.	91 days to one year	3,175,998	16.4	2,153,403	10.9	2,407,408	11.7	68	112
I Total short term		15,227,322	78.5	16,091,415	81.8	17,207,762	83.6	106	107
4.	Up to 5 years	3,983,643	20.5	3,388,072	17.3	3,250,210	15.8	85	96
5.	Over 5 years	203,329	1.0	181,375	0.9	132,725	0.6	89	73
II Total long-term		4,186,972	21.5	3,569,447	18.2	3,382,935	16.4	85	95
Total (I + II)		19,414,294	100	19,660,862	100	20,590,697	100	101	105

As of 30/09/2021, short-term deposits had an 83.6% share, while long-term ones had a 16.4% share, with the share of the short-term deposits increasing, i.e. the share of the long-term ones decreasing by 1.8 percentage points compared to the end of 2020.

In the reporting period, an increase of BAM 1.1 billion or 6.9% was recorded in relation to short-term deposits and a decrease of BAM 186.5 million or 5.2% in relation to long-term deposits. A decrease in long-term deposits was also realized in relation to deposits of up to 5 years (by BAM 137.9 million or 4.1%), as well as with deposits of over 5 years (by BAM 48.7 million or 26.8%). Looking into the structure of long term deposits by residual maturity, evidently they are dominated by deposits with residual maturity of up to 5 years (96.1%).

An overview of the core liquidity ratios is shown in the following Table No. 35:

- % -

Table 35: Liquidity ratios

No.	Ratios	31.12.2019	31.12.2020	30.09.2021
1	2	3	4	5
1.	Liquid assets ²¹ /net assets	31.9	31.3	29.6
2.	Liquid assets/ short-term financial liabilities	49.2	45.9	42.2
3.	Short-term financial liabilities/ total financial liabilities	75.4	78.9	81.4
4.	Loans/deposits and loans taken	75.1	74.5	75.6
5.	Loans/ deposits, loans taken and subordinated debts ²²	74.4	73.8	74.9

Compared to the end of 2020, the ratio of liquid assets and net assets, i.e. liquid assets and short term financial liabilities, has decreased, while the share of short term financial liabilities in total financial liabilities has increased. Also, the ratio of loans/deposits and loans taken has risen and has become borderline acceptable.

For purpose of planning the required level of liquid resources, banks need to plan for sources and structure of an adequate liquidity potential and, therein, also plan their credit policy. Maturity of placements, i.e. loan portfolio, is in fact determined by maturity of funding sources. An important aspect of liquidity monitoring and analysis is maturity matching of

²¹ Liquid assets in narrow sense: cash and deposits and other financial assets with residual maturity period of less than three months, excluding interbank deposits.

²² The previous ratio was expanded, the funding also includes subordinated debts, which is a more realistic indicator.

remaining maturities of financial assets and financial liabilities according to the time scale which, according to the prescribed minimum limits, has been set to a time horizon of 180 days. Since the maturity transformation of assets with banks is inherently related to functional features of the very banking operations, banks continue to control maturity mismatches between funding sources and placements, thus maintaining it within the prescribed limits.

Table No. 36 provides an overview of maturity matching of financial assets and liabilities of up to 180 days:

-BAM 000-

Table 36: Maturity matching of financial assets and financial liabilities of up to 180 days						
No.	Description	31.12.2019*	31.12.2020.	30.09.2021.	Index	
1	2	Amount	Amount	Amount	(4/3)	(5/4)
1	2	3	4	5	6	7
I 1-30 days						
1.	Amount of financial assets	10,586,283	10,981,471	11,790,586	104	107
2.	Amount of financial liabilities	11,624,766	13,510,009	14,575,110	116	108
3.	Balance (+ or -) = 1-2	-1,038,483	-2,528,538	-2,784,524	-	-
Calculation of compliance with regulatory requirements in %						
a)	Actual %= no. 1 / no. 2	91.1%	81.3%	80.9%		
b)	Regulatory minimum %	85.0%	65.0%	65.0%		
More (+) or less (-) = a – b		6.1%	16.3%	15.9%		
II 1-90 days						
1.	Amount of financial assets	11,648,306	12,065,528	12,945,367	104	107
2.	Amount of financial liabilities	12,367,913	14,303,357	15,159,857	116	106
3.	Balance (+ or -) = 1-2	-719,607	-2,237,829	-2,214,490	-	-
Calculation of compliance with regulatory requirements in %						
a)	Actual %= no. 1 / no. 2	94.2%	84.4%	85.4%		
b)	Regulatory minimum %	80.0%	60.0%	60.0%		
More (+) or less (-) = a – b		14.2%	24.4%	25.4%		
III 1-180 days						
1.	Amount of financial assets	12,992,018	13,257,364	14,118,678	102	106
2.	Amount of financial liabilities	13,550,664	15,167,836	16,238,389	112	107
3.	Balance (+ or -) = 1-2	-558,646	-1,910,472	-2,119,711	-	-
Calculation of compliance with regulatory requirements in %						
a)	Actual %= no. 1 / no. 2	95.9%	87-4%	86-9%		
b)	Regulatory minimum %	75.0%	55-0%	55-0%		
More (+) or less (-) = a – b		20.9%	32-4%	31-9%		

* Information was corrected due to changed accounting policy of measurement of one part of securities with one bank.

As of 30/09/2021, financial assets in all three time buckets were lower than financial liabilities, and the actual percentages of maturity matching were above the prescribed minimum: in the first time bucket by 15.9%, in the second one by 25.4% and in the third time bucket by 31.9%.

By observing the key liquidity ratios, qualitative and quantitative requirements, as well as other factors affecting banks' liquidity position, it could be inferred that the FB&H banking sector's liquidity at the end of the first nine months of 2021 is satisfactory despite negative effects to the economy caused by the pandemic.

1.2.8. Foreign Exchange (FX) Risk

In their operations, banks are exposed to risks arising from potential losses related to on- and off-balance sheet items resulting from changes in market prices. One of those risks is also FX risk, arising as a result of changes in exchange rates and/or mismatches in the levels of assets, liabilities, and off-balance sheet items in the same currency - individual foreign exchange

position or all currencies combined with which the bank operates – the bank's total foreign exchange position. The Decision on Foreign Exchange Risk Management in Banks provides for how the foreign exchange position is calculated and maximum permitted FX risk exposure, i.e. the limits for open individual and total foreign exchange positions (long or short), calculated by reference to the bank's eligible capital. For purpose of mitigating consequences of the pandemic, FBA has amended this Decision by increasing the limit for individual FX position for EUR and for total FX position of the bank.

According to the balance as at 30/09/2021, the items in foreign currencies amounted to BAM 4.4 billion, with a 17.1% share (BAM 3.9 billion or 16% at the end of 2020) in the currency structure of the banks' assets across the banking sector. The currency structure of liabilities is significantly different, because the share of liabilities in foreign currency is significantly higher and amounts to BAM 7.9 billion or 31% (BAM 8.0 billion, with 32.9% share at the end of 2020).

Table No. 37 provides the structure of financial assets and financial liabilities and foreign exchange position for EUR, as the most important currency, and total foreign exchange position across the banking sector:

- BAM million -

No.	Description	31.12.2020				30.09.2021				Index	
		EUR		Total		EUR		Total		EUR	Total
		Amount	% share	Amount	% share	Amount	% share	Amount	% share	(7/3)	(9/5)
1	2	3	4	5	6	7	8	9	10	11	12
I Financial assets											
1.	Cash	1,405	14.5	1,950	18.8	1,256	12.7	1,811	17.0	89	93
2.	Loans	826	8.5	826	7.9	1,289	13.0	1,305	12.3	156	158
3.	Loans with currency clause	6,321	65.4	6,323	60.8	6,077	61.4	6,078	57.1	96	96
4.	Other	929	9.6	1,117	10.7	1,086	11.0	1,254	11.8	117	112
5.	Other financial assets with currency clause	190	2.0	190	1.8	197	2.0	197	1.9	104	104
Total I (1+2+3+4+5)		9,671	100	10,406	100	9,905	100	10,645	100	102	102
II Financial liabilities											
6.	Deposits	6,221	72.5	6,965	74.6	6,120	72.1	6,871	74.2	98	99
7.	Loans	809	9.4	809	8.7	740	8.7	740	8.0	91	91
8.	Deposits and loans with currency clause	1,319	15.4	1,319	14.1	1,357	1.0	1,357	14.7	103	103
9.	Other	230	2.7	244	2.6	269	3.2	286	3.1	117	117
Total II (6+7+8+9)		8,579	100	9,337	100	8,486	100	9,254	100	99	99
III Off-balance sheet position net (+) or (-)											
10.	Assets	26		61		6		56			
11.	Liabilities	1,025		1,034		1,217		1,236			
IV Position											
Long (amount)		93		96		208		211			
%		3.4%		3.6%		7.4%		7.6%			
Short (amount)											
%											
Permitted		40.0%		40.0%		40.0%		40.0%			
Less than permitted		36.6%		36.4%		32.6%		32.4%			

Viewed by banks and as the total across the FB&H banking sector, it could be noted that the banks and sector's FX risk exposures as of 30/09/2021 ranged within the regulatory limits.

As of 30/09/2021, 13 banks had long foreign exchange position, while 2 banks had short position. A long foreign exchange position of 7.6% of the banks' total eligible capital was reported across the sector, which was lower by 32.4 percentage points than the permitted one. The individual foreign exchange position for EUR was 7.4%, which was lower by 32.6 percentage points than the permitted one, where the financial asset items were higher than the financial liabilities (long position).

If the structure of foreign currencies in the financial assets is analysed²³ the EUR's 83.1% share is dominant (81.1% as at December 31st, 2020), with an increase in the nominal amount by BAM 471.3 million or 14.9% vs. YE2020. The EUR's share in financial liabilities is 90.3% (31/12/2020: 90.6%) and, compared to the end of 2020, it decreased by BAM 130.9 million or 1.8%. The calculation basis for EUR's share in financial assets and financial liabilities does not include the items with a currency clause.

1.2.9. Interest Rate Risk in the Banking Book

Interest rate risk in the banking book is a risk of possible occurrence of adverse effects to the financial result and capital of banks related to the banking book positions due to interest rate changes. Interest rate changes causing this risk type usually appear as a result of maturity mismatches, interest rate changes related to assets and liabilities positions or off-balance sheet short or long position.

In its Decision on Interest Rate Risk Management in the Banking Book, FBA prescribed minimum standards for establishing a system of interest rate risk management in the banking book, method of calculating changes in economic value resulting from the banking book positions, as well as quarterly reporting to the FBA. Banks are required to establish a comprehensive and efficient system of interest rate risk management in the banking book that is proportionate to the type, volume and complexity of the bank's operations and its risk profile. For purposes of FBA reporting, on interest rate risk exposures in the banking book, banks shall use a unique calculation when estimating changes to the economic value of the banking book, applying therein a standard interest rate shock of 200 basis points related to banking book positions across all major currencies respectively, as well as for other currencies aggregately, thus encompassing all banking book positions sensitive to interest rate changes.

Table No. 38 shows the currency structure of changes to the economic value of the banking book and ratio between changes to the economic value of the banking book and own funds at the FB&H banking sector level:

- BAM 000 -

Table 38: Total weighted position of the banking book

No.	Description	31.12.2019	31.12.2020	30.09.2021	Index	
					(4/3)	(5/4)
1	2	3	4	5	6	7

²³ Source: Report on Bank's Foreign Exchange Position: Part of Financial Assets (in Foreign Currencies Denominated in BAM). Balance sheet assets items and off-balance sheet items are reported in net terms, i.e. minus expected credit losses.

1.	Net weighted position - KM	50,538	62,655	83,240	124	133
2.	Net weighted position - EUR	44,861	29,563	28,944	66	98
3.	Net weighted position - USD	0	168	298	-	177
4.	Net weighted position – other	-4,193	-5,710	-4,223	136	74
5.	Change of economic value (1+2+3+4)	91,206	86,676	108,259	95	125
6.	Own funds	2,696,142	2,698,561	2,798,098	100	104
7.	Change of economic value/own funds	3.4%	3.2%	3.9%	95	120

The ratio of changes to the economic value of the banking book positions and owns funds as of 30/09/2021 stands at 3.9%. This is within the regulatory limits and is higher by 0.7 percentage points compared to the end of the previous year.

1.3. BANKING SECTOR RECOMMENDATIONS

The FBA will, in accordance with its prescribed supervisory authorities for the FB&H banks' operations, continue to undertake measures and activities to maintain and strengthen the banking sector's stability and to protect depositors, as well as to improve the FB&H banks' safe, quality and lawful operations. The said measures and activities will especially focus on continuation of ongoing supervision of the banks, with an emphasis on:

- implementing SREP for all banks in line with adopted Methodology and determining additional capital requirements as a result of SREP;
- examinations of dominant risky business areas, examinations of the systemically important banks in terms of the development of credit activities and banks in which large amounts of savings and other deposits are concentrated, and examinations of practices applied in banks in the segment of protection of financial users and guarantors, etc.;
- monitoring effects of FBA's special measures to ensure recovery from adverse consequences caused by the pandemic and banks' actions regarding these measures;
- implementation of capital plans of banks;
- monitoring implementation of strategies related to handling non-performing exposures and annual business plans of banks having NPL share in total loans above 5%;
- monitoring implementation of the Decision on Credit Risk Management and Determination of Expected Credit Losses;
- performing stress testing in banks for purpose of monitoring operations of every bank, assessing its risks and performing timely and appropriate measures;
- continued cooperation with competent supervisory authorities for the supervision of banking groups from the EU and third countries whose members are seated in the FB&H, with a view to supervising more efficiently and improving supervisory practices and cooperating and sharing information with the ECB and EBA on the issues of supervision and banking regulations, as well as with the international financial institutions;
- improving cooperation by signing new cooperation agreements with relevant institutions in B&H, which are included in the institutional framework for the performance of supervision, crisis and systemic risk management, financial users' protection; and
- continuing cooperation with the BAB&H, with a view to improving banks' operations, compliance of their operations with regulations, international standards, and professional rules, and market requirements, etc.

Starting from the prescribed competencies, FBA will continue to undertake measures and activities with a view to implementing the latest FSAP mission's recommendations, banking supervision strengthening projects under the technical assistance provided by the international financial institutions WB and IMF, and under the USAID FINRA Project, etc.

Due to a special role and responsibilities that banks have in the financial system and the overall economic system, achieved level of development of the FB&H banking sector, and the fact that retail deposits are a dominant funding source for banks, as well as considering negative consequences caused by the pandemic, the banks are expected to focus their activities in the coming period on:

- prudential and responsible management of risks in line with effective accounting and regulatory framework, local and international standards of sound practice;
- consistent implementation of special measures that the FBA adopted for purpose of ensuring recovery from negative consequences of the pandemic in a way to:
 - support economic recovery and stimulate credit growth through continuous financing of customers and sustainable loan arrangements;
 - ensure joint action in order to find appropriate modalities for customers impacted by the pandemic;
 - improve operational readiness and capacities to respond to the crisis;
 - in particular, monitor quality of the portfolio under special measures and estimate future repayment capacities of customers, thus ensure timely allocation of provisions for expected credit losses in order to avoid potential negative effect of a sudden increase of these provisions over the future period.
- further strengthening of the internal controls system in all business segments based on the Decision on Internal Governance System in Banks ²⁴;
- alignment of operations with new regulatory requirements regarding bank operations and supervision, thus including also requirements related to bank recovery and resolution planning;
- updating business continuity plans in order to adequately prepare for operations under emergency situations;
- updating recovery plans, thus paying special attention to the following key segments: escalation process, recovery indicators and options;
- improving ICAAP and ILAAP in accordance with the new regulatory requirements;
- activities related to reporting on the net stable funding ratio (NSFR) as of 31.12.2021 and fulfillment of NSFR-related requirements as of 31.12.2022;
- consistent implementation of regulations in the segments of payment operations, AML/CTF, protection of financial users and guarantors, security and safety of money in banks and in transport;
- further monitoring of increased risks related to information system security and implementation of new technologies, especially in the retail business segment, etc.

²⁴ FB&H Official Gazette No. 39/21

SECTOR OF NON-DEPOSIT FINANCIAL INSTITUTIONS

MICROCREDIT SECTOR
53

LEASING SECTOR
64

FACTORING BUSINESS
73

This section of the Information provides an overview of the structure and financial indicators of operations of the non-deposit financial institutions (NFIs) in the FB&H (MCOs, leasing companies and factoring business) as of 30/09/2021 for which founding, operations, management, supervision and termination of their activities are regulated under special laws and regulations.

As of 30/09/2021, active number of NFI debtors captured by some of special measures prescribed by the Decision on Temporary Measures of Leasing Companies and Microcredit Organisations to Ensure Recovery from Negative Economic Consequences Caused by Covid-19 was 5,025 and they held an amount of BAM 44.1 million or 5.4% share in the total loan portfolio. In the retail segment, exposures subjected to some of the special measures amounted to BAM 31.3 million and had a share of 5.6% in the total retail portfolio, while the corporate segment shows BAM 12.8 million of exposures encompassed by the special measures and share of 4.7% in the total corporate loan portfolio.

2.1. MICROCREDIT SECTOR

2.1.1. MICROCREDIT SECTOR STRUCTURE IN THE FB&H

2.1.1.1. Status, Number and Business Network

In the FB&H as of 30/09/2021, FBA's operating licenses were held by 13 MCOs that comprise the microcredit sector in the FB&H, of which 10 are MCFs (non-profit organizations) and 3 are MCCs (profit organizations). Compared to December 31, 2020, the number of MCOs got reduced since one MCF had its operating license revoked in the second quarter of 2021.

The microcredit sector in the FB&H, as of 30/09/2021, operates through the total of 358 organizational parts of MCOs seated in the FB&H, while 4 MCCs with headquarters in the RS operate in the FB&H through 56 organizational units.

Annex 7 provides basic information on MCFs and MCCs which, as of 30/09/2021 held the FBA's license for performing the micro lending activity.

2.1.1.2. Ownership Structure

MCO is a legal person that, in accordance with regulations, can be established and be doing business as MCF or MCC. MCFs in the FB&H were founded by non-governmental, mostly humanitarian organizations, citizens' associations and natural persons being registered founders of MCFs, but having no ownership right over capital. Out of three MCCs, one MCC is in 100% ownership of a MCF, one MCC is in full ownership of one non-resident legal entity and one MCC is in 100% ownership of one resident legal entity.

2.1.1.3. Staff Structure

The microcredit sector in the FB&H, as of 30/09/2021, had a total of 1,375 employees, which is lower by 19 employees or 1.4%, compared to December 31, 2020 (Table No. 39). More precisely, in 4 MCFs and 2 MCCs there is an evident increase in the number of employees, while in 4 MCFs and 1 MCC there is a decrease in the number of employees, while in 2 MCFs the number of employees remained unchanged. Out of the total number of employees in the

microcredit sector in the FB&H, MCFs employ 1,124 persons or 81.7%, while MCCs employ 251 persons or 18.3%.

Table 39: Qualification structure of employees in MCOs in the FB&H

No.	Qualification	31.12.2020		30.09.2021		Index (5/3)
		No. of employees	% share	No. of employees	% share	
1	2	3	4	5	6	7
1.	University qualifications	743	53.3	734	53.4	99
2.	Two-year post-secondary school qualifications	104	7.5	111	8.1	107
3.	Secondary school qualifications	536	38.4	520	37.8	97
4.	Other	11	0.8	10	0.7	91
	Total	1,394	100	1,375	100	99

An analysis of data on staff efficiency in the FB&H microcredit sector as of 30/09/2021 shows that assets per MCO employee amounted BAM 503.3 ths, which is up by 6.6% vs. 31/12/2020.

2.1.2. FINANCIAL INDICATORS OF PERFORMANCE

2.1.2.1. Balance Sheet

Total assets of the FB&H microcredit sector as of 30/06/2021 amounted to BAM 692.1 million and are higher by BAM 34 million or 5.2% compared to December 31, 2020. The biggest share in the total balance sheet of MCOs is with five MCFs and one MCC with assets amounting to BAM 625.8 million or 92% of total assets of the microcredit sector.

Annexes 8 and 9 provide a summary overview of balance sheets of MCFs and MCCs, while Annex 10 shows basic financial indicators of MCOs based on reporting data as of 30/09/2021.

The aggregate balance sheet of the FB&H microcredit sector as of 30/09/2021 and comparative data with December 31, 2020 are shown in the following Table No. 40:

- BAM 000 -

Table 40: Microcredit sector's balance sheet

No	Description	31.12.2020				30.09.2021				Index (9/5)
		Balance for MCFs	Balance for MCCs	Total	%	Balance for MCFs	Balance for MCCs	Total	%	
1	2	3	4	5=3+4	6	7	8	9=7+8	10	11
	ASSETS									
1.	Cash	42,575	12,356	54,931	8.4	38,644	12,784	51,428	7.5	94
2.	Placements to banks	110	0	110	0.0	1,610	0	1,610	0.2	1464
3.	Microloans	389,972	150,918	540,890	82.2	397,574	160,536	558,110	80.6	103
4.	Loan loss provisions	4,108	2,936	7,044	1.1	3,676	2,636	6,312	0.9	90
5.	Net microloans	385,864	147,982	533,846	81.1	393,898	157,900	551,798	79.7	103
6.	Premises and other fixed assets	26,764	4,540	31,304	4.8	26,345	4,164	30,509	4.4	97
7.	Long-term investments	33,061	0	33,061	5.0	33,061	0	33,061	4.8	100
8.	Other assets	3,565	1,248	4,813	0.7	15,709	7,983	23,692	3.4	492
9.	Reserves on other items in assets, apart from loans	10	0	10	0.0	10	0	10	0.0	100
	Total assets	491,929	166,126	658,055	100	509,257	182,831	692,088	100	105
	LIABILITIES									
10.	Liabilities on loans	207,503	107,920	315,423	47.9	200,219	113,567	313,786	45.3	99
11.	Other liabilities	23,130	7,928	31,058	4.7	29,401	19,675	49,076	7.1	158
12.	Capital	261,296	50,278	311,574	47.4	279,637	49,589	329,226	47.6	106
	Total liabilities	491,929	166,126	658,055	100	509,257	182,831	692,088	100	105
13.	Off-bal. sheet records	190,541	35,801	226,342		181,472	26,673	208,145		92

In the structure of assets of the FB&H microcredit sector as of 30/09/2021, the level of cash funds has dropped and the same is with net tangible and intangible assets. The following balance sheet items rose against the end of the previous year: placements with banks, gross and net micro loans and other assets, while long term investments and reserves for other assets items (except loans) remained the same. Compared to the end of the previous year, placements with banks saw a major increase of BAM 1.5 million in term deposits of one MCF that holds a share of 93.2% within this balance sheet item.

The rate of fixed assets compared to total assets (reduced by donated capital across the FB&H microcredit sector) as of 30/09/2021 amounts to 4.74%, which is within the prescribed limit.

The net microloan portfolio, as a dominant assets item in the microcredit sector amounts to BAM 551.8 million with a share of 79.7% in total assets, hence it recorded an increase in absolute amount of BAM 17.9 million, i.e. 3.4%, of which net micro loans with MCFs rose by BAM 8 million or 2.1%, while net microloans with MCCs rose by BAM 9.9 million, i.e. 6.7% compared to 31/12/2020. The level of LLPs for the entire microcredit portfolio in the reporting period is lower by BAM 0.7 million, i.e. 10.4%. LLP for MCFs went down by BAM 0.4 million with a reduction rate of 10.5% and with MCCs this amount is lower by BAM 0.3 million or 10.2%.

The total off-balance sheet records as of 30/09/2021 stood at BAM 208.1 million, thus being lower by BAM 18.2 million or 8% vs. 31/12/2020, whereas with MCFs it went down by BAM 9.1 million or 4.8% and with MCCs by BAM 9.1 million or 25.5%. Out of the said total amount within the off-balance sheet records, written off loans make up for BAM 148.9 million or 71.5% of off-balance sheet items (including write-offs under the principal and regular interest, default interest court expenses), i.e. they are lower by BAM 0.6 million or 0.4% compared to the end of the previous year. The total number of written off microloans as of 30/09/2021 was 37,681, up by a total of 897 microloans (2.4%) vs. 31/12/2020. This came as a net effect of new write offs, permanent write offs and fully collected microloans.

Chart No. 11 shows key assets and liabilities items in the balance sheet by years.

Chart11: Assets, microloans and capital by years



2.1.2.2. Capital and Liabilities

The biggest items in liabilities in the FB&H microcredit sector as of 30/09/2021 relate to: capital, amounting to BAM 329.2 million and representing 47.6% of total liabilities and liabilities on loans taken, which amount to BAM 313.8 million, i.e. 45.3% of total liabilities. The remaining amount of BAM 49.1 million, i.e. 7.1% relates to other liabilities.

Over the observed period, total increase of capital at the FB&H microcredit sector level was BAM 17.6 million or 5.7%, of which MCF capital rose by BAM 18.3 million or 7% and capital of MCCs by BAM 0.7 million or 1.4% during the reporting period.

The FB&H microcredit sector's structure of capital is shown in the Table No. 41:

- BAM 000 -

Table 41: Structure of the microcredit sector's capital

No.	Description	31.12.2020				30.09.2021				Index (9/5)
		MCF balance	MCC balance	Total	%	MCF balance	MCC balance	Total	%	
1	2	3	4	5=3+4	6	7	8	9=7+8	10	11
1.	Donated capital	48,076	0	48,076	15.4	48,076	0	48,076	14.6	100
2.	Tier 1 capital	3,868	33,100	36,968	11.9	3,696	33,100	36,796	11.2	100
3.	Surplus & deficit of revenue over expense	209,248	0	209,248	67.2	226.765	0	226,765	68.9	108
4.	Emission premium	0	0	0	0.0	0	0	0	0.0	0
5.	Unallocated profits	0	9,168	9,168	2.9	0	8,134	8,134	2.4	89
6.	Regulatory	0	3,568	3,568	1.1	0	4,214	4,214	1.3	118

reserves										
7.	Other reserves	104	4,442	4,546	1.5	1,100	4,141	5,241	1.6	115
Total capital		261,296	50,278	311,574	100	279,637	49,589	329,226	100	106

Total capital of MCFs amounted to BAM 279.6 million, i.e. 84.9%, and the biggest items are the surplus of revenues over expenses, amounting to BAM 226.7 million and representing even 81.1% of total capital of MCFs, and donated capital, amounting to BAM 48.1 million, i.e. 17.2%. Out of the total amount of donated capital, donations for credit fund were reported by nine MCFs, where 64.5% relates to three MCFs, of which one MCF is responsible for 39.1% of the total donations for the credit fund. Five largest individual donors in MCFs in the FB&H participate with 69.1% (BAM 33.2 million), where the largest donor participates with BAM 10.1 million or 21% of the total donated capital in one MCF. Remaining items in the MCF capital relate to Tier 1 capital of MCFs of BAM 3.7 million or 1.3% and other reserves of BAM 1.1 million or 0.4%.

Total capital of MCCs amounts to BAM 49.6 million, thus comprising 15.1% of the total capital of the microcredit sector. Its structure includes these key items: Tier 1 capital of BAM 33.1 million, i.e. 66.7%, and unallocated profit of BAM 8.1 million, i.e. 16.4%. The remaining BAM 8.4 million, i.e. 16.9% of MCC capital relates to statutory and other reserves.

Looking into the capital rate reduced by donated capital vs. assets, as of 30/09/2021, it amounted 40.62% at the microcredit sector level. Thus, we find that it is in line with the prescribed limit.

Maturity structure of liabilities for loans taken is presented in the following Table No. 42:

- BAM 000 -

Table 42: Maturity structure of loans taken

No.	Description	31.12.2020				30.09.2021				Index (9/5)
		MCF	MCC	Total	%	MCF	MCC	Total	%	
1	2	3	4	5=3+4	6	7	8	9=7+8	10	11
1.	Liabilities on short-term loans taken	20,476	360	20,836	6.6	13,125	500	13,625	4.3	65
2.	Liabilities on long-term loans taken	186,128	106,468	292,596	92.8	186,015	111,915	297,930	95.0	102
3.	Liabilities based on interest due	899	1,092	1,991	0.6	1,079	1,152	2,231	0.7	112
Total		207,503	107,920	315,423	100	200,219	113,567	313,786	100	99

As of 30/09/2021, liabilities based on loans taken dropped by BAM 1.6 million or 0.5% compared to 31/12/2020. In the structure of total liabilities on loans taken as of 30/09/2021, loan obligations of MCFs represent 63.8%, while loan obligations of MCCs represent 36.2%. With respect to the maturity structure of loan obligations compared to December 31, 2020, there is a decreased share of short term liabilities by 34.6%, while long term liabilities rose by 1.8% as of 30/09/2021. Liabilities related to interest due have risen by 12.1%. The largest two creditors of the FB&H microcredit sector, according to their share in total loan obligations of MCCs as of 30/09/2021, are EFSE with 15.3% and Blue Orchard - Switzerland with 5.1%.

Other liabilities at the FB&H microcredit sector as of 30/09/2021 amount to BAM 49.1 million and represent 7.1% of total liabilities. Compared to 31/12/2020, they rose by an amount of BAM 18 million or 58%.

2.1.2.3. Assets and Asset Quality

The microloan portfolio reported in gross amount in the balance sheet total of the FB&H microcredit sector as of 30/09/2021 amounted to BAM 558.1 million, thus representing 80.6% of total assets of the microcredit sector. If reduced for the corresponding LLP in the total amount of BAM 6.3 million, the net microloan portfolio amounts to BAM 551.8 million, i.e. 79.7% of total assets of the FB&H microcredit sector (Table No. 43). Compared to December 31, 2020, gross microloan portfolio went up by BAM 17.2 million, i.e. by 3.2%, while the net microloan portfolio rose by the amount of BAM 18 million, i.e. 3.4%. Over the same period, LLPs dropped by BAM 0.7 million or 10.4%.

The ratio of LLP to total gross microloan portfolio as of 30/09/2021 amounted to 1.1%, which, compared to the same ratio as of December 31, 2020, when it amounted to 1.3%, represents a decrease by 0.2 percentage points. In the structure of total net portfolio of the microcredit sector in the FB&H as of 30/09/2021, net microloans of MCFs amounted to BAM 393.9 million and represent 71.4% of the total net microloans across the sector, while the amount of BAM 157.9 million, i.e. 28.6% of the total net microloans across the sector relate to MCCs.

- BAM 000 -

Table 43: Net microloans

No.	Description	31.12.2020			30.09.2021			Index (8/5)
		MCF	MCC	Total	MCF	MCC	Total	
1	2	3	4	5=3+4	6	7	8=6+7	9
1.	Microloans (gross)	389,972	150,918	540,890	397,574	160,536	558,110	103
2.	LLP	4,108	2,936	7,044	3,676	2,636	6,312	90
3.	Net microloans (1.-2.)	385,864	147,982	533,846	393,898	157,900	551,798	103

Detailed data on the sector and the maturity structure of the microloan portfolio (reduced by deferred fee income) as of 30/09/2021 are shown in the following Table No. 44:

- BAM 000 -

Table 44: Sector and maturity structure of microloans

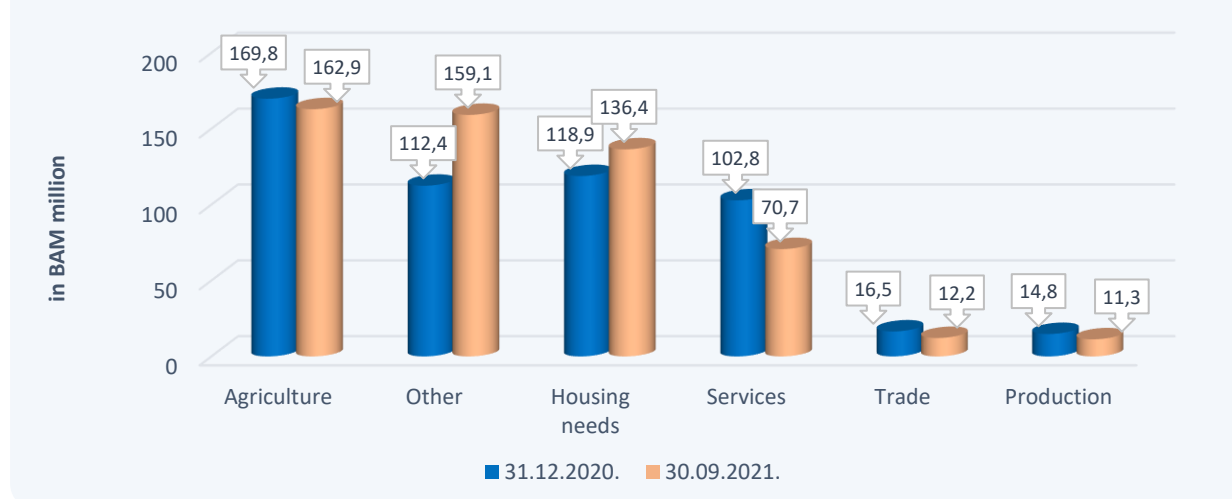
No.	Microloans	ST micro loans	LT micro loans	Receivables due	Total	%
1	2	3	4	5	6=3+4+5	7
1.	Corporate					
a)	Services	162	7,950	18	8,130	54.0
b)	Trade	128	2,907	7	3,042	20.2
c)	Agriculture	34	1,116	5	1,155	7.7
d)	Manufacturing	91	2,475	4	2,570	17.1
e)	Other	17	130	3	150	1.0
	Total 1	432	14,578	37	15,047	100
2.	Retail					
a)	Services	1,370	60,987	236	62,593	11.6
b)	Trade	322	8,747	48	9,117	1.7
c)	Agriculture	3,972	157,456	295	161,723	30.1
d)	Manufacturing	191	8,487	26	8,704	1.6
e)	Housing needs	3,057	133,135	223	136,415	25.4
f)	Other	19,046	139,095	829	158,970	29.6
	Total 2	27,958	507,907	1,657	537,522	100
	Total (1+2)	28,390	522,485	1,694	552,569	-

In the maturity structure of the total microloan portfolio as of 30/09/2021, the highest share is the share of long-term micro loans with 94.6%, while short-term micro loans have a 5.1% share and receivables due on micro loans have a 0.3% share.

Upon observing the sector structure, the dominant share is the share of retail microloans, with 97.3%, while the remaining 2.7% relates to corporate microloans. Within the retail microloan portfolio, the biggest is the share of microloans approved to the agricultural sector, which amounts to 30.1% and for other sectors at 29.6%. By share levels, housing sector follows with 25.4% and services with 11.6%. The share of microloans for trade is 1.7% and for manufacturing 1.6%. In the structure of corporate microloans, the dominant share is the share of microloans for services – 54%.

The following Chart No. 12 presents the sector structure of microloans across years.

**Chart 12: Sector structure of microloans
(comparative overview)**



The following Table No. 45 provides an overview of receivables with relevant provisions by groups according to the number of days in default, as well as data on outstanding overdue receivables over 180 days (being removed from the balance sheet), as of 30/09/2021:

- BAM 000 -

Table 45: LLP

No.	Days in default	Rate of provisions	Amount of loans	Share (%)	Interest due			Provisions				Total provisions
					Rate of provisions	Amount of interest	Amount of other assets items	By micro loan	By past -due interest	By other items in assets	By micro loan	
1	2	3	4	5	6	7	8	9=4x3	10=7x6	11=8x3	12	13=9+10+11+12
1.	0	0%	537,161	97.2	0%	172	383	0	0	0	0	0
2.	1–15	2%	4,586	0.8	2%	89	0	92	1	0	5	98
3.	16–30	15%	4,181	0.7	100%	63	0	627	63	0	22	712
4.	31–60	50%	2,523	0.5	100%	87	0	1,262	86	0	4	1,352
5.	61–90	80%	1,454	0.3	100%	74	0	1,163	74	0	8	1,245
6.	91–180	100%	2,664	0.5	100%	226	0	2,664	226	0	15	2,905
	Total		552,569	100	-	711	383	5,808	450	0	54	6,312
7.	over 180	Write-off	2,404	-	-	629	0	0	0	0	0	0

In the total microloan portfolio at the sector level, 97.2% relate to microloans without defaults, while in the remaining 2.8% of microloans there are defaults, of which defaults up to 30 days represent 1.5% of micro loans, while 1.3% are defaults of 31 to 180 days. Out of the

total amount of due interest (BAM 0.7 million), defaults up to 30 days represent 21.4%, while defaults of 31 to 180 days represent 54.4%.

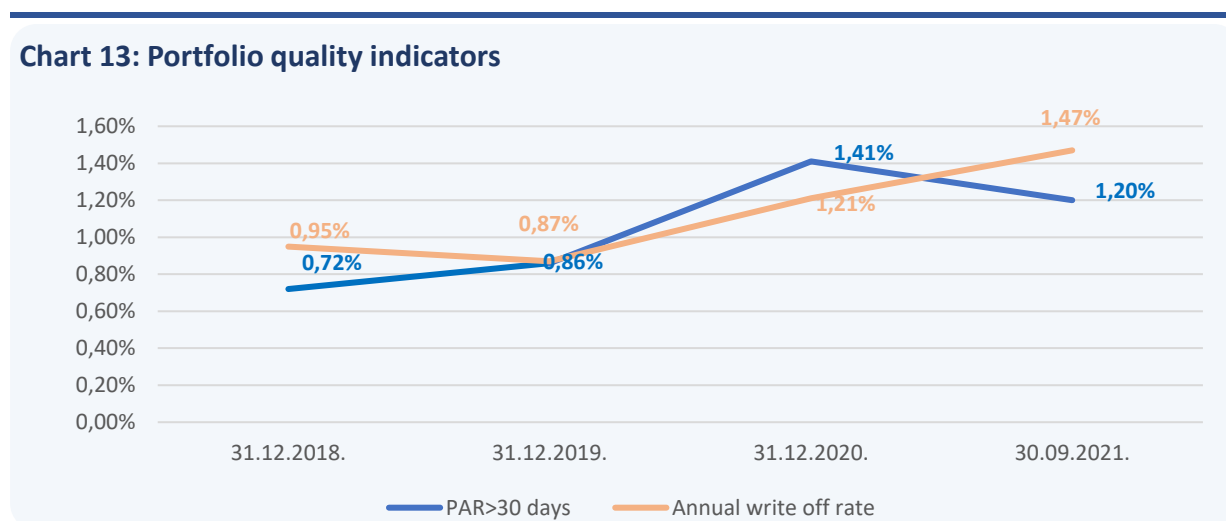
Total amount of provisions under microloans, interest and other asset items as of 30/09/2021 equals BAM 6.3 million. Therein, the largest item corresponds to provisions formed for microloans in default of 91 to 180 days (BAM 2.9 million), thus representing 46% of total provisions.

Key Indicators of Microcredit Portfolio Quality

The risk portfolio indicator for more than 30 days in default (PAR>30 days) as of 30/09/2021 amounts to 1.20% at the level the microcredit sector and it decreased by 0.21 percentage points compared to December 31, 2020. This risk indicator of the microloan portfolio at the sector level is within the prescribed standard.

At the microcredit sector level, the rate of write offs of microloans as of 30/09/2021 amounted to 1.47%, which is within the prescribed standard. This rate has increased by 0.26 percentage points compared to 31.12.2020.

Chart No. 13 below shows the portfolio quality indicators across years.



Weighted NIR and EIR on micro loans

Over the period from 01/01/2021 to 30/09/2021, MCOs seated in the FB&H concluded 105,788 agreements and disbursed a total of BAM 367.4 million of microloans. This is by 8,572 agreements or 8.8% higher than in the same period last year, i.e. higher by BAM 30.3 million or 9% of disbursements. Over the observed period, MCOs seated in the FB&H had an average weighted NIR on total microloans of 19.57% and EIR of 24.36%, whereas NIR on short term microloans was 20.40% and on long term ones 19.44% and EIR on short term microloans was 29.81% and on long term ones 23.58%. Average weighted EIR on total microloans disbursed by MCOs seated in the FB&H posted an increase in the period from 01/01/2021 to 30/09/2021 by 0.21 percentage points vs. the same period in 2020, whereas average weighted EIR on short term microloans posted a drop by 0.80 percentage points and on long term microloans a rise by 0.43 percentage points.

Annex 11 provides an overview of average weighted NIR and EIR by maturity and purpose related to microloans disbursed in the period from 01/01/2021 to 30/09/2021 by MCOs seated in the FB&H.

Annex 11a provides a comparative overview of average weighted NIR and EIR on disbursed microloans (short term, long term and total) in the period from 2017 to 2021.

2.1.2.4. Financial Performance of the FB&H Microcredit Sector

At the FB&H microcredit sector, positive financial result was posted in the period from 01/01/2021 to 30/09/2021 in an amount of BAM 12.8 million (Table No. 46), up by BAM 4.5 million against the same period in 2020.

- BAM 000 -

Table 46: Actual financial result of MCOs

No.	Description	01.01.-30.09.2020						01.01.-30.09.2021					
		Amount			Number of MCOs			Amount			Number of MCOs		
1	2	3	4	5	6	7	8	9	10	11	12	13	14
1.	Excess income over expenses/Profit	9,771	1,808	11,579	7	2	9	11,443	5,610	17,053	8	2	10
2.	Shortage of income over expenses/Loss	222	3,042	3,264	4	1	5	152	4,090	4,242	2	1	3
	Total	9,549	-1,234	8,315	11	3	14	11,291	1,520	12,811	10	3	13

MCFs posted excess income over expenses of BAM 11.3 million, thus being by BAM 1.7 million more than in the same period the year before. MCCs reported net profit of BAM 1.5 million, which is by BAM 2.7 million higher than in the same period of the previous year since one MCC posted a major increase of its business result (as it holds 94.7% share in total assets of MCCs). The presented overall excess income over expenses of MCFs was BAM 11.4 million (eight MCFs), while shortage of income over expenses was posted by two MCFs in an amount of BAM 5.6 million, whereas one MCC recorded a loss of BAM 4.1 million.

Annexes 12 and 13 show aggregate income statements of MCFs and MCCs.

Total Income of the FB&H Microcredit Sector

According to reporting data for MCOs, in the period from 01/01/2021 to 30/09/2021, total income at the level of the FB&H microcredit sector amounted to BAM 88.4 million, up by BAM 6.4 million or 7.8% compared to the same period last year (Table No. 47).

- BAM 000 -

Table 47: Structure of total income of MCOs

No.	Structure of total income	01.01.-30.09.2020				01.01.-30.09.2021				Index (9/5)
		MCF	MCC	Total	% share	MCF	MCC	Total	% share	
1	2	3	4	5=(3+4)	6	7	8	9=(7+8)	10	11
1.	Interest income and similar income									
1.1.	Interest on interest-bearing deposit accounts with deposit institutions	9	3	12	0.0	7	2	9	0.0	75
1.2.	Interest on placements to banks	20	0	20	0.0	5	0	5	0.0	25
1.3.	Interest on loans	51,763	18,098	69,861	85.2	54,089	21,727	75,816	85.8	109
1.4.	Management fee	3,727	1,079	4,806	5.9	3,150	1,103	4,253	4.8	88
1.5.	Prepayment fee	331	128	459	0.6	331	172	503	0.6	110
1.6.	Other interest income and similar income	720	56	776	0.9	774	70	844	1.0	109
	Total	56,570	19,364	75,934	92.6	58,356	23,074	81,430	92.2	107
2.	Operating income									

2.1.	Service fees	122	0	122	0.2	130	0	130	0.1	107
2.2.	Income from collected written off receivables	5,048	122	5,170	6.3	5,311	405	5,716	6.5	111
2.3.	Other operating income	18	92	110	0.1	10	13	23	0.0	21
	Total	5,188	214	5,402	6.6	5,451	418	5,869	6.6	109
3.	Other operating income	581	57	638	0.8	947	150	1,097	1.2	172
	Total income (1+2+3)	62,339	19,635	81,974	100	64,754	23,642	88,396	100	108

Within the structure of total income of MCOs, interest income and similar income hold a share of 92.2%, operating income 6.6% share and other operating income 1.2%. Compared to the same period last year, interest and similar income have risen by BAM 5.5 million or 7.2%. Income from interest on loans, being the key item within the category of interest and similar income, climbed by BAM 5.9 million or 8.5%, whereas income from collected written off receivables (as a dominant item) went up by BAM 0.5 million or 10.6%. Other operating income increased by BAM 0.5 million or 71.9%.

Total Expenses of the FB&H Microcredit Sector

According to the reporting data of MCOs for the period from 01/01/2021 to 30/09/2021, total expenses of the FB&H microcredit sector stood at BAM 75.6 million, up by BAM 1.9 million or 2.6% vs. the same period the year before (Table No. 48).

- BAM 000 -

Table 48: Structure of total expenses of MCOs

No.	Structure of total expenses	01.01.-30.09.2020				01.01.-30.09.2021				Index (9/5)
		MCF	MCC	Total	% share	MCF	MCC	Total	% share	
1	2	3	4	5=(3+4)	6	7	8	9=(7+8)	10	11
1.	Interest expenses and similar expenses									
1.1.	Interest on borrowed funds	5,145	3,042	8,187	11.1	4,836	3,190	8,026	10.6	98
1.2.	Fee for received loans	415	323	738	1.0	492	382	874	1.2	118
1.3.	Prepayment fee	0	0	0	0.0	0	0	0	0.0	-
1.4.	Other interest expenses and similar expenses	305	924	1,229	1.7	335	1,366	1,701	2.2	138
	Total	5,865	4,289	10,154	13.8	5,663	4,938	10,601	14.0	104
2.	Operating expenses									
2.1.	Costs of salaries and contributions	25,938	7,002	32,940	44.7	27,957	7,068	35,025	46.3	106
2.2.	Amortisation costs	3,257	983	4,240	5.7	3,313	977	4,290	5.7	101
2.3.	Material expenses	1,407	426	1,833	2.5	1,372	342	1,714	2.3	94
2.4.	Service costs	8,504	2,076	10,580	14.4	9,027	4,359	13,386	17.7	127
2.5.	Other operating expenses	2,033	1,336	3,369	4.6	1,819	629	2,448	3.2	73
	Total	41,139	11,823	52,962	71.9	43,488	13,375	56,863	75.2	107
3.	Other operating expenses	504	311	815	1.1	377	58	435	0.6	53
4.	Costs of reserves for loan and other losses	4,213	4,245	8,458	11.5	2,928	3,127	6,055	8.0	72
5.	Tax on excess income over expenses (income tax)	1,069	201	1,270	1.7	1,007	624	1,631	2.2	128
	Total expenses (1+2+3+4+5)	52,790	20,869	73,659	100	53,463	22,122	75,585	100	103

MCOs' total expense structure is dominated by operating expenses with a share of 75.2%, while interest and similar expenses participate with 14% and costs of reserves for loan and other losses with 8%. Other operating expenses and tax on excess income over expenses (i.e. income tax) hold a share of 2.8% in total expenses of MCOs.

Over the observed period, interest and similar expenses rose by BAM 0.4 million or 4.4%, whereas fees for received loans and other interest and similar expenses climbed by 18.4% and 38.4% respectively. Expenses related to interest on borrowed funds dropped by 2%.

Operating expenses of MCFs, as a dominant item among total expenses, saw a rise by BAM 3.9 million or 7.4%, whereas costs of salaries and contributions (as their key item) increased by BAM 2.1 million or 6.3%. Costs of services went up by BAM 2.8 million or 26.5%, while material expenses and other operating expenses dropped by 6.5% and 27.3% respectively. Amortisation costs have risen by 1.2%.

Other operating expenses decreased by BAM 0.4 million or 46.6%, while costs of reserves for loan and other losses decreased by BAM 2.4 million or 28.4%. Tax on excess income over expenses (i.e. income tax) rose by BAM 0.4 million or 28.4%.

Efficiency and Sustainability Indicators for the FB&H Microcredit Sector

Operational efficacy of the FB&H microcredit sector as of 30/09/2021 stood at 18.15%, which is within the prescribed range for the indicator.

According to reporting data at the FB&H microcredit sector as of 30/09/2021, the return on assets adjusted for inflation, market price of capital and donations (AROA) was positive at 3.64%. The indicator of operational sustainability of the FB&H microcredit sector (which is used as a general standard and which represents a ratio of total income from regular operations (minus written off receivables and other operating income) and total expenses) equals 119.53%.

2.1.3. MICROCREDIT SECTOR RECOMMENDATIONS

The FBA will, within its prescribed supervisory authorities for the FB&H microcredit sector, continue with the planned supervisory activities, which shall be focused on the following:

- compliance of MCOs' business operations with laws and regulations, with the aim of full implementation of the Law on MCOs and applicable regulations in respect of achievement of the prescribed objectives of micro lending in terms of improving the financial position of microloan users, contributing to the increase of employment, supporting entrepreneurship development, increasing transparency of operations and protecting the rights of financial service users;
- monitoring effects of FBA's special measures related to recovery from negative consequences caused by the pandemic;
- timely and adequate undertaking of activities in MCOs according to the corrective measures imposed to eliminate irregularities and weaknesses in business operations.

The microcredit sector in the FB&H has an obligation to apply prescribed standards and restrictions in performance of microcredit operations, reporting and auditing, starting from regulatory requirements and objectives of micro lending. Related to the above, it is also necessary that the competent governance bodies of the MCOs ensure compliance of their business with the prescribed standards, especially in respect of:

- performance of micro lending activities to improve the financial position of users, increase employment and support entrepreneurial development, starting from legally prescribed micro lending goals with consistent application of legal provisions for the protection of financial service users, including aligning interest rates policies on microloans with the prescribed micro lending goals, thus contributing to stability and sustainability of the FB&H microcredit sector;
- maintaining and enhancing sound risk management practices for risks to which MCOs are or might be exposed, efficiency of internal control systems and independent internal audit function;
- consistent implementation of special measures adopted by the FBA for purpose of recovery from negative consequences caused by the pandemic;
- resource optimizing and applying the principles of responsible micro lending, i.e. sound practices in business operations with MCF assets;
- harmonization, i.e. improvement of operational efficiency and operational sustainability indicators;
- regular, up-to-date and accurate submission of data to CBB&H for the CLR management purposes;
- improving business transparency, etc.

MCOs that are less capitalized and/or have a materially significant amount of written off microloans need to establish and implement clear and consistent strategic commitments in respect of business sustainability, i.e. potential seeking of acceptable partners for consolidation, i.e. mergers to larger and more powerful MCFs in order to optimize resources, preserve donated funds, ensure support from foreign creditors, and ensure prospective for employees in MCOs, which will be subject to supervisory attention with a view to preserving the stability of the microcredit sector and achieving legally mandated goals and activities of micro lending in the FB&H.

2.2. LEASING SECTOR

2.2.1. FB&H LEASING SECTOR STRUCTURE

2.2.1.1. Number of Leasing Companies

The FBA license for leasing operations was, as of 30/09/2021, held by four leasing companies in the FB&H and there were no changes compared to the end of the previous year. Annex 14 provides basic information on leasing companies which, as of 30/09/2021, represented the leasing sector in the FB&H.

2.2.1.2. Ownership Structure

The ownership structure of leasing companies in the FB&H, according to data as of 30/09/2021, is as follows: two leasing companies are in 100% ownership of non-resident legal persons, one leasing company is majority-owned by a non-resident legal person, while one leasing company is in 100% ownership of a resident legal person.

2.2.1.3. Staff Structure

As at 30/09/2021, there was a total of 102 employees in the leasing sector in the FB&H, which is 1 employee or 1% more than at the end of the previous year (Table No. 49).

Table 49: Qualification structure of employees in leasing companies in the FB&H

No.	Qualification	31.12.2020		30.09.2021		Index (5/3)
		No. of employees	% share	No. of employees	% share	
1	2	3	4	5	6	7
1.	University qualifications	76	75.2	74	72.5	97
2.	Two-year post-secondary school qualifications	4	4.0	4	3.9	100
3.	Secondary school qualifications	13	12.9	17	16.7	131
4.	Other	8	7.9	7	6.9	88
	Total	101	100	102	100	101

Efficiency of employees in the course of performance assessment of leasing companies is based on the ratio of assets and number of employees. According to indicators as at 30/09/2021, at the level of the leasing sector in the FB&H, each employee corresponded to BAM 3.7 million in assets. This is by BAM 0.3 million or 8.5% more than as at 31/12/2020.

2.2.2. FINANCIAL INDICATORS OF PERFORMANCE

2.2.2.1. Balance Sheet

Total assets of the FB&H leasing sector as at 30/09/2021 amounted to BAM 376.8 million and are higher by BAM 33 million, i.e. 9.6% compared to December 31, 2020. Two leasing companies, viewed on the basis of asset size, account for 71.7% of total assets of the FB&H leasing sector.

Annex 15 provides an aggregate balance sheet of leasing companies in the FB&H as per reporting data of 30/09/2021, while Annex 16 provides an overview of basic indicators of leasing companies in the FB&H as of 30/09/2021.

In the structure of total assets of the FB&H leasing sector, the most significant share is the share of net receivables under financial leasing, which amount to BAM 290 million, i.e. 76.9% of total assets. Compared to December 31, 2020, net receivables under financial leasing are higher by BAM 33.2 million, i.e. 12.9%, while gross receivables under financial leasing are higher by BAM 38.4 million, i.e. 13.7%. As of 30/09/2021, one bank that performs also financial leasing deals posted net receivables under financial leasing of altogether BAM 37.4 million, thus indicating that net receivables under financial leasing at the leasing system level were equal to BAM 327.4 million and were by BAM 22.3 million or 7.3% higher than end of the previous year.

In the structure of receivables under financial leasing at the level of the leasing sector in the FB&H (if observed by the leasing objects), contracts approved for financing of passenger vehicles and vehicles for performing business activities participate with 84.2%, contracts for equipment financing participate with 15.2%, while 0.6% relates to contracts under which real estate is financed. If viewed by lessees, 88.5% refers to contracts with legal entities, while the

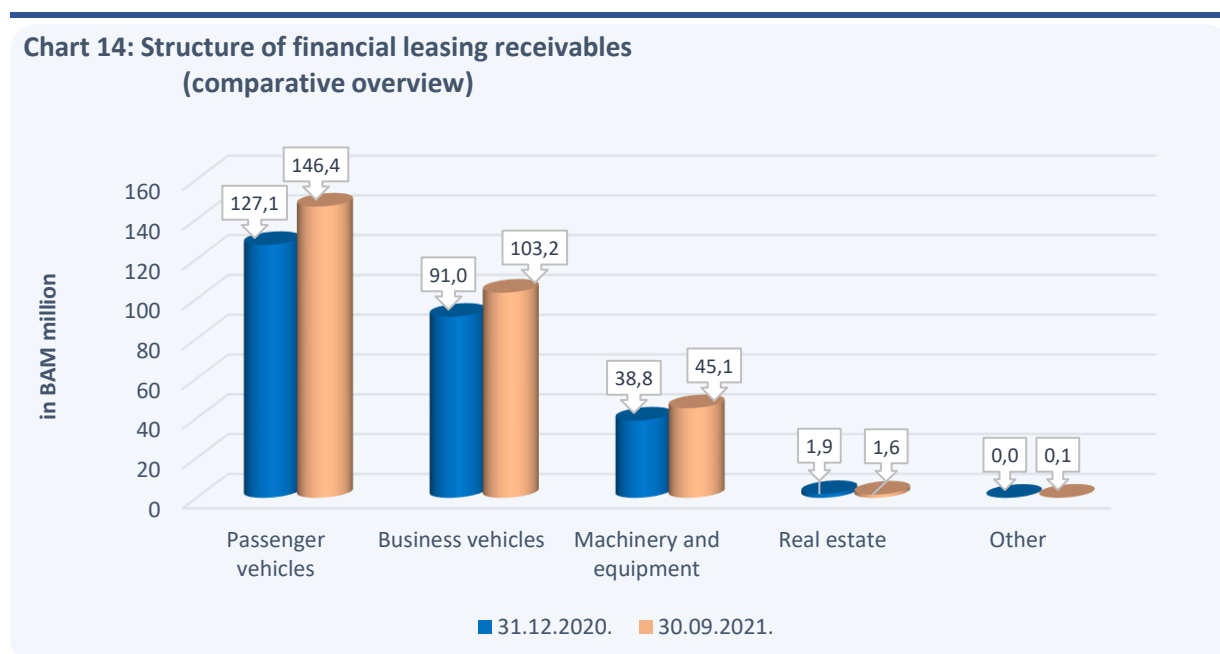
increase of financial leasing receivables was noted in the segment of legal entities by 14.9%, private individuals by 7.4% and entrepreneurs by 34.7%.

The following table No. 50 provides the structure of receivables under financial leasing at the level of the FB&H leasing sector (receivables before reduction for loss provisions) as of 30/09/2021:

- BAM 000 -

No.	Description	Short term receivables	Long term receivables	Receivables due	Total receivables	% share
1	2	3	4	5	6	7
1.	By leasing object					
1.1.	Passenger vehicles	47,222	97,953	1,258	146,433	49.4
1.2.	Vehicles for performing business activity (cargo and passenger vehicles)	36,948	64,938	1,284	103,170	34.8
1.3.	Machines and equipment	17,742	27,025	305	45,072	15.2
1.4.	Real estate	186	1,408	21	1,615	0.6
1.5.	Other	27	37	0	64	0.0
	Total	102,125	191,361	2,868	296,354	100
2.	By lessee					
2.1.	Corporate	91,424	168,662	2,321	262,407	88.5
2.2.	Entrepreneurs	3,411	6,445	181	10,037	3.4
2.3.	Retail	6,092	14,826	354	21,272	7.2
2.4.	Other	1,198	1,428	12	2,638	0.9
	Total	102,125	191,361	2,868	296,354	100

Chart No. 14 shows the structure of financial leasing receivables with a comparative overview by years.



Net receivables under loans as of 30/09/2021 amount to BAM 4.7 million, i.e. 1.3% of total assets of the FB&H leasing sector. Compared to December 31, 2020, net receivables under loans decreased by BAM 0.3 million or 5.5%. Receivables under loans in the composition of total assets of leasing companies decreased due to the continuous reduction of receivables under loans, as the provisions of the LoL prohibit the leasing companies to conclude new loan

agreements, that would remain recorded in the balance sheets of leasing companies in the FB&H until the contractual terms for which they were approved expire. The reported amount of net receivables under loans relates to receivables of one leasing company, holding in its portfolio significant amounts of receivables under loans of subsidiaries, through which real estate construction projects had been financed prior to entry into effect of the LoL.

The balance sheet position of cash and cash equivalents as of 30/09/2021 amounted to BAM 4.8 million (constituting 1.3% of total assets), which was by BAM 1.7 million, i.e. 26% lower compared to December 31, 2020. Placements to banks (posted by one leasing company) as of 30/09/2021 amounted to BAM 6.8 million, comprising 1.8% of total assets of the FB&H leasing sector, which was by BAM 5.3 million or 43.6% less compared to December 31, 2020.

Net value of fixed assets financed through operational leasing (posted by three leasing companies) as of 30/09/2021 amounted to BAM 62.5 million and has increased by BAM 8.6 million, i.e. 15.9% compared to December 31, 2020.

The structure of net balance sheet assets positions of the leasing sector in the FB&H can be analysed in the Table No. 51 below:

- BAM 000 -

Table 51: Structure of net balance sheet assets positions

No.	Description	31.12.2020	% share	30.09.2021	% share	Index (5/3)
1	2	3	4	5	6	7
1.	Financial leasing	256,770	74.7	290,022	77.0	113
2.	Operational leasing	53,964	15.7	62,522	16.6	116
3.	Loan	4,982	1.4	4,709	1.2	95
4.	Other assets	28,110	8.2	19,593	5.2	70
	Total	343,826	100	376,846	100	110

2.2.2.2. Capital and Liabilities

Total capital of the FB&H leasing sector as of 30/09/2021 amounted to BAM 28.1 million, thus constituting 7.5% of total liabilities of the FB&H leasing sector. Compared to December 31, 2020, the aforementioned position increased by BAM 0.4 million or 1.4%.

Total liabilities of the leasing sector in the FB&H amounted to BAM 348.7 million as at 30/09/2021, thus representing 92.5% of total liabilities of leasing companies in the FB&H. Compared to December 31, 2020, total liabilities at the sector level rose by BAM 32.6 million or 10.3%.

Liabilities of leasing companies in the FB&H under loans taken as of 30/09/2021 stood at BAM 339.7 million, thus posing a dominant source in the structure of total liabilities of the FB&H leasing sector since they account for 90.1% of total liabilities. Compared to 31/12/2020, the position of loan obligations is higher by BAM 31.8 million, i.e. 10.3%. If observed by contractual maturity, dominant portion of liabilities based on loans refers to long term loans.

2.2.2.3. Assets and Assets Quality

According to reporting data at the level of the FB&H leasing sector, reported reserves for losses under financial leasing as of 30/09/2021 (Table No. 52) amounted to BAM 6.3 million

and are higher compared to December 31, 2020 by BAM 4.2 million or 197.8% due to a major increase of loss reserves with one leasing company by BAM 3.2 million. This company posted significant amount of reserves at the position of calculated and allocated reserves, and this amount was formed as a result of implementation of a group methodology.

In the structure of receivables under financial leasing as of 30/09/2021, the total of BAM 2.9 million of overdue receivables was reported, which is by BAM 0.7 million or 18.9% less compared to December 31, 2020.

- BAM 000 -

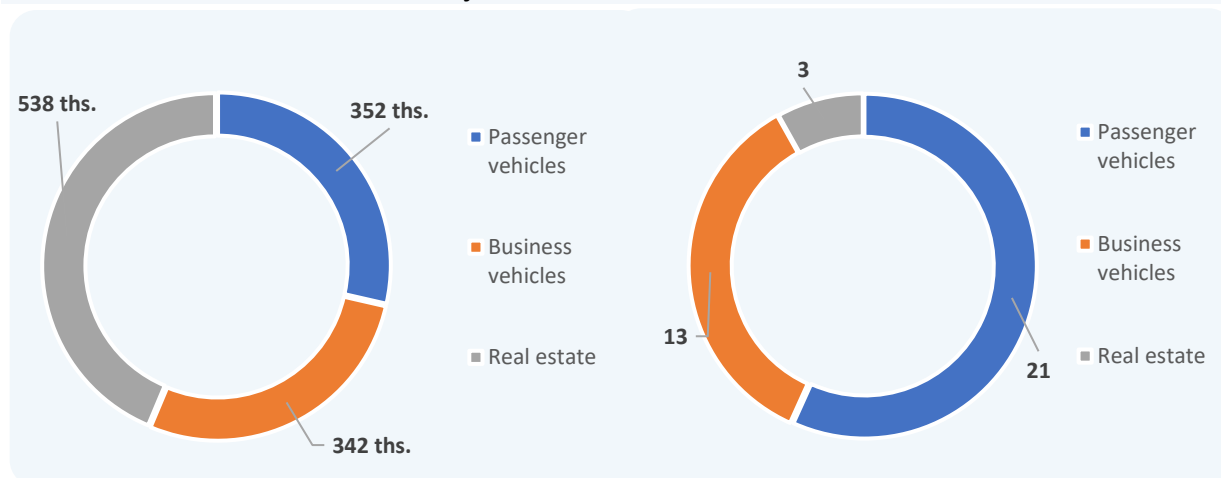
Table 52: Overview of financial leasing reserves

No.	Days past due	Rate of reserv. for finan. leasing (movables)	Rate of reserv. for finan. leasing (immovables)	Amount of receivables for movables	Amount of receivables for immovables	Basis - movables	Basis - immovables	Reserves			Total reserves
								For movables	For immovables	Excess calculated and allocated reserves	
1	2	3	4	5	6	7	8	9=7x3	10=8x4	11	12=9+10+11
1.	0-60	0.5%	0.5%	291,759	1,639	50,451	724	252	4	4,897	5,153
2.	60-90	10%	10%	1,680	0	430	0	43	0	67	110
3.	90-180	50%	50%	218	0	138	0	69	0	83	152
4.	over 180	100%	75%	1,058	0	917	0	917	0	0	917
5.	over 360	100%	100%	0	0	0	0	0	0	0	0
Total				294,715	1,639	51,936	724	1,281	4	5,047	6,332

The total amount of written off receivables under financial leasing and loans as of 30/09/2021 amounted to BAM 7.2 million BAM and is much lower compared to December 31, 2020, by BAM 13.8 million or 65.6%. This was caused by a reduced amount of written off receivables with one leasing company of BAM 14.2 million or 79.9%. This decrease of written off receivables was mostly contributed by a significant increase of permanent write offs of BAM 13 million.

The appraised market value of foreclosed leasing objects, due to termination of leasing contracts with lessees as of 30/09/2021 at the level of the FB&H leasing sector, amounted to BAM 1.2 million, up by BAM 0.3 million or 35.1% compared to 31.12.2020. There was a total of 37 foreclosed objects, with a posted increase of the number of foreclosed objects by 8 objects or 27.6% (Chart No. 15). Out of the total reported amount of appraised market value of foreclosed items in the FB&H leasing sector as of 30/09/2021, 56.3% refers to passenger vehicles and business vehicles. In addition, 43.7% relates to real estate (commercial facilities) for which leasing companies assumed possession for reasons of non-compliance with contractual liabilities on the part of lessees. The total amount of the above position relates to one leasing company.

Chart 15: Structure of the appraised value of foreclosed leasing objects and number of foreclosed objects



Viewed from the level of the FB&H leasing system as of 30/09/2021, the market value of foreclosed leasing items amounted to BAM 5.1 million and it increased by BAM 0.3 million or 5.7% compared to December 31, 2020. Out of the above amount of foreclosed leasing items, items foreclosed by the bank that is performing leasing activities correspond to BAM 3.9 million, i.e. 76% of the total market value of foreclosed items reported at the level of the leasing system.

2.2.2.4. Profitability

According to the reporting data of leasing companies, across the FB&H leasing sector in the period from January 1 – September 30, 2021, a positive financial result of BAM 3.5 million was reported, which represents an increase by BAM 1.8 million compared to the same period in 2020 (Table No. 53). This increase of the business result of the leasing sector mostly results from significantly improved business result of one leasing company of BAM 1.5 million.

Total net profit was posted in an amount of BAM 4.4 million (three leasing companies, while loss was recognised by one leasing company in an amount of BAM 0.9 million.

- BAM 000 -

Table 53: Actual financial result of leasing companies

No.	Description	01.01.-30.09.2020		01.01.-30.09.2021	
		Amount	Number of leasing companies	Amount	Number of leasing companies
1	2	3	4	5	6
1.	Profit	2,619	3	4,456	3
2.	Loss	864	2	943	1
	Total	1,755	5	3,513	4

Annex 17 provides an aggregate balance sheet of leasing companies in the FB&H in the period from 01/01/2021 to 30/09/2021.

Total Income of the FB&H Leasing Sector

Total income of the FB&H leasing sector for the period 01/01/2021 to 30/09/2021 amounted to BAM 27.4 million, up by BAM 1.4 million or 5.3% compared to the same period of the previous year (Table No. 54).

- BAM 000 -

Table 54: Structure of total income of leasing companies

No.	Structure of total income	01.01.-30.09.2020		01.01.-30.09.2021		Index (5/3)
		Amount	% share	Amount	% share	
1	2	3	4	5	6	7
1.	Interest income and similar income					
1.1.	Interest under financial leasing	291	1.1	61	0.2	21
1.2.	Interest on placements to banks	7,682	29.6	8,725	31.9	114
1.3.	Other interest income	1,482	5.7	1,506	5.5	102
	Total	9,455	36.4	10,292	37.6	109
2.	Operating income					
2.1.	Operating lease charges	12,859	49.5	14,406	52.7	112
2.2.	Service fees	1	0.0	1	0.0	100
2.3.	Other operating income	3,678	14.1	2,662	9.7	72
	Total	16,538	63.6	17,069	62.4	103
3.	Income from release of reserves for losses	0	0.0	0	0.0	-
	Total income (1+2+3)	25,993	100	27,361	100	105

The FB&H leasing sector's interest and similar income in the January 1 – September 30, 2021 period amounted to BAM 10.3 million, thus constituting 37.6% of total income of the leasing sector. It increased by BAM 0.8 million, i.e. 8.8%, compared to the same period last year. The most significant position in interest income is interest income from financial leasing in the total amount of BAM 8.7 million and it is by BAM 1.0 million, i.e. 13.6%, higher compared to the same period of the preceding financial year.

Operating income amounted to BAM 17.1 million with a share of 62.4% in total income of the leasing sector. Compared to the same period last year, it is higher by BAM 1.1 million, i.e. 10.2%. Operating lease charges, as dominant item of operating income, rose by BAM 1.5 million or 12%, while other operating income dropped by BAM 1.0 million or 27.6%.

Total expenses of the FB&H Leasing Sector

Total expenses for the period 01/01/2021 to 30/09/2021 amounted to BAM 23.8 million and are lower by BAM 0.4 million or 1.6% compared to the same period of the preceding year (Table No. 55).

- BAM 000 -

Table 55: Structure of total expenses

No.	Structure of total expenses	01.01.-30.09.2020.		01.01.-30.09.2021.		Index (5/3)
		Amount	% share	Amount	% share	
1	2	3	4	5	6	7
1.	Interest expenses and similar expenses					
1.1.	Interest on borrowed funds	3,114	12.9	3,133	13.1	101
1.2.	Fees for processing loans	77	0.3	70	0.3	91
1.3.	Other interest expenses	2	0.0	2	0.0	100
	Total	3,193	13.2	3,205	13.4	100
2.	Operating expenses					

2.1.	Salary and contribution costs	3,724	15.3	3,492	14.7	94
2.2.	Business premises costs	8,651	35.7	9,448	39.6	109
2.3.	Other costs	7,219	29.8	5,798	24.3	80
	Total	19,594	80.8	18,738	78.6	96
3.	Costs of reserves	1,451	6.0	1,905	8.0	131
4.	Profit tax	0	0.0	0	0.0	-
	Total expenses (1+2+3)	24,238	100	23,848	100	98

In the period from 01/01/2021 to 30/09/2021, interest and similar expenses of the leasing sector amounted to BAM 3.2 million and represented 13.4% of total expenses of the leasing sector. This is higher by BAM 12 ths or 0.4% vs. the same period of the previous financial year. Interest expenses under loans taken (as their dominant item) posted a rise by BAM 19 ths or 0.6%.

Over the observed period, total operating expenses of the leasing sector stood at BAM 18.7 million with a share in total expenses of the leasing sector of 78.6%. This is lower by BAM 0.9 million or 4.4% compared to the same period of the year before. Therein, their structure reflects reduced costs of salaries and contributions by 6.2% and other costs by 19.7%, while costs of business premises rose by 9.2%. Total costs of loss reserves stood at BAM 1.9 million, constituting 8% of total expenses of the leasing sector. They saw an increase by BAM 0.5 million or 31.3%.

2.2.2.5. Structure of Placements According to Subject and Type of Leasing

The value of newly concluded contracts for financial and operational leasing executed at the level of the leasing system in January 1 – September 30, 2021, amounts to BAM 164.8 million and is higher by BAM 36.8 million or 28.8%, compared to the same period of the preceding financial year. Thereof, BAM 157.2 million or 95.4% of the total value of newly concluded contracts at the leasing system level refers to the leasing sector.

The number of newly concluded leasing contracts at the leasing system level in the same period was 3,349, which was by 628 contracts or 23.1% higher compared to the same period last year. Thereof, 3,249 contracts or 97% of the total number of newly concluded contracts at the leasing system level refers to the leasing sector. The average value of contracts at the level of the leasing system concluded in the period from 01/01/2021 – 30/09/2021 amounted to BAM 49.2 ths and it is higher by 4.6% compared to the same period last year, when it amounted to BAM 47 ths. Therein, the average value of contracts at the leasing sector level was BAM 48.4 ths, which is 8.4% more than in the same period in 2020 when it stood at BAM 44.6 ths.

Out of the total generated value of newly concluded contracts in the period from 01/01/2021 to 30/09/2021, the amount of BAM 138.1 million, i.e. 83.8% relates to financial leasing contracts and BAM 26.7 million or 16.2% to operational leasing contracts.

The following Table No. 56 shows a comparative overview of the number of concluded contracts in the period from 01/01/2021 to 30/09/2021 and in the same period of the

preceding financial year, as well as the comparative overview of the realized volume of newly concluded contracts in the same period:

- BAM 000 -

Table 56: Structure of the number of concluded contracts and financing amount of the leasing system

No	Description	01.01.-30.09.2020						01.01.-30.09.2021					
		Financial leasing		Operational leasing		Total		Financial leasing		Operational leasing		Total	
		Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
1	2	3	4	5	6	7=3+5	8=4+6	9	10	11	12	13=9+11	14=10+12
1.	Vehicles	1,927	83,887	681	26,266	2,608	110,153	2,498	116,784	653	26,694	3,151	143,478
2.	Equipment	110	17,635	3	148	113	17,783	198	21,300	0	0	198	21,300
3.	Real estate	0	0	0	0	0	0	0	0	0	0	0	0
4.	Other	0	0	0	0	0	0	0	0	0	0	0	0
	Total	2,037	101,522	684	26,414	2,721	127,936	2,696	138,084	653	26,694	3,349	164,778

The total amount of new financing in the reporting period was achieved by four leasing companies and one bank, which performs financial leasing activities (the legal successor of a leasing company that merged with that bank).

The structure of new placements is, according to type of lessee, dominated by placements to legal persons, which represent 89.7% of the total amount of financing in the period from 01/01/2021 to 30/09/2021. One of key reasons for this rests with the fact that financing through leasing for natural persons is less favorable compared to loans because of liability to pay VAT on interest, which is an additional cost for clients that are not VAT taxpayers.

Weighted NIR and EIR

Total average NIR for financial leasing contracts concluded in the period from 01/01/2021 to 30/09/2021 was 3.80% for short term contracts and 3.88% for long term contracts, while EIR for short term contracts was 6.37% and 6.96% for long term contracts during the same period. Total average weighted NIR was 3.88% and EIR was 6.96%. Compared to the same period in 2020 when total average weighted NIR was 3.95% and EIR 7.02%, there is an evident decrease of NIR by 0.07 percentage points and EIR by 0.06 percentage points.

Annex 18 provides an overview of average weighted NIR and EIR on financial leasing contracts concluded in the period from 01/01/2021 to 30/09/2021 (by maturity, leasing object and lessee).

Differences related to the average weighted EIR level for lessees were caused by the fact that EIR calculation for PI contracts is not identical to the calculation of this rate for corporate contracts since they do not include a casco insurance premium (which in turn is mandated by law for private individuals segment).

Annex 18a provides a comparative overview of average weighted NIR and EIR on financial leasing contracts concluded in the past five years (by maturity and lessee). Differences between posted NIR and EIR are a result of VAT on interest being a mandatory part of the financial leasing contract and being paid by a lessee in advance, as well as creation of a financial leasing contract with surrender value plus additional costs of leasing arrangement being included in the EIR calculation.

2.2.3. LEASING SECTOR RECOMMENDATIONS

FBA will, within its prescribed competencies for the supervision of business operations of leasing companies in the FB&H, continue with planned activities focusing on the following aspects in the upcoming period:

- ongoing supervision of business operations of the leasing sector, i.e. system, in the FB&H, through reports and onsite examinations;
- preservation of capital adequacy of the FB&H leasing sector and strengthening of internal processes for defining the parameters of capital protection in the entities of the FB&H leasing sector;
- monitoring effects of FBA's special measures aimed at recovery from negative consequences caused by the pandemic;
- monitoring and evaluating efficiency of the established risk management systems in the leasing sector, i.e. system, in the FB&H and quality of overall governance;
- further cooperation with BiHALC, in terms of providing professional assistance in the application of laws and regulations for leasing companies, as well as cooperation with other supervisory and controlling institutions, and with the CBB&H in respect of data structures and quality related to exposures under financial leasing in CLR;
- support to improvement of the business environment for operations of the FB&H leasing sector etc.

Within its competence for supervision of business operations of leasing companies, the FBA expects of leasing system entities in the FB&H to enhance activities and measures with the primary objective of lawful, stable, efficient and transparent provision of lease financing services which are focused on:

- promoting safe, stable and sustainable leasing business;
- capital strengthening and defining the parameters of capital protection and capital adequacy, strengthening the internal control system and internal audit function;
- improving the risk management system arising from the leasing business and the environment, identifying risks in a timely manner and taking measures to control and mitigate those risks;
- consistent implementation of special measures adopted by the FBA for purpose of recovery from negative consequences caused by the pandemic;
- ensuring reliability and integrity of data and information provided to the FBA, the CBB&H and other supervisory institutions and bodies, ensuring accuracy, validity and comprehensiveness of accounting and non-accounting records, compliance with business policies, activity programs and plans, laws and other regulations and documents, as well as protection of property of companies and preventive action and prevention of fraud and errors;
- consistent implementation of regulations defining protection of financial service users, etc.

2.3. FACTORING BUSINESS

2.3.1. Participants in the FB&H Factoring Market

Pursuant to provisions of the LoF, factoring operations in the FB&H may be conducted by a commercial enterprise organized as a joint stock company or a limited liability company

seated in the FB&H and being licensed by the FBA, and by a bank whose operations are subject to regulations governing banks' operations in the FB&H and to which the relevant chapters of the LoF apply.

As of 30/09/2021, factoring system consisted of four commercial banks, of which three banks are members of international banking groups seated in EU-member countries and one bank in majority domestic ownership.

2.3.2. Scope, Structure and Trend of Factoring Business in the FB&H

As of 30/09/2021, entities providing factoring services in the FB&H have concluded 263 factoring contracts, all of which referring to domestic factoring. Compared to reporting data for the same period last year, the number of factoring contracts is lower by 48 contracts or 15.4%.

As of 30/09/2021, there were 254 concluded contracts on factoring with recourse right or 96.6% and 9 contracts on factoring without recourse right or 3.4%. Over the observed period, factoring service providers performed no services of redemption of monetary claims in foreign factoring or deals related to factoring.

As of 30/09/2021, the total redeemed nominal amount of monetary claims and nominal amount of settled payables of buyers towards suppliers at the FB&H factoring system level was BAM 134.9 million. Compared to the same period of the previous year, this represents an increase by BAM 51.1 million or 61%.

The values of redeemed monetary claims and settled payables of buyers to towards suppliers in the FB&H by type of factoring and domicile status (with comparative data and trends in reporting periods) are shown in the following Table No. 57:

- BAM 000 -

No.	Type of factoring/ domicile status		Volume of redeemed monetary claims and settled payables of buyers towards suppliers				Index (5/3)
			01.01. - 30.09.2020		01.01. - 30.09.2021		
1	2	3 Amount	4 % share	5 Amount	6 % share	7	
1.	Factoring with right to recourse	34,984	41.8	63,086	46.8	180	
2.	Factoring without right to recourse	48,785	58.2	71,804	53.2	147	
3.	Reversed (supplier) factoring	0	0.0	0	0.0	-	
	Total	83,769	100	134,890	100	161	
4.	Domestic factoring	83,769	100	134,890	100	161	
5.	Foreign factoring	0	0.0	0	0.0	-	
	Total	83,769	100	134,890	100	161	

As of 30/09/2021, the change to the structure of redeemed monetary claims by factoring types referred to the share of factoring with and without recourse right, while reverse

(supplier) factoring was not effected. The structure according to the domicile status remained unchanged.

Looking into the factoring contracts according to contractual maturity, the highest share in the total volume as of 30/09/2021 of 90.1% corresponds to redeemed monetary claims with contractual maturity of 60 days, followed by the share of 6.8% with contractual maturity of 91-180 days and 3.1% with contractual maturity of 61-90 days. Over the same period of the year before, the highest share was with claims with maturity of up to 60 days (76.3%).

Looking into the sector structure of buyers (with respect to the recourse right), the highest share was with public companies since the value of redeemed claims as of 30/09/2021 was BAM 73.7 million, thus constituting 54.6% of total value at the FB&H factoring system level. This is followed by BAM 60.8 million or 45.1% redeemed from private companies and enterprises at the FB&H factoring system level, while BAM 0.5 million or 0.3% of monetary claims was redeemed from government institutions.

According to the sector structure in the segment of private enterprises and companies, total advances paid to suppliers (sellers of receivables) equaled BAM 130.3 million or 99%. If observing domestic factoring by type of recourse in the segment of private enterprises and companies, an amount of BAM 71.6 million or 55% related to factoring without recourse right and BAM 63.1 million or 45% to factoring with recourse right. As for the segment of public companies, total advances paid to suppliers amount to BAM 1.3 million or 1% of the total advances paid. Therein, the entire value in this segment refers to the factoring with recourse right.

On the basis of factoring contracts as of 30/09/2021, banks claimed the total of BAM 24.7 million, fully in domestic factoring, of which BAM 14.3 million or 57.8% relates to factoring with right to recourse, while BAM 10.4 million or 42.2% relates to factoring without right to recourse. The structure of the mentioned amount of redeemed claims by contractual maturities is the following: with contractual maturity of up to 60 days – 82.2%, of 61 to 90 days – 6.7%, of 91 to 180 days – 11%.

Total income of the factoring service providers in the FB&H as of September 30, 2021 amounted to BAM 801 ths (income from interest, fees and administrative fees), down by BAM 2 ths or 1% compared to the same period the year before. In the structure of the reported total income, 59.9% refers to factoring with right to recourse and 40.1% to factoring without right to recourse.

2.3.3. RECOMMENDATIONS FOR THE FACTORING BUSINESS

Factoring business as of 30/09/2021 was conducted solely through the function of financing. There was neither any recorded provision of services of securing collection and receivables management service, nor performance of activities related to factoring, which confirms that this activity is still beginning to develop in the FB&H market within the legislative and institutional frameworks defined under the LoF and the FBA regulations governing factoring operations in more detail.

Considering that the need for short term financing and management of cash receivables, as well as securing receivables, are all becoming increasingly significant in the real sector, it can

be expected in the coming period that factoring, as one of the reliable tools for solving liquidity problems in the FB&H, will certainly be in use as an effective instrument for accelerating cash flows in much larger volume than insofar.

In order to eliminate liquidity problems more efficiently, thereby raising the volume of short-term financing of current operations of small and medium-sized enterprises to a higher level, in the coming period more significant affirmation of factoring, as an instrument not only of financing, but also of cash flow management, will be necessary, both on the part of service providers and on the part of other participants in the FB&H financial market.

Within the FBA's prescribed competences regarding supervision over factoring companies in the FB&H and banks performing factoring operations, it will continue with the planned activities, thus focusing on the following aspects over the forthcoming period:

- continuous supervision of the factoring system in the FB&H via off-site and on-site supervision;
- providing technical assistance in implementation of laws and regulations by entities performing factoring operations, as well as cooperation with supervisory and control institutions, to include also cooperation with CBB&H regarding the structure and quality of data in CLR referring to factoring exposures;
- supporting improvements to the business environment in the context of the FB&H factoring system, as well as supporting establishment of confidence in factoring service providers, etc.

Within its competences for supervision, FBA expects from the factoring system entities to improve activities and measures aimed at ensuring lawful, stable, efficient and transparent rendering of factoring services, thus focusing on the following:

- compliance with regulatory requirements;
- improvement of safe, stable and sustainable factoring business;
- improvement of the risk management system, strengthening of internal controls system and internal audit function;
- ensuring reliability and integrity of data and information provided to the FBA, CBB&H and other supervisory institutions and bodies;
- ensuring accuracy, validity and comprehensiveness of accounting and non-accounting records, preventive action and prevention of fraud and errors;
- transparent, comprehensive and complete information to customers on factoring services, etc.

CONCLUSION

In order to preserve and strengthen stability of the banking system, protect depositors, and ensure lawful, safe and quality operations of all BSEs in the FB&H falling within its area of supervision competency, FBA continuously supervises their operations, carrying out planned and special activities and taking measures in accordance with its legal authorities.

Based on presented key performance indicators of the FB&H banking sector as of 30/09/2021, it may be concluded that it is stable and adequately capitalised. Over the first nine months of 2021, there was an increase of assets, cash, loans, securities, deposits and capital, as well as profitability – all compared to the same period of the previous year. The share of non-performing loans (as a key indicator of loan quality) in total loans a posted a decrease, while their coverage rate with expected credit losses posted an increase. Measures prescribed by the FBA will increase chances of recovery of the economy and decrease negative economic effects of the pandemic. What is crucial here is the quality of the overall governance system in banks, adequate and efficient functioning of the risk management system and adequate capital buffers achieved through fulfillment of capital requirements related to the regulatory capital calculation.

Compared to the end of the previous year, operations of the microcredit sector in the FB&H were marked by an increase of total assets and gross micro loan portfolio (as the key assets item), plus an increase of total capital (as a dominant item among liabilities), while liabilities based on loans taken have decreased. If observed against the same period the year before, the number of concluded contracts and microloan disbursements in the period from 01/01/2021 to 30/09/2021 saw a rise. Operations continued to bring positive financial result, thus being higher than the one recognised over the same period last year.

As of 30/09/2021, at the level of the leasing system in the FB&H, an increase was reported in the volume of assets, gross and net receivables based on financial leasing and loan obligations and capital of leasing companies compared to 31/12/2020. The number and value of newly concluded leasing contracts also posted an increase against the same period last year. Over the reporting period, FB&H leasing sector posted an operating profit, thus being higher than in the same period the year before.

Factoring business as possible instrument of short term financing and cash flow management was performed as of 30/09/2021 solely via its financing function, whereas no collection service and receivables management service was posted or any deals related to factoring. This area is still beginning to develop in the FB&H. Its faster development calls for a legal reform being a limiting factor in its certain elements.

Based on presented key performance indicators of BSEs, there are signs of economic recovery after the pandemic has reached its full height. Therein, this was significantly influenced by the FBA as the leading regulatory and supervisory institution that enacted effective and quality measures in this respect. Over the following period, special attention will be paid to risks related to parts of the portfolio being subjected to some of the special measures. FBA will continue to perform supervision over BSE operations in line with effective regulations and plans and will take special measures in case of further need for actions under conditions of a prolonged pandemic.

LIST OF ANNEXES

ANNEXES – BANKING SECTOR

79

- Annex 1 - Basic information on FB&H banks - 30.09.2021
- Annex 2 – FB&H banks' balance sheet according to the FBA scheme (active sub-balance sheet) - 30.09.2021
- Annex 3 - Overview of assets, loans and deposits of FB&H banks - 30.09.2021
- Annex 4 - Sector Structure of Loans in the FB&H and ECL - 30.09.2021
- Annex 5 - FB&H banks' income statement according to FBA's scheme - 30.09.2021
- Annex 6 - Average weighted NIR and EIR on loans and deposits by periods

ANNEXES - MICROCREDIT SECTOR

85

- Annex 7 - Basic information on FB&H MCOs - 30.09.2021
- Annex 8 - MCFs' aggregate balance sheet - 30.09.2021
- Annex 9 - MCCs' aggregate balance sheet - 30.09.2021
- Annex 10 - Overview of key indicators of MCOs in the FB&H - 30.09.2021
- Annex 11 - Overview of average weighted NIR and EIR for MCOs - 30.09.2021
- Annex 11a - Comparative overview of average weighted NIR and EIR for MCOs
- Annex 12 - MCFs aggregate income statement - 30.09.2021
- Annex 13 - MCCs aggregate income statement - 30.09.2021

ANNEXES - LEASING SECTOR

92

- Annex 14 - Basic information on leasing companies in the FB&H - 30.09.2021
- Annex 15 - Leasing companies' aggregate balance sheet - 30.09.2021
- Annex 16 - Basic indicators of leasing companies in the FB&H - 30.09.2021
- Annex 17 - Leasing companies' aggregate income statement - 30.09.2021
- Annex 18 - Overview of weighted NIR and EIR for financial leasing contracts - 30.09.2021
- Annex 18a - Comparative overview of average weighted NIR and EIR for financial leasing contracts

ANNEXES - BANKING SECTOR

Annex 1 - Basic information on FB&H banks - 30.09.2021

No.	Bank	Web address	Number of employees	Management Chairperson
1.	Addiko Bank d.d. Sarajevo	www.addiko.ba	354	Sanela Pašić
2.	ASA BANKA DIONIČKO DRUŠTVO SARAJEVO	www.asabanka.ba	226	Samir Mustafić
3.	"BOSNA BANK INTERNATIONAL" - d.d. Sarajevo	www.bbi.ba	445	Emina Šišić
4.	INTESA SANPAOLO BANKA d.d. BOSNA I HERCEGOVINA	www.intesasanpaolobanka.ba	565	Marco Trevisan
5.	KOMERCIJALNO-INVESTICIONA BANKA D.D. VELIKA KLADUŠA	www.kib-banka.com.ba	81	Hasan Porčić
6.	NLB Banka d.d., Sarajevo	www.nlb.ba	444	Lidija Žigić
7.	PRIVREDNA BANKA SARAJEVO d.d. SARAJEVO	www.pbs.ba	179	Hamid Pršeš
8.	ProCredit Bank d.d. Sarajevo	www.procreditbank.ba	142	Amir Salkanović
9.	RAIFFEISEN BANK DIONIČARSKO DRUŠTVO BOSNA I HERCEGOVINA	www.raiffeisenbank.ba	1,246	James Daniel Stewart, Jr
10.	Sberbank BH d.d. Sarajevo	www.sberbank.ba	430	Jasmin Spahić
11.	Sparkasse Bank dd Bosna i Hercegovina	www.sparkasse.ba	527	Amir Softić
12.	UniCredit Bank d.d.	www.unicreditbank.ba	1,196	Amina Mahmutović
13.	UNION BANKA DD SARAJEVO	www.unionbank.ba	198	Vedran Hadžiahmetović
14.	VAKUFСКА BANKA DD SARAJEVO	www.vakuba.ba	119	Edina Vuk
15.	ZiraatBank BH d.d.	www.ziraatbank.ba	305	Bülent Suer
TOTAL			6,457	

Annex 2 - FB&H banks' balance sheet according to the FBA scheme (active sub-balance sheet) - 30.09.2021

- BAM 000 -

No.	Description	31.12.2020	%	30.09.2021	%	Index (5/3)
1	2	3	4	5	6	7
ASSETS						
1.	Cash and deposit accounts with deposit institutions	7,414,615	30.4	7,520,470	29.5	101
	1.a. Cash and non-interest bearing deposit accounts	3,609,270	14.8	3,845,277	15.1	107
	1.b. Interest bearing deposit accounts	3,805,345	15.6	3,675,193	14.4	97
2.	Securities at fair value through profit or loss and at fair value in other comprehensive income	1,526,169	6.3	1,848,168	7.2	121
3.	Placements to other banks	275,941	1.1	108,344	0.4	39
4.	Loans, leasing type receivables and past-due receivables	15,254,651	62.5	16,131,633	63.3	106
	4.a. Loans	14,544,264	59.6	15,376,959	60.3	106
	4.b. Leasing type receivables	55,091	0.2	44,340	0.2	80
	4.c. Due receivables on loans and leasing type receivables	655,296	2.7	710,334	2.8	108
5.	Securities at amortized cost	161,290	0.7	188,360	0.7	117
6.	Business premises and other fixed assets	517,475	2.1	483,219	1.9	93
7.	Other real-estate	36,000	0.1	25,950	0.1	72
8.	Investments in subsidiaries and affiliates	15,944	0.1	15,944	0.1	100
9.	Other assets	376,169	1.5	337,605	1.3	90
10.	MINUS: Impairments	1,181,816	4.8	1,166,427	4.5	99
	10.a. Impairments of items in position 4 of Assets	1,127,176	4.6	1,112,657	4.3	99
	10.b. Impairments of assets items, except for position 4 of Assets	54,640	0.2	53,770	0.2	98
11.	TOTAL ASSETS	24,396,438	100	25,493,266	100	104
LIABILITIES						
12.	Deposits	19,660,862	80.6	20,590,697	80.8	105
	12.a. Interest-bearing deposits	13,634,083	55.9	13,925,211	54.6	102
	12.b. Non interest-bearing deposits	6,026,779	24.7	6,665,486	26.2	111
13.	Borrowings –due liabilities	150	0.0	150	0.0	100
	13.a. Balance of overdue liabilities	0	0.0	0	0.0	-
	13.b. Balance of not settled, called for payment off-balance sheet liabilities	150	0.0	150	0.0	100
14.	Borrowings from other banks	0	0.0	0	0.0	-
15.	Liabilities to government	0	0.0	0	0.0	-
16.	Liabilities on loans and other borrowings	811,878	3.3	741,091	2.9	91
	16.a. with residual maturity up to one year	210,081	0.9	331,152	1.3	158
	16.b. with residual maturity over one year	601,797	2.4	409,939	1.6	68
17.	Subordinated debts and subordinated bonds	186,358	0.8	201,358	0.8	108
18.	Other liabilities	671,108	2.7	632,274	2.4	94
19.	TOTAL LIABILITIES	21,330,356	87.4	22,165,570	86.9	104
CAPITAL						
20.	Permanent priority shares	365	0.0	365	0.0	100
21.	Common shares	1,299,335	5.3	1,299,335	5.1	100
22.	Issue premiums	137,290	0.6	137,290	0.6	100
	22.a. on permanent priority shares	88	0.0	88	0.0	100
	22.b. on common shares	137,202	0.6	137,202	0.5	100
23.	Undistributed profit and capital reserves	1,460,150	6.0	1,626,730	6.4	111
24.	Exchange rate differences	0	0.0	0	0.0	-
25.	Other capital	168,942	0.7	263,976	1.0	156
26.	Loan loss reserves created from profits	0	0.0	0	0.0	-
27.	TOTAL CAPITAL: (20 to 25)	3,066,082	12.6	3,327,696	13.1	109
28.	TOTAL LIABILITIES AND CAPITAL: (19 + 27)	24,396,438	100	25,493,266	100	104
PASSIVE AND NEUTRAL SUB-BALANCE SHEET		703,769		707,530		101
TOTAL		25,100,207		26,200,796		104

Annex 3 - Overview of assets, loans and deposits of FB&H banks - 30.09.2021

- BAM 000 -

R. br.	Banka	Assets		Loans		Deposits		Financial result
		Amount	%	Amount	%	Amount	%	Amount
1.	ADDIKO BANK d.d. Sarajevo	993,584	3.9	560,655	3.5	758,352	3.7	8,917
2.	ASA BANKA d.d. Sarajevo	677,375	2.7	452,462	2.8	599,563	2.9	5,609
3.	BOSNA BANK INTERNATIONAL d.d. Sarajevo	1,428,396	5.6	883,786	5.5	1,149,183	5.6	5,778
4.	INTESA SANPAOLO BANKA d.d. BiH Sarajevo	2,376,547	9.3	1,632,822	10.1	1,752,880	8.5	24,388
5.	KOMERCIJALNO-INVESTICIONA BANKA d.d. Velika Kladuša	121,480	0.5	53,317	0.3	88,752	0.4	1,023
6.	NLB BANKA d.d. Sarajevo	1,363,683	5.3	900,293	5.6	1,113,587	5.4	17,893
7.	PRIVREDNA BANKA SARAJEVO d.d. Sarajevo	563,485	2.2	317,407	2.0	468,644	2.3	6,218
8.	PROCREDIT BANK d.d. Sarajevo	654,178	2.6	508,148	3.2	390,505	1.9	1,311
9.	RAIFFEISEN BANK d.d. BiH Sarajevo	4,912,444	19.3	2,566,003	15.9	4,024,044	19.5	78,700
10.	SBERBANK BH d.d. Sarajevo	1,603,654	6.3	1,073,087	6.7	1,370,661	6.7	14,003
11.	SPARKASSE BANK d.d. BiH Sarajevo	1,860,402	7.3	1,252,067	7.8	1,559,797	7.6	21,571
12.	UNICREDIT BANK d.d. Mostar	6,415,019	25.2	4,517,963	28.0	5,204,619	25.3	71,753
13.	UNION BANKA d.d. Sarajevo	1,020,813	4.0	341,003	2.1	887,669	4.3	1,057
14.	VAKUFСКА BANKA d.d. Sarajevo	321,936	1.3	184,979	1.1	289,135	1.4	4,096
15.	ZIRAATBANK BH d.d. Sarajevo	1,180,270	4.6	887,641	5.5	933,306	4.5	1,659
TOTAL		25,493,266	100	16,131,633	100	20,590,697	100	263,976

Annex 4 - Sector Structure of Loans in the FB&H and ECL - 30.09.2021

- BAM 000 -

Description	Credit risk grade 1	Credit risk grade 2	Credit risk grade 3	Total gross exposure by all credit risk grades	ECL for the credit risk grade 1	ECL for the credit risk grade 2	ECL for the credit risk grade 3	Total ECL
1	2	3	4	5	6	7	8	9
1. Total corporate loans (1.1. to 1.21.)	6,906,808	1,169,345	502,342	8,578,495	64,220	161,691	394,097	620,008
1.1. A Agriculture, forestry and fishing	98,195	6,363	32,723	137,281	922	365	22,902	24,189
1.2. B Mining and quarrying	87,829	24,977	174	112,980	1,073	5,574	129	6,776
1.3. C Processing industry	1,362,249	378,060	178,667	1,918,976	16,591	70,098	141,927	228,616
1.4. D Production and supply of electricity, gas, fumes and air conditioning	195,220	21,348	3,382	219,950	1,837	3,924	2,846	8,607
1.5. E Water supply, waste water drainage, commercial waste disposal and environmental recovery	25,251	4,660	1,338	31,249	257	428	1,331	2,016
1.6. F Construction	392,196	62,530	34,849	489,575	4,412	5,965	30,716	41,093
1.7. G Wholesale and retail trade; repair of motor vehicles and motorcycles	2,301,909	266,617	154,746	2,723,272	20,645	23,210	119,415	163,270
1.8. H Transport and warehousing	248,823	64,885	17,789	331,497	2,507	5,337	14,394	22,238
1.9. I Accommodation and catering (hotels and hospitalist business)	77,100	147,110	26,850	251,060	1,068	24,053	22,087	47,208
1.10. J Information and communication	97,017	10,915	12,273	120,205	1,195	1,029	9,139	11,363
1.11. K Financial and insurance business	1,376,883	2,934	12	1,379,829	5,317	148	4	5,469
1.12. L Real estate business	58,919	108,822	16,544	184,285	1,039	14,843	12,416	28,298
1.13. M Professional, scientific and technical activities	144,240	27,256	11,803	183,299	2,240	3,211	9,755	15,206
1.14. N Administrat. and auxiliary services	26,169	9,373	2,895	38,437	465	762	1,886	3,113
1.15. O Public administration and defence; social insurance	274,361	7,029	0	281,390	3,495	321	0	3,816
1.16. P Education	7,476	965	2,592	11,033	82	62	471	615
1.17. Q Health care and social welfare	69,870	7,810	1,525	79,205	553	643	1,004	2,200
1.18. R Art, entertainment and recreation	9,554	16,257	295	26,106	170	1,649	215	2,034
1.19. S Other services	53,542	1,434	3,885	58,861	349	69	3,460	3,878
1.20. T Activities of households as employers; activities of households manufacturing different goods and rendering different services for their own needs	0	0	0	0	3	0	0	3
1.21. U activities of extraterritorial organisations and bodies	5	0	0	5	0	0	0	0
2. Total Retail (2.1 + 2.2 + 2.3)	6,669,667	432,462	451,009	7,553,138	77,434	47,703	367,512	492,649
2.1. General consumption	5,188,566	371,946	403,414	5,963,926	67,434	42,271	331,650	441,355
2.2. Housing construction	1,412,934	51,115	40,491	1,504,540	9,131	4,789	30,166	44,086
2.3. Entrepreneurs	68,167	9,401	7,104	84,672	869	643	5,696	7,208
3. Total loans (1. + 2.)	13,576,475	1,601,807	953,351	16,131,633	141,654	209,394	761,609	1,112,657

Annex 5 - FB&H banks' income statement according to FBA's scheme - 30.09.2021

- BAM 000 -

R. br.	Description	30.09.2020	%	30.09.2021	%	Index (5/3)
1	2	3	4	5	6	7
1.	INTEREST INCOME AND EXPENSES					
a)	Interest income and similar income					
1)	Interest-bearing deposit accounts with deposit institutions	2,169	0.3	599	0.1	28
2)	Placements to other banks	2,082	0.3	2,373	0.3	114
3)	Loans and leasing operations	468,473	60.6	464,290	56.1	99
4)	Securities held to maturity	3,026	0.4	3,358	0.4	111
5)	Equity securities	0	0.0	0	0.0	-
6)	Receivables on paid off-balance sheet liabilities	1	0.0	3	0.0	300
7)	Other interest income and similar income	47,929	6.2	50,333	6.1	105
8)	TOTAL INTEREST INCOME AND SIMILAR INCOME	523,680	67.8	520,956	63.0	99
b)	Interest expenses and similar expenses					
1)	Deposits	68,728	8.9	59,634	7.2	87
2)	Borrowings from other banks	0	0.0	0	0.0	-
3)	Borrowings taken – past-due liabilities	0	0.0	0	0.0	-
4)	Liabilities on loans and other borrowings taken	6,092	0.8	5,237	0.6	86
5)	Subordinated debts and subordinated bonds	5,519	0.7	5,189	0.6	94
6)	Other interest expenses and similar expenses	18,068	2.3	20,290	2.5	112
7)	TOTAL INTEREST EXPENSES AND SIMILAR EXPENSES	98,407	12.7	90,350	10.9	92
c)	Net interest and similar income	425,273	55.1	430,606	52.1	101
2.	OPERATING INCOME					
a)	Income from foreign exchange operations	40,427	5.2	51,291	6.2	127
b)	Loan fees	7,372	1.0	8,024	1.0	109
c)	Off-balance sheet operation fees	17,363	2.2	17,318	2.1	100
d)	Service fees	226,216	29.3	264,026	31.9	117
e)	Income from trading operations	1,434	0.2	970	0.1	68
f)	Other operating income	54,266	7.0	55,118	6.6	102
g)	TOTAL OPERATING INCOME a) through f)	347,078	44.9	396,747	47.9	114
	TOTAL INCOME (1c + 2g)	772,351	100	827,353	100	107
3.	NON-INTEREST EXPENSES					
a)	Operating and direct expenses					
1)	Risk asset impairment costs, provisions for contingent liabilities and other value adjustments	133,504	17.3	48,847	5.9	37
2)	Other operating and direct costs	100,312	13.0	116,758	14.1	116
3)	TOTAL OPERATING AND DIRECT EXPENSES 1) + 2)	233,816	30.3	165,605	20.0	71
b)	Operating expenses					
1)	Salary and contribution costs	192,141	24.9	195,486	23.6	102
2)	Business premises costs, other fixed assets and overheads	118,273	15.3	124,610	15.1	105
3)	Other operating costs	76,533	9.9	74,715	9.0	98
4)	TOTAL OPERATING EXPENSES 1) through 3)	386,947	50.1	394,811	47.7	102
c)	TOTAL NON-INTEREST EXPENSES	620,763	80.4	560,416	67.7	90
	TOTAL EXPENSES (1b7+3c)	719,170		650,766		90
4.	PROFIT BEFORE TAXATION	167,046	21.6	266,937	32.3	160
5.	LOSS	15,458	2.0	0	0.0	0
6.	TAXES	1,059	0.1	1,519	0.2	143
7.	PROFIT ON INCREASE IN DEFERRED TAX ASSETS AND DECREASE IN DEFERRED TAX LIABILITIES	724	0.1	25	0.0	3
8.	LOSS ON DECREASE IN DEFERRED TAX ASSETS AND INCREASE IN DEFERRED TAX LIABILITIES	61	0.0	1,467	0.2	2405
9.	NET PROFIT	166,670	21.6	263,976	31.9	158
10.	NET LOSS	15,478	2.0	0	0.0	0
11.	FINANCIAL PERFORMANCE (9-10)	151,192		263,976		175

Annex 6 - Average weighted NIR and EIR on loans and deposits by periods

Average weighted NIR and EIR on loans by periods

No.	Description	30.09.2017		30.09.2018		30.09.2019		30.09.2020		30.09.2021	
		NIR	EIR	NIR	EIR	NIR	EIR	NIR	EIR	NIR	EIR
1	2	3	4	5	6	7	8	9	10	11	12
1.	Weighted interest rates on short-term loans										
1.1.	Corporate	3.19	3.39	2.64	2.87	2.30	2.60	2.19	2.40	2.10	2.34
1.2.	Retail	8.32	15.35	7.62	14.85	7.22	13.53	8.37	15.36	8.53	14.70
2.	Weighted interest rates on long-term loans										
2.1.	Corporate	4.16	4.46	3.69	4.00	3.47	3.74	3.62	3.88	3.44	3.70
2.2.	Retail	6.42	8.02	5.59	7.15	5.40	6.77	5.44	6.89	5.23	6.52
3.	Total weighted interest rates										
3.1.	Corporate	3.42	3.65	2.92	3.17	2.56	2.85	2.51	2.73	2.48	2.72
3.2.	Retail	6.46	8.18	5.64	7.31	5.43	6.91	5.50	7.05	5.28	6.64

- % -

Average Weighted NIR and EIR on deposits by periods

No.	Description	30.09.2017		30.09.2018		30.09.2019		30.09.2020		30.09.2021	
		NIR	EIR	NIR	EIR	NIR	EIR	NIR	EIR	NIR	EIR
1	2	3	4	5	6	7	8	9	10	11	12
1.	Weighted interest rates on short-term deposits										
1.1.	Up to three months	0.36	0.36	0.37	0.34	0.33	0.32	0.16	0.15	0.11	0.11
1.2.	Up to one year	0.53	0.54	0.28	0.28	0.33	0.32	0.47	0.47	0.32	0.32
2.	Weighted interest rates on long-term deposits										
2.1.	Up to three years	1.24	1.26	0.93	0.95	1.13	1.04	0.81	0.81	0.69	0.70
2.2.	Over three years	1.79	1.83	1.38	1.39	1.59	1.60	1.32	1.34	1.13	1.18

- % -

ANNEXES - MICROCREDIT SECTOR

Annex 7 - Basic information on FB&H MCOs - 30.09.2021

No.	MCO Name	Web address	Director	Licence issuance date	Number of employees
1.	MKD „CREDO CENTAR“ d.o.o. Mostar	www.credo.centar.ba	Bernard Stojanović	12.09.2019	12
2.	MKD "EKI" d.o.o. Sarajevo	www.eki.ba	Almir Sultanović	04.02.2008	192
3.	MKF "EKI" Sarajevo	www.eki.ba	Esad Uzunić	20.08.2007	144
4.	MKD „IUTECREDIT BH“ d.o.o. Sarajevo	www.iutecredit.ba	Jasmin Kukuljac	28.02.2019	47
5.	MKF "LIDER" Sarajevo	www.lider.ba	Džavid Sejfović	04.02.2008	70
6.	"LOK MKF" Sarajevo	www.lok.ba	Elma Čardaklija - Bašić	04.02.2008	58
7.	MKF "MELAHA" Sarajevo	www.melaha.ba	Jakob Finci	09.10.2007	6
8.	MKF "MI-BOSPO" Tuzla	www.mi-bospo.org	Safet Husić	09.07.2007	196
9.	MKF "MIKRA" Sarajevo	www.mikra.ba	Sanin Čampara	19.03.2008	156
10.	MKF "MIKRO ALDI" Goražde	www.mikroaldi.org	Omar Softić	20.08.2007	34
11.	"PARTNER MKF" Tuzla	www.partner.ba	Senad Sinanović	20.08.2007	277
12.	"PRVA ISLAMSKA MKF" Sarajevo	www.mfi.ba	Edina Hadžimurtezić	10.12.2007	9
13.	MKF "SUNRISE" Sarajevo	www.microsunrise.ba	Samir Bajrović	20.08.2007	174
TOTAL					1.375

Annex 8 - MCFs' aggregate balance sheet - 30.09.2021

- BAM 000 -

No.	Description	31.12.2020	%	30.09.2021	%	Index (5/3)
1	2	3	4	5	6	7
ASSETS						
1.	Cash (1a+1b)	42,575	8.6	38,644	7.6	91
1a)	Cash and non-interest bearing deposit accounts	28,525	5.8	24,485	4.8	86
1b)	Interest-bearing deposit accounts	14,050	2.8	14,159	2.8	101
2.	Placements to banks	110	0.0	1,610	0.3	1464
3.	Loans	389,972	79.2	397,574	78.0	102
3a)	Loan loss reserves	4,108	0.8	3,676	0.7	89
3b)	Net loans (3-3a)	385,864	78.4	393,898	77.3	102
4.	Business premises and other fixed assets	26,764	5.5	26,345	5.2	98
5.	Long-term investments	33,061	6.7	33,061	6.5	100
6.	Other assets	3,565	0.8	15,709	3.1	441
7.	Minus: reserves on other asset items, except for loans	10	0.0	10	0.0	100
8.	TOTAL ASSETS	491,929	100	509,257	100.0	104
LIABILITIES						
9a)	Liabilities on short-term loans taken out	20,476	4.2	13,125	2.6	64
9b)	Liabilities on long-term loans taken out	186,128	37.8	186,015	36.5	100
9c)	Liabilities based on interest due	899	0.2	1,079	0.2	120
10.	Other liabilities	23,130	4.7	29,401	5.8	127
11.	TOTAL LIABILITIES	230,633	46.9	229,620	45.1	100
12.	Donated capital	48,076	9.8	48,076	9.4	100
13.	Tier 1 capital	3,868	0.8	3,696	0.7	96
14.	Surplus of income over expenses	264,873	53.8	282,035	55.4	106
14a)	for previous years	252,283		270,582		107
14b)	for current year	12,590		11,453		91
15.	Shortfall of income over expenses	55,625	11.3	55,270	10.8	99
15a)	for previous years	55,251		55,118		100
15b)	for current year	374		152		41
16.	Other reserves	104	0.0	1,100	0.2	1058
17.	TOTAL CAPITAL	261,296	53.1	279,637	54.9	107
18.	TOTAL LIABILITIES	491,929	100	509,257	100.0	104
OFF-BALANCE SHEET RECORDS						
19.	Written-off loans	143,361		138,848		97
20.	Approved, but undrawn loan funds of creditors	6,373		7,439		117
21.	Commission operations	218		215		99
22.	Court disputes, orders by competent authorities posing contingent liability for MCO, but that have not yet been posted in balance sheet records, etc.	400		400		100
23.	Other (all other off-balance sheet items not covered above)	40,189		34,570		86

Annex 9 - MCCs' aggregate balance sheet - 30.09.2021

- BAM 000 -

No.	Description	31.12.2020	%	30.09.2021	%	Index (5/3)
1	2	3	4	5	6	7
ASSETS						
1.	Cash (1a+1b)	12,356	7.4	12,784	7.0	103
1a)	Cash and non-interest bearing deposit accounts	12,106	7.3	12,534	6.9	104
1b)	Interest-bearing deposit accounts	250	0.1	250	0.1	100
2.	Placements to banks	0	0.0	0	0.0	-
3.	Loans	150,918	90.9	160,536	87.8	106
3a)	Loan loss reserves	2,936	1.8	2,636	1.4	90
3b)	Net loans (3-3a)	147,982	89.1	157,900	86.4	107
4.	Business premises and other fixed assets	4,540	2.7	4,164	2.3	92
5.	Long-term investments	0	0.0	0	0.0	-
6.	Other assets	1,248	0.8	7,983	4.3	640
7.	Minus: reserves on other asset items, except for loans	0	0.0	0	0.0	-
8.	TOTAL ASSETS	166,126	100	182,831	100.0	110
LIABILITIES						
9a)	Liabilities on short-term loans taken out	360	0.2	500	0.3	139
9b)	Liabilities on long-term loans taken out	106,468	64.1	111,915	61.2	105
9c)	Liabilities based on interest due	1,092	0.6	1,152	0.6	105
10.	Other liabilities	7,928	4.8	19,675	10.8	248
11.	TOTAL LIABILITIES	115,848	69.7	133,242	72.9	115
12.	Donated capital	0	0.0	0	0.0	-
13.	Tier 1 capital	33,100	19.9	33,100	18.1	100
14.	Issue premium	0	0.0	0	0.0	-
15.	Unallocated profit (15a+15b)	9,168	5.5	8,134	4.4	89
15a)	Previous year	10,124		6,614		65
15b)	Current year	-956		1,520		-159
16.	Legal reserves	3,568	2.2	4,214	2.3	118
17.	Other reserves	4,442	2.7	4,141	2.3	93
18.	TOTAL CAPITAL	50,278	30.3	49,589	27.1	99
19.	TOTAL LIABILITIES	166,126	100	182,831	100.0	110
OFF-BALANCE SHEET RECORDS						
20.	Written-off loans	6,181		10,057		163
21.	Approved, but undrawn loan funds of creditors	12,879		8,737		68
22.	Commission operations	0		0		-
23.	Court disputes, orders by competent authorities posing contingent liability for MCO, but that have not yet been posted in balance sheet records, etc.	0		0		-
24.	Other (all other off-balance sheet items not covered above)	16,741		7,879		47

Annex 10 - Overview of key indicators of MCOs in the FB&H - 30.09.2021

- BAM 000 -

No.	Name of MCO	Assets	Gross portfolio	Capital	Financial result	Placements
1.	MKD „CREDO CENTAR“ d.o.o. Mostar	2,819	2,498	2,185	85	1,762
2.	MKD "EKI" d.o.o. Sarajevo	173,231	149,762	46,853	5,525	85,384
3.	MKF "EKI" Sarajevo	117,058	51,565	78,390	1,796	39,789
4.	MKD „IUTECREDIT BH“ d.o.o. Sarajevo	6,781	6,547	551	-4,090	8,319
5.	MKF "LIDER" Sarajevo	26,363	25,236	12,517	562	18,473
6.	"LOK MKF" Sarajevo	6,346	4,696	3,421	71	2,243
7.	MKF "MELAHA" Sarajevo	1,021	649	322	-94	293
8.	MKF "MI-BOSPO" Tuzla	79,267	72,334	30,663	2,200	54,246
9.	MKF "MIKRA" Sarajevo	53,396	43,873	12,077	804	33,708
10.	MKF "MIKRO ALDI" Goražde	8,321	7,753	5,371	145	4,912
11.	"PARTNER MKF" Tuzla	158,809	141,100	102,211	4,525	76,366
12.	"PRVA ISLAMSKA MKF" Sarajevo	2,278	1,904	2,108	-58	1,910
13.	MKF "SUNRISE" Sarajevo	56,398	44,652	32,557	1,340	39,946
TOTAL		692,088	552,569	329,226	12,811	367,351

Annex 11 - Overview of average weighted NIR and EIR for MCOs - 30.09.2021

No.	Description	MCOs seated in the FB&H -period 01.01.-30.09.2021-			
		Number of concluded contracts	Microloans disbursement (in BAM 000)	Weighted NIR (average) %	Weighted EIR (average) %
1	2	3		4	5
1.	Short term microloans for:	35,289	45,936	20.40	29.81
1.1.	service activities	1,179	2,354	20.46	28.04
1.2.	trade	255	768	19.02	25.47
1.3.	agriculture	3,974	6,322	20.54	25.92
1.4.	manufacturing	149	387	19.32	26.17
1.5.	housing needs	2,463	4,617	21.19	27.77
1.6.	general-basic needs	19,628	23,116	20.98	33.49
1.7.	other	7,641	8,372	18.37	24.66
2.	Long term microloans for:	70,499	321,415	19.44	23.58
2.1.	service activities	4,618	21,221	18.39	22.15
2.2.	trade	908	4,796	17.58	21.09
2.3.	agriculture	15,893	85,297	17.89	20.35
2.4.	manufacturing	644	3,708	17.72	21.02
2.5.	housing needs	14,615	84,593	19.72	23.11
2.6.	general-basic needs	18,272	67,708	20.92	25.18
2.7.	other	15,549	54,092	20.26	28.32
3.	Total microloans	105,788	367,351	19.57	24.36

Annex 11a - Comparative overview of average weighted NIR and EIR for MCOs

- % -

Average weighted NIR on:	01.01.-30.09.2017	01.01.-30.09.2018	01.01.-30.09.2019	01.01.-30.09.2020	01.01.-30.09.2021
Short-term microloans	19.74	20.94	21.00	20.41	20.40
Long-term microloans	20.43	19.70	19.31	19.13	19.44
Total microloans	20.31	19.88	19.56	19.30	19.57
Average weighted EIR on:	01.01.-30.09.2017	01.01.-30.09.2018	01.01.-30.09.2019	01.01.-30.09.2020	01.01.-30.09.2021
Short-term microloans	28.37	28.20	31.22	30.61	29.81
Long-term microloans	24.25	23.39	23.06	23.15	23.58
Total microloans	24.91	24.12	24.27	24.15	24.36

Annex 12 - MCFs aggregate income statement - 30.09.2021

- BAM 000 -

No.	Description	For the period 01.01. - 30.09.2020	%	For the period 01.01. - 30.09.2021	%	Index (5/3)
1	2	3	4	5	6	7
	INTEREST INCOME AND EXPENSES					
1.	Interest and similar income	56,570	90.7	58,356	90.1	103
2.	Interest and similar expenses	5,865	11.1	5,663	10.6	97
3.	Net interest and similar income (1. - 2.)	50,705	81.3	52,693	81.4	104
	OPERATING INCOME AND EXPENSES					
4.	Operating income	5,188	8.3	5,451	8.4	105
5.	Operating expenses	41,139	77.9	43,488	81.3	106
	OTHER OPERATING INCOME AND EXPENSES					
6.	Other operating income	581	1.0	947	1.5	163
7.	Other operating expenses	504	1.0	377	0.7	75
8.	Costs of provisions for loan and other losses	4,213	8.0	2,928	5.5	69
9.	Surplus/shortfall of income over expenses before taxes (3.+4.-5.+6.-7.-8.)	10,618		12,298		116
10.	Tax on surplus income over expenses	1,069	2.0	1,007	1.9	94
11.	Net surplus/shortfall of income over expenses (9.-10.)	9,549		11,291		118

Annex 13 - MCCs aggregate income statement - 30.09.2021

- BAM 000 -

No.	Description	For the period 01.01. - 30.09.2020	%	For the period 01.01. - 30.09.2021	%	Index (5/3)
1	2	3	4	5	6	7
	INTEREST INCOME AND EXPENSES					
1.	Interest and similar income	19,364	98.6	23,074	97.6	119
2.	Interest and similar expenses	4,289	20.5	4,938	22.3	115
3.	Net interest and similar income (1. - 2.)	15,075	76.8	18,136	76.7	120
	OPERATING INCOME AND EXPENSES					
4.	Operating income	214	1.1	418	1.8	195
5.	Operating expenses	11,823	56.7	13,375	60.5	113
	OTHER OPERATING INCOME AND EXPENSES					
6.	Other operating income	57	0.3	150	0.6	263
7.	Other operating expenses	311	1.5	58	0.3	19
8.	Costs of provisions for loan and other losses	4,245	20.3	3,127	14.1	74
9.	Profit/loss before taxes (3.+4.-5.+6.-7.-8.)	-1,033		2,144		-208
10.	Income tax	201	1.0	624	2.8	310
11.	Net profit/loss (9.-10.)	-1,234		1,520		-123

ANNEXES – LEASING SECTOR

Annex 14 - Basic information on leasing companies in the FB&H - 30.09.2021

No.	Leasing company name	Web address	Director	License issuance date	No. of employees
1.	MOGO d.o.o. Sarajevo	www.mogo.ba	Artis Pukitis	01.06.2018	13
2.	PORSCHE LEASING d.o.o. Sarajevo	www.porscheleasing.ba	Dejan Stupar	28.05.2015	22
3.	RAIFFEISEN LEASING d.o.o. Sarajevo	www.rlbh.ba	Maja Jurčević	19.01.2010	43
4.	SPARKASSE LEASING d.o.o. Sarajevo	www.s-leasing.ba	Elma Hošo	11.02.2010	24
TOTAL					102

Annex 15 - Leasing companies' aggregate balance sheet - 30.09.2021

- BAM 000 -

No.	Description	31.12.2020	%	30.09.2021	%	Index (5/3)
1	2	3	4	5	6	7
	ASSETS					
1.	Cash and cash equivalents	6,548	1.9	4,847	1.3	74
2.	Placements to banks	12,113	3.5	6,835	1.8	56
3.	Financial leasing type receivables, net (3a-3b-3c-3d)	256,770	74.7	290,022	76.9	113
3a)	Financial leasing type receivables, gross	280,723	81.7	319,088	84.7	114
3b)	Loss reserves	2,126	0.6	6,332	1.7	298
3c)	Deferred interest income	21,584	6.3	22,426	6.0	104
3d)	Deferred fee income	243	0.1	308	0.1	127
4.	Receivables from subsidiaries	0	0.0	0	0.0	-
5.	Tangible and intangible assets, net (5a+5b-5c-5d)	55,565	16.2	64,059	17.0	115
5a)	Tangible and intangible assets –own funds	3,562	1.0	3,680	1.0	103
5b)	Tangible and intangible assets –of operational leasing	73,103	21.3	84,707	22.5	116
5c)	Impairment -own resources	1,961	0.6	2,143	0.6	109
5d)	Impairment-operating leasing	19,139	5.5	22,185	5.9	116
6.	Long-term investments	309	0.1	311	0.1	101
7.	Other assets (7a+7b)	12,521	3.6	10,772	2.9	86
7a)	Loans, net (7a1-7a2)	4,982	1.4	4,709	1.3	95
7a1)	Loans (past-due receivables+outstanding principal)	4,984	1.4	4,711	1.3	95
7a2)	Loan reserves	2	0.0	2	0.0	100
7b)	Inventory	912	0.3	1,232	0.3	135
7c)	Other assets	6,627	1.9	4,831	1.3	73
	TOTAL ASSETS	343,826	100	376,846	100	110
	LIABILITIES					
8.	Liabilities on loans, net (8a+8b-8c)	307,877	89.5	339,683	90.1	110
8a)	Liabilities on short-term loans	1,956	0.5	11,679	3.1	597
8b)	Liabilities on long-term loans	306,085	89.0	328,184	87.0	107
8c)	Advanced costs and fees	164	0.0	180	0.0	110
9.	Other liabilities	8,174	2.4	9,005	2.4	110
	TOTAL LIABILITIES	316,051	91.9	348,688	92.5	110
10.	Tier 1 capital	16,458	4.8	16,828	4.5	102
11.	Reserves	7,060	2.1	7,818	2.1	111
12.	Accumulated profit/loss	4,257	1.2	3,512	0.9	82
	TOTAL CAPITAL	27,775	8.1	28,158	7.5	101
	TOTAL LIABILITIES	343,826	100	376,846	100	110
	Written off receivables (opening balance)	19,880		21,020		106
	New write off (+)	2,115		533		25
	Recovery (-)	61		334		548
	Permanent write off (-)	914		13,979		1.529
	Written off receivables (closing balance)	21,020		7,240		34
	Other off-balance sheet records	68,554		83,274		121

Annex 16 - Basic indicators of leasing companies in the FB&H - 30.09.2021

No.	Name	Balance sheet total	Financial leasing receivables	Net balance of funds granted under operational leasing	Total capital	Financial result	Placements
1.	MOGO d.o.o. Sarajevo	1,376	605	0	1,050	-943	8
2.	PORSCHE LEASING d.o.o. Sarajevo	149,075	95,996	48,344	6,297	2,384	63,000
3.	RAIFFEISEN LEASING d.o.o. Sarajevo	121,222	97,333	9,145	12,908	1,458	44,676
4.	SPARKASSE LEASING d.o.o. Sarajevo	105,173	96,088	5,033	7,903	614	49,528
TOTAL		376,846	290,022	62,522	28,158	3,513	157,212

Annex 17 - Leasing companies' aggregate income statement - 30.09.2021

- BAM 000 -

No.	Description	01.01.- 30.09.2020	%	01.01.- 30.09.2021	%	Index (5/3)
1	2	3	4	5	6	7
	Financial income and expenses					
1.	Interest income	9,455	36.4	10,292	37.6	109
1a)	Interest on financial leasing	291	1.1	61	0.2	21
1b)	Interest on placements to banks	7,682	29.6	8,725	31.9	114
1c)	Fees (for leasing application processing, etc.)	627	2.4	693	2.5	111
1d)	Other interest income	855	3.3	813	3.0	95
2.	Interest expenses	3,193	13.1	3,205	13.4	100
2a)	Interest on borrowed funds	3,114	12.8	3,133	13.1	101
2b)	Loan processing fees	77	0.3	70	0.3	91
2c)	Other interest expenses	2	0.0	2	0.0	100
3.	Net interest income	6,262	24.1	7,087	25.9	113
	Operating income and expenses					
4.	Operating income	16,538	63.6	17,069	62.4	103
4a)	Service fees	1	0.0	1	0.0	100
4b)	Operating lease fee	12,859	49.5	14,406	52.7	112
4c)	Income from sale of leasing object	0	0.0	0	0.0	-
4d)	Other operating income	3,678	14.1	2,662	9.7	72
4d)1	Income from recovered written off receivables	281	1.1	485	1.7	173
4d)2	Income from collection letters	8	0.0	14	0.1	175
4d)3	Other	3,389	13.0	2,163	7.9	64
5.	Operating expenses	19,594	80.9	18,738	78.6	96
5a)	Salary and contribution costs	3,724	15.4	3,492	14.7	94
5b)	Business premises costs	8,651	35.7	9,448	39.6	109
5c)	Other costs	7,219	29.8	5,798	24.3	80
6.	Costs of loss reserves	1,451	6.0	1,905	8.0	131
7.	Profit before tax	1,755		3,513		200
8.	Corporate income tax	0	0.0	0	0.0	-
9.	Net profit/loss	1,755		3,513		200

Annex 18 – Overview of average weighted NIR and EIR financial leasing contracts - 30.09.2021

R. br.	Description	For the period 01.01.-30.09.2021			
		Number of contracts	Financing amount (BAM 000)	Weighted NIR %	Weighted EIR %
1	2	3	4	5	6
1.	Short-term leasing contract by leasing objects:	6	314	3.80	6.37
a.	Passenger vehicles	4	213	4.17	7.37
b.	Vehicles for performing business activity (cargo and passenger vehicles)	2	101	3.00	4.26
c.	Machines and equipment	0	0	0.00	0.00
d.	Real estate	0	0	0.00	0.00
e.	Other	0	0	0.00	0.00
1.1.	Short-term leasing contract by lessees:	6	314	3.80	6.37
a.	Corporate	6	314	3.80	6.37
b.	Entrepreneurs	0	0	0.00	0.00
c.	Retail	0	0	0.00	0.00
2.	Long-term leasing contract by leasing objects:	2,690	137,770	3.88	6.96
a.	Passenger vehicles	1,597	70,290	3.80	7.06
b.	Vehicles for performing business activity (cargo and passenger vehicles)	895	46,180	3.88	7.07
c.	Machines and equipment	198	21,300	4.12	6.42
d.	Real estate	0	0	0.00	0.00
e.	Other	0	0	0.00	0.00
2.1.	Long-term leasing contract by lessees:	2,690	137,770	3.88	6.96
a.	Corporate	2,263	123,598	3.82	6.15
b.	Entrepreneurs	137	4,954	3.73	6.22
c.	Retail	290	9,218	4.75	18.30
	Total (1+2)	2,696	138,084	3.88	6.96

Annex 18a - Comparative overview of average weighted NIR and EIR for fin. leasing contracts

No.	Description	30.09.2017		30.09.2018		30.09.2019		30.09.2020		30.09.2021	
		NIR	EIR	NIR	EIR	NIR	EIR	NIR	EIR	NIR	EIR
1	2	3	4	5	6	7	8	9	10	11	12
1.	Short-term leasing contracts:	3.56	6.21	4.47	11.00	6.80	13.76	4.12	8.06	3.80	6.37
1.1.	Corporate	3.51	5.79	4.26	7.83	3.22	6.12	4.12	8.06	3.80	6.37
1.2.	Entrepreneurs	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1.3.	Retail	6.52	30.21	7.41	56.30	33.04	69.75	0.00	0.00	0.00	0.00
2.	Long-term leasing contracts:	4.66	7.13	4.24	6.62	5.86	9.20	3.95	7.01	3.88	6.96
2.1.	Corporate	4.61	6.62	4.16	5.94	4.06	5.95	3.86	6.16	3.82	6.15
2.2.	Entrepreneurs	5.89	9.30	5.09	7.27	5.00	7.33	4.69	7.60	3.73	6.22
2.3.	Retail	5.23	17.85	5.51	19.84	22.31	38.96	4.81	18.17	4.75	18.30
	Total	4.65	7.12	4.24	6.67	5.87	9.24	3.95	7.02	3.88	6.96



BOSNA I HERCEGOVINA
FEDERACIJA BOSNE I HERCEGOVINE
AGENCIJA ZA BANKARSTVO
FEDERACIJE BOSNE I HERCEGOVINE

**PUBLISHER:
BANKING AGENCY
OF THE FEDERATION OF BOSNIA AND HERZEGOVINA**

**Zmaja od Bosne 47b
71000 Sarajevo, Bosnia and Herzegovina**

Tel. +387 33 72 14 00

Fax +387 33 66 88 11

Web page: www.fba.ba

e-mail: agencija@fba.ba