



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 31/12/2021
(AS PER FINAL UNAUDITED DATA)

Sarajevo, April 2022

Abbreviations and terms

AMFI	Association of Microfinance Institutions in BiH
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)
FXP	Foreign Exchange Payments
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
FED	The Federal Reserve (U.S. central banking system)
FID	Financial Intelligence Department
FSAP	Financial Sector Assessment Program
FX risk	Foreign Exchange Risk
ICAAP	Internal Capital Adequacy Assessment Process
ICT	Information and communication technology
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
Pandemic	„COVID - 19“ virus disease
DBFBiH	Development Bank of the Federation of Bosnia and Herzegovina
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

AML&CTF	Anti-money Laundering and Counter Terrorism Financing
SREP	Supervisory Review and Evaluation Process
BABiH	Banks Association of Bosnia and Herzegovina
BiHALC	B&H Association of Leasing Companies
DP	Domestic Payments
USAID FINRA 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

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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 ≥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	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

– up to 40% of the bank's eligible capital.	
Limitation regarding aggregate foreign exchange position of the bank – up to 40% of the bank's eligible capital.	Article 3, Paragraph (2), Item c) of the Decision on Foreign Exchange Risk Management in Banks
Ratio of change in economic value in the banking book and own funds ≤ 20%	Article 7 of the Decision on Interest Rate Risk Management in the Banking Book ⁵
Herfindahl-Hirschman index - HHI	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 means high market concentration.
Concentrations Ratio - CR	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.
Ratio of loans/deposits and loans taken	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.
Minimum amount of Tier 1 capital of MCCs - BAM 500,000	Article 26, Paragraph (1) of LoMCO ⁶
Minimum amount of Tier 1 capital of MCFs - BAM 50,000	Article 36, Paragraph of (1) LoMCO
Ratio of fixed assets to total assets minus donated capital – up to 10% for MCFs and MCCs where MCF holds majority ownership	Article 11, Paragraph (2) of the Decision on Business Conditions and Other Standards and Limitations of Micro Credit Organisations ⁷
Ratio of equity (minus donated capital) and total assets of MCOs – over 10%	Article 11, Paragraph (1) of the Decision on Business Conditions and Other Standards and Limitations of Micro

⁵ FB&H Official Gazette No. 41/20

⁶ FB&H Official Gazette No. 59/06

⁷ FB&H Official Gazette No. 103/18

	Credit Organisations
Portfolio at risk of MCOs over 30 days (PAR) – up to 5%	Article 12, Paragraph (1), Item c) of the Decision on Business 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 | 14 commercial banks, 527 organisational parts and 6,432 employees, which is 90 employees or 1.4% less than at the end of the previous year.



Balance sheet exposures according to the credit risk grades | **BAM 24 billion** (90.8% of total balance sheet exposures) within the credit risk grade 1 and within the credit risk grade 2 – **BAM 1.4 billion** (5.2% of total balance sheet exposures), while **BAM 1.1 billion** (4% of total balance sheet exposures) is within the credit risk grade 3



Assets | Net assets amount to **BAM 25.9 billion**, loans **BAM 15.9 billion**, cash **BAM 8.0 billion**, investments in securities **BAM 2.0 billion**



Off-balance sheet exposures according to risk grades | **BAM 3.6 billion** within the credit risk grade 1 (91.9% of total off-balance sheet exposures), within the credit risk grade 2 – **BAM 309.1 million** (7.9% of total off-balance sheet exposures) and **BAM 7.1 million** within the credit risk grade (0.2% of total off-balance sheet exposures)



Capital | Total capital **BAM 3.1 billion** (12% of liabilities), of which shareholders capital is **BAM 1.4 billion**, own funds **BAM 2.9 billion**, common equity Tier 1 capital and Tier 1 capital **BAM 2.7 billion**, Tier 2 capital **BAM 118.9 million**



ECL coverage rate for balance sheet exposures | **4.4%** total coverage rate: credit risk grade 1 – **0.7%**, credit risk grade 2 – **11.7%** and credit risk grade 3 – **77.9%**



Capital ratios | **19.7%** own funds ratio, **18.9%** Common Equity Tier 1 capital ratio and Tier 1 capital ratio, **10.1%** financial leverage ratio



ECL coverage rate for off-balance sheet exposures | **1.3%** total coverage rate: credit risk grade 1 – **0.6%**, credit risk grade 2 – **8.3%**, credit risk grade 3 – **49.2%**



Loan portfolio | Loan portfolio increase by **4.2%**, i.e. **3.5%** if excluding the increase of short term low-risk exposures. Retail loans amount to **BAM 7.6 billion** (up by BAM 331.8 million or 4.6%) and corporate loans equal **BAM 8.3 billion** (up by BAM 304.4 million or 3.8%, i.e. 2.6% if excluding the increase of short term low-risk exposures)



Loan portfolio within the credit risk grade 3 (NPL) | **BAM 1.0 billion**, it represents 6.4% of the total loan portfolio (the same as at the end of the previous year). NPL rate for the corporate portfolio is **7%**, for the retail portfolio **5.8%**. **ECL coverage rate** | **77.5%** (corporate 74.9%, retail 80.9%), thus posting a decrease by 0.2 percentage points



Deposits | **BAM 21.2 billion** (81.8% of total liabilities), of which **savings deposits amount to BAM 10.4 billion** and have a growth rate of 5.4%



Liabilities based on loans taken | **BAM 779.1 million** (3% of total liabilities)



Trend | An **increase** was noted with net assets (6.1%), loan portfolio (4.2%), cash (7.7%), investments in securities (16.5%), placements to other banks (27%), deposits (7.8%) and capital (1.4%), while **decrease** was evident with fixed assets (6.6%), other assets (17.8%), liabilities based on loans taken (4%) and other liabilities (4.5%).



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



Profitability | **BAM 293.6 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), **362 organisational parts** and **1,398 employees**, which is 4 employees or 0.3% more



Capital | **BAM 333.8 million** (48.1% of liabilities), up by BAM 22.3 million or 7.1% (capital rate of MCCs rose by 3.6%, while for MCFs rose by 7.8%)



MCOs assets | **BAM 693.5 million**, up by BAM 35.4 million or 5.4%. Assets growth rate for MCCs is 11% and for MCFs 3.5%



Liabilities based on loans taken | **BAM 326 million** (47% of liabilities), up by BAM 10.5 million or 3.3% (growth rate of loan obligations of MCCs is 14.9%, while this rate for MCFs has dropped by 2.7%)



Net micro loans | **BAM 556.9 million** (80.3% of assets), up by BAM 23 million or 4.3% (6.5% for MCCs and 3.5% for MCFs)



Trend | An **increase** was noted regarding cash (18.2%), placements with banks (1,409.1%), gross micro loans (4.2%), net micro loans (4.3%), long term investments (2.5%), other assets (13%), liabilities based on loans taken (3.3%), capital (7.1%) and other liabilities (8.5%), while a **decrease** was seen with LLP (7.4%) and tangible and intangible assets (1.8%). Reserves for other assets items, except for loans, **remained the same**



PAR over 30 days | **1.27% of annual rate of write offs** | **1.45%**

Portfolio quality indicators are within the prescribed limits with a PAR decrease by 0.14 percentage points and an increase of the write off rate by 0.24 percentage points



Operating efficiency | **18.82%**, **return on assets adjusted by inflation, market price of capital and donations** | **2.11%**, which is in line with the prescribed standards



142,558 concluded contracts (7.8% more) and **BAM 497.9 million** micro loans disbursed (9.6% more)



Positive financial result | BAM 14.2 million, up by BAM 2.9 million. Net profit of MCCs | BAM 1.0 million, and excess income over expenses of MCFs | BAM 13.2 million

Key performance indicators of the FB&H leasing sector



Operating licence | 4 leasing companies, 101 employees, i.e. it remained on the same level



Liabilities based on loans taken | BAM 336.3 million (90% of liabilities), up by BAM 28.4 million or 9.2%, with a dominant share of long term loans



Assets of the leasing sector | BAM 373.7 million, up by BAM 29.9 million or 8.7%



Capital | BAM 29.5 million (7.9% of liabilities), up by BAM 1.7 million or 6.2%



Net receivables based on financial leasing | BAM 290.6 million (77.8% of assets), up by BAM 33.9 million or 13.2%



Trend | An **increase** was noted with gross receivables based on financial leasing (13.5%), net receivables based on financial leasing (13.2%), net value of fixed assets financed via operational leasing (16.2%), liabilities based on loans taken (9.2%), capital (6.2%), while there was a **decrease** of cash and cash equivalents (32.9%), placements with banks (32%) and other liabilities (2.7%)



Overdue receivables | BAM 2.4 million, down by 32.4%.
Loss reserves for financial leasing | BAM 5.7 million, up by 167.2%



Positive financial result | BAM 4.8 million, up by BAM 0.6 million



Number and value of newly concluded contracts for financial and operational leasing at the leasing system level – increase by 19.6% and 30.1% respectively



Key indicators of the factoring business in the FB&H



FB&H factoring business | 4 commercial banks (three are members of international banking groups and seated in the EU countries and one is in mostly local ownership)



349 concluded factoring contracts (less by 55 contracts or 13.6%) **with nominal value of redeemed monetary claims of BAM 154.7 million** (up by BAM 30.3 million or 24.3%)



Total income of the factoring service providers in the FB&H | BAM 982 ths, down by BAM 0.2 million or 18.2%

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



BAM 259.3 million (1.6% 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 248.3 million (3% of the corporate loan portfolio), while retail loan portfolio covered by some of the active measures equals BAM 11 million (0.1% of the retail loan portfolio)



BAM 34.9 million (4.1% 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 26.6 million (4.6% of the total retail loan portfolio), while corporate loan exposures covered by these measures equal BAM 8.3 million (3% 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, supervision principles and professional rules. The 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 31/12/2021 (based on final unaudited data) 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 five sections. The first section refers to the macroeconomic environment within which credit institutions operate on a global level. The second section presents information on regulatory activities of the FBA during 2021 for BSEs. The third section covers a detailed analysis of the FB&H banking sector regarding bank supervision, its structure, financial performance indicators and FBA's recommendations for the FB&H banking sector. The fourth section relates to a 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 the related specific FBA's recommendations. The fifth section relates to bank operations in the segment of payments and AML&CTF.

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. An integral part of this Information is also an overview of the legal framework related to FBA and BSEs in the FB&H, provided in Annex 1 herewith.

Results of the FBiH banking system as of year-end 2021 indicate to stability, sustainability and positive business results. In 2021, FBA has, subject to its prescribed competences, extended deadlines for filing applications for approval of special measures 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 to ensure due settlement of their obligations to BSEs.

¹⁰ FB&H Official Gazette Nos. 60/20, 21/21 and 104/21

¹¹ FB&H Official Gazette Nos. 60/20, 21/21 and 104/21

MACROECONOMIC FRAMEWORK OF OPERATIONS
OF CREDIT INSTITUTIONS

1. MACROECONOMIC FRAMEWORK OF OPERATIONS OF CREDIT INSTITUTIONS

Monitoring macroeconomic indicators is especially important in the context of interest rate trends and other changes in international markets, which can possibly reflect upon the BiH market as well. In the light of the globalization, its effects are felt in other markets and may impact the future regulations governing banking operations, as well as the policy of individual banks whether being parts of banking groups or not. Banks in BiH are largely integrated within international banking groups, most of which are seated in Eurozone countries. Looking into performance indicators of the BiH banking system, as well as the economic environment, its main challenges and risks mostly refer to interest rate level, NPLs, liquidity, preservation of profitability levels, traditional market conditions, etc. Also, when monitoring macroeconomic indicators and their effect to the banking sector in BiH, we should consider limitations related to the CBBH monetary policy, as well as the Currency Board arrangement.

The pandemic-caused crisis is the biggest economic crisis since the II World War. It featured the entire 2020 and left its traces in 2021 as well. Economic recovery continued on the global level at somewhat weaker pace due to the pandemic, thus resulting in longer-than-expected disruptions to the global supply chain that further feeding inflation in many countries.

According to IMF projections from October 2021, global economic activity (real GDP) is expected to grow in 2021 by 5.9% and in 2022 by 4.9%, while assumptions for the global economic growth in 2022 have been reduced to 4.4% subject to the updated IMF projections from January 2022. The following Table 1 provides selected macroeconomic indicators across periods:

No.	Area/interest rates	2017	2018	2019	2020	2021 ¹²
1	2	3	4	5	6	7
GDP growth in %						
1.	U.S.	2.3	2.9	2.3	-3.4	6.0
2.	Eurozone	2.6	1.9	1.5	-6.3	5.0
3.	EU	3.0	2.3	1.9	-5.9	5.1
4.	Slovenia	4.8	4.4	3.3	-4.2	6.3
5.	Croatia	3.4	2.8	2.9	-8.0	6.3
6.	Serbia	2.1	4.5	4.2	-1.0	6.5
7.	BiH	3.2	3.7	2.8	-4.3	2.8
Consumer Price Index (CPI), annual average in %						
1.	U.S.	2.1	2.4	1.8	1.2	4.3
2.	Eurozone	1.5	1.8	1.2	0.3	2.2
3.	BiH	0.8	1.4	0.6	-1.1	1.8
Key interest rates						
1.	6-month Euribor ¹³	-0.27	-0.25	-0.35	-0.51	-0.54
2.	Yield on 10-year German government bonds ¹⁴	0.3	0.19	-0.3	-0.62	-0.38
3.	Yield on 10-year Italian government bonds	1.8	2.98	1.37	0.58	1.05

Source: IMF, World Economic Outlook Database, October 2021; Eurostat

¹² Expected values for 2021 (IMF, World Economic Outlook, October 2021); for interest rates, data for December 2021.

¹³ Data for the relevant period refers to Euribor as of the first business day in the last month of the reporting period

¹⁴ Eurostat for EU-member states, 10-year yield used for calculating the criteria from Maastricht: data for the last month of the reporting period.

The United States, as the world's largest economy, experienced a GDP decrease by 3.4% in 2020, whereas this rate is expected to rise in 2021 by 6%. The EU economy has experienced greater impact of the pandemic and a downward trend in 2020, hence it is expected to show slower recovery than the U.S. economy. Projected growth rate of GDP for the EU is 5.1% on an annual level.

Since the beginning of 2021, total inflation has risen in advanced countries and developing market economies due to strong demand, lack of raw materials and rapid growth of prices of goods. Prices of fossil fuels have nearly doubled over the past year, thus increasing energy costs and causing higher inflation, most prominently in Europe. Increase of food prices contributed to higher inflation and current disruptions in the supply chain, overburdened ports and extensive demand for goods, all leading to an expansion of price pressures, particularly in the United States.

According to IMF projections from October 2021, average total inflation in advanced countries is expected to peak at 3.8% over the last months of 2021. Hence, by mid-2022, it should be reduced to app. 2%. Similarly, the outlook for developing countries and emerging economies shows a decrease of overall inflation to app. 4% by mid-2022, after its peak at 6.8% in late 2021. However, taking into account long-lasting supply disruptions, significant shocks related to prices of goods and apartments, conflicts in Ukraine and sanctions imposed to certain countries, etc., we can expect to see much higher inflation than initially foreseen. Therefore, in December 2021, annual inflation rate in Europe has reached 5%, while in December of the previous year this rate was -0.3%, whereas the annual inflation in the EU reached 5.3% compared to 0.3% in December of the year before. Inflation rate is still well above the ECB threshold of 2%, as caused by the energy crisis in Europe that led much upwards the costs of natural gas, coal and electricity, while higher demand and supply limitations coupled with the pandemic continue to impact the price growth. Annual inflation rate in the U.S. has climbed to 7% in December 2021, thus being the highest rate recorded ever since June 1982. This falls in line with the market expectations, as opposed to December last year when this rate stood at 1.4%. Inflationary pressures in the U.S. are foreseen to last throughout mid-2022 and FED has recently committed to investing all its efforts to suppress the inflation increase (to include also raising interest rates).

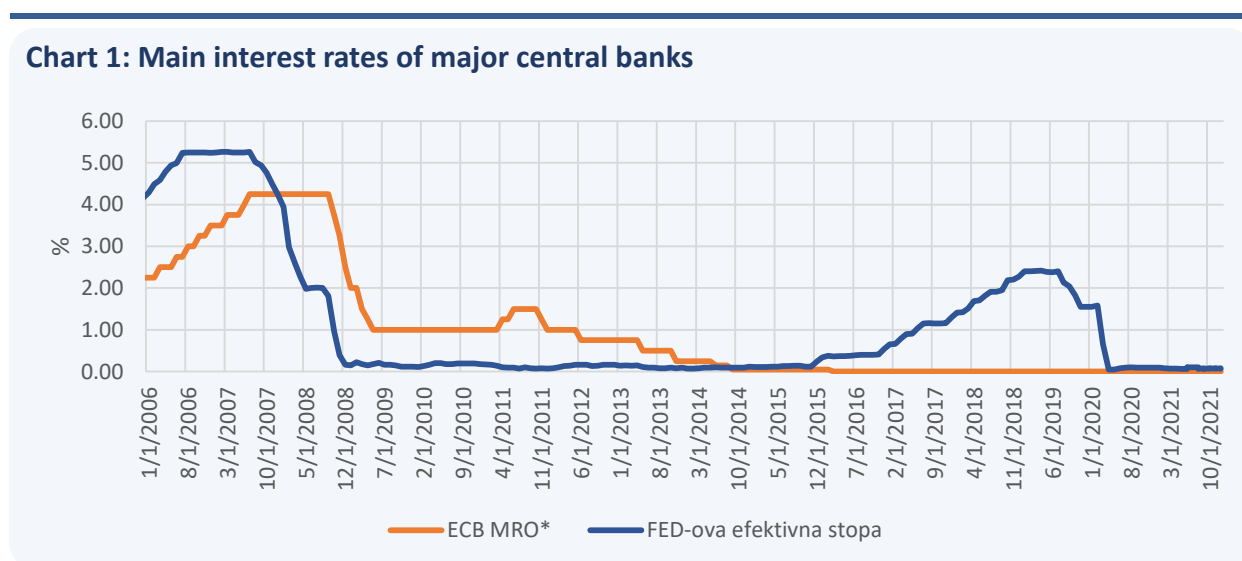
After having the annual average of consumer price index in BiH set at -1.1% in 2020 (as per IMF data), December 2021 saw the change rate of the consumer price index of 6.4% vs. December of the year before (as per data of the BiH Agency for Statistics). Compared to December of the previous year, the highest average price growth in December 2021 refers to these sectors: transportation (14.1%), food and non-alcoholic beverages (10.6%) and housing and utility costs (5%), while average price decrease was noted with regards to sectors of clothing and footwear (6.3%) and communications (0.2%).

Further projections related to trends of economic parameters are subject to major changes due to the recent situation in the Ukraine. Conflicts in this country will mostly impact energy prices, primarily prices of natural gas coming from Russia and will also cause inflation increase, which may all lead to stricter monetary policy of central banks, thus causing a slowdown in GDP growth on a global level.

In many advanced countries, fiscal policy is still being adjusted to latest trends and is aimed towards economic strengthening via investments in green transitions and digital transformations, as well as other long term investments. Large fiscal packages being announced or approved by the EU and the U.S. may add, in cumulative, an amount of USD 4.6 billion to the GDP on a global level in the period from 2021 to 2026, while further measures are expected to be formed via upcoming national budgets for 2022. On the other hand, higher interest rates and lower public revenues have encumbered capacities of developing countries with such low revenues, thus preventing them to provide adequate fiscal support and debt servicing. In general, fiscal policy still provides relevant support (coupled with the deficit decrease) by app. 2 percentage points of GDP in 2021. However, deficits are still found to be much above the pre-pandemic level, especially in advanced countries. Hence, their further decrease is projected to be at 3 percentage points in 2022, while return to the pre-pandemic level is expected until 2026.

As for the monetary policy, ECB has not changed interest rates. Interest rate on deposits remained in the negative zone (-0.5%) and the main rate for refinancing operations was at 0%. The U.S. FED has also maintained the target rate for EFFR (Effective Federal Funds Rate) ranging from 0% to 0.25%. However, in March 2022, due to the risk posed by the Russian military invasion to Ukraine and sanctions imposed over Russia, FED has decided to increase EFFR by 0.25 percentage points, so this rate will now range from 0.25% to 0.50%.

Chart No. 1 below provides an overview of main interest rates of major central banks:



* MRO - Marginal Refinancing Operations; FED-ova efektivna stopa - FED effective rate
Source: ECB, FED

Market interest rates remained mostly stable in the period since the ECB Governing Council meeting in October 2021. Reference interest rate – Euribor (Euro Interbank Offered Rate) is still in the negative zone and ranging at app. -0.5%. Yield on long term government bonds of the euro area has risen slightly and, for most countries, is no longer to be found in the negative zone. Yield on 10-year German government bonds was still in the negative zone, but, unlike at the end of 2020 when it stood at -0.62%, it was at -0.38% in December 2021. However, the Russian invasion of Ukraine in February 2022 will lead to financial market disruptions and will cause an increase trend of non-risk market rates.

In 2021, activities related to EU banking regulations have continued to be performed in the light of the expansive monetary policy driven by pandemic effects and efforts to uphold credit support to the corporate and retail segments, as well as to ensure liquidity of the system and recovery of the global economy.

In December 2021, the ECB Governing Council has determined that progress towards economic recovery and ECB's mid-term inflation objective enabled gradual weakening of the dynamics of securities purchases over the upcoming period. However, monetary accommodation is still required in order for the inflation to stabilise on the ECB's target level of 2% over the mid-term period. ECB is still performing refinancing operations to ensure high liquidity through securities purchases and longer term refinancing via existing programs (PEPP - Pandemic Emergency Purchase Programme, APP - Asset Purchase Programme and TLTRO III - Targeted Longer Term Refinancing Operations).

Banks in the EU have succeeded in sustaining unfavourable economic trends caused by the pandemic and have preserved sound capitalisation rate. Improved macroeconomic conditions vs. the onset of the pandemic have led to a reduction of individual risks for the banking sector, although there is still uncertainty regarding actual duration of the pandemic. Albeit approved support measures aimed at mitigating adverse effects of the pandemic, assets quality in banks is concerning since full impact of the pandemic is foreseeable only over the mid-term period. The number of structural weaknesses, to include also vulnerabilities related to sustainability of business models and internal governance in banks, has increased because of the pandemic and this requires an effective response by banks and supervisory authorities in terms of a proactive reduction of existing and new risks alike, especially those risks related to the war in Ukraine and sanctions imposed over Russia.

Based on the assessment of main risks and vulnerabilities of the European banking sector and defined key activities of ECB for the upcoming period¹⁵, EU supervisory authorities need to focus their attention to potential deterioration of the assets quality related to gradual withdrawal of support of the government and monetary policy, as well as to potential valuation adjustments in financial markets, all in order to respond to short term and mid-term challenges placed before banks. Improvements need to be made to the credit risk management practice, considering that NPLs continued to drop even during extensive economic downturn, all thanks to extraordinary measures initiated to support the real economy.

Also, activities need to focus around shocks related to interest rates and credit spreads, strategies of digital transformation of banks, sound management and decision-making rules and limitations to excessive risk taking under regular and crisis situations. Banks may be faced with difficulties caused by an entire series of new and variable risks possibly appearing over short and long term horizon, all related to environmental, social and governance risks (ESG), counterparty credit risk related to risky and less transparent non-banking financial institutions, operational resilience and resilience of IT systems. Banks need to be more resilient to cyber risks¹⁶ by strengthening supervisory activities aimed at banks' practices of risk management in these segments.

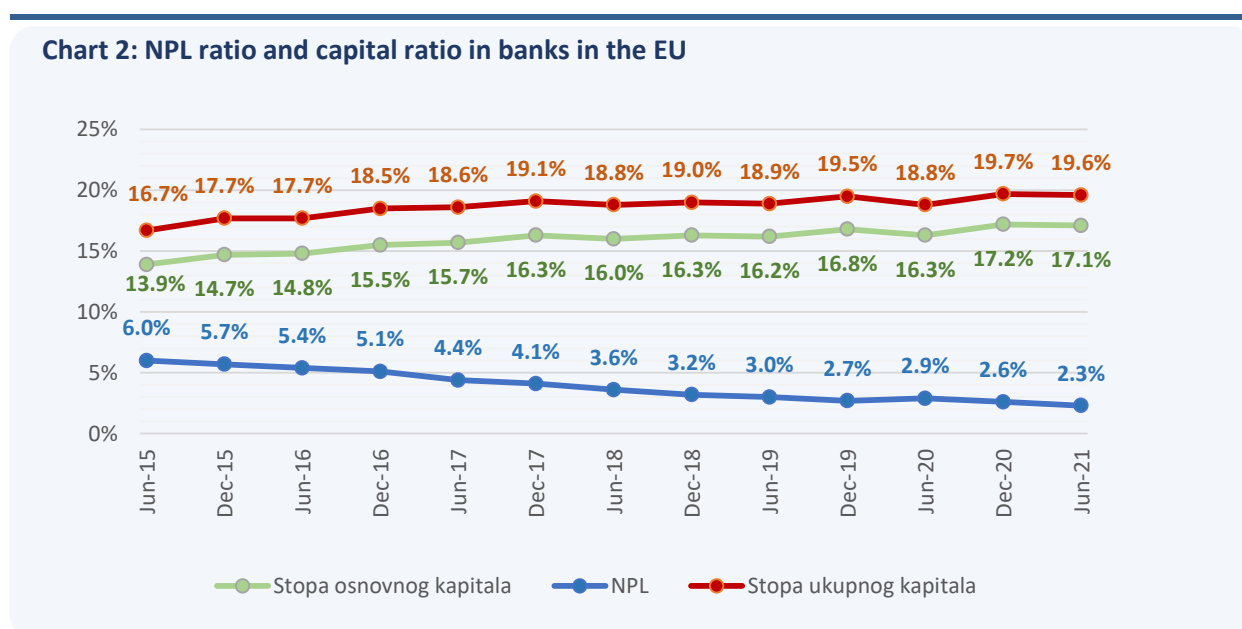
¹⁵ ECB Banking Supervision - Supervisory priorities for 2022-2024

¹⁶ This refers to computer crime, malicious codes, viruses, etc.

Capital rates of EU banks are still much above regulatory limits and show an upward trend vs. the onset of the pandemic. Assets quality has improved and there is an evident NPL decrease in banks. Banks' profitability has stabilised at the level exceeding the pre-pandemic one. Interest income still poses the major source of funds for EU banks, while fee and commission income are increasingly gaining importance.

Banks have continued to hold significant volume of liquid assets, so they posted excess LCR. Latest ECB research on lending by banks has shown stable rate of demand for loans. The research has also indicated that banks have introduced stricter lending standards for retail loans, while corporate lending terms remained unchanged. Market risks in banks have increased due to volatilities caused by macroeconomic uncertainties, as well as global inflatory pressures and the pandemic. Risks related to cyber, information and communication technologies are present, but losses caused by operational risks have risen on the back of the pandemic.

Chart No. 2 provides an overview of NPL ratio and capital ratio in banks in the EU:



*Stopa osnovnog kapitala – Tier 1 ratio; NPL ratio; Stopa ukupnog kapitala (desno) – Total capital ratio
Source: EBA, Risk Dashboard

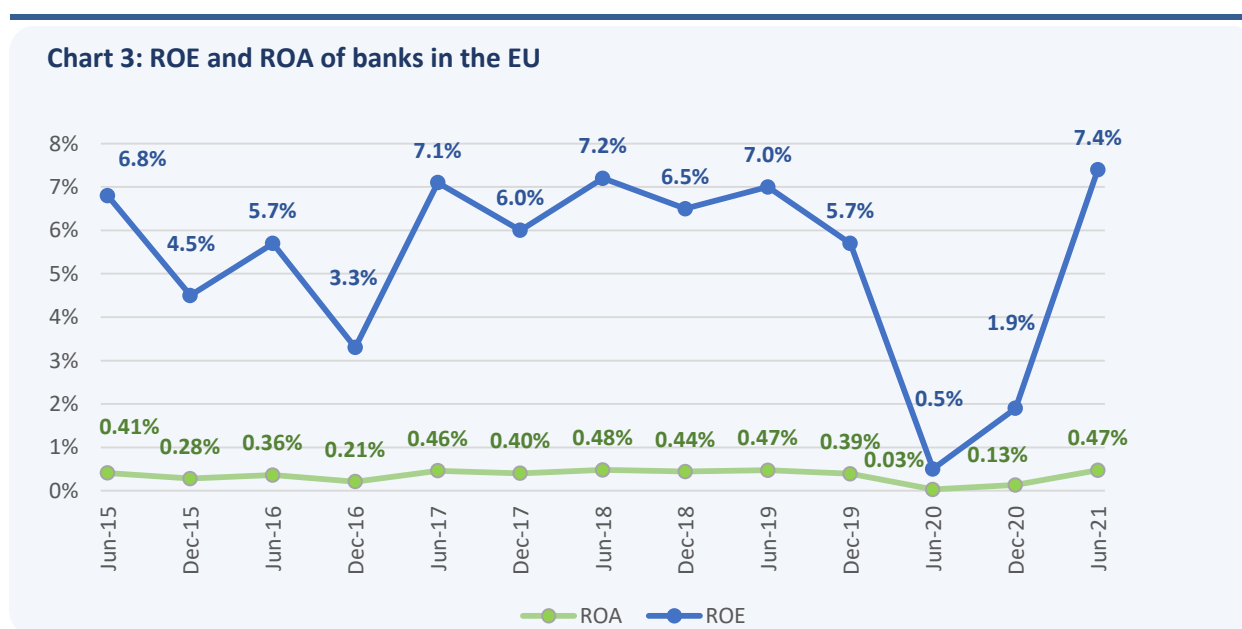
In late 2019, i.e. prior to the pandemic outbreak, EU banks had the total capital rate at 19.5%, thus dropping by 0.7 percentage points after the pandemic. At the end of the 1H of 2021, this rate rose by 0.1 percentage point vs. end of 2019. The same trend was seen with CET1 rate that stood at 16.8% as at YE2019, thus dropping by 0.5 percentage points in 2020 and rising by 0.3 percentage points in 1H 2021 vs. YE2019. In late 2019 (i.e. before emergence of the pandemic), NPL was at 2.7%. Unsurprisingly, during 2020, this ratio has worsened, whereas at the end of the 1H 2021 the NPL rate dropped by 0.4 percentage points vs. YE2019.

Liquidity of EU banks has improved during the crisis thanks to continued monetary expansion of ECB. LCR rose from 149.8% at the end of 2019 to 174.5% at the end of 1H 2021 (by 24.7 percentage points).

Preliminary data for Q3 2021 have indicated to stable trends related to the mentioned indicators. Such trends were expected considering the economic downturn during the pandemic and banks were sufficiently solvent and resilient to sustain the pandemic-caused crisis. According to available data at the EU level, 3Q 2021 vs. end of 2020 showed that total capital rate and CET1 rate dropping by 0.2 percentage points, while NPL went down by 0.5 percentage points.

After the pandemic outbreak, business results of EU banks have worsened, but they continued to operate in the positive area in 2020. Positive trend and major increase of these indicators was seen in the 1H of 2021 in relation to average return on assets that posted a rise by 0.44 percentage points, while average return on equity climbed by 6.9 percentage points vs. the same period in 2020. Banks' profitability improved on the back of lower loan loss provisions and higher income from investment banking deals. However, profitability still depends on the overall economic recovery and the pandemic.

Chart No. 3 provides an overview of return on assets and return on equity in banks in the EU:



Source: EBA, Risk Dashboard

EBA continuously, i.e. on a semi-annual level, implements the Risk Assessment Questionnaire (RAQ)¹⁷. RAQ implemented in Autumn 2021 captured 59 banks from the EU, where questions referred to their business model, strategy and profitability, funding sources and liquidity, trends related to assets growth and quality, reputation risk, operational risk, Fintech¹⁸ and environmental, social and governance risks (ESG risks).

Effects of the pandemic to the macroeconomic environment and constant uncertainty are still causing concern for banks – as they mentioned in the RAQ. Other questions contained in the questionnaire include banks' profitability, risk of NPL increase, increase of operational risks and ESG risks, as well as Fintech challenges.

¹⁷ EBA - Risk Assessment Questionnaire - Summary of Results, Autumn 2021

¹⁸ Fintech (Financial Technology) represents a new technology integrated in different segments for purpose of introducing improvements and automation in all aspects of financial services being provided to customers.

BSE REGULATORY FRAMEWORK

2. BSE REGULATORY FRAMEWORK

Priorities related to banking regulations and supervision in the FB&H in 2021 were aimed towards upholding of financial health of banks, solving structural weaknesses via improved internal governance and risk management, as well as towards facing with new increasing risks related to sustainability of banks' business models and their operational resilience. Subject to implementation of special measures adopted by the FBA regarding mitigation of adverse effects of the pandemic, the FB&H banking sector has successfully amortised its economic consequences.

Considering general risk assessments impacting the banking regulations and supervision in the FB&H, FBA's activities in 2021 focused on the following:

- Changes and amendments to the measures banks perform to recover from adverse consequences caused by the pandemic;
- Introducing a requirement of maintaining the net stable funding ratio (NSFR) and reporting to the FBA on NSFR subject to development of new regulations in this segment;
- Increased operational risks related to more frequent cyber risks, ICT risks, risks related to reliance on third-party services;
- Risks related to money laundering and terrorism financing that are still on the rise due to reliance on remote bank services during the pandemic and general trends regarding digitalisation of banking operations;
- Priorities related to implementation of the supervisory approach based on key risks, which, under the above mentioned circumstances, meant upholding the banking system stability, preservation of lending activities of banks through continued realisation of special temporary measures, upholding the satisfactory capitalisation rate and liquidity of the banking system and individual banks within this system;
- Supervisory actions aligned with standardised methodology of SREP;
- Implementation of the 2nd cycle of supervisory stress testing of banks regarding solvency;
- Strengthening of the internal governance system in banks to include clear, efficient and stable organisational structure, effective and efficient processes to identify, measure, i.e. evaluate, manage, monitor and report on exposures to risk, adequate and efficient internal controls system with all business activities and lines, remuneration policies and practices that are consistent with assumed risks and that promote stable and efficient risk management, ICAAP and ILAAP, as well as adequate recovery plans;
- Meeting prescribed quantitative and qualitative requirements regarding liquidity risk management, as well as applying additional mechanisms to monitor and assess liquidity risk;
- Reviewing existing regulatory requirements for purpose of identifying necessary changes regarding LCR, etc.

For purpose of ensuring alignment with international standards and best practices in banking regulations and supervision, technical assistance projects have continued in relation to entity-level banking agencies as a part of the USAID FINRA Project. Activities have also continued regarding stronger and improved cooperation with both, local and international financial institutions, as well as regional and other organisations, and regarding bilateral and multilateral cooperation with bank regulators and other organisations in the country, the region and beyond, all based on cooperation and information exchange agreements.

As for the NFI segment, activities are aimed towards continued implementation of temporary measures to ensure recovery from adverse consequences caused by the pandemic, as well as towards aligning regulations with NFI supervisory experiences and practices and practices of regional regulators. Regulatory activities involving specialised supervision in the payments segment, AML&CTF and financial service user protection at the banking system level referred to participation in establishment of a regulatory framework to ensure compliance with the Law on Domestic Payments and drafting of instructions related to prescribed reporting forms. As for the bank resolution segment, capacities were further strengthened in terms of determination of key functions, establishment of mandatory minimum requirement for own funds and eligible liabilities (MREL), as well as updating of resolution plans. Concerning amendments to the legal framework regulating operations of the FB&H Development Bank, FBA is actively involved in preparation of working papers for the new Law on the FB&H Development Bank. This was a joint effort conducted with representatives of FMF and the FB&H Development Bank itself, which resulted in submission of the draft version of the law to the Parliament.

At the same time, subject to available resources, FBA implemented initiatives and activities to create more favourable conditions for the post-pandemic period and ensure improvements in the period after the crisis, thus relying on gained experience and convergence with best supervisory practices. FBA will actively participate in further monitoring and mitigation of pandemic effects and other external effects concerning BSEs. It will promote coordinated action at the banking system level in B&H, improve assets quality assessment, ensure adequate determination of ECLs and credit risk indicators, all for purpose of ensuring that banks are able to support further economic recovery.

In October 2021, European Commission has confirmed its decision that the B&H supervisory and regulatory framework is equivalent to the one being applied in the EU. This EC decision on equivalence of the B&H and EU regulatory framework was reached subject to EBA assessments conducted in the period from 2019-2020 that were based on delivery of comprehensive questionnaires and on-site reviews. All further regulatory activities of FBA will rest on the strategic commitment to preservation of this equivalence determined by further process of alignment with the EU framework related to operations and supervision of credit institutions.

BANKING SECTOR

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3. BANKING SECTOR

3.1. FB&H BANKING SECTOR'S STRUCTURE

3.1.1. Status, Number and Business Network

As of 31/12/2021, 14 commercial banks had banking license in the FB&H. All banks are members of the DIA. Compared to the end of 2020, the number of banks went down by one bank whose operating licence was revoked by the FBA due to a status change of merger with another bank.

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 2 provides basic information about the FB&H banks as at 31/12/2021.

The FB&H banks had, as of 31/12/2021, 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. 2 below shows a comparative overview of organisational parts and network of ATMs and POS devices of banks 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
31.12.2021					
1.	Banks seated in the FB&H (in the territory of B&H)	409	118	24,295	1,232
2.	Organisational parts of banks from the RS doing business in the FB&H	10	18	370	38
Total		419	136	24,665	1,270

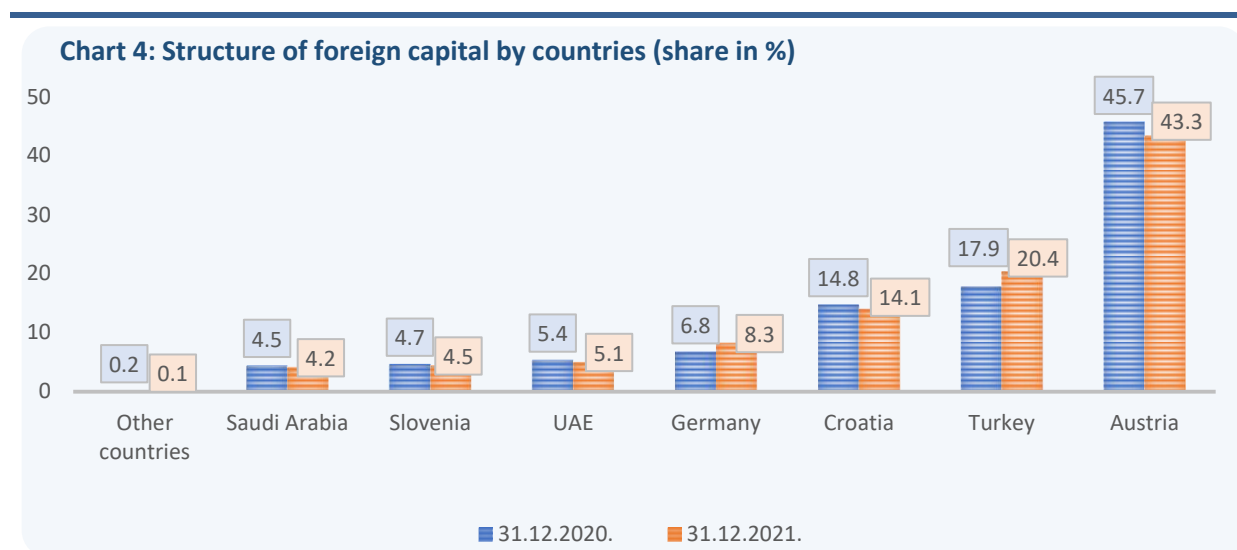
3.1.2. Ownership Structure and Market Share

Ownership structure of the FB&H banks¹⁹ as of 31/12/2021 is the following:

- privately owned and predominantly privately owned - 13 banks,
- state-owned and predominantly state-owned²⁰ - one bank.

Out of 13 private and predominantly privately owned banks, three banks are majority-owned by domestic legal and natural persons (residents), while ten banks are majority foreign-owned.

If we analyse the shareholder country of origin criterion, as at 31/12/2021 (Chart No. 4), the highest share is still held by the shareholders from Austria (43.3 of foreign capital), followed by shareholders from Turkey (20.4%), Croatia (14.1%) and Germany (8.3%), while other countries have no major individual shares.



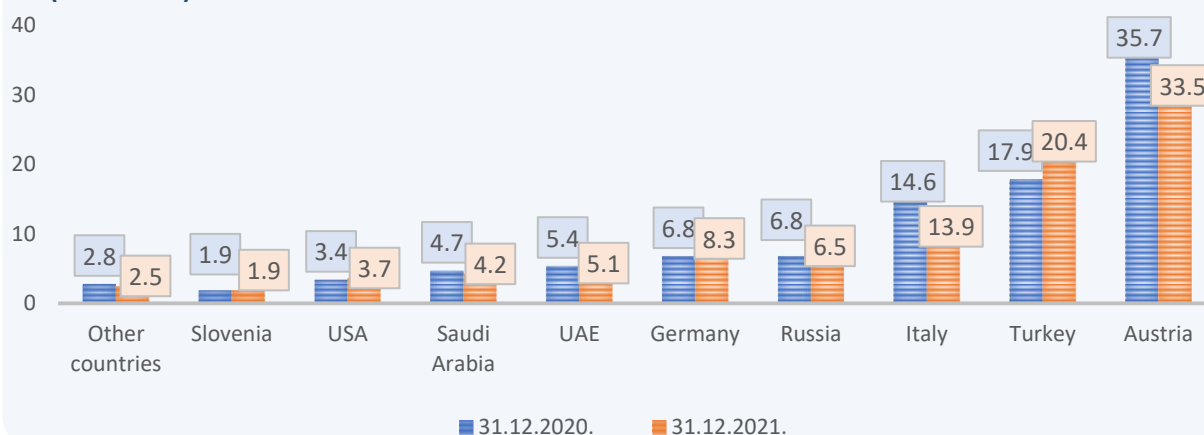
If the capital ties are considered, the foreign capital structure can also be viewed according to the criterion of the country of residence of the parent, i.e. the banking group that majority-owns (directly or indirectly through the members from the banking group) the FB&H banks (Chart No. 5).

According to this criterion, the highest share as of 31/12/2021 is held by the banking groups and banks from Austria (33.5%), followed by the banking groups and banks from Turkey (20.4%), Italy (13.9%) and Germany (8.3%), while the banking groups and banks from other countries have no major individual shares (below 7%).

¹⁹ Criteria here was the ownership over shareholder capital in banks

²⁰ State ownership refers to the capital of the FB&H Government.

Chart 5: 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 31/12/2021 increased by BAM 42.1 million or 1.4% compared to the end of 2020, amounting to BAM 3.1 billion (Table No. 3). The increase of total capital was realized as a net effect of: an increase on the basis of the current financial result for 2021 of BAM 293.6 million, an increase based on the capital increase of BAM 89.5 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 and a decrease based on fair valuation of securities of BAM 7.2 million.

- BAM 000 -

Table 3 - Ownership structure according to total capital

No.	Banks	31.12.2019*		31.12.2020		31.12.2021		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	95,412	3.1	92	150
2.	Private banks	3,068,277	97.8	3,002,440	97.9	3,012,735	96.9	98	100
	Total	3,137,158	100	3,066,082	100	3,108,147	100	98	101

* 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. 4).

- BAM 000 -

Table 4: Ownership structure according to state-owned, private and foreign capital

No	Share capital	31.12.2019		31.12.2020		31.12.2021		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	66,556	4.8	100	160
2.	Private capital (residents)	139,355	10.7	140,547	10.8	137,373	9.9	101	98
3.	Foreign capital (non-residents)	1,118,725	86.1	1,117,534	86.0	1,178,936	85.3	100	105
	Total	1,299,699	100	1,299,700	100	1,382,865	100	100	106

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 31/12/2021, there was a change caused by the capital increase in four banks and status change of merger of one bank (compared to the end of 2020).

Table No. 5 provides an overview of market shares of banks by ownership type (majority capital) across periods:

Table 5: Market shares of banks by ownership type (majority capital)

No	Banks	31.12.2019			31.12.2020			31.12.2021		
		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	3.1	4.1
2.	Banks with majority private capital - residents	4	5.9	6.3	4	5.3	6.7	3	5.7	6.8
3.	Banks with majority foreign capital	10	91.9	90.4	10	92.6	89.7	10	91.2	89.1
Total		15	100	100	15	100	100	14	100	100

3.1.3. Staff Structure

The number of employees across the banking sector as at 31/12/2021 is 6,432, which is lower by 90 employees or 1.4% compared to the end of 2020 (Table No. 6).

Table 6: Qualification structure of employees in FB&H banks

No	Qualification level	31.12.2019		31.12.2020		31.12.2021		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	4,090	63.6	99	100
2.	Two-year post-secondary school degree	485	7.3	453	6.9	413	6.4	93	91
3.	Secondary school degree	2,041	30.7	1,975	30.3	1,924	29.9	97	97
4.	Others	8	0.1	6	0.1	5	0.1	75	83
Total		6,659	100	6,522	100	6,432	100	98	99

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. 7), where a higher ratio is an indicator of better operational efficiency of the bank and the overall sector.

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Table 7: Total assets per employee

No. of employ.	31.12.2019		No. of employ.	31.12.2020		No. of employ.	31.12.2021	
	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	6,432	25,890,828	4,025

3.2. FINANCIAL PERFORMANCE INDICATORS

3.2.1. 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 capital ²¹, 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 3 of this Information - Balance Sheet of FB&H Banks According to the FBA Scheme (Active Sub-Balance Sheet). Annex 4 provides an overview of assets, loans, deposits and financial performance of the FB&H banks as at 31/12/2021.

The following Table No. 8 provides an overview of the banking sector's balance sheet:

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Table 8: Balance sheet

No.	Description	31.12.2019*		31.12.2020		31.12.2021		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	7,989,239	30.9	97	108
2.	Securities	1,462,770	6.0	1,687,459	6.9	1,966,008	7.6	115	117
3.	Placements to other banks	149,197	0.6	275,941	1.1	350,452	1.3	185	127
4.	Loans	15,220,759	62.8	15,254,651	62.5	15,890,821	61.4	100	104
5.	Impairments	1,120,940	4.6	1,127,176	4.6	1,099,948	4.3	101	98
6.	Net loans (loans minus impairments)	14,099,819	58.2	14,127,475	57.9	14,790,873	57.1	100	105
7.	Business premises and other fixed assets	600,684	2.5	553,475	2.3	516,921	2.0	92	93
8.	Other assets	262,976	1.1	337,473	1.4	277,335	1.1	128	82
TOTAL ASSETS		24,217,016	100	24,396,438	100	25,890,828	100	101	106
LIABILITIES									
9.	Deposits	19,414,294	80.2	19,660,862	80.6	21,184,952	81.8	101	108
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	779,075	3.0	95	96
12.	Other liabilities	808,938	3.3	857,616	3.5	818,654	3.2	106	95
CAPITAL									
13.	Capital	3,137,158	13.0	3,066,082	12.6	3,108,147	12.0	98	101
TOTAL LIABILITIES		24,217,016	100	24,396,438	100	25,890,828	100	101	106
(LIABILITIES AND CAPITAL)									

* 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.

²¹ The majority state-owned banks report in the "total" balance sheet passive and neutral items.

The total net assets across the FB&H banking sector as of 31/12/2021 are BAM 25.9 billion, which is by BAM 1.5 billion or 6.1% higher compared to the end of 2020. The banks' net loans have the highest share (57.1%) within the assets in the banks' balance sheet, followed by cash (30.9%), securities (7.6%), fixed assets (2%), other assets (1.1%) and placements to other banks (1.3%). The deposits (81.8%) have the highest share within the liabilities in the banks' balance sheet, followed by capital (12%), other liabilities (3.2%) and liabilities based on loans (3%).

As of 31/12/2021, compared to the end of 2020, an increase was evident with cash, investments in securities, placements with other banks, loans, deposits and total capital, while a decrease was seen with business premises, other fixed assets, other assets and liabilities under loans taken and other liabilities.

The following Table No. 9 provides an overview of the banks' assets banks according to ownership structure:

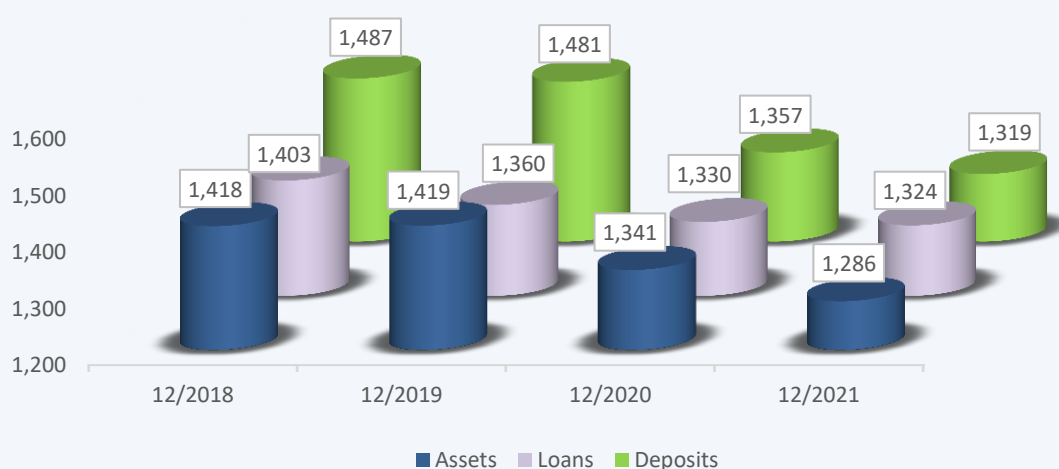
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Table 9: Banks' assets according to ownership structure

No	Banks	Number of banks	31.12.2019		31.12.2020			31.12.2021			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	1,054,365	4.1	110	120
2.	Private	14	23,415,755	96.7	14	23,516,702	96.4	13	24,836,463	95.9	100	106
	Total	15	24,217,016	100	15	24,396,438	100	14	25,890,828	100	101	106

The Herfindahl index of concentration (Chart No. 6) as of 31/12/2021, compared to the end of 2020, decreased for assets by 55 units, for loans by 6 units and for deposits by 38 units. The Herfindahl index of concentration for the reporting period shows a moderate concentration in all three relevant categories.

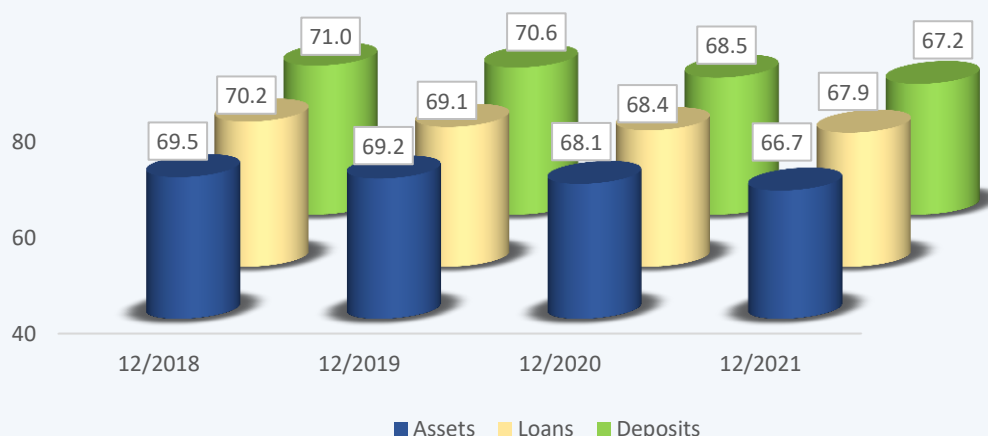
Chart 6: Herfindahl index of concentration in assets, loans, and deposits



Looking into the concentration ratio, i.e. total share of the five biggest banks in the sector - CR5 as of 31/12/2021 is viewed compared to the end of 2020 (Chart No. 7), there is a decrease with

all categories - market share by 1.4 percentage points, loans by 0.5 percentage points and deposits by 1.3 percentage points. Two biggest banks in the sector account for 43.4% of the market (assets 43.3%, loans 42.7% and deposits 44.3%).

Chart 7: 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 assets²² (Table 10). As of 31.12.2021, three banks in the FB&H banking sector with a 53% share stand out according to the size of assets, comprising group I of banks with the assets of over BAM 2.0 billion.

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Table 10: Share of groups of banks in total assets

No	Assets amount	31.12.2019			31.12.2020			31.12.2021		
		Amount	% share	Amoun t	% share	Amoun t	% share	Amount	% share	Amoun t
1	2	3	4	5	6	7	8	9	10	11
1.	I (over BAM 2 billion)	13,686,527	56.5	3	13,375,256	54.8	3	13,713,355	53.0	3
2.	II (BAM 1-2 billion)	6,652,374	27.5	5	7,906,422	32.4	6	10,748,334	41.5	8
3.	III (BAM 0.5-1 billion)	3,451,044	14.2	5	2,708,664	11.1	4	1,301,209	5.0	2
4.	IV (BAM 0.1-0.5 billion)	427,071	1.8	2	406,096	1.7	2	127,930	0.5	1
	Total	24,217,016	100	15	24,396,438	100	15	25,890,828	100	14

As of 31/12/2021 (compared to YE2020), there was a change in the share structure of banks by groups in total assets, i.e. two banks moved from group III to group II of banks. Also, the number of banks in group IV decreased by one bank that had its operating licence revoked due to the status change of merger to another bank.

Cash across the FB&H banking sector as of 31/12/2021 (Table No. 11) amounted to BAM 8.0 billion, up by BAM 574.6 million or 7.7% vs. YE2020. Banks still hold major amount of cash in excess of the mandatory reserves.

²² Banks are divided into five groups depending on the size of assets.

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Table 11: Bank's cash

No	Cash	31.12.2019		31.12.2020		31.12.2021		Index	
		Amount	% share	Amount	% share	Amount	% share	(5/3)	(7/5)
1	2	3	4	5	6	7	8	9	10
1.	Cash	1.004.445	13,1	1.267.712	17,1	1.526.329	19,1	126	120
2.	Reserve account with CBB&H	4.329.659	56,7	4.478.515	60,4	5.270.323	66,0	103	118
3.	Accounts with deposit institutions in B&H	48.611	0,6	30.194	0,4	10.345	0,1	62	34
4.	Accounts with deposit institutions abroad	2.258.758	29,6	1.638.190	22,1	1.182.240	14,8	73	72
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	7.989.239	100	97	108

As of 31/12/2021, 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 31/12/2021 (compared to the end of 2020), the share of local currency rose from 73.7% to 81.1%.

The portfolio of securities as at 31/12/2021 (Table No. 12) amounted to BAM 2.0 billion, which was higher by BAM 278.5 million or 16.5% compared to the end of 2020.

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Table 12: Investments in securities according to the type of instrument

No.	Investments in securities	31.12.2019*		31.12.2020		31.12.2021		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	7,374	0.4	101	62
2.	Debt securities:	1,451,008	99.2	1,675,615	99.3	1,958,634	99.6	115	117
2.1.	- Securities of all levels of governments in B&H	747,632	51.1	992,337	58.8	1,014,120	51.6	133	102
2.2.	- Government securities (other countries)	549,649	37.6	544,646	32.3	756,726	38.4	99	139
2.3.	- Corporate bonds ²³	153,727	10.5	138,632	8.2	187,788	9.6	90	135
	Total	1,462,70	100	1,687,459	100	1,966,008	100	115	117

* 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 31/12/2021, the most significant item within the investments in debt securities (Table No. 13) are the securities of entity governments, namely the securities issued by the FB&H²⁴ of altogether BAM 625.3 million and the securities of the RS as the issuer of BAM 346.1 million.

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Table 13: Securities of B&H entity governments

No.	Investments in securities	31.12.2019.		31.12.2020.		31.12.2021.		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	625,252	64.4	131	89
1.1.	- Treasury bills	18,921	2.6	100,007	10.2	34,986	3.6	529	35
1.2.	- Bonds	513,226	70.0	599,547	61.3	590,266	60.8	117	98
2.	Debt securities of RS:	201,089	27.4	278,325	28.5	346,095	35.6	138	124

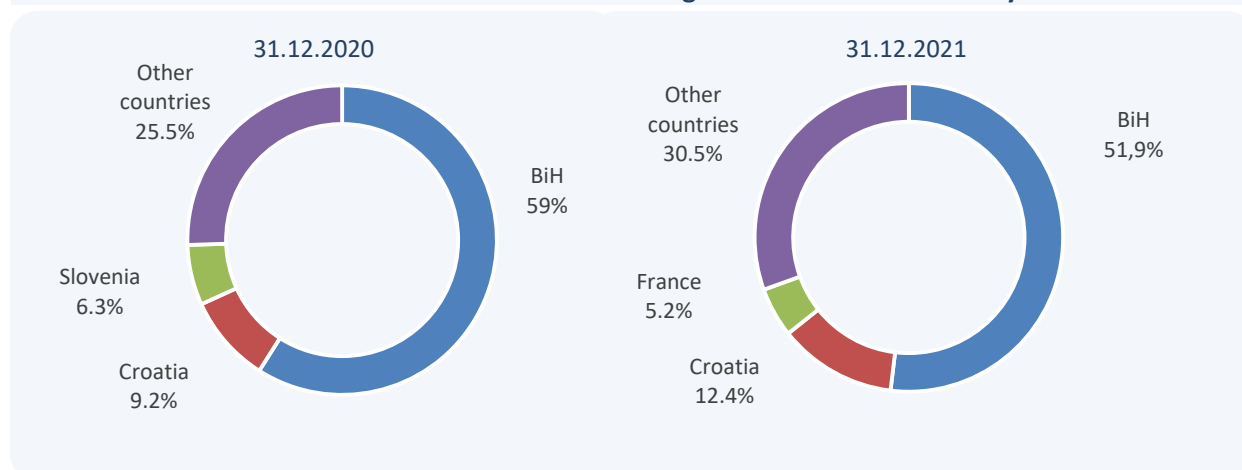
²³ Majority, i.e. app. 95%, relates to the EU and US banks' bonds, while the rest refers to bonds of companies from the EU.

²⁴ All types of securities of the FB&H as the issuer

2.1.	- Treasury bills	0	0.0	41,759	4.3	0	0.0	-	-
2.2.	- Bonds	201,089	27.4	236,566	24.2	346,095	35.6	118	146
	Total	733,236	100	977,879	100	971,347	100	133	99

If total investments in securities are analysed according to the exposures by countries (Chart No. 8), the highest share of 51.9% is to the issuers from B&H, followed by Croatia with a 12.4% share, France with 5.2% share and other countries with individual shares below 5%.

Chart 8: Structure of investments in securities according to the criterion of country of issuer



3.2.2. Liabilities

As of 31/12/2021, the share of deposits, as the most significant source of the banks' funding, increased by 1.2 percentage points (81.8%), while the share of loan obligations decreased by 0.3 percentage points compared to the YE2020 (3%).

The banks' loan obligations with the amount of BAM 779.1 million have decreased by BAM 32.8 million or 4% compared to the end of 2020. If subordinated loans of BAM 167.6 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 1.5 billion or 7.8% compared to the end of 2020, amounting to BAM 21.2 billion as at 31/12/2021. Out of the total amount of deposits at the end of the reporting period, BAM 1.4 billion or 6.5% relates to deposits collected in the FB&H banks' organizational parts in the RS and the BD.

The following charts No. 9 and No. 10 provide an overview of total deposits and the ratio of loans and deposits by periods:

Chart 9: Total deposits

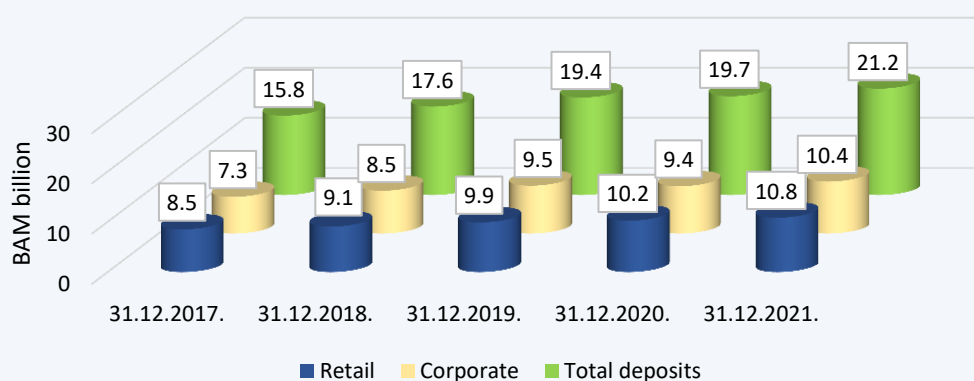
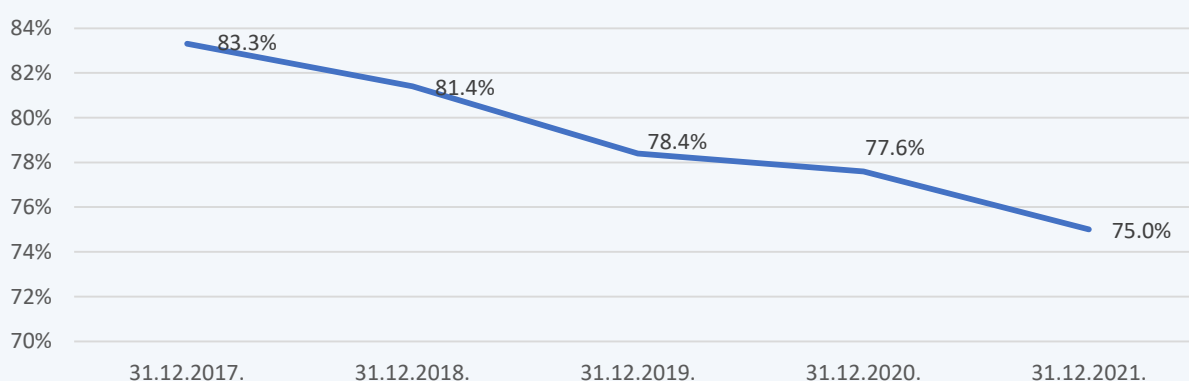


Chart 10: Loan-to-deposit ratio



The following Table No. 14 provides an overview of the sector structure of deposits:

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Table 14: Sector structure of deposits

No	Sectors	31.12.2019		31.12.2020		31.12.2021		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	2,600,382	12.3	104	116
2.	Public enterprises	1,651,976	8.5	1,453,080	7.4	1,618,685	7.6	88	111
3.	Priv. enterp. and companies	3,236,224	16.7	3,783,548	19.2	4,393,701	20.8	117	116
4.	Banking institutions	1,208,613	6.2	568,484	2.9	348,047	1.6	47	61
5.	Non-bank fin. institutions	803,516	4.1	848,319	4.3	829,534	3.9	106	98
6.	Retail	9,877,414	50.9	10,236,559	52.1	10,832,483	51.1	104	106
7.	Other	479,404	2.5	534,027	2.7	562,120	2.7	111	105
	Total	19,414,294	100	19,660,862	100	21,184,952	100	101	108

The largest share in the sector structure of deposits refers to retail deposits with 51.1% and this share decreased by one percentage point compared to YE2020. As of 31/12/2021, retail deposits stood at BAM 10.8 billion.

An increase in deposits as of 31/12/2021, compared to the end of 2020, was realized in relation to the government institutions' deposits by BAM 363.5 million or 16.3%, deposits of public companies by BAM 165.6 million or 11.4%, deposit of private companies by BAM 610.2 million

or 16.1%, retail deposits by BAM 595.9 million or 5.8% and other deposits by BAM 28.1 million or 5.3%. A decrease of deposits as of 31/12/2021, compared to the end of 2020, was recorded in relation to banking institutions' deposits by BAM 220.4 million or 38.8% and deposits of non-banking financial institutions by BAM 18.8 million or 2.2%.

Financing in form of deposits of banking groups is present in seven banks in the FB&H, so that 76.5% of total deposits of banking institutions refer to deposits of these groups.

The currency structure of deposits as at 31/12/2021 has changed compared to the end of 2020, i.e. the share of deposits in domestic currency increased from 64.6% to 67.6% and the share of deposits in foreign currency decreased from 35.4% to 32.4%. Deposits in BAM amounted to BAM 14.3 billion (up by BAM 1.6 billion or 12.8% vs. YE2020), while deposits in foreign currencies stood at BAM 6.9 billion (down by BAM 100.1 million or 1.4% vs. YE2020).

The structure of deposits according to the origin of depositors as of 31/12/2021, compared to the end of 2020, has the following structure: residents' deposits of BAM 20.5 billion have a 96.6% share (up by 1.3 percentage points), while non-residents' deposits are BAM 0.7 billion, which was 3.4% of total deposits (down by 1.3 percentage points).

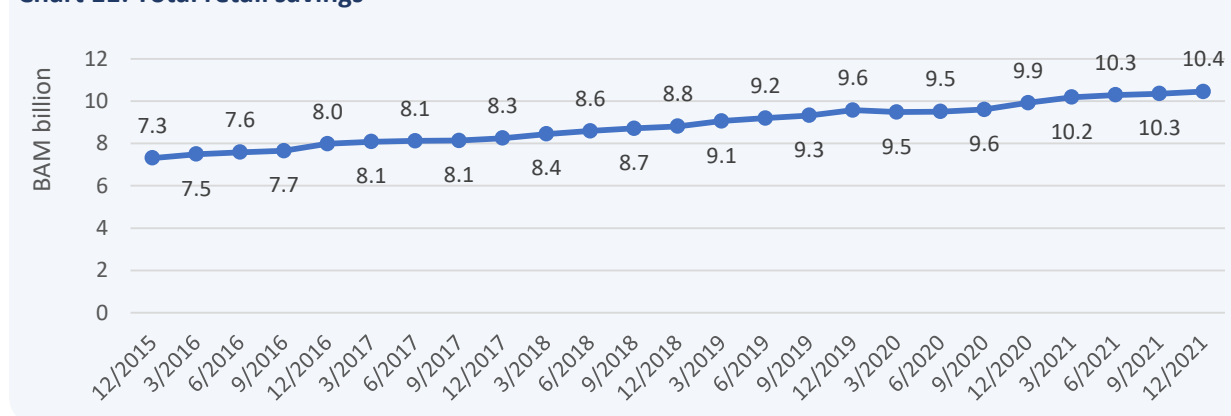
The long term upward trend of savings deposits (Table No. 15 and Chart No. 11) (as the most significant segment of deposit and financial potential of banks) has continued as of 31/12/2021 as well. As of 31/12/2021, savings deposits amounted to BAM 10.4 billion, up by BAM 533.6 million or 5.4% compared to the end of 2020.

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Table 15: Retail savings

No.	Banks	Amount			Index	
		31.12.2019	31.12.2020	31.12.2021	(4/3)	(5/4)
1	2	3	4	5	6	7
1.	State-owned	96,979	105,980	124,474	109	117
2.	Private	9,476,470	9,809,340	10,324,468	104	105
	Total	9,573,449	9,915,320	10,448,942	104	105

Chart 11: Total retail savings



53.5% of savings are concentrated in two biggest banks, while four banks have the individual shares of less than 2%, amounting to 4.1% of the total savings in the sector. Of the total amount of the savings, 53.4% relate to savings deposits in domestic currency, while 46.6% relate to savings deposits in foreign currency.

As of 31/12/2021 vs. YE2020, short term retail savings deposits rose by BAM 613.4 million or 10% (while their share rose by 2.8 percentage points) and long term retail savings deposits dropped by BAM 79.8 million or 2.1% (their share went down by 2.8 percentage points).

The maturity structure of savings deposits can be seen in Table No. 16 below:

- BAM 000 -

No	Savings deposits	31.12.2019		31.12.2020		31.12.2021		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	6,755,829	64.7	109	110
2.	Long term savings	3,939,023	41.1	3,772,866	38.1	3,693,113	35.3	96	98
	Total	9,573,449	100	9,915,320	100	10,448,942	100	104	105

Retail loans as of 31/12/2021 amounted to BAM 7.6 billion, up by 4.6% vs. YE2020. At the same time, retail deposits went up by 5.8% to BAM 10.8 billion as of 31/12/2021.

Table No. 17 below provides an overview of retail loans, savings and deposits by periods:

- BAM 000 -

No.	Description	31.12.2019	31.12.2020	31.12.2021	Index	
		Amount	Amount	Amount	(4/3)	(5/4)
1	2	3	4	5	6	7
1.	Retail loans	7,400,278	7,281,540	7,613,327	98	105
2.	Retail savings	9,573,449	9,915,320	10,448,942	104	105
2.1.	Term deposits	4,280,620	4,089,390	3,976,925	96	97
2.2.	Demand deposits	5,292,829	5,825,930	6,472,017	110	111
3.	Loans/savings	77%	73%	73%	-	-
4.	Retail deposits	9,877,414	10,236,559	10,832,483	104	106
5.	Loans/Retail deposits	75%	71%	70%	-	-

As of 31/12/2021, 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.

3.2.3. Capital and Capital Adequacy

As of 31/12/2021, total banks' capital was BAM 3.1 billion, increasing by BAM 42.1 million or 1.4% compared to the end of 2020 (more details are provided under Subheading 3.1.2 - Ownership Structure and Market Share).

The following Table No. 18 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	31.12.2021	Index	
		Amount	Amount	Amount	(4/3)	(5/4)
1	2	3	4	5	6	7
1.	Own funds	2,696,142	2,698,561	2,852,902	100	106
1.1.	Tier 1 capital	2,662,338	2,581,508	2,733,978	97	106
1.1.1.	Common Equity Tier 1	2,662,338	2,581,508	2,733,978	97	106
1.1.1.1.	Paid-up capital instruments	1,299,335	1,299,335	1,384,714	100	107
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	0	0	-2,192	-	-
1.1.1.5.	Recognized gain or loss	403,027	343,453	393,494	85	115
1.1.1.6.	Accumulated other comprehensive income	-36,302	-145,228	-118,241	400	81
1.1.1.7.	Other reserves	32,434	29,151	10,368	90	36
1.1.1.8.	(-) Other intangible assets	970,088	1,000,959	1,014,269	103	101
1.1.1.9.	(-) Deferred tax assets that rely on future profitability	-57,589	-58,638	-61,626	102	105
1.1.1.10.	(-) Deduction from Addition Tier 1 items exceeding Additional Tier 1	-14	-34	-1,081	243	3179
1.1.1.11.	(-) Deferred tax assets that are deductible and rely on future profitability and arise from temporary differences	-1,255	0	0	-	-
1.1.1.12.	(-) Financial sector entities' Common Equity Tier 1 instruments if bank has material investment	-1,349	-8,300	-8,621	615	104
1.1.1.13.	Elements or deductions from Common Equity Tier 1 – other	-15,950	-16,266	-14,182	102	87
1.1.1.14.	Additional Tier 1	-67,162	0	0	0	-
1.1.2.	Tier 2 capital	0	0	0	-	-
1.2.	Paid-up capital instruments and subordinated debts	33,804	117,053	118,924	346	102
1.2.1.	(-) Own Tier 2 instruments	170,158	117,067	118,938	69	102
1.2.2.	General impairments for credit risk under standardized approach	-14	-14	-14	100	100
1.2.3.	Deduction from Tier 2 items exceeding Tier 2 capital (deducted from Additional Tier 1 capital)	163,609	0	0	0	-
1.2.4.	Paid-up capital instruments and subordinated debts	1,255	0	0	0	-
1.2.5.	Own funds	-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 31/12/2021 were BAM 2.9 billion and, compared to the end of 2020, it increased by BAM 154.3 million or 5.7%. At the same time, the banks' T1 and CET1 capital equal BAM 2.7 billion, with a realized increase of BAM 152.5 million or 5.9%, while Tier 2 capital is BAM 118.9 million, with a realized decrease of BAM 1.9 million or 1.6% compared to the end of 2020. The own funds' structure of the FB&H banking sector includes a share of Tier 1 capital of 95.8% (12/2020: 95.7%), while Tier 2 capital participates with 4.2% (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 in an amount of BAM 82.6 million,
- increase based on the capital increase in an amount of BAM 89.5 million,
- increase of profit based on deferred tax assets of BAM 1.3 million,
- increase based on reduction of an off-set item – significant investments in financial sector entities of BAM 2.0 million,
- increase based on adjustment of income tax of BAM 0.5 million,
- decrease based on higher amount of an off-set item – deferred tax assets of BAM 1.4 million,
- decrease based on higher amount of an off-set item – intangible assets of BAM 3.0 million, and
- decrease of accumulated other comprehensive income in an amount of BAM 19 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 31/12/2021 was BAM 14.5 billion (Table No. 19).

- BAM 000 -

Table 19: Risk exposure structure

No	Risk exposure	31.12.2019*		31.12.2020		31.12.2021		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	13,167,335	91.0	98	103
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	152,789	1.1	50	128
4.	Risk exposures for operational risk	1,705,834	11.3	1,150,236	8.2	1,147,271	7.9	67	100
Total risk exposure amount		15,032,305	100	14,113,134	100	14,467,395	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 354.3 million or 2.5% against the end of the previous year. Over the reporting period, there was an increase of credit risk weighted exposures by BAM 323.5 million or 2.5% and the market risk weighted exposures rose by BAM 33.7 million or 28.3%, while the operational risk weighted exposures dropped by BAM 3.0 million or 0.3%. At the end of 2021, there were five 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, the same as at YE2020. 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 31/12/2021, banks were mostly exposed to the credit risk (91% share), which is dominant in the FB&H banking sector. Compared to the end of the previous year, there were no changes in the credit risk share in the total exposure, while the share of operational risk exposures decreased by 0.3 percentage points, whereas the market risk exposure share increased by the same amount of percentage points. 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 3.2 billion or 24.4%).

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. 20:

- BAM 000 -

Table 20: Capital adequacy indicators

No.	Capital ratios	% and amount of regulatory minimum surplus or deficit		
		31.12.2019*	31.12.2020	31.12.2021
1	2	3	4	5
1.	Common Equity Tier 1 capital ratio	17.7%	18.3%	18.9%
2.	Surplus (+) / Deficit (-) of Common Equity Tier 1	1,647,657	1,628,872	1,757,430
3.	Tier 1 capital ratio	17.7%	18.3%	18.9%
4.	Surplus (+) / Deficit (-) of Tier 1 capital	1,309,430	1,311,327	1,431,916
5.	Own funds ratio	17.9%	19.1%	19.7%
6.	Surplus (+) / Deficit (-) of own funds	892,267	1,004,986	1,116,816

* 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 31/12/2021 is 19.7% 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 0.6 percentage points. Over the same period, CET1 and T1 ratios also increased by the same amount of percentage points.

The following Table No. 21 provides an overview of the FB&H banking sector's financial leverage ratio across periods:

- BAM 000 -

Table 21: Financial leverage ratio

No.	Exposure values	31.12.2019*	31.12.2020	31.12.2021
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	27,111,043
2.	Tier 1 capital - under Article 37(3) of Decision on Capital Calculation in Banks	2,662,338	2,581,508	2,733,978
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 31/12/2021 is 10.1%, which is the same as at the end of 2020.

3.2.4. Credit Risk

The Decision on Credit Risk Management and Determination of Expected Credit Losses²⁵ defines rules of credit risk management, manner of exposure allocation to credit risk grades 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 22 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 22: Financial assets, off-balance sheet items and ECL

No	Description	31.12.2019			31.12.2020			31.12.2021		
		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	8,343,998	11,218	0.1
2.	Financial assets at amortised cost	15,417,105	1,150,848	7.5	15,460,513	1,136,925	7.4	16,160,753	1,119,190	6.9
3.	Financial assets at fair value	1,325,084*	0	0.0	1,552,559	0	0.0	1,781,852	0	0.0
4.	Other financial receivables	224,665	36,030	16.0	258,027	33,250	12.9	187,605	21,971	11.7
I Total balance sheet exposure		24,763,095	1,194,574	4.8	24,965,008	1,180,062	4.7	26,474,208	1,152,379	4.4
5.	Issued guarantees	1,350,083	21,488	1.6	1,373,899	24,965	1.8	1,428,082	24,875	1.7
6.	Uncovered letters of credit	48,255	554	1.1	39,203	1,432	3.7	40,601	1,172	2.9

²⁵ FB&H Official Gazette Nos.. 44/19 and 37/20

7.	Irrevocably approved, but undrawn loans	2,058,199	19,685	1.0	2,468,359	32,597	1.3	2,188,232	21,071	1.0
8.	Other contingent liabil.	54,122	310	0.6	8,274	26	0.3	263,064	2,563	1.0
II Total off-bal.sheet items		3,510,659	42,037	1.2	3,889,735	59,020	1.5	3,919,979	49,681	1.3
Total exposure (I+II)		28,273,754	1,236,611	4.4	28,854,743	1,239,082	4.3	30,394,187	1,202,060	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 31/12/2021 stood at BAM 30.4 billion, thereof BAM 26.5 billion referring to balance sheet exposures and BAM 3.9 billion to off-balance sheet items.

In 2021, there was an increase of balance sheet exposures compared to the YE2020 by BAM 1.5 billion or 6%, as caused by a net effect of elevated cash funds and facilities by BAM 650.1 million, financial assets measured at fair value and at amortised cost (BAM 700.2 million) and at fair value (BAM 229.3 million), as well as due to a decrease of other financial receivables by BAM 70.4 million (major reduction with one bank).

Over the same period, there was an increase of off-balance sheet items by BAM 30.2 million or 0.8%. This increase refers to issued guarantees (BAM 54.1 million), uncovered letters of credit (BAM 1.4 million) and other contingent liabilities (BAM 254.8 million), while a decrease was noted with irrevocably approved, but undrawn loans (BAM 280.1 million).

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. 23 shows balance sheet and off-balance sheet exposures at the FB&H banking sector level by credit risk grades and related ECLs:

- BAM 000 -

Table 23: Exposures by credit risk grades

No.	Description	31.12.2019			31.12.2020			31.12.2021		
		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	24,029,210	166,312	0.7
2.	Credit risk grade 2	1,652,439	113,839	6.9	1,645,274	204,681	12.4	1,387,627	161,999	11.7
3.	Credit risk grade 3	1,316,790	957,177	72.7	1,017,814	795,903	78.2	1,057,371	824,068	77.9
I Total balance sheet exposure		24,763,095	1,194,574	4.8	24,965,008	1,180,062	4.7	26,474,208	1,152,379	4.4
4.	Credit risk grade 1	3,027,094	20,431	0.7	3,440,487	21,343	0.6	3,603,792	20,660	0.6
5.	Credit risk grade 2	474,159	15,610	3.3	443,246	34,354	7.8	309,101	25,536	8.3
6.	Credit risk grade 3	9,406	5,996	63.7	6,002	3,323	55.4	7,086	3,485	49.2
II Total off-balance sheet exposure		3,510,659	42,037	1.2	3,889,735	59,020	1.5	3,919,979	49,681	1.3
Total exposure (I+II)		28,273,754	1,236,611	4.4	28,854,743	1,239,082	4.3	30,394,187	1,202,060	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 31/12/2021, balance sheet exposures within the credit risk grade 1 amounted to BAM 24 billion and make up for 90.8% of the total balance sheet exposures. Compared to YE2020, they have risen by BAM 1.7 billion or 7.7%. The increase mostly came as a net effect of: increased loan portfolio within this credit risk grade by BAM 842.2 million, financial assets measured at fair value by BAM 230.7 million, debt securities measured at amortised cost by BAM 54.2 million, cash funds at CBBH account by BAM 791.8 million and cash by BAM 258.6 million, as well as the decrease of cash funds with banks and placements with banks by BAM 407.9 million and other financial assets by BAM 50.8 million.

As of 31/12/2021, balance sheet exposures within the credit risk grade 2 stood at BAM 1.4 billion, representing 5.2% of the total balance sheet exposures. Compared to YE2020, they have dropped by BAM 257.6 million or 15.7%. The decrease of total balance sheet exposures within this credit risk grade came mostly as a result of: decrease of the loan portfolio within the credit risk grade 2 by BAM 245.4 million and other financial receivables by BAM 8.6 million.

As of 31/12/2021, balance sheet exposures within the credit risk grade 3 equaled BAM 1.1 billion, representing 4% of the total balance sheet exposures. If observed against YE2020, they have risen by BAM 39.6 million or 3.9%. This largely came as a result of an increase of the loan portfolio within this credit risk grade by BAM 49.6 million and decrease of other financial receivables by BAM 11.1 million.

In 2021 (compared to 2020), ECLs at the credit risk grade 1 for the balance sheet exposures decreased by BAM 13.2 million and for the credit risk grade 2 by BAM 42.73 million, while it increased for the credit risk grade 3 by BAM 28.2 million. Over the observed period, ECL coverage rate at the credit risk grade 1 went down by 0.1 percentage point and at the credit risk grade 2 by 0.7 percentage points and at the credit risk grade 3 by 0.3 percentage points. Total ECL coverage rate for balance sheet exposures is 4.4%, whereas at the end of the previous year it was 4.7%.

As of 31/12/2021, off-balance sheet exposures at the credit risk grade 1 stood at BAM 3.6 billion, thus representing 91.9% of the total off-balance sheet exposures. Exposures at the credit risk grade 2 amounted to BAM 309.1 million or 7.9% of the total off-balance sheet exposures, while the credit risk grade 3 includes exposures of BAM 7.1 million or 0.2% of the total off-balance sheet exposures.

Total ECL coverage for off-balance sheet exposures is 1.3%, which is by 0.2 percentage points lower than at the end of the previous year. The decrease of the coverage rate by 6.2 percentage points was noted with credit risk grade 3, while this rate for the credit risk grade 1 remained the same and increased for the credit risk grade 2 by 0.5 percentage points (compared to the end of the previous year).

FBA expects from banks to ensure risk exposures are adequately covered by ECL in line with best practices related to the credit risk. Under conditions of unstable economic environment, banks need to assess future repayment capacities of customers and ensure timely determination of ECL (lifetime losses) in order to avoid potential negative effect of a sudden increase of ECL over the future period (cliffing effect), considering uncertain dynamics of economic recovery from the Pandemic.

As of 31/12/2021, loans stood at BAM 15.9 billion, up by BAM 636.2 million or 4.2% vs. YE2020. Looking at the sector structure of loans, the biggest increase came from loans to banking institutions (BAM 145.2 million or 22.8% of total loan growth). This increase of loans to banking institutions of BAM 98 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 3.5% over the observed period.

Retail loans amount to BAM 7.6 billion and hold a share in total loans of 47.9% (up by BAM 331.8 million or 4.6% compared to YE2020). Corporate loans (amounting to BAM 8.3 billion and representing 52.1% of total loans) have risen by BAM 304.4 million or 3.8% against end of 2020 (Chart No. 12). If the increase of short term low-risk exposures with one bank would be excluded, the corporate loan portfolio would show a growth of 2.6% during the observed period.

Chart 12: Loans



The following Table No. 24 shows a trend and changes of individual sectors of loan users in the total loan structure:

- BAM 000 -

Table 24: Loan structure by sectors

No.	Sectors	31.12.2019		31.12.2020		31.12.2021		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	223,252	1.4	105	112
2.	Public sector enterprises	359,635	2.4	395,157	2.6	406,525	2.6	110	103
3.	Private companies	6,922,742	45.5	6,500,322	42.6	6,616,260	41.6	94	102
4.	Banking institutions	247,501	1.6	772,554	5.1	917,784	5.8	312	119
5.	Non-banking financial instit.	86,902	0.6	83,921	0.6	91,038	0.6	97	108
6.	Retail	7,400,278	48.6	7,281,540	47.7	7,613,327	47.9	98	105
7.	Other	14,341	0.1	22,125	0.1	22,635	0.1	154	102
	Total	15,220,759	100	15,254,651	100	15,890,821	100	100	104

The following Table No. 25 provides maturity structure of loans by sectors:

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Table 25: Maturity structure of loans

No	Sectors	31.12.2020			31.12.2021			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	4,481	218,670	101	95	113	27
2.	Public sector enterprises	40,618	342,373	12,166	53,308	349,648	3,569	131	102	29
3.	Private companies	2,301,850	3,782,059	416,413	2,305,243	3,836,967	474,050	100	101	114
4.	Banking institutions	772,554	0	0	917,783	0	1	119	-	-
5.	Non-banking financial instit.	18,777	65,113	31	32,401	58,615	22	173	90	71
6.	Retail	400,340	6,655,109	226,091	389,772	6,977,461	246,094	97	105	109
7.	Other	6,476	15,426	223	6,412	15,835	388	99	103	174
	Total	3,545,347	11,054,008	655,296	3,709,400	11,457,196	724,225	105	104	111

As of 31/12/2021, compared to the end of 2020, short term loans in the FB&H banking sector have risen by BAM 164.1 million or 4.6% (as largely attributable to the increase of short term low-risk exposures) and long term loans by BAM 403.2 million or 3.6%. Receivables due amount to BAM 724.2 million, up by BAM 68.9 million or 10.5% vs. YE2020.

In the currency structure of loans, loans approved in domestic currency have the highest share of 52.9% or BAM 8.4 billion, followed by loans approved with a currency clause with a share of 40.8% or BAM 6.5 billion (EUR: BAM 6.5 billion or 99.9%, CHF: BAM 4.5 million or 0.1 %), while loans approved in foreign currency have the lowest share of 6.3% or BAM 1.0 billion (of which 98.4% relates to EUR).

The following Table No. 26 provides an overview of corporate and retail loans by credit risk grades and related ECLs:

- BAM 000 -

Table 26: Loans by credit risk grades

No.	Description	31.12.2019			31.12.2020			31.12.2021		
		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	6,770,320	66,945	1.0
2.	Credit risk grade 2	904,039	55,829	6.2	1,157,194	141,218	12.2	925,089	116,184	12.6
3.	Credit risk grade 3	770,071	516,128	67.0	543,747	421,893	77.6	582,085	435,691	74.9
	Total I	7,820,481	623,103	8.0	7,973,111	641,928	8.1	8,277,494	618,820	7.5
II Retail loans										
4.	Credit risk grade 1	6,451,878	59,562	0.9	6,395,495	84,591	1.3	6,748,669	82,526	1.2
5.	Credit risk grade 2	471,019	57,081	12.1	446,971	58,801	13.2	425,538	43,166	10.1
6.	Credit risk grade 3	477,381	381,194	79.9	439,074	341,856	77.9	439,120	355,436	80.9
	Total II	7,400,278	497,837	6.7	7,281,540	485,248	6.7	7,613,327	481,128	6.3
Total loans										
7.	Credit risk grade 1	12,598,249	110,708	0.9	12,667,665	163,408	1.3	13,518,989	149,471	1.1
8.	Credit risk grade 2	1,375,058	112,910	8.2	1,604,165	200,019	12.5	1,350,627	159,350	11.8
9.	Credit risk grade 3	1,247,452	897,322	71.9	982,821	763,749	77.7	1,021,205	791,127	77.5
	Total loans (I+II)	15,220,759	1,120,940	7.4	15,254,651	1,127,176	7.4	15,890,821	1,099,948	6.9

The loan portfolio allocated to the credit risk grade 1 as of 31/12/2021 stood at BAM 13.5 billion, representing 85.1% of the total loan portfolio. This represents an increase against

YE2020 by BAM 851.3 million or 6.7%. The ECL coverage rate for the credit risk grade 1 is 1.1% (corporate 1% and retail 1.2%), thus being lower by 0.2 percentage points against end of 2020.

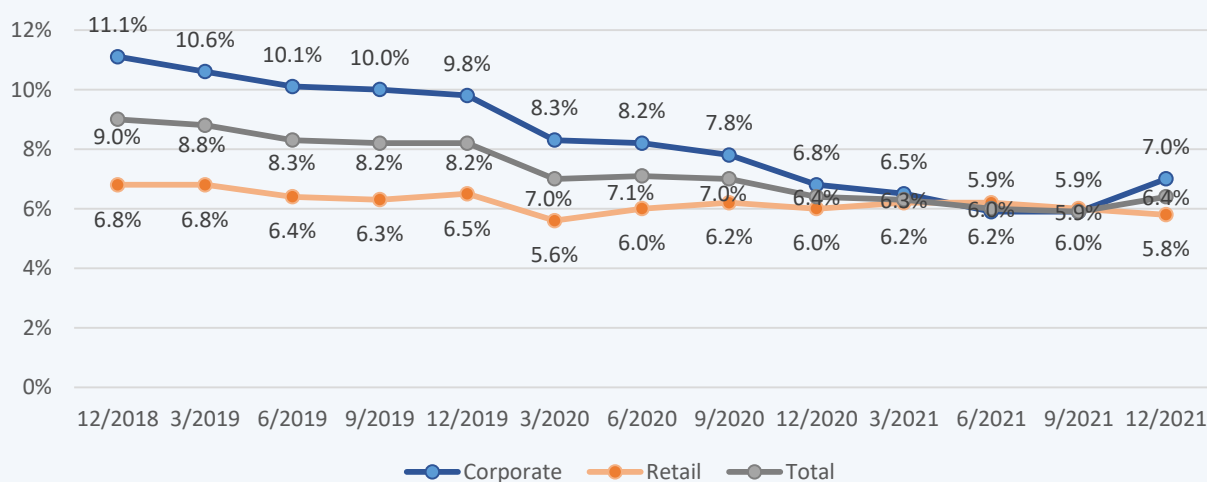
The loan portfolio in the credit risk grade 2 as of 31/12/2021 stood at BAM 1.4 billion, thus making up for 8.5% of the total loan portfolio. Compared to YE2020, it is by BAM 253.5 million or 15.8% lower. The ECL coverage rate for this credit risk grade is 11.8% (corporate 12.6% and retail 10.1%), down by 0.7 percentage points compared to 31/12/2020.

The loan portfolio in the credit risk grade 3 (NPL) as of 31/12/2021 amounted 1.0 billion, thus constituting 6.4% of the total loan portfolio, which is the same as at the end of the previous year. Its increase by BAM 38.4 million or 3.9% vs. YE2020 was largely resulting from the net effect of: new non-performing loans of BAM 309.4 million, recoveries of BAM 41.9 million, collection of BAM 135.4 million, accounting and permanent write offs of BAM 86.8 million and other items of BAM 6.9 million. The ECL coverage rate for the credit risk grade 3 is 77.5% (corporate 74.9% and retail 80.9%), down by 0.2 percentage points vs. 31/12/2020.

Out of total corporate loans, BAM 582.1 million or 7% refers to the NPL segment, up by 0.2 percentage points vs. YE2020. If short term low-risk exposures would be excluded from the calculation, the corporate NPL rate would be 7.8%. As for the retail segment, NPLs stood at BAM 439.1 million or 5.8% of the retail loan portfolio, thus being lower by 0.2 percentage points compared to YE2020.

An overview of NPLs (loan portfolio allocated to the credit risk grade 3) is provided in the following Chart No. 13:

Chart 13: 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 5 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 2.8 billion or 33.3% of corporate loans, i.e. 17.3% of the total loan portfolio), processing industry (BAM 1.9 billion or 23.1% of corporate loans, i.e. 12 % of total loans) and financial industry (BAM 1.1 billion or 12.9% of corporate loans, i.e. 6.7% of total loans).

The share of NPLs in loans to the trade sector is 5.5%, to the processing industry 13.6% and to the financial industry 0%. With regards to other corporate loans, the biggest share of NPLs at the end of 2021 referred to loans approved to education (26.4%), agriculture (24.6%) and hotel and hospitality business (11%).

As far as retail loans are concerned, the largest share is with general consumption loans (BAM 6.0 billion or 78.6% of retail loans, i.e. 37.6% of the total loan portfolio) and housing loans (BAM 1.5 billion or 20.3% of retail loans, i.e. 9.7% of the total loan portfolio). The share of NPLs in general consumption loans is 6.6% and with housing loans 2.4%. 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. 27 provides an overview of key ratios used in credit risk assessments in FB&H banks:

- % -

Table 27: Credit risk indicators

No.	Description	31.12.2019	31.12.2020	31.12.2021
1	2	3	4	5
1.	Rate of non-performing exposures	4.7	3.5	3.5
2.	ECL coverage rate for non-performing exposures	72.6	78.1	77.7
3.	ECL coverage rate for total assets	4.4	4.3	4.0
4.	NPL rate	8.2	6.4	6.4
5.	ECL coverage rate for NPLs	71.9	77.7	77.5
6.	ECL coverage rate for total loans	7.4	7.4	6.9
7.	New NPLs*/Total performing loans	-0.3	0.7	0.8
8.	NPLs/Total capital and ECL for NPL	30.9	25.7	26.2
9.	Net NPLs/Tier 1 capital	13.2	8.5	8.4
10.	Loans due/Total loans	6.2	4.2	4.6

* 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 2021, BAM 259.3 million or 1.6% 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 248.3 million or 3% of the corporate loan portfolio, while active measures referring to the retail portfolio amount to BAM 11 million or 0.1% of the retail loan portfolio.

3.2.5. 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 293.6 million across the FB&H banking sector was reported for the January 1 – December 31, 2021 period, which was higher by BAM 119.3 million compared to the same period of 2020 when the Pandemic had greater impact on the banks' profitability (Table No. 28). Positive financial result was posted by all FB&H banks in the first nine months of 2021.

- BAM 000 -

Table 28: Actual financial performance of banks

No.	Description	01.01. - 31.12.2019		01.01. - 31.12.2020		01.01. - 31.12.2021	
		Amount	Number of banks	Amount	Number of banks	Amount	Number of banks
1	2	3	4	5	6	7	8
1.	Profit	275,448	14	187,335	13	293,560	14
2.	Loss	1,559	1	13,070	2	0	0
	Total	273,889	15	174,265	15	293,560	14

Annex 6 shows an aggregate income statement of banks in the FB&H for the period from 01/01/2021 to 31/12/2021 (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 31/12/2021, the total income across the FB&H banking sector is BAM 1.2 billion and, compared to the same period last year, it increased by BAM 53.6 million or 4.6% (Table No. 29).

- BAM 000 -

Table 29: Structure of total income of banks

No.	Structure of total income	01.01. - 31.12.2020.		01.01. - 31.12.2021.		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	2,773	0.2	796	0.1	29

	institutions					
2.	Loans and leasing operations	624,578	53.6	611,388	50.2	98
3.	Other interest income	71,457	6.1	76,275	6.3	107
	Total I	698,808	60.0	688,459	56.5	99
	II Operating income					
4.	Service fees	341,222	29.3	388,320	31.9	114
5.	Income from FX operations	54,201	4.7	70,514	5.8	130
6.	Other operating income	71,055	6.1	71,554	5.9	101
	Total II	466,478	40.0	530,388	43.5	114
	Total income (I+II)	1,165,286	100	1,218,847	100	105

In the total income structure, interest income and similar income hold a share of 56.5%, while operating income participate with 43.5%. Compared to the same period the year before, there was a decrease of share of interest and similar income by 3.5 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 10.3 million or 1.5%. A dominant item among this income category was income from interest on loans and leasing facilities with a share in total income dropping by 3.4 percentage points. At the same time, the share of loans and leasing type receivables in total assets decreased by 1.1 percentage points (from 62.5% to 61.4%), while average weighted NIR related to loans went up from 3.16% to 3.1 % (up by 0.05 percentage points).

In 2021, interest income under interest-bearing deposit accounts with deposit institutions dropped by BAM 2.0 million or 71.3% 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 rose from 15.6% to 16.1% (i.e. by 0.5 percentage points).

As for other interest income, there was an increase of interest income positions related to placements to other banks by 2%, interest income from held-to-maturity securities by 19.9% and other interest income by 6.1%.

Looking into the sector structure of interest income, most of this refers to income from the retail segment (61.2%), although retail loans make up for 47.9% of the total loan portfolio of the FB&H banking sector due to higher average NIR of the Retail segment of 5.17% compared to the corporate segment's NIR of 2.45%. Out of total interest income, the part that refers to private companies is 29.2%, 5% refers to government institutions and 1.6% to public companies.

Total operating income recorded an increase of BAM 63.9 million or 13.7% 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 47.1 million or 13.8%. Income from foreign exchange operations showed the biggest growth rate of 30.1%, i.e. they went up by BAM 16.3 million vs. the same period the year before.

FB&H Banking Sector's Total Expenses

According to the banks' reporting data as of 31/12/2021, total expenses across the FB&H banking sector are BAM 891.8 million, which decreased by BAM 86.3 million or 8.8% compared to the same period last year (Table No. 30).

- BAM 000 -

Table 30: Structure of total expenses of banks

No.	Structure of total expenses	01.01.- 31.12.2020		01.01.- 31.12.2021		Index (5/3)
		Amount	%	Amount	%	
1	2	3	4	5	6	7
I Interest expenses and similar expenses						
1.	Deposits	90,219	9.2	75,580	8.5	84
2.	Liabilities on loans and other borrowings	8,018	0.8	6,782	0.8	85
3.	Other interest expenses	31,990	3.3	37,836	4.2	118
Total I		130,227	13.3	120,198	13.5	92
II Non-interest expenses						
4.	Costs of impairments of assets at risk, provisions on contingent liabilities and other value adjustments	182,004	18.6	75,703	8.5	42
5.	Salary and contribution costs	257,639	26.3	259,673	29.1	101
6.	Business premises costs and depreciation	164,192	16.8	173,442	19.4	106
7.	Other operating and direct costs	135,862	13.9	155,890	17.5	115
8.	Other operating costs	108,112	11.1	106,864	12.0	99
Total II		847,809	86.7	771,572	86.5	91
Total expenses (I+II)		978,036	100	891,770	100	91

The total expenses structure is dominated by non-interest expenses with a share of 86.5%, while interest expenses and similar expenses account for 13.5%. 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 10 million or 7.7%, which is mostly a result of a reduction on interest expenses on deposits by BAM 14.6 million or 16.2%, despite them being the FB&H banking sector's dominant funding source. The deposit potential at the end of 2021 stood at BAM 21.2 billion, up by BAM 1.5 billion compared to the same period last year when it was BAM 19.7 billion.

Interest-bearing deposits participate in total deposit potential as of 31/12/2021 with a share of 66.5%, thus their share has dropped since the end of 2020 when they participated with 69.3%. 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 0.70% as of 31/12/2020 to 0.48% as of 31/12/2021.

Over the observed period, interest expenses on loans and other borrowings dropped by BAM 1.2 million or 15.4%, while the FB&H banking sector's level of indebtedness on loans and other borrowings went down by BAM 32.8 million or 4%.

Other interest expenses increased during the observed period by BAM 5.8 million or 18.3%, as largely caused by the increase of expenses based on negative rates for banks' funds in excess of the mandatory reserves and based on mandatory reserve funds with CBBH that refer to principal denominated in foreign currency and in local currency with a currency clause (increase by BAM 4.2 million or 39%) and negative interest rate on deposits with foreign banks (increase by BAM 1.4 million or 18.2%).

Across the FB&H banking sector, there was a decrease by BAM 76.3 million or 9% 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 106.3 million or 58.4% while there was an increase of costs of business premises and depreciation by BAM 9.2 million or 5.6% and an increase of other operating and direct expenses by BAM 20 million or 14.7% and costs of salaries by BAM 2.0 million or 0.8%. There were three banks that posted no value adjustments this year and only three banks had value adjustment costs shown during the observed period to be greater than in the same period last year. Out of the total decrease of value adjustment costs over the observed period, BAM 56.9 million or 53.5% 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. 31 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 31: Profitability, productivity, and efficiency ratios

No.	Description	31.12.2019	31.12.2020	31.12.2021
1	2	3	4	5
1.	Net profit	273,889	174,265	293,560
2.	Average net assets	23,250,003	23,842,663	24,808,854
3.	Average total capital	3,111,657	2,996,296	3,166,005
4.	Total income	1,070,879	1,035,059	1,098,649
5.	Net interest income	603,064	568,581	568,261
6.	Operating income	467,815	466,478	530,388
7.	Operating expenses	534,764	529,943	539,979
8.	Operating and direct expenses	217,301	317,866	231,593
9.	Other operating and direct expenses	139,986	135,862	155,890
10.		1.2	0.7	1.2
11.	Return on average assets (ROAA)	8.8	5.8	9.3
12.	Return on average equity (ROAE)	4.6	4.3	4.4
13.	Total income/average assets	2.6	2.4	2.3
14.	Net interest income/average assets (NIM)*	2.7	2.5	2.5
15.	Net interest margin (interest income /average interest-bearing assets – interest expenses/average interest-based liabilities)	57.5	58.9	57.3

* NIM - Net Income Margin

** CIR - Cost-income Ratio

Looking into the net interest income, there is a decrease vs. the same period in 2020 by BAM 320 ths, thus there was a major reduction of its share in total income from 54.9% to 51.7%.

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.

3.2.6. 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 methodology²⁶. Based on data submitted in line with this methodology, FBA calculates weighted average NIR and EIR for the banking sector. Besides the interest rate level in individual banks, this depends on the volume and structure of newly approved loans, i.e. on newly arranged deposits.

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

Looking into the maturity structure of newly approved loans in 2021, average weighted EIR on long term loans went down by 0.13 percentage points (from 5.31% to 5.18), while on short term loans it dropped by 0.08 percentage points (from 2.53% to 2.45%). If observed by the sector structure, average weighted EIR on total newly approved corporate loans decreased by 0.05 percentage points (from 2.76% to 2.71%), while average weighted EIR on total newly approved retail loans got reduced by 0.54 percentage points (from 7.04% to 6.50%) and average weighted EIR on total newly approved loans to other sectors went down by 0.38 percentage points (from 3.35% to 2.97%).

Although individual weighted EIR decreased against the previous year, total average weighted EIR on loans approved in 2021 increased by 0.11 percentage points to 3.78%. The reason for this rests with changed maturity structure of newly approved loans since the share of short term loans in newly approved ones has dropped by 7.7 percentage points vs. 2020 (as being approved under lower interest rates), which is the same rate that the share of long term loans has increased (thus applying higher interest rates).

Total average weighted EIR on deposits collected in the FBiH banking sector in 2021 stands at 0.48%, down by 0.22 percentage points vs. 2020 when it equalled 0.70%. If observed by the maturity structure of deposits, average weighted EIR on short term deposits rose by 0.13 percentage points (from 0.34% to 0.21%), while dropping on long term deposits by 0.30 percentage points (from 1.05% to 0.75%). As for the sector structure of deposits collected in 2021, average weighted EIR on corporate deposits decreased by 0.15 percentage points (from 0.90% to 0.75%) and on retail deposits it went down by 0.31 percentage points (from 0.90% to

²⁶ 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

0.59%), while average weighted EIR on deposits of other sectors dropped by 0.18 percentage points (from 0.44% to 0.26%).

3.2.7. 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. 32 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	31.12.2021	Index	
					(4/3)	(5/4)
1	2	3	4	5	6	7
1.	Liquidity buffer	4,727,454	5,849,379	7,064,703	124	121
2.	Net liquidity outflows	1,628,421	2,186,642	3,176,838	134	145
	LCR	290%	268%	222%	92	83

As of 31/12/2021, LCR across the FB&H banking sector was 222%. 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. 33:

- BAM 000 -

No.	Description	31.12.2019	31.12.2020	31.12.2021	Index	
					(4/3)	(5/4)
1	2	3	4	5	6	7
1.	Level 1 liquid assets	4,714,414	5,844,033	7,059,357	124	121
1.1.	Cash	1,004,447	1,267,715	1,526,321	126	120
1.2.	Withdrawable central bank reserves	2,322,240	2,467,371	3,095,846	106	125
1.3.	Central government assets	645,804	1,112,172	1,401,508	172	126
1.4.	Assets of regional governments and local authorities	733,801	981,701	1,011,738	134	103
1.5.	Assets of multilateral development bank and international organisations	8,122	15,074	23,944	186	159
2.	Level 2 liquid assets	13,040	5,346	5,346	41	100
2.1.	Level 2a liquid assets	3,027	0	0	0	-
2.2.	Level 2b liquid assets	10,013	5,346	5,346	53	100
	Total (1+2)	4,727,454	5,849,379	7,064,703	124	121

Liquidity buffer amounts to BAM 7.1 billion and posted a rise by BAM 1.2 billion or 20.8% compared to the end of the previous year. All banks, except one, had higher liquidity buffer than in 2020, whereas the biggest increase here was seen with one bank – 29.1% of the total increase. 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 (43.9%), followed by cash (21.6%) and central government assets (19.9%).

Calculation of net liquidity outflows can be seen from the Table No. 34 below:

- BAM 000 -

No.	Description	31.12.2019	31.12.2020	31.12.2021	Index	
					(4/3)	(5/4)
1	2	3	4	5	6	7
1.	Total outflows	3,890,270	4,875,334	5,576,106	125	114
2.	Total inflows	2,723,567	2,716,263	2,399,268	100	88
3.	Inflows subject to cap of 75% of outflows	2,261,849	2,688,692	2,399,268	119	89
4.	Net liquidity outflows (1-3)	1,628,421	2,186,642	3,176,838	134	145

When it comes to the net liquidity outflows calculation as of 31/12/2021, all banks had their outflows reduced by the total inflows amount, since they are lower than 75% of total liquidity outflows.

Total outflows amounted to BAM 23.5 billion as of 31/12/2021 (prior to application of the outflow rate) and consisted mostly of outflows from retail deposits (BAM 9.8 billion or 41.7% of total outflows, of which BAM 5.0 billion refers to stable deposits or 50.7% of outflows of retail deposits), followed by deposits of other customers (BAM 7.7 billion or 32.7% of total outflows) and other products and services (BAM 3.1 billion or 13.3% of total outflows).

Total inflows amounted to BAM 2.4 billion, as largely relating to cash receivables from financial customers (BAM 1.3 billion or 55.6% of total inflows), thus being subject to the inflow rate of 100%, followed by inflows from financial derivatives (BAM 708.1 million or 29.5% of total inflow) – also being subject to the inflow rate of 100%, and receivables from non-financial customers of BAM 224.4 million or 9.4% 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. 35:

- BAM 000 -

No.	Deposits	31.12.2019		31.12.2020		31.12.2021		Index	
		Amount	% share	Amount	% share	Amount	% share	(5/3)	(7/5)
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	14,755,459	69.6	116	114
2.	7-90 days	855,191	4.4	989,184	5.0	986,253	4.7	116	100
3.	91 days to one year	3,175,998	16.4	2,153,403	10.9	2,157,949	10.2	68	100
	I Total short term	15,227,322	78.5	16,091,415	81.8	17,899,661	84.5	106	111
4.	Up to 5 years	3,983,643	20.5	3,388,072	17.3	3,174,184	15.0	85	94
5.	Over 5 years	203,329	1.0	181,375	0.9	111,107	0.5	89	61
	II Total long term	4,186,972	21.5	3,569,447	18.2	3,285,291	15.5	85	92
	Total (I + II)	19,414,294	100	19,660,862	100	21,184,952	100	101	108

As of 31/12/2021, short-term deposits had an 84.5% share in total deposits while long-term ones had a 15.5% share, with the share of the short-term deposits increasing, i.e. the share of the long-term ones decreasing by 2.7 percentage points compared to the end of 2020.

In the reporting period, an increase of BAM 1.8 billion or 11.2% was recorded in relation to short-term deposits and a decrease of BAM 284.2 million or 8% 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 213.9 million or 6.3%), as well as with deposits of over 5 years (by BAM 70.3 million or 38.7%). 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 (96.6%).

An overview of the core liquidity ratios is shown in the following Table No. 36:

- % -

Table 36: Liquidity ratios

No.	Ratio	31.12.2019	31.12.2020	31.12.2021
1	2	3	4	5
1.	Liquid assets ²⁷ /net assets	31.9	31.3	31.9
2.	Liquid assets/ short-term financial liabilities	49.2	45.9	44.6
3.	Short-term financial liabilities/ total financial liabilities	75.4	78.9	82.3
4.	Loans/deposits and loans taken	75.1	74.5	72.3
5.	Loans/ deposits, loans taken and subordinated debts ²⁸	74.4	73.8	71.8

Compared to the end of 2020, the share of liquid assets in net assets and the share of short term financial liabilities in total financial liabilities has increased, while the ratio of liquid assets and short term financial liabilities has decreased. Also, the ratio of loans/deposits and loans taken has improved and is satisfactory.

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 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. 37 provides an overview of maturity matching of financial assets and liabilities of up to 180 days:

- BAM 000 -

Table 37: Maturity matching of financial assets and financial liabilities of up to 180 days

No.	Description	31.12.2019*	31.12.2020	31.12.2021	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	11,876,470	104	108
2.	Amount of financial liabilities	11,624,766	13,510,009	15,288,271	116	113
3.	Balance (+ or -) = 1-2	-1,038,483	-2,528,538	-3,411,801	-	-
Calculation of compliance with regulatory requirements in %						

²⁷ Liquid assets in narrow sense: cash and deposits and other financial assets with residual maturity period of less than three months, excluding interbank deposits.

²⁸ The previous ratio was expanded, the funding also includes subordinated debts, which is a more realistic indicator.

a)	Actual %= no. 1 / no. 2	91.1%	81.3%	77.7%		
b)	Regulatory minimum %	85.0%	65.0%	65.0%		
	More (+) or less (-) = a – b	6.1%	16.3%	12.7%		
II 1-90 days						
1.	Amount of financial assets	11,648,306	12,065,528	13,050,687	104	108
2.	Amount of financial liabilities	12,367,913	14,303,357	16,112,291	116	113
3.	Balance (+ or -) = 1-2	-719,607	-2,237,829	-3,061,604	-	-
Calculation of compliance with regulatory requirements in %						
a)	Actual %= no. 1 / no. 2	94.2%	84.4%	81.0%		
b)	Regulatory minimum %	80.0%	60.0%	60.0%		
	More (+) or less (-) = a – b	14.2%	24.4%	21.0%		
III 1-180 days						
1.	Amount of financial assets	12,992,018	13,257,364	14,327,360	102	108
2.	Amount of financial liabilities	13,550,664	15,167,836	16,976,401	112	112
3.	Balance (+ or -) = 1-2	-558,646	-1,910,472	-2,649,041	-	-
Calculation of compliance with regulatory requirements in %						
a)	Actual %= no. 1 / no. 2	95.9%	87.4%	84.4%		
b)	Regulatory minimum %	75.0%	55.0%	55.0%		
	More (+) or less (-) = a – b	20.9%	32.4%	29.4%		

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

As of 31/12/2021, 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 12.7%, in the second one by 21% and in the third time bucket by 29.4%.

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 2021 is satisfactory despite negative effects to the economy caused by the pandemic.

3.2.8. 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 31/12/2021, the items in foreign currencies amounted to BAM 4.0 billion, with a 15.5% 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 30.4% (BAM 8.0 billion, with 32.9% share at the end of 2020).

Table No. 38 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 -

Table 38: Foreign exchange matching of financial assets and financial liabilities (EUR and total)

No.	Description	31.12.2020				31.12.2021				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 Balance sheet assets											
1.	Cash	1,405	14.5	1,950	18.8	952	10.1	1,513	14.9	68	78
2.	Loans	826	8.5	826	7.9	965	10.3	981	9.7	117	119
3.	Loans with currency clause	6,321	65.4	6,323	60.8	5,938	63.1	5,938	58.4	94	94
4.	Other	929	9.6	1,117	10.7	1,345	14.3	1,525	15.0	145	137
5.	Other financial assets with currency clause	190	2.0	190	1.8	203	2.2	203	2.0	107	107
Total I (1+2+3+4+5)		9,671	100	10,406	100	9,403	100	10,160	100	97	98
6.	Deposits	6,221	72.5	6,965	74.6	6,135	72.0	6,865	74.2	99	99
7.	Loans	809	9.4	809	8.7	778	9.1	778	8.4	96	96
8.	Deposits and loans with currency clause	1,319	15.4	1,319	14.1	1,384	16.2	1,384	14.9	105	105
9.	Other	230	2.7	244	2.6	216	2.6	229	2.5	94	94
Total II (6+7+8+9)		8,579	100	9,337	100	8,513	100	9,256	100	99	99
III Off-balance sheet position net (+) or (-)											
10.	Assets	26		61		1		7		4	11
11.	Liabilities	1,025		1,034		763		780		74	75
IV Position											
Long (amount)		93		96		128		131		138	136
%		3.4%		3.6%		4.5%		4.6%			
Short (amount)											
%											
Permitted		40.0%		40.0%		40.0%		40.0%			
Less than permitted		36.6%		36.4%		35.5%		35.4%			

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 31/12/2021 ranged within the regulatory limits.

As of 3/12/2021, 8 banks had long foreign exchange position, while 6 banks had short position. A long foreign exchange position of 4.6% of the banks' total eligible capital was reported across the sector, which was lower by 35.4 percentage points than the permitted one. The individual foreign exchange position for EUR was 4.5%, which was lower by 35.5 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 analysed²⁹ the EUR's 81.2% share is dominant (81.1% as at December 31st, 2020), with an increase in the nominal amount by BAM

²⁹ 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.

102.7 million or 3.2% vs. YE2020. The EUR's share in financial liabilities is 90.6% (31/12/2020: 90.6%) and, compared to the end of 2020, it decreased by BAM 131.5 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.

3.2.9. 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. 39 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:

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Table 39: Total weighted position of the banking book

No.	Description	31.12.2019	31.12.2020	31.12.2021	Index	
					(4/3)	(5/4)
1	2	3	4	5	6	7
1.	Net weighted position - KM	50,538	62,655	78,394	124	125
2.	Net weighted position - EUR	44,861	29,563	26,564	66	90
3.	Net weighted position - USD	0	168	339	-	202
4.	Net weighted position – other	-4,193	-5,710	-3,804	136	67
5.	Change of economic value (1+2+3+4)	91,206	86,676	101,493	95	117
6.	Own funds	2,696,142	2,698,561	2,852,902	100	106
7.	Change of economic value/own funds	3.4%	3.2%	3.6%	95	111

The ratio of changes to the economic value of the banking book positions and owns funds as of 31/12/2021 stands at 3.6%. This is within the regulatory limits and is higher by 0.4 percentage points compared to the end of the previous year.

3.3. 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 banks in line with the dynamics prescribed by the Decision on Supervisory Review and Evaluation Process in Banks³⁰ and the adopted SREP Methodology, as well as continuously monitoring SREP indicators for all banks;
- monitoring risk profile and capital position in all banks, including fulfilment of capital requirements as a result of SREP;
- implementing supervisory evaluation of ICAAP and ILAAP, as well as of recovery plans for all banks;
- monitoring effects of FBA's special measures to ensure recovery from adverse consequences caused by the pandemic and banks' actions regarding these measures, thus specially focusing on monitoring assets quality of banks after expiry of special measures;
- 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.;
- checking implementation of the Decision on Credit Risk Management and Determination of Expected Credit Losses, including also an assessment of internal models for evaluation of credit risk parameters;
- monitoring implementation of strategies related to handling non-performing exposures and annual business plans of banks having NPL share in total loans above 5%;
- preparation for performance of stress testing in banks in 2023 in line with the defined biannual implementation dynamics, all 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:

³⁰ FBiH Official Gazette No. 94/21

- 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;
 - 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 Banks³¹;
- alignment of operations with new regulatory requirements regarding bank operations and supervision, thus including also requirements related to bank recovery and resolution planning;
- 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;
- limited, justified or reasonable increase of fees in the segment of deposit operations and transactions, considering therein underlying needs for a financial inclusion and adjustment to actual capacities and needs of financial service users; and
- enhanced monitoring of risks and effects being transferred to the markets outside BiH that may reinforce the effect of credit and other risks.

³¹ FBiH Official Gazette No. 39/21

SECTOR OF NON-DEPOSIT FINANCIAL INSTITUTIONS

MICROCREDIT SECTOR
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LEASING SECTOR
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FACTORING BUSINESS
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4. SECTOR OF NONDEPOSIT FINANCIAL INSTITUTIONS

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 31/12/2021 for which founding, operations, management, supervision and termination of their activities are regulated under special laws and regulations.

As of 31/12/2021, 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 4,150 and they held an amount of BAM 34.9 million or 4.1% share in the total loan portfolio. In the retail segment, exposures subjected to some of the special measures amounted to BAM 26.6 million and had a share of 4.6% in the total retail portfolio, while the corporate segment shows BAM 8.3 million of exposures encompassed by the special measures and share of 3% in the total corporate loan portfolio.

4.1. MICROCREDIT SECTOR

4.1.1. MICROCREDIT SECTOR STRUCTURE IN THE FB&H

4.1.1.1. Status, Number and Business Network

In the FB&H as of 31/12/2021, 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 31/12/2021, operates through the total of 362 organizational parts of MCOs seated in the FB&H, while 5 MCCs with headquarters in the RS operate in the FB&H through 59 organizational units.

Annex 8 provides basic information on MCFs and MCCs which, as of 31/12/2021 held the FBA's license for performing the micro lending activity.

4.1.1.2. 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.

4.1.1.3. Staff Structure

The microcredit sector in the FB&H, as of 31/12/2021, had a total of 1,398 employees, which is higher by 4 employees or 0.3%, compared to December 31, 2020 (Table No. 40). Out of the

total number of employees in the microcredit sector in the FB&H, MCFs employ 1,146 persons or 82%, while MCCs employ 252 persons or 18%.

Table 40: Qualification structure of employees in MCOs in the FB&H

No	Qualification	31.12.2020		31.12.2021		Index (5/3)
		No. of employees	% share	No. of employees	% share	
1	2	3	4	5	6	7
1.	University qualifications	743	53.3	739	52.9	99
2.	Two-year post-secondary school qualifications	104	7.5	111	7.9	107
3.	Secondary school qualifications	536	38.4	538	38.5	100
4.	Other	11	0.8	10	0.7	91
	Total	1,394	100	1,398	100	100

An analysis of data on staff efficiency in the FB&H microcredit sector as of 31/12/2021 shows that assets per MCO employee amounted BAM 496.1 ths, which is up by 5.1% vs. 31/12/2020.

4.1.2. FINANCIAL INDICATORS OF PERFORMANCE

4.1.2.1. Balance Sheet

Total assets of the FB&H microcredit sector as of 31/12/2021 amounted to BAM 693.5 million and are higher by BAM 35.4 million or 5.4% 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 639.3 million or 92.2% of total assets of the microcredit sector.

Annexes 9 and 10 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 31/12/2021.

The aggregate balance sheet of the FB&H microcredit sector as of 31/12/2021 and comparative data with December 31, 2020 are shown in the following Table No. 41:

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Table 41: Microcredit sector's balance sheet

No	Description	31.12.2020				31.12.2021				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	45,096	19,829	64,925	9.4	118
2.	Placements to banks	110	0	110	0.0	1,660	0	1,660	0.2	1509
3.	Microloans	389,972	150,918	540,890	82.2	402,924	160,441	563,365	81.2	104
4.	Loan loss provisions	4,108	2,936	7,044	1.1	3,631	2,888	6,519	0.9	93
5.	Net microloans	385,864	147,982	533,846	81.1	399,293	157,553	556,846	80.3	104
6.	Premises and other fixed assets	26,764	4,540	31,304	4.8	25,577	5,151	30,728	4.4	98
7.	Long-term investments	33,061	0	33,061	5.0	33,888	0	33,888	4.9	103
8.	Other assets	3,565	1,248	4,813	0.7	3,652	1,789	5,441	0.8	113
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	509,156	184,322	693,478	100	105
	LIABILITIES									
10.	Liabilities on loans	207,503	107,920	315,423	47.9	201,926	124,023	325,949	47.0	103
11.	Other liabilities	23,130	7,928	31,058	4.7	25,488	8,201	33,689	4.9	108

12.	Capital	261,296	50,278	311,574	47.4	281,742	52,098	333,840	48.1	107
	Total liabilities	491,929	166,126	658,055	100	509,156	184,322	693,478	100	105
13.	Off-bal. sheet records	190,541	35,801	226,342		178,970	31,948	210,918		93

In the structure of assets of the FB&H microcredit sector as of 31/12/2021, the level of LLP has dropped, as well as the level of net tangible and intangible assets. The following balance sheet items rose against the end of the previous year: cash, placements with banks, gross and net micro loans, long term investments and other assets, while 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 considering the higher amount of term deposits of one MCF that holds a share of 90.4% 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 31/12/2021 amounts to 4.76%, which is within the prescribed limit.

The net microloan portfolio, as a dominant assets item in the microcredit sector amounts to BAM 556.9 million with a share of 80.3% in total assets, hence it recorded an increase in absolute amount of BAM 23 million, i.e. 4.3%, of which net micro loans with MCFs rose by BAM 13.4 million or 3.5%, while net microloans with MCCs rose by BAM 9.6 million, i.e. 6.5% compared to 31/12/2020. The level of LLPs for the entire microcredit portfolio in the reporting period is lower by BAM 0.5 million, i.e. 7.4%. LLP for MCFs went down by BAM 0.5 million with a reduction rate of 11.6% and with MCCs this amount is lower by BAM 48 ths or 1.6%.

The total off-balance sheet records as of 31/12/2021 stood at BAM 210.9 million, thus being lower by BAM 15.4 million or 6.8% vs. 31/12/2020, whereas with MCFs it went down by BAM 11.6 million or 6.1% and with MCCs by BAM 3.8 million or 10.8%. Out of the said total amount within the off-balance sheet records, written off loans make up for BAM 149.5 million or 70.9% of off-balance sheet items (including write-offs under the principal and regular interest, default interest court expenses), i.e. they remained the same as at the end of the previous year. The total number of written off microloans as of 31/12/2021 was 37,248, up by a total of 464 microloans (1.3%) vs. 31/12/2020. This came as a net effect of new write offs, permanent write offs and fully collected microloans.

Chart No. 14 shows key assets and liabilities items in the balance sheet by years.

Chart 14: Assets, microloans and capital by years



4.1.2.2. Capital and Liabilities

The biggest items in liabilities in the FB&H microcredit sector as of 31/12/2021 relate to: capital, amounting to BAM 333.8 million and representing 48.1% of total liabilities and liabilities on loans taken, which amount to BAM 326 million, i.e. 47% of total liabilities. The remaining amount of BAM 33.7 million, i.e. 4.9% relates to other liabilities.

Over the observed period, total increase of capital at the FB&H microcredit sector level was BAM 22.3 million or 7.1%, of which MCF capital rose by BAM 20.5 million or 7.8% and capital of MCCs by BAM 1.8 million or 3.6% during the reporting period.

The FB&H microcredit sector's structure of capital is shown in the Table No. 42:

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Table 42: Structure of the microcredit sector's capital

No.	Description	31.12.2020				31.12.2021				Index (9/5)
		MCF balance	MCC balance	Total 5=3+4	% 6	MCF balance	MCC balance	Total 9=7+8	% 10	
1.	Donated capital	48,076	0	48,076	15.4	48,098	0	48,098	14.4	100
2.	Tier 1 capital	3,868	33,100	36,968	11.9	3,696	34,177	37,873	11.3	102
3.	Surplus & deficit of revenue over expense	209,248	0	209,248	67.2	228,878	0	228,878	68.5	109
4.	Emission premium	0	0	0	0.0	0	0	0	0.0	-
5.	Unallocated profits	0	9,168	9,168	2.9	0	7,566	7,566	2.3	83
6.	Regulatory reserves	0	3,568	3,568	1.1	0	4,214	4,214	1.3	118
7.	Other reserves	104	4,442	4,546	1.5	1,070	6,141	7,211	2.2	159
	Total capital	261,296	50,278	311,574	100	281,742	52,098	333,840	100	107

Total capital of MCFs amounted to BAM 281.7 million, i.e. 84.4%, and the biggest items are the surplus of revenues over expenses, amounting to BAM 228.9 million and representing 81.2% of total capital of MCFs (being higher by BAM 19.6 million or 9.4%), and donated capital, amounting to BAM 48.1 million, i.e. 17.1% (being slightly higher by BAM 22 ths or 0.1%). 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 and other reserves of BAM 4.7 million or 1.7%.

Total capital of MCCs amounts to BAM 52.1 million, thus comprising 15.6% of the total capital of the microcredit sector. Its structure includes these key items: Tier 1 capital of BAM 34.2 million, i.e. 65.6%, and unallocated profit of BAM 7.6 million, i.e. 14.5%. The remaining BAM 10.3 million, i.e. 19.9% of MCC capital relates to statutory and other reserves.

Looking into the capital rate reduced by donated capital vs. assets, as of 31/12/2021, it amounted 41.20% 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. 43:

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Table 43: Maturity structure of loans taken

No.	Description	31.12.2020				31.12.2021				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	16,141	1,500	17,641	5.4	85
2.	Liabilities on long-term loans taken	186,128	106,468	292,596	92.8	184,670	121,238	305,908	93.9	105
3.	Liabilities based on interest due	899	1,092	1,991	0.6	1,115	1,285	2,400	0.7	121
	Total	207,503	107,920	315,423	100	201,926	124,023	325,949	100	103

As of 31/12/2021, liabilities based on loans taken rose by BAM 10.5 million or 3.3% compared to 31/12/2020. In the structure of total liabilities on loans taken as of 31/12/2021, loan obligations of MCFs represent 62%, while loan obligations of MCCs represent 38%. With respect to the maturity structure of loan obligations compared to December 31, 2020, there is a decreased share of short term liabilities by 15.36%, while long term liabilities rose by 4.6% as of 31/12/2021. Liabilities related to interest due have risen by 20.5%. The largest two creditors of the FB&H microcredit sector, according to their share in total loan obligations of MCOs as of 31/12/2021, are EFSE - Luxembourg with BAM 50.1 million and Blue Orchard - Switzerland with BAM 16.1 million.

Other liabilities at the FB&H microcredit sector as of 31/12/2021 amount to BAM 33.7 million and represent 4.9% of total liabilities. Compared to 31/12/2020, they rose by an amount of BAM 2.6 million or 8.5%.

4.1.2.3. Assets and Asset Quality

The microloan portfolio reported in gross amount in the balance sheet total of the FB&H microcredit sector as of 31/12/2021 amounted to BAM 563.4 million, thus representing 81.2% of total assets of the microcredit sector. If reduced for the corresponding LLP in the total amount of BAM 6.5 million, the net microloan portfolio amounts to BAM 556.9 million, i.e. 80.3% of total assets of the FB&H microcredit sector (Table No. 44). Compared to December 31, 2020, gross microloan portfolio went up by BAM 22.5 million, i.e. by 4.2%, while the net microloan portfolio rose by the amount of BAM 23 million, i.e. 4.3%. Over the same period, LLPs dropped by BAM 0.5 million or 7.4%.

The ratio of LLP to total gross microloan portfolio as of 31/12/2021 amounted to 1.2%, which, compared to the same ratio as of December 31, 2020, when it amounted to 1.3%, represents a decrease by 0.1 percentage point. In the structure of total net portfolio of the microcredit sector in the FB&H as of 31/12/2021, net microloans of MCFs amounted to BAM 399.3 million and represent 71.7% of the total net microloans across the sector, while the amount of BAM 157.6 million, i.e. 28.3% of the total net microloans across the sector relate to MCCs.

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Table 44: Net microloans

No.	Description	31.12.2020			31.12.2021			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	402,924	160,441	563,365	104
2.	LLP	4,108	2,936	7,044	3,631	2,888	6,519	93
3.	Net microloans (1.-2.)	385,864	147,982	533,846	399,293	157,553	556,846	104

Detailed data on the sector and the maturity structure of the microloan portfolio (reduced by deferred fee income) as of 31/12/2021 are shown in the following Table No. 45:

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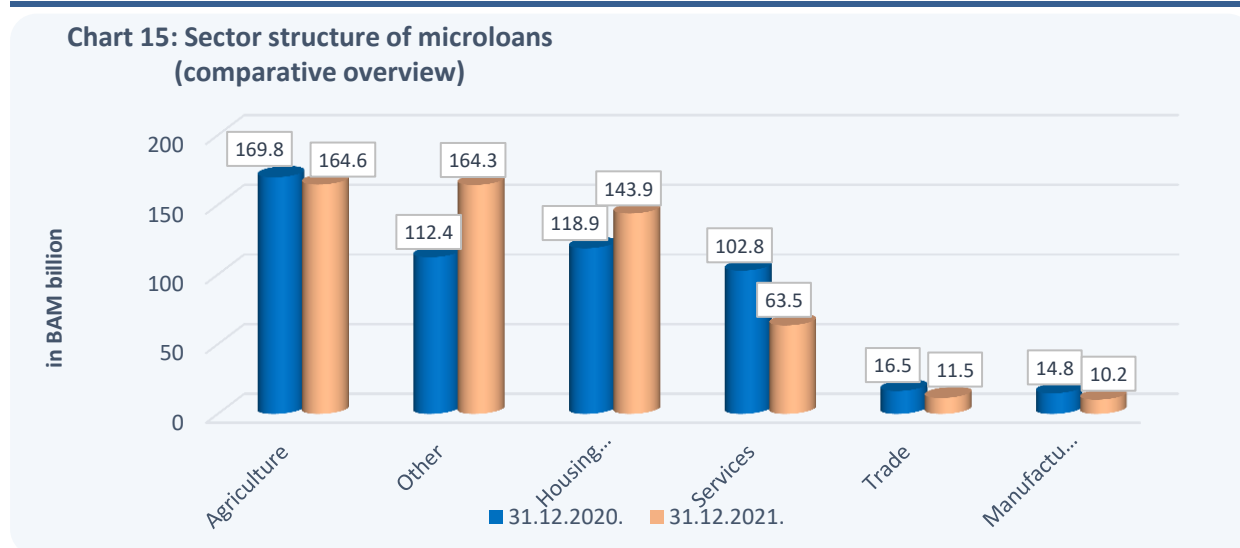
Table 45: Sector and maturity structure of microloans

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	224	8,311	45	8,580	54.7
b)	Trade	80	3,122	18	3,220	20.5
c)	Agriculture	22	944	1	967	6.2
d)	Manufacturing	142	2,625	3	2,770	17.6
e)	Other	13	134	5	152	1.0
	Total 1	481	15,136	72	15,689	100
2.	Retail					
a)	Services	1,280	53,444	210	54,934	10.1
b)	Trade	330	7,872	33	8,235	1.5
c)	Agriculture	4,435	158,926	295	163,656	30.2
d)	Manufacturing	166	7,270	25	7,461	1.4
e)	Housing needs	2,995	140,620	252	143,867	26.5
f)	Other	18,236	145,187	738	164,161	30.3
	Total 2	27,442	513,319	1,553	542,314	100
	Total (1+2)	27,923	528,455	1,625	558,003	

In the maturity structure of the total microloan portfolio as of 31/12/2021, the highest share is the share of long-term micro loans with 94.7%, while short-term micro loans have a 5% 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 97.2%, while the remaining 2.8% relates to corporate microloans. Within the retail microloan portfolio, the biggest is the share of microloans approved to other sectors (30.3%) and for agriculture (30.2%). By share levels, housing sector follows with 26.5% and services with 10.1%. The share of microloans for trade is 1.5% and for manufacturing 1.4%. In the structure of corporate microloans, the dominant share is the share of microloans for services – 54.7%.

The following Chart No. 15 presents the sector structure of microloans across years.



The following Table No. 46 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 31/12/2021:

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Table 46: LLP

No.	Days in default	Rate of provisions	Amount of loans	Share (%)	Interest due			Provisions					Total provisions
					Rate of provisions	Amount of other assets items	Amount of other assets items	By micro loan	By past-due interest	By other items in assets	By micro loan	13=9+10+11+12	
1	2	3	4	5	6	7	8	9=4x3	10=7x6	11=8x3	12	13=9+10+11+12	
1.	0	0%	543,263	97.3	0%	34	383	0	0	0	0	0	
2.	1-15	2%	3,753	0.7	2%	86	0	75	2	0	0	77	
3.	16-30	15%	3,898	0.7	100%	57	0	585	57	0	12	654	
4.	31-60	50%	2,764	0.5	100%	85	0	1,383	85	0	1	1,469	
5.	61-90	80%	1,508	0.3	100%	67	0	1,206	67	0	1	1,274	
6.	91-180	100%	2,817	0.5	100%	227	0	2,817	227	0	1	3,045	
	Total		558,003	100		556	383	6,066	438	0	15	6,519	
7.	over 180	Write-off	1,920	-	-	497	0	0	0	0	0	0	

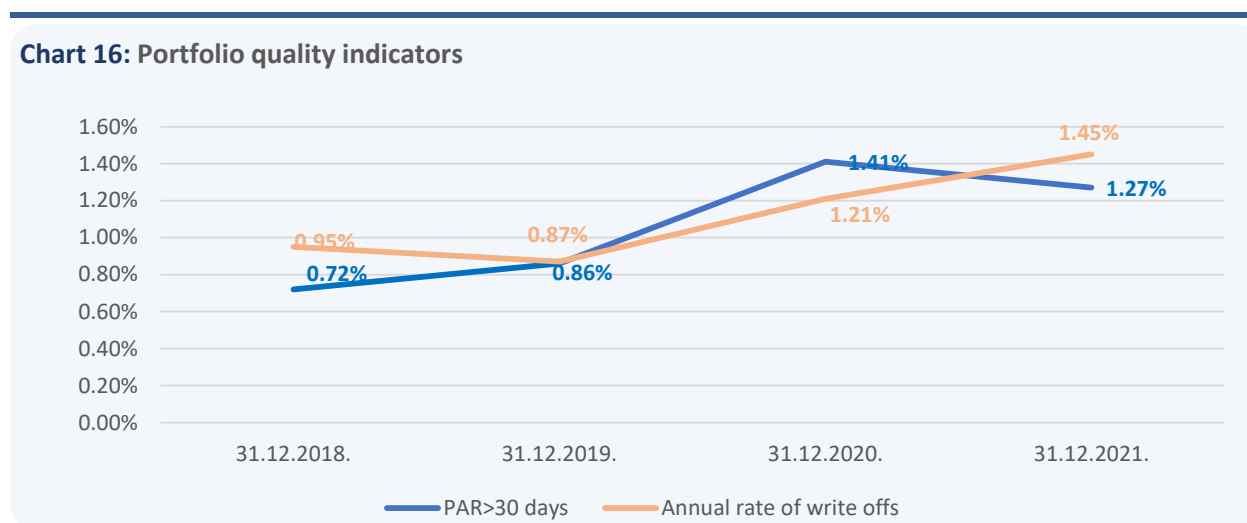
In the total microloan portfolio at the sector level, 97.3% relates to microloans without defaults, while in the remaining 2.7% of microloans there are defaults, of which defaults up to 30 days represent 1.4% of micro loans, while 1.3% are defaults of 31 to 180 days. Out of the total amount of due interest (BAM 0.6 million), defaults up to 30 days represent 25.7%, while defaults of 31 to 180 days represent 68.2%. Total provisions related to microloans, interest and other assets items as of 31.12.2021 equal BAM 6.5 million, whereas the biggest item refers to provisions for microloans in default of 91 to 180 days that amount to BAM 3.0 million and represent 46.7% 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 31/12/2021 amounts to 1.27% at the level the microcredit sector and it decreased by 0.14 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 3/12/2021 amounted to 1.45%, which is within the prescribed standard. This rate has increased by 0.24 percentage points compared to 31.12.2020.

Chart No. 16 below shows the portfolio quality indicators across years.



Weighted NIR and EIR on micro loans

Over the period from 01/01/2021 to 31/12/2021, MCOs seated in the FB&H concluded 142,558 agreements and disbursed a total of BAM 497.9 million of microloans. This is by 10,364 agreements or 7.8% higher than in the same period last year, i.e. higher by BAM 43,7 million or 9.6% of disbursements. Over the observed period, MCOs seated in the FB&H had an average weighted NIR on total microloans of 19.34% and EIR of 24.00%, whereas NIR on short term microloans was 20.18% and on long term ones 19.22% and EIR on short term microloans was 29.22% and on long term ones 23.26%. 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 31/12/2021 by 0.02 percentage points vs. the same period in 2020, whereas average weighted EIR on short term microloans posted a drop by 1.47 percentage points and on long term microloans a rise by 0.36 percentage points.

Annex 12 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 31/12/2021 by MCOs seated in the FB&H.

Annex 12a 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.

4.1.2.4. 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 31/12/2021 in an amount of BAM 14.2 million (Table No. 47), up by BAM 2.9 million against the same period in 2020. As of the reporting date, MCOs posted a total of BAM 20.2 million of excess income over expenses, i.e. profit, and BAM 6.0 million of shortage of income over expenses, i.e. loss.

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Table 47: Actual financial result of MCOs

No.	Description	01.01.-31.12.2020						01.01.-31.12.2021					
		Amount			Number of MCOs			Amount			Number of MCOs		
		MCF	MCC	Total	MCF	MCC	Total	MCF	MCC	Total	MCF	MCC	Total
1	2	3	4	5	6	7	8	9	10	11	12	13	14
1.	Excess income over expenses/Profit	12,576	3,345	15,921	8	2	10	13,353	6,884	20,237	8	2	10
2.	Shortage of income over expenses/Loss	374	4,301	4,675	3	1	4	124	5,932	6,056	2	1	3
	Total	12,202	-956	11,246	11	3	14	13,229	952	14,181	10	3	13

MCFs posted excess income over expenses of BAM 13.2 million, thus being by BAM 1.0 million more than in the same period the year before. MCCs reported net profit of BAM 1.0 million, which is by BAM 1.9 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 13.3 million (eight MCFs), while shortage of income over expenses was posted by two MCFs in an amount of BAM 0.1 million. Profit was posted by two MCCs in an amount of BAM 6.9 million, while one MCC showed a loss of BAM 5.9 million. Annexes 13 and 14 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 31/12/2021, total income at the level of the FB&H microcredit sector amounted to BAM 119.6 million, up by BAM 8.2 million or 7.4% compared to the same period last year (Table No. 48).

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Table 48: Structure of total income of MCOs

No.	Structure of total income	01.01.-31.12.2020				01.01.-31.12.2021				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	16	3	19	0.0	15	3	18	0.0	95
1.2.	Interest on placements to banks	21	0	21	0.0	11	0	11	0.0	52
1.3.	Interest on loans	70,012	25,008	95,020	85.3	72,800	29,332	102,132	85.4	107
1.4.	Management fee	4,748	1,444	6,192	5.6	4,317	1,521	5,838	4.9	94
1.5.	Prepayment fee	427	183	610	0.6	466	249	715	0.6	117
1.6.	Other interest income and similar income	1,004	87	1,091	1.0	1,022	108	1,130	1.0	104
	Total	76,228	26,725	102,953	92.5	78,631	31,213	109,844	91.9	107
2.	Operating income									
2.1.	Service fees	162	0	162	0.1	184	0	184	0.2	114
2.2.	Income from collected written off receivables	6,876	201	7,077	6.4	7,109	585	7,694	6.4	109
2.3.	Other operating income	20	5	25	0.0	13	18	31	0.0	124
	Total	7,058	206	7,264	6.5	7,306	603	7,909	6.6	109

3.	Other operating income	987	160	1,147	1.0	1,564	234	1,798	1.5	157
	Total income (1+2+3)	84,273	27,091	111,364	100	87,501	32,050	119,551	100	107

Within the structure of total income of MCOs, interest income and similar income hold a share of 91.9%, operating income 6.6% share and other operating income 1.5%. Compared to the same period last year, interest and similar income have risen by BAM 6.9 million or 6.7%. Income from interest on loans, being the key item within the category of interest and similar income, climbed by BAM 7.1 million or 7.5%. Operating income on MCOs increased by BAM 0.6 million or 8.9% during the observed period, whereas income from collected written off receivables (as the dominant item) rose by BAM 0.6 million or 8.7%. Other operating income posted a rise by BAM 0.7 million or 56.8%.

Total Expenses of the FB&H Microcredit Sector

According to the reporting data of MCOs for the period from 01/01/2021 to 31/12/2021, total expenses of the FB&H microcredit sector stood at BAM 105.4 million, up by BAM 5.3 million or 5.2% vs. the same period the year before (Table No. 49).

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Table 49: Structure of total expenses of MCOs

No.	Structure of total expenses	01.01.-31.12.2020				01.01.-31.12.2021				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	6,878	4,067	10,945	11.0	6,458	4,315	10,773	10.2	98
1.2.	Fee for received loans	582	443	1,025	1.0	676	529	1,205	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	433	1,288	1,721	1.7	444	2,321	2,765	2.6	161
	Total	7,893	5,798	13,691	13.7	7,578	7,165	14,743	14.0	108
2.	Operating expenses									
2.1.	Costs of salaries and contributions	35,765	9,663	45,428	45.4	38,375	9,919	48,294	45.8	106
2.2.	Amortisation costs	4,332	1,308	5,640	5.6	4,410	1,427	5,837	5.5	103
2.3.	Material expenses	2,047	593	2,640	2.6	1,955	522	2,477	2.4	94
2.4.	Service costs	12,033	2,809	14,842	14.8	12,909	6,303	19,212	18.2	129
2.5.	Other operating expenses	2,865	2,282	5,147	5.2	2,489	773	3,262	3.1	63
	Total	57,042	16,655	73,697	73.6	60,138	18,944	79,082	75.0	107
3.	Other operating expenses	615	357	972	1.0	731	201	932	0.9	96
4.	Costs of reserves for loan and other losses	5,283	4,826	10,109	10.1	4,180	4,415	8,595	8.2	85
5.	Tax on excess income over expenses (income tax)	1,238	411	1,649	1.6	1,645	373	2,018	1.9	122
	Total expenses (1+2+3+4+5)	72,071	28,047	100,118	100	74,272	31,098	105,370	100	105

MCOs' total expense structure is dominated by operating expenses with a share of 75%, while interest and similar expenses participate with 14% and costs of reserves for loan and other losses with 8.2%. 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 1.1 million or 7.7%, whereas fees for received loans and other interest and similar expenses climbed by 17.6% and 60.7% respectively. Expenses related to interest on borrowed funds dropped by 1.6%.

Operating expenses of MCFs, as a dominant item among total expenses, saw a rise by BAM 5.4 million or 7.3%, whereas costs of salaries and contributions (as their key item) increased by

BAM 2.9 million or 6.3%. Costs of services went up by BAM 4.4 million or 29.4%, while material expenses and other operating expenses dropped by 6.2% and 36.6% respectively. Amortisation costs have risen by 3.5%.

Other operating expenses decreased by BAM 40 ths or 4.1%, while costs of reserves for loan and other losses decreased by BAM 1.5 million or 15%. Tax on excess income over expenses (i.e. income tax) rose by BAM 0.4 million or 22.4%.

Efficiency and Sustainability Indicators for the FB&H Microcredit Sector

Operational efficacy of the FB&H microcredit sector as of 31/12/2021 stood at 18.82%, which is within the prescribed range for the indicator.

According to reporting data at the FB&H microcredit sector as of 31/12/2021, the return on assets adjusted for inflation, market price of capital and donations (AROA) was positive at 2.11%. 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 115.67%.

4.1.3. 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:

- monitoring compliance of MCOs' business operations with the regulatory framework 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 alignment of interest rates policies on microloans with the prescribed micro lending goals, subject to consistent implementation of the Law on Protection of Financial Service Users³², to include also alignment of interest rate policies for microloans with prescribed objectives of microlending, thus contributing to stability and sustainability of the FB&H microcredit sector;

³² FBiH Official Gazette No. 31/14

- 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;
- harmonization, i.e. improvement of operational efficiency and operational sustainability indicators;
- continued and improved cooperation with AMFI in sense of providing expert assistance in implementation of laws and regulations regarding MCOs;
- 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 in order to optimize resources, preserve donated funds, ensure support from foreign creditors, and ensure perspective 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.

4.2. LEASING SECTOR

4.2.1. FB&H LEASING SECTOR STRUCTURE

4.2.1.1. Number of Leasing Companies

The FBA license for leasing operations was, as of 31/12/2021, held by four leasing companies in the FB&H and there were no changes compared to the end of the previous year. Annex 15 provides basic information on leasing companies which, as of 31/12/2021, represented the leasing sector in the FB&H.

4.2.1.2. Ownership Structure

The ownership structure of leasing companies in the FB&H, according to data as of 31/12/2021, 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.

4.2.1.3. Staff Structure

As at 31/12/2021, there was a total of 101 employees in the leasing sector in the FB&H, which is the same as at the end of the previous year (Table No. 50).

Table 50: Qualification structure of employees in leasing companies in the FB&H

No.	Qualification	31.12.2020		31.12.2021		Index (5/3)
		No. of employees	% share	No. of employees	% share	
1	2	3	4	5	6	7
1.	University qualifications	76	75.2	73	72.3	96
2.	Two-year post-secondary school qualifications	4	4.0	4	4.0	100
3.	Secondary school qualifications	13	12.9	18	17.8	138
4.	Other	8	7.9	6	5.9	75
Total		101	100	101	100	100

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 31/12/2021, 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 8.7% more than as at 31/12/2020.

4.2.2. FINANCIAL INDICATORS OF PERFORMANCE

4.2.2.1. Balance Sheet

Total assets of the FB&H leasing sector as at 31/12/2021 amounted to BAM 373.7 million and are higher by BAM 29.9 million, i.e. 8.7% compared to December 31, 2020. Two leasing companies, viewed on the basis of asset size, account for 70.8% of total assets of the FB&H leasing sector.

Annex 16 provides an aggregate balance sheet of leasing companies in the FB&H as per reporting data of 31/12/2021, while Annex 17 provides an overview of basic indicators of leasing companies in the FB&H as of 31/12/2021.

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 290.6 million, i.e. 77.8% of total assets. Compared to December 31, 2020, net receivables under financial leasing are higher by BAM 33.9 million, i.e. 13.2%, while gross receivables under financial leasing are higher by BAM 37.9 million, i.e. 13.5%. As of 31/12/2021, one bank that performs also financial leasing deals posted net receivables under financial leasing of altogether BAM 39.9 million, thus indicating that net receivables under financial leasing at the leasing system level were equal to BAM 330.5 million and were by BAM 25.4 million or 8.3% 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 84.4%, contracts for equipment financing participate with 15.1%, while 0.5% relates to contracts under which real estate is financed.

If viewed by lessees, 88.5% refers to contracts with legal entities and 7% to contracts with private individuals.

The following Table No. 51 provides the structure of receivables under financial leasing at the level of FBiH leasing sector (receivables before reduction for loss provisions) as of 31.12.2021.

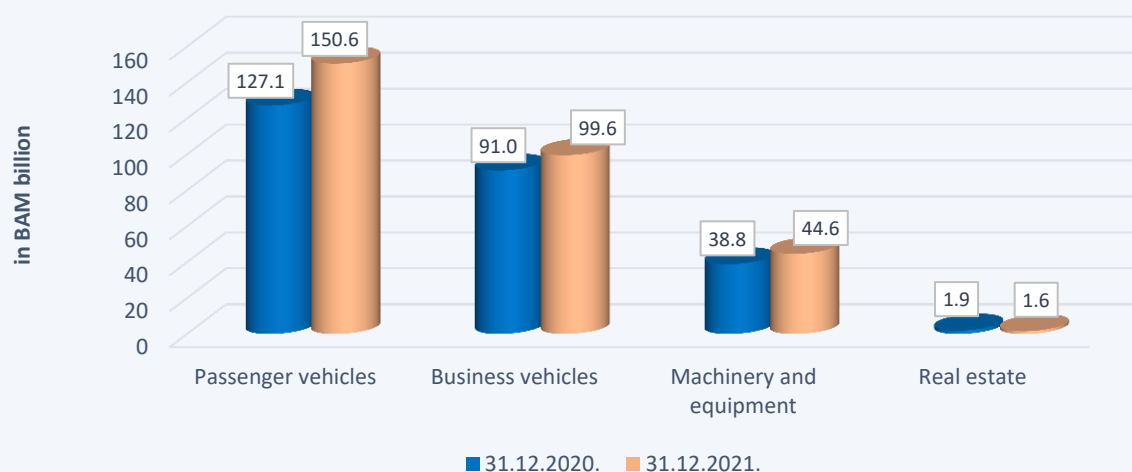
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Table 51: Structure of financial leasing receivables

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	48,843	100,647	1,060	150,550	50.8
1.2.	Vehicles for performing business activity (cargo and passenger vehicles)	36,197	62,431	926	99,554	33.6
1.3.	Machines and equipment	18,077	26,186	384	44,647	15.1
1.4.	Real estate	170	1,367	18	1,555	0.5
1.5.	Other	11	11	0	22	0.0
	Total	103,298	190,642	2,388	296,328	100
2.	By lessee					
2.1.	Corporate	92,713	167,690	1,943	262,346	88.5
2.2.	Entrepreneurs	3,675	7,097	148	10,920	3.7
2.3.	Retail	5,909	14,392	294	20,595	7.0
2.4.	Other	1,001	1,463	3	2,467	0.8
	Total	103,298	190,642	2,388	296,328	100

Chart No. 17 shows the structure of financial leasing receivables with a comparative overview by years.

Chart 17: Structure of financial leasing receivables (comparative overview)



The balance sheet position of cash and cash equivalents as of 31/12/2021 amounted to BAM 4.4 million (constituting 1.2% of total assets), which was by BAM 2.2 million, i.e. 32.9% lower compared to December 31, 2020. Placements to banks (posted by one leasing company) as of 31/12/2021 amounted to BAM 8.2 million, comprising 2.2% of total assets of the FB&H leasing sector, which was by BAM 3.9 million or 32% less compared to December 31, 2020.

Net value of fixed assets financed through operational leasing (posted by three leasing companies) as of 31/12/2021 amounted to BAM 62.7 million and has increased by BAM 8.7 million, i.e. 16.2% compared to December 31, 2020.

The structure of net balance sheet assets positions of the leasing sector in the FB&H is provided in the Table No. 52 below:

- BAM 000 -

Table 52: Structure of net balance sheet assets positions

No.	Description	31.12.2020	% share	31.12.2021	% share	Index (5/3)
1	2	3	4	5	6	7
1.	Financial leasing	256,770	74.7	290,647	77.8	113
2.	Operational leasing	53,964	15.7	62,702	16.8	116
3.	Loan	4,982	1.4	0	0.0	0
4.	Other assets	28,110	8.2	20,387	5.4	73
	Total	343,826	100	373,736	100	109

4.2.2.2. Capital and Liabilities

Total capital of the FB&H leasing sector as of 31/12/2021 amounted to BAM 29.5 million, thus constituting 7.9% of total liabilities of the FB&H leasing sector. Compared to December 31, 2020, the aforementioned position increased by BAM 1.7 million or 6.2%.

Total liabilities of the leasing sector in the FB&H amounted to BAM 344.3 million as at 31/12/2021, thus representing 92.1% of total liabilities of leasing companies in the FB&H. Compared to December 31, 2020, total liabilities at the sector level rose by BAM 28.2 million or 8.9%.

Liabilities of leasing companies in the FB&H under loans taken as of 31/12/2021 stood at BAM 336.3 million, thus posing a dominant source in the structure of total liabilities of the FB&H leasing sector since they account for 90% of total liabilities. Compared to 31/12/2020, the position of loan obligations is higher by BAM 28.4 million, i.e. 9.2%. If observed by contractual maturity, dominant portion of liabilities based on loans refers to long term loans.

4.2.2.3. 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 31/12/2021 (Table No. 53) amounted to BAM 5.7 million and are higher compared to December 31, 2020 by BAM 3.6 million or 167.2% due to a major increase of loss reserves with one leasing company by BAM 3.1 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. Total amount of excess of calculated and allocated reserves of this leasing company represents 66.7% of this item.

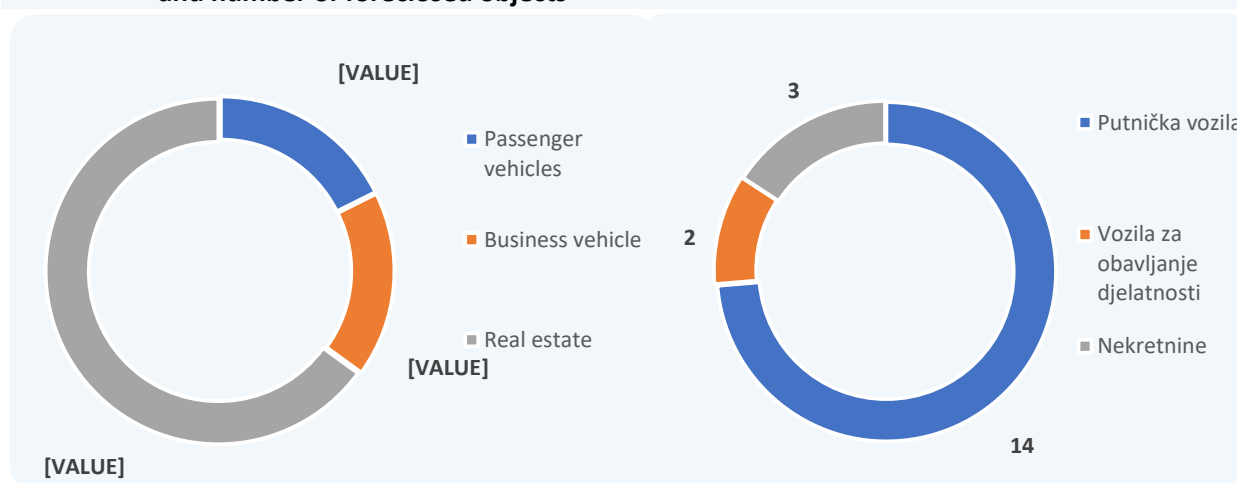
In the structure of receivables under financial leasing as of 31/12/2021, the total of BAM 2.4 million of overdue receivables was reported, which is by BAM 1.1 million or 32.4% less compared to December 31, 2020.

Table 53: Overview of financial leasing reserves

No.	Days past due	Rate of reserves for finan. leasing (movables)	Rate of reserves for finan. leasing (immovables)	Amount of receivables for movables	Amount of receivables for immovables	Basis - movables	Basis - immovables	For movables	For immovables	Reserves Excess calculated and allocated reserves	Total 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%	292,657	1,491	47,496	660	237	3	4,838	5,078
2.	60-90	10%	10%	888	0	188	0	19	0	0	19
3.	90-180	50%	50%	864	85	351	62	176	31	59	266
4.	over 180	100%	75%	343	0	318	0	318	0	0	318
5.	over 360	100%	100%	0	0	0	0	0	0	0	0
Total				294,752	1,576	48,353	722	750	34	4,897	5,681

The total amount of written off receivables under financial leasing and loans as of 31/12/2021 amounted to BAM 7.0 million BAM and is lower compared to December 31, 2020, by BAM 14.1 million or 65.6%. This was caused by much reduced amount of written off receivables with one leasing company of BAM 14.3 million. This decrease of written off receivables was mostly contributed by a significant increase of permanent write offs of BAM 13.1 million.

The appraised market value of foreclosed leasing objects, due to termination of leasing contracts with lessees as of 31/12/2021 at the level of the FB&H leasing sector, amounted to BAM 0.8 million, down by BAM 84 ths or 9.2% compared to 31.12.2020. There was a total of 19 foreclosed objects, with a posted decrease of the number of foreclosed objects by 10 objects or 34.5% (Chart No. 18). Out of the total reported amount of appraised market value of foreclosed items in the FB&H leasing sector as of 31/12/2021, 35% refers to passenger vehicles and business vehicles. In addition, 65% 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 18: Structure of the appraised value of foreclosed leasing objects (in BAM 000) and number of foreclosed objects

Viewed from the level of the FB&H leasing system as of 31/12/2021, the market value of foreclosed leasing items amounted to BAM 4.5 million and it decreased by BAM 0.4 million or 7.3% 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 3.7 million, i.e. 81.6% of the total market value of foreclosed items reported at the level of the leasing system.

4.2.2.4. Profitability

According to the reporting data of four leasing companies, across the FB&H leasing sector in the period from January 1 – December 31, 2021, a positive financial result of BAM 4.8 million was reported, which represents an increase by BAM 0.6 million compared to the same period in 2020 (Table No. 54). Total net profit was posted in an amount of BAM 5.8 million (three leasing companies), while loss was recognised by one leasing company in an amount of BAM 1.0 million.

- BAM 000 -

Table 54: Actual financial result of leasing companies

No.	Description	01.01. - 31.12.2020		01.01. - 31.12.2021	
		Amount	Number of leasing companies	Amount	Number of leasing companies
1	2	3	4	5	6
1.	Profit	4,982	3	5,776	3
2.	Loss	725	1	936	1
	Total	4,257	4	4,840	4

Annex 18 provides an aggregate balance sheet of leasing companies in the FB&H in the period from 01/01/2021 – 31/12/2021.

Total Income of the FB&H Leasing Sector

Total income of the FB&H leasing sector for the period 01/01/2021 to 31/12/2021 amounted to BAM 36.9 million, up by BAM 1.1 million or 3.1% compared to the same period of the previous year (Table 55).

- BAM 000 -

Table 55: Structure of total income of leasing companies

No.	Structure of total income	01.01.-31.12.2020		01.01.-31.12.2021		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	324	1.0	73	0.2	23
1.2.	Interest on placements to banks	10,465	29.2	11,772	31.9	112
1.3.	Other interest income	1,913	5.3	2,005	5.4	105
	Total 1	12,702	35.5	13,850	37.5	109
2.	Operating income					
2.1.	Operating lease charges	17,484	48.8	19,498	52.8	112
2.2.	Service fees	1	0.0	1	0.0	100
2.3.	Other operating income	5,617	15.7	3,577	9.7	64
	Total 2	23,102	64.5	23,076	62.5	100
3.	Income from release of reserves for losses	0	0.0	0	0.0	-
	Total income (1+2+3)	35,804	100	36,926	100	103

The FB&H leasing sector's interest and similar income in the January 1 – December 31, 2021 period amounted to BAM 13.8 million, thus constituting 37.5% of total income of the leasing sector. It increased by BAM 1.1 million, i.e. 9%, 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 11.8 million and it is by BAM 1.3 million, i.e. 12.5%, higher compared to the same period of the preceding financial year.

Operating income amounted to BAM 23.1 million with a share of 62.5% in total income of the leasing sector. Compared to the same period last year, it is slightly lower by BAM 26 ths, i.e. 0.1%. Operating lease charges, as dominant item of operating income, rose by BAM 2.0 million or 11.5%, while other operating income dropped by BAM 2.0 million or 36.3%.

Total expenses of the FB&H Leasing Sector

Total expenses for the period 01/01/2021 to 31/12/2021 amounted to BAM 32.1 million and are higher by BAM 0.5 million or 1.7% compared to the same period of the preceding year (Table No. 56).

- BAM 000 -

Table 56: Structure of total expenses of leasing companies

No.	Structure of total expenses	01.01.-31.12.2020		01.01.-31.12.2021		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	4,171	13.2	4,244	13.2	102
1.2.	Fees for processing loans	101	0.3	88	0.3	87
1.3.	Other interest expenses	2	0.0	3	0.0	150
	Total 1	4,274	13.5	4,335	13.5	101
2.	Operating expenses					
2.1.	Salary and contribution costs	4,442	14.1	4,736	14.7	107
2.2.	Business premises costs	11,558	36.6	12,823	40.0	111
2.3.	Other costs	9,038	28.7	8,147	25.4	90
	Total 2	25,038	79.4	25,706	80.1	103
3.	Costs of reserves	1,582	5.0	1,444	4.5	91
4.	Profit tax	653	2.1	601	1.9	92
	Total expenses (1+2+3)	31,547	100	32,086	100	102

In the period from 01/01/2021 to 31/12/2021, interest and similar expenses of the leasing sector amounted to BAM 4.3 million and represented 13.5% of total expenses of the leasing sector. This is higher by BAM 61 ths or 1.4% vs. the same period of the previous financial year. Interest expenses under loans taken (as their dominant item) posted a rise by BAM 73 ths or 1.8%.

Over the observed period, total operating expenses of the leasing sector stood at BAM 25.7 million with a share in total expenses of the leasing sector of 80.1%. This is higher by BAM 0.7 million or 2.7% compared to the same period of the year before. Therein, their structure reflects increased costs of salaries and contributions by 6.6% and costs of business premises by 10.9%, while other costs dropped by 9.9%. Total costs of loss reserves stood at BAM 1.4 million, constituting 4.5% of total expenses of the leasing sector. They saw a decrease by BAM 138 ths or 8.7%. The remaining amount of expenses refers to profit tax of BAM 0.6 million, thus representing 1.9% of total expenses of the leasing sector.

4.2.2.5. 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 – December 31, 2021, amounts to BAM 214.4 million and is higher by BAM 49.6 million or 30.1%, compared to the same period of the preceding financial year. Thereof, BAM 198.7 million or 92.7% of the total value of newly concluded contracts at the leasing system level refers to the leasing sector (consisting of four leasing companies).

The number of newly concluded leasing contracts at the leasing system level in the same period was 4,280, which was by 701 contracts or 19.6% higher compared to the same period last year. Thereof, 4,115 contracts or 96.1% 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 – 31/12/2021 amounted to BAM 50.1 ths and it is higher by 8.8 compared to the same period last year, when it amounted to BAM 46 ths. Therein, the average value of contracts at the leasing sector level was BAM 48.3 ths, which is 9.4% more than in the same period in 2020 when it stood at BAM 44.1 ths.

Out of the total generated value of newly concluded contracts in the period from 01/01/2021 to 31/12/2021, 84.5% relates to financial leasing contracts and 15.5% to operational leasing contracts.

The following Table No. 57 shows a comparative overview of the number of concluded contracts in the period from 01/01/2021 to 31/12/2021 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 57: Structure of the number of concluded contracts and financing amount of the leasing system

No	Description	01.01.-31.12.2020						01.01.-31.12.2021					
		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	2,585	110,465	834	32,153	3,419	142,618	3,237	150,995	796	33,228	4,033	184,223
2.	Equipment	157	22,010	3	148	160	22,158	247	30,136	0	0	247	30,136
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	2,742	132,475	837	32,301	3,579	164,776	3,484	181,131	796	33,228	4,280	214,359

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 90% of the total amount of financing in the period from 01/01/2021 to 31/12/2021. 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 31/12/2021 was 4.24% for short term contracts and 3.81% for long term contracts, while EIR for short term contracts was 7.09% and 6.81% for long term contracts during the same period. Total average weighted NIR was 3.81% and EIR was 6.81%. Compared to the same period in 2020 when total average weighted NIR was 3.96% and EIR 7.06%, there is an evident decrease of NIR by 0.15 percentage points and EIR by 0.25 percentage points.

Annex 19 provides an overview of average weighted NIR and EIR on financial leasing contracts concluded in the period from 01/01/2021 to 31/12/2021 (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 19a 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.

4.2.3. 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 off-site and on-site 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;
- stent 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;
- consistent implementation of regulations defining protection of financial service users, etc.

4.3. FACTORING BUSINESS

4.3.1. 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 31/12/2021, 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.

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

As of 31/12/2021, entities providing factoring services in the FB&H have concluded 349 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 55 contracts or 13.6%.

As of 31/12/2021, there were 337 concluded contracts on factoring with recourse right or 96.6% and 12 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 31/12/2021, 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 154.7 million. Compared to the same period of the previous year, this represents an increase by BAM 30.3 million or 24.3%.

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. 58:

- BAM 000 -

Table 58: Redeemed monetary claims and settled payables of buyers to suppliers in the FB&H - by type of factoring and domicile status

No.	Type of factoring/ domicile status		Volume of redeemed monetary claims and settled payables of buyers towards suppliers				Index (5/3)
			01.01. - 31.12.2020		01.01. - 31.12.2021		
			Amount	% share	Amount	% share	
1	2		3	4	5	6	7
1.	Factoring with right to recourse		47,041	37.8	80,045	51.7	170
2.	Factoring without right to recourse		77,383	62.2	74,645	48.3	96
3.	Reversed (supplier) factoring		0	0	0	0	-
	Total		124,424	100	154,690	100	124
4.	Domestic factoring		124,424	100	154,690	100	124
5.	Foreign factoring		0	0	0	0	-
	Total		124,424	100	154,690	100	124

As of 31/12/2021, 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 31/12/2021 of 89.1% corresponds to redeemed monetary claims with contractual maturity of 60 days, followed by the share of 7.8% 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 (74.8%).

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 31/12/2021 was BAM 76.5 million, thus constituting 49.4% of total value at the FB&H factoring system level. This is followed by BAM 77.5 million or 50.1% redeemed from private companies and enterprises at the FB&H factoring system level, while BAM 707 ths or 0.5% 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 149 million or 99.2%. if observing domestic factoring by type of recourse in the segment of private enterprises and companies, an amount of BAM 74.3 million or 49.9% related to factoring without recourse right and BAM 74.7 million or 50.1% to factoring with recourse right. As for the segment of public companies, total advances paid to suppliers amount to BAM 1.3 million or 0.8% 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 31/12/2021, banks claimed the total of BAM 19.3 million, fully in domestic factoring, of which BAM 8.4 million or 43.2% relates to factoring with right to recourse, while BAM 10.9 million or 56.8% 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 – 83.9%, of 61 to 90 days – 1.1%, of 91 to 180 days – 15%.

Total income of the factoring service providers in the FB&H as of December 31, 2021 amounted to BAM 982 ths (income from interest, fees and administrative fees), down by BAM 0.2 million or 18.2% compared to the same period the year before. In the structure of the reported total income, 65.2% refers to factoring with right to recourse and 34.8% to factoring without right to recourse.

4.3.3. RECOMMENDATIONS FOR THE FACTORING BUSINESS

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.

BANKS' PAYMENT OPERATIONS AND AML&CTF

BANKS' PAYMENT OPERATIONS

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AML&CTF

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5. BANKS' PAYMENT OPERATIONS AND AML&CTF

5.1. BANKS' PAYMENT OPERATIONS

Total value of payments in banks seated in the FB&H and in banks seated in the RS and doing business in the FBiH as of 31/12/2021, based on DP and FXP transactions, is BAM 233.4 billion (transactions performed in all currencies, BAM equivalent). The volume of DP and FXP is shown in the Table No. 59 below:

Table 59: Volume of DP and FXP

No.	Effected payment transactions	01.01. - 31.12.2020 ³³		01.01. - 31.12.2021		Index	
		Number	Value (BAM 000)	Number	Value (BAM 000)	(5/3)	(6/4)
1	2	3	4	5	6	7	8
1.	FXP	2,726,343	27,157,755	2,829,143	37,892,235	104	140
2.	DP	76,393,983	167,671,742	83,719,743	195,468,154	110	117
	Total	79,120,326	194,829,497	86,548,886	233,360,389	109	120

An analysis of banks' reports on effected FXP transactions (collection/inflows and payments/outflows to and from abroad) in the period from 01/01/2021 to 31/12/2021 has shown that the FB&H banks registered the following FXP volume by currencies (EUR, USD, other currencies) (Table No. 60):

Table 60: FXP volume

No.	01.01. - 31.12.2020				01.01. - 31.12.2021				Currency
	Inflow		Outflow		Inflow		Outflow		
	Number	Value (BAM 000)	Number	Value (BAM 000)	Number	Value (BAM 000)	Number	Value (BAM 000)	
1	2	3	4	5	6	7	8	9	10
1.	1,662,234	11,031,753	677,928	11,253,498	1,649,390	15,298,471	774,687	16,015,976	EUR
2.	60,343	824,975	33,933	993,327	50,860	1,416,064	35,414	1,598,771	USD
3.	190,369	880,842	101,536	2,173,360	206,023	1,046,941	112,769	2,516,012	Other currencies
Total	1,912,946	12,737,570	813,397	14,420,185	1,906,273	17,761,476	922,870	20,130,759	

Within the structure of FXP transactions, the share of inflows from abroad in the total number of FXP transactions is 67.4%, while outflows to abroad hold a share of 32.6%. Observing the value of FXP transactions, the share of inflows from abroad is 46.9%, while outflows to abroad take on a share of 53.1%. Out of total value of performed FXP transactions, 82.6% was effected in EUR.

Table No. 61 provides a comparative overview of DP volume in banks doing business in the FBiH (by transaction types):

³³ Banks seated in the RS and doing business in the FBiH are not included in the data.

Table 61: DP volume

No	Transaction type	01.01. - 31.12.2020		01.01. - 31.12.2021		Index	
		Number	Value (BAM 000)	Number	Value (BAM 000)	(5/3)	(6/4)
1	2	3	4	5	6	7	8
1.	Cash	9,136,162	13,128,250	10,116,657	15,558,043	111	119
2.	Non-cash ³⁴	67,257,821	154,543,492	73,603,086	179,910,111	109	116
	Total	76,393,983	167,671,742	83,719,743	195,468,154	110	117

An analysis of data as of 31/12/2021 in the Registry of Foreign Exchange Deals of Banks has shown that 61 authorised exchange offices with 435 locations hold foreign exchange contracts with banks seated in the FB&H and in banks seated in the RS, but doing business in the FBiH.

The following Table No. 62 provides a comparative overview of the volume of foreign exchange deals of banks in the FBiH by currencies (EUR, USD, other currencies):

Table 62: Foreign exchange deals in banks

No.	01.01. - 31.12.2020 ³⁵				01.01. - 31.12.2021				Currency
	Buy		Sell		Buy		Sell		
	Number	Value (BAM 000)	Number	Value (BAM 000)	Number	Value (BAM 000)	Number	Value (BAM 000)	
1	2	3	4	5	6	7	8	9	10
1.	931,967	691,511	93,304	137,489	1,042,441	909,776	121,356	191,665	EUR
2.	54,009	40,639	6,178	4,141	92,977	82,055	4,803	12,727	USD
3.	167,916	107,618	22,257	10,910	199,965	150,742	86,221	18,210	Other currencies
Total	1,153,892	839,768	121,739	152,540	1,335,383	1,142,573	212,380	222,602	

Out of the total number of exchange office transactions, buy transactions hold a share of 86.3% and sell transactions a share of 13.7%, while 83.7% of buy transactions is included in the total value of exchange office deals and 16.3% refers to sell transactions. Out of the total value of effected exchange office transactions in banks seated in the FB&H, 80.7% of buy and sell transactions was effected in EUR.

Table No. 63 below provides information on the volume of deals effected by authorised exchange offices in the period from 01/01/2021 to 31/12/2021 by currencies (EUR, USD, other currencies):

Table 63: Deals effected by authorised exchange offices

No.	01.01. - 31.12.2020 ³⁶				01.01. - 31.12.2021				Currency
	Buy		Sell		Buy		Sell		
	Number	Value (BAM 000)	Number	Value (BAM 000)	Number	Value (BAM 000)	Number	Value (BAM 000)	
1	2	3	4	5	6	7	8	9	10
1.	1,204,959	668,577	56,578	21,287	2,217,412	1,217,287	104,041	69,740	EUR
2.	28,213	9,839	512	264	117,745	59,937	3,885	2,267	USD
3.	152,951	38,792	13,050	3,017	295,278	120,715	32,965	7,850	Other currencies
Total	1,386,123	717,208	70,140	24,568	2,630,435	1,397,939	140,891	79,857	

³⁴ Non-cash transactions include cashless intra-bank payment transactions/internal orders, inter-bank transactions of gyro clearing and RTGS.

³⁵ Banks seated in the RS and doing business in the FBiH are not included in the data.

³⁶ Authorised exchange offices seated in the RS and doing business in the FBiH are not included in the data.

5.2. AML&CTF

According to the Report on Cash Transactions of BAM 30 ths or above and the Report on Connected and Suspicious Transactions (being submitted to the FBA), in the period from 01/01/2021 to 31/12/2021, banks have reported to FID a total of 300,696 transactions (13.4% more than the year before) in total value of BAM 15.1 billion (15.6% more than in the previous year).

In the same reporting period, banks have reported to FID a total of 821 suspicious transactions (233.7% more than the year before) in total value of BAM 101.8 million (132.5% more than in the previous year). This came as a result of FBA orders and intensified follow-up activities.

Tables No 64 and No. 65 show the number and value of total reported transactions and reported suspicious transactions:

No.	Description	01.01. - 31.12.2020		01.01. - 31.12.2021		Index	
		Number	Value (BAM 000)	Number	Value (BAM 000)	(5/3)	(6/4)
1	2	3	4	5	6	7	8
1.	Transactions reported before their realisation	125	7,967	19	8,618	15	108
2.	Transactions reported within 3 days	264,689	13,012,873	299,913	14,969,049	113	115
3.	Transactions reported after 3-day period	241	15,389	764	88,436	317	575
	Total	265,055	13,036,229	300,696	15,066,103	113	116

No.	Description	01.01. - 31.12.2020		01.01. - 31.12.2021		Index	
		Number	Value (BAM 000)	Number	Value (BAM 000)	(5/3)	(6/4)
1	2	3	4	5	6	7	8
1.	Transactions reported before their realisation	4	2,987	18	8,427	450	282
2.	Transactions reported within 3 days	80	29,108	54	7,176	68	25
3.	Transactions reported after 3-day period	162	11,679	749	86,164	462	738
	Total	246	43,774	821	101,767	334	232

According to the Report on Cash Transactions of BAM 30 ths or above and the Report on Connected and Suspicious Transactions (being submitted to the FBA), in the period from 01/01/2021 to 31/12/2021, MCOs have reported to FID a total of 235 transactions (39.1% less than the year before) in total value of BAM 334 ths (77.4% less than in the previous year) (Table No. 66).

No.	Description	01.01. - 31.12.2020		01.01. - 31.12.2021		Index	
		Number	Value (BAM 000)	Number	Value (BAM 000)	(5/3)	(6/4)
1	2	3	4	5	6	7	8
1.	Transactions for which FID requested information	0	0	1	1	-	-
2.	Transactions for which FID did not request information	386	1,481	234	333	61	22
	Total	386	1,481	235	334	61	23

According to the Report on Cash Transactions of BAM 30 ths or above and the Report on Connected and Suspicious Transactions (being submitted to the FBA), in the period from 01/01/2021 to 31/12/2021, leasing companies have reported to FID 8 suspicious transactions in total value of BAM 47 ths. FID asked for additional information regarding one reported transaction in an amount of BAM 1.0 ths.

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 extraordinary activities and taking measures in accordance with its legal authorities.

Based on the reported key business indicators of the FB&H banking sector as of 31/12/2021, it could be inferred that it is stable and adequately capitalized. In 2021, there was an increase of assets, cash, placements to other banks, loans, securities, deposits and capital – 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 remained the same as the year before. Measures prescribed by the FBA have increased chances of recovery of the economy and decreased 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, gross micro loan portfolio (as the key assets item), and total capital (as a dominant item among liabilities), as well as by an increase of liabilities based on loans taken. If observed against the same period the year before, the number of concluded contracts and microloan disbursements saw a rise. Operations continued to bring positive financial result

As of 31/12/2021, 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, 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.

Factoring business as possible instrument of short term financing and cash flow management was performed as of 31/12/2021 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.

Present environment in which NSEs operate is marked by uncertainty related to future global, economic and geopolitical trends, as also impacted by the pandemic. Results at the banking system level as at YE2021 indicate to stability, sustainability and resilience of this system. Major contributor to this was the FBA as the leading regulatory and supervisory institution in terms of effective and sound measures it adopted. Over the upcoming period, special attention will be paid to credit risk management, portfolio segments under special measures, portfolio characteristics and growth in correlation with actual economic strengthening. FBA will continue to supervise operations of BSEs in line with valid regulations and plans and will take extraordinary activities in case of any further need for actions in relevant situations.

LEGAL FRAMEWORK

Annex 1- Legal framework related to the FBA and BSEs in the FB&H

I REGULATIONS REGARDING FBA ORGANISATION

1. Law on the Banking Agency of the Federation of Bosnia and Herzegovina (FB&H Official Gazette No. 75/17),
2. Statute of the Banking Agency of the Federation of B&H (FB&H Official Gazette No. 3/18),
3. Rules of Procedure of the Banking Agency of the Federation of B&H (No. U.O.-36-8/19 of 16.09.2019 and No. U.O.-38-8/19 of 27.12.2019, No. U.O.-55-04/21 of 25.02.2021, No. U.O.-58-06/21 of 15.04.2021 and No. U.O.-61-04/21 of 31.05.2021),
4. Rules of Internal Organisation of the Banking Agency of the Federation of B&H (No. U.O.-38-8-1/19 of 16.09.2019, No. U.O.-55-04-1/21 of 25.02.2021 and No. U.O.-57-01/21 of 09.04.2021), forming an integral part of the Rules of Procedure,
5. Rules of Job Classification of the Banking Agency of the Federation of Bosnia and Herzegovina (No. 01-4314/19 of 15.11.2019, No. 01-2541/20 of 22.06.2020, No. 01-1928/21 of 10.05.2021, No. 01-1928-1/21 of 26.05.2021, No. 01-3876/21 of 22.09.2021 and No. 01-4480/21 of 28.10.2021).

II REGULATIONS RELATED TO FBA COMPETENCIES

Laws

1. Law on Banks (FB&H Official Gazette No. 27/17),
2. Law on Microcredit Organisations (FB&H Official Gazette No. 59/06),
3. Law on Associations and Foundations (F&H Official Gazette No. 45/02),
4. Law on Leasing (FB&H Official Gazette Nos. 85/08, 39/09, 65/13 and 104/16),
5. Law on the Development Bank of the Federation of B&H (FB&H Official Gazette No. 37/08),
6. Law on Foreign Exchange Operations (FB&H Official Gazette No. 47/10),
7. Law on Anti-Money Laundering and Counter-Terrorism Financing (B&H Official Gazette Nos. 47/14 and 46/16),
8. Law on Protection of Guarantors in the FB&H (FB&H Official Gazette No. 100/13),
9. Law on Protection of Financial Service Users (FB&H Official Gazette No. 31/14),
10. Law on Domestic Payments (FB&H Official Gazette Nos. 48/15, 79/15-corr. and 4/21),
11. Law on Factoring in the Federation of B&H (FB&H Official Gazette Nos. 14/16 and 74/20),
12. Law on Deposit Insurance in Banks in Bosnia and Herzegovina (B&H Official Gazette No. 32/20).

FBA decisions, instructions and guidelines related to operations and supervision of banks

1. Decision on Capital Calculation in Banks (FB&H Official Gazette Nos. 81/17, 50/19, 37/20 and 81/20),
2. Decision on Large Exposures in Banks (FB&H Official Gazette No. 81/17),
3. Decision on External Audit and Audit Contents in Banks (FB&H Official Gazette No. 81/17),
4. Decision on Conditions for Issuance of Procuration in Banks (FB&H Official Gazette No. 81/17),

5. Decision on Purchase and Sale of Bank Facilities (FB&H Official Gazette Nos. 81/17 and 86/20),
6. Decision on Recovery Plans of Banks and Banking Groups (FB&H Official Gazette No. 81/17 and 48/21),
7. Decision on Requirements for Consolidated Banking Groups (FB&H Official Gazette No. 81/17),
8. Decision on Outsourcing Management in Banks (FB&H Official Gazette No. 81/17),
9. Decision on Exceptions to Preserve Banking Secrecy (FB&H Official Gazette No. 81/17),
10. Decision on Records of Banks and Organisational Units of Banks Seated in Republika Srpska or Brčko District and Banks' Representative Offices Opened in the Federation of Bosnia and Herzegovina (FB&H Official Gazette No. 81/17),
11. Decision on Banks Notifications to the Federation of Bosnia and Herzegovina Banking Agency (FB&H Official Gazette No. 81/17),
12. Decision on Banks' Activities with Related Persons (FB&H Official Gazette No. 81/17),
13. Decision on Uniform Manner of Calculating and Reporting of Effective Interest Rate on Loans and Deposits (FB&H Official Gazette No. 81/17),
14. Decision on Conditions when the Bank is Considered Insolvent (FB&H Official Gazette No. 81/17),
15. Decision on the Conditions and Manner of Handling Client's Complaint by Bank, Microcredit Organisation and Leasing Company (FB&H Official Gazette No. 81/17),
16. Decision on Information System Management in Banks (FB&H Official Gazette No. 81/17),
17. Decision on Statement on Financial Situation (*wealth statement*) (FB&H Official Gazette No. 81/17),
18. Decision on Foreign Exchange Risk Management in Banks (FB&H Official Gazette Nos. 81/17 and 37/20),
19. Decision on Inclusion of Special Conditions for Arranging Long Term Non-purpose and Consolidation Loans of Private Individuals into the Banks' Risk Management System (FB&H Official Gazette No. 81/17),
20. Decision on Conditions and Procedure for Issuance, Refusal of Issuance and Revocation of a Banking License (FB&H Official Gazette No. 90/17),
21. Decision on Conditions and Procedure for Granting and Withdrawal of Approvals for Selection or Appointment of Supervisory Board and Management Board Members of Banks and Revocation of Issued Approvals (FB&H Official Gazette No. 90/17),
22. Decision on the Requirements and the Process of Granting, Withdrawal and Revocation of Approvals for Performance of Banking Activities (FB&H Official Gazette No. 90/17),
23. Decision on Supervision of Banks and Procedures of the Federation of Bosnia and Herzegovina Banking Agency (FB&H Official Gazette No. 90/17 and 94/21),
24. Decision on Procedure for Determination of Claims and Distribution of Assets and Liabilities in Bank Liquidation (FB&H Official Gazette No. 90/17),
25. Decision on Fee Tariff for Banks (FB&H Official Gazette Nos. 46/18 and 69/19),
26. Decision on Criteria for Inclusion of Loan Loss Reserves into Common Equity Tier 1 (FB&H Official Gazette No. 91/18),
27. Decision on Internal Capital Adequacy Assessment Process and the Internal Liquidity Adequacy Process in Banks (FB&H Official Gazette Nos. 16/19 and 30/20),
28. Decision on Credit Risk Management and Determination of Expected Credit Losses (FB&H Official Gazette Nos. 44/19 and 37/20),
29. Decision on Interest Rate Management in the Banking Book (FB&H Official Gazette No. 41/20),

30. Decision on Temporary Measures of Banks to Ensure Recovery from Negative Economic Consequences Caused by COVID-19 (U.O.-48-02/20 dd 24.08.2020, FB&H Official Gazette Nos. 60/20, 21/21, 89/21 and 104/21),
31. Decision on Reports Banks Deliver to the Banking Agency of the Federation of Bosnia and Herzegovina according to Standardised Regulatory Reporting Framework (COREP) (FB&H Official Gazette Nos. 86/20 and 61/21),
32. Decision on Reports Banks Deliver to the Banking Agency of the Federation of Bosnia and Herzegovina for Supervisory and Statistical Purposes (FB&H Official Gazette No. 86/20),
33. Decision on Contents, Deadlines and Manner of Data Delivery for Comparative Overview of Service Fees for Commercial Entities participating in domestic payments and interbank fees for payment card transactions (FB&H Official Gazette No. 31/21),
34. Decision on Internal Governance System in Banks (FB&H Official Gazette No. 39/21),
35. Decision on Data and Information Disclosure by Banks (FB&H Official Gazette No. 39/21),
36. Decision on Liquidity Risk Management in Banks (FB&H Official Gazette No. 39/21),
37. Decision on Supervisory Review and Evaluation Process in Banks (SREP) (FB&H Official Gazette No. 94/21),
38. Decision on Minimum Standards for Documenting Lending Activities of Banks (FB&H Official Gazette Nos. 3/03 and 23/14),
39. Decision on Minimum Standards for Banks' Activities on Anti-Money Laundering and Counter-Terrorism Financing (FB&H Official Gazette No. 48/12),
40. Decision on Minimum Standards for Currency Exchange Operations (FB&H Official Gazette Nos. 95/13, 99/13 and 103/18),
41. Decision on Examination of Currency Exchange Operations (FB&H Official Gazette No. 95/13),
42. Decision on Conditions for Assessing and Documenting a Credit Standing (FB&H Official Gazette No. 23/14),
43. Guidelines to Assess Recovery Plans (No. 01-4919/17 dd 22.12.2017),
44. Instruction for Calculation of Weighted Nominal and Effective Interest Rate (No. 01-4921/17 dd 22.12.2017),
45. Instruction to Apply and Create Creditor's Report in accordance with the Decision on Conditions and Manner of Handling Client Complaints in Banks, Microcredit Organisations and Leasing Companies (No. 01-4922/17 dd 22.12.2017),
46. Guidelines for External Auditors of Information Systems (No. 01-262/18 dd 30.01.2018),
47. Guidelines on reporting on ICAAP and ILAAP application to the Banking Agency of the Federation of Bosnia and Herzegovina (No. 01-1338/19 dd 16.04.2019 and No. 01-2162/20 dd 29.05.2020),
48. Instructions for Classification and Valuation of Financial Assets (No. 01-2583/19 dd 05.07.2019),
49. Instructions for Appraisal of Market Value of Collateral (No. 01-3181/20 dd 03.08.2020),
50. Instructions for Populating Reports on Special Measures Approved in line with the Decision on Temporary Measures of Banks to Ensure Recovery from Negative Economic Consequences Caused by COVID-19 (No. 4003/20 dd 25.09.2020),
51. Instructions for Completing the Report on Regulatory Capital, Credit, Operational and Market Risk and Financial Leverage Rate (No. 01-171/21 of 18.01.2021),
52. Instructions for Completing the Report on Large Exposures (No. 01-172/21 of 18.01.2021),
53. Instructions for Completing the Report on Interest Rate Risk in the Banking Book (No. 01-173/21 of 18.01.2021),

54. Instructions for Completing the Report on Foreign Currency Position of Banks (No. 01-174/21 of 18.01.2021),
55. Instructions for Reporting on Outsourcing Management in Banks (No. 01-175/21 of 18.01.2021),
56. Instructions for Reporting on Information System Management (No. 01-176/21 of 18.01.2021),
57. Instructions for Completing the AML&CTF Form for Banks (No. 01-177/21 of 18.01.2021),
58. Instructions for Completing the Report on the Volume of Currency Exchange Deals and Domestic and International Payments (No. 01-178/21 of 18.01.2021),
59. Instructions for Delivery of Data for Comparative Overview of Fees and Services for Commercial Entities participating in Domestic Payments (No. 01-1869/21 of 07.05.2021),
60. Instructions for Delivery of Data on Interbank Fees for Payment Card Transactions (No. 01-1870/21 of 07.05.2021),
61. Instructions on the Method of Implementation of the Decision on Liquidity Risk Management in Banks - Calculation and Maintenance of NSFR (No. 01-2374/21 of 03.06.2021),
62. Instructions on the Method of Implementation of the Decision on Liquidity Risk Management in Banks – Calculation and Maintenance of LCR (No. 01-2375/21 of 03.06.2021),
63. Instructions for Disclosure of Bank Data and Information (No. 01-2376/21 of 03.06.2021),
64. Instructions for Implementation of Special Standards of Management of Individual Risks in Banks (No. 01-2599/21 of 16.06.2021),
65. Instructions on the Method of Preparation of Reports Banks Deliver to the Banking Agency of the Federation of Bosnia and Herzegovina for purposes of developing and Updating the Resolution Plans for Banks and Banking Groups (No. 01-3585/21 of 31.08.2021),
66. Instructions for Report on NSFR (No. 01-3981 of 30.09.2021),
67. Instructions for Completing the Liquidity Coverage Reporting Forms (No. 01-4675/21 of 08.11.2021),
68. Instructions for Method of Reporting to Provisional Administrator about Bank Operations under Provisional Administration (No. 06-2516/13 dd 19.07.2013),
69. Instructions for Form and Method of Additional Reporting by Banks under Provisional Administration (No. 06-2514/13 dd 19.07.2013),
70. Instructions for Method of Reporting to Liquidation Administrator about Implementation of Liquidation in Bank (No. 06-2516/13 dd 19.07.2013),
71. Instructions for Preparation of the Banks' Balance Sheet (No. 01-574/00 dd 12.07.2000 and No. 01-2-1669/07 dd 10.10.2007),
72. Instructions for Preparation of the Banks' Income Statement (No. 01-575/00 dd 12.07.2000).

FBA decisions and instructions related to bank resolutions

1. Decision on Resolvability Assessment of Banks and Banking Groups (FB&H Official Gazette No. 26/18),
2. Decision on Business Reorganisation Plan for a Bank (FB&H Official Gazette No. 26/18),
3. Decision on Conditions and Manner for Conducting Independent Valuation of Assets and Liabilities of the Bank before and during Resolution Proceedings of the Bank (FB&H Official Gazette No. 26/18),

4. Decision on Sale of Shares, Assets, Rights and Liabilities of Bank in Resolution (FB&H Official Gazette No. 26/18),
5. Decision on Data and Information Delivered to the Federation of Bosnia and Herzegovina Banking Agency for Purpose of Developing and Updating Restructuring Plans for Banks and Banking Groups (FB&H Official Gazette Nos. 44/19, 48/19 and 61/21),
6. Decision on Establishment, Conditions and Manner of Issuance Consent for Asset Management Company (FB&H Official Gazette No. 26/18),
7. Decision on Procedure and Manner of Performing Write Down or Conversion of Capital Instruments and Liabilities of a Bank (FB&H Official Gazette No. 26/18),
8. Decision on Establishing a Bridge Bank (FB&H Official Gazette No. 26/18),
9. Decision on Types of Arrangements and Financial Instruments to which Protective Measures for Counterparties shall Apply (FB&H Official Gazette No. 26/18),
10. Decision on Minimum Requirements for Own Funds and Eligible Liabilities of Banks (FB&H Official Gazette No. 26/18),
11. Decision on Conditions and Manner of Performing Supervision and Instructing Measures to ensure Implementation of Bank Resolution Competences (FB&H Official Gazette No 54/20 and 61/21),
12. Instructions for Preparing Reports Banks and Banking Groups Deliver to the FBiH Banking Agency for purpose of Resolution Plan Development and Update (No. 01-3585/21 of 31.08.2021).

FBA decisions and instructions related to operations and supervision of MCOs

1. Decision on Conditions and Procedure for Issuing and Revoking an Operating License and Other Approvals to Microcredit Organisations (FB&H Official Gazette No. 103/18),
2. Decision on Requirements and the Procedure for Issuing the Operating Permit to a Microcredit Foundation Formed upon the Microcredit Organisation's Change of Form (FB&H Official Gazette Nos. 27/07 and 31/18),
3. Decision on Conditions and Other Operational Standards and Limitations in Microcredit Organisations (FB&H Official Gazette No. 103/18),
4. Decision on Supervision of Microcredit Organisations and Procedures of the Banking Agency of the Federation of Bosnia and Herzegovina (FB&H Official Gazette No. 103/18)
5. Decision on Uniform Manner of Calculating and Reporting of Effective Interest Rate on Loans and Deposits (FB&H Official Gazette No. 81/17),
6. Decision on Reports Microcredit Organisations Deliver to the Banking Agency of the Federation of B&H and Reporting Deadlines (FB&H Official Gazette No. 87/19),
7. Decision on Percentage and Manner for Forming and Maintaining Reserves for the Coverage of Loan Losses of Microcredit Organisations (FB&H Official Gazette No. 27/07),
8. Decision on Minimum Standards of for Microcredit Organisations' Activities in Prevention of Money Laundering and Terrorism Financing (FB&H Official Gazette No. 48/12),
9. Decision on Minimum Standards for Documenting Lending Activities of Microcredit Organisations and Assessment of Credit Standing (FB&H Official Gazette Nos. 23/14 and 54/20),
10. Decision on Fee Tariff of Microcredit Organisations (FB&H Official Gazette Nos. 46/18, 69/19 and 86/20),
11. Decision on the Conditions and Manner of Handling Client's Complaint by Bank, Microcredit Organisation and Leasing Company (FB&H Official Gazette No. 81/17),

12. Decision on Temporary Measures of Leasing Companies and Micro Credit Organisations to Ensure Recovery from Negative Economic Consequences Caused by COVID-19 (FB&H Official Gazette Nos. 60/20, 21/21 and 104/21),
13. Instruction to Apply and Create Creditor's Report in accordance with the Decision on Conditions and Manner of Handling Client Complaints in Banks, Microcredit Organisations and Leasing Companies (No. 01-4922/17 dd 22.12.2017),
14. Instructions for Calculation of Weighted Nominal Interest Rate and Effective Interest Rate (No. 01-4921/17 dd 22.12.2017),
15. Instructions for Calculation of Adjusted Return on Assets and Operational Activities (No. 01-646/19 dd 04.03.2019),
16. Instructions for Contents and Manner of Keeping the Register of Related Entities in Microcredit Organisations (No. 01-647/19 dd 04.03.2019),
17. Instructions for Preparation of Reports of Microcredit Organisations (No. 01-56/20 dd 15.01.2020),
18. Instructions for Populating Reports on Special Measures Approved in line with the Decision on Temporary Measures of Leasing Companies and Micro Credit Organisations to Ensure Recovery from Negative Economic Consequences Caused by COVID-19 (No. 4004/20 dd 25.09.2020).

FBA decisions and instructions related to operations and supervision of leasing companies

1. Decision on the Conditions and Manner of Handling Client's Complaint by Bank, Microcredit Organisation and Leasing Company (FB&H Official Gazette No. 81/17),
2. Decision on Outsourcing of Business Processes of Leasing Companies (FB&H Official Gazette No. 58/17),
3. Decision on Form and Content of the Reports that the Leasing Companies Deliver to the Banking Agency of the Federation of B&H and Reporting Deadlines (FB&H Official Gazette Nos. 46/09, 48/12 and 110/12),
4. Decision on Conditions and Procedure for Issuing and Revoking the License to Perform Leasing Operations (FB&H Official Gazette Nos. 46/09, 58/17 and 31/18),
5. Decision on Conditions and Procedure for Issuing and Revoking an Approval to a Leasing Company (FB&H Official Gazette Nos. 46/09, 46/11 and 58/17),
6. Decision on Uniform Manner for Posting Effective Interest Rate on Financial Leasing Contracts (FB&H Official Gazette No. 46/18),
7. Decision on Fee Tariff of Leasing Companies (FB&H Official Gazette Nos. 46/18 and 69/19),
8. Decision on Uniform Manner and Method for Calculating and Reporting the Leasing Fee for Operational Leasing Arrangements (FB&H Official Gazette Nos. 46/09 and 48/12),
9. Decision on Minimum Amount and Manner for Allocating, Managing and Maintaining the Reserves for Loan Losses and Risk Management of Leasing Companies (FB&H Official Gazette No. 46/09),
10. Decision on Supervision of Leasing Companies (FB&H Official Gazette Nos. 46/09, 58/17, 31/18 and 37/20),
11. Decision on Minimum Standards for Leasing Companies' Activities in Prevention of Money Laundering and Terrorism Financing (FB&H Official Gazette No. 48/12),
12. Decision on Minimum Standards for Documenting Financing Under Leasing Agreements and Assessment of Credit Standing (FB&H Official Gazette No. 46/14 and 37/20),

13. Decision on Temporary Measures of Leasing Companies and Micro Credit Organisations to Ensure Recovery from Negative Economic Consequences Caused by COVID-19 (FB&H Official Gazette Nos. 60/20, 21/21 and 104/21),
14. Instructions for Implementation of the Decision on Uniform Manner and Method for Calculating and Posting Effective Interest Rate on Financial Leasing (No. 01-2445/10 dd 11.06.2010),
15. Instructions for Preparation of Reports of Leasing Companies (No. 08-340/13 dd 31.01.2013),
16. Instruction to Apply and Create Creditor's Report in accordance with the Decision on Conditions and Manner of Handling Client Complaints in Banks, Microcredit Organisations and Leasing Companies (No. 01-4922/17 dd 22.12.2017),
17. Instructions for Populating Reports on Special Measures Approved in line with the Decision on Temporary Measures of Leasing Companies and Micro Credit Organisations to Ensure Recovery from Negative Economic Consequences Caused by COVID-19 (No. 4004/20 dd 25.09.2020).

FBA decisions and instructions related to operations and supervision of factoring business

1. Decision on Minimum Standards for the Content of Factoring Agreements (FB&H Official Gazette No. 70/16),
2. Decision on Minimum Standards for the Requirements and Manner of Performing the Business Activities of Factoring Companies (FB&H Official Gazette No. 70/16),
3. Decision on Minimum Standards for the Criteria, Rules and Additional Requirements for Capital in Factoring Companies (FB&H Official Gazette No. 70/16),
4. Decision on Minimum Standards for the Criteria and Decision-making Procedure on Issuing Approvals for Acquiring or Increasing Qualifying Shares in Factoring Companies and of Factoring Companies in Another Legal Entity (FB&H Official Gazette No. 70/16),
5. Decision on Minimum Standards for Detailed Requirements and the Manner of Issuing Operating Licenses to Factoring Companies in Domestic Factoring (FB&H Official Gazette No. 70/16),
6. Decision on Minimum Standards for the Requirements to be met by Members of the Factoring Company Supervisory Board and Management (FB&H Official Gazette No. 70/16),
7. Decision on Minimum Standards for the Criteria and Manner of Risk Management in Factoring Companies (FB&H Official Gazette No. 70/16),
8. Decision on Minimum Standards for the Manner of Conducting Internal Audits in Factoring Companies (FB&H Official Gazette No. 70/16),
9. Decision on Minimum Standards of Structure, Contents, Manner and Deadlines for Delivery of Information and Reports of Factoring Companies to the Banking Agency of the Federation of Bosnia and Herzegovina (FB&H Official Gazette Nos. 70/16, 85/16-corr., 104/16),
10. Decision on Fee Tariff of Factoring Companies (FB&H Official Gazette Nos. 46/18 and 69/19),
11. Instructions for Completing Financial and Other Reports that Factoring Companies Prepare for Purposes of the Banking Agency of the Federation of B&H (No. 4203/16 d24.10.2016),
12. Instructions for Preparation of the Report on Capital Calculation of Factoring Companies (No. 4204/16 dd 24.10.2016),
13. Instructions for Preparation and Delivery of Business Projection of Factoring Companies (No. 1100/19 dd 01.04.2019).

Decisions regarding activities of the Banking System Ombudsmen

1. Code on Conduct of the Ombudsman for the Banking System (FB&H Official Gazette Nos. 62/14 and 93/15),
2. Decision on Minimum Requirements regarding Contents, Comprehensibility and Availability of General and Special Conditions of Operations of Financial Service Providers (FB&H Official Gazette No. 62/14),
3. Decision on Conditions and Methods Upon the Request of Guarantor to be Exempt from Guarantor's Obligation (FB&H Official Gazette No. 31/18).

Other regulations:

FbiH Development Bank

1. Decree on the FB&H Development Bank's Operations Supervision Criteria and Management Method (FB&H Official Gazette Nos. 57/08, 77/08 and 62/10),
2. Decision on Determining the Amount of Fees for Conducting Supervision of the Operations of the Development Bank of the FB&H (FB&H Official Gazette No. 65/09).

Foreign Exchange Operations

1. Rulebook on the Process of Opening and Maintaining FC Accounts and FC Savings of Resident Customers of Banks (FB&H Official Gazette No. 56/10),
2. Rulebook on Conditions and Manner for Opening, Maintaining and Closing of Nonresident Accounts in Banks (FB&H Official Gazette No. 56/10),
3. Decision on Withdrawing Foreign Cash and Cheques (FB&H Official Gazette No. 58/10),
4. Decision on Conditions and Manner of Conducting Foreign Exchange Operations (FB&H Official Gazette Nos. 58/10 and 49/11),
5. Decision on Conditions for Issuing Approvals for Opening FC Accounts Abroad (FB&H Official Gazette No. 58/10),
6. Decision on Payment, Collection and Transfer of Foreign Currency and Foreign Cash (FB&H Official Gazette No. 58/10),
7. Decision on Manner and Conditions for Residents to Receive or Perform Payment in FCY and LCY Cash in Their Operations with Non-Residents (FB&H Official Gazette No. 58/10),
8. Rules on Method, Deadlines and Forms of Reporting on International Lending Deals (FB&H Official Gazette No. 79/10),
9. Decision on Minimum Standards for Foreign Exchange Operations (FB&H Official Gazette Nos. 95/13 and 99/13),
10. Decision on Examination of Currency Exchange Operations (FB&H Official Gazette No. 95/13).

AML&CTF

1. Rulebook on Implementation of the Law on Anti-Money Laundering and Combating Terrorism Financing (B&H Official Gazette No. 41/15)

III OTHER LAWS IN THE FB&H OF RELEVANCE FOR OPERATIONS AND SUPERVISION OF BSEs

1. Law on Obligations (FB&H Official Gazette Nos. 2/92, 13/93 and 13/94, FB&H Official Gazette Nos. 29/03 and 42/11),
2. Law on Payment Transactions (FB&H Official Gazette Nos. 32/00 and 28/03),
3. Law on Cheques (FB&H Official Gazette No. 32/00),
4. Law on Promissory Notes (FB&H Official Gazette Nos. 32/00 and 28/03),
5. Law on Default Interest Rate Level on Public Revenues (FB&H Official Gazette Nos. 48/01, 52/01, 42/06, 28/13, 66/14, 86/15, 34/18 and 99/19 and 48/21),
6. Law on Companies (FB&H Official Gazette Nos. 81/15 and 75/21),
7. Law on Financial Consolidation of Companies in the FB&H (FB&H Official Gazette Nos. 52/14, 36/18 and 54/19),
8. Law on Takeover of Joint Stock Companies (FB&H Official Gazette No. 77/15),
9. Law on Registration of Commercial Entities in the FB&H (FB&H Official Gazette Nos. 27/05, 68/05, 43/09, 63/14 and 75/21),
10. Law on Public Companies (FB&H Official Gazette Nos. 8/05, 81/08, 22/09 and 109/12),
11. Law on Liquidation Proceedings (FB&H Official Gazette No. 29/03),
12. Law on Debt, Borrowing and Guarantees of the Federation of Bosnia and Herzegovina (FB&H Official Gazette Nos. 86/07, 24/09 and 44/10),
13. Law on Classification of Activities in the Federation of Bosnia and Herzegovina (FB&H Official Gazette Nos. 64/07 and 80/11),
14. Law on Classification of Occupations in the FB&H (FB&H Official Gazette No. 111/12),
15. Law on Securities Market (FB&H Official Gazette Nos. 85/08, 109/12, 86/15 and 25/17),
16. Law on Securities Register (FB&H Official Gazette Nos. 39/98, 36/99 and 33/04),
17. Law on Securities Commission (FB&H Official Gazette Nos. 39/98, 36/99, 33/04 and 6/17),
18. FB&H Labour Law (FB&H Official Gazette Nos. 26/16 and 89/18),
19. Law on Council of Employees (FB&H Official Gazette No. 38/04),
20. Law on Employing Foreigners (FB&H Official Gazette No. 111/12),
21. Law on Investment Funds (FB&H Official Gazette Nos. 85/08 and 25/17),
22. Law on Mediation in Private Insurance (FB&H Official Gazette Nos. 22/05, 8/10 and 30/16),
23. Law on Tax Authorities of the Federation of B&H (FB&H Official Gazette Nos. 33/02, 28/04, 57/09, 40/10, 29/11 i 27/12, 7/13, 71/14 and 91/15),
24. Law on Profit Tax (FB&H Official Gazette Nos. 15/16 and 15/20),
25. Law on Personal Income Tax (FB&H Official Gazette Nos. 10/08, 9/10, 44/11, 7/13 and 65/13),
26. Law on Contributions (FB&H Official Gazette Nos. 35/98, 54/00, 16/01, 37/01, 1/02, 17/06, 14/08, 91/15, 106/16, 34/18, 99/19 and 4/21),
27. Law on Collection and Partial Write-Off of Past Due Social Insurance Contributions (FB&H Official Gazette Nos. 25/06 and 57/09),
28. Law on Single System of Registration of Control and Collection of Contributions (FB&H Official Gazette Nos. 42/09, 109/12, 30/16 and 96/21),
29. Law on Opening Balance Sheet of Companies and Banks (FB&H Official Gazette Nos. 12/98, 40/99, 47/06, 38/08 and 65/09),
30. Law on Audit of Privatisation of State-owned Capital in Companies and Banks (FB&H Official Gazette No. 55/12),
31. Law on Identifying and Realising Claims of Citizens in the Privatisation Process (FB&H Official Gazette Nos. 27/97, 8/99, 45/00, 54/00, 7/01, 32/01, 27/02, 57/03, 44/04, 79/07, 65/09, 48/11, 111/12, 86/15, 13/18, 44/20 and 103/21),

32. Law on Identification and Manner of Settlement of Domestic Debt of the FB&H (FB&H Official Gazette Nos. 66/04, 49/05, 5/06, 35/06, 31/08, 32/09, 65/09, 42/11 and 35/14),
33. Law on Settlement of Liabilities Based on Pre-War FC Savings in the FB&H (FB&H Official Gazette Nos. 62/09, 42/11, 91/13, 101/16 and 57/20),
34. Law on Associations and Foundations (FB&H Official Gazette No. 45/02),
35. Law on Expropriation (FB&H Official Gazette Nos. 70/07, 36/10, 25/12 and 34/16),
36. Law Rendering Ineffective the Law on Construction (FB&H Official Gazette Nos. 55/02 and 34/07),
37. Law on Construction Land in the FB&H (FB&H Official Gazette No. 67/05),
38. Law on Temporary Restriction over Disposing with State Property in the FB&H (FB&H Official Gazette Nos. 20/05, 17/06, 62/06, 40/07, 70/07, 94/07 and 41/08),
39. Law on Free Access to Information in the FB&H (FB&H Official Gazette Nos. 32/01 and 48/11),
40. Regulatory Offence Law of the FB&H (FB&H Official Gazette No. 63/14),
41. Law on Public Notaries (FB&H Official Gazette No. 45/02),
42. Law on Court Appraisers (FB&H Official Gazette Nos. 49/05 and 38/08),
43. Law on Agencies and Internal Departments for Personal and Property Protection (FB&H Official Gazette Nos. 78/08 and 67/13),
44. Law on Land Books in the FB&H (FB&H Official Gazette Nos. 58/02, 19/03 and 54/04),
45. Law on Foreign Investments (FB&H Official Gazette Nos. 61/01, 50/03 and 77/15),
46. Law on Mediation Procedure (FB&H Official Gazette No. 49/07),
47. Law on Treasury of the FB&H (FB&H Official Gazette No. 26/16),
48. Law on the FB&H Government (FB&H Official Gazette Nos. 1/94, 8/95, 58/02, 19/03, 2/06 and 8/06),
49. Law on FB&H Prosecutor's Office (FB&H Official Gazette Nos. 42/02 and 19/03),
50. Law on FB&H Courts (FB&H Official Gazette Nos. 38/05, 22/06, 63/10, 72/10-corr., 7/13, 52/14 and 75/21),
51. Law on Enforcement Proceedings (FB&H Official Gazette Nos. 32/03, 52/03, 33/06, 39/06 - corr., 39/09, 74/11, 35/12 and 46/16),
52. Law on Temporary Postponement of Fulfillment of Receivables Based on Executive Decisions Issued in Relation to the FB&H Budget (FB&H Official Gazette Nos. 9/04 and 30/04),
53. Law on Administrative Procedure (FB&H Official Gazette Nos. 2/98 and 48/99),
54. Law on Administrative Disputes (FB&H Official Gazette No. 9/05),
55. Civil Procedure Code (FB&H Official Gazette Nos. 53/03, 73/05, 19/06 and 98/15),
56. Law on Non-Civil Proceedings (FB&H Official Gazette Nos. 2/98, 39/04, 73/05, 80/14 and 11/21),
57. FB&H Criminal Code (FB&H Official Gazette Nos. 36/03, 37/03, 21/04, 69/04, 18/05, 42/10 i 42/11, 59/14, 76/14, 46/16 and 75/17),
58. FB&H Law on Criminal Proceedings (FB&H Official Gazette Nos. 35/03, 37/03, 56/03, 78/04, 28/05, 55/06, 27/07, 53/07, 9/09, 12/10, 8/13, 59/14 and 74/20),
59. Law on Enforcement of Criminal Sanctions in the FB&H (FB&H Official Gazette Nos. 44/98, 42/99, 12/09 and 42/11),
60. Law on Conflict of Interest in Government Bodies in the FB&H (FB&H Official Gazette No. 70/08),
61. Law on Financial-Intelligence Agency (FB&H Official Gazette No. 80/11),
62. Law on Fiscal Systems (FB&H Official Gazette No. 81/09),
63. Law on Privatisation of Banks (FB&H Official Gazette Nos. 12/98, 29/00, 37/01 and 33/02),

64. Law on Archive Materials of the FB&H (FB&H Official Gazette No. 45/02),
65. Law on Recognition of Public Identification Documents on Territory of the FB&H (FB&H Official Gazette No. 4/98),
66. Law on Strike (FB&H Official Gazette No. 14/00),
67. Law on Federal Administrative Taxes and Tariffs of Federal Administrative Taxes (FB&H Official Gazette Nos. 6/98, 8/00, 45/10, 43/13 and 98/17),
68. Law on Domestic Trade (FB&H Official Gazette Nos. 40/10 and 79/17),
69. Property Law (FB&H Official Gazette Nos. 66/13 and 100/13),
70. Law on FB&H Budgets (FB&H Official Gazette Nos. 102/13, 9/14-corr. 13/14, 8/15, 91/15, 102/15, 104/16, 5/18, 11/19 and 99/19),
71. Law on Citizenship of the Federation B&H (FB&H Official Gazette No. 34/16),
72. Law on Voluntary Pension Funds (FB&H Official Gazette No. 104/16),
73. Law on Financial Operations (FB&H Official Gazette No. 48/16),
74. Law on Salaries and Remunerations in Government Bodies of the Federation of Bosnia and Herzegovina (FB&H Official Gazette Nos. 45/10, 111/12 and 20/17),
75. Law on Single Registry of Users of Cash Benefits with no Fee Payment (FB&H Official Gazette No. 25/17),
76. Law on Insurance (FB&H Official Gazette No. 23/17),
77. Law on Development Planning and Management in the Federation of Bosnia and Herzegovina (FB&H Official Gazette No. 32/17),
78. Law on Pension and Disability Insurance (FB&H Official Gazette Nos. 13/18 and 90/21),
79. Law on Default Interest Rate Level (FB&H Official Gazette No. 18/20),
80. Law on Deadlines and Actions in Court Proceedings during the Emergency Period in the Federation of Bosnia and Herzegovina (FB&H Official Gazette No. 28/20),
81. Law on Court Police in the Federation of Bosnia and Herzegovina (FB&H Official Gazette No. 77/20),
82. Law on Occupational Safety (FB&H Official Gazette No. 79/20),
83. Law on the Register of Financial Statements (FB&H Official Gazette No. 7/21),
84. Law on Accounting and Audit in the Federation of B&H (FB&H Official Gazette No. 15/21),
85. Law on Single Register of Duties and Fees in the Federation of B&H (FB&H Official Gazette No. 24/21),
86. Law on Peaceful Resolution of Labour Disputes (FB&H Official Gazette No. 49/21),
87. Law on Bankruptcy (FB&H Official Gazette No. 53/21),
88. Law on Crafts and Similar Business Activities in the FB&H (FB&H Official Gazette No. 75/21).

IV OTHER LAWS IN B&H OF RELEVANCE FOR OPERATIONS AND SUPERVISION OF BSEs

1. Law on the Central Bank of B&H (B&H Official Gazette Nos. 1/97, 29/02, 8/03, 13/03, 14/03, 9/05, 76/06 and 32/07),
2. Law on Protection of Consumers in B&H (B&H Official Gazette No. 25/06),
3. Law on Market Surveillance in B&H (B&H Official Gazette Nos. 45/04, 44/07 and 102/09),
4. Law on Competition (B&H Official Gazette Nos. 48/05, 76/07 and 80/09),
5. Law on Policy of Direct Foreign Investments in B&H (B&H Official Gazette Nos. 4/98, 17/98, 13/03 and 48/10),
6. Law on Personal Data Protection (B&H Official Gazette Nos. 49/06, 76/11 and 89/11-corr.),
7. Law on Protection of Classified Data of B&H (B&H Official Gazette Nos. 54/05 and 12/09),
8. Law on Electronic Signature (B&H Official Gazette No. 91/06),

9. Decision on Use of Electronic Signature and Documents Certification Services (B&H Official Gazette No. 21/09),
10. Law on classification of activities in Bosnia and Herzegovina (B&H Official Gazette Nos. 76/06, 100/08 and 32/10),
11. Law on Civil Service in the Institutions of Bosnia and Herzegovina (B&H Official Gazette Nos. 12/02, 19/02, 8/03, 35/03, 4/04, 17/04, 26/04, 37/04, 48/05, 2/06, 32/07, 43/09, 8/10, 40/12 and 93/17),
12. Law on Work in Institutions of B&H (B&H Official Gazette Nos. 26/04, 7/05, 48/05, 60/10, 32/13 and 93/17),
13. Law on Borrowing, Debt and Guarantees of Bosnia and Herzegovina (B&H Official Gazette Nos. 52/05, 103/09 and 90/16),
14. Law on Settlement of Obligations arising from Old Foreign Currency Savings of B&H (B&H Official Gazette Nos. 28/06, 76/06, 72/07, 97/11 and 100/13),
15. Law on Accounting and Audit in B&H (B&H Official Gazette No. 42/04),
16. Law on Determination and Manner of Settlement of the Internal Debt of B&H (B&H Official Gazette No. 44/04),
17. Framework Law on Pledges (B&H Official Gazette Nos. 28/04 and 54/04),
18. Law on Value Added Tax (B&H Official Gazette Nos. 9/05, 35/05, 100/08 and 33/17),
19. B&H Law on Public Procurements (B&H Official Gazette No. 39/14),
20. Law on Customs Tariff (B&H Official Gazette No. 58/12),
21. Law on Customs Violations in B&H (B&H Official Gazette No. 88/05),
22. Law on Patents (B&H Official Gazette No. 53/10),
23. Law on Free Access to Information in B&H (B&H Official Gazette Nos. 28/00, 45/06, 102/09, 62/11 and 100/13),
24. Law on Personal Identification Number (B&H Official Gazette Nos. 32/01, 63/08 and 103/11),
25. B&H Law on Associations and Foundations (B&H Official Gazette Nos. 32/01, 42/03, 63/08, 76/11 and 94/16),
26. Law of Ministries and Other Government Authorities of Bosnia and Herzegovina (B&H Official Gazette Nos. 5/03, 42/03, 26/04, 42/04, 45/06, 88/07, 35/09, 59/09, 103/09, 87/12, 6/13, 19/16 and 83/17),
27. Law on the Temporary Prohibition of Disposal of State Property of Bosnia and Herzegovina (B&H Official Gazette Nos. 18/05, 29/06, 85/06, 32/07, 41/07, 74/07, 99/07 and 58/08),
28. Law on Use and Protection of the Name of B&H (B&H Official Gazette Nos. 30/03, 42/04, 50/08 and 76/11),
29. Law on Fiscal Council in B&H (B&H Official Gazette No. 63/08),
30. Law on the Treasury of Institutions of B&H (B&H Official Gazette Nos. 27/00 and 50/08),
31. Law on Payments into the Single Account and Distribution of Revenues (B&H Official Gazette Nos. 55/04, 34/07, 49/09 and 91/17),
32. Law on the Indirect Taxation System in Bosnia and Herzegovina (B&H Official Gazette Nos. 44/03, 52/04, 34/07, 4/08, 49/09, 32/13 and 91/17),
33. Law on Mediation Procedure (B&H Official Gazette No. 37/04),
34. Law on Transfer of Mediation Business to Association of Mediators (B&H Official Gazette No. 52/05),
35. Law on Excises in Bosnia and Herzegovina (B&H Official Gazette Nos. 49/09, 49/14, 60/14 and 91/17),
36. Law on Forced Collection of Indirect Taxes (B&H Official Gazette Nos. 89/05 and 62/11),
37. Regulatory Offence Law (B&H Official Gazette Nos. 41/07, 18/12, 36/14, 81/15 and 65/20),

38. Law on the B&H Court (B&H Official Gazette Nos. 49/09-consolidated text, 74/09-corr. and 97/09),
39. Law on High Judicial and Prosecutorial Council of Bosnia and Herzegovina (B&H Official Gazette Nos. 35/02, 39/03, 42/03, 10/04, 25/04, 93/05, 32/07 and 48/07),
40. Law on Prosecutor's Office of B&H (B&H Official Gazette Nos. 49/09-consolidated text and 97/09),
41. Law on Administrative Procedure (B&H Official Gazette Nos. 29/02, 12/04, 88/07 and 93/09, 41/13 and 53/16),
42. Law on Administrative Disputes of Bosnia and Herzegovina (B&H Official Gazette Nos. 19/02, 88/07, 83/08 and 74/10),
43. Law on Civil Procedure before the Court of B&H (B&H Official Gazette Nos. 36/04, 84/07, 58/13, 94/16 and 34/21),
44. Law on Enforcement Proceedings before the B&H Court (B&H Official Gazette No. 18/03),
45. Law on Administration (B&H Official Gazette Nos. 32/02, 102/09 and 72/17),
46. Law on Temporary Postponement of Fulfillment of Claims Based on Executive Decisions Issued in Relation to the Budget of B&H Institutions and International Obligations of B&H (B&H Official Gazette Nos. 43/03 and 43/04),
47. Criminal Code of B&H (B&H Official Gazette Nos. 3/03, 32/03, 37/03, 54/04, 61/04, 30/05, 53/06, 55/06, 32/07, 8/10, 47/14 and 35/18),
48. B&H Law on Criminal Proceedings (B&H Official Gazette Nos. 3/03, 32/03, 36/03, 26/04, 63/04, 13/05, 48/05, 46/06, 76/06, 29/07, 32/07, 53/07, 76/07, 15/08, 58/08, 12/09, 16/09, 93/09, 72/13 and 65/18),
49. Law on Conflict of Interests in Governmental Institutions of Bosnia and Herzegovina (B&H Official Gazette Nos. 13/02, 16/02, 14/03, 12/04, 63/08 i 18/12, 87/13 and 41/16),
50. Law on Archive Materials and Archives of B&H (B&H Official Gazette No. 16/01),
51. Law on Free Legal Aid (B&H Official Gazette No. 83/16),
52. Law on Prohibition of Discrimination (B&H Official Gazette Nos. 59/09 and 66/16),
53. Law on Employee Strike in Institutions of B&H (B&H Official Gazette No. 41/16),
54. Law on Execution of Criminal Sanctions, Detention and other Measures (B&H Official Gazette No. 22/16 – consolidated text),
55. Law on Citizenship of Bosnia and Herzegovina (B&H Official Gazette No. 22/16 – consolidated text),
56. Law on Salaries and Allowances in the institutions of B&H (B&H Official Gazette Nos. 50/08, 35/09, 75/09, 32/12, 42/12, 50/12, 32/13, 87/13, 75/15, 88/15, 16/16, 94/16, 72/17, 25/18, 32/20 and 65/20),
57. Law on Asylum (B&H Official Gazette No. 11/16).

ANNEXES – BANKING SECTOR

Annex 2 - Basic information on FB&H banks - 31.12.2021

No.	Bank	Web address	Number of employees	Management chairperson
1.	Addiko Bank d.d. Sarajevo	www.addiko.ba	343	Sanela Pašić
2.	ASA BANKA DIONIČKO DRUŠTVO SARAJEVO	www.asabanka.ba	327	Samir Mustafić
3.	"BOSNA BANK INTERNATIONAL" - d.d. Sarajevo	www.bbi.ba	450	Emina Šišić
4.	INTESA SANPAOLO BANKA d.d. BOSNA I HERCEGOVINA	www.intesasanpaolobanka.ba	562	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	460	Lidija Žigić
7.	PRIVREDNA BANKA SARAJEVO d.d. SARAJEVO	www.pbs.ba	181	Hamid Pršeš
8.	ProCredit Bank d.d. Sarajevo	www.procreditbank.ba	139	Amir Salkanović
9.	RAIFFEISEN BANK DIONIČARSKO DRUŠTVO BOSNA I HERCEGOVINA	www.raiffeisenbank.ba	1,277	James Daniel Stewart, Jr
10.	Sberbank BH d.d. Sarajevo	www.sberbank.ba	420	Jasmin Spahić
11.	Sparkasse Bank dd Bosna i Hercegovina	www.sparkasse.ba	508	Amir Softić
12.	UniCredit Bank d.d.	www.unicreditbank.ba	1,188	Amina Mahmutović
13.	UNION BANKA DD SARAJEVO	www.unionbank.ba	199	Vedran Hadžiahmetović
14.	ZiraatBank BH d.d.	www.ziraatbank.ba	297	Bülent Suer
TOTAL			6,432	

Annex 3 - FB&H banks' balance sheet according to the FBA scheme (active sub-balance sheet) -
31.12.2021

- BAM 000 -

No.	Description	31.12.2020	%	31.12.2021	%	Index (5/3)
1	2	3	4	5	6	7
ASSETS						
1.	Cash and deposit accounts with deposit institutions	7,414,615	30.4	7,989,239	30.9	108
	1.a. Cash and non-interest bearing deposit accounts	3,609,270	14.8	3,813,229	14.7	106
	1.b. Interest bearing deposit accounts	3,805,345	15.6	4,176,010	16.2	110
2.	Securities at fair value through profit or loss and at fair value in other comprehensive income	1,526,169	6.3	1,742,810	6.7	114
3.	Placements to other banks	275,941	1.1	350,452	1.3	127
4.	Loans, leasing type receivables and past-due receivables	15,254,651	62.5	15,890,821	61.4	104
	4.a. Loans	14,544,264	59.6	15,120,075	58.4	104
	4.b. Leasing type receivables	55,091	0.2	46,521	0.2	84
	4.c. Due receivables on loans and leasing type receivables	655,296	2.7	724,225	2.8	111
5.	Securities at amortized cost	161,290	0.7	223,198	0.9	138
6.	Business premises and other fixed assets	517,475	2.1	491,588	1.9	95
7.	Other real-estate	36,000	0.1	25,333	0.1	70
8.	Investments in subsidiaries and affiliates	15,944	0.1	13,860	0.1	87
9.	Other assets	376,169	1.5	317,273	1.2	84
10.	MINUS: Impairments	1,181,816	4.8	1,153,746	4.5	98
	10.a. Impairments of items in position 4 of Assets	1,127,176	4.6	1,099,948	4.3	98
	10.b. Impairments of assets items, except for position 4 of Assets	54,640	0.2	53,798	0.2	98
11.	TOTAL ASSETS	24,396,438	100	25,890,828	100	106
LIABILITIES						
12.	Deposits	19,660,862	80.6	21,184,952	81.8	108
	12.a. Interest-bearing deposits	13,634,083	55.9	14,090,013	54.4	103
	12.b. Non interest-bearing deposits	6,026,779	24.7	7,094,939	27.4	118
13.	Borrowings –due liabilities	150	0.0	150	0.00	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	779,075	3.0	96
	16.a. with residual maturity up to one year	210,081	0.9	313,719	1.2	149
	16.b. with residual maturity over one year	601,797	2.4	465,356	1.8	77
17.	Subordinated debts and subordinated bonds	186,358	0.8	167,557	0.7	90
18.	Other liabilities	671,108	2.7	650,947	2.5	97
19.	TOTAL LIABILITIES	21,330,356	87.4	22,782,681	88.0	107
CAPITAL						
20.	Permanent priority shares	365	0.0	343	0.0	94
21.	Common shares	1,299,335	5.3	1,382,522	5.3	106
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	0.6	100
23.	Undistributed profit and capital reserves	1,460,150	6.0	1,297,650	5.0	89
24.	Exchange rate differences	0	0.0	0	0.0	-
25.	Other capital	168,942	0.7	290,342	1.1	172
26.	Loan loss reserves created from profits	0	0.0	0	0.0	-
27.	TOTAL CAPITAL: (20 to 25)	3,066,082	12.6	3,108,147	12.0	101
28.	TOTAL LIABILITIES AND CAPITAL: (19 + 27)	24,396,438	100	25,890,828	100	106
PASSIVE AND NEUTRAL SUB-BALANCE SHEET		703,769		712,283		101
TOTAL		25,100,207		26,603,111		106

Annex 4 - Overview of assets, loans and deposits of FB&H banks - 31.12.2021

- BAM 000 -

No.	Bank	Assets		Loans		Deposits		Financial result
		Amount	%	Amount	%	Amount	%	Amount
1.	Addiko Bank d.d. Sarajevo	1,038,373	4.0	533,133	3.4	797,987	3.8	14,632
2.	ASA BANKA DIONIČKO DRUŠTVO SARAJEVO	1,041,955	4.0	617,986	3.9	927,189	4.4	6,714
3.	"BOSNA BANK INTERNATIONAL" - d.d. Sarajevo	1,487,596	5.8	890,585	5.6	1,207,837	5.7	3,218
4.	INTESA SANPAOLO BANKA d.d. BOSNA I HERCEGOVINA	2,496,815	9.6	1,674,166	10.5	1,844,757	8.7	30,692
5.	KOMERCIJALNO-INVESTICIONA BANKA D.D. VELIKA KLADUŠA	127,930	0.5	55,004	0.4	94,063	0.4	1,457
6.	NLB Banka d.d., Sarajevo	1,421,262	5.5	918,790	5.8	1,183,229	5.6	21,057
7.	PRIVREDNA BANKA SARAJEVO d.d. SARAJEVO	590,113	2.3	323,582	2.0	497,130	2.3	6,574
8.	ProCredit Bank d.d. Sarajevo	711,096	2.7	523,377	3.3	456,392	2.2	2,677
9.	RAIFFEISEN BANK DIONIČARSKO DRUŠTVO BOSNA I HERCEGOVINA	4,901,220	18.9	2,596,539	16.3	4,073,308	19.2	69,584
10.	Sberbank BH d.d. Sarajevo	1,625,117	6.3	1,051,748	6.6	1,387,740	6.6	20,101
11.	Sparkasse Bank dd Bosna i Hercegovina	1,929,122	7.5	1,273,940	8.0	1,619,149	7.6	24,730
12.	UniCredit Bank d.d.	6,315,320	24.4	4,190,834	26.4	5,315,901	25.1	88,091
13.	UNION BANKA DD SARAJEVO	1,054,365	4.1	362,304	2.3	919,137	4.3	1,029
14.	ZiraatBank BH d.d.	1,150,544	4.4	878,833	5.5	861,133	4.1	3,004
TOTAL		25,890,828	100	15,890,821	100	21,184,952	100	293,560

Annex 5 - Sector Structure of Loans in the FB&H and ECL - 31.12.2021

- 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.)	6,770,320	925,089	582,085	8,277,494	66,945	116,184	435,691	618,820
1.1. A Agriculture, forestry and fishing	91,866	9,149	32,939	133,954	852	475	22,886	24,213
1.2. B Mining and quarrying	91,545	12,316	983	104,844	1,195	2,847	641	4,683
1.3. C Processing industry	1,416,124	233,646	258,874	1,908,644	16,482	28,357	189,824	234,663
1.4. D Production and supply of electricity, gas, fumes and air conditioning	195,560	20,797	3,370	219,727	1,931	4,181	2,839	8,951
1.5. E Water supply, waste water drainage, commercial waste disposal and environmental recovery	25,869	4,002	1,085	30,956	241	400	1,083	1,724
1.6. F Construction	392,622	58,110	34,337	485,069	4,448	6,131	27,471	38,050
1.7. G Wholesale and retail trade; repair of motor vehicles and motorcycles	2,378,290	221,774	152,410	2,752,474	22,083	23,651	120,475	166,209
1.8. H Transport and warehousing	256,526	58,823	16,654	332,003	2,868	7,434	12,721	23,023
1.9. I Accommodation and catering (hotels and hospitalist business)	90,941	132,703	27,587	251,231	1,271	21,229	24,213	46,713
1.10. J Information and communication	100,223	9,427	8,279	117,929	920	523	5,151	6,594
1.11. K Financial and insurance business	1,063,958	3,293	0	1,067,251	5,711	164	0	5,875
1.12. L Real estate business	65,962	102,421	15,550	183,933	1,214	13,656	11,922	26,792
1.13. M Professional, scientific and technical activities	154,839	18,566	18,720	192,125	2,455	1,537	11,315	15,307
1.14. N Administrat. and auxiliary services	25,377	8,979	2,950	37,306	402	1,642	1,554	3,598
1.15. O Public administration and defence; social insurance	281,323	6,462	0	287,785	3,741	297	0	4,038
1.16. P Education	5,960	790	2,421	9,171	66	393	178	637
1.17. Q Health care and social welfare	63,605	7,785	1,539	72,929	586	486	1,000	2,072
1.18. R Art, entertainment and recreation	10,763	14,191	411	25,365	128	1,158	355	1,641
1.19. S Other services	58,963	1,855	3,976	64,794	351	1,623	2,063	4,037
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	0	0	0	0
1.21. U activities of extraterritorial organisations and bodies	4	0	0	4	0	0	0	0
2. Total Retail (2.1 + 2.2 + 2.3)	6,748,669	425,538	439,120	7,613,327	82,526	43,166	355,436	481,128
2.1. General consumption	5,227,612	358,239	395,652	5,981,503	71,303	37,131	322,614	431,048
2.2. Housing construction	1,452,848	56,710	37,074	1,546,632	10,349	5,290	27,461	43,100
2.3. Entrepreneurs	68,209	10,589	6,394	85,192	874	745	5,361	6,980
3. Total loans (1. + 2.)	13,518,989	1,350,627	1,021,205	15,890,821	149,471	159,350	791,127	1,099,948

Annex 6 - FB&H banks' income statement according to FBA's scheme - 31.12.2021

- BAM 000 -

No.	Description	01.01. - 31.12.2020	%	01.01. - 31.12.2021	%	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	2,773	0.3	796	0.1	29
2)	Placements to other banks	2,912	0.3	2,969	0.3	102
3)	Loans and leasing operations	624,578	60.3	611,388	55.6	98
4)	Securities held to maturity	4,130	0.4	4,950	0.5	120
5)	Equity securities	0	0.0	0	0.0	-
6)	Receivables on paid off-balance sheet liabilities	2	0.0	3	0.0	150
7)	Other interest income and similar income	64,413	6.2	68,353	6.2	106
8)	TOTAL INTEREST INCOME AND SIMILAR INCOME	698,808	67.5	688,459	62.7	99
b)	Interest expenses and similar expenses					
1)	Deposits	90,219	8.7	75,580	6.9	84
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	8,018	0.8	6,782	0.6	85
5)	Subordinated debts and subordinated bonds	7,303	0.7	6,866	0.6	94
6)	Other interest expenses and similar expenses	24,687	2.4	30,970	2.9	125
7)	TOTAL INTEREST EXPENSES AND SIMILAR EXPENSES	130,227	12.6	120,198	11.0	92
c)	Net interest and similar income	568,581	54.9	568,261	51.7	100
2.	OPERATING INCOME					
a)	Income from foreign exchange operations	54,201	5.2	70,514	6.4	130
b)	Loan fees	10,220	1.0	11,001	1.0	108
c)	Off-balance sheet operation fees	23,417	2.3	23,181	2.1	99
d)	Service fees	307,585	29.7	354,135	32.2	115
e)	Income from trading operations	2,354	0.2	903	0.1	38
f)	Other operating income	68,701	6.6	70,651	6.5	103
g)	TOTAL OPERATING INCOME a) through f)	466,478	45.1	530,388	48.3	114
	TOTAL INCOME (1c + 2g)	1,035,059	100	1,098,649	100	106
3.	NON-INTEREST EXPENSES					
a)	Operating and direct expenses					
1)	Risk asset impairment costs, provisions for contingent liabilities and other value adjustments	182,004	17.6	75,703	6.9	42
2)	Other operating and direct costs	135,862	13.1	155,890	14.2	115
3)	TOTAL OPERATING AND DIRECT EXPENSES 1) + 2)	317,866	30.7	231,593	21.1	73
b)	Operating expenses					
1)	Salary and contribution costs	257,639	24.9	259,673	23.6	101
2)	Business premises costs, other fixed assets and overheads	164,192	15.9	173,442	15.8	106
3)	Other operating costs	108,112	10.4	106,864	9.7	99
4)	TOTAL OPERATING EXPENSES 1) through 3)	529,943	51.2	539,979	49.1	102
c)	TOTAL NON-INTEREST EXPENSES	847,809	81.9	771,572	70.2	91
	TOTAL EXPENSES (1b7+3c)	978,036		891,770		91
4.	PROFIT BEFORE TAXATION	205,455	19.8	327,077	29.8	159
5.	LOSS	18,205	1.8	0	0.0	-
6.	TAXES	19,311	1.9	33,180	3.0	172
7.	PROFIT ON INCREASE IN DEFERRED TAX ASSETS AND DECREASE IN DEFERRED TAX LIABILITIES	7,500	0.7	1,686	0.1	22
8.	LOSS ON DECREASE IN DEFERRED TAX ASSETS AND INCREASE IN DEFERRED TAX LIABILITIES	1,174	0.1	2,023	0.2	172
9.	NET PROFIT	187,335	18.1	293,560	26.7	157
10.	NET LOSS	13,070	1.3	0	0.0	-
11.	FINANCIAL PERFORMANCE (9-10)	174,265		293,560		168

Annex 7 - Average weighted NIR and EIR on loans and deposits by periods

Average weighted NIR and EIR on loans by periods

- % -

No.	Description	31.12.2017		31.12.2018		31.12.2019		31.12.2020		31.12.2021	
		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	3.20	3.46	2.67	2.97	2.32	2.67	2.25	2.53	2.12	2.45
1.1.	Corporate	3.13	3.33	2.61	2.84	2.27	2.55	2.20	2.41	2.08	2.33
1.2.	Retail	8.32	15.36	7.53	14.66	7.48	14.02	8.35	15.27	8.56	14.73
1.3.	Other	3.55	3.76	3.04	3.30	2.41	2.95	2.34	3.34	1.87	2.79
2.	Weighted interest rates on long-term loans	5.30	6.33	4.66	5.62	4.58	5.49	4.47	5.31	4.36	5.18
2.1.	Corporate	4.02	4.33	3.61	3.91	3.41	3.67	3.54	3.79	3.38	3.63
2.2.	Retail	6.31	7.89	5.55	7.06	5.38	6.74	5.45	6.88	5.12	6.38
2.3.	Other	3.77	3.99	3.55	3.71	3.44	3.62	3.20	3.37	3.14	3.31
3.	Total weighted interest rates	4.12	4.72	3.56	4.15	3.27	3.86	3.16	3.67	3.21	3.78
3.1.	Corporate	3.36	3.59	2.88	3.13	2.53	2.81	2.54	2.76	2.45	2.71
3.2.	Retail	6.35	8.04	5.59	7.22	5.42	6.89	5.50	7.04	5.17	6.50
3.3.	Other	3.61	3.82	3.20	3.43	2.67	3.12	2.72	3.35	2.31	2.97

Note: Items 1.3., 2.3. and 3.3. - Other, include loans of governments and government institutions, loans to banks and other financial institutions and other loans.

Average Weighted NIR and EIR on deposits by periods

- % -

R. br.	Opis	31.12.2017		31.12.2018		31.12.2019		31.12.2020		31.12.2021	
		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	0.40	0.41	0.38	0.36	0.34	0.33	0.35	0.34	0.21	0.21
1.1.	Corporate	0.51	0.50	0.55	0.55	0.63	0.61	0.49	0.49	0.45	0.45
1.2.	Retail	0.40	0.41	0.22	0.23	0.38	0.38	0.40	0.40	0.17	0.17
1.3.	Other	0.40	0.40	0.38	0.36	0.29	0.29	0.31	0.30	0.17	0.17
2.	Weighted interest rates on long-term deposits	1.37	1.39	1.15	1.16	1.24	1.19	1.04	1.05	0.74	0.75
2.1.	Corporate	1.50	1.50	1.39	1.39	1.33	1.33	1.19	1.20	0.94	0.94
2.2.	Retail	1.34	1.36	1.14	1.15	1.25	1.17	1.00	1.01	0.69	0.70
2.3.	Other	1.34	1.39	0.97	0.99	1.05	1.06	1.01	1.03	0.64	0.68
3.	Total weighted interest rates	0.75	0.76	0.66	0.65	0.78	0.75	0.70	0.70	0.48	0.48
3.1.	Corporate	1.23	1.23	1.01	1.01	1.13	1.13	0.90	0.90	0.75	0.75
3.2.	Retail	1.16	1.17	0.97	0.98	1.10	1.04	0.89	0.90	0.59	0.59
3.3.	Other	0.47	0.47	0.44	0.42	0.43	0.42	0.43	0.44	0.25	0.26

Note: Items 1.3., 2.3. and 3.3. - Other, includes deposits of governments and government institutions, deposits of banks and other financial institutions and other deposits.

ANNEXES - MICROCREDIT SECTOR

Annex 8 - Basic information on FB&H MCOs - 31.12.2021

No.	MCO Name	Web address	Director	Licence issuance date
1.	Mikrokreditno društvo CREDO CENTAR društvo sa ograničenom odgovornošću Mostar	www.credo.centar.ba	Bernard Stojanović	12
2.	Mikrokreditno društvo EKI d.o.o. Sarajevo	www.eki.ba	Almir Sultanović	192
3.	Mikrokreditna fondacija "EKI"	www.eki.ba	Esad Uzunić	149
4.	Mikrokreditno društvo IuteCredit BH d.o.o. Sarajevo	www.iutecredit.ba	Jasmin Kukuljac	48
5.	Mikrokreditna fondacija "LIDER"	www.lider.ba	Džavid Sejfović	69
6.	Mikrokreditna fondacija "LOK" Sarajevo	www.lok.ba	Elma Čardaklija - Bašić	56
7.	Mikrokreditna fondacija "MELAHA" Sarajevo	www.melaha.ba	Jakob Finci	6
8.	Mikrokreditna fondacija "MI-BOSPO" Tuzla	www.mi-bospo.org	Safet Husić	199
9.	Mikrokreditna fondacija "MIKRA"	www.mikra.ba	Sanin Čampara	157
10.	Mikrokreditna fondacija "MIKRO ALDI"	www.mikroaldi.org	Omar Softić	34
11.	„PARTNER MIKROKREDITNA FONDACIJA“	www.partner.ba	Senad Sinanović	286
12.	"PRVA ISLAMSKA MIKROKREDITNA FONDACIJA"	www.mfi.ba	Edina Hadžimurtezić	9
13.	Mikrokreditna fondacija "SUNRISE"	www.microsunrise.ba	Samir Bajrović	181
TOTAL				1.398

Annex 9 - MCFs' aggregate balance sheet - 31.12.2021

- BAM 000 -

No.	Description	31.12.2020	%	31.12.2021	%	Index (5/3)
1	2	3	4	5	6	7
ASSETS						
1.	Cash (1a+1b)	42,575	8.6	45,096	8.9	106
1a)	Cash and non-interest bearing deposit accounts	28,525	5.8	27,865	5.5	98
1b)	Interest-bearing deposit accounts	14,050	2.8	17,231	3.4	123
2.	Placements to banks	110	0.0	1,660	0.3	1509
3.	Loans	389,972	79.2	402,924	79.1	103
3a)	Loan loss reserves	4,108	0.8	3,631	0.7	88
3b)	Net loans (3-3a)	385,864	78.4	399,293	78.4	103
4.	Business premises and other fixed assets	26,764	5.5	25,577	5.0	96
5.	Long-term investments	33,061	6.7	33,888	6.7	103
6.	Other assets	3,565	0.8	3,652	0.7	102
7.	Minus: reserves on other asset items, except for loans	10	0.0	10	0.0	100
8.	TOTAL ASSETS	491,929	100	509,156	100	104
LIABILITIES						
9a)	Liabilities on short-term loans taken out	20,476	4.2	16,141	3.2	79
9b)	Liabilities on long-term loans taken out	186,128	37.8	184,670	36.3	99
9c)	Liabilities based on interest due	899	0.2	1,115	0.2	124
10.	Other liabilities	23,130	4.7	25,488	5.0	110
11.	TOTAL LIABILITIES	230,633	46.9	227,414	44.7	99
12.	Donated capital	48,076	9.8	48,098	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	283,956	55.8	107
14a)	for previous years	252,283		270,562		107
14b)	for current year	12,590		13,394		106
15.	Shortfall of income over expenses	55,625	11.3	55,078	10.8	99
15a)	for previous years	55,251		54,954		99
15b)	for current year	374		124		33
16.	Other reserves	104	0.0	1,070	0.2	1029
17.	TOTAL CAPITAL	261,296	53.1	281,742	55.3	108
18.	TOTAL LIABILITIES	491,929	100	509,156	100	104
OFF-BALANCE SHEET RECORDS						
19.	Written-off loans	143,361		138,239		96
20.	Approved, but undrawn loan funds of creditors	6,373		9,270		145
21.	Commission operations	218		213		98
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		30,848		77

Annex 10 - MCCs' aggregate balance sheet - 31.12.2021

- BAM 000 -

No.	Description	31.12.2020	%	31.12.2021	%	Index (5/3)
1	2	3	4	5	6	7
ASSETS						
1.	Cash (1a+1b)	12,356	7.4	19,829	10.7	160
1a)	Cash and non-interest bearing deposit accounts	12,106	7.3	19,579	10.6	162
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	160,441	87.0	106
3a)	Loan loss reserves	2,936	1.8	2,888	1.5	98
3b)	Net loans (3-3a)	147,982	89.1	157,553	85.5	106
4.	Business premises and other fixed assets	4,540	2.7	5,151	2.8	113
5.	Long-term investments	0	0.0	0	0.0	-
6.	Other assets	1,248	0.8	1,789	1.0	143
7.	Minus: reserves on other asset items, except for loans	0	0.0	0	0.0	-
8.	TOTAL ASSETS	166,126	100	184,322	100	111
LIABILITIES						
9a)	Liabilities on short-term loans taken out	360	0.2	1,500	0.8	417
9b)	Liabilities on long-term loans taken out	106,468	64.1	121,238	65.8	114
9c)	Liabilities based on interest due	1,092	0.6	1,285	0.7	118
10.	Other liabilities	7,928	4.8	8,201	4.4	103
11.	TOTAL LIABILITIES	115,848	69.7	132,224	71.7	114
12.	Donated capital	0	0.0	0	0.0	-
13.	Tier 1 capital	33,100	19.9	34,177	18.6	103
14.	Issue premium	0	0.0	0	0.0	-
15.	Unallocated profit (15a+15b)	9,168	5.5	7,566	4.1	83
15a)	Previous year	10,124		6,614	3.6	65
15b)	Current year	-956		952	0.5	-100
16.	Legal reserves	3,568	2.2	4,214	2.3	118
17.	Other reserves	4,442	2.7	6,141	3.3	138
18.	TOTAL CAPITAL	50,278	30.3	52,098	28.3	104
19.	TOTAL LIABILITIES	166,126	100	184,322	100	111
OFF-BALANCE SHEET RECORDS						
20.	Written-off loans	6,181		11,232		182
21.	Approved, but undrawn loan funds of creditors	12,879		9,333		72
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		11,383		68

Annex 11 - Overview of key indicators of MCOs in the FB&H - 31.12.2021

- BAM 000 -

No.	Name of MCO	Assets	Gross portfolio	Capital	Financial result
1.	Mikrokreditno društvo CREDO CENTAR društvo sa ograničenom odgovornošću Mostar	2,822	2,738	109	2,658
2.	Mikrokreditno društvo EKI d.o.o. Sarajevo	174,603	149,742	6,775	113,703
3.	Mikrokreditna fondacija "EKI"	109,367	52,042	1,693	53,514
4.	Mikrokreditno društvo luteCredit BH d.o.o. Sarajevo	6,897	6,325	-5,932	10,540
5.	Mikrokreditna fondacija "LIDER"	26,561	26,014	640	25,107
6.	Mikrokreditna fondacija "LOK" Sarajevo	5,971	4,436	70	3,097
7.	Mikrokreditna fondacija "MELAHA" Sarajevo	1,047	568	-91	356
8.	Mikrokreditna fondacija "MI-BOSPO" Tuzla	80,365	73,741	2,671	73,342
9.	Mikrokreditna fondacija "MIKRA"	56,969	46,116	898	47,468
10.	Mikrokreditna fondacija "MIKRO ALDI"	8,388	7,658	198	6,536
11.	„PARTNER MIKROKREDITNA FONDACIJA“	160,486	139,990	5,508	102,620
12.	"PRVA ISLAMSKA MIKROKREDITNA FONDACIJA"	2,539	1,937	-33	2,550
13.	Mikrokreditna fondacija "SUNRISE"	57,463	46,696	1,675	56,369
TOTAL		693,478	558,003	14,181	497,860

Annex 12 - Overview of average weighted NIR and EIR for MCOs - 31.12.2021

No.	Description	MCOs seated in the FB&H - period 01.01.-31.12.2021			
		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:	46,903	61,194	20.18	29.22
1.1.	service activities	1,540	3,240	19.84	27.42
1.2.	trade	337	1,041	18.55	25.11
1.3.	agriculture	5,742	8,940	20.78	26.45
1.4.	manufacturing	194	549	18.52	25.29
1.5.	housing needs	3,253	6,159	20.63	27.33
1.6.	general-basic needs	25,207	29,689	20.89	32.82
1.7.	other	10,630	11,576	17.89	24.08
2.	Long term microloans for:	95,655	436,666	19.22	23.26
2.1.	service activities	6,261	29,035	17.91	21.62
2.2.	trade	1,241	6,802	16.67	20.04
2.3.	agriculture	22,273	117,462	17.84	20.34
2.4.	manufacturing	831	4,856	16.97	20.19
2.5.	housing needs	20,318	118,061	19.36	22.68
2.6.	general-basic needs	23,340	86,267	20.85	25.21
2.7.	other	21,391	74,183	20.16	27.66
3.	Total microloans	142,558	497,860	19.34	24.00

Annex 12a - Comparative overview of average weighted NIR and EIR for MCOs

- % -

Average weighted NIR on:	01.01.-31.12.2017	01.01.-31.12.2018	01.01.-31.12.2019	01.01.-31.12.2020	01.01.-31.12.2021
Short-term microloans	20.11	21.40	20.80	20.29	20.18
Long-term microloans	20.38	19.63	19.28	18.91	19.22
Total microloans	20.34	19.89	19.50	19.10	19.34
Average weighted EIR on:	01.01.-31.12.2017	01.01.-31.12.2018	01.01.-31.12.2019	01.01.-31.12.2020	01.01.-31.12.2021
Short-term microloans	28.29	29.11	31.85	30.69	29.22
Long-term microloans	24.22	23.27	23.09	22.90	23.26
Total microloans	24.86	24.13	24.38	23.98	24.00

Annex 13 - MCFs aggregate income statement - 31.12.2021

- BAM 000 -

No.	Description	For the period 01.01. - 31.12.2020	%	For the period 01.01. - 31.12.2021	%	Index (5/3)
1	2	3	4	5	6	7
	INTEREST INCOME AND EXPENSES					
1.	Interest and similar income	76,228	90.4	78,631	89.9	103
2.	Interest and similar expenses	7,893	11.0	7,578	10.2	96
3.	Net interest and similar income (1. - 2.)	68,335		71,053		104
	OPERATING INCOME AND EXPENSES					
4.	Operating income	7,058	8.4	7,306	8.3	104
5.	Operating expenses	57,042	79.1	60,138	81.0	105
	OTHER OPERATING INCOME AND EXPENSES					
6.	Other operating income	987	1.2	1,564	1.8	158
7.	Other operating expenses	615	0.9	731	1.0	119
8.	Costs of provisions for loan and other losses	5,283	7.3	4,180	5.6	79
9.	Surplus/shortfall of income over expenses before taxes (3.+4.-5.+6.-7.-8.)	13,440		14,874		111
10.	Tax on surplus income over expenses	1,238	1.7	1,645	2.2	133
11.	Net surplus/shortfall of income over expenses (9.-10.)	12,202		13,229		108

Annex 14 - MCCs aggregate income statement - 31.12.2021

- BAM 000 -

No.	Description	For the period 01.01. - 31.12.2020	%	For the period 01.01. - 31.12.2021	%	Index (5/3)
1	2	3	4	5	6	7
	INTEREST INCOME AND EXPENSES					
1.	Interest and similar income	26,725	98.6	31,213	97.4	117
2.	Interest and similar expenses	5,798	20.7	7,165	23.0	124
3.	Net interest and similar income (1. - 2.)	20,927		24,048		115
	OPERATING INCOME AND EXPENSES					
4.	Operating income	206	0.8	603	1.9	293
5.	Operating expenses	16,655	59.4	18,944	60.9	114
	OTHER OPERATING INCOME AND EXPENSES					
6.	Other operating income	160	0.6	234	0.7	146
7.	Other operating expenses	357	1.3	201	0.7	56
8.	Costs of provisions for loan and other losses	4,826	17.2	4,415	14.2	91
9.	Profit/loss before taxes (3.+4.-5.+6.-7.-8.)	-545		1.325		-243
10.	Income tax	411	1.4	373	1.2	91
11.	Net profit/loss (9.-10.)	-956		952		-100

ANNEXES – LEASING SECTOR

Annex 15 - Basic information on leasing companies in the FB&H - 31.12.2021

No.	Leasing company name	Web address	Director	License issuance date
1.	MOGO d.o.o. Sarajevo	www.mogo.ba	Maja Nura	10
2.	PORSCHE LEASING d.o.o. Sarajevo	www.porscheleasing.ba	Dejan Stupar	22
3.	RAIFFEISEN LEASING d.o.o. Sarajevo	www.rlbh.ba	Maja Jurčević	45
4.	SPARKASSE LEASING d.o.o. Sarajevo	www.s-leasing.ba	Elma Hošo	24
TOTAL				101

Annex 16 - Leasing companies' aggregate balance sheet - 31.12.2021

- BAM 000 -

No.	Description	31.12.2020	%	31.12.2021	%	Index (5/3)
1	2	3	4	5	6	7
	ASSETS					
1.	Cash and cash equivalents	6,548	1.9	4,391	1.2	67
2.	Placements to banks	12,113	3.5	8,240	2.2	68
3.	Financial leasing type receivables, net (3a-3b-3c-3d)	256,770	74.7	290,647	77.8	113
3a)	Financial leasing type receivables, gross	280,723	81.7	318,640	85.3	114
3b)	Loss reserves	2,126	0.6	5,681	1.5	267
3c)	Deferred interest income	21,584	6.3	21,996	5.9	102
3d)	Deferred fee income	243	0.1	316	0.1	130
4.	Receivables from subsidiaries	0	0.0	0	0.0	-
5.	Tangible and intangible assets, net (5a+5b-5c-5d)	55,565	16.2	64,259	17.2	116
5a)	Tangible and intangible assets –own funds	3,562	1.0	3,869	1.0	109
5b)	Tangible and intangible assets –of operational leasing	73,103	21.3	86,199	23.1	118
5c)	Impairment -own resources	1,961	0.6	2,312	0.6	118
5d)	Impairment-operating leasing	19,139	5.5	23,497	6.3	123
6.	Long-term investments	309	0.1	368	0.1	119
7.	Other assets (7a+7b)	12,521	3.6	5,831	1.5	47
7a)	Loans, net (7a1-7a2)	4,982	1.4	0	0.0	0
7a1)	Loans (past-due receivables+outstanding principal)	4,984	1.4	0	0.0	0
7a2)	Loan reserves	2	0.0	0	0.0	0
7b)	Inventory	912	0.3	828	0.2	91
7c)	Other assets	6,627	1.9	5,003	1.3	75
	TOTAL ASSETS	343,826	100	373,736	100	109
	LIABILITIES					
8.	Liabilities on loans, net (8a+8b-8c)	307,877	89.5	336,293	90.0	109
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	324,767	86.9	106
8c)	Advanced costs and fees	164	0.0	153	0.0	93
9.	Other liabilities	8,174	2.4	7,957	2.1	97
	TOTAL LIABILITIES	316,051	91.9	344,250	92.1	109
10.	Tier 1 capital	16,458	4.8	16,827	4.5	102
11.	Reserves	7,060	2.1	7,818	2.1	111
12.	Accumulated profit/loss	4,257	1.2	4,841	1.3	114
	TOTAL CAPITAL	27,775	8.1	29,486	7.9	106
	TOTAL LIABILITIES	343,826	100	373,736	100	109
	Written off receivables (opening balance)	19,880		21,020		106
	New write off (+)	2,115		589		28
	Recovery (-)	61		559		916
	Permanent write off (-)	914		14,093		1.542
	Written off receivables (closing balance)	21,020		6,957		33
	Other off-balance sheet records	68,554		99,593		145

Annex 17 - Basic indicators of leasing companies in the FB&H - 31.12.2021

- BAM 000 -

No.	Name	Balance sheet total	Financial leasing receivables	Net balance of funds granted under operational leasing	Total capital	Financial result
1.	MOGO d.o.o. Sarajevo	1,352	595	0	-936	22
2.	PORSCHE LEASING d.o.o. Sarajevo	150,049	97,771	48,370	2,895	80,450
3.	RAIFFEISEN LEASING d.o.o. Sarajevo	114,468	94,058	8,852	1,518	54,756
4.	SPARKASSE LEASING d.o.o. Sarajevo	107,867	98,223	5,480	1,363	63,506
TOTAL		373,736	290,647	62,702	4,840	198,734

Annex 18 - Leasing companies' aggregate income statement - 31.12.2021

- BAM 000 -

No.	Description	01.01. - 31.12.2020	%	01.01. - 31.12.2021	%	Index (5/3)
1	2	3	4	5	6	7
	Financial income and expenses					
1.	Interest income	12,702	35.5	13,850	37.5	109
1a)	Interest on financial leasing	324	1.0	73	0.2	23
1b)	Interest on placements to banks	10,465	29.2	11,772	31.9	112
1c)	Fees (for leasing application processing, etc.)	840	2.3	926	2.5	110
1d)	Other interest income	1,073	3.0	1,079	2.9	101
2.	Interest expenses	4,274	13.5	4,335	13.5	101
2a)	Interest on borrowed funds	4,171	13.2	4,244	13.2	102
2b)	Loan processing fees	101	0.3	88	0.3	87
2c)	Other interest expenses	2	0.0	3	0.0	150
3.	Net interest income	8,428	23.5	9,515	25.8	113
	Operating income and expenses					
4.	Operating income	23,102	64.5	23,076	62.5	100
4a)	Service fees	1	0.0	1	0.0	100
4b)	Operating lease fee	17,484	48.8	19,498	52.8	112
4c)	Income from sale of leasing object	0	0.0	0	0.0	-
4d)	Other operating income	5,617	15.7	3,577	9.7	64
4d)1	Income from recovered written off receivables	357	1.0	709	1.9	199
4d)2	Income from collection letters	12	0.0	19	0.1	158
4d)3	Other	5,248	14.7	2,849	7.7	54
5.	Operating expenses	25,038	79.4	25,706	80.1	103
5a)	Salary and contribution costs	4,442	14.1	4,736	14.7	107
5b)	Business premises costs	11,558	36.6	12,823	40.0	111
5c)	Other costs	9,038	28.7	8,147	25.4	90
6.	Costs of loss reserves	1,582	5.0	1,444	4.5	91
7.	Profit before tax	4,910		5,441		111
8.	Corporate income tax	653	2.1	601	1.9	92
9.	Net profit/loss	4,257		4,840		114

Annex 19 – Overview of average weighted NIR and EIR financial leasing contracts - 31.12.2021

No.	Description	For the period 01.01. - 31.12.2021			
		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:	11	457	4.24	7.09
a.	Passenger vehicles	6	258	5.47	9.44
b.	Vehicles for performing business activity (cargo and passenger vehicles)	5	199	2.65	4.05
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:	11	457	4.24	7.09
a.	Corporate	10	448	3.60	6.31
b.	Entrepreneurs	0	0	0.00	0.00
c.	Retail	1	9	36.00	45.89
2.	Long-term leasing contract by leasing objects:	3,473	180,674	3.81	6.81
a.	Passenger vehicles	2,100	92,669	3.78	7.05
b.	Vehicles for performing business activity (cargo and passenger vehicles)	1,126	57,869	3.84	6.84
c.	Machines and equipment	247	30,136	3.82	5.98
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:	3,473	180,674	3.81	6.81
a.	Corporate	2,923	162,536	3.74	5.99
b.	Entrepreneurs	182	6,624	3.79	6.53
c.	Retail	368	11,514	4.77	18.49
	Total (1+2)	3,484	181,131	3.81	6.81

Annex 19a - Comparative overview of average weighted NIR and EIR for fin. leasing contracts

No.	Description	31.12.2017		31.12.2018		31.12.2019		31.12.2020		31.12.2021	
		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:	3.69	6.43	5.96	12.30	6.12	12.36	3.74	6.94	4.24	7.09
1.1.	Corporate	3.63	6.02	4.12	7.34	3.26	6.27	3.74	6.94	3.60	6.31
1.2.	Entrepreneurs	5.50	12.75	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1.3.	Retail	6.52	30.21	17.56	43.62	33.04	69.75	0.00	0.00	36.00	45.89
2.	Long-term leasing contracts:	4.67	7.17	4.30	6.81	5.52	8.86	3.96	7.07	3.81	6.81
2.1.	Corporate	4.61	6.63	4.06	5.94	4.04	6.08	3.87	6.17	3.74	5.99
2.2.	Entrepreneurs	5.79	8.95	5.07	7.23	5.04	7.57	4.74	7.46	3.79	6.53
2.3.	Retail	5.33	17.94	8.12	21.82	19.69	35.50	4.68	18.18	4.77	18.49
	Total	4.66	7.17	4.31	6.85	5.52	8.88	3.96	7.06	3.81	6.81



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PUBLISHER:
BANKING AGENCY
OF THE FEDERATION OF BOSNIA AND HERZEGOVINA

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