



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 31/03/2021**

Sarajevo, June 2021

Abbreviations and terms:

DIA	Deposit Insurance Agency of Bosnia and Herzegovina
BD	Brčko District
BiH	Bosnia and Herzegovina
CBB&H	Central Bank of Bosnia and Herzegovina
CLR	Central Loan Register in B&H (for legal entities and private individuals)
EBA	European Banking Authority
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
FB&H	Federation of Bosnia and Herzegovina
FSAP	Financial Sector Assessment Program
FX risk	Foreign Exchange Risk
ICAAP	Internal Capital Adequacy Assessment Process
ILAAP	Internal Liquidity Adequacy Assessment Process
LCR	Liquidity Coverage Ratio
MCC	Micro credit company
MCF	Micro credit foundation
MCO	Micro credit organisation
IMF	International Monetary Fund
IFRS	International Financial Reporting Standards
NFI	Non-deposit Financial Institutions
NIR	Nominal Interest Rate
NPL	Non-performing loans
LLP	Loan Loss Provisions
RS	Republic of Srpska
WB	World Bank
BSE	FB&H Banking System Entities: banks, banking groups, development banks, MCOs, leasing companies, factoring companies, exchange offices, and other financial organizations whose operations are supervised by the FBA
SREP	Supervisory Review and Evaluation Process
BAB&H	Banks Association of Bosnia and Herzegovina
B&HALC	B&H Association of Leasing Companies
USAID	United States Agency for International Development - Financial Reform Agenda
FINRA	Activity Project
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 \geq 100%	Article 17, Paragraph (2) of the Decision on Liquidity Risk Management in Banks ³
Maturity matching of financial assets and financial liabilities	<p>Maturity matching of remaining terms to contractual maturities of assets and liabilities instruments:</p> <ul style="list-style-type: none">- Minimum 65% of funding sources with maturity up to 30 days shall be used for purpose of facilities (assets instruments) with maturity up to 30 days, Article 40a, Paragraph (2), 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 in form of facilities (assets instruments) with maturity up to 90 days, Article 40a, Paragraph (2), 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 in form of facilities (assets instruments) with maturity up to 180 days, Article 40a, Paragraph (2), Item c) of the Decision on Liquidity Risk Management in Banks.
Limitation regarding individual overnight foreign exchange position of the bank, except in EUR – up to 20% of the bank's eligible capital	Article 3, Paragraph (2), Item a) of the Decision on Foreign Exchange Risk Management in Banks ⁴
Limitation regarding individual overnight foreign exchange position of the bank in EUR – up to 40% of the bank's eligible capital.	Article 3, Paragraph (2), Item b) of the Decision on Foreign Exchange Risk Management in Banks
Limitation regarding aggregate foreign exchange position of the bank – up to 40% of	Article 3, Paragraph (2), Item c) 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 Nos. 81/17 and 37/20

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

the bank's eligible capital.

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 1,800 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) LoMCO ⁵
Minimum amount of Tier 1 capital of MCFs - BAM 50,000	Article 36, Paragraph (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 ⁶
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 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

⁵ FB&H Official Gazette No. 59/06

⁶ FB&H Official Gazette No. 103/18

Minimum amount of Tier 1 capital of leasing companies – BAM 250,000 Article 8, Paragraph (1) LoL⁷

Minimum amount of Tier 1 capital of factoring companies – BAM 750,000 Article 27, Paragraph (1) LoF⁸

EXECUTIVE SUMMARY

FB&H Banking Sector's Key Performance Indicators

15 commercial banks, with 525 organisational units employing a total of 6,452 persons, operated in the FB&H as at 31/03/2021. This number is lower by 70 employees compared to the end of 2020.

Total net assets across the FB&H banking sector as of 31/03/2021 were BAM 24.5 billion and were higher by BAM 130.6 million or 0.5% compared to 31/12/2020.

The FB&H banks' total capital amounted to BAM 3.1 billion, which was higher by BAM 67.7 million or 2.2% compared to the end of 2020, of which shareholders' capital was BAM 1.3 billion. The share of total capital in the funding sources across the FB&H banking sector was 12.8%.

The own funds amounted to BAM 2.7 billion and increased by BAM 12.8 million or 0.5% compared to the end of 2020. Common Equity Tier 1 capital and Tier 1 capital stood at BAM 2.6 billion and increased by BAM 15.2 million or 0.6%, while Tier 2 capital amounted BAM 114.7 million and decreased by BAM 2.4 million or 2% compared to the end of 2020.

The FB&H banking sector's own funds ratio was 19% as at 31/03/2021 and was lower by 0.1 percentage point compared to the end of 2020. Other capital ratios (Common Equity Tier 1 capital ratio and Tier 1 capital ratio) at the FB&H banking sector level were 18.2%, which is also lower by 0.1 percentage point compared to 31/12/2020.

The financial leverage ratio (i.e. the ratio of Tier 1 capital and total exposure of banks) across the FB&H banking sector was 10.1%, the same as at the end of 2020.

Total exposure of banks stood at BAM 28.9 billion, of which BAM 25.1 billion refers to on-balance exposures and BAM 3.8 billion to off-balance items.

Over the first three months of 2021, balance sheet total increased against YE2020 by an amount of BAM 128 million or 0.5%. This came as a net effect of an increase of cash and financial assets measured at fair value and at amortised cost, as well as a decrease of other financial receivables. Over the same period, off-balance sheet items dropped by BAM 119 million or 3.1%, as largely attributable to a decrease of irrevocably approved, but undrawn loans.

Balance sheet exposures within the credit risk grade 1 stood at BAM 22.5 billion as of 31/03/2021 and represented 89.6% of the total amount of such exposures. Balance sheet exposures within the credit risk grade 2 amounted BAM 1.6 billion and constituted 6.4% of the total balance sheet exposures, while balance sheet exposures in the credit risk grade 3 amount to BAM 1.0 billion and make up for 4% of the said total amount.

⁷ FB&H Official Gazette Nos. 85/08, 39/09, 65/13, 104/16

⁸ FB&H Official Gazette Nos. 14/16 and 74/20

As of 31/03/2021, off-balance sheet exposures in the credit risk grade 1 amounted to BAM 3.4 billion and constituted 90.4% of total off-balance sheet exposures. As for credit risk grade 2 exposures, they amount to BAM 357 million and hold a share of 9.5% of total off-balance sheet exposures, while credit risk grade 3 includes BAM 4.8 million or 0.1% of total off-balance sheet exposures.

The ECL coverage rate for balance sheet exposures stood at 4.7%, the same as at the end of the previous year. Compared to 31/12/2020, ECL coverage rate in the credit risk grade 1 remained the same at 0.8%, while in the credit risk grade 2 it rose from 12.4% to 13% and in the credit risk grade 3 from 78.2% to 78.4%.

Total ECL coverage for off-balance sheet exposures remained the same as at the end of 2020 (1.5%). The individual coverage rate increase was noted with all three credit risk grades.

As of 31/03/2021, loans amounted to BAM 15.3 billion, up by BAM 88.2 million or 0.6% vs. YE2020. Retail loans hold a share of 47.7% in total loans, went up by 0.6% to BAM 7.3 billion. Corporate loans participate in total loans with 52.3% share, which is also an increase by 0.6% to BAM 8 billion.

As of 31/03/2021, the loan portfolio within the credit risk grade 3 (NPL) stood at BAM 970.9 million, thus constituting 6.3% of the total loan portfolio (down by BAM 11.9 million or 1.2% compared to the end of the previous year, as mostly caused by the accounting and permanent write offs, as well as special measures taken by the FBA over the course of last year). ECL coverage rate for the credit risk grade 3 is 77.9% (corporate 77.8% and retail 78.1%), which is higher by 0.2 percentage points vs. 31/12/2020.

Upon expiry of measures prescribed by the FBA regarding recovery from negative economic consequences caused by the COVID-19 pandemic (hereinafter: the pandemic), it has emphasised a need for further attention during this recovery period from the pandemic, i.e. it has pointed out to a still present increased risk of loan portfolio growth within the credit risk grade 3.

Out of total corporate loans, BAM 520.4 million or 6.5% refers to NPLs, which is by 0.3 percentage points lower than at YE2020. As for the retail segment, NPLs amount to BAM 450.5 million or 6.2%, up by 0.2 percentage points vs. YE2020.

Cash funds equal BAM 7.4 billion and hold a share of 30.3% in total assets, thus being by BAM 26.4 million or 0.4% higher than at the end of 2020.

As of 31/03/2021, investments in securities equaled BAM 1.7 billion holding a share in assets of 7%, thus increasing against the YE2020 by BAM 39.4 million or 2.3%.

Deposits, being the key source of funding for banks, reached an amount of BAM 19.8 billion with a share of 80.7% in total liabilities. Compared to the end of 2020, they went up by BAM 144.7 million or 0.7%. Savings deposits as the most significant and the biggest segment of deposit and financial potential of banks, increased by BAM 270.8 million or 2.7% to BAM 10.2 billion. This is an important indicator of the citizens' trust in the banking system.

The loans taken amounted to BAM 772.9 million with a share of 3.2% in total liabilities, thus going down by BAM 39 million or 4.8 vs. YE2020.

By observing the key liquidity indicators, 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 was satisfactory at the end of the first quarter of 2020 despite negative effects to the economy caused by the pandemic.

According to reporting data as of 31/03/2021, the FB&H banking sector posted a positive financial result, but this is being by 8.9% higher than in the same period last year. One bank posted operating loss in the first three months of 2021.

FB&H Micro Credit Sector's Key Performance Indicators

In the FB&H, as of 31/03/2021, 14 MCOs comprising the FB&H microcredit sector had a license issued by the FBA, of which 11 were MCFs (non-profit organizations) and 3 MCCs (profit organizations). As at 31/03/2021, the number of organisational parts of MCOs seated in the FB&H was 360 employing 1,393 persons. This is lower by 1 employee vs. 31/12/2020.

Total assets of the FB&H micro credit sector as of 31/03/2021 were BAM 659.8 million, which is by BAM 1.7 million or 0.3% higher than as at 31.12.2020. Over the observed period, the rate of total assets increase of MCCs was 1.9% and 0.3% in MCFs.

Total net micro loans were BAM 530.6 million, thus constituting 80.4% of total assets of the FB&H micro credit sector. This is by BAM 3.2 million or 0.6% lower than as of 31/12/2020. The net MCCs' micro loans increased by 1.7%, while at the MCFs' level the decrease was 1.5%, all compared to 31/12/2020.

Quality indicators of the microcredit portfolio at the sector level (portfolio at risk over 30 days – 1.55% and write offs – 1.21%) are within the prescribed limits. Portfolio at risk over 30 days showed an increase, while the write off rate remained the same as at the end of 2020.

The FB&H micro credit sector's total liabilities under loans taken were BAM 312.5 million as of 31/03/2021, with a share of 47.4% in total liabilities and decreasing by BAM 2.9 million or 0.9% compared to 31/12/2020. In the reporting period, MCCs' credit obligations increased by 1.3%, while MCFs' credit obligations decreased by 2.1%.

The total capital across the FB&H micro credit sector was BAM 316.7 million or 48% of total liabilities and was higher by BAM 5.2 million or 1.7% compared to the end of 2020, where the total capital of MCCs rose by 3.5% and the total capital of MCFs by 1.3%.

Across the FB&H micro credit sector, in the period from 01/01/2021 to 31/03/2021, positive financial performance was reported in an amount of BAM 3.8 million, which is by BAM 0.7 million higher compared to the same period of 2020. MCCs reported a net profit of BAM 0.4 million, while MCFs reported a surplus of revenues over expenses of altogether BAM 3.4 million. There were seven MCFs and two MCCs that reported a surplus of revenues over expenses (i.e. net profit), while four MCFs and one MCC recognised a shortfall of revenues over expenses (i.e. operating loss).

Operational efficiency of the FB&H micro credit sector was 18.38% as of 31/03/2021, which was within the regulatory indicator, while reported return on assets, adjusted by the inflation rate, market price of capital and donations, was positive and amounted to 2.45%, which was in compliance with the regulatory limit.

FB&H Leasing Sector's Key Performance Indicators

The FB&H leasing system comprised, as of 31/03/2021, four leasing companies (leasing sector) and one commercial bank performing financial leasing operations. The FB&H leasing sector employed a total of 107 persons as of 31/03/2021, thus being 5.9% higher than at the end of the previous year.

The FB&H leasing sector's total assets were BAM 350.5 million as at 31/03/2021 and were higher by BAM 6.7 million or 1.9% compared to 31/12/2020.

The net receivables under financial leasing, as the most significant item in the composition of total assets, were BAM 265.1 million or 75.7% of the total assets and were higher by BAM 8.3 million or 3.2% compared to 31/12/2020. With respect to the FB&H leasing sector's asset quality as at 31/03/2021, overdue receivables amounted BAM 3.5 million, down by 1.8% was seen with respect to 31/12/2020. The financial leasing loss reserves rose by 6.6% vs. end of the previous year. The total number and value of newly concluded leasing contracts (financial and operational leasing) in the reporting period increased by 1.4% and 14.5% respectively.

The largest item in the composition of the FB&H leasing sector's total liabilities constituted, as of 31/03/2021, liabilities of BAM 311.4 million under loans taken and accounted for 88.8 % of total liabilities. Compared to 31/12/2020, these liabilities increased by BAM 3.5 million or 1.1%. If observed from the perspective of contractual maturity, long term loan obligations hold a dominant share in total loan obligations.

The FB&H leasing sector's total capital was BAM 29 million as at 31/03/2021, comprising 8.3% of the FB&H leasing sector's total liabilities and increasing by BAM 1.3 million or 4.6% compared to December 31st, 2020.

Across the FB&H leasing sector, in the January 1 - March 31, 2021 period, a positive financial result was reported of BAM 1.3 million, thus representing an increase by BAM 0.4 million compared to the same period of the preceding year. This increase of the leasing sector's business result largely refers to the much improved business result with one leasing company by an amount of BAM 0.6 million. There were three leasing companies that posted net profit, while one leasing company recognized an operating loss.

Information on Special Measures of FBA regarding BSEs in the FB&H

As of Q1 2021, BAM 814.3 million or 5.3% of total loans at the FB&H banking sector level was captured by some of active measures prescribed by the Decision on Temporary Measures of Banks to Ensure Recovery from Negative Economic Consequences Caused by Covid-19⁹. Total amount of the corporate loan portfolio encompassed by some of the active measures was BAM 730.4 million or 9.1% of the corporate loan portfolio, while retail portfolio subjected to active measures was BAM 83.9 million or 1.1% of the retail loan portfolio.

As of 31/03/2021, active number of NFI debtors captured by 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-19¹⁰ was 6,768 and the amount was BAM 69.4 million or 8.7% of the total loan portfolio of NFIs. In the retail segment, exposures subjected to some of the special measures amounted to BAM 39.5 million or 7.2% of

⁹ FB&H Official Gazette Nos. 60/20 and 21/21

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

total retail portfolio of NFIs, while corporate exposures captured by some of the said measures amounted to BAM 29.9 million and represented 12% of the total corporate loan portfolio.

FB&H Factoring Sector's Key Indicators

As of 31/03/2021, there were three commercial banks in the FB&H performing the factoring business, all of which are members of international banking groups seated in the EU member states.

In the FB&H, 97 factoring contracts were concluded with the total nominal value of purchased monetary claims as of 31/03/2021 of BAM 38.3 million. Compared to the total number of concluded factoring contracts in the same period last year, this number decreased by 34, while the nominal value of purchased monetary claims and settled payables saw an increase by BAM 7.6 million or 24.9% vs. the same period the year before.

The factoring service providers' total income in the FB&H factoring system as of 31/03/2021 was BAM 0.4 million, which is higher by 5% vs. the same period in 2020.

INTRODUCTION

FBA was established in 1996 as an independent and self-standing institution which exercises its competences in accordance with the prescribed provisions of the LoA, international standards and supervision principles and professional rules. The 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 31/03/2021 was drawn up using reporting data and other data and information provided by the FB&H BSEs to the FBA and used in regular supervision of the BSEs.

Content-wise, this Information is divided into two sections. The first section 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 second 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.

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.

Considering worsened situation with the pandemic and measures taken by competent bodies and institutions in the FB&H regarding protection against further development of the health and socio-economic crisis, FBA has, subject to its prescribed competences, extended deadlines for filing applications for approval of special measures defined in the Decision on Temporary Measures of Banks to Ensure Recovery from Negative Economic Consequences Caused by Covid-19. Under conditions existing at the end of the Q1 2021, another increase was expected regarding the number of debtors with loan repayment difficulties where their recovery options would be facilitated by approval of special measures during 2021 as well. 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-19 and the Decision on Temporary Measures of Leasing Companies and Microcredit Organisations to Ensure Recovery from Negative Economic Consequences Caused by Covid-19, all aimed to preserve stability of the banking, microcredit and leasing sectors in the FB&H and at enabling approval of relief measures to customers of BSEs whose income, i.e. repayment sources, are still reduced as a result of the pandemic effect, thus making it difficult or rendering them incapable of due settlement of their obligations to BSEs.

1. BANKING SECTOR

1.1. FB&H BANKING SECTOR'S STRUCTURE

1.1.1. Status, Number and Business Network

As of 31/03/2021, 15 commercial banks had banking license in the FB&H. Number of banks remained the same as on December 31st, 2020. All banks are members of the DIA.

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

Annex 1 provides basic information about the FB&H banks as at 31/03/2021.

The FB&H banks had, as of 31/03/2021, a total of 525 organizational units, which was fewer by 6 organisational parts or 1.1% compared to December 31st, 2020. In the territory of the FB&H there are 463 organizational units of banks. Seven banks from the FB&H had 51 organizational units in the RS, while 10 banks had 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.

The table below shows organisational structure, ATM network and POS devices of banks in the FB&H as of 31/03/2021:

Table 1: Banks in the FB&H, organisational parts of RS banks doing business in the FB&H and network of ATMs and POS devices

No.	Bank name	Business unit/ branch	Other organisational parts	POS devices	ATMs
I Banks seated in the FB&H (in the territory of B&H)					
1.	Addiko Bank d.d. Sarajevo	32	-	-	81
2.	ASA Banka d.d. Sarajevo	12	9	-	29
3.	Bosna Bank International d.d. Sarajevo	35	1	-	59
4.	Intesa Sanpaolo Banka d.d. BiH Sarajevo	47	-	2,940	118
5.	Komercijalno-investiciona banka d.d. V. Kladuša	5	7	-	4
6.	NLB Banka d.d. Sarajevo	42	-	1,819	87
7.	Privredna banka Sarajevo d.d. Sarajevo	7	10	-	25
8.	ProCredit Bank d.d. Sarajevo	3	3	-	16
9.	Raiffeisen Bank d.d. BiH Sarajevo	38	63	9,210	292
10.	Sberbank BH d.d. Sarajevo	32	-	33	66
11.	Sparkasse Bank d.d. BiH Sarajevo	46	-	-	108
12.	UniCredit Bank d.d. Mostar	70	-	9,258	265
13.	Union banka d.d. Sarajevo	4	9	-	15
14.	Vakufska banka d.d. Sarajevo	17	1	-	22
15.	ZiraatBank BH d.d. Sarajevo	18	14	797	66
Total I		408	117	24,057	1,253
II Organisational parts of banks from the RS doing business in the FB&H					
1.	Komercijalna banka a.d. Banja Luka	2	0	1	2
2.	Nova banka a.d. Banja Luka	3	10	524	26
3.	MF banka a.d. Banja Luka	5	8	70	11
Total II		10	18	595	39

1.1.2. Ownership Structure and Market Share

Ownership structure of the FB&H banks ¹¹ as of 31/03/2021 is the following:

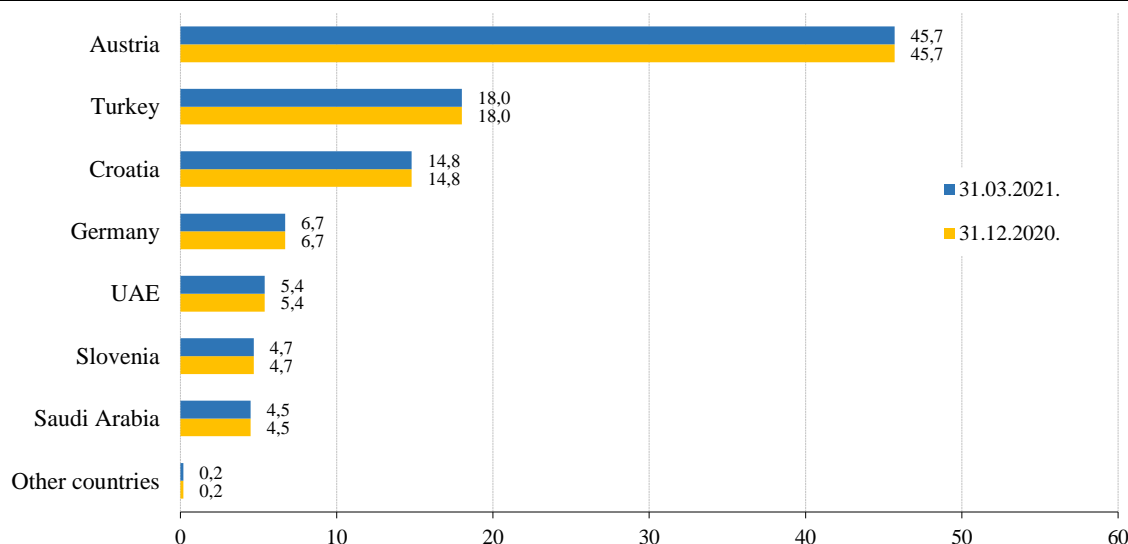
- privately owned and predominantly privately owned - 14 banks,
- state-owned and predominantly state-owned ¹² - one bank.

Of 14 predominantly privately owned banks, four banks are majority-owned by domestic legal and natural persons (residents), while ten banks are majority foreign-owned.

If only foreign capital is analysed, according to the shareholder country of origin criterion, as at 31/03/2021, the situation is unchanged compared to the end of 2020, since the highest share is still held by the shareholders from Austria (45.7% of foreign capital), followed by the shareholders from Turkey (18%) and Croatia (14.8%), while other countries have no major individual shares. Despite certain capital increase initiatives, the ownership structure remained unchanged. Possible reason may rest with difficulties in activities of the FB&H Securities Commission during the observed period.

The foreign capital structure by countries is provided in the following chart:

Chart 1: Structure of foreign capital by countries (share in %)



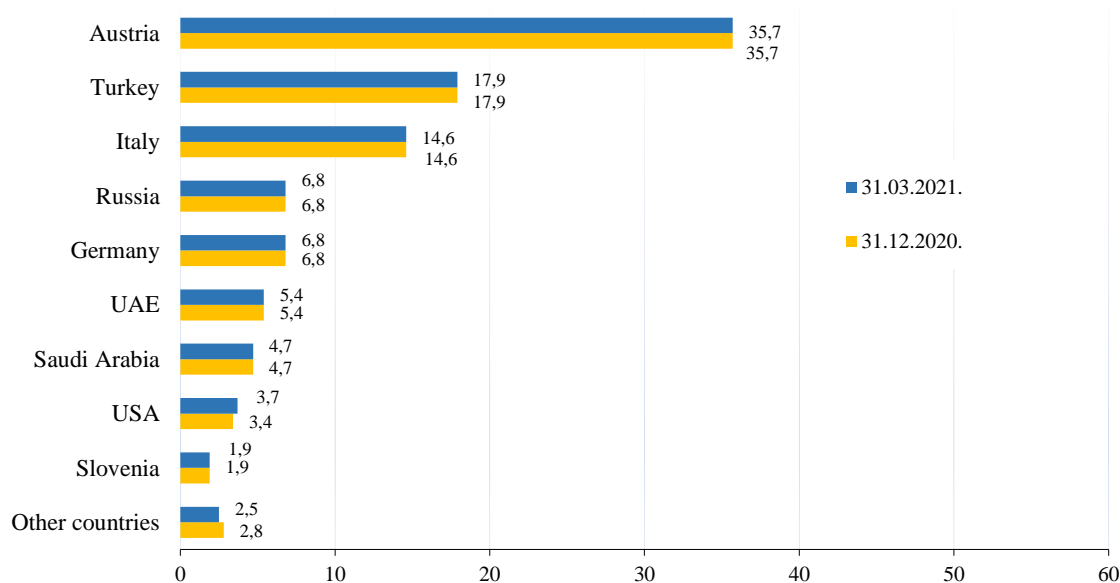
If the capital ties are considered, the foreign capital structure can also be viewed according to the criterion of the country of residence of the parent, i.e. the banking group that majority-owns (directly or indirectly through the members from the banking group) the FB&H banks.

According to this criterion, the highest share as of 31/03/2021 is held by the banking groups and banks from Austria (35.7%), followed by the banking groups and banks from Turkey (17.9%) and Italy (14.6%), while the banking groups and banks from other countries have no major individual shares (below 7%).

The foreign capital structure by countries – residence of the group is provided in the following chart:

¹¹ Criteria here was the ownership over shareholder capital in banks.

¹² State ownership refers to the capital of the FB&H Government.

Chart 2: Structure of foreign capital by countries – residence of the group¹³, share in %

The ownership structure according to the value of total capital is provided in the following table:

- BAM 000 -

Table 2: Ownership structure according to total capital

No.	Banks	31.12.2019		31.12.2020		31.03.2021		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	64,665	2.1	92	102
2.	Private banks	3,068,277	97.8	3,002,440	97.9	3,069,169	97.9	98	102
	Total	3,137,158	100	3,066,082	100	3,133,834	100	98	102

Based on an external auditor's order with one bank, Y2019 financial statements got corrected due to subsequent measurement of financial assets at fair value in case of one share, which led to an increase of total capital of the FB&H banking system by BAM 5.8 million as of 31/12/2019.

The total capital of the FB&H banking sector with the balance as at 31/03/2021 increased by BAM 67.7 million or 2.2% compared to the end of 2020, amounting to BAM 3.1 billion. The increase of total capital by BAM 67.7 million was realized as a net effect of: an increase on the basis of the current financial result for the first quarter of 2021 of BAM 79 million, a decrease based 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 assets items through other comprehensive income of BAM 4.9 million.

Viewed through the state-owned, private and foreign capital shares in the share capital of the banks, resulting in a more detailed analytical overview on the ownership structure of banks' capital in the FB&H, which is shown in the following table:

¹³ In addition to the countries of residence of the parent-banking group whose members are the banks from the FBiH, the countries that all other foreign shareholders of the banks from the FBiH come from are also included.

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

No.	Share capital	31.12.2019		31.12.2020		31.03.2021		Index	
		Amount	% share	Amount	% share	Amount	% share	(5/3)	(7/5)
1	2	3	4	5	6	7	8	9	10
1.	State-owned capital	41,619	3.2	41,619	3.2	41,619	3.2	100	100
2.	Private capital (residents)	139,355	10.7	140,547	10.8	140,602	10.8	101	100
3.	Foreign capital (non-residents)	1,118,725	86.1	1,117,534	86.0	1,117,479	86.0	100	100
Total		1,299,699	100	1,299,700	100	1,299,700	100	100	100

As for the ownership structure of share capital in the FB&H banking sector according to shares of the state-owned capital, private capital and foreign capital as of 31/03/2021, remained at the same level compared to the end of 2020.

As of 31/03/2021, the market share of banks with majority foreign capital was 92.8%, with majority private capital 5.1% and with majority state-owned capital 2.1%. The table below provides an overview of market shares of banks by ownership type (majority capital) across periods:

Table 4: Market shares of banks by ownership type (majority capital)

No.	Banks	31.12.2019			31.12.2020			31.03.2021		
		Number of banks	Share in total capit. %	Share in total assets %	Number of banks	Share in total capit. %	Share in total assets %	Number of banks	Share in total capit. %	Share in total assets %
1	2	3	4	5	6	7	8	9	10	11
1.	Banks with majority state-owned capital	1	2.2	3.3	1	2.1	3.6	1	2.1	3.4
2.	Banks with majority private capital - residents	4	5.9	6.3	4	5.3	6.7	4	5.1	6.4
3.	Banks with majority foreign capital	10	91.9	90.4	10	92.6	89.7	10	92.8	90.2
Total		15	100	100	15	100	100	15	100	100

1.1.3. Staff Structure

The number of employees across the banking sector as at 31/03/2021 is 6,452, which is lower by 70 employees or 1.1% compared to the end of 2020. A decrease in the number of employees is present in 10 banks, while the number of employees increased in 3 banks and this number remained the same with 2 banks compared to YE2020.

An overview of the qualification structure of employees across the FB&H banking sector is provided in the following table:

Table 5: Qualification structure of employees in FB&H banks

No.	Qualification level	31.12.2019		31.12.2020		31.03.2021		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	4,055	62.8	99	99
2.	Two-year post-secondary school degree	485	7.3	453	6.9	450	7.0	93	99
3.	Secondary school degree	2,041	30.7	1,975	30.3	1,941	30.1	97	98
4.	Others	8	0.1	6	0.1	6	0.1	75	100
Total		6,659	100	6,522	100	6,452	100	98	99

A decrease in the number of employees in the FB&H banking sector as of 31/03/2021 compared to the end of 2020 is present with the employees across all qualification levels, except for the category of others.

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

The following table provides an overview of total assets per an employee in the FB&H banking sector by periods:

- BAM 000 -

31.12.2019		31.12.2020			31.03.2021			
No. of employ.	Assets	Assets per employee	No. of employ.	Assets	Assets per employee	No. of employ.	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	6,452	24,527,049	3,801

1.2. FINANCIAL PERFORMANCE INDICATORS

1.2.1. Balance Sheet

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

In that respect, the data are reported in Annex 2 of this Information - Balance Sheet of FB&H Banks According to the FBA Scheme (Active Sub-Balance Sheet). Annex 3 provides an overview of assets, loans, deposits and financial performance of the FB&H banks as at 31/03/2021.

The following table provides an overview of the banking sector's balance sheet:

-BAM 000-

No.	Description	31.12.2019		31.12.2020		31.03.2021		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	7,440,969	30.3	97	100
2.	Securities	1,462,770	6.0	1,687,459	6.9	1,726,836	7.0	115	102
3.	Placements to other banks	149,197	0.6	275,941	1.1	309,795	1.3	185	112
4.	Loans	15,220,759	62.8	15,254,651	62.5	15,342,815	62.6	100	101
5.	Impairments	1,120,940	4.6	1,127,176	4.6	1,122,980	4.6	101	100
6.	Net loans (loans minus impairments)	14,099,819	58.2	14,127,475	57.9	14,219,835	58.0	100	101
7.	Business premises and other fixed assets	600,684	2.5	553,475	2.3	545,835	2.2	92	99
8.	Other assets	262,976	1.1	337,473	1.4	283,779	1.2	128	84
TOTAL ASSETS		24,217,016	100	24,396,438	100	24,527,049	100	101	101
LIABILITIES									
9.	Deposits	19,414,294	80.2	19,660,862	80.6	19,805,527	80.7	101	101
10.	Borrowings from other banks	0	0.0	0	0.0	0	0.0	0	0

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

11.	Liabilities on loans	856,626	3.5	811,878	3.3	772,890	3.2	95	95
12.	Other liabilities	808,938	3.3	857,616	3.5	814,798	3.3	106	95
CAPITAL									
13.	Capital	3,137,158	13.0	3,066,082	12.6	3,133,834	12.8	98	102
TOTAL LIABILITIES (LIABILITIES AND CAPITAL)		24,217,016	100	24,396,438	100	24,527,049	100	101	101

Based on an external auditor's order with one bank, Y2019 financial statements got corrected 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 as of 31/12/2019. This change reflected upon the assets side of the balance sheet through an increase of the securities position, while on the liabilities side it caused an increase of total capital, i.e. unallocated profit and capital reserves (BAM 5.8 million) and other liabilities (BAM 0.6 million).

The total net assets across the FB&H banking sector as of 31/03/2021 are BAM 24.5 billion, which is by BAM 130.6 million or 0.5% higher compared to the end of 2020.

The banks' net loans have the highest share (58%) within the assets in the banks' balance sheet, followed by cash (30.3%), securities (7%), fixed assets (2.2%), placements to other banks (1.3%) and other assets (1.2%). The deposits (80.7%) have the highest share within the liabilities in the banks' balance sheet, followed by capital (12.8%), other liabilities (3.3%) and liabilities based on loans (3.2%).

As of 31/03/2021, compared to the end of 2020, increase was evident with cash, securities, placements with other banks, loans, deposits and total capital, while decrease was seen with business premises, other fixed assets and other assets, liabilities under loans taken and other liabilities.

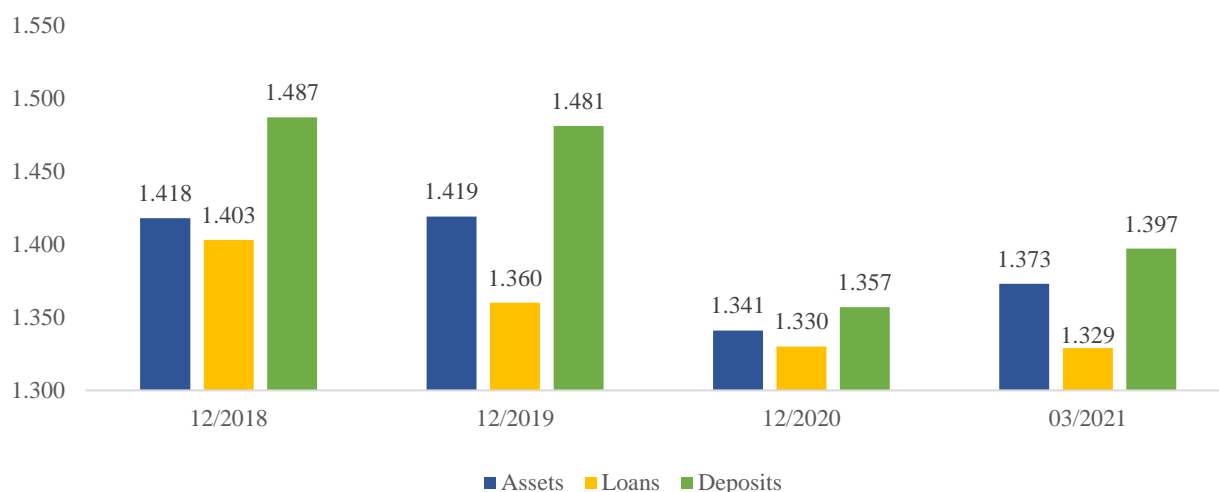
The following table provides an overview of the banks' assets banks according to ownership structure:

- BAM 000 -

No.	Banks	31.12.2019			31.12.2020			31.03.2021			Index	
		Number of banks	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	840,669	3.4	110	96
2.	Private	14	23,415,755	96.7	14	23,516,702	96.4	14	23,686,380	96.6	100	101
Total		15	24,217,016	100	15	24,396,438	100	15	24,527,049	100	101	101

The following chart presents the Herfindahl index of concentration in assets, loans and deposits:

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

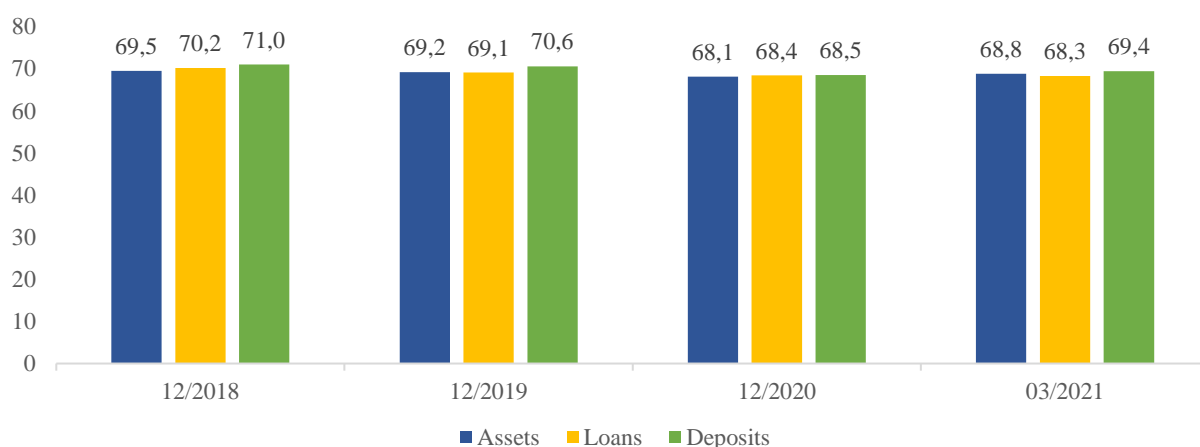


The Herfindahl index of concentration as of 31/03/2021, compared to the end of 2020, rose for assets by 32 units and for deposits by 40 units, while it remained almost the same for loans (i.e. slight decrease by 1 unit). The Herfindahl index of concentration for the reporting period shows a moderate concentration in all three relevant categories (assets, loans, and deposits).

Looking into the concentration ratio, i.e. total share of the five biggest banks in the sector - CR5 as of 31/03/2021 is viewed compared to the end of 2020, there is an increase with categories of market share by 0.7 percentage points and deposits by 0.9 percentage points, while there is a slight decrease with loans by 0.1 percentage point. The two biggest banks in the sector account for 45.3% of the market (assets 46%, loans 43.3% and deposits 46.6%).

An overview of the concentration ratios for the five biggest banks in the sector is provided in the following chart:

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



The banking sector can also be analysed according to the criterion of classification to the groups created according to the size of assets¹⁵. As of 31/03/2021, three banks in the FB&H banking sector with a 55.5% share stand out according to the size of assets, comprising group I of banks with the assets of over BAM 2.0 billion.

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

The following table provides an overview of the amounts and shares of the groups of banks in the total assets through periods:

- BAM 000 -

No	Amount of assets	31.12.2019			31.12.2020			31.03.2021		
		Amount	% share	Number of banks	Amount	% share	Number of banks	Amount	% share	Number of banks
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	13,607,462	55.5	3
2.	II (BAM 1-2 billion)	6,652,374	27.5	5	7,906,422	32.4	6	6,909,546	28.2	5
3.	III (BAM 0.5-1 billion)	3,451,044	14.2	5	2,708,664	11.1	4	3,598,902	14.6	5
4.	IV (BAM 0.1-0.5 billion)	427,071	1.8	2	406,096	1.7	2	411,139	1.7	2
5.	V (below BAM 0.1 billion)	0	0.0	0	0	0.0	0	0	0.0	0
Total		24,217,016	100	15	24,396,438	100	15	24,527,049	100	15

As of 31/03/2021 (compared to YE2020), there was a change in the structure with groups II and III of banks in the total assets of the FB&H banking sector, i.e. one bank moved from group II to group III of banks. Over the observed period, none of the banks had assets below BAM 100 million.

Cash across the FB&H banking sector as of 31/03/2021 amounted to BAM 7.4 billion, up by BAM 26.4 million or 0.4% vs. YE2020. If observed by banks at the FB&H banking sector level, a cash increase was evident with six banks, while nine banks posted a cash reduction. Its overview through the periods is provided in the following table:

- BAM 000 -

No	Cash	31.12.2019		31.12.2020		31.03.2021		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	1,385,515	18.6	126	109
2.	Reserve account with CBB&H	4,329,659	56.7	4,478,515	60.4	4,304,128	57.8	103	96
3.	Accounts with deposit institutions in B&H	48,611	0.6	30,194	0.4	12,082	0.2	62	40
4.	Accounts with deposit institutions abroad	2,258,758	29.6	1,638,190	22.1	1,739,242	23.4	73	106
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	7,440,969	100	97	100

As of 31/03/2021, compared to the end of 2020, there was an increase of the banks' cash funds related to cash and deposit accounts with deposit institutions abroad, while decrease was evident with reserve accounts with CBB&H, deposit accounts with deposit institutions in B&H and cash in process of collection. The biggest change was noted in relation to deposit accounts with deposit institutions in B&H, as largely resulting from a decrease with one bank (where its securities position has increased).

In the currency structure of cash funds as of 31/03/2021 (compared to the end of 2020), the share of local currency dropped from 73.7% to 71.4%, along with a simultaneous increase of the share in foreign currency from 26.3% to 28.6%.

The portfolio of securities as at 31/03/2021 amounted to BAM 1.7 billion, which was higher by BAM 39.4 million or 2.3% compared to the end of 2020.

The following tables provide an overview of the portfolio according to the type of instruments and issuer across periods:

- BAM 000 -

Table 11: Investments in securities according to type of instrument

No.	Investments in securities	31.12.2019		31.12.2020		31.03.2021		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	12,147	0.7	101	103
2.	Debt securities:	1,451,008	99.2	1,675,615	99.3	1,714,689	99.3	115	102
2.1.	- Securities of all levels of governments in B&H	747,632	51.1	992,337	58.8	1,018,841	59.0	133	103
2.2.	- Government securities (other countries)	549,649	37.6	544,646	32.3	562,969	32.6	99	103
2.3.	- Corporate bonds ¹⁶	153,727	10.5	138,632	8.2	132,879	7.7	90	96
	Total	1,462,770	100	1,687,459	100	1,726,836	100	115	102

Due to corrections 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 as of 31/12/2019 by an amount of BAM 6.4 million.

The most significant item within the investments in debt securities are the securities of entity governments, namely the securities issued by the FB&H¹⁷ of the total value of BAM 694.8 million, and the securities of the RS as the issuer of BAM 304.6 million.

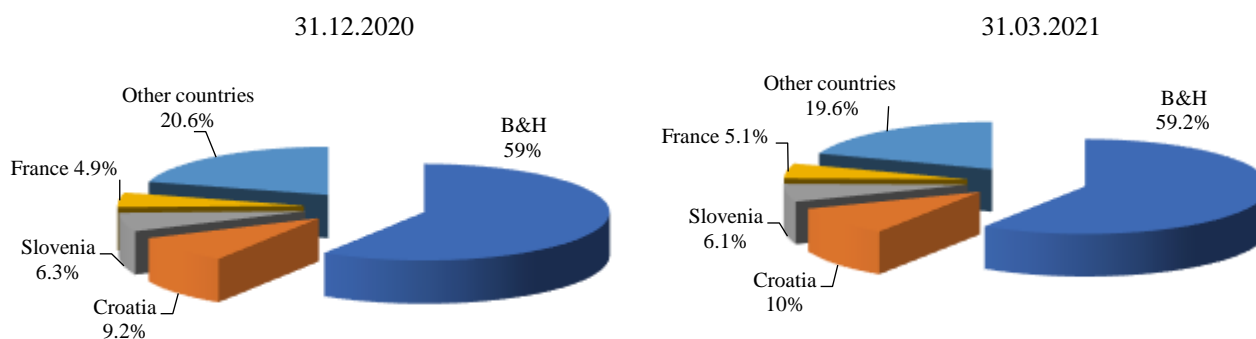
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Table 12: Securities of B&H entity governments

No.	Investments in securities	31.12.2019		31.12.2020		31.03.2021		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	694,792	69.5	131	99
1.1.	- Treasury bills	18,921	2.6	100,007	10.2	95,028	9.5	529	95
1.2.	- Bonds	513,226	70.0	599,547	61.3	599,764	60.0	117	100
2.	Debt securities of RS:	201,089	27.4	278,325	28.5	304,608	30.5	138	109
2.1.	- Treasury bills	0	0.0	41,759	4.3	59,056	5.9	-	-
2.2.	- Bonds	201,089	27.4	236,566	24.2	245,552	24.6	118	104
	Total	733,236	100	977,879	100	999,400	100	133	102

If total investments in securities are analysed according to the exposures by countries, the highest share of 59.2% is to the issuers from B&H, followed by Croatia with a 10% share, Slovenia with 6.1% share, France with 5.1% share and other countries with individual shares below 5%.

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



¹⁶ Majority, i.e. app. 92.6%, relates to the EU and US banks' bonds, while the remainder relates to the EU companies' bonds

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

1.2.2. Liabilities

As of 31/03/2021, the share of deposits, as the most significant source of the banks' funding, increased by 0.1 percentage point (80.7%), while the share of loan obligations decreased by 0.1 percentage point compared to the YE2020 (3.2%).

The banks' loan obligations with the amount of BAM 772.9 million have decreased by BAM 39 million or 4.8% compared to the end of 2020. If subordinated loans of BAM 186.4 million are also added to the loan obligations, total loans have a 3.9% share in the funding sources.

The deposits recorded an increase of BAM 144.7 million or 0.7% compared to the end of 2020, amounting to BAM 19.8 billion as at 31/03/2021. Out of the total amount of deposits at the end of the reporting period, BAM 1.3 billion or 6.3% relates to deposits collected in the FB&H banks' organizational parts in the RS and the BD.

The following charts provide an overview of total deposits and the ratio of loans and deposits by periods:

- BAM 000 -

Chart 6: Total deposits

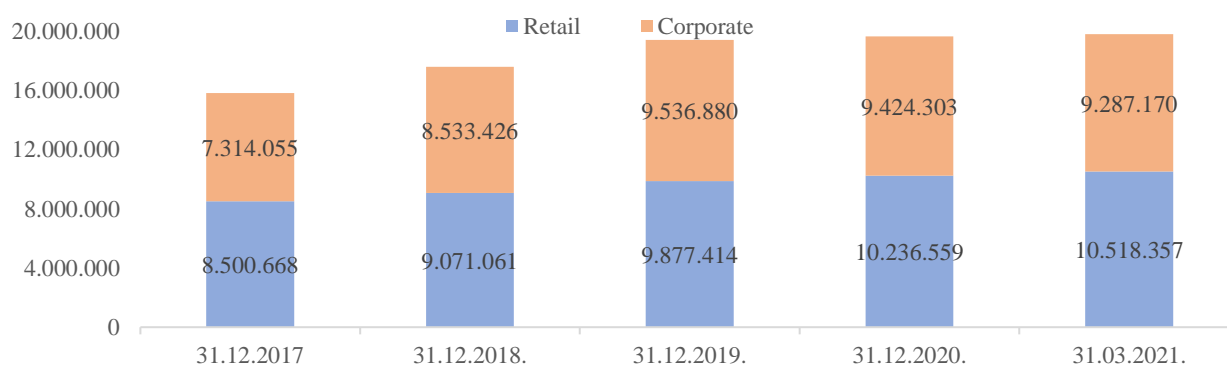
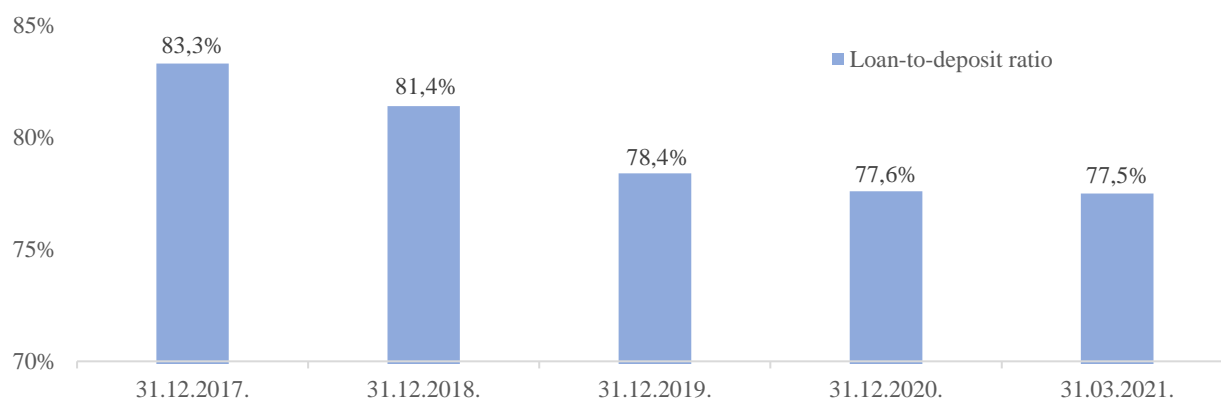


Chart 7: Loan-to-deposit ratio



Over the observed period, the loan-to-deposit ratio showed a constant trend of decrease and this trend continued also as at 31/03/2021, thus a reduction vs. YE2020 was noted by 0.1 percentage point.

The following table provides an overview of the sector structure of deposits:

-BAM 000-

Table 13: Sector structure of deposits

No.	Sectors	31.12.2019		31.12.2020		31.03.2021		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	2,127,379	10.8	104	95
2.	Public enterprises	1,651,976	8.5	1,453,080	7.4	1,566,910	7.9	88	108
3.	Priv.enterp. and companies	3,236,224	16.7	3,783,548	19.2	3,807,312	19.2	117	101
4.	Banking institutions	1,208,613	6.2	568,484	2.9	456,554	2.3	47	80
5.	Non-bank fin. institutions	803,516	4.1	848,319	4.3	801,348	4.0	106	94
6.	Retail	9,877,414	50.9	10,236,559	52.1	10,518,357	53.1	104	103
7.	Other	479,404	2.5	534,027	2.7	527,667	2.7	111	99
Total		19,414,294	100	19,660,862	100	19,805,527	100	101	101

The largest share in the sector structure of deposits refers to retail deposits with 53.1% and this share rose against YE2020 by 1.0 percentage point. As of 31/03/2021, retail deposits stood at BAM 10.5 billion.

An increase in deposits as of 31/03/2021, compared to the end of 2020, was realized in relation to the public enterprises' deposits by BAM 113.8 million or 7.8%, deposits of private companies by BAM 23.8 million or 0.6% and retail deposits by BAM 281.8 million or 2.8%.

A decrease of deposits as of 31/03/2021, compared to the end of 2020, was recorded in relation to government institutions' deposits by BAM 109.5 million or 4.9%, banking institutions' deposits by BAM 47 million or 5.5% and other deposits by BAM 6.4 million or 1.2%.

The banking group financing is present in eight banks in the FB&H, so that 81.4% of total deposits of banking institutions relates to deposits by banking groups.

The currency structure of deposits as at 31/03/2021 has not changed compared to the end of 2020, i.e. the share of deposits in domestic currency was 64.6% and the share of deposits in foreign currency was 35.4%. Deposits in BAM amounted to BAM 12.8 billion (up by BAM 89.1 million or 0.7% vs. YE2020), while deposits in foreign currencies stood at BAM 7 billion (up by BAM 55.6 million or 0.8% vs. YE2020).

The structure of deposits according to the origin of depositors as of 31/03/2021, compared to the end of 2020, has the following structure: residents' deposits of BAM 19 billion have a 95.8% share (+0.5 percentage points), while non-residents' deposits are BAM 0.8 billion, which was 4.2% of total deposits (-0.5 percentage points).

The long term upward trend of savings deposits (as the most significant segment of deposit and financial potential of banks) has continued as of 31/03/2021 as well. As of 31/03/2021, savings deposits amounted to BAM 10.2 billion, up by BAM 270.8 million or 2.7% compared to the end of 2020.

The retail savings trend is shown in the following table and chart:

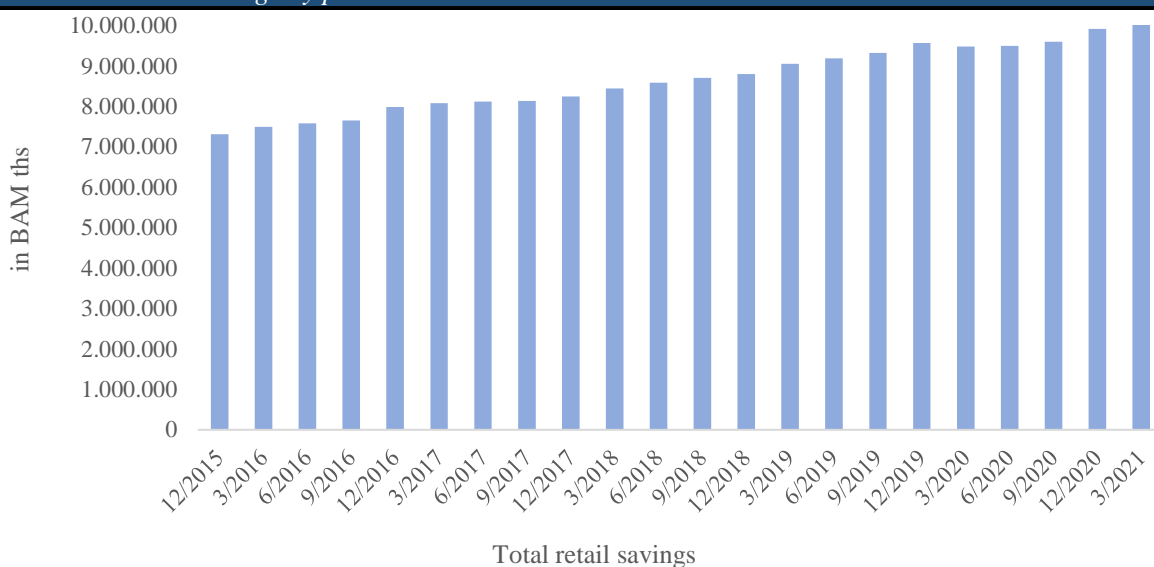
- BAM 000 -

Table 14: Retail savings

No.	Banks	Amount			Index	
		31.12.2019	31.12.2020	31.03.2021	(4/3)	(5/4)
1	2	3	4	5	6	7
1.	State-owned	96,979	105,980	110,315	109	104

2.	Private	9,476,470	9,809,340	10,075,759	104	103
	Total	9,573,449	9,915,320	10,186,074	104	103

Chart 8: Retail savings by periods



54.2% of savings are concentrated in two biggest banks, while five banks have the individual shares of less than 2%, amounting to 5.3% of the total savings in the sector. Of the total amount of the savings, 51.6% relate to savings deposits in domestic currency, while 48.4% relate to savings deposits in foreign currency.

As of 31/03/2021 vs. YE2020, short term retail savings deposits rose by BAM 243.1 million or 4% (while their share rose by 0.8 percentage points) and long term retail savings deposits rose by BAM 27.6 million or 0.7% (while they went up by 0.8 percentage points).

The maturity structure of savings deposits can be seen in the following table:

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Table 15: Maturity structure of retail savings deposits by periods

No.	Savings deposits	31.12.2019		31.12.2020		31.03.2021		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 deposits	5,634,426	58.9	6,142,454	61.9	6,385,583	62.7	109	104
2.	Long term savings deposits	3,939,023	41.1	3,772,866	38.1	3,800,491	37.3	96	101
	Total	9,573,449	100	9,915,320	100	10,186,074	100	104	103

Retail loans as of 31/03/2021 amounted to BAM 7.3 billion, up by 0.6% vs. YE2020. At the same time, retail deposits went up by 2.8% to BAM 10.5 billion as of 31/03/2021. The table below provides an overview of retail loans, savings and deposits by periods:

- BAM 000 -

Table 16: Retail loans, savings and deposits

No.	Description	31.12.2019	31.12.2020	31.03.2021	Index	
		Amount	Amount	Amount	(4/3)	(5/4)
1	2	3	4	5	6	7
1.	Retail loans	7,400,278	7,281,540	7,322,400	98	101
2.	Retail savings	9,573,449	9,915,320	10,186,074	104	103
2.1.	Term deposits	4,280,620	4,089,390	4,089,754	96	100
2.2.	Demand deposits	5,292,829	5,825,930	6,096,320	110	105
3.	Loans/savings	77%	73%	72%	-	-
4.	Retail deposits	9,877,414	10,236,559	10,518,357	104	103

5.	Loans/Retail deposits	75%	71%	70%	-	-
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As of 31/03/2021, there was also an increase of both, retail loans and deposits, whereas deposits grew at faster pace. Therein, the ratio of loans and savings, i.e. the ratio of loans and deposits of the retail segment indicates to a downward trend across periods.

1.2.3. Capital and Capital Adequacy

As of 31/03/2021, total banks' capital was BAM 3.1 billion, increasing by BAM 67.7 million or 2.2% compared to the end of 2020 (more details are provided under Subheading 1.1.2 - Ownership Structure and Market Share).

The following table provides a report on the balance, i.e. the structure of the FB&H banks' own funds:

- BAM 000 -

Table 17: Report on the balance of own funds

No.	Description	31.12.2019*	31.12.2020	31.03.2021	Index (4/3) (5/4)	
1	2	3	4	5	6	7
1.	Own funds	2.696.142	2.698.561	2.711.376	100	100
1.1.	Tier 1 capital	2.662.338	2.581.508	2.596.718	97	101
1.1.1.	Common Equity Tier 1	2.662.338	2.581.508	2.596.718	97	101
1.1.1.1.	Paid-up capital instruments	1.299.335	1.299.335	1.299.335	100	100
1.1.1.2.	Share premium	137.290	137.290	137.290	100	100
1.1.1.3.	(-) Own Common Equity Tier 1 instruments	-215	-214	-214	100	100
1.1.1.4.	Previous year retained profit	403.027	343.453	335.449	85	98
	Recognized gain or loss	-36.302	-145.228	-130.613	400	90
1.1.1.6.	Accumulated other comprehensive income	32.434	29.151	24.268	90	83
1.1.1.7.	Other reserves	970.088	1.000.959	1.012.834	103	101
1.1.1.8.	(-) Other intangible assets	-57.589	-58.638	-56.165	102	96
1.1.1.9.	(-) Deferred tax assets that rely on future profitability and of up to not arise from temporary differences less related tax liabilities	-14	-34	-1	243	3
1.1.1.10.	(-) Deduction from Addition Tier 1 items exceeding Additional Tier 1	-1.255	0	0	-	-
1.1.1.11.	(-) Deferred tax assets that are deductible and rely on future profitability and arise from temporary differences	-1.349	-8.300	-9.199	615	111
1.1.1.12.	(-) Financial sector entities' Common Equity Tier 1 instruments if bank has material investment	-15.950	-16.266	-16.266	102	100
1.1.1.13.	Elements or deductions from Common Equity Tier 1 - other	-67.162	0	0	-	-
1.1.2.	Additional Tier 1	0	0	0	-	-
1.2.	Tier 2 capital	33.804	117.053	114.658	346	98
1.2.1.	Paid-up capital instruments and subordinated debts	170.158	117.067	114.672	69	98
1.2.2.	(-) Own Tier 2 instruments	-14	-14	-14	100	100
1.2.3.	General impairments for credit risk under standardized approach	163.609	0	0	0	-
1.2.4.	Deduction from Tier 2 items exceeding Tier 2 capital (deducted from Additional Tier 1 capital)	1.255	0	0	0	-
1.2.5.	Paid-up capital instruments and subordinated debts	-301.204	0	0	0	-

* Y2019 data were adjusted by BAM 5.8 million since one bank (subject to the external auditor's order) changed data for 2019 due to changed accounting policy of measurement of one part of its securities.

The FB&H banks' own funds as of 31/03/2021 were BAM 2.7 billion and, compared to the end of 2020, it increased by BAM 12.8 million or 0.5%. At the same time, the banks' T1 and CET1

capital is BAM 2.6 billion, with a realized increase of BAM 15.2 million or 0.6%, while Tier 2 capital is BAM 114.7 million, with a realized decrease of BAM 2.4 million or 2% compared to the end of 2020. The reduction of Tier2 capital came as a result of reduced position of paid-up capital instruments and subordinated debt with one bank.

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 for 2020 in an amount of BAM 17.6 million,
- increase based on reduction of an off-set item – intangible assets in an amount of BAM 2.5 million,
- decrease of accumulated other comprehensive income in an amount of BAM 4.9 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 with the balance as at 31/03/2021 was BAM 14.3 billion, whose structure is provided in the following table:

- BAM 000 -

Table 18: Risk exposure structure

No	Risk exposure	31.12.2019*		31.12.2020		31.03.2021		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	12,974,612	90.8	98	101
2.	Settlement/free delivery risk exposures	0	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	166,501	1.2	50	140
4.	Risk exposures for operational risk	1,705,834	11.3	1,150,236	8.2	1,147,299	8.0	67	100
Total risk exposure amount		15,032,305	100	14,113,134	100	14,288,412	100	94	101

* Information was corrected due to changed accounting policy of measurement of one part of securities with one bank (as per the external auditor's order).

The total risk exposure amount across the FB&H banking sector increased in the first three months of 2021 by BAM 175.3 million or 1.2% against the end of the previous year. Over the reporting period, there was an increase of credit risk weighted exposures by BAM 130.8 million or 1% and the market risk weighted exposures rose by BAM 47.4 million or 39.8%, while the operational risk weighted exposures dropped by BAM 2.9 million or 0.3%. at the end of the first quarter 2021, there were three banks in the sector that have not posted currency risk exposures since their net open currency position did not exceed 2% of the own funds, while there were five such banks at the end of 2020.

As of 31/03/2021, banks were most exposed to the credit risk (90.8% share), which is dominant in the FB&H banking sector. Compared to the end of the previous year, there were changes in the structure of shares by individual risk types in the total exposure, i.e. the share of credit risk went down by 0.2 percentage points and the share of the operational risk exposure had also decreased, while the market risk exposure increased by 0.4 percentage points.

Within the credit risk weighted exposures, the biggest share is with retail exposures (BAM 4.4 billion or 34%), followed by corporate exposures (BAM 3.4 billion or 25.9%) and real estate-secured exposures (BAM 3.3 billion or 25.2%).

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:

-BAM 000-

No	Capital ratios	% and amount of regulatory minimum surplus or deficit		
		31.12.2019*	31.12.2020	31.03.2021
1	2	3	4	5
1.	Common Equity Tier 1 capital ratio	17.7%	18.3%	18.2%
2.	Surplus (+) / Deficit (-) of Common Equity Tier 1	1,647,657	1,628,872	1,632,247
3.	Tier 1 capital ratio	17.7%	18.3%	18.2%
4.	Surplus (+) / Deficit (-) of Tier 1 capital	1,309,430	1,311,327	1,310,756
5.	Own funds ratio	17.9%	19.1%	19.0%
6.	Surplus (+) / Deficit (-) of own funds	892,267	1,004,986	996,761

* Information was corrected due to changed accounting policy of measurement of one part of securities with one bank (as per the external auditor's order, but this had no effect on the presented capital ratios).

The own funds rate as at 31/03/2021 is 19% and it is considerably higher compared to the statutory minimum of 12% and the same stands for other capital ratios (Common Equity Tier 1 capital and Tier 1 capital ratios). As of 31/03/2021, ten banks had the own funds ratio below and five banks above the average of the FB&H banking sector.

Compared to YE2020, own funds ratio dropped by 0.1 percentage point, since the own funds ratio increase was lower than the increase of total risk exposure. Over the same period, CET1 and T1 ratios also decreased by 0.1 percentage point.

The following table provides an overview of the FB&H banking sector's financial leverage ratio across periods:

- BAM 000 -

No.	Exposure values	31.12.2019*	31.12.2020	31.03.2021
		3	4	5
1.	Leverage ratio exposures - under Article 37(4) of Decision on Capital Calculation in Banks	25,208,367	25,523,184	25,659,823
2.	Tier 1 capital - under Article 37(3) of Decision on Capital Calculation in Banks	2,662,338	2,581,508	2,569,718
Leverage ratio - under Article 37(2) of Decision on Capital Calculation in Banks		10.6%	10.1%	10.1%

* Information was corrected due to changed accounting policy of measurement of one part of securities with one bank (as per the external auditor's order).

The leverage ratio across the banking sector as at 31/03/2021 is 10.1% and is the same as at the end of 2020. As of 31/03/2021, eight banks had their leverage ratios above the FB&H banking sector average and seven banks had their leverage ratios below this average.

1.2.4. Credit Risk

For purpose of standardising credit risk management and ECL valuation and ensuring IFRS 9 compliance, in 2019, FBA has adopted the Decision on Credit Risk Management and Determination of Expected Credit Losses (effect date 01/01/2020). Also, it adopted the Instructions for Classification and Valuation of Financial Assets providing detailed definition of

individual clauses of the said Decision as to ensure unique accounting and regulatory treatment of financial assets.

Implementation of the said Decision rendered ineffective the Decision on Minimum Standards for Credit Risk Management and Assets Classification in Banks. The most significant change in this respect refers to the fact that the concept of assets classification into five categories and LLP allocation for such assets was replaced by the concept of allocating exposures to three credit risk grades and determining ECL. Credit risk grade 1 includes exposures with low level of credit risk the debtor is not overdue on a repayment in a material amount (meaning BAM 200 for private individuals and 1% of the total exposure, while for corporates this amount is BAM 1,000 and 1% of the total exposure) for more than 30 days. Credit risk grade 2 refers to items with increased level of credit risk with material amounts being overdue for more than 30 days, while the credit risk grade 3 (exposures in default status) includes items where a debtor is more than 90 days overdue in materially significant amounts.

Banks are required to adopt internal methodologies defining manner of classification and valuation of exposures, their allocation to credit risk grades and ECL determination. This needs to be aligned with requirements prescribed by the said Decision and the Instructions. In addition, upon initial implementation of the Decision, banks are required to perform an accounting write-off of balance sheet exposures (i.e. transfer to off-balance sheet records) for two years after they have booked ECL at the level of 100% of gross book value of exposures and declared this fully due.

The table below provides an overview of balance sheet exposures at the FB&H banking sector level based on key categories of financial assets, off-balance sheet exposures and related ECLs:

- BAM 000 -

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

No	Description	31.12.2019			31.12.2020			31.03.2021		
		Amount	ECL	% ECL	Amount	ECL	% ECL	Amount	ECL	% ECL
1	2	3	4	5	6	7	8	9	10	11
1.	Cash and cash facilities	7,796,241	7,696	0.1	7,693,909	9,887	0.1	7,754,535	10,215	0.1
2.	Financial assets at amortised cost	15,417,105	1,150,848	7.5	15,460,513	1,136,925	7.4	15,538,569	1,130,952	7.3
3.	Financial assets at fair value	1,325,084*	0	0.0	1,552,559	0	0.0	1,598,451	0	0.0
4.	Other financial receivables	224,665	36,030	16.0	258,027	33,250	12.9	201,418	34,209	17.0
I Total balance sheet exposure		24,763,095	1,194,574	4.8	24,965,008	1,180,062	4.7	25,092,973	1,175,376	4.7
5.	Issued guarantees	1,350,083	21,488	1.6	1,373,899	24,965	1.8	1,354,465	24,450	1.8
6.	Uncovered letters of credit	48,255	554	1.1	39,203	1,432	3.7	49,051	1,973	4.0
7.	Irrevocably approved, but undrawn loans	2,058,199	19,685	1.0	2,468,359	32,597	1.3	2,137,619	23,787	1.1
8.	Other contingent liabil.	54,122	310	0.6	8,274	26	0.3	229,595	5,478	2.4
II Total off-bal.sheet items		3,510,659	42,037	1.2	3,889,735	59,020	1.5	3,770,730	55,688	1.5
Total exposure (I+II)		28,273,754	1,236,611	4.4	28,854,743	1,239,082	4.3	28,863,703	1,231,064	4.3

* Data corrected by an amount of BAM 6.4 million based on the external auditor's order due to changed accounting policy of measurement of one part of securities with one bank.

Total exposure of banks as of 31/03/2021 stood at BAM 28.9 billion, thereof BAM 25.1 billion referring to balance sheet exposures and BAM 3.8 billion to off-balance sheet items.

Over the first three months of 2021, there was an increase of balance sheet exposures compared to the YE2020 by BAM 128 million or 0.5%, as caused by a net effect of elevated cash volume and

financial assets measured at fair value and at amortised cost, as well as due to a significant decrease of other financial receivables with two banks.

Over the same period, there was a decrease of off-balance sheet items by BAM 119 million or 3.1%. This refers to reduced level of issued guarantees and other contingent liabilities of banks. An increase of other contingent liabilities with one bank 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 (as they were previously posted among “irrevocably approved, but undrawn loans”).

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

- BAM 000 -

No.	Description	31.12.2019			31.12.2020			31.03.2021		
		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	22,481,111	176,629	0.8
2.	Credit risk grade 2	1,652,439	113,839	6.9	1,645,274	204,681	12.4	1,605,005	209,219	13.0
3.	Credit risk grade 3	1,316,790	957,177	72.7	1,017,814	795,903	78.2	1,006,857	789,528	78.4
I Total balance sheet exposure		24,763,095	1,194,574	4.8	24,965,008	1,180,062	4.7	25,092,973	1,175,376	4.7
4.	Credit risk grade 1	3,027,094	20,431	0.7	3,440,487	21,343	0.6	3,408,902	23,030	0.7
5.	Credit risk grade 2	474,159	15,610	3.3	443,246	34,354	7.8	356,992	29,698	8.3
6.	Credit risk grade 3	9,406	5,996	63.7	6,002	3,323	55.4	4,836	2,960	61.2
II Total off-bal.sheet items		3,510,659	42,037	1.2	3,889,735	59,020	1.5	3,770,730	55,688	1.5
Total exposure (I+II)		28,273,754	1,236,611	4.4	28,854,743	1,239,082	4.3	28,863,703	1,231,064	4.3

* Data corrected by an amount of BAM 6.4 million based on the external auditor's order due to changed accounting policy of measurement of one part of securities with one bank.

As of 31/03/2021, balance sheet exposures within the credit risk grade 1 amounted to BAM 22.5 billion and make up for 89.6% of the total balance sheet exposures. Compared to YE2020, they have risen by BAM 179.2 million or 0.8%. The increase mostly came as a net effect of: increased loan portfolio within this credit risk grade by BAM 121.7 million, increased cash funds and cash receivables by BAM 60.7 million and increased financial assets measured at fair value by BAM 45.8 million, as well as decreased other financial assets by BAM 51.3 million.

As of 31/03/2021, balance sheet exposures within the credit risk grade 2 stood at BAM 1.6 billion, representing 6.4% of the total balance sheet exposures. Compared to YE2020, they have dropped by BAM 40.3 million or 2.4%. The decrease of total balance sheet exposures within this credit risk grade came mostly as a result of: decrease of the loan portfolio and other assets within the credit risk grade 2 by BAM 26 million, securities measured at amortised cost by BAM 8.7 million and other financial receivables by BAM 5.4 million.

As of 31/03/2021, balance sheet exposures within the credit risk grade 3 equaled BAM 1.0 billion, representing 4% of the total balance sheet exposures. If observed against YE2020, they have dropped by BAM 11 million or 1.1%, as largely resulting from the accounting write-off of balance sheet exposures.

Over the first quarter of 2021, ECLs at the credit risk grade 1 for the balance sheet exposures decreased by BAM 2.8 million and for the credit risk grade 3 by BAM 6.4 million. ECL at the credit risk grade 2 went up by BAM 4.5 million. Over the observed period, ECL coverage rate at the credit risk grade 1 remained the same at 0.8%, while this rate rose at the credit risk grade 2 from 12.4% to 13% and at the credit risk grade 3 from 78.2% to 78.4%. Total ECL coverage rate for balance sheet exposures is 4.7%, the same as at the end of the previous year.

As of 31/03/2021, off-balance sheet exposures at the credit risk grade 1 stood at BAM 3.4 billion, thus representing 90.4% of the total off-balance sheet exposures. Exposures at the credit risk grade 2 amount to BAM 357 million or 9.5% of the total off-balance sheet exposures, while the credit risk grade 3 includes exposures of BAM 4.8 million or 0.1% of the total off-balance sheet exposures.

Total ECL coverage for off-balance sheet exposures is 1.5%, which is the same as at the end of the previous year, while the increase of individual coverage rates was noted with all three credit risk grades.

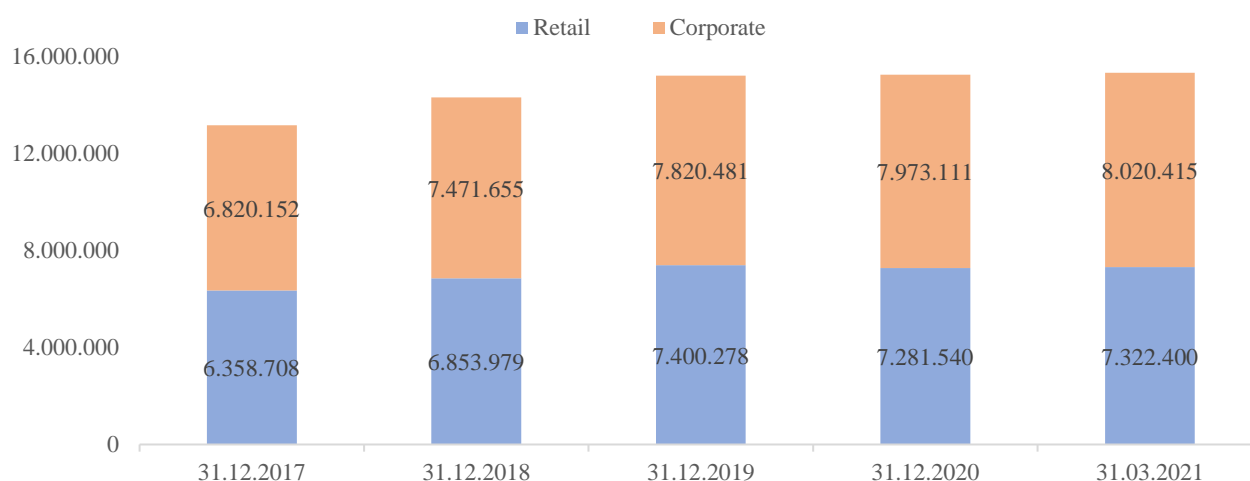


Chart 9: Loans

As of 31/03/2021, loans stood at BAM 15.3 billion, up by BAM 88.2 million or 0.6% vs. YE2020. Retail loans amount to BAM 7.3 billion and hold a share in total loans of 47.7% (up by BAM 40.9 million or 0.6% compared to YE2020). Corporate loans (amounting to BAM 8 billion and representing 52.3% of total loans) have risen by BAM 47.3 million or 0.6% against end of 2020.

The following chart provides an overview of retail and corporate loans at the FB&H banking sector level in the period from 31/12/2017 to 31/03/2021:

- BAM 000 -

The following table shows a trend and changes of individual sectors of loan users in the total loan structure:

-BAM 000-

No.	Sectors	31.12.2019		31.12.2020		31.03.2021		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	191,396	1.3	105	96
2.	Public sector enterprises	359,635	2.4	395,157	2.6	393,525	2.6	110	100
3.	Private companies	6,922,742	45.5	6,500,322	42.6	6,571,346	42.8	94	101
4.	Banking institutions	247,501	1.6	772,554	5.1	772,746	5.0	312	100
5.	Non-banking financial instit.	86,902	0.6	83,921	0.6	69,284	0.5	97	83
6.	Retail	7,400,278	48.6	7,281,540	47.7	7,322,400	47.7	98	101
7.	Other	14,341	0.1	22,125	0.1	22,118	0.1	154	100
Total		15,220,759	100	15,254,651	100	15,342,815	100	100	101

The following table provides maturity structure of loans by sectors:

- BAM 000 -

No.	Sectors	31.12.2020			31.03.2021			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	3,661	187,577	158	77	97	42
2.	Public sector enterprises	40,618	342,373	12,166	64,981	325,229	3,315	160	95	27
3.	Private companies	2,301,850	3,782,059	416,413	2,358,658	3,767,581	445,107	102	100	107
4.	Banking institutions	772,554	0	0	772,746	0	0	100	-	-
5.	Non-banking financial instit.	18,777	65,113	31	10,765	58,480	39	57	90	126
6.	Retail	400,340	6,655,109	226,091	397,517	6,687,580	237,303	99	100	105
7.	Other	6,476	15,426	223	6,757	15,090	271	104	98	122
Total		3,545,347	11,054,008	655,296	3,615,085	11,041,537	686,193	102	100	105

As of 31/03/2021, compared to the end of 2020, short term loans in the FB&H banking sector have risen by BAM 69.7 million or 2% and long term loans went down by BAM 12.5 million or 0.1%. Receivables due amount to BAM 686.2 million, up by BAM 30.9 million or 4.7% vs. YE2020.

In the currency structure of loans, loans approved in domestic currency have the highest share of 50.1% or BAM 7.7 billion, followed by loans approved with a currency clause with a share of 44.4% or BAM 6.8 billion (EUR: BAM 6.8 billion or 99.9%, CHF: BAM 10 million or 0.1%), while loans approved in foreign currency have the lowest share of 5.5% or BAM 839.9 million (of which BAM 839.5 million or 99.9% relates to EUR).

The following table provides an overview of corporate and retail loans by credit risk grades and related ECLs:

- BAM 000 -

No.	Description	31.12.2019			31.12.2020			31.03.2021		
		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	6,385,386	76,210	1.2

2. Credit risk grade 2	904,039	55,829	6.2	1,157,194	141,218	12.2	1,114,635	145,366	13.0
3. Credit risk grade 3	770,071	516,128	67.0	543,747	421,893	77.6	520,394	404,677	77.8
Total I	7,820,481	623,103	8.0	7,973,111	641,928	8.1	8,020,415	626,253	7.8
II Retail loans									
4. Credit risk grade 1	6,451,878	59,562	0.9	6,395,495	84,591	1.3	6,404,318	84,695	1.3
5. Credit risk grade 2	471,019	57,081	12.1	446,971	58,801	13.2	467,556	60,274	12.9
6. Credit risk grade 3	477,381	381,194	79.9	439,074	341,856	77.9	450,526	351,758	78.1
Total II	7,400,278	497,837	6.7	7,281,540	484,248	6.7	7,322,400	496,727	6.8
Total loans									
7. Credit risk grade 1	12,598,249	110,708	0.9	12,667,665	163,408	1.3	12,789,704	160,905	1.3
8. Credit risk grade 2	1,375,058	112,910	8.2	1,604,165	200,019	12.5	1,582,191	205,640	13.0
9. Credit risk grade 3	1,247,452	897,322	71.9	982,821	763,749	77.7	970,920	756,435	77.9
Total loans (I+II)	15,220,759	1,120,940	7.4	15,254,651	1,127,176	7.4	15,342,815	1,122,980	7.3

The loan portfolio allocated to the credit risk grade 1 as of 31/03/2021 stood at BAM 12.8 billion, representing 83.4% of the total loan portfolio. This represents an increase against YE2020 by BAM 122 million or 1%. The ECL coverage rate for the credit risk grade 1 is 1.3% (corporate 1.2% and retail 1.3%), thus being the same as at 31/12/2020.

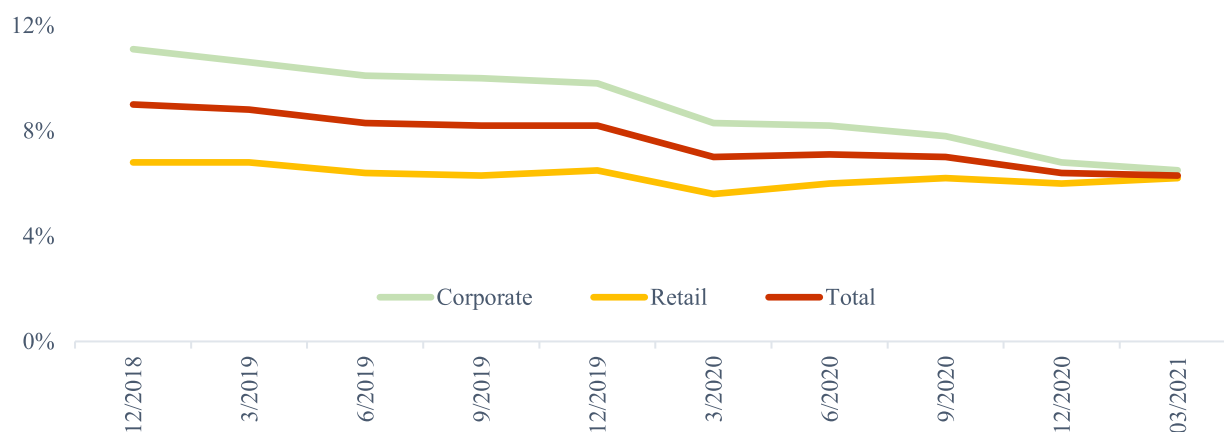
The loan portfolio in the credit risk grade 2 as of 31/03/2021 stood at BAM 1.6 billion, thus making up for 10.3% of the total loan portfolio. Compared to YE2020, it is by BAM 22 million or 1.4% lower. The ECL coverage rate for this credit risk grade is 13% (corporate 13% and retail 12.9%), up by 0.5 percentage points compared to 31/12/2020.

The loan portfolio in the credit risk grade 3 (NPL) as of 31/03/2021 amounted 970.9 million, thus constituting 6.3% of the total loan portfolio. Its reduction by BAM 11.9 million or 1.2% vs. YE2020 was largely resulting from the net effect of: new non-performing loans of BAM 64.4 million, recoveries of BAM 16.7 million, collection of BAM 34.9 million, accounting write off of BAM 14.8 million and permanent write off of BAM 9.9 million.. The ECL coverage rate for the credit risk grade 3 is 77.9% (corporate 77.8% and retail 78.1%), up by 0.2 percentage points vs. 31/12/2020.

Out of total corporate loans, BAM 520.4 million or 6.5% refers to the NPL segment, down by 0.3 percentage points vs. YE2020. As for the retail segment, NPLs stood at BAM 450.5 million or 6.2%, thus being 0.2 percentage points higher than as at YE2020.

An overview of NPLs (loan portfolio allocated to the credit risk grade 3) is provided in the following chart:

Chart 10: Share of NPLs in loans



A more detailed and complete sector analysis of the loan portfolio of the FB&H banking sector is provided in the Annex 4 of this Information and 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 34.4% of corporate loans, i.e. 18% of the total loan portfolio), processing industry (BAM 1.9 billion or 23.5% of corporate loans, i.e. 12.3 % of total loans) and financial industry (BAM 880.9 million or 11% of corporate loans, i.e. 5.7% of total loans). The share of NPLs in loans to the trade sector is 6.4%, to the processing industry 9.7% and to the financial industry 0%. With regards to other corporate loans, the biggest share of NPLs as of Q1 2021 referred to loans approved to education (27.1%), agriculture (22.2%) and hotel and hospitality business (12.3%).

As far as retail loans are concerned, the largest share is with general consumption loans (BAM 5.8 billion or 79% of retail loans, i.e. 37.7% of the total loan portfolio) and housing loans (BAM 1.4 billion or 19.7% of retail loans, i.e. 9.4% of the total loan portfolio). The share of NPLs in general consumption loans is 6.8% and with housing loans 3.3%. 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.

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. Key indicators of credit risk measurement in the FB&H banking sector: NPL share in total loans and corporate loan portfolio and ECL coverage rates, all posted an improvement over the first three months of 2021, while the share of NPLs in the retail loan portfolio saw an increase. The share of loans due saw an increase vs. YE2020, which may be an early sign of worsening of the loan portfolio due to negative effects of the pandemic to the country's economy.

The measures prescribed by the FBA in March 2021 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 Q1 2021, BAM 814.3 million or 5.3% 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. The total amount of the corporate loan portfolio subjected to active measures was BAM 730.4 million or 9.1% of the corporate loan portfolio, while active measures refer to the retail portfolio amount of BAM 83.9 million or 1.1% of the retail loan portfolio.

1.2.5. Profitability

Bank profitability is affected the most by asset quality, i.e. 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 a 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 79 million across the FB&H banking sector was reported for the January 1 – March 31, 2021 period, which was higher by BAM 6.5 million or 8.9% compared to the same period of 2020. Net profit was posted by 14 banks and loss by one bank.

Annex 5 shows the FB&H banks' income statement for the January 1 – March 31, 2021 period, according to the FBA's scheme, with the comparative data for the same reporting period of 2020.

The following table provides an overview of the reported financial performance across the FB&H banking sector, through the following reporting periods:

-BAM 000-

No.	Description	31.03.2019		31.03.2020		31.03.2021	
		Amount	Number of banks	Amount	Number of banks	Amount	Number of banks
1	2	3	4	5	6	7	8
1.	Profit	89,941	14	76,391	12	79,046	14
2.	Loss	132	1	3,824	3	16	1
	Total	89,809	15	72,567	15	79,030	15

FB&H Banking Sector's Total Income

According to the banks' reporting data as of 31/03/2021, the total income across the FB&H banking sector is BAM 290.8 million and, compared to the same period last year, it decreased by BAM 2.0 million or 0.7%.

- BAM 000 -

No.	Structure of total income	31.03.2020		31.03.2021		Index (5/3)
		Amount	%	Amount	%	
1	2	3	4	5	6	7
I Interest income and similar income						
1.	Interest-bearing deposit accounts with deposit institutions	1,091	0.4	194	0.1	18
2.	Loans and leasing operations	159,120	54.3	154,291	53.1	97

3.	Other interest income	17,805	6.1	16,693	5.7	94
Total I		178,016	60.8	171,178	58.9	96
II Operating income						
4.	Service fees	85,049	29.1	87,059	29.9	102
5.	Income from FX operations	13,831	4.7	13,770	4.7	100
6.	Other operating income	15,922	5.4	18,826	6.5	118
Total II		114,802	39.2	119,655	41.1	104
Total income (I+II)		292,818	100	290,833	100	99

In the total income structure, interest income and similar income hold a share of 58.9%, while operating income participate with 41.1%. Compared to the same period the year before, there was a decrease of share of interest and similar income by 1.9 percentage point, 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 6.8 million or 3.8%. A dominant item among this income category was income from interest on loans and leasing facilities with a share in total income dropping by 1.2 percentage points. At the same time, the share of loans and leasing type receivables in total assets decreased by 1.5 percentage point (from 64.1% to 62.6%), while average weighted NIR related to loans went up from 3.06% to 3.30% (by 0.24 percentage points).

Over the first three months of 2021, interest income under interest-bearing deposit accounts with deposit institutions dropped by BAM 0.9 million or 82.2% compared to the same period last year. Over the same period, the share of interest-bearing deposit accounts with deposit institutions in total assets of the FB&H banking sector has dropped from 15.6% to 15.2% (i.e. by 0.4 percentage points).

As for other interest income, there was an increase of interest income positions related to securities held to maturity by 7.5% and related to placements to other banks by 25.2%, while other interest income decreased by 8.5%.

Looking into the sector structure of interest income, most of this refers to income from the retail segment (62%), although retail loans make up for 47.7% of the total loan portfolio of the FB&H banking sector due to higher average NIR of the Retail segment of 5.53% compared to the corporate segment's NIR of 2.44%. Out of total interest income, the part that refers to private companies is 28.9%, 4.9% refers to government institutions and 1.6% to public companies.

Total operating income recorded an increase of BAM 4.9 million or 4.2% 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 2.0 million or 2.4%. There was also an increase in other operating income by BAM 2.9 million or 18.2%, while income from foreign exchange operations remained the same as at 31/03/2020.

FB&H Banking Sector's Total Expenses

According to the banks' reporting data as of 31/03/2021, total expenses across the FB&H banking sector are BAM 211.4 million, which decreased by BAM 8.3 million or 3.8% compared to the same period last year. The structure of the FB&H banking sector's total expenses in the reporting period is provided in the following table:

- BAM 000-

No.	Structure of total expenses	31.03.2020		31.03.2021		Index (5/3)
		Amount	%	Amount	%	
1	2	3	4	5	6	7
I Interest expenses and similar expenses						
1.	Deposits	24,025	10.9	20,654	9.8	86

2.	Liabilities on loans and other borrowings	2,044	0.9	1,851	0.9	91
3.	Other interest expenses	7,808	3.6	7,757	3.6	99
Total I		33,877	15.4	30,262	14.3	89
II Non-interest expenses						
4.	Costs of impairments of assets at risk, provisions on contingent liabilities and other value adjustments	20,659	9.4	20,661	9.8	100
5.	Salary and contribution costs	64,056	29.2	64,186	30.4	100
6.	Business premises costs and depreciation	38,763	17.6	39,802	18.8	103
7.	Other operating and direct costs	33,859	15.4	33,574	15.9	99
8.	Other operating costs	28,545	13.0	22,928	10.8	80
Total II		185,882	84.6	181,151	85.7	97
Total expenses (I+II)		219,759	100	211,413	100	96

The total expenses structure is dominated by non-interest expenses with a share of 85.7%, while interest expenses and similar expenses account for 14.3%. Compared to the same period last year, the share of interest expenses dropped by 1.1 percentage point, while the share of non-interest expenses rose by the equivalent percentage point.

In the reporting period, interest and similar expenses decreased by BAM 3.6 million or 10.7%, which is mostly a result of a reduction on interest expenses on deposits by BAM 3.4 million or 14%, despite them being the FB&H banking sector's dominant funding source. The deposit potential at the end of Q1 2021 stood at BAM 19.8 billion, up by BAM 657.4 million compared to the same period last year when it was BAM 19.1 billion. Interest-bearing deposits participate in total deposit potential as of 31/03/2021 with a share of 68.8%, thus their share has dropped since 31/03/2020 when they participated with 71.8%. This reduction of interest expenses on deposits came as a result of reduced share of interest-bearing deposits and lower average NIR going from 0.78% as of 31/03/2020 to 0.56% at the end of Q1 2021.

Other interest expenses decreased during the observed period by BAM 51 ths or 0.7%. therein, the biggest changes refer to an increase of interest expenses based on negative fee on banks' funds in excess of the legal reserves with CBBH and based on negative interest on deposits with foreign banks by BAM 194 ths or 4%, as well as to a decrease of interest expenses on subordinated debts by BAM 154 ths or 8.3% and other interest expenses of BAM 108 ths or 11.4%.

Over the observed period, interest expenses on loans and other borrowings dropped by BAM 193 ths or 9.4%, while the FB&H banking sector's level of indebtedness on loans and other borrowings went down by BAM 91 million or 10.5%.

Across the FB&H banking sector, there was a decrease by BAM 4.7 million or 2.5% in the total non-interest expenses in the reporting period, where the most significant structural change relates to an increase in the costs of business premises and depreciation by BAM 1.0 million or 2.7% and a decrease of other operating expenses by BAM 5.6 million or 19.7%.

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

The following table 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 %-

<i>Table 29: Profitability, productivity, and efficiency ratios</i>					
No.	Description	31.03.2019	31.03.2020	31.03.2021	
1	2	3	4	5	
1.	Net profit	89,809	72,567	79,030	
2.	Average net assets	22,310,596	23,949,225	24,343,169	
3.	Average total capital	3,035,999	2,933,541	3,105,297	
4.	Total income	256,231	258,941	260,571	
5.	Net interest income	149,419	144,139	140,916	

6.	Operating income	106,812	114,802	119,655
7.	Operating expenses	126,045	131,364	126,916
8.	Operating and direct expenses	39,900	54,518	54,235
9.	Other operating and direct expenses	29,610	33,859	33,574
10.	Return on average assets (ROAA)	0.4	0.3	0.3
11.	Return on average equity (ROAE)	3.0	2.5	2.5
12.	Total income/average assets	1.1	1.1	1.1
13.	Net interest income/average assets (NIM)*	0.7	0.6	0.6
14.	Net interest margin (interest income /average interest-bearing assets – interest expenses/average interest-based liabilities)	0.7	0.6	0.6
15.	Operating expenses/total income minus other operating and direct expenses (CIR)**	55.6	58.4	55.9

* NIM - Net Income Margin

** CIR - Cost-income Ratio

All indicators of profitability remained unchanged against the same period of the year before. The only exception is CIR that improved due to a major reduction of operating expenses during the first three months of 2021.

Looking into the net interest income, there is a decrease vs. the same period in 2020 by BAM 3.2 million or 2.2%. This item constitutes 54.1% of total income, while in the same period in 2020 its share was 55.7%.

1.2.6. Weighted NIR and EIR

In order to increase transparency and facilitate the comparability of the banks' terms for approving loans and receiving deposits, as well as to protect clients through introduction of transparent disclosure of the loan costs, i.e. the deposit income, in accordance with the international standards, criteria, and practices in other countries, the FBA prescribed a uniform method of calculating and disclosing EIR for all banks seated in the FB&H, as well as the organizational parts of the banks seated in the RS, which operate in the FB&H, and 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 methodology¹⁸.

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

The total weighted average EIR on loans in the FB&H banking sector as of 31/03/2021 is 3.85% and is higher by 0.3 percentage points compared to the same period in 2020, when it was 3.55%. The upward trend in the weighted average EIR is present across the FB&H banking sector in the reporting period in relation to long-term loans (0.17 percentage point, increase from 5.47% to 5.64%), while short-term loans saw a decrease of average weighted EIR by 0.1 percentage point (from 2.49% to 2.39%).

Viewed in the aforementioned period according to the sector structure, EIR on total corporate loans increased by 0.08 percentage points (from 2.59% to 2.67), while on retail loans it decreased by 0.03 percentage points (from 6.96% to 6.93%).

¹⁸ 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

The total weighted average EIR on deposits in the FB&H banking sector as of 31/03/2021 is 0.57% and is lower by 0.22 percentage points compared to the same period in 2020, when it was 0.79%.

Viewed according to the deposit maturity, the weighted average EIR on short-term deposits recorded a decrease by 0.33 percentage points (from 0.51% to 0.18%), while it decreased by 0.07 percentage points (from 0.95% to 0.88%) on long-term deposits.

On the overall level in the reporting period, EIR on loans increased by 0.3 percentage points, while EIR on deposits decreased by 0.22 percentage points.

1.2.7. Liquidity

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

The following table provides the trend of LCR performance in the FB&H banking sector:

-BAM 000-

No.	Description	31.12.2019	31.12.2020	31.03.2021	Index	
					(4/3)	(5/4)
1	2	3	4	5	6	7
1.	Liquidity buffer	4,727,454	5,849,379	5,805,339	124	99
2.	Net liquidity outflows	1,628,421	2,186,642	2,246,228	134	103
	LCR	290%	268%	258%	92	97

As of 31/03/2021, LCR across the FB&H banking sector was 258%. All banks in the FB&H banking sector with the balance as at 31/03/2021 meet the requirements in respect of LCR, whereas five banks had an above-average LCR and ten banks had LCR below the average at the FB&H banking sector level

The maturity structure of deposits by residual maturity is shown in the following table:

- BAM 000 -

No.	Deposits	31.12.2019		31.12.2020		31.03.2021		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	13,313,038	67.2	116	103
2.	7-90 days	855,191	4.4	989,184	5.0	765,261	3.9	116	77
3.	91 days to one year	3,175,998	16.4	2,153,403	10.9	2,338,803	11.8	68	109
	I Total short-term	15,227,322	78.5	16,091,415	81.8	16,417,102	82.9	106	102
4.	Up to 5 years	3,983,643	20.5	3,388,072	17.3	3,199,909	16.1	85	94
5.	Over 5 years	203,329	1.0	181,375	0.9	188,516	1.0	89	104
	II Total long-term	4,186,972	21.5	3,569,447	18.2	3,388,425	17.1	85	95
	Total (I + II)	19,414,294	100	19,660,862	100	19,805,527	100	101	101

As of 31/03/2021, short-term deposits had an 82.9% share, while long-term ones had a 17.1% share, with the share of the short-term deposits increasing, i.e. the share of the long-term ones decreasing by 1.1 percentage point compared to the end of 2020. In the reporting period, an increase of BAM 325.7 million or 2% was recorded in relation to short-term deposits and a

decrease of BAM 181 million or 5.1% 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 188.2 million or 5.6%), while deposits of over 5 years increased (by BAM 7.1 million or 3.9%). 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 (94.4%).

An overview of the core liquidity indicators is shown in the following table:

- % -

No.	Ratios	31.12.2019	31.12.2020	31.03.2021
1	2	3	4	5
1.	Liquid assets ¹⁹ /net assets	31.9	31.3	31.2
2.	Liquid assets/ short-term financial liabilities	49.2	45.9	45.2
3.	Short-term financial liabilities/ total financial liabilities	75.4	78.9	80.0
4.	Loans/deposits and loans taken	75.1	74.5	74.6
5.	Loans/ deposits, loans taken and subordinated debts ²⁰	74.4	73.8	73.9

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

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.

For purpose of mitigating negative effects caused by the pandemic, as well as unfavourable consequences to the economic situation in the country, in March 2021, FBA has amended the Decision on Liquidity Risk Management in Banks so to stimulate lending activity of banks. Under these new circumstances of operations, this enables banks to apply measures related to reduction of the prescribed limits for maturity matching of financial assets and financial liabilities in maturity buckets of up to 180 days in order to be more flexible in responding to customer requests and in managing their liquidity positions.

The following table and chart provide an overview of maturity matching of financial assets and liabilities of up to 180 days:

-BAM 000 -

No.	Description	31.12.2019*	31.12.2020	31.03.2021	Index	
		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	11,097,806	104	101

¹⁹ Liquid assets in narrow sense: cash and deposits and other financial assets with residual maturity period of less than three months, excluding interbank deposits.

²⁰ Previous ratio is expanded, the funding also includes subordinated debts, which is a more realistic indicator.

2.	Amount of financial liabilities	11,624,766	13,510,009	13,740,255	116	102
3.	Balance (+ or -) = 1-2	-1,038,483	-2,528,538	-2,642,449	-	-
<i>Calculation of compliance with regulatory requirements in %</i>						
a)	Actual %= no. 1 / no. 2	91.1%	81.3%	80.8%		
b)	Regulatory minimum %	85.0%	65.0%	65.0%		
More (+) or less (-) = a - b		6.1%	16.3%	15.8%		
II 1-90 days						
1.	Amount of financial assets	11,648,306	12,065,528	12,225,629	104	101
2.	Amount of financial liabilities	12,367,913	14,303,357	14,403,195	116	101
3.	Balance (+ or -) = 1-2	-719,607	-2,237,829	-2,177,566	-	-
<i>Calculation of compliance with regulatory requirements in %</i>						
a)	Actual %= no. 1 / no. 2	94.2%	84.4%	84.9%		
b)	Regulatory minimum %	80.0%	60.0%	60.0%		
More (+) or less (-) = a - b		14.2%	24.4%	24.9%		
III 1-180 days						
1.	Amount of financial assets	12,992,018	13,257,364	13,441,543	102	101
2.	Amount of financial liabilities	13,550,664	15,167,836	15,228,273	112	100
3.	Balance (+ or -) = 1-2	-558,646	-1,910,472	-1,786,730	-	-
<i>Calculation of compliance with regulatory requirements in %</i>						
a)	Actual %= no. 1 / no. 2	95.9%	87.4%	88.3%		
b)	Regulatory minimum %	75.0%	55.0%	55.0%		
More (+) or less (-) = a - b		20.9%	32.4%	33.3%		

* Information was corrected due to changed accounting policy of measurement of one part of securities with one bank (as per the external auditor's order).

As of 31/03/2021, financial assets in all three time buckets were lower than financial liabilities, and the actual percentages of maturity matching were above the prescribed minimum: in the first time bucket by 15.8%, in the second one by 24.9% and in the third time bucket by 33.3%.

By observing the key liquidity indicators, 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 as of 31/03/2021 is satisfactory despite negative effects to the economy caused by the pandemic.

1.2.8. Foreign Exchange (FX) Risk

In their operations, banks are exposed to risks arising from potential losses related to on- and off-balance sheet items resulting from changes in market prices. One of those risks is also FX risk, arising as a result of changes in exchange rates and/or mismatches in the levels of assets, liabilities, and off-balance sheet items in the same currency - individual foreign exchange position or all currencies combined with which the bank operates – the bank's total foreign exchange position. The Decision on Foreign Exchange Risk Management in Banks provides for how the foreign exchange position is calculated and maximum permitted FX risk exposure, i.e. the limits for open individual and total foreign exchange positions (long or short), calculated by reference to the bank's eligible capital. For purpose of mitigating consequences of the pandemic, FBA has amended this Decision by increasing the limit for individual FX position for EUR and for total FX position of the bank.

According to the balance as at 31/03/2021, the items in foreign currencies amounted to BAM 4.1 billion, with a 16.6% 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 8.1 billion or 32.8% (BAM 8.0 billion, with 32.9% share at the end of 2020).

The following table provides the structure of financial assets and financial liabilities and foreign exchange position for EUR, as the most important currency, and total foreign exchange position across the banking sector:

-BAM million-

No.	Description	31.12.2020				31.03.2021				Index	
		EUR		Total		EUR		Total		EUR	Total
		Amount	% share	Amount	% share	Amount	% share	Amount	% share	(7/3)	(9/5)
1	2	3	4	5	6	7	8	9	10	11	12
I Financial assets											
1.	Cash	1,405	14.5	1,950	18.8	1,551	15.9	2,136	20.3	110	110
2.	Loans	826	8.5	826	7.9	826	8.4	826	7.9	100	100
3.	Loans with currency clause	6,321	65.4	6,323	60.8	6,222	63.7	6,223	59.3	98	98
4.	Other	929	9.6	1,117	10.7	964	9.9	1,112	10.6	104	100
5.	Other financial assets with currency clause	190	2.0	190	1.8	204	2.1	204	1.9	107	107
Total I (1+2+3+4+5)		9,671	100	10,406	100	9,767	100	10,501	100	101	101
II Financial liabilities											
6.	Deposits	6,221	72.5	6,965	74.6	6,260	72.8	7,021	74.9	101	101
7.	Loans	809	9.4	809	8.7	770	8.9	770	8.2	95	95
8.	Deposits and loans with currency clause	1,319	15.4	1,319	14.1	1,324	15.4	1,324	14.1	100	100
9.	Other	230	2.7	244	2.6	247	2.9	262	2.8	107	107
Total II (6+7+8+9)		8,579	100	9,337	100	8,601	100	9,377	100	100	100
III Off-balance sheet											
10.	Assets	26		61		16		69			
11.	Liabilities	1,025		1,034		1,026		1,035			
IV Position											
Long (amount)		93		96		156		158			
%		3.4%		3.6%		5.7%		5.8%			
Short											
%											
Permitted		40.0%		40.0%		40.0%		40.0%			
Less than permitted		36.6%		36.4%		34.3%		34.2%			

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 31/03/2021 ranged within the regulatory limits.

As of 31/03/2021, 12 banks had long foreign exchange positions, while 3 banks had short positions. A long foreign exchange position of 5.8% of the banks' total eligible capital was reported across the sector, which was lower by 34.3 percentage points than the permitted one. The individual foreign exchange position for EUR was 5.7%, which was lower by 34.3 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 analysed²¹ the EUR's 82% share is dominant (81.1% as at December 31st, 2020), with an increase in the nominal amount by BAM 181.9 million or 5.8% vs. YE2020. The EUR's share in financial liabilities is 90.4% (31/12/2020: 90.6%) and, compared to the end of 2020, it increased by BAM 16.3 million or 0.2%. The calculation basis for EUR's share in financial assets and financial liabilities does not include the items with a currency clause.

²¹ Source: Report on Bank's Foreign Exchange Position: Part of Financial Assets (in Foreign Currencies Denominated in BAM). Balance sheet assets items and off-balance sheet items are reported in net terms, i.e. minus expected credit losses.

1.3. 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:

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

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

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

- 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;

- to the greatest extent possible, use the FB&H Guarantee Fund and other potential mechanisms that executive authorities have established to mitigate consequences of the pandemic;
- improve operational readiness and capacities to respond to the crisis;
- in particular, monitor quality of the portfolio under special measures and estimate future repayment capacities of customers, thus ensure timely allocation of provisions for expected credit losses in order to avoid potential negative effect of a sudden increase of these provisions over the future period;
- cautious and responsible management of risks in line with effective accounting and regulatory framework, local and international standards of best practices;
- alignment of operations with new regulatory requirements regarding bank operations and supervision, thus including also requirements related to bank recovery and resolution planning.;
- updating business continuity plans in order to adequately prepare for operations under emergency situations;
- updating recovery plans, thus paying special attention to the following key segments: escalation process, recovery indicators and options;
- improving ICAAP and ILAAP in accordance with the new regulatory requirements;
- 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.

2. SECTOR OF NON-DEPOSIT FINANCIAL INSTITUTIONS

This section of the Information provides an overview of the structure and financial indicators of operations of the non-deposit financial institutions in the FB&H (MCOs, leasing companies and factoring business) as of 31/03/2021 for which founding, operations, management, supervision and termination of their activities are regulated under special laws and regulations.

As of 31/03/2021, 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 equaled 6,768 with an amount of BAM 69.4 million or 8.7% share in total loan portfolio of NFIs. In the retail segment, exposures subjected to some of the special measures amount to BAM 39.5 million and hold a share of 7.2% in total retail portfolio of NFIs, while the corporate segment shows BAM 29.9 million of exposures encompassed by the special measures and share of 12% in the total corporate loan portfolio.

2.1. MICROCREDIT SECTOR

2.1.1. MICROCREDIT SECTOR STRUCTURE IN THE FB&H

2.1.1.1. Status, Number and Business Network

In the FB&H as of 31/03/2021, FBA's operating licenses were held by 14 MCOs that comprise the microcredit sector in the FB&H, of which 11 are MCFs (non-profit organizations) and three are MCCs (profit organizations). Compared to December 31, 2020, there were no changes to the number of MCOs.

The microcredit sector in the FB&H is, as of 31/03/2021, operates through the total of 360 organizational parts of MCOs seated in the FB&H, while MCCs with headquarters in the RS operate in the FB&H through 55 organizational units.

Annex 7 provides basic information on MCFs and MCCs which, as of 31/03/2021 held the FBA's license for performing the micro lending activity.

2.1.1.2. Ownership Structure

MCO is a legal person that, in accordance with regulations, can be founded and do 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 the full ownership of one non-resident legal entity and one MCC is in 100% ownership of one resident legal entity.

2.1.1.3. Staff Structure

The microcredit sector in the FB&H, as of 31/03/2021, had a total of 1,393 employees, which is higher by one employee or 0.1%, compared to December 31, 2020. More precisely, in three MCFs and one MCC there is an evident increase in the number of employees, while in three MCFs and one MCC there is a decrease in the number of employees, while in five MCFs and one MCC the number of employees remained unchanged. Out of the total number of employees in the microcredit sector in the FB&H, MCFs employ 1,145 persons or 82.2% %, while MCCs employ 248 persons or 7.8.

An overview of qualification structure of employees in the FB&H microcredit sector is provided in the table below:

No.	Qualification	31.12.2020		31.03.2021		Index (5/3)
		No. of employees	% share	No. of employees	% share	
1	2	3	4	5	6	7
1.	University qualifications	743	53.3	743	53.3	100
2.	Two-year post-secondary school qualifications	104	7.5	108	7.8	104
3.	Secondary school qualifications	536	38.4	532	38.2	99
4.	Other	11	0.8	10	0.7	91
Total		1,394	100	1,393	100	100

An analysis of data on staff efficiency in the FB&H microcredit sector as of 31/03/2010 shows that assets per MCO employee amounted BAM 473.7 ths, up by 0.3% vs. 31/12/2020.

2.1.2. FINANCIAL INDICATORS OF PERFORMANCE

2.1.2.1. Balance Sheet

Total assets of the FB&H microcredit sector as of 31/03/2021 amounted to BAM 659.8 million and are higher by BAM 1.7 million or 0.3% 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 607.1 million or 92% of total assets of the microcredit sector.

Annexes 8 and 9 provide a summary overview of balance sheets of MCFs and MCCs, while Annex 10 shows basic financial indicators of MCOs based on reporting data as of 31/03/2021.

The aggregate balance sheet of the FB&H microcredit sector as of 31/03/2021 and comparative data with December 31, 2020 are shown in the following table:

-BAM 000 -

No	Description	31.12.2020				31.03.2021				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	46,822	12,615	59,437	9.0	108
2.	Placements to banks	110	0	110	0.0	110	0	110	0.0	100
3.	Microloans	389,972	150,918	540,890	82.2	384,381	153,977	538,358	81.6	100
4.	Loan loss provisions	4,108	2,936	7,044	1.1	4,306	3,430	7,736	1.2	110
5.	Net microloans	385,864	147,982	533,846	81.1	380,075	150,547	530,622	80.4	99
6.	Premises and other fixed assets	26,764	4,540	31,304	4.8	26,389	4,630	31,019	4.7	99
7.	Long-term investments	33,061	0	33,061	5.0	33,344	0	33,344	5.1	101
8.	Other assets	3,565	1,248	4,813	0.7	3,812	1,475	5,287	0.8	110
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	490,542	169,267	659,809	100	100
LIABILITIES										
10.	Liabilities on loans	207,503	107,920	315,423	47.9	203,102	109,380	312,482	47.4	99
11.	Other liabilities	23,130	7,928	31,058	4.7	22,730	7,841	30,571	4.6	98
12.	Capital	261,296	50,278	311,574	47.4	264,710	52,046	316,756	48.0	102
Total liabilities		491,929	166,126	658,055	100	490,542	169,267	659,809	100	100
13.	Off-bal.sheet records	190,541	35,801	226,342		188,977	30,755	219,732		97

In the structure of assets of the FB&H microcredit sector as of 31/03/2021, the level of net loans, and tangible and intangible assets got reduced, while gross loans level underwent only a slight reduction. The following items rose against the end of the previous year: cash, LLP, long term investments and other assets, while placements with banks and reserves for other assets items (except loans) remained the same.

The rate of fixed assets compared to total assets (reduced by donated capital across the FB&H microcredit sector) as of 31/03/2020 amounts to 5.07%, which is within the prescribed limit.

The net microloan portfolio, as a dominant assets item in the microcredit sector amounts to BAM 530.6 million with a share of 80.4% in total assets, hence it recorded a decrease in absolute amount of BAM 3.2 million, i.e. 0.6%, of which BAM 5.8 million, i.e. 1.5% relate to a decrease in net microloans in MCFs and BAM 3.6 million, i.e. 1.7% relate to a decrease of net loans in MCCs, compared to December 31, 2020. The level of LLP for the entire microcredit portfolio in the reporting period is higher by BAM 0.7 million, i.e. 9.8%, as mostly caused by negative effects of the pandemic. LLP for MCFs went up by BAM 0.2 million with a growth rate of 4.8% and with MCCs this amount is BAM 0.5 million or higher by 16.8%.

Out of the total amount in off-balance sheet records as of 31/03/2021 of BAM 219.7 million, thus being lower by BAM 6.6 million or 2.9% vs. 31/12/2020, whereas with MCFs it went down by BAM 1.5 million or 0.8% and with MCCs by BAM 5 million or 14.1%. Out of the said amount within the off-balance sheet records, written off loans make up for BAM 154.6 million or 70.4% of off-balance sheet items (including write-offs under the principal and regular interest, default interest court expenses), i.e. they are higher by BAM 5.1 million or 3.4% compared to the end of the previous year due to higher default interest under written off loans by BAM 5.3 million or 12.4%. The total number of written off microloans as of 31/03/2021 was 36,750, down by a total of 34 microloans (0.1%) vs. 31/12/2020. This came as a net effect of new write offs, permanent write offs and fully collected microloans.

2.1.2.2. Capital and Liabilities

The biggest items in liabilities in the FB&H microcredit sector as of 31/03/2021 relate to: liabilities on loans taken, which amount to BAM 312.5 million, i.e. 47.4% of the total liabilities and capital, amounting to BAM 316.7 million and representing 48% of total liabilities. The remaining amount of BAM 30.6 million, i.e. 4.6% relates to other liabilities.

Maturity structure of liabilities for loans taken is presented in the following table:

-BAM 000-

Table 37: Maturity structure of loans taken

No.	Description	31.12.2020				31.03.2021				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	8,899	4,360	13,259	4.2	64
2.	Liabilities on long-term loans taken	186,128	106,468	292,596	92.8	193,000	104,028	297,028	95.1	102
3.	Liabilities based on interest due	899	1,092	1,991	0.6	1,203	992	2,195	0.7	110
Total		207,503	107,920	315,423	100	203,102	109,380	312,482	100	99

As of 31/03/2021, liabilities based on loans taken dropped by BAM 2.9 million or 0.9% compared to 31/12/2020. In the structure of total liabilities on loans taken as of 31/03/2021, loan obligations of MCFs represent 65%, while loan obligations of MCCs represent 35%. With respect of the maturity structure of loan obligations compared to December 31, 2020, there is a decreased share of short term liabilities by 36.3% with an increase of long term liabilities by 1.5%. Liabilities related to interest due have risen by 10.2%. The largest three creditors of the FB&H microcredit

sector, according to their share in total loan obligations of MCOs as of 31/03/2021, are EFSE Luxembourg with 15.6%, Blue Orchard - Switzerland with 6.5% and Hansainvest Finance – Germany with 4.8%.

In the reporting period, across the FB&H microcredit sector, the total increase in capital amounted to BAM 5.2 million, i.e. 1.7%, of which the amount of BAM of 3.4 million, i.e. 1.3% relates to the capital increase in MCFs, while the capital of MCCs in the reporting period increased by BAM 1.8 million, i.e. 3.5%.

The structure of capital of the FB&H microcredit sector is shown in the following table:

- BAM 000 -

Table 38: Microcredit sector's capital structure

No.	Description	31.12.2020				31.03.2021				Index (9/5)
		Balance for MCF	Balance for MCC	Total	%	Balance for MCF	Balance for MCC	Total	%	
1	2	3	4	5=3+4	6	7	8	9=7+8	10	11
1.	Donated capital	48,076	0	48,076	15.4	48,076	0	48,076	15.2	100
2.	Tier 1 capital	3,868	33,100	36,968	11.9	3,767	33,100	36,867	11.6	100
3.	Surplus & deficit of revenue over expense	209,248	0	209,248	67.2	212,766	0	212,766	67.2	102
4.	Emission premium	0	0	0	0.0	0	0	0	0.0	0
5.	Unallocated profits	0	9,168	9,168	2.9	0	9,536	9,536	3.0	104
6.	Regulatory reserves	0	3,568	3,568	1.1	0	3,568	3,568	1.1	100
7.	Other reserves	104	4,442	4,546	1.5	101	5,842	5,943	1.9	131
	Total capital	261,296	50,278	311,574	100	264,710	52,046	316,756	100	102

Out of the total capital of the FB&H microcredit sector which, as of 31/03/2021 amounted to BAM 316.7 million, the total capital of MCFs amounted to BAM 264.7 million, i.e. 83.6%, and the biggest items are the surplus of revenues over expenses, amounting to BAM 212.8 million and representing 80.4 of total capital of MCFs, and donated capital, amounting to BAM 48.1 million, i.e. 18.2%. Out of the total amount of donated capital, donations for credit fund were reported by nine MCFs, where 64.5% relates to three MCFs, of which one MCF is responsible for 39.1% of the total donations for the credit fund. Five largest individual donors in MCFs in the FB&H participate with 69.1% (BAM 33.2 million), where the largest donor participates with BAM 10.1 million or 21% of the total donated capital in one MCF.

Total capital of MCCs amounts to BAM 52 million, comprising 16.4% of the total capital of the microcredit sector. Its structure includes these key items: Tier 1 capital of BAM 33.1 million, i.e. 63.6%, and unallocated profit of BAM 9.5 million, i.e. 18.3%. The remaining BAM 9.4 million, i.e. 18.1% of MCC capital relate to statutory and other reserves.

Looking into the capital rate reduced by donated capital vs. assets, as of 31/03/2021, it amounted 40.72% at the microcredit sector level. Thus, we find that it is in line with the prescribed limit.

Other liabilities across the FB&H microcredit sector as of 31/03/2021 amounted to BAM 30.6 million, i.e. 4.6% of total liabilities, and compared to December 31, 2020 they have decreased by BAM 0.5 million, i.e. 1.6%.

2.1.2.3. Assets and Asset Quality

The microloan portfolio reported in gross amount in the balance sheet total of the FB&H microcredit sector as of 31/03/2021 amounted to BAM 538.3 million, i.e. 81.6% of total assets of the microcredit sector, i.e. with a reduction for the corresponding LLP in the total amount of BAM 7.7 million, the net microloan portfolio amounts to BAM 530.6 million, i.e. 80.4% of total assets of the FB&H microcredit sector. Compared to December 31, 2020, the gross microloan portfolio went down by BAM 2.5 million, i.e. by 0.5%, while the net microloan portfolio dropped by the amount of BAM 3.2 million, i.e. 0.6%.

In the same period, the level of LLP increased by BAM 0.7 million, i.e. 9.8% due to worsened portfolio quality caused by difficult business conditions during the pandemic. The LLP to total gross microloan portfolio as of 31/03/2021 amounted to 1.3%, which, compared to the same ratio as of December 31, 2020, when it amounted to 1.3%, represents an increase by 0.1 percentage point. In the structure of total net portfolio of the microcredit sector in the FB&H as of 31/03/2021, net microloans of MCFs amounted to BAM 380.1 million and represent 71.6% of the total net microloans across the sector, while the amount of BAM 150.5 million, i.e. 28.4% of the total net microloans across the sector relate to MCCs. Compared to December 31, 2020, net microloans of MCFs decreased by BAM 5.8 million, i.e. 1.5%, while the net microloans of MCCs increased by BAM 2.6 million, i.e. 1.7%.

Net microloans as of 31/03/2021 are shown in the following table:

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Table 39: Net microloans

No.	Description	31.12.2020			31.03.2021			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	384,381	153,977	538,358	100
2.	LLP	4,108	2,936	7,044	4,306	3,430	7,736	110
3.	Net microloans (1.-2.)	385,864	147,982	533,846	380,075	150,547	530,622	99

Detailed data on the sector and the maturity structure of the microloan portfolio (reduced by deferred fee income) as of 31/03/2021 are shown in the following table:

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Table 40: 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	265	8,457	75	8,797	54.9
b)	Trade	184	3,084	5	3,273	20.4
c)	Agriculture	8	1,078	1	1,087	6.8
d)	Manufacturing	77	2,578	17	2,672	16.7
e)	Other	25	164	0	189	1.2
	Total 1	559	15,361	98	16,018	100
2. Retail						
a)	Services	2,417	81,258	276	83,951	16.3
b)	Trade	599	11,431	47	12,077	2.3
c)	Agriculture	5,093	161,175	351	166,619	32.3
d)	Manufacturing	327	10,940	33	11,300	2.2
e)	Housing needs	3,315	118,060	279	121,654	23.5
f)	Other	18,603	101,387	1,013	121,003	23.4
	Total 2	30,354	484,251	1,999	516,604	100
	Total (1+2)	30,913	499,612	2,097	532,622	-

In the maturity structure of total microloan portfolio as of 31/03/2021 shown in the table above, the highest share is the share of long-term micro loans with 93.8%, while short-term micro loans have a 5.8% share and receivables due on micro loans have a 0.4% share.

Upon observing the sector structure, the dominant share is the share of retail microloans, with 97%, while the remaining 3% relate to corporate microloans. Within the retail microloan portfolio, the biggest is the share of microloans approved for agriculture, which amounts to 32.3% and for housing needs, at 23.5%. By share levels, other sectors follow with 23.4% and services with 16.3%. The share of microloans for trade is 2.3% and for manufacturing 2.1%. In the structure of corporate microloans, the dominant share is the share of microloans for services – 54.9%.

The following table provides an overview of receivables with related 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 31/03/2021:

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Table 41: LLP

No.	Days in default	Rate of provisions	Amount of loans	Share (%)	Interest due		Amount of other assets items	Provisions				Total provisions
					Rate of provisions	Amount of interest		By micro loan	By past -due interest	By other items in assets	By micro loan	
1	2	3	4	5	6	7	8	9=4x3	10=7x6	11=8x3	12	13=9+10+11+12
1.	0	0%	513,501	96.4	0%	198	374	0	0	0	0	0
2.	1–15	2%	5,400	1.0	2%	93	0	109	2	0	1	112
3.	16–30	15%	5,476	1.0	100%	83	0	821	83	0	31	935
4.	31–60	50%	3,253	0.6	100%	106	0	1,628	106	0	13	1,747
5.	61–90	80%	2,094	0.4	100%	108	0	1,675	108	0	11	1,794
6.	91–180	100%	2,898	0.6	100%	246	0	2,898	246	0	4	3,148
Total			532,622	100		834	374	7,131	545	0	60	7,736
7.	over 180	Write off	1,616	-	-	422	0	0	0	0	0	0

In the total microloan portfolio at the sector level, 96.4% relate to microloans without defaults, while in the remaining 3.6% of microloans there are defaults, of which defaults up to 30 days represent 2% of micro loans, while 1.6% are defaults of 31 to 180 days. Out of the total amount of due interest (BAM 0.8 million), defaults up to 30 days represent 21.1%, while defaults of 31 to 180 days represent 55.2%.

Out of the total amount of provisions under microloans, interest and other asset items as of 31/03/2021 (BAM 7.7 million), the largest item corresponds to provisions formed for microloans in default of 91 to 180 days, which amount to BAM 3.1 million and represent 40.7% of the total amount of provisions.

Key Indicators of Microcredit Portfolio Quality

The risk portfolio indicator for more than 30 days in default (PAR>30 days) as of 31/03/2021 amounts to 1.55% at the level the microcredit sector and it increased by 0.14 percentage points compared to December 31, 2020, as largely caused by the pandemic. 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 31/03/2021 amounted to 1.21%, which is within prescribed standard. This rate is the same as at 31.12.2020.

Weighted NIR and EIR on micro loans

Over the period from 01/01/2021 to 31/03/2021, MCOs seated in the FB&H concluded 32,612 agreements and disbursed a total of BAM 109 million of microloans. This is by 1,263 agreements or 4% higher than in the same period last year, i.e. higher by BAM 0.8 million or 0.7% of disbursements. Over the observed period, MCOs seated in the FB&H had average weighted NIR on total microloans of 19.43% and EIR of 25.02%, whereas NIR on short term microloans was 19.92% and on long term ones 19.34% and EIR on short term microloans was 32.09% and on long

term ones 23.86%. 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 31/03/202 by 0.1,7 percentage points vs. the same period in 2020, whereas average weighted EIR on short term microloans posted a drop by 1.22 percentage points and on long term microloans a rise by 0.35 percentage points.

Annex 11 provides an overview of average weighted NIR and EIR by maturity and purpose related to microloans disbursed in the period from 01/01/2021 to 31/03/2021 by MCOs seated in the FB&H.

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

2.1.2.4. Financial Performance of the FB&H Microcredit Sector

At the FB&H microcredit sector, positive financial result was posted in the period from 01/01/2021 to 31/03/2021 in an amount of BAM 3.8 million, up by BAM 0.7 million or 24.1% related to the same period in 2020.

MCFs posted excess income over expenses of BAM 3.4 million, thus being by BAM 19 ths or 0.6% more than in the same period the year before. MCCs reported net profit of BAM 0.4 million, which is by BAM 0.7 million higher than in the same period of the previous year since one MCC posted a major increase of business result (and holds 94.4% share in total assets of MCCs). The presented overall excess income over expenses of MCFs was BAM 3.6 million (seven MCFs) and shortage of income over expenses was posted by four MCFs in an amount of BAM 0.2 million. There were two MCCs that reported net profit of BAM 1.9 million, while one MCC saw a loss of BAM 1.5 million.

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

According to the reporting data for MCOs, in the period from 01/01/2021 to 31/03/202, total revenues at the level of the FB&H microcredit sector amounted to BAM 28.9 million, up by BAM 0.4 million or 1.3% compared to the same period last year.

The structure of total income at the level of the FB&H microcredit sector is shown in the following table:

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No.	Structure of total income	01.01.-31.03.2020				01.01.-31.03.2021				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	2	1	3	0.0	0	0	0	0.0	0
1.2.	Interest on placements to banks	7	0	7	0.0	3	0	3	0.0	43
1.3.	Interest on loans	17,596	6,493	24,089	84.5	17,848	6,988	24,836	86.0	103
1.4.	Management fee	1,407	402	1,809	6.4	1,001	364	1,365	4.7	75
1.5.	Prepayment fee	131	51	182	0.6	97	55	152	0.5	84
1.6.	Other interest income and similar income	265	9	274	1.0	250	49	299	1.1	109
	Total	19,408	6,956	26,364	92.5	19,199	7,456	26,655	92.3	101
2.	Operating income									
2.1.	Service fees	43	1	44	0.1	39	0	39	0.1	89
2.2.	Income from collected written off receivables	1,762	29	1,791	6.3	1,751	133	1,884	6.6	105
2.3.	Other operating income	4	0	4	0.0	2	4	6	0.0	150
	Total	1,809	30	1,839	6.4	1,792	137	1,929	6.7	105

3. Other operating income	231	76	307	1.1	233	52	285	1.0	93
Total income (1+2+3)	21,448	7,062	28,510	100	21,224	7,645	28,869	100	101

Within the structure of total income of MCOs, interest income and similar income hold a share of 92.3%, operating income 6.7% share and other operating income 1%. Compared to the same period last year, interest and similar income have risen by BAM 0.3 million or 1.1%. Income from interest on loans, being the key item within the category of interest and similar income, climbed by BAM 0.7 million or 3.1%.

During the observed period, operating income of MCOs went up by BAM 90 ths or 4.9%, whereas income from collected written of receivables (as a dominant item) increased by BAM 93 ths or 5.2%. Other operating income went down by BAM 22 ths or 7.2%.

According to reporting data of MCOs for the period from 01/01/2021 to 31/03/2021, total expenses of the FB&H microcredit sector stood at BAM 25.1 million, down by BAM 0.4 million or 1.4% vs. the same period the year before.

The level and structure of total expenses with comparative data for the same period of the previous business year are all presented in the following table:

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Table 43: Structure of total expenses

No.	Structure of total expenses	01.01.-31.03.2020				01.01.-31.03.2021				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	1,694	988	2,682	10.5	1,613	1,060	2,673	10.6	100
1.2.	Fee for received loans	134	89	223	0.9	157	122	279	1.1	125
1.3.	Prepayment fee	0	0	0	0.0	0	0	0	0.0	-
1.4.	Other interest expenses and similar expenses	96	281	377	1.5	154	397	551	2.2	146
	Total	1,924	1,358	3,282	12.9	1,924	1,579	3,503	13.9	107
2.	Operating expenses									
2.1.	Costs of salaries and contributions	8,338	2,273	10,611	41.6	8,890	2,147	11,037	44.0	104
2.2.	Amortisation costs	1,074	322	1,396	5.5	1,058	334	1,392	5.5	100
2.3.	Material expenses	564	189	753	3.0	507	129	636	2.5	84
2.4.	Service costs	2,925	677	3,602	14.1	2,895	1,271	4,166	16.6	116
2.5.	Other operating expenses	768	466	1,234	4.9	906	207	1,113	4.5	90
	Total	13,669	3,927	17,596	69.1	14,256	4,088	18,344	73.1	104
3.	Other operating expenses	86	15	101	0.4	116	11	127	0.5	126
4.	Costs of reserves for loan and other losses	2,089	2,025	4,114	16.1	1,181	1,384	2,565	10.2	62
5.	Tax on excess income over expenses (income tax)	313	76	389	1.5	361	211	572	2.3	147
	Total expenses (1+2+3+4+5)	18,081	7,401	25,482	100	17,838	7,273	25,111	100	99

MCOs' total expense structure is dominated by operating expenses with a share of 73.1%, while interest and similar expenses participate with 13.9% and costs of reserves for loan and other losses with 10.2%. 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 0.2 million or 6.7%, whereas fees for received loans and other interest and similar expenses climbed by 25.1% and 46.1% respectively. Expenses related to interest on borrowed funds dropped slightly by 0.3%.

Operating expenses of MCFs, as a dominant item among total expenses, saw a rise by BAM 0.8 million or 4.2%, whereas costs of salaries and contributions (as their key item) increased by BAM 0.4 million or 4%. Costs of services went up by BAM 0.6 million or 15.6%, while material

expenses and other operating expenses dropped by 15.5% and 9.8% respectively. Amortisation costs decreased slightly by 0.3%.

Other operating expenses increased by BAM 26 ths or 25.7%, while costs of reserves for loan and other losses decreased by BAM 1.5 million or 37.6%. Tax on excess income over expenses (i.e. income tax) rose by BAM 0.2 million or 47%.

Efficiency and Sustainability Indicators for the FB&H Microcredit Sector

Operational efficacy of business operations of the FB&H microcredit sector as of 31/03/2021 amounted to 18.38%, which is within the prescribed range for the indicator.

According to reporting data at the FB&H microcredit sector as of 31/03/2021, the return on assets adjusted for inflation, market price of capital and donations (AROA) was positive at 2.45%. 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) amounts to 117.65%.

2.1.3. MICROCREDIT SECTOR RECOMMENDATIONS

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

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

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

- harmonization, i.e. improvement of operational efficiency and operational sustainability indicators;
- regular, up-to-date and accurate submission of data to CBB&H for the CLR management purposes;
- improving business transparency, etc.

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

2.2. LEASNG SECTOR

2.2.1. FB&H LEASING SECTOR STRUCTURE

2.2.1.1. Number of Leasing Companies

The FBA license for leasing operations was, as of 31/03/2021, held by four leasing companies in the FB&H and there were no changes compared to 31/12/2020. Annex 14 provides basic information on leasing companies which, as of 31/03/2021, represented the leasing sector in the FB&H.

2.2.1.2. Ownership Structure

The ownership structure of leasing companies in the FB&H, according to data as of 31/03/2021, is as follows: two leasing companies are in 100% ownership of non-resident legal persons, one leasing company is majority-owned by a non-resident legal person, while one leasing company is in 100% ownership of a resident legal person.

2.2.1.3. Staff Structure

As at 31/03/2021, there was a total of 107 employees in the leasing sector in the FB&H, which is 6 employees or 5.9% more than at the end of the previous year.

An overview of qualification structure of FTEs at the FB&H leasing sector level is provided in the table below:

No.	Qualifications	31.12.2020		31.03.2021		Index (5/3)
		No. of employees	% share	No. of employees	% share	
1	2	3	4	5	6	7
1.	University qualifications	76	75.2	79	73.8	104
2.	Two-year post-secondary school qualifications	4	4.0	4	3.8	100
3.	Secondary school qualifications	13	12.9	17	15.9	131
4.	Other	8	7.9	7	6.5	88
Total		101	100	107	100	106

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 31/03/2021, at the level of the leasing sector in the FB&H, each employee corresponded to BAM 3.3 million in assets. This is by BAM 0.1 million or 3.8% less than as at 31/12/2020.

2.2.2. FINANCIAL INDICATORS OF PERFORMANCE

2.2.2.1. Balance Sheet

Total assets of the FB&H leasing sector as at 31/03/2021 amounted to BAM 350.5 million and are higher by BAM 6.7 million, i.e. 1.9% compared to December 31, 2020. Two leasing companies, viewed on the basis of asset size, are responsible for 72.9% of total assets of the FB&H leasing sector

Annex 15 provides an aggregate balance sheet of leasing companies in the FB&H as per reporting data of 31/03/2021, while Annex 16 provides an overview of basic indicators of leasing companies in the FB&H as of 31/03/2021.

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 265.1 million, i.e. 75.7% of total assets. Compared to December 31, 2020, net receivables under financial leasing are higher by BAM 5.7 million, i.e. 2.4%, while gross receivables under financial leasing are higher by BAM 8.3 million, i.e. 3.2%, while gross receivables under financial leasing went up by BAM 8.1 million or 2.9%. As of 31/03/2021, one bank that performs also financial leasing deals posted net receivables under financial leasing of altogether BAM 41.7 million, thus indicating that net receivables under financial leasing at the leasing system level were equal to BAM 306.8 million and were by BAM 1.6 million or 0.5% 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 82.7%, contracts for equipment financing participate with 16.6%, while 0.7% relates to contracts under which real estate is financed. If viewed by lessees, 88.5% refers to contracts with legal entities, while the increase of financial leasing receivables was noted in the segment of legal entities by 3.6%, private individuals by 1.4% and entrepreneurs by 7.4%.

The following tables provide the structure of receivables under financial leasing at the level of the FB&H leasing sector (receivables before reduction for loss provisions) as of 31/03/2021 and a comparative overview of the structure of receivables as of December 31, 2020 and as of March 31, 2021:

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No.	Description	Short-term receivables	Long-term receivables	Due receivables	Total receivables	Share in %
1	2	3	4	5	6	7
1.	By leasing object					
1.1.	Passenger vehicles	42,074	87,981	1,616	131,671	49.2
1.2.	Vehicles for performing business activity (cargo and passenger vehicles)	33,610	54,503	1,416	89,529	33.5
1.3.	Machines and equipment	16,448	27,452	417	44,317	16.6
1.4.	Real estate	225	1,586	23	1,834	0.7
1.5.	Other	10	21	0	31	0.0
	Total	92,367	171,543	3,472	267,382	100

2. By lessee						
2.1.	Corporate	82,601	151,197	2,764	236,562	88.5
2.2.	Entrepreneurs	2,746	5,149	108	8,003	3.0
2.3.	Retail	5,570	13,933	591	20,094	7.5
2.4.	Other	1,450	1,264	9	2,723	1.0
Total		92,367	171,543	3,472	267,382	100

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Table 46: Structure of financial leasing receivables – comparative overview

No.	Description	31.12.2020	31.03.2021	Index (4/3)
1	2	3	4	5
1. By leasing object				
1.1.	Passenger vehicles	127,102	131,671	104
1.2.	Vehicles for performing business activity (cargo and passenger vehicles)	91,011	89,529	98
1.3.	Machines and equipment	38,840	44,317	114
1.4.	Real estate	1,909	1,834	96
1.5.	Other	34	31	91
Total		258,896	267,382	103
2. By lessee				
2.1.	Corporate	228,329	236,562	104
2.2.	Entrepreneurs	7,451	8,003	107
2.3.	Retail	19,805	20,094	101
2.4.	Other	3,311	2,723	82
Total		258,896	267,382	103

Net receivables under loans as of 31/03/2021 amount to BAM 4.9 million, i.e. 1.4% of total assets of the FB&H leasing sector. Compared to December 31, 2020, net receivables under loans decreased by BAM 0.1 million or 1.8%. Receivables under loans in the composition of total assets of leasing companies decreased due to the continuous decrease in receivables under loans, as the provisions of the LoL prohibit the leasing companies to conclude new loan agreements, that would remain recorded in the balance sheets of leasing companies in the FB&H until the contractual terms for which they were approved expire. The reported amount of net receivables under loans relates to receivables of one leasing company, holding in its portfolio significant amounts of receivables under loans of subsidiaries, through which real estate construction projects had been financed prior to entry into effect of the LoL.

The balance sheet position of cash and cash equivalents as of 31/03/2021 amounted to BAM 3.5 million (constituting 1% of total assets), which was by BAM 3 million, i.e. 46.2% lower compared to December 31, 2020. Placements to banks (posted by one leasing company) as of 31/03/2021 amounted to BAM 11.7 million, comprising 3.3% of total assets the FB&H leasing sector, which was by BAM 0.4 million or 3.6% less compared to December 31, 2020.

Net value of fixed assets financed through operational leasing (posted by three leasing companies) as of 31/03/2021 amounts to BAM 55.2 million and has increased by BAM 1.3 million, i.e. 2.3% compared to December 31, 2020. Individually viewed, two leasing companies reported an increase of net value of fixed assets financed through operational leasing of BAM 1.6 million, while one leasing company reported a decrease of BAM 0.3 million.

The structure of net balance sheet assets positions of the leasing sector in the FB&H can be analysed in the table below:

- BAM 000 -

Table 47: Structure of net balance sheet assets positions

No.	Description	31.12.2020	% share	31.03.2021	% share	Index (5/3)
1	2	3	4	5	6	7
1.	Financial leasing	256,770	74.7	265,115	75.6	103

2.	Operational leasing	53,964	15.7	55,222	15.8	102
3.	Loan	4,982	1.4	4,891	1.4	98
4.	Other assets	28,110	8.2	25,292	7.2	90
Total		343,826	100	350,520	100	102

2.2.2.2. Capital and Liabilities

Total capital of the FB&H leasing sector as of 31/03/2021 amounted to BAM 29 million, thus constituting 8.3% of total liabilities of the FB&H leasing sector. Compared to December 31, 2020, the aforementioned position increased by BAM 1.3 million or 4.6%. Observed individually, three leasing companies saw an increase of total capital compared to 31/12/2020 of BAM 1.6 million, while two leasing companies saw a decrease of total capital by BAM 0.3 million.

Total liabilities of the leasing sector in the FB&H amounted to BAM 321.5 million as at 31/03/2021, thus representing 91.7% of total liabilities of leasing companies in the FB&H. Compared to December 31, 2020, total liabilities at the sector level rose by BAM 5.4 million or 1.7%.

Liabilities of leasing companies in the FB&H under loans taken as of 31/03/2021 stood at BAM 311.4 million, thus posing a dominant source in the structure of total liabilities of the FB&H leasing sector since they account for 88.8% of total liabilities. Compared to 31/12/2020, the position of loan obligations is higher by BAM 3.5 million, i.e. 1.1%. If observed by contractual maturity, the entire amount of liabilities based on loans refers to long term loans.

2.2.2.3. Assets and Asset Quality

According to reporting data at the level of the FB&H leasing sector, reported reserves for losses under financial leasing as of 31/03/2021 amount to BAM 2.3 million and are higher compared to December 31, 2020 by BAM 141 ths or 6.6%. Out of the total amount of posted loss reserves, 87.9% relates to two leasing companies. If observed individually, three leasing companies posted an increase of reserves for loan losses vs. the end of the previous year and one leasing company posted a decrease of loan loss reserves vs. the end of the previous year.

In the structure of receivables under financial leasing as of 31/03/2021, the total of BAM 3.5 million of overdue receivables were reported, which is by BAM 63 ths or 1.8 less compared to December 31, 2020.

The table below provides a detailed overview of financial leasing reserves as of 31/03/2021:

- BAM 000-

No.	Days past due	Rate of reserv. for finan. leasing (movables)	Rate of reserv. for finan. leasing (immovables)	Amount of receivables for movables	Amount of receivables for immovables	Basis - movables	Basis - immovables	Reserves			Total reserves
								For movables	For immovables	Excess calculated and allocated reserves	
1	2	3	4	5	6	7	8	9=7*3	10=8*4	11	12=9+10+11
1.	0-60	0.50%	0.50%	261,514	1,861	48,498	834	243	4	1,143	1,390
2.	60-90	10%	10%	2,414	0	703	0	70	0	52	122
3.	90-180	50%	50%	1,042	0	406	0	203	0	0	203
4.	over 180	100%	75%	551	0	552	0	552	0	0	552
5.	over 360	100%	100%	0	0	0	0	0	0	0	0
Total				265,521	1,861	50,159	834	1,068	4	1,195	2,267

The total amount of written off receivables under financial leasing and loans as of 31/03/2021 amounted to BAM 19.9 million BAM and is lower compared to December 31, 2020, by BAM 1.1 million or 5.4%.

The appraised market value of foreclosed leasing objects, due to termination of leasing contracts with lessees as of 31/03/2021 at the level of the FB&H leasing sector, amounted to BAM 1.3 million, up by BAM 0.4 million or 47.8% compared to 31.12.2020. There was a total of 56 foreclosed objects, with a posted increase of the number of foreclosed objects by 27 objects or 93.1%. Out of the total reported amount of appraised market value of foreclosed items in the FB&H leasing sector as of 31/03/2021, 58.7% refers to passenger vehicles and business vehicles, while 1.3% relates to machinery and equipment. In addition, 40% 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.

Viewed from the level of the FB&H leasing system as of 31/03/2021, the market value of foreclosed leasing items amounted to BAM 5.3 million and it increased by BAM 0.4 million or 8.8% compared to December 31, 2020. Out of the above amount of foreclosed leasing items, items foreclosed by the bank that is performing leasing activities correspond to BAM 3.9 million, i.e. 74.5% of the total market value of foreclosed items reported at the level of the leasing system.

2.2.2.4. Profitability

According to the reporting data of leasing companies, across the FB&H leasing sector in the period from January 1 – March 31, 2021, a positive business result of BAM 1.3 million was reported, which represents an increase by BAM 0.4 million compared to the same period the year before. This increase of the business result of the leasing sector mostly results from an improved business result of one leasing company of BAM 0.6 million. Total net profit was posted in an amount of BAM 1.6 million (by three leasing companies), while loss was posted by one leasing company in an amount of BAM 0.3 million.

The aggregate income statement for leasing companies in the FB&H for the period 01/01/2021 to 31/03/2021 is provided in the Annex 17.

Total income of the FB&H leasing sector for the period 01/01/2021 to 31/03/2021 amounted to BAM 8.4 million, down by BAM 0.6 million or 6.4% compared to the same period of the previous year.

The level and structure of total income with the comparative data for the same period of the preceding financial year are shown in the following table:

- BAM 000 -

No.	Structure of total income	01.01.-31.03.2020		01.01.-31.03.2021		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	96	1.1	18	0.2	19
1.2.	Interest on placements to banks	2,934	32.8	2,772	33.1	94
1.3.	Other interest income	355	4.0	426	5.1	120
	Total	3,385	37.9	3,216	38.4	95
2.	Operating income					
2.1.	Operating lease charges	4,088	45.7	4,625	55.3	113

2.2.	Service fees	0	0.0	0	0.0	-
2.3.	Other operating income	1,469	16.4	529	6.3	36
	Total	5,557	62.1	5,154	61.6	93
3.	Income from release of reserves for losses	0	0.0	0	0.0	-
	Total income (1+2+3)	8,942	100	8,370	100	94

The FB&H leasing sector's interest income in the January 1 – March 31, 2021 period amounted to BAM 3.2 million, thus constituting 38.4% of total income of the leasing sector. It decreased by BAM 0.2 million, i.e. 5%, 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 2.8 million and it is by BAM 0.2 million, i.e. 5.5%, lower compared to the same period of the preceding financial year.

Operating income amounted to BAM 5.2 million with a share of 61.6% in total income of the leasing sector. Compared to the same period last year, it is lower by BAM 0.4 million, i.e. 7.2%. operating lease charges, as dominant item of operating income, rose by BAM 0.5 million or 13.1%, while other operating income dropped by BAM 0.9 million or 64% since three leasing companies posted a decrease of this position against the same period last year.

Total expenses for the period 01/01/2021 to 31/03/2021 amounted to BAM 7.1 million and are lower by BAM 1.0 million or 12.3% compared to the same period of the preceding year.

The level and structure of total expenses with comparative data for the same period over the previous business year are shown in the following table:

- BAM 000-

Table 50: Structure of total expenses

No.	Structure of total expenses	01.01.-31.03.2020		01.01.-31.03.2021		Index (5/3)
		Amount	% share	Amount	% share	
1	2	3	4	5	6	7
1.	Interest expenses and similar income					
1.1.	Interest on borrowed funds	1,054	13.0	984	13.8	93
1.2.	Fees for processing loans	28	0.4	20	0.3	71
1.3.	Other interest expenses	0	0.0	0	0.0	-
	Total	1,082	13.4	1,004	14.1	93
2.	Operating expenses					
2.1.	Salary and contribution costs	1,258	15.5	1,129	15.9	90
2.2.	Business premises costs	2,825	34.9	3,012	42.4	107
2.3.	Other costs	2,707	33.4	1,779	25.1	66
	Total	6,790	83.8	5,920	83.4	87
3.	Costs of reserves	223	2.8	174	2.5	78
4.	Profit tax	0	0.0	0	0.0	-
	Total expenses (1+2+3)	8,095	100	7,098	100	88

In the period from 01/01/2021 to 31/03/2021, interest and similar expenses of the leasing sector amounted to BAM 1.0 million and represented 14.1% of total expenses of the leasing sector. This is lower by BAM 78 ths or 7.2% vs. the same period of the previous financial year. Interest expenses under loans taken (as their dominant item) posted a drop by BAM 70 ths or 6.6%.

Over the observed period, total operating expenses of the leasing sector stood at BAM 5.9 million with a share in total expenses of the leasing sector of 83.4%. This is lower by BAM 0.9 million or 12.8% compared to the same period of the year before, whereas their structure reflects reduced costs of salaries and contributions by 10.3% and other costs by 34.3%, while costs of business premises rose by 6.6% due to higher depreciation costs of operational lease by 8.6%. Total costs of loss reserves stood at BAM 0.2 million, constituting 2.5% of total expenses of the leasing sector. They saw a decrease by BAM 49 ths or 22%.

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

The value of newly concluded contracts for financial and operational leasing executed at the level of the leasing system in January 1 – March 31, 2021, amounts to BAM 44.7 million and is higher by BAM 5.6 million or 14.5%, compared to the same period of the preceding financial year. Thereof, BAM 43.7 million or 97.8% 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 890, which was by 12 contracts or 1.4% higher compared to the same period last year. Thereof, 869 contracts or 97.6% 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 – 31/03/2021 amounted to BAM 50.2 ths and it is higher by 12.9% compared to the same period last year, when it amounted to BAM 44.4 ths. Therein, the average value of contracts at the leasing sector level was BAM 50.3 ths, which is 13.3% more than in the same period in 2020 when it stood at BAM 44.4 ths.

Out of the total generated value of newly concluded contracts in the period from 01/01/2021 to 31/03/2021, the amount of BAM 38.2 million, i.e. 85.6% relates to financial leasing contracts and BAM 6.4 million or 14.4% to operational leasing contracts.

The following table shows a comparative overview of the realized volume of newly concluded contracts in the period from 01/01/2021 to 31/03/2021 and in the same period of the preceding financial year, as well as the comparative overview of the number of concluded contracts in the same period:

- BAM 000 -

Table 51: Structure of the number of concluded contracts and financing amount of the leasing system

No.	Description	01.01.-31.03.2020						01.01.-31.03.2021					
		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	564	25,426	288	10,099	852	35,525	673	29,263	164	6,429	837	35,692
2.	Equipment	26	3,487	0	0	26	3,487	53	8,972	0	0	53	8,972
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	590	28,913	288	10,099	878	39,012	726	38,235	164	6,429	890	44,664

The total amount of new financing in the first three months of 2021 was achieved by three 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 88.9% of the total amount of financing in the first three months of 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 31/03/2021 was 4.02.% for short term contracts and 4.06% for long term contracts, while EIR for short term contracts was 6.80% and 7.47% for long term contracts during the same period. Total

average weighted NIR was 4.06% and EIR was 7.47%. Compared to the same period in 2020 when total average weighted NIR was 4.18% and EIR 7.26%, there is an evident decrease of NIR by 0.12 percentage points, while EIR rose by 0.21 percentage points.

Annex 18 provides an overview of average weighted NIR and EIR on financial leasing contracts concluded in the period from 01/01/2021 to 31/03/2021 (by maturity, leasing object and lessee).

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

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

2.2.3. LEASING SECTOR RECOMMENDATIONS

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

- monitoring effects of FBA's special measures aimed at recovery from negative consequences caused by the pandemic;
- ongoing supervision of business operations of the leasing sector, i.e. system, in the FB&H, through reports and onsite examinations;
- preservation of capital adequacy of the FB&H leasing sector and strengthening of internal processes for defining the parameters of capital protection in the entities of the FB&H leasing sector;
- monitoring 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:

- consistent implementation of special measures adopted by the FBA for purpose of recovery from negative consequences caused by the pandemic;
- 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;

- ensuring reliability and integrity of data and information provided to the FBA, the CBB&H and other supervisory institutions and bodies, ensuring accuracy, validity and comprehensiveness of accounting and non-accounting records, compliance with business policies, activity programs and plans, laws and other regulations and documents, as well as protection of property of companies and preventive action and prevention of fraud and errors;
- consistent implementation of regulations defining protection of financial service users, etc.

2.3. FACTORING BUSINESS

2.3.1. Participants in the FB&H Factoring Market

Pursuant to provisions of the LoF, factoring operations in the FB&H may be conducted by a commercial enterprise organized as a joint stock company or a limited liability company seated in the FB&H and being licensed by the FBA, and by a bank whose operations are subject to regulations governing banks' operations in the FB&H and to which the relevant chapters of the LoF apply.

As of 31/03/2021, 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. During Q1 2021, factoring deals were performed by three commercial banks.

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

As of 31/03/2021, entities providing factoring services in the FB&H have concluded 97 factoring contracts, all of which referring to domestic factoring. Compared to reporting data for the same period last year, the number of factoring contracts has dropped by 34 contracts or 26%.

As of 31/03/2021, there were 94 concluded contracts on factoring with recourse right or 96.9% and 3 contracts on factoring without recourse right or 3.1%. 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 31/03/2021, 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 38.3 million. Compared to the same period of the previous year, this represents an increase by BAM 7.6 million or 24.9%.

The values of redeemed monetary claims and settled payables of buyers to towards suppliers in the FB&H (with comparative data and trends in reporting periods) are shown in the following table:

- BAM 000 -

Table 52: 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. - 31.03.2020		01.01. - 31.03.2021		
		Amount	Share (in %)	Amount	Share (in %)	
1	2	3	4	5	6	7
1.	Factoring with right to recourse	15,368	50.1	21,785	56.9	142
2.	Factoring without right to recourse	15,277	49.9	16,485	43.1	108
3.	Reversed (supplier) factoring	0	0	0	0	0
	Total	30,645	100	38,270	100	125

4.	Domestic factoring	30,645	100	38,270	100	125
5.	Foreign factoring	0	0.0	0	0	0
Total		30,645	100	38,270	100	125

Over the observed period, 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 31/03/2021 of 86.8% corresponds to redeemed monetary claims with contractual maturity of 60 days, followed by the share of 10.4% with contractual maturity of 91-180 days and 2.8% 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 31/03/2021 was BAM 22.1 million, thus constituting 57.7% of total value at the FB&H factoring system level. This is followed by BAM 16.1 million or 41.9% redeemed from private companies and enterprises at the FB&H factoring system level, while BAM 152 ths or 0.4% of monetary claims redeemed from government institutions.

Total advances paid to suppliers (in terms of factoring by recourse type) equaled BAM 36.8 million or 98.1%, thus referring to the segment of private enterprises and companies (sellers of claims), there of BAM 21.7 million or 58.9% related to factoring without recourse right and BAM 15.1 million or 41.1% to factoring with recourse right. As for the segment of public companies, total advances paid to suppliers amount to BAM 696 ths or 1.9% 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 31/03/2021, banks claimed the total of BAM 21.7 million, fully in domestic factoring, of which BAM 8.6 million or 39.7% relates to factoring with right to recourse, while BAM 13.1 million or 60.3 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 – 65.7%, of 61 to 90 days – 3.2%, of 91 to 180 days – 31.1%.

Total income of the factoring service providers in the FB&H as of March 31, 2021 amounted to BAM 0.4 million (income from interest, fees and administrative fees), up by BAM 5% compared to the same period the year before.

In the structure of the reported total income, 36.9% refers to factoring with right to recourse and 63.1% to factoring without right to recourse.

2.3.3. RECOMMENDATIONS FOR THE FACTORING BUSINESS

Factoring business as of 31/03/2021 was conducted solely through the function of financing. There was neither any recorded provision of services of securing collection and receivables management service, nor performance of activities related to factoring, which confirms that this activity is still beginning to develop in the FB&H market within the legislative and institutional frameworks defined under the LoF and the FBA regulations governing factoring operations in more detail.

Considering that the need for short term financing and management of cash receivables, as well as securing receivables, are all becoming increasingly significant in the real sector, it can be expected in the coming period that factoring, as one of the reliable tools for solving liquidity problems in

the FB&H, will certainly be in use as an effective instrument for accelerating cash flows in much larger volume than insofar

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

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

- continuous supervision of the factoring system in the FB&H via off-site and on-site supervision aimed at preserving financial stability in the FB&H;
- 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 over operations of factoring companies in the FB&H, FBA expects from the factoring system entities to improve activities and measures aimed at ensuring lawful, stable, efficient and transparent rendering of factoring services, thus focusing on the following:

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

CONCLUSION

In order to preserve and strengthen stability of the banking system, protect depositors, and ensure lawful, safe and quality operations of all BSEs in the FB&H falling within its area of supervision competency, FBA continuously supervises their operations, carrying out planned activities and taking measures in accordance with its legal authorities. This entails adopting general and individual regulations governing the work of the BSEs, all in compliance with laws, Basel principles and standards for effective supervision of banks and applicable EU directives based on those principles and standards.

Operations of BSEs during the Q1 2021 were still strongly impacted by the pandemic and its effects on business processes and operations in the marketplace.

Based on presented key performance indicators of the FB&H banking sector as of 31/03/2021, it may be concluded that it is stable, whereas it managed to keep favourable values of liquidity and capital ratios, along with high coverage rate of non-performing loans with provisions for expected loan losses. Over the first three months of 2021, there was a slight increase of assets, loans, cash funds, securities, deposits, as well as profitability – all compared to the same period of the previous year. The loan portfolio structure saw no major changes to its quality. The share of non-performing loans (as a key indicator of loan quality) in total loans and in corporate loan portfolio posted a decrease, while retail loan portfolio posted a slight increase of this share. FBA would like to point out to the existence of major risks related to the portfolio parts that would have fewer chances of recovery from the pandemic over the course of 2021. Measures prescribed by the FBA will increase chances of recovery of the economy and decrease negative economic effects of the pandemic. What is crucial here is the quality of the overall governance system in banks, adequate and efficient functioning of the risk management system and adequate capital buffers achieved through fulfillment of capital requirements related to the regulatory capital calculation.

Compared to the end of the previous year, operations of the microcredit sector in the FB&H were marked by a slight increase of total assets and total capital, while gross micro loan portfolio and liabilities based on loans taken have decreased. If observed against the same period the year before, placement of micro loans in the period from 01/01/2021 to 31/03/2021 saw a slight rise. Operations continued to bring positive financial result, thus being higher than the one recognised over the same period last year.

As of 31/03/2021, at the level of the leasing system in the FB&H, an increase was reported in the volume of assets, 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 posted an increase against the same period last year. Over the reporting period, FB&H leasing sector posted an operating profit, thus being higher than in the same period the year before.

Factoring business as possible instrument of short term financing and cash flow management was performed as of 31/03/2021 solely via its financing function, whereas no collection service and receivables management service was posted or any deals related to factoring. This area is still beginning to develop in the FB&H. Its faster development calls for a legal reform being a limiting factor in its certain elements.

Further measures to be taken by the FBA will be aimed towards efficient risk management, thus paying special attention to the migration of the portfolio subjected to special measures into higher credit risk grades. After the past year of extreme risk scenarios and disturbances, the Q1 2021 indicates to a possibility of maintained stability and recovery.

ANNEXES – BANKING SECTOR

Annex 1 - Basic information on FB&H banks – 31/03/2021

No.	Bank	Web address	Number of employees	Management Chairperson
1.	ADDIKO BANK d.d. Sarajevo	www.addiko.ba	363	Sanela Pašić
2.	ASA BANKA d.d. Sarajevo	www.asabanka.ba	217	Samir Mustafić
3.	BOSNA BANK INTERNATIONAL d.d. Sarajevo	www.bbi.ba	445	Amer Bukvić
4.	INTESA SANPAOLO BANKA d.d. BiH Sarajevo	www.intesasanpaolobanka.ba	561	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	449	Lidija Žigić
7.	PRIVREDNA BANKA SARAJEVO d.d. Sarajevo	www.pbs.ba	174	Hamid Pršeš
8.	PROCREDIT BANK d.d. Sarajevo	www.procreditbank.ba	149	Almir Salkanović
9.	RAIFFEISEN BANK d.d. BiH Sarajevo	www.raiffeisenbank.ba	1,233	Edin Hrnjica, v.d. Predsjednika Uprave
10.	SBERBANK BH d.d. Sarajevo	www.sberbank.ba	430	Jasmin Spahić
11.	SPARKASSE BANK d.d. BiH Sarajevo	www.sparkasse.ba	524	Amir Softić
12.	UNICREDIT BANK d.d. Mostar	www.unicreditbank.ba	1,206	Amina Mahmutović
13.	UNION BANKA d.d. Sarajevo	www.unionbank.ba	195	Vedran Hadžiahmetović
14.	VAKUFСКА BANKA d.d. Sarajevo	www.vakuba.ba	119	Edina Vuk
15.	ZIRAATBANK BH d.d. Sarajevo	www.ziraatbank.ba	306	Yusuf Dilaver
TOTAL			6,452	

Annex 2 - FB&H banks' balance sheet according to the FBA scheme (active sub-balance sheet) – 31/03/2021

- BAM 000 -

No.	Description	31.12.2020	%	31.03.2021	%	Index (5/3)
1	2	3	4	5	6	7
ASSETS						
1.	Cash and deposit accounts with deposit institutions	7,414,615	30.4	7,440,969	30.3	100
	1.a. Cash and non-interest bearing deposit accounts	3,609,270	14.8	3,720,217	15.2	103
	1.b. Interest bearing deposit accounts	3,805,345	15.6	3,720,752	15.1	98
2.	Securities at fair value through profit or loss and at fair value in other comprehensive income	1,526,169	6.3	1,573,801	6.4	103
3.	Placements to other banks	275,941	1.1	309,795	1.3	112
4.	Loans, leasing type receivables and past-due receivables	15,254,651	62.5	15,342,815	62.6	101
	4.a. Loans	14,544,264	59.6	14,606,064	59.6	100
	4.b. Leasing type receivables	55,091	0.2	50,558	0.2	92
	4.c. Due receivables on loans and leasing type receivables	655,296	2.7	686,193	2.8	105
5.	Securities at amortized cost	161,290	0.7	153,035	0.6	95
6.	Business premises and other fixed assets	517,475	2.1	511,064	2.1	99
7.	Other real-estate	36,000	0.1	34,771	0.1	97
8.	Investments in subsidiaries and affiliates	15,944	0.1	15,944	0.1	100
9.	Other assets	376,169	1.5	321,999	1.3	86
10.	MINUS: Impairments	1,181,816	4.8	1,177,144	4.8	100
	10.a. Impairments of items in position 4 of Assets	1,127,176	4.6	1,122,980	4.6	100
	10.b. Impairments of assets items, except for position 4 of Assets	54,640	0.2	54,164	0.2	99
11.	TOTAL ASSETS	24,396,438	100	24,527,049	100	101
LIABILITIES						
12.	Deposits	19,660,862	80.6	19,805,527	80.7	101
	12.a. Interest-bearing deposits	13,634,083	55.9	13,620,769	55.5	100
	12.b. Non interest-bearing deposits	6,026,779	24.7	6,184,758	25.2	103
13.	Borrowings –due liabilities	150	0.0	150	0.0	100
	13.a. Balance of overdue liabilities	0	0.0	0	0.0	-
	13.b. Balance of not settled, called for payment off-balance sheet liabilities	150	0.0	150	0.0	100
14.	Borrowings from other banks	0	0.0	0	0.0	-
15.	Liabilities to government	0	0.0	0	0.0	-
16.	Liabilities on loans and other borrowings	811,878	3.3	772,890	3.2	95
	16.a. with residual maturity up to one year	210,081	0.9	212,714	0.9	101
	16.b. with residual maturity over one year	601,797	2.4	560,176	2.3	93
17.	Subordinated debts and subordinated bonds	186,358	0.8	186,358	0.8	100
18.	Other liabilities	671,108	2.7	628,290	2.5	94
19.	TOTAL LIABILITIES	21,330,356	87.4	21,393,215	87.2	100
CAPITAL						
20.	Permanent priority shares	365	0.0	365	0.0	100
21.	Common shares	1,299,335	5.3	1,299,335	5.3	100
22.	Issue premiums	137,290	0.6	137,290	0.6	100
	22.a. on permanent priority shares	88	0.0	88	0.0	100
	22.b. on common shares	137,202	0.6	137,202	0.6	100
23.	Undistributed profit and capital reserves	1,460,150	6.0	1,617,814	6.6	111
24.	Exchange rate differences	0	0.0	0	0.0	-
25.	Other capital	168,942	0.7	79,030	0.3	47
26.	Loan loss reserves created from profits	0	0.0	0	0.0	-
27.	TOTAL CAPITAL: (20 to 25)	3,066,082	12.6	3,133,834	12.8	102
28.	TOTAL LIABILITIES AND CAPITAL: (19 + 27)	24,396,438	100	24,527,049	100	101
PASSIVE AND NEUTRAL SUB-BALANCE SHEET		703,769		706,027		100
TOTAL		25,100,207		25,233,076		100

Annex 3 - Overview of assets, loans and deposits of FB&H banks – 31/03/2021

- BAM 000 -

No.	Bank	Assets		Loans		Deposits		Financial result
		Amount	%	Amount	%	Amount	%	Amount
1.	ADDIKO BANK d.d. Sarajevo	987,104	4.0	568,043	3.7	756.452	3.8	2,791
2.	ASA BANKA d.d. Sarajevo	634,419	2.6	416,715	2.7	560.554	2.8	2,595
3.	BOSNA BANK INTERNATIONAL d.d. Sarajevo	1,292,463	5.3	820,333	5.3	1,013.986	5.1	5,123
4.	INTESA SANPAOLO BANKA d.d. BiH Sarajevo	2,326,241	9.5	1,630,975	10.6	1,754.796	8.9	6,953
5.	KOMERCIJALNO-INVESTICIONA BANKA d.d. Velika Kladuša	109,499	0.4	52,325	0.3	77.885	0.4	-16
6.	NLB BANKA d.d. Sarajevo	1,262,660	5.1	852,752	5.6	1,029.398	5.2	4,676
7.	PRIVREDNA BANKA SARAJEVO d.d. Sarajevo	531,557	2.2	303,779	2.0	440.712	2.2	677
8.	PROCREDIT BANK d.d. Sarajevo	605,153	2.5	476,499	3.1	331.873	1.7	140
9.	RAIFFEISEN BANK d.d. BiH Sarajevo	4,951,359	20.2	2,586,451	16.9	4,064.613	20.5	23,363
10.	SBERBANK BH d.d. Sarajevo	1,562,805	6.4	1,036,275	6.7	1,343.017	6.8	4,058
11.	SPARKASSE BANK d.d. BiH Sarajevo	1,692,428	6.9	1,182,513	7.7	1,399.953	7.1	4,636
12.	UNICREDIT BANK d.d. Mostar	6,329,862	25.8	4,043,977	26.4	5,177.166	26.1	20,222
13.	UNION BANKA d.d. Sarajevo	840,669	3.4	319,113	2.1	730.573	3.7	858
14.	VAKUFСКА BANKA d.d. Sarajevo	301,640	1.2	182,792	1.2	269.899	1.4	2,417
15.	ZIRAATBANK BH d.d. Sarajevo	1,099,190	4.5	870,273	5.7	854.650	4.3	537
TOTAL		24,527,049	100	15,342,815	100	19,805.527	100	79,030

Annex 4 - Sector Structure of Loans in the FB&H and ECL – 31/03/2021

- 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.)	6,385,386	1,114,635	520,394	8,020,415	76,210	145,366	404,677	626,253
1.1. A Agriculture, forestry and fishing	80,002	17,323	27,791	125,116	827	1,808	21,764	24,399
1.2. B Mining and quarrying	77,083	27,047	234	104,364	1,114	4,555	227	5,896
1.3. C Processing industry	1,363,160	342,140	182,862	1,888,162	18,955	49,959	148,208	217,122
1.4. D Production and supply of electricity, gas, fumes and air conditioning	224,933	10,976	3,456	239,365	2,754	1,766	2,917	7,437
1.5. E Water supply, waste water drainage, commercial waste disposal and environmental recovery	26,283	5,449	730	32,462	292	506	631	1,429
1.6. F Construction	336,489	61,541	34,749	432,779	4,449	6,404	29,707	40,560
1.7. G Wholesale and retail trade; repair of motor vehicles and motorcycles	2,273,418	306,571	175,808	2,755,797	22,353	27,269	133,138	182,760
1.8. H Transport and warehousing	225,079	54,259	19,673	299,011	3,347	4,376	16,069	23,792
1.9. I Accommodation and catering (hotels and hospitalist business)	113,859	104,436	30,694	248,989	6,644	15,309	19,512	41,465
1.10. J Information and communication	94,546	15,900	6,197	116,643	1,425	1,509	3,576	6,510
1.11. K Financial and insurance business	874,332	6,537	33	880,902	4,850	328	13	5,191
1.12. L Real estate business	117,614	57,772	14,511	189,897	1,294	6,718	11,457	19,469
1.13. M Professional, scientific and technical activities	154,979	62,490	11,753	229,222	2,498	21,912	9,637	34,047
1.14. N Administrat. and auxiliary services	23,523	10,000	2,277	35,800	431	833	2,030	3,294
1.15. O Public administration and defence; social insurance	254,694	8,855	0	263,549	3,659	439	0	4,098
1.16. P Education	8,438	263	3,235	11,936	125	19	840	984
1.17. Q Health care and social welfare	68,968	17,019	1,711	87,698	650	1,289	943	2,882
1.18. R Art, entertainment and recreation	12,271	4,862	550	17,683	149	303	484	936
1.19. S Other services	55,714	1,195	4,130	61,039	394	64	3,524	3,982
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	1	0	0	1	0	0	0	0
2. Total Retail (2.1 + 2.2 + 2.3)	6,404,318	467,556	450,526	7,322,400	84,695	60,274	351,758	496,727
2.1. General consumption	4,996,520	398,364	393,026	5,787,910	74,427	53,092	309,321	436,840
2.2. Housing construction	1,337,736	57,503	48,055	1,443,294	9,336	6,397	35,886	51,619
2.3. Entrepreneurs	70,062	11,689	9,445	91,196	932	785	6,551	8,268
3. Total loans (1. + 2.)	12,789,704	1,582,191	970,920	15,342,815	160,905	205,640	756,435	1,122,980

Annex 5 - FB&H banks' income statement according to FBA's scheme – 31/03/2021

- BAM 000 -

No.	Description	31.03.2020	%	31.03.2021	%	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	1,091	0.4	194	0.1	18
2)	Placements to other banks	707	0.3	885	0.3	125
3)	Loans and leasing operations	159,120	61.5	154,291	59.2	97
4)	Securities held to maturity	973	0.4	1,046	0.4	108
5)	Equity securities	0	0	0	0.0	-
6)	Receivables on paid off-balance sheet liabilities	0	0	1	0.0	-
7)	Other interest income and similar income	16,125	6.2	14,761	5.7	92
8)	TOTAL INTEREST INCOME AND SIMILAR INCOME	178,016	68.8	171,178	65.7	96
b)	Interest expenses and similar expenses					
1)	Deposits	24,025	9.3	20,654	7.9	86
2)	Borrowings from other banks	0	0	0	0.0	-
3)	Borrowings taken – past-due liabilities	0	0	0	0.0	-
4)	Liabilities on loans and other borrowings taken	2,044	0.8	1,851	0.7	91
5)	Subordinated debts and subordinated bonds	1,864	0.7	1,710	0.7	92
6)	Other interest expenses and similar expenses	5,944	2.3	6,047	2.3	102
7)	TOTAL INTEREST EXPENSES AND SIMILAR EXPENSES	33,877	13.1	30,262	11.6	89
c)	NET INTEREST AND SIMILAR INCOME	144,139	55.7	140,916	54.1	98
2.	OPERATING INCOME					
a)	Income from foreign exchange operations	13,831	5.3	13,770	5.3	100
b)	Loan fees	2,549	1.0	2,524	1.0	99
c)	Off-balance sheet operation fees	5,909	2.2	5,733	2.2	97
d)	Service fees	76,591	29.6	78,802	30.2	103
e)	Income from trading operations	1,492	0.6	251	0.1	17
f)	Other operating income	14,430	5.6	18,575	7.1	129
g)	TOTAL OPERATING INCOME a) through f)	114,802	44.3	119,655	45.9	104
	TOTAL INCOME (1c + 2g)	258,941	100	260,571	100	101
3.	NON-INTEREST EXPENSES					
a)	Operating and direct expenses					
1)	Risk asset impairment costs, provisions for contingent liabilities and other value adjustments	20,659	8.0	20,661	7.9	100
2)	Other operating and direct costs	33,859	13.1	33,574	12.9	99
3)	TOTAL OPERATING AND DIRECT EXPENSES 1) + 2)	54,518	21.0	54,235	20.8	99
b)	Operating expenses					
1)	Salary and contribution costs	64,056	24.7	64,186	24.6	100
2)	Business premises costs, other fixed assets and overheads	38,763	15.0	39,802	15.3	103
3)	Other operating costs	28,545	11.0	22,928	8.8	80
4)	TOTAL OPERATING EXPENSES 1) through 3)	131,364	50.7	126,916	48.7	97
c)	TOTAL NON-INTEREST EXPENSES	185,882	71.8	181,151	69.5	97
	TOTAL EXPENSES (1b7+3c)	219,759		211,413		96
4.	PROFIT BEFORE TAXATION	76,883	29.7	79,436	30.5	103
5.	LOSS	3,824	1.5	16	0.0	0
6.	TAXES	527	0.2	433	0.2	82
7.	PROFIT ON INCREASE IN DEFERRED TAX ASSETS AND DECREASE IN DEFERRED TAX LIABILITIES	49	0.0	47	0.0	96
8.	LOSS ON DECREASE IN DEFERRED TAX ASSETS AND INCREASE IN DEFERRED TAX LIABILITIES	14	0.0	4	0.0	29
9.	NET PROFIT	76,391	29.5	79,046	30.3	103
10.	NET LOSS	3,824	1.5	16	0.0	0
11.	FINANCIAL PERFORMANCE (9-10)	72,567		79,030		109

Annex 6 - Weighted average NIR and EIR on loans and deposits by periods

Weighted average NIR and EIR on loans by periods

- % -

No.	Description	31.03.2017		31.03.2018		31.03.2019		31.03.2020		31.03.2021	
		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	3.32	3.58	2.77	3.04	2.36	2.65	2.25	2.49	2.12	2.39
1.1.	Corporate	3.26	3.46	2.71	2.92	2.31	2.53	2.21	2.41	2.07	2.29
1.2.	Retail	8.37	15.46	8.40	16.44	7.82	15.28	8.36	15.04	8.38	14.44
2.	Weighted interest rates on long-term loans	5.81	6.90	5.02	6.12	4.67	5.65	4.53	5.47	4.73	5.64
2.1.	Corporate	4.55	4.86	3.83	4.19	3.44	3.68	3.16	3.41	3.56	3.82
2.2.	Retail	6.65	8.21	5.86	7.49	5.42	6.83	5.41	6.81	5.49	6.82
3.	Total weighted interest rates	4.36	4.96	3.69	4.30	3.36	3.94	3.06	3.55	3.30	3.85
3.1.	Corporate	3.55	3.77	2.97	3.21	2.57	2.79	2.38	2.59	2.44	2.67
3.2.	Retail	6.68	8.35	5.90	7.65	5.46	6.97	5.46	6.96	5.53	6.93

Average Weighted NIR and EIR on deposits by periods

- % -

No.	Description	31.03.2017		31.03.2018		31.03.2019		31.03.2020		31.03.2021	
		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	0.36	0.36	0.34	0.35	0.26	0.26	0.51	0.51	0.18	0.18
1.1.	Up to three months	0.34	0.34	0.40	0.40	0.17	0.16	0.44	0.44	0.11	0.11
1.2.	Up to one year	0.53	0.54	0.23	0.24	0.43	0.43	0.54	0.54	0.25	0.26
2.	Weighted interest rates on long-term deposits	1.48	1.50	1.10	1.11	1.49	1.29	0.94	0.95	0.86	0.88
2.1.	Up to three years	1.36	1.38	0.92	0.92	1.44	1.17	0.72	0.72	0.71	0.72
2.2.	Over three years	1.93	1.96	1.47	1.48	1.62	1.63	1.26	1.28	1.23	1.28
3.	Total weighted interest rates on deposits	0.67	0.68	0.66	0.66	0.93	0.82	0.78	0.79	0.56	0.57

ANNEXES - MICROCREDIT SECTOR

Annex 7 - Basic information on FB&H MCOs – 31/03/2021

No.	MCO Name	Web address	Director	Licence issuance date	Number of employees
1.	MKD „CREDO CENTAR“ d.o.o. Mostar	www.credo.centar.ba	Bernard Stojanović	12.09.2019	8
2.	MKD "EKI" d.o.o. Sarajevo	www.eki.ba	Almir Sultanović	04.02.2008	195
3.	MKF "EKI" Sarajevo	www.eki.ba	Esad Uzunić	20.08.2007	143
4.	MKD „IUTECREDIT BH“ d.o.o. Sarajevo	www.iutecredit.ba	Vilma Tunjić Juzbašić	28.02.2019	45
5.	MKF "LIDER" Sarajevo	www.lider.ba	Džavid Sejfović	04.02.2008	70
6.	"LOK MKF" Sarajevo	www.lok.ba	Elma Čardaklija - Bašić	04.02.2008	63
7.	MKF "MELAHA" Sarajevo	www.melaha.ba	Jakob Finci	09.10.2007	6
8.	MKF "MI-BOSPO" Tuzla	www.mi-bospo.org	Safet Husić	09.07.2007	196
9.	MKF "MIKRA" Sarajevo	www.mikra.ba	Sanin Čampara	19.03.2008	156
10.	MKF "MIKRO ALDI" Goražde	www.mikroaldi.org	Omar Softić	20.08.2007	35
11.	"PARTNER MKF" Tuzla	www.partner.ba	Senad Sinanović	20.08.2007	291
12.	"PRVA ISLAMSKA MKF" Sarajevo	www.mfi.ba	Edina Hadžimurtezić	10.12.2007	8
13.	MKF "SANI" Zenica	-	Sulejman Haračić	09.10.2007	3
14.	MKF "SUNRISE" Sarajevo	www.microsunrise.ba	Samir Bajrović	20.08.2007	174
TOTAL					1,393

Annex 8 - MCFs' aggregate balance sheet – 31/03/2021

- BAM 000 -

No.	Description	31.12.2020	%	31.03.2021	%	Index (5/3)
1	2	3	4	5	6	7
ASSETS						
1.	Cash (1a+1b)	42,575	8.6	46,822	9.5	110
1a)	Cash and non-interest bearing deposit accounts	28,525	5.8	31,762	6.5	111
1b)	Interest-bearing deposit accounts	14,050	2.8	15,060	3.0	107
2.	Placements to banks	110	0.0	110	0.0	100
3.	Loans	389,972	79.2	384,381	78.4	99
3a)	Loan loss reserves	4,108	0.8	4,306	0.9	105
3b)	Net loans (3-3a)	385,864	78.4	380,075	77.5	98
4.	Business premises and other fixed assets	26,764	5.5	26,389	5.4	99
5.	Long-term investments	33,061	6.7	33,344	6.8	101
6.	Other assets	3,565	0.8	3,812	0.8	107
7.	Minus: reserves on other asset items, except for loans	10	0.0	10	0.0	100
8.	TOTAL ASSETS	491,929	100	490,542	100	100
LIABILITIES						
9a)	Liabilities on short-term loans taken out	20,476	4.2	8,899	1.8	43
9b)	Liabilities on long-term loans taken out	186,128	37.8	193,000	39.3	104
9c)	Liabilities based on interest due	899	0.2	1,203	0.3	134
10.	Other liabilities	23,130	4.7	22,730	4.6	98
11.	TOTAL LIABILITIES	230,633	46.9	225,832	46.0	98
12.	Donated capital	48,076	9.8	48,076	9.8	100
13.	Tier 1 capital	3,868	0.8	3,767	0.8	97
14.	Surplus of income over expenses	264,873	53.8	268,471	54.7	101
14a)	for previous years	252,283		264,871		105
14b)	for current year	12,590		3,600		29
15.	Shortfall of income over expenses	55,625	11.3	55,705	11.3	100
15a)	for previous years	55,251		55,523		100
15b)	for current year	374		182		49
16.	Other reserves	104	0.0	101	0.0	97
17.	TOTAL CAPITAL	261,296	53.1	264,710	54.0	101
18.	TOTAL LIABILITIES	491,929	100	490,542	100	100
OFF-BALANCE SHEET RECORDS						
19.	Written-off loans	143,361		147,482		103
20.	Approved, but undrawn loan funds of creditors	6,373		7,222		113
21.	Commission operations	218		217		100
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		33,656		84

Annex 9 - MCCs' aggregate balance sheet – 31/03/2021

- BAM 000 -

No.	Description	31.12.2020	%	31.03.2021	%	Index (5/3)
1	2	3	4	5	6	7
ASSETS						
1.	Cash (1a+1b)	12,356	7.4	12,615	7.5	102
1a)	Cash and non-interest bearing deposit accounts	12,106	7.3	12,365	7.3	102
1b)	Interest-bearing deposit accounts	250	0.1	250	0.2	100
2.	Placements to banks	0	0.0	0	0.0	-
3.	Loans	150,918	90.9	153,977	90.9	102
3a)	Loan loss reserves	2,936	1.8	3,430	2.0	117
3b)	Net loans (3-3a)	147,982	89.1	150,547	88.9	102
4.	Business premises and other fixed assets	4,540	2.7	4,630	2.7	102
5.	Long-term investments	0	0.0	0	0.0	-
6.	Other assets	1,248	0.8	1,475	0.9	118
7.	Minus: reserves on other asset items, except for loans	0	0.0	0	0.0	-
8.	TOTAL ASSETS	166,126	100	169,267	100	102
LIABILITIES						
9a)	Liabilities on short-term loans taken out	360	0.2	4,360	2.6	1211
9b)	Liabilities on long-term loans taken out	106,468	64.1	104,028	61.5	98
9c)	Liabilities based on interest due	1,092	0.6	992	0.6	91
10.	Other liabilities	7,928	4.8	7,841	4.6	99
11.	TOTAL LIABILITIES	115,848	69.7	117,221	69.3	101
12.	Donated capital	0	0.0	0	0.0	-
13.	Tier 1 capital	33,100	19.9	33,100	19.6	100
14.	Issue premium	0	0.0	0	0.0	-
15.	Unallocated profit (15a+15b)	9,168	5.5	9,536	5.6	104
15a)	Previous year	10,124		9,164		91
15b)	Current year	-956		372		-39
16.	Legal reserves	3,568	2.2	3,568	2.1	100
17.	Other reserves	4,442	2.7	5,842	3.4	132
18.	TOTAL CAPITAL	50,278	30.3	52,046	30.7	104
19.	TOTAL LIABILITIES	166,126	100	169,267	100	102
OFF-BALANCE SHEET RECORDS						
20.	Written-off loans	6,181		7,133		115
21.	Approved, but undrawn loan funds of creditors	12,879		8,771		68
22.	Commission operations	0		0		-
23.	Court disputes, orders by competent authorities posing contingent liability for MCO, but that have not yet been posted in balance sheet records, etc.	0		0		-
24.	Other (all other off-balance sheet items not covered above)	16,741		14,851		89

Annex 10 - Overview of key indicators of MCOs in the FB&H – 31/03/2021

- BAM 000 -

No.	Name of MCO	Assets	Gross portfolio	Capital	Financial result	Placements
1.	MKD „CREDO CENTAR“ d.o.o. Mostar	2,649	2,265	2,134	34	314
2.	MKD "EKI" d.o.o. Sarajevo	159,815	143,255	49,397	1,864	27,035
3.	MKF "EKI" Sarajevo	104,551	48,803	71,396	763	11,536
4.	MKD „IUTECREDIT BH“ d.o.o. Sarajevo	6,803	6,751	515	-1,526	3,170
5.	MKF "LIDER" Sarajevo	24,261	23,522	12,134	179	5,729
6.	"LOK MKF" Sarajevo	7,318	5,389	3,300	-50	539
7.	MKF "MELAHA" Sarajevo	1,089	803	385	-30	79
8.	MKF "MI-BOSPO" Tuzla	76,832	68,527	29,210	747	16,302
9.	MKF "MIKRA" Sarajevo	52,761	40,723	11,526	253	10,171
10.	MKF "MIKRO ALDI" Goražde	8,230	7,439	5,290	58	1,306
11.	"PARTNER MKF" Tuzla	158,564	139,417	99,001	1,315	19,972
12.	"PRVA ISLAMSKA MKF" Sarajevo	2,280	1,446	2,009	-20	401
13.	MKF "SANI" Zenica	45	42	-11	-82	0
14.	MKF "SUNRISE" Sarajevo	54,611	44,240	30,470	253	12,421
TOTAL		659,809	532,622	316,756	3,758	108,975

Annex 11 - Overview of average weighted NIR and EIR for MCOs – 31/03/2021

No.	Description	MCOs seated in the FB&H -period 01.01.-31.03.2021-			
		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:	12,013	15,407	19.92	32.09
1.1.	service activities	519	988	20.66	28.24
1.2.	trade	122	413	19.06	25.46
1.3.	agriculture	1,577	2,322	20.34	25.88
1.4.	manufacturing	59	154	19.72	26.42
1.5.	housing needs	797	1,403	21.23	28.11
1.6.	general-basic needs	6,481	7,319	22.17	40.46
1.7.	other	2,458	2,808	12.94	20.03
2.	Long term microloans for:	20,599	93,568	19.34	23.86
2.1.	service activities	1,812	7,985	19.04	23.08
2.2.	trade	336	1,773	17.52	21.10
2.3.	agriculture	5,308	27,978	18.04	20.52
2.4.	manufacturing	244	1,486	17.47	20.78
2.5.	housing needs	4,199	23,637	19.73	23.17
2.6.	general-basic needs	4,260	14,644	21.56	26.17
2.7.	other	4,440	16,065	19.54	29.56
3.	Total microloans	32,612	108,975	19.43	25.02

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

- % -

Average weighted NIR on:	01.01.-31.03.2017	01.01.-31.03.2018	01.01.-31.03.2019	01.01.-31.03.2020	01.01.-31.03.2021
Short-term microloans	18.20	20.06	21.64	20.36	19.92
Long-term microloans	20.64	19.58	19.22	18.96	19.34
Total microloans	20.19	19.65	19.56	19.15	19.43
Average weighted EIR on:	01.01.-31.03.2017	01.01.-31.03.2018	01.01.-31.03.2019	01.01.-31.03.2020	01.01.-31.03.2021
Short-term microloans	26.56	26.78	29.42	33.31	32.09
Long-term microloans	24.52	23.26	22.61	23.51	23.86
Total microloans	24.90	23.79	23.57	24.38	25.02

Annex 12 - MCFs aggregate income statement – 31/03/2021

- BAM 000 -

No.	Description	For the period 01.01. - 31.03.2020	%	For the period 01.01. - 31.03.2021	%	Index (5/3)
1	2	3	4	5	6	7
	INTEREST INCOME AND EXPENSES					
1.	Interest and similar income	19,408	90.5	19,199	90.5	99
2.	Interest and similar expenses	1,924	10.6	1,924	10.8	100
3.	Net interest and similar income (1. - 2.)	17,484		17,275		99
	OPERATING INCOME AND EXPENSES					
4.	Operating income	1,809	8.4	1,792	8.4	99
5.	Operating expenses	13,669	75.6	14,256	79.9	104
	OTHER OPERATING INCOME AND EXPENSES					
6.	Other operating income	231	1.1	233	1.1	101
7.	Other operating expenses	86	0.5	116	0.7	135
8.	Costs of provisions for loan and other losses	2,089	11.6	1,181	6.6	57
9.	Surplus/shortfall of income over expenses before taxes (3.+4.-5.+6.-7.-8.)	3,680		3,747		102
10.	Tax on surplus income over expenses	313	1.7	361	2.0	115
11.	Net surplus/shortfall of income over expenses (9.-10.)	3,367		3,386		101

Annex 13 - MCCs aggregate income statement – 31/03/2021

- BAM 000 -

No.	Description	For the period 01.01. - 31.03.2020	%	For the period 01.01. - 31.03.2021	%	Index (5/3)
1	2	3	4	5	6	7
	INTEREST INCOME AND EXPENSES					
1.	Interest and similar income	6,956	98.5	7,456	97.5	107
2.	Interest and similar expenses	1,358	18.3	1,579	21.7	116
3.	Net interest and similar income (1. - 2.)	5,598		5,877		105
	OPERATING INCOME AND EXPENSES					
4.	Operating income	30	0.4	137	1.8	457
5.	Operating expenses	3,927	53.1	4,088	56.2	104
	OTHER OPERATING INCOME AND EXPENSES					
6.	Other operating income	76	1.1	52	0.7	68
7.	Other operating expenses	15	0.2	11	0.2	73
8.	Costs of provisions for loan and other losses	2,025	27.4	1,384	19.0	68
9.	Profit/loss before taxes (3.+4.-5.+6.-7.-8.)	-263		583		-222
10.	Income tax	76	1.0	211	2.9	278
11.	Net profit/loss (9.-10.)	-339		372		-110

ANNEXES – LEASING SECTOR

Annex 14 - Basic information on leasing companies in the FB&H – 31/03/2021

No.	Leasing company name	Web address	Director	License issuance date	No. of employees
1.	MOGO d.o.o. Sarajevo	www.mogo.ba	Zoran Vukelić	01.06.2018	15
2.	PORSCHE LEASING d.o.o. Sarajevo	www.porscheleasing.ba	Dejan Stupar	28.05.2015	22
3.	RAIFFEISEN LEASING d.o.o. Sarajevo	www.rlbh.ba	Maja Jurčević	19.01.2010	45
4.	SPARKASSE LEASING d.o.o. Sarajevo	www.s-leasing.ba	Elma Hošo	11.02.2010	25
TOTAL					107

Annex 15 - Leasing companies' aggregate balance sheet – 31/03/2021

- BAM 000 -

No.	Description	31.12.2020	%	31.03.2021	%	Index (5/3)
1	2	3	4	5	6	7
	ASSETS					
1.	Cash and cash equivalents	6,548	1.9	3,523	1.0	54
2.	Placements to banks	12,113	3.5	11,678	3.3	96
3.	Financial leasing type receivables, net (3a-3b-3c-3d)	256,770	74.7	265,115	75.7	103
3a)	Financial leasing type receivables, gross	280,723	81.7	288,853	82.4	103
3b)	Loss reserves	2,126	0.6	2,267	0.6	107
3c)	Deferred interest income	21,584	6.3	21,206	6.0	98
3d)	Deferred fee income	243	0.1	265	0.1	109
4.	Receivables from subsidiaries	0	0.0	0	0.0	-
5.	Tangible and intangible assets, net (5a+5b-5c-5d)	55,565	16.2	56,820	16.2	102
5a)	Tangible and intangible assets –own funds	3,562	1.0	3,670	1.1	103
5b)	Tangible and intangible assets –of operational leasing	73,103	21.3	75,423	21.5	103
5c)	Impairment -own resources	1,961	0.6	2,072	0.6	106
5d)	Impairment-operating leasing	19,139	5.5	20,201	5.8	106
6.	Long-term investments	309	0.1	309	0.1	100
7.	Other assets (7a+7b)	12,521	3.6	13,075	3.7	104
7a)	Loans, net (7a1-7a2)	4,982	1.4	4,891	1.4	98
7a1)	Loans (past-due receivables+outstanding principal)	4,984	1.4	4,893	1.4	98
7a2)	Loan reserves	2	0.0	2	0.0	100
7b)	Inventory	912	0.3	1,348	0.4	148
7c)	Other assets	6,627	1.9	6,836	1.9	103
	TOTAL ASSETS	343,826	100	350,520	100	102
	LIABILITIES					
8.	Liabilities on loans, net (8a+8b-8c)	307,877	89.5	311,388	88.8	101
8a)	Liabilities on short-term loans	1,956	0.5	8,810	2.5	450
8b)	Liabilities on long-term loans	306,085	89.0	302,727	86.3	99
8c)	Advanced costs and fees	164	0.0	149	0.0	91
9.	Other liabilities	8,174	2.4	10,084	2.9	123
	TOTAL LIABILITIES	316,051	91.9	321,472	91.7	102
10.	Tier 1 capital	16,458	4.8	16,458	4.7	100
11.	Reserves	7,060	2.1	7,060	2.0	100
12.	Accumulated profit/loss	4,257	1.2	5,530	1.6	130
	TOTAL CAPITAL	27,775	8.1	29,048	8.3	105
	TOTAL LIABILITIES	343,826	100	350,520	100	102
	Written off receivables (opening balance)	19,880		21,020		106
	New write off (+)	2,115		173		8
	Recovery (-)	61		33		54
	Permanent write off (-)	914		1,276		140
	Written off receivables (closing balance)	21,020		19,884		95
	Other off-balance sheet records	68,554		66,843		98

Annex 16 - Basic indicators of leasing companies in the FB&H – 31/03/2021

- BAM 000 -

No.	Name	Balance sheet total	Financial leasing receivables	Net balance of funds granted under operational leasing	Total capital	Financial result	Placements
1.	MOGO d.o.o. Sarajevo	2,348	1,353	0	542	-356	0
2.	PORSCHE LEASING d.o.o. Sarajevo	137,046	89,627	41,417	7,729	.,078	15,910
3.	RAIFFEISEN LEASING d.o.o. Sarajevo	118,435	87,600	9,656	12,802	323	11,049
4.	SPARKASSE LEASING d.o.o. Sarajevo	92,691	86,535	4,149	7,975	227	16,750
TOTAL		350,520	265,115	55,222	29,048	1,272	43,709

Annex 17 - Leasing companies' aggregate income statement – 31/03/2021

- BAM 000 -

No.	Description	01.01.- 31.03.2020	%	01.01.- 31.03.2021	%	Index (5/3)
1	2	3	4	5	6	7
	Financial income and expenses					
1.	Interest income	3,385	37.9	3,216	38.4	95
1a)	Interest on financial leasing	96	1.1	18	0.2	19
1b)	Interest on placements to banks	2,934	32.8	2,772	33.2	94
1c)	Fees (for leasing application processing, etc.)	218	2.5	213	2.5	98
1d)	Other interest income	137	1.5	213	2.5	155
2.	Interest expenses	1,082	13.4	1,004	14.1	93
2a)	Interest on borrowed funds	1,054	13.0	984	13.8	93
2b)	Loan processing fees	28	0.4	20	0.3	71
2c)	Other interest expenses	0	0.0	0	0.0	-
3.	Net interest income	2,303	25.8	2,212	26.4	96
	Operating income and expenses					
4.	Operating income	5,557	62.1	5,154	61.6	93
4a)	Service fees	0	0.0	0	0.0	-
4b)	Operating lease fee	4,088	45.7	4,625	55.3	113
4c)	Income from sale of leasing object	0	0.0	0	0.0	-
4d)	Other operating income	1,469	16.4	529	6.3	36
4d)1	Income from recovered written off receivables	3	0.0	62	0.7	2067
4d)2	Income from collection letters	4	0.0	6	0.1	150
4d)3	Other	1,462	16.4	461	5.5	32
5.	Operating expenses	6,790	83.8	5,920	83.4	87
5a)	Salary and contribution costs	1,258	15.5	1,129	15.9	90
5b)	Business premises costs	2,825	34.9	3,012	42.4	107
5c)	Other costs	2,707	33.4	1,779	25.1	66
6.	Costs of loss reserves	223	2.8	174	2.5	78
7.	Profit before tax	847	-	1,272	-	150
8.	Corporate income tax	0	0.0	0	0.0	-
9.	Net profit/loss	847	-	1,272	-	150

Annex 18 - Overview of weighted NIR and EIR for financial leasing contracts – 31/03/2021

No.	Description	For the period 01.01.-31.03.2021			
		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:	4	240	4.02	6.80
a.	Passenger vehicles	3	194	4.14	7.21
b.	Vehicles for performing business activity (cargo and passenger vehicles)	1	46	3.50	5.07
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:	4	240	4.02	6.80
a.	Corporate	4	240	4.02	6.80
b.	Entrepreneurs	0	0	0.00	0.00
c.	Retail	0	0	0.00	0.00
2.	Long-term leasing contract by leasing objects:	722	37,995	4.06	7.47
a.	Passenger vehicles	438	20,064	3.78	7.14
b.	Vehicles for performing business activity (cargo and passenger vehicles)	231	8,959	4.21	7.53
c.	Machines and equipment	53	8,972	4.54	8.15
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:	722	37,995	4.06	7.47
a.	Corporate	597	33,829	4.00	6.58
b.	Entrepreneurs	30	1,352	3.95	6.10
c.	Retail	95	2,814	4.86	18.82
	Total (1+2)	726	38,235	4.06	7.47

Annex 18a - Comparative overview of average weighted NIR and EIR for financial leasing contracts - % -

No.	Description	31.03.2017		31.03.2018		31.03.2019		31.03.2020		31.03.2021	
		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:	5.02	7.68	5.24	9.65	8.64	17.65	3.93	8.07	4.02	6.80
1.1.	Corporate	5.02	7.59	5.24	9.65	2.99	5.23	3.93	8.07	4.02	6.80
1.2.	Entrepreneurs	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1.3.	Retail	4.99	11.36	0.00	0.00	32.08	69.21	0.00	0.00	0.00	0.00
2.	Long-term leasing contracts:	4.80	7.31	4.47	7.24	7.20	11.29	4.18	7.25	4.06	7.47
2.1.	Corporate	4.81	6.68	4.43	6.58	4.13	6.19	4.08	6.41	4.00	6.58
2.2.	Entrepreneurs	5.99	8.41	4.99	7.06	5.05	6.84	5.21	8.84	3.95	6.10
2.3.	Retail	4.41	15.53	4.97	18.44	26.15	42.82	4.91	18.18	4.86	18.82
	Total	4.80	7.31	4.47	7.25	7.22	11.37	4.18	7.26	4.06	7.47



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**Zmaja od Bosne 47b
71000 Sarajevo, Bosnia and Herzegovina
Tel. +387 33 72 14 00
Faks +387 33 66 88 11
Web site: www.fba.ba
e-mail: agencija@fba.ba**