



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 31/03/2022

*Sarajevo, June 2022*

## Abbreviations and terms

AMFI	Association of Micro Finance Institutions in BiH
DIA	Deposit Insurance Agency of Bosnia and Herzegovina
BD	Brčko District
BiH	Bosnia and Herzegovina
CBBiH	Central Bank of Bosnia and Herzegovina
CLR	Central Loan Register in B&H (for legal entities and private individuals)
EBA	European Banking Authority
EBRD	European Bank for Reconstruction and Development
ECB	European Central Bank
ECL	Expected credit loss
EFSE	European Fund for Southeast Europe
EIR	Effective Interest Rate
EU	European Union
FBA	Federation of Bosnia and Herzegovina Banking Agency
FBiH	Federation of Bosnia and Herzegovina
FSAP	Financial Sector Assessment Program
FX risk	Foreign Exchange Risk
ICAAP	Internal Capital Adequacy Assessment Process
ICT	Information and Communications Technology
ILAAP	Internal Liquidity Adequacy Assessment Process
LCR	Liquidity Coverage Ratio
MCC	Micro credit company
MCF	Micro credit foundation
MCO	Micro credit organisation
IMF	International Monetary Fund
IFRS	International Financial Reporting Standards
NFI	Non-deposit Financial Institutions
NIR	Nominal Interest Rate
NPL	Non performing loans
Pandemic	„COVID - 19“ virus disease
DBFBiH	Development Bank of the Federation of Bosnia and Herzegovina
LLP	Loan Loss Provisions
RS	Republic of Srpska
WB	World Bank
BSE	FB&H Banking System Entities: banks, banking groups, development banks, MCOs, leasing companies, factoring companies, exchange offices, and other financial organizations whose operations are supervised by the FBA
SREP	Supervisory Review and Evaluation Process
BABiH	Banks Association of Bosnia and Herzegovina
BiHALC	B&H Association of Leasing Companies
USAID	United States Agency for International Development - Financial Reform Agenda
FINRA	Project
Project	Activity Project
FBA MB	Management Board of the FB&H Banking Agency

LoA	Law on the Banking Agency of the Federation of Bosnia and Herzegovina
LoB	Law on Banks
LoF	Law on Factoring
LoL	Law on Leasing
LoMCO	Law on Micro Credit Organisations

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## Summary of Regulatory Requirements and Operating Standards of BSEs

Minimum amount of paid in shareholder capital – BAM 15 million	Article 24, Paragraph (2) of LoB <sup>1</sup>
Common Equity Tier 1 capital ratio – 6.75%	Article 34, Paragraph (1), Item a) of the Decision on Capital Calculation in Banks <sup>2</sup>
Tier 1 capital ratio - 9%	Article 34, Paragraph (1), Item b) of the Decision on Capital Calculation in Banks
Own funds ratio - 12%	Article 34, Paragraph (1), Item c) of the Decision on Capital Calculation in Banks
Capital buffer in form of Tier 1 Capital – 2.5% of the total risk exposure	Article 39, Paragraph (1) of the Decision on Capital Calculation in Banks
Financial leverage ratio - 6%	Article 37, Paragraph (2) of the Decision on Capital Calculation in Banks
Liquidity Coverage Ratio - LCR ≥100%	Article 17, Paragraph (2) of the Decision on Liquidity Risk Management in Banks <sup>3</sup>
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"> <li>- Minimum 65% of funding sources with maturity up to 30 days shall be used for purpose of facilities (assets instruments) with maturity up to 30 days, Article 43, Paragraph (8), Item a) of the Decision on Liquidity Risk Management in Banks;</li> <li>- Minimum 60% of funding sources with maturity up to 90 days shall be used for purpose of facilities (assets instruments) with maturity up to 90 days, Article 43, Paragraph (8), Item b) of the Decision on Liquidity Risk Management in Banks;</li> <li>- Minimum 55% of funding sources with maturity up to 180 days shall be used for purpose of facilities (assets instruments) with maturity up to 180 days, Article 43, Paragraph (8), Item c) of the Decision on Liquidity Risk Management in Banks.</li> </ul>
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 <sup>4</sup>
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

<sup>1</sup> FB&H Official Gazette No. 27/17

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

<sup>3</sup> FB&H Official Gazette No. 39/21

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

Limitation regarding aggregate foreign exchange position of the bank – up to 40% of the bank's eligible capital.	Article 3, Paragraph (2), Item c) of the Decision on Foreign Exchange Risk Management in Banks
Ratio of change in economic value of the banking book and own funds $\leq$ 20%	Article 7 of the Decision on Interest Rate Risk Management in the Banking Book <sup>5</sup>
Herfindahl-Hirschman Index - HHI	<p>It represents the most frequently used measure of concentration in European and U.S. economic systems. HHI is calculated by summing up the squares of percentage shares of specific items (e.g. assets, deposits, loans) of all market participants in a particular system. If HHI value is below 1,000, it indicates to absence of market concentration, while its value ranging from 1,000 to 1,800 units shows moderate concentration in the market and HHI above 1,800 means high market concentration.</p>
Concentration Ratio - CR	<p>CR is an indicator of concentrations in the banking sector. It represents a total share of largest banks in the sector in relevant categories: in assets, loans and deposits. It is being designated by the number of banks included in the calculation, e.g. CR 5. There is no unique and commonly accepted opinion on interpretation of results of CR. With higher the value, comes higher the market concentration.</p>
Ratio of loans/deposits and loans taken	<p>This is a ratio between the most important bank loans, on the assets side, and deposits and loans taken on the liabilities side. With higher rate comes weaker liquidity position of the bank. Empirical standards are: below 70% - very sound, 71%-75% - satisfactory, 76%-80% - marginally satisfactory, 81%-85% - insufficient, over 85% - critical.</p>
Minimum amount of core capital of MCCs - BAM 500,000	Article 26, Paragraph (1) LoMCO <sup>6</sup>
Minimum amount of core 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 <sup>7</sup>
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

<sup>5</sup> FB&H Official Gazette No. 41/20

<sup>6</sup> FB&H Official Gazette No. 59/06

<sup>7</sup> FB&H Official Gazette No. 103/18

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

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

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

## EXECUTIVE SUMMARY

### FB&H banking sector's key performance indicators



**Operating licence** | 14 commercial banks, 524 organisational parts and 6,439 employees, which is 7 employees or 0.1% more than at the end of the previous year.



**Balance sheet exposures according to the credit risk grades** | **BAM 23.6 billion** (90.3% of total balance sheet exposures) within the credit risk grade 1 and within the credit risk grade 2 – **BAM 1.5 billion** (5.9% of total balance sheet exposures), while **BAM 1.0 billion** (3.8% of total balance sheet exposures) is within the credit risk grade 3



**Assets** | Net assets amount to **BAM 25.6 billion**, loans **BAM 15.7 billion**, cash **BAM 8.1 billion**, investment in securities **BAM 1.9 billion**



**Off-balance sheet exposures according to risk grades** | **BAM 3.5 billion** within the credit risk grade 1 (91% of total off-balance sheet exposures), within the credit risk grade 2 – **BAM 330.9 million** (8.7% of total off-balance sheet exposures) and **BAM 10.7 million** within the credit risk grade 3 (0.3% of total off-balance sheet exposures)



**Capital** | Total capital **BAM 3.1 billion** (12.2% of liabilities), of which shareholders capital is **BAM 1.4 billion**, own funds **BAM 2.8 billion**, common equity Tier 1 capital and Tier 1 capital **BAM 2.7 billion**, Tier 2 capital **BAM 115.9 million**.



**ECL coverage rate for balance sheet exposures** | **4.3%** total coverage rate: credit risk grade 1 – **0.7%**, credit risk grade 2 – **11.4%** and credit risk grade 3 – **76.4%**



**Capital ratios** | **19.5%** own funds ratio, **18.7%** Common Equity Tier 1 capital ratio and Tier 1 capital ratio, **10.1%** financial leverage ratio



**ECL coverage rate for off-balance sheet exposures** | **1.4%** total coverage rate: credit risk grade 1 – **0.6%**, credit risk grade 2 – **8.3%**, credit risk grade 3 – **33.4%**



**Loan portfolio** | Loan portfolio decrease by **1.3%**. Retail loans amount to **BAM 7.7 billion** (up by BAM 53.2 million or 0.7%) and corporate loans equal **BAM 8.0 billion** (down by BAM 261.3 million or 3.2%; if we exclude decrease of ST low-risk exposures, there is an increase by 1.6%)



**Loan portfolio within the credit risk grade 3 (NPL)** | **BAM 948.9 million**, it represents 6.1% of the total loan portfolio (decrease by 0.3% vs. end of the previous year). NPL rate for the corporate portfolio is **6.8%**, for the retail portfolio **5.3%**. **ECL coverage rate** | **76.8%** (corporate 74.9%, retail 79.3%), thus posting a drop by 0.7 percentage points



**Deposits** | **BAM 20.7 billion** (81% of total liabilities), of which **savings deposits amount to BAM 9.9 billion** and have a decrease rate of 5.5%



**Liabilities based on loans taken** | **BAM 771.1 million** (3% of total liabilities)



**Trend** | An **increase** was noted with cash (1%), capital (0.6%), and other liabilities (16.5%), while a **decrease** was evident with net assets (1.2%), loan portfolio (1.3%), investments in securities (4.1%), placements to other banks (39.9%), fixed assets (1.1%), other assets (1.4%), deposits (2.2%) and liabilities based on loans taken (1%)



**FB&H banking sector liquidity** | **Satisfactory**, considering basic indicators of liquidity, qualitative and quantitative requirements, as well as other factors impacting the liquidity position in banks



**Profitability** | **BAM 71.7 million** of net profit, all banks, except one, posted a positive financial result

## Key performance indicators of the FB&H Microcredit Sector



**Operating licence** | 13 MCOs (10 MCFs and 3 MCCs), 347 organisational parts and 1,400 employees, which is higher by 2 employees or 0.1%



**Capital** | BAM 338.6 million (49.4% of liabilities), up by BAM 4.7 million or 1.4% (capital increase rate of MCCs is 2.9% and 1.1% for MCFs)



**MCOs assets** | BAM 684.9 million, down by BAM 8.6 million or 1.2%. Assets drop rate for MCCs is 3.3% and for MCFs 0.5%



**Liabilities based on loans taken** | BAM 314.5 million (46% of liabilities), down by BAM 11.4 million or 3.5% (drop rate of loan obligations of MCCs is 5.5%, while this rate for MCFs was 2.3%)



**Net micro loans** | BAM 558.5 million (81.5% of assets), up by BAM 1.6 million or 0.3% (a drop by 0.4% for MCCs and a rise by 0.6% for MCFs)



**Trend** | An **increase** was noted regarding placements with banks (54.2%), gross micro loans (0.4%), net micro loans (0.3%), LLPs (13.2%) and capital (1.4%), while a **decrease** was seen with cash (16.2%), tangible and intangible assets (1.9%), other assets (0.8%), liabilities based on loans taken (3.5%) and other liabilities (5.6%). Long term investments and reserves for other assets items, except for loans, **remained the same.**



**PAR over 30 days** | 1.45% of annual rate of write offs | 1.49%

Portfolio quality indicators are within the prescribed limits with a PAR increase by 0.18 percentage points and an increase of the write off rate by 0.04 percentage points



**Operating efficiency** | 18.83%, return on assets adjusted by inflation, market price of capital and donations | 2.02%, which is in line with the prescribed standards



**33,703 concluded contracts** (3.3% more) and **BAM 127.2 million micro loans disbursed** (16.7% more)



**Positive financial result** | BAM 3.4 million, down by BAM 0.4 million. Net profit of MCCs | BAM 0.2 million, and excess income over expenses of MCFs | BAM 3.2 million

## Key performance indicators of the FB&H leasing sector



**Operating licence** | 5 leasing companies, 98 employees, which is 3 employees or 3% less



**Liabilities based on loans taken** | BAM 350.7 million (89.7 of liabilities), up by BAM 14.4 million or 4.3%, with a dominant share of long term loans



**Assets of the leasing sector** | BAM 390.9 million, up by BAM 17.2 million or 4.6%



**Capital** | BAM 31.8 million (8.2% of liabilities), up by BAM 2.4 million or 8%



**Net receivables based on financial leasing** | BAM 294.4 million (75.3% of assets), up by BAM 3.8 million or 1.3%



**Trend** | An **increase** was noted with gross receivables based on financial leasing (1%), net receivables based on financial leasing (1.3%), net value of fixed assets financed via operational leasing (7.3%), cash and cash equivalents (9.2%), placements with banks (106.1%), liabilities based on loans taken (4.3%), capital (8%) and other liabilities (5.1%), while a **decrease** was seen with loss reserves (6.7%), other assets (5.3%) and written off receivables (1.9%)



**Overdue receivables** | BAM 2.4 million, up by 0.8%. **Loss reserves for financial leasing** | BAM 5.3 million, down by 6.7%



**Number and value of newly concluded contracts for financial and operational leasing** at the leasing system level – increase by 15.2% and 20% respectively



**Positive financial result** | BAM 2.4 million, up by BAM 1.1 million

### Key indicators of the factoring business in the FB&H



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



**62 concluded factoring contracts** (less by 35 contracts or 36.1%) **with nominal value of redeemed monetary claims of BAM 42 million** (up by BAM 3.8 million or 9.8%)



**Total income of the factoring service providers in the FB&H | BAM 355 ths**, which is the same as in the same period the year before.

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



**BAM 106.9 million** (0.7% of total loans of the FB&H banking sector) **was captured by some of the active special measures**. Corporate loan portfolio encompassed by some of the active measures amounts to BAM 99.5 million (1.2% of the corporate loan portfolio), while retail loan portfolio covered by some of the active measures equals BAM 7.4 million (0.1% of the retail loan portfolio)



**BAM 29.7 million** (3.5% of the total loan portfolio of NFIs) **was captured by some of the special active measures**. In the retail segment, exposures covered by some of these measures amounted to BAM 23.1 million (4% of the total retail loan portfolio), while corporate loan exposures covered by these measures equal BAM 6.6 million (2.4% of the total corporate loan portfolio)



## INTRODUCTION

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FBA was established in 1996 as an independent and self-standing institution which exercises its competences in accordance with the prescribed provisions of the LoA, international standards and supervision principles and professional rules. The FBA MB performs general supervision of the FBA's operations, taking measures for efficient performance of the functions from the FBA's purview in accordance with its statutory competences and reporting to the FB&H Parliament.

As part of 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 31/03/2022 was drawn up using reporting data and other data and information provided by the BSEs to the FBA and used in regular supervision of the BSEs.

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

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

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

The FBiH banking system is safe, stable and adequately capitalised. During the reporting period and as a response to the events surrounding the invasion of Ukraine and announced sanctions over capital and banks connected with the Russian Federation, FBA has taken crucial measures and initiated a resolution process over one bank. This process was successfully finalised in early April 2022. This has ensured full safety and continuity of operations of the bank through an ownership transfer and established models of bank strengthening. Over the following period, FBA will continue to monitor occurrences regarding current geopolitical situation, possible risks spilling over from the EU countries, monetary policy of central banks in the EU, as well as their economic effects to the banking system in BiH. Also, it will take measures to maintain stability and safety of the FBiH banking system and protect its depositors.



## 1. BANKING SECTOR

### 1.1. FB&H BANKING SECTOR'S STRUCTURE

#### 1.1.1. Status, Number and Business Network

As of 31/03/2022, 14 commercial banks had banking license in the FB&H and all banks are members of the DIA. Number of banks remained the same as at YE2021.

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 31/03/2022.

The FB&H banks had, as of 31/03/2022, a total of 524 organizational units, which was fewer by 3 organisational parts or 0.6% compared to YE2021. In the territory of the FB&H, there are 461 organizational units of banks. Seven banks from the FB&H have 52 organizational units in the RS, while 10 banks have 11 organizational units in the BD. Three banks from the RS have 28 organisational parts in the FB&H, being the same as at YE2021.

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

No.	Description	Business unit/higher org.parts	Other organisat. parts	POS devices	ATMs
<b>31.12.2021</b>					
1.	Banks seated in the FB&H (in the territory of B&H)	409	118	24,295	1,232
2.	Organisational parts of banks from the RS doing business in the FB&H	10	18	370	38
<b>Total</b>		<b>419</b>	<b>136</b>	<b>24,665</b>	<b>1,270</b>
<b>31.03.2022</b>					
1.	Banks seated in the FB&H (in the territory of B&H)	407	117	24,844	1,220
2.	Organisational parts of banks from the RS doing business in the FB&H	10	18	348	36
<b>Total</b>		<b>417</b>	<b>135</b>	<b>25,192</b>	<b>1,256</b>

#### 1.1.2. Ownership Structure and Market Share

Ownership structure of the FB&H banks<sup>10</sup> as of 31/03/2022 is the following:

- privately owned and predominantly privately owned - 13 banks,
- state-owned and predominantly state-owned<sup>11</sup> - one bank.

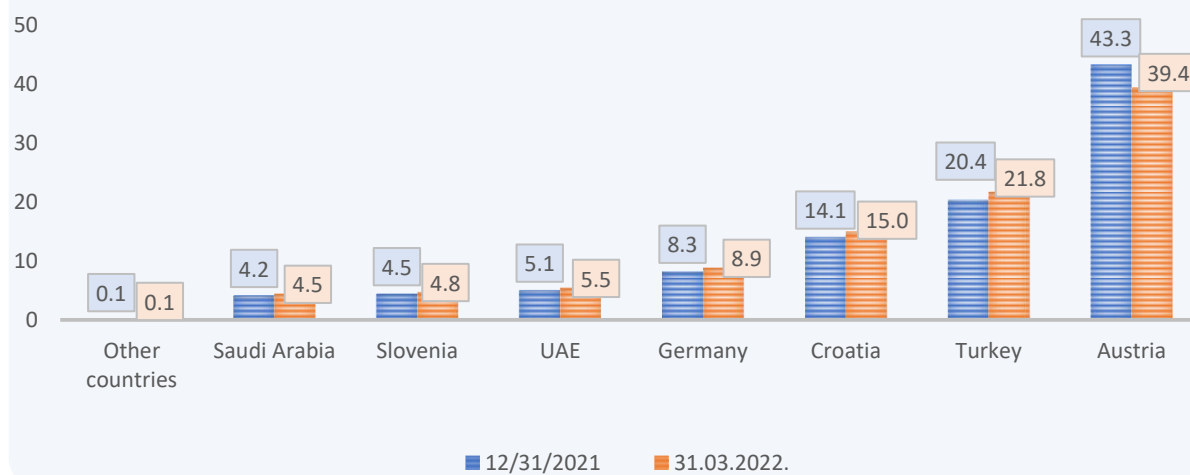
Of 13 private and predominantly privately owned banks, three banks are majority-owned by domestic legal and natural persons (residents), while ten banks are majority foreign-owned.

<sup>10</sup> Criteria here was the ownership over shareholder capital in banks

<sup>11</sup> State ownership refers to the capital of the FB&H Government

Looking into home countries of the shareholders, the biggest share as of 31/03/2022 (Chart No. 1) was still held by shareholders from Austria (39.4% of foreign capital), followed by Turkey (21.8%), Croatia (15.0%) and Germany (8.9%), while individual shares of other countries are deemed as insignificant.

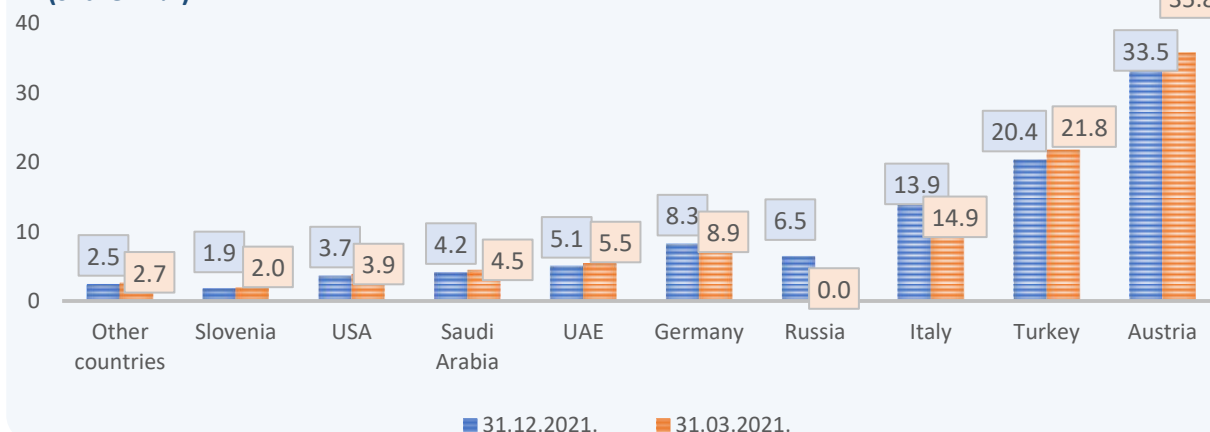
**Chart 1: Structure of foreign capital by countries (share in %)**



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 (Chart No. 2).

According to this criterion, the highest share as of 31/03/2021 is held by the banking groups and banks from Austria (35.8%), followed by the banking groups and banks from Turkey (21.8%), Italy (14.9%) and Germany (8.9%), while the banking groups and banks from other countries have no major individual shares (below 7%).

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



The total capital of the FB&H banking sector with the balance as at 31/03/2022 increased by BAM 20.1 million or 0.6% compared to the end of 2021, amounting to BAM 3.1 billion (Table

No. 2). The increase of total capital was realized as a net effect of: an increase on the basis of the current financial result for the first quarter of 2022 of BAM 71.7 million, a decrease based on dividends disbursement of BAM 24 million, a decrease related to sale of fair-valued securities of BAM 1.6 million and a decrease resting on changes to fair value of securities of BAM 26 million.

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**Table 2. Ownership structure according to total capital**

No.	Banks	31.12.2020		31.12.2021		31.03.2022		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	63,642	2.1	95,412	3.1	96,161	3.1	150	101
2.	Private banks	3,002,440	97.9	3,012,735	96.9	3,032,131	96.9	100	101
	<b>Total</b>	<b>3,066,082</b>	<b>100</b>	<b>3,108,147</b>	<b>100</b>	<b>3,128,292</b>	<b>100</b>	<b>101</b>	<b>101</b>

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

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

No	Share capital	31.12.2020		31.12.2021		31.03.2022		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	66,556	4.8	66,556	4.8	160	100
2.	Private capital (residents)	140,547	10.8	137,373	9.9	213,725	15.5	98	156
3.	Foreign capital (non-residents)	1,117,534	86.0	1,178,936	85.3	1,102,584	79.7	105	94
	<b>Total</b>	<b>1,299,700</b>	<b>100</b>	<b>1,382,865</b>	<b>100</b>	<b>1,382,865</b>	<b>100</b>	<b>106</b>	<b>100</b>

As of 31/03/2022, the share of private capital (residents) has risen against the end of 2021 by 5.6 percentage points compared to foreign capital (non-residents). This came as a result of a finalized bank resolution process with one bank. Following the ECB announcement of the status change of one banking group on 26/02/2022, as well as subject to a document published by the U.S. Department of the Treasury – Directive 2 under Executive Order 14024 (Prohibitions Related to Correspondent or Payable-through Accounts and Processing of Transactions Involving Certain Foreign Financial Institutions), we have seen effects of these actions spilling over to a BiH-operating bank that was a part of the said banking group. On 27/02/2022, FBA has adopted measures regarding the governance structure and rights of the bank's shareholders, considering therein the measures being announced and already being implemented outside BiH, as well as considering assessments of possible effects to operations of the bank in the FBiH. On 01/03/2022, FBA adopted a conclusion according to which it has found that early intervention measures have not been met, while at the same time conditions have gathered for initiation of the bank resolution process. Therein, it was determined that measures already taken (including the early intervention and measures contained in the effective recovery plan), could not eliminate concerns regarding business continuity of this bank over a certain reasonable timeframe. Also, FBA has found that the liquidity position of the bank was impaired and that operating risks have arisen. Hence, the bank was unable to continue operating without having being subject of the bank resolution process defined by the LoB.

For purpose of upholding stability of the FBiH financial system, the bank resolution process was initiated and the bank resolution instrument identified – bank sale through sale of shares of the

majority shareholder. This was in line with prior resolution plans concerning this bank. The resolution process was launched on 01.03.2022 based on the decision on the bank resolution initiation, while the process was finalised on 08/04/2022 subject to the decision on the bank resolution finalization. These measures helped preserve operating capacities and business continuity of this bank, whereas the performed activities were aligned with, identical or comparable to those taken by other regulators in the EU and the region.

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

No	Banks	Number of banks	31.12.2020		Number of banks	31.12.2021		Number of banks	31.03.2022	
			Share in total capit. %	Share in total assets %		Share in total capit. %	Share in total assets %		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	2.1	3.6	1	3.1	4.1	1	3.1	4.1
2.	Banks with majority private capital - residents	4	5.3	6.7	3	5.7	6.8	3	5.9	6.9
3.	Banks with majority foreign capital	10	92.6	89.7	10	91.2	89.1	10	91.0	89.0
<b>Total</b>		<b>15</b>	<b>100</b>	<b>100</b>	<b>14</b>	<b>100</b>	<b>100</b>	<b>14</b>	<b>100</b>	<b>100</b>

### 1.1.3. Staff Structure

The number of employees across the banking sector as at 31/03/2022 is 6,439, which is higher by 7 employees or 0.1% compared to the end of 2021 (Table 5).

No	Qualification level	31.12.2020		31.12.2021		31.03.2022		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	4,088	62.7	4,090	63.6	4,113	63.9	100	101
2.	Two-year post-secondary school degree	453	6.9	413	6.4	419	6.5	91	101
3.	Secondary school degree	1,975	30.3	1,924	29.9	1,901	29.5	97	99
4.	Others	6	0.1	5	0.1	6	0.1	83	120
<b>Total</b>		<b>6,522</b>	<b>100</b>	<b>6,432</b>	<b>100</b>	<b>6,439</b>	<b>100</b>	<b>99</b>	<b>100</b>

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

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No. of employ.	31.12.2020			31.12.2021			31.03.2022		
	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	
6,522	24,396,438	3,741	6,432	25,890,828	4,025	6,439	25,572,862	3,972	

## 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 capital<sup>12</sup>, 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 31/03/2022.

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

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No.	Description	31.12.2020		31.12.2021		31.03.2022		Index	
		Amount	% share	Amount	% share	Amount	% share	(5/3)	(7/5)
1	2	3	4	5	6	7	8	9	10
ASSETS									
1.	Cash	7,414,615	30.4	7,989,239	30.9	8,066,578	31.5	108	101
2.	Securities	1,687,459	6.9	1,966,008	7.6	1,884,440	7.4	117	96
3.	Placements to other banks	275,941	1.1	350,452	1.3	210,717	0.8	127	60
4.	Loans	15,254,651	62.5	15,890,821	61.4	15,682,769	61.3	104	99
5.	Impairments	1,127,176	4.6	1,099,948	4.3	1,056,475	4.1	98	96
6.	Net loans (loans minus impairments)	14,127,475	57.9	14,790,873	57.1	14,626,294	57.2	105	99
7.	Business premises and other fixed assets	553,475	2.3	516,921	2.0	511,428	2.0	93	99
8.	Other assets	337,473	1.4	277,335	1.1	273,405	1.1	82	99
<b>TOTAL ASSETS</b>		<b>24,396,438</b>	<b>100</b>	<b>25,890,828</b>	<b>100</b>	<b>25,572,862</b>	<b>100</b>	<b>106</b>	<b>99</b>
LIABILITIES									
9.	Deposits	19,660,862	80.6	21,184,952	81.8	20,719,730	81.0	108	98
10.	Borrowings from other banks	0	0.0	0	0.0	0	0.0	0	0
11.	Liabilities on loans	811,878	3.3	779,075	3.0	771,060	3.0	96	99
12.	Other liabilities	857,616	3.5	818,654	3.2	953,780	3.8	95	117
CAPITAL									
13.	Capital	3,066,082	12.6	3,108,147	12.0	3,128,292	12.2	101	101
<b>TOTAL LIABILITIES (LIABILITIES AND CAPITAL)</b>		<b>24,396,438</b>	<b>100</b>	<b>25,890,828</b>	<b>100</b>	<b>25,572,862</b>	<b>100</b>	<b>106</b>	<b>99</b>

The total net assets across the FB&H banking sector as of 31/03/2022 are BAM 25.6 billion, which is by BAM 318 million or 1.2% lower compared to the end of 2021. Net loans have the highest share (57.2%) within the assets in the banks' balance sheet, followed by cash (31.5%), and securities (7.4%). The deposits (81%) have the highest share within the liabilities in the banks' balance sheet, followed by capital (12.2%).

As of 31/03/2022, compared to the end of 2021, a decrease was evident with certain balance sheet positions in the FB&H banking sector. This came as a result of unfavourable economic and geopolitical trends on a global level, as caused by the Russia's invasion of Ukraine. There was an increase of cash, other liabilities and total capital, while decrease was evident with investments in securities, placements to other banks, loans, business premises and other fixed assets, other

<sup>12</sup> The majority state-owned banks report in the "total" balance sheet passive and neutral items.

assets, deposits and liabilities on loans. Despite these reductions of certain balance sheet positions (being immaterial), the FBiH banking sector remained stable and well capitalized.

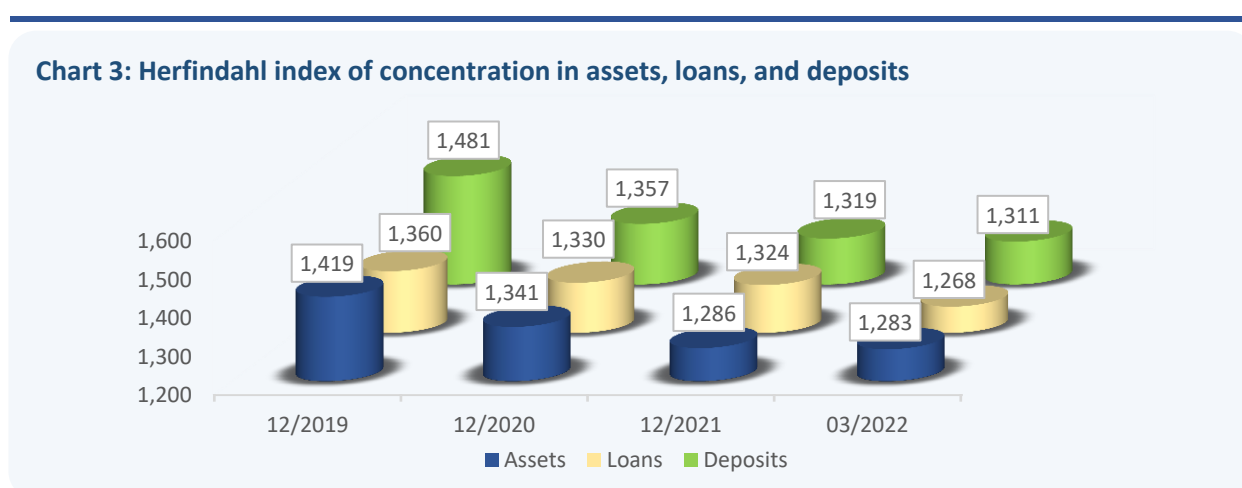
The following Table No. 8 provides an overview of the banks' assets banks according to ownership structure:

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**Table 8: Banks' assets according to ownership structure**

No	Banks	Number of banks	31.12.2020		Number of banks	31.12.2021		Number of banks	31.03.2022		Index	
			Assets (BAM '000s)	% share		Assets (BAM '000s)	% share		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	879,736	3.6	1	1,054,365	4.1	1	1,036,443	4.1	120	98
2.	Private	14	23,516,702	96.4	13	24,836,463	95.9	13	24,536,419	95.9	106	99
	<b>Total</b>	<b>15</b>	<b>24,396,438</b>	<b>100</b>	<b>14</b>	<b>25,890,828</b>	<b>100</b>	<b>14</b>	<b>25,572,862</b>	<b>100</b>	<b>106</b>	<b>99</b>

The Herfindahl index of concentration (Chart No. 3) as of 31/03/2022, compared to the end of 2021, dropped in relation to assets by 3 units, for loans by 56 units and for deposits by 8 units. The Herfindahl index of concentration for the reporting period shows a moderate concentration in all three relevant categories.

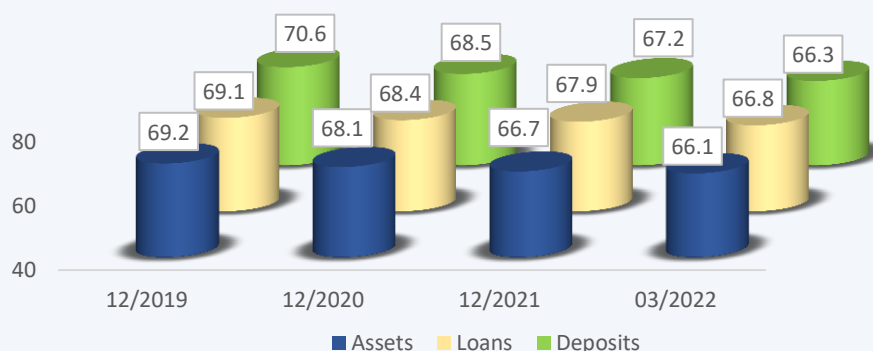


Looking into the concentration ratio, i.e. total share of the five biggest banks in the sector - CR5 as of 31/03/2022 is viewed compared to the end of 2021 (Chart No. 4), there is a decrease with all categories - market share by 0.6 percentage points, loans by 1.1 percentage point and deposits by 0.9 percentage points.

Two biggest banks in the sector account for 43% of the market (assets 43.2%, loans 41.6% and deposits 44.1%).



**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 assets<sup>13</sup> (Table 9).

As of 31/03/2022, three banks in the FB&H banking sector with a 52.7% share stand out according to the size of assets, comprising group I of banks with the assets of over BAM 2.0 billion.

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**Table 9: Share of groups of banks in total assets**

No	Assets amount	31.12.2020		31.12.2021			31.03.2022			
		Amount	% share	Amount	% share	Amount	% share	Amount	% share	Amount
1	2	3	4	5	6	7	8	9	10	11
1.	I (over BAM 2 billion)	13,375,256	54.8	3	13,713,355	53.0	3	13,472,871	52.7	3
2.	II (BAM 1-2 billion)	7,906,422	32.4	6	10,748,334	41.5	8	10,652,964	41.6	8
3.	III (BAM 0.5-1 billion)	2,708,664	11.1	4	1,301,209	5.0	2	1,328,966	5.2	2
4.	IV (BAM 0.1-0.5 billion)	406,096	1.7	2	127,930	0.5	1	118,061	0.5	1
	<b>Total</b>	<b>24,396,438</b>	<b>100</b>	<b>15</b>	<b>25,890,828</b>	<b>100</b>	<b>14</b>	<b>25,572,862</b>	<b>100</b>	<b>14</b>

As of 31/03/2022 (compared to YE2021), there was no change in the structure of the groups of banks in total assets of the banking sector of FB&H.

Cash across the FB&H banking sector as of 31/03/2022 (Table No. 10) amounted to BAM 8.1 billion, up by BAM 77.3 million or 1% vs. YE2021. Banks still hold major amount of cash in excess of the mandatory reserves.

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**Table 10: Banks' cash**

No	Cash	31.12.2020		31.12.2021		31.03.2022		Index	
		Amount	% share	Amount	% share	Amount	% share	(5/3)	(7/5)
1	2	3	4	5	6	7	8	9	10
1.	Cash	1,267,712	17.1	1,526,329	19.1	1,560,948	19.4	120	102
2.	Reserve account with CBB&H	4,478,515	60.4	5,270,323	66.0	5,041,115	62.5	118	96
3.	Accounts with deposit institutions in B&H	30,194	0.4	10,345	0.1	10,747	0.1	34	104
4.	Accounts with deposit institutions abroad	1,638,190	22.1	1,182,240	14.8	1,453,766	18.0	72	123

<sup>13</sup> Banks are divided into four groups depending on the size of assets.

5.	Cash	4	0.0	2	0.0	2	0.0	50	100
	<b>Total</b>	<b>7,414,615</b>	<b>100</b>	<b>7,989,239</b>	<b>100</b>	<b>8,066,578</b>	<b>100</b>	<b>108</b>	<b>101</b>

As of 31/03/2022, compared to the end of 2021, there was an increase of the banks' cash funds related to cash and deposit accounts with deposit institutions in B&H and abroad, while a decrease was noted with cash related to reserve accounts with CBB&H. Cash in process of collection remained the same vs. the comparable period. In the currency structure of cash funds as of 31/03/2022 (compared to the end of 2021), the share of local currency dropped from 81.1% to 78.1%.

The portfolio of securities as at 31/03/2022 (Table No. 11) amounted to BAM 1.9 billion, which was lower by BAM 81.6 million or 4.1% compared to the end of 2021.

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**Table 11: Securities according to type of instrument**

No.	Investments in securities	31.12.2020		31.12.2021		31.03.2022		Index	
		Amount	% share	Amount	% share	Amount	% share	(5/3)	(7/5)
1	2	3	4	5	6	7	8	9	10
1.	Equity securities	11,844	0.7	7,374	0.4	8,097	0.4	62	110
2.	Debt securities:	1,675,615	99.3	1,958,634	99.6	1,876,343	99.6	117	96
2.1.	- Securities of all levels of governments in B&H	992,337	58.8	1,014,120	51.6	971,084	51.5	102	96
2.2.	- Government securities (other countries)	544,646	32.3	756,726	38.4	721,395	38.3	139	95
2.3.	- Corporate bonds <sup>14</sup>	138,632	8.2	187,788	9.6	183,864	9.8	135	98
	<b>Total</b>	<b>1,687,459</b>	<b>100</b>	<b>1,966,008</b>	<b>100</b>	<b>1,884,440</b>	<b>100</b>	<b>117</b>	<b>96</b>

As of 31/03/2022, the most significant item within the investments in debt securities (Table No. 12) are the securities of entity governments, namely the securities issued by the FB&H<sup>15</sup> of altogether BAM 623.7 million and the securities of the RS as the issuer of BAM 309.6 million.

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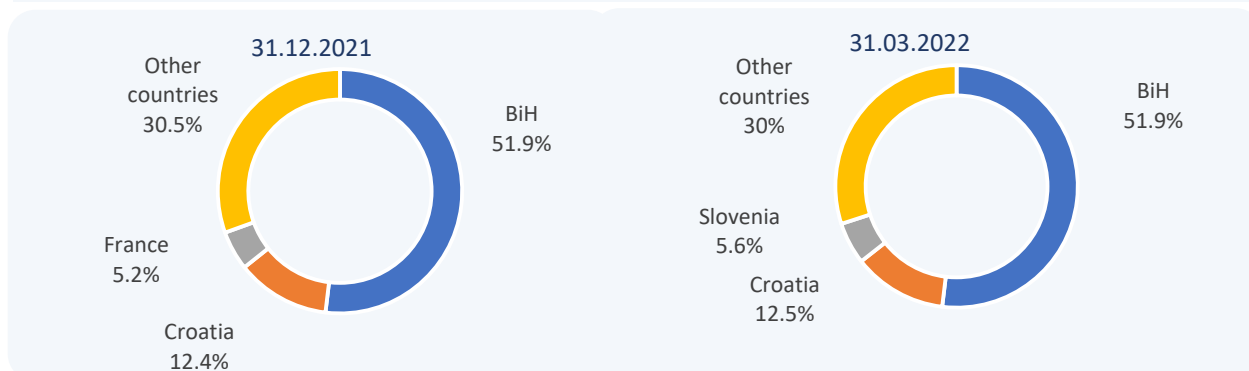
**Table 12: Securities of B&H entity governments**

No.	Investments in securities	31.12.2020		31.12.2021		31.03.2022		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:	699,554	71.5	625,252	64.4	623,655	66.8	89	100
1.1.	- Treasury bills	100,007	10.2	34,986	3.6	35,001	3.7	35	100
1.2.	- Bonds	599,547	61.3	590,266	60.8	588,654	63.1	98	100
2.	Debt securities of RS:	278,325	28.5	346,095	35.6	309,628	33.2	124	89
2.1.	- Treasury bills	41,759	4.3	0	0.0	0	0.0	0	-
2.2.	- Bonds	236,566	24.2	346,095	35.6	309,628	33.2	146	89
	<b>Total</b>	<b>977,879</b>	<b>100</b>	<b>971,347</b>	<b>100</b>	<b>933,283</b>	<b>100</b>	<b>99</b>	<b>96</b>

If total investments in securities are analysed according to the exposures by countries (Chart No. 5), the highest share of 51.9% is to the issuers from B&H, followed by Croatia with a 12.5% share, Slovenia with 5.6% share and other countries with individual shares below 5%.

<sup>14</sup> Majority, i.e. app. 95%, relates to the EU and US banks' bonds, while the rest refers to bonds of companies from the EU.

<sup>15</sup> All types of securities of the FB&H as the issuer

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

### 1.2.2. Liabilities

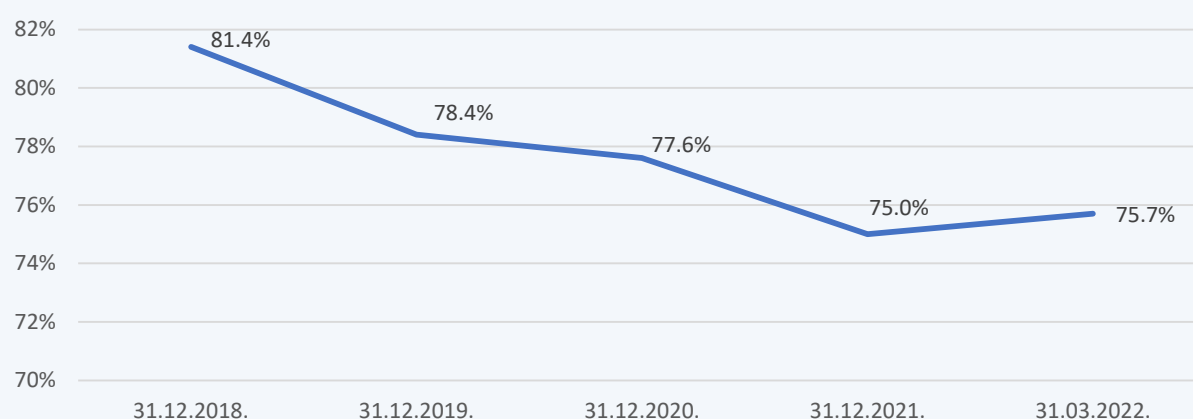
As of 31.03.2022, deposits amounted to BAM 20.7 billion, down by BAM 465.2 million or 2.2% compared to the end of 2021. Out of the total amount of deposits at the end of the observed period, BAM 1.4 billion or 6.8% refers to deposits collected in organisational part of FBiH-seated banks that operated in the RS and the BD.

As of 31/03/2022, the share of deposits, as the most significant source of the banks' funding, decreased by 0.8 percentage points (81%), while the share of loan obligations remained the same vs.- YE2021 (3%).

The banks' loan obligations with the amount of BAM 771.1 million have decreased by BAM 8.0 million or 1% compared to the end of 2021. If subordinated loans of BAM 167.6 million are also added to the loan obligations, total loans have a 3.7% share in the funding sources.

The following Charts 6 and 7 provide an overview of total deposits and the ratio of loans and deposits by periods:

**Chart 6: Total deposits**

**Chart 7: Loan-to-deposit ratio**

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

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**Table 13: Sector structure of deposits**

No	Sectors	31.12.2020		31.12.2021		31.03.2022		Index	
		Amount	% share	Amount	% share	Amount	% share	(5/3)	(7/5)
1	2	3	4	5	6	7	8	9	10
1.	Government institutions	2,236,845	11.4	2,600,382	12.3	2,639,284	12.7	116	101
2.	Public enterprises	1,453,080	7.4	1,618,685	7.6	1,742,802	8.4	111	108
3.	Priv. enterp. and companies	3,783,548	19.2	4,393,701	20.8	4,388,778	21.2	116	100
4.	Banking institutions	568,484	2.9	348,047	1.6	387,137	1.9	61	111
5.	Non-bank fin. institutions	848,319	4.3	829,534	3.9	783,612	3.8	98	94
6.	Retail	10,236,559	52.1	10,832,483	51.1	10,222,516	49.3	106	94
7.	Other	534,027	2.7	562,120	2.7	555,601	2.7	105	99
	<b>Total</b>	<b>19,660,862</b>	<b>100</b>	<b>21,184,952</b>	<b>100</b>	<b>20,719,730</b>	<b>100</b>	<b>108</b>	<b>98</b>

The largest share in the sector structure of deposits refers to retail deposits with 49.3% and this share has dropped by 1.8 percentage points compared to YE2021. As of 31/03/2022, retail deposits stood at BAM 10.2 billion.

An increase in deposits as of 31/03/2022, compared to the end of 2021, was realized in relation to the government institutions' deposits by BAM 38.9 million or 1.5%, deposits of public companies by BAM 124.1 million or 7.7% and deposit of banking institutions by BAM 39.1 million or 11.2%.

A decrease of deposits as of 31/03/2022, compared to the end of 2021, was recorded in relation to deposits of private companies by BAM 4.9 million or 0.1%, deposits of non-banking financial institutions by BAM 45.9 million or 5.5%, retail deposits by BAM 610 million or 5.6% and other deposits by BAM 6.5 million or 1.2%.

Financing in form of deposits of banking groups is present in eight banks in the FB&H, so that 85.6% of total deposits of banking institutions refer to deposits of these groups.

The currency structure of deposits as at 31/03/2022 has changed compared to the end of 2021, i.e. the share of deposits in domestic currency increased from 67.6% to 68.2% and the share of deposits in foreign currency decreased from 32.4% to 31.8%. Deposits in BAM amounted to BAM 14.1 billion (down by BAM 188.2 million or 1.3% vs. YE2021), while deposits in foreign currencies stood at BAM 6.6 billion (down by BAM 277 million or 4% vs. YE2021).

The structure of deposits according to the origin of depositors as of 31/03/2022, compared to the end of 2021, has the following structure: residents' deposits of BAM 20 billion have a 96.8% share (up by 0.2 percentage points), while non-residents' deposits are BAM 0.7 billion, which was 3.2% of total deposits (down by 0.2 percentage points).

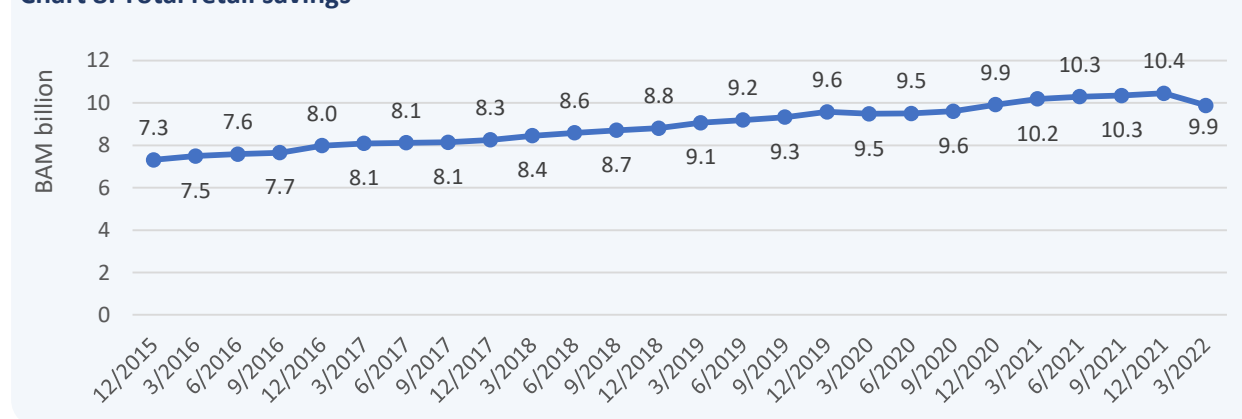
As of 31/03/2022, savings deposits amounted to BAM 9.9 billion, down by BAM 572.8 million or 5.5% compared to the end of 2021. This decrease of retail savings came as a result of events stemming from the Russian invasion of Ukraine, current geopolitical situation and inflationary pressures. The saving trend is shown in the Table 14 and the Chart 8 below.

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**Table 14: Retail savings**

No.	Banks	Amount			Index	
		31.12.2020	31.12.2021	31.03.2022	(4/3)	(5/4)
1	2	3	4	5	6	7
1.	State-owned	105,980	124,474	120,385	117	97
2.	Private	9,809,340	10,324,468	9,755,709	105	94
	<b>Total</b>	<b>9,915,320</b>	<b>10,448,942</b>	<b>9,876,094</b>	<b>105</b>	<b>95</b>

**Chart 8: Total retail savings**



53.8% of savings are concentrated in two biggest banks, while four banks have the individual shares of less than 2%, amounting to 4.1% of the total savings in the sector. Of the total amount of the savings, 53.5% relate to savings deposits in domestic currency, while 46.5% relate to savings deposits in foreign currency.

As of 31/03/2022 vs. YE2021, short term retail savings deposits dropped by BAM 311.4 million or 4.6% (while their share rose by 0.6 percentage points) and long term retail savings deposits dropped by BAM 261.4 million or 7.1% (their share went down by 0.6 percentage points).

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

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**Table 15: Maturity structure of retail savings deposits**

No	Savings deposits	31.12.2020		31.12.2021		31.03.2022		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	6,142,454	61.9	6,755,829	64.7	6,444,451	65.3	110	95
2.	Long term savings	3,772,866	38.1	3,693,113	35.3	3,431,643	34.7	98	93
	<b>Total</b>	<b>9,915,320</b>	<b>100</b>	<b>10,448,942</b>	<b>100</b>	<b>9,876,094</b>	<b>100</b>	<b>105</b>	<b>95</b>

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

- BAM 000 -

**Table 16: Retail loans, savings and deposits**

No.	Description	31.12.2020	31.12.2021 Amount	31.03.2022	Index	
1	2	3	4	5	(4/3) 6	(5/4) 7
1.	Retail loans	7,281,540	7,613,327	7,666,545	105	101
2.	Retail savings	9,915,320	10,448,942	9,876,094	105	95
2.1.	Term deposits	4,089,390	3,976,925	3,703,049	97	93
2.2.	Demand deposits	5,825,930	6,472,017	6,173,045	111	95
3.	Loans/savings	73%	73%	78%	-	-
4.	Retail deposits	10,236,559	10,832,483	10,222,516	106	94
5.	Loans/Retail deposits	71%	70%	75%	-	-

As of 31/03/2022, retail loans amounted to BAM 7.7 billion, up by 0.7% vs. YE2021, while retail deposits dropped by 5.6% to BAM 10.2 billion. The ratios of loans to savings and loans to deposits rose by 5 percentage points vs. end of 2021 due to reduction of deposits, i.e. savings, during the observed period.

### 1.2.3. Capital and Capital Adequacy

As of 31/03/2022, total banks' capital was BAM 3.1 billion, increasing by BAM 20.1 million or 0.6% compared to the end of 2021 (more details are provided under Subheading 1.1.2 - Ownership Structure and Market Share).

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

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**Table 17: Report on the balance of own funds**

No.	Description	31.12.2020	31.12.2021	31.03.2022	Index	
1	2	3	4	5	(4/3) 6	(5/4) 7
1.	<b>Own funds</b>	<b>2,698,561</b>	<b>2,852,902</b>	<b>2,831,556</b>	<b>106</b>	<b>99</b>
1.1.	<b>Tier 1 capital</b>	<b>2,581,508</b>	<b>2,733,978</b>	<b>2,715,613</b>	<b>106</b>	<b>99</b>
1.1.1.	<b>Common Equity Tier 1</b>	<b>2,581,508</b>	<b>2,733,978</b>	<b>2,715,613</b>	<b>106</b>	<b>99</b>
1.1.1.1.	Paid-up capital instruments	1,299,335	1,384,714	1,384,714	107	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	-214	-214	-214	100	100
1.1.1.4.	(-) Actual or contingent obligations of purchase of own common equity Tier 1 instruments	0	-2,192	-2,192	-	100
1.1.1.5.	Previous year retained profit	343,453	393,494	400,209	115	102
1.1.1.6.	Recognized gain or loss	-145,228	-118,241	-124,960	81	106
1.1.1.7.	Accumulated other comprehensive income	29,151	10,368	-15,592	36	-150
1.1.1.8.	Other reserves	1,000,959	1,014,269	1,020,960	101	101
1.1.1.9.	(-)Other intangible assets	-58,638	-61,626	-60,061	105	97
1.1.1.10.	(-) Deferred tax assets that rely on future profitability and do not arise from temporary differences less related tax liabilities	-34	-1,081	-1,726	3.179	160
1.1.1.11.	(-) Deduction from Additional Tier 1 items exceeding Additional Tier 1	0	0	0	-	-
1.1.1.12.	(-)Deferred tax assets that are deductible and rely on future profitability and arise from temporary differences	-8,300	-8,621	-8,633	104	100
1.1.1.13.	(-)Financial sector entities' Common Equity Tier 1 instruments if bank has material investment	-16,266	-14,182	-14,182	87	100

1.1.1.14.	Elements or deductions from Common Equity Tier 1 – other	0	0	0	-	-
<b>1.1.2.</b>	<b>Additional Tier 1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-</b>	<b>-</b>
<b>1.2.</b>	<b>Tier 2 capital</b>	<b>117,053</b>	<b>118,924</b>	<b>115,943</b>	<b>102</b>	<b>97</b>
1.2.1.	Paid-up capital instruments and subordinated debts	117,067	118,938	115,957	102	97
1.2.2.	(–)Own Tier 2 instruments	-14	-14	-14	100	100
1.2.3.	General impairments for credit risk under standardized approach	0	0	0	-	-
1.2.4.	Deduction from Tier 2 items exceeding Tier 2 capital (deducted from Additional Tier 1 capital)	0	0	0	-	-
1.2.5.	Elements or deductions from Tier 2 capital – other	0	0	0	-	-

The FB&H banks' own funds as of 31/03/2022 were BAM 2.8 billion and, compared to the end of 2021, it decreased by BAM 21.3 million or 0.7%. At the same time, the banks' T1 and CET1 capital equal BAM 2.7 billion, with a realized decrease of BAM 18.4 million or 0.7%, while Tier 2 capital is BAM 115.9 million, with a realized decrease of BAM 3.0 million or 2.5% compared to the end of 2021. The own funds' structure of the FB&H banking sector includes a share of Tier 1 capital of 95.9% (12/2021: 95.8%), while Tier 2 capital participates with 4.1% (12/2021: 4.2%).

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

- increase based on included profit in an amount of BAM 6.7 million,
- increase based on reduction of an off-set item – intangible assets in an amount of BAM 1.5 million,
- decrease based on increase of an off-set item – deferred tax assets of BAM 0.6 million, and
- decrease of accumulated other comprehensive income in an amount of BAM 26 million.

According to the Decision on Capital Calculation in Banks, total amount of risk exposure is a sum of exposures weighted by credit risk, market risk, operational risk, settlement risk/free deliveries risk and risk related to large exposures resulting from the trading book items. The FB&H banking sector's total risk exposure as at 31/03/2022 was BAM 14.5 billion (Table No. 18).

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**Table 18: Risk exposure structure**

No	Risk exposure	31.12.2020		31.12.2021		31.03.2022		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	12,843,833	91.0	13,167,335	91.0	13,275,456	91.2	103	101
2.	Settlement/free delivery risk exposures	0	0.0	0	0.0	0	0.0	-	-
3.	Market risk (position and currency risk) exposures	119,065	0.8	152,789	1.1	129,150	0.9	128	85
4.	Risk exposures for operational risk	1,150,236	8.2	1,147,271	7.9	1,144,473	7.9	100	100
<b>Total risk exposure amount</b>		<b>14,113,134</b>	<b>100</b>	<b>14,467,395</b>	<b>100</b>	<b>14,549,079</b>	<b>100</b>	<b>103</b>	<b>101</b>

The total risk exposure amount across the FB&H banking sector increased in the first three months of the current year by BAM 81.7 million or 0.6% against the end of the previous year. Over the reporting period, there was an increase of credit risk weighted exposures by BAM 108.1 million or 0.8% and the market risk weighted exposures went down by BAM 23.6 million or 15.5%, while the operational risk weighted exposures dropped by BAM 2.8 million or 0.2%. At the end of the Q1 2022, there were four 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 2021. This major decrease of the market risk exposure at the FB&H banking sector level mostly came as a result of decreased net open position for EUR with one bank.

As of 31/03/2022, banks were most exposed to the credit risk (91.2% share), which is dominant in the FB&H banking sector. Compared to the end of the previous year, the share of credit risk in total exposure went up by 0.2 percentage points, while the market risk exposure share went down by 0.2 percentage points and the share of the operational risk exposure remained the same. Within the credit risk weighted exposures, the biggest share is with retail exposures (BAM 4.6 billion or 34.8%), followed by corporate exposures (BAM 3.5 billion or 26.2%) and real estate-secured exposures (BAM 3.3 billion or 24.6%). The banking sector's capital adequacy has continuously been maintained above 15% in the last few years, which is satisfactory capitalization across the sector. The FB&H banking sector capital adequacy indicators are provided in the following Table No. 19:

- BAM 000 -

**Table 19: Capital adequacy indicators**

No.	Capital ratios	% and amount of regulatory minimum surplus or deficit		
		31.12.2020	31.12.2021	31.03.2022
1	2	3	4	5
1.	<b>Common Equity Tier 1 capital ratio</b>	<b>18.3%</b>	<b>18.9%</b>	<b>18.7%</b>
2.	Surplus (+) / Deficit (-) of Common Equity Tier 1	1,628,872	1,757,430	1,733,551
3.	<b>Tier 1 capital ratio</b>	<b>18.3%</b>	<b>18.9%</b>	<b>18.7%</b>
4.	Surplus (+) / Deficit (-) of Tier 1 capital	1,311,327	1,431,916	1,406,195
5.	<b>Own funds ratio</b>	<b>19.1%</b>	<b>19.7%</b>	<b>19.5%</b>
6.	Surplus (+) / Deficit (-) of own funds	1,004,986	1,116,816	1,085,669

The own funds rate as at 31/03/2022 is 19.5% and it is considerably higher compared to the statutory minimum and the same stands for other capital ratios (Common Equity Tier 1 capital and Tier 1 capital ratios). Compared to YE2021, own funds ratio dropped by 0.2 percentage points. Over the same period, CET1 and T1 ratios also decreased by 0.2 percentage points. The following Table No. 20 provides an overview of the FB&H banking sector's financial leverage ratio (i.e. the ratio of T1 capital and total exposure of a bank) across periods:

- BAM 000 -

**Table 20: Financial leverage ratio**

No.	Exposure values	31.12.2020	31.12.2021	31.03.2022
1	2	3	4	5
1.	Leverage ratio exposures - under Article 37(4) of Decision on Capital Calculation in Banks	25,523,184	27,111,043	26,774,614
2.	Tier 1 capital - under Article 37(3) of Decision on Capital Calculation in Banks	2,581,508	2,733,978	2,715,613
	<b>Financial leverage ratio</b>	<b>10.1%</b>	<b>10.1%</b>	<b>10.1%</b>

The financial leverage ratio across the banking sector as at 31/03/2022 is 10.1%, which is the same as at the end of 2021.

#### 1.2.4. Credit Risk

The Decision on Credit Risk Management and Determination of Expected Credit Losses<sup>16</sup> defines rules of credit risk management, manner of exposure allocation to credit risk grades

<sup>16</sup> FB&H Official Gazette Nos.. 44/19 and 37/20



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

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

- BAM 000 -

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

No	Description	31.12.2020			31.12.2021			31.03.2022		
		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	7,693,909	9,887	0.1	8,343,998	11,218	0.1	8,288,968	15,234	0.2
2.	Financial assets at amortised cost	15,460,513	1,136,925	7.4	16,160,753	1,119,190	6.9	15,984,066	1,075,934	6.7
3.	Financial assets at fair value	1,552,559	0	0.0	1,781,852	0	0.0	1,669,967	0	0.0
4.	Other financial receivables	258,027	33,250	12.9	187,605	21,971	11.7	171,723	20,402	11.9
<b>I Total balance sheet exposure</b>		<b>24,965,008</b>	<b>1,180,062</b>	<b>4.7</b>	<b>26,474,208</b>	<b>1,152,379</b>	<b>4.4</b>	<b>26,114,724</b>	<b>1,111,570</b>	<b>4.3</b>
5.	Issued guarantees	1,373,899	24,965	1.8	1,428,082	24,875	1.7	1,441,992	27,756	1.9
6.	Uncovered letters of credit	39,203	1,432	3.7	40,601	1,172	2.9	46,489	1,270	2.7
7.	Irrevocably approved, but undrawn loans	2,468,359	32,597	1.3	2,188,232	21,071	1.0	2,072,473	20,631	1.0
8.	Other contingent liabil.	8,274	26	0.3	263,064	2,563	1.0	259,712	2,514	1.0
<b>II Total off-bal.sheet items</b>		<b>3,889,735</b>	<b>59,020</b>	<b>1.5</b>	<b>3,919,979</b>	<b>49,681</b>	<b>1.3</b>	<b>3,820,666</b>	<b>52,171</b>	<b>1.4</b>
<b>Total exposure (I+II)</b>		<b>28,854,743</b>	<b>1,239,082</b>	<b>4.3</b>	<b>30,394,187</b>	<b>1,202,060</b>	<b>4.0</b>	<b>29,935,390</b>	<b>1,163,741</b>	<b>3.9</b>

Total exposure of banks as of 31/03/2022 stood at BAM 29.9 billion, thereof BAM 26.1 billion referring to balance sheet exposures and BAM 3.8 billion to off-balance sheet items. Over the first three months of 2022, there was a decrease of balance sheet exposures compared to the YE2021 by BAM 359.5 million or 1.4%, as caused by a decrease of cash and facilities by BAM 55 million (0.7%), financial assets measured at amortised cost by BAM 176.7 million (1.1%), financial assets measured at fair value by BAM 111.9 million (6.3%) and other financial receivables with two banks by BAM 15.9 million (8.5%, while the biggest reduction is seen with one bank). Over the same period, there was also a decrease of off-balance sheet items by BAM 99.3 million or 2.5%. This decrease came as a net effect of a reduction of irrevocably approved, but undrawn loans (BAM 115.8 million or 5.3%) and other contingent liabilities of banks (BAM 3.3 million or 1.3%), as well as an increase of issued guarantees (BAM 13.9 million or 1%) and uncovered letters of credit (BAM 5.9 million or 14.5%).

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

- BAM 000 -

**Table 22: Exposures by credit risk grades**

No.	Description	31.12.2020			31.12.2021			31.03.2022		
		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	22,301,920	179,478	0.8	24,029,210	166,312	0.7	23,569,773	170,848	0.7

2.	Credit risk grade 2	1,645,274	204,681	12.4	1,387,627	161,999	11.7	1,543,444	175,985	11.4
3.	Credit risk grade 3	1,017,814	795,903	78.2	1,057,371	824,068	77.9	1,001,507	764,737	76.4
<b>I Total balance sheet exposure</b>		<b>24,965,008</b>	<b>1,180,062</b>	<b>4.7</b>	<b>26,474,208</b>	<b>1,152,379</b>	<b>4.4</b>	<b>26,114,724</b>	<b>1,111,570</b>	<b>4.3</b>
4.	Credit risk grade 1	3,440,487	21,343	0.6	3,603,792	20,660	0.6	3,479,066	21,242	0.6
5.	Credit risk grade 2	443,246	34,354	7.8	309,101	25,536	8.3	330,934	27,370	8.3
6.	Credit risk grade 3	6,002	3,323	55.4	7,086	3,485	49.2	10,666	3,559	33.4
<b>II Total off-balance sheet exposure</b>		<b>3,889,735</b>	<b>59,020</b>	<b>1.5</b>	<b>3,919,979</b>	<b>49,681</b>	<b>1.3</b>	<b>3,820,666</b>	<b>52,171</b>	<b>1.4</b>
<b>Total exposure (I+II)</b>		<b>28,854,743</b>	<b>1,239,082</b>	<b>4.3</b>	<b>30,394,187</b>	<b>1,202,060</b>	<b>4.0</b>	<b>29,935,390</b>	<b>1,163,741</b>	<b>3.9</b>

As of 31/03/2022, balance sheet exposures within the credit risk grade 1 amounted to BAM 23.6 billion and make up for 90.3% of the total balance sheet exposures. Compared to YE2021, they have dropped by BAM 459.4 million or 1.9%. The decrease mostly came as a result of decreased loan portfolio within this credit risk grade by BAM 279.4 million, debt securities measured at fair value by BAM 111.7 million and cash and facilities of banks by BAM 71.1 million.

As of 31/03/2022, balance sheet exposures within the credit risk grade 2 stood at BAM 1.5 billion, representing 5.9% of the total balance sheet exposures. Compared to YE2021, they have risen by BAM 155.8 million or 11.2%. The increase of total balance sheet exposures within this credit risk grade came mostly as a result of an increase of the loan portfolio within the credit risk grade 2 by BAM 142.7 million, debt securities measured at amortised cost by BAM 9.7 million and other financial receivables by BAM 3.0 million.

As of 31/03/2022, balance sheet exposures within the credit risk grade 3 equaled BAM 1.0 billion, representing 3.8% of the total balance sheet exposures. If observed against YE2021, they have dropped by BAM 55.9 million or 5.3%. This largely came as a net effect of a decrease of the loan portfolio within this credit risk grade by BAM 72.2 million and allocation of cash and facilities of banks in an amount of BAM 17.9 million to the credit risk grade 3 as a response to events occurring after sanctions have been imposed over capital and banks related to the Russian Federation.

At the end of Q1 2022, ECLs at the credit risk grade 1 for the balance sheet exposures increased by BAM 4.5 million, for the credit risk grade 2 by BAM 14 million and for the credit risk grade 3 it went down by BAM 59.3 million (related to YE2021). Over the observed period, ECL coverage rate at the credit risk grade 1 remained the same (0.7%), while this rate dropped at the credit risk grade 2 by 0.3 percentage points (from 11.7% to 11.4%) and at the credit risk grade 3 by 1.51 percentage points (from 77.9% to 76.4%). Total ECL coverage rate for balance sheet exposures is 4.3%, whereas at the end of 2021 it was 4.4%.

As of 31/03/2022, off-balance sheet exposures at the credit risk grade 1 stood at BAM 3.5 billion, thus representing 91% of the total off-balance sheet exposures. Exposures at the credit risk grade 2 amounted to BAM 330.9 million or 8.7% of the total off-balance sheet exposures, while the credit risk grade 3 includes exposures of BAM 10.7 million or 0.3% of the total off-balance sheet. Total ECL coverage for off-balance sheet exposures is 1.4%, which is by 0.1 percentage point higher than at the end of the previous year. For credit risk grades 1 and 2, the

rate remained the same as at the end of the previous year, while it went down by 15.8 percentage points for the credit risk grade 3 due to a major increase of off-balance sheet items at the credit risk grade 3 with one bank, coupled with a slight increase of relevant ECL.

As of 31/03/2022, loans stood at BAM 15.7 billion, down by BAM 208.1 million or 1.3% vs. YE2021. Looking at the sector structure of loans, the biggest decrease rate came from loans to banking institutions (BAM 355.1 million or 38.7%) as a result of a reduction of short term low-risk exposures with one bank by BAM 391.4 million or 50% (as being included in the loan portfolio). If the decrease of this item would be excluded, the loan portfolio would show a growth of 1.2% over the observed period.

Retail loans amount to BAM 7.7 billion and hold a share in total loans of 48.9% (up by BAM 53.2 million or 0.7% compared to YE2021). Corporate loans (amounting to BAM 8.0 billion and representing 51.1% of total loans) have dropped by BAM 261.3 million or 3.2% against end of 2021 (Chart No. 9). If the decrease of short term low-risk exposures with one bank would be excluded, the corporate loan portfolio would show a growth of 1.6% during the observed period.

Chart 9: Loans



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

- BAM 000 -

Table 23: Loan structure by sectors

No.	Sectors	31.12.2020		31.12.2021		31.03.2022		Index	
		Amount	% share	Amount	% share	Amount	% share	(5/3)	(7/5)
1	2	3	4	5	6	7	8	9	10
1.	Government institutions	199,032	1.3	223,252	1.4	211,470	1.3	112	95
2.	Public sector enterprises	395,157	2.6	406,525	2.6	400,009	2.6	103	98
3.	Private companies	6,500,322	42.6	6,616,260	41.6	6,734,849	42.9	102	102
4.	Banking institutions	772,554	5.1	917,784	5.8	562,701	3.6	119	61
5.	Non-banking financial instit.	83,921	0.6	91,038	0.6	86,078	0.6	108	95
6.	Retail	7,281,540	47.7	7,613,327	47.9	7,666,545	48.9	105	101
7.	Other	22,125	0.1	22,635	0.1	21,117	0.1	102	93
	<b>Total</b>	<b>15,254,651</b>	<b>100</b>	<b>15,890,821</b>	<b>100</b>	<b>15,682,769</b>	<b>100</b>	<b>104</b>	<b>99</b>

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

- BAM 000 -

**Table 24: Maturity structure of loans**

No	Sectors	31.12.2021			31.03.2022			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	4,481	218,670	101	1,902	209,442	126	42	96	125
2.	Public sector enterprises	53,308	349,648	3,569	47,740	350,954	1,315	90	100	37
3.	Private companies	2,305,243	3,836,967	474,050	2,441,187	3,847,415	446,247	106	100	94
4.	Banking institutions	917,783	0	1	562,698	0	3	61	-	300
5.	Non-banking financial instit.	32,401	58,615	22	29,133	56,939	6	90	97	27
6.	Retail	389,772	6,977,461	246,094	388,324	7,053,063	225,158	100	101	91
7.	Other	6,412	15,835	388	6,689	14,069	359	104	89	93
	<b>Total</b>	<b>3,709,400</b>	<b>11,457,196</b>	<b>724,225</b>	<b>3,477,673</b>	<b>11,531,882</b>	<b>673,214</b>	<b>94</b>	<b>101</b>	<b>93</b>

As of 31/03/2022, compared to the end of 2021, short term loans in the FB&H banking sector have dropped by BAM 231.7 million or 6.2% (as largely attributable to the decrease of short term low-risk exposures), while long term loans have risen by BAM 74.7 million or 0.7%. Receivables due amount to BAM 673.2 million and are lower by BAM 51 million or 7% vs. YE2021.

In the currency structure of loans, loans approved in domestic currency have the highest share of 55.7% or BAM 8.7 billion, followed by loans approved with a currency clause with a share of 40.2% or BAM 6.3 billion (EUR: BAM 6.3 billion or 99.96%, CHF: BAM 2.4 million or 0.04 %), while loans approved in foreign currency have the lowest share of 4.1% or BAM 639.2 million (of which 98.6% relates to EUR).

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

- BAM 000 -

**Table 25: Loans by credit risk grades**

No.	Description	31.12.2020			31.12.2021			31.03.2022		
		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	6,272,170	78,817	1.3	6,770,320	66,945	1.0	6,517,787	74,698	1.1
2.	Credit risk grade 2	1,157,194	141,218	12.2	925,089	116,184	12.6	954,463	114,492	12.0
3.	Credit risk grade 3	543,747	421,893	77.6	582,085	435,691	74.9	543,974	407,468	74.9
	<b>Total I</b>	<b>7,973,111</b>	<b>641,928</b>	<b>8.1</b>	<b>8,277,494</b>	<b>618,820</b>	<b>7.5</b>	<b>8,016,224</b>	<b>596,658</b>	<b>7.4</b>
II Retail loans										
4.	Credit risk grade 1	6,395,495	84,591	1.3	6,748,669	82,526	1.2	6,721,595	80,507	1.2
5.	Credit risk grade 2	446,971	58,801	13.2	425,538	43,166	10.1	540,060	58,207	10.8
6.	Credit risk grade 3	439,074	341,856	77.9	439,120	355,436	80.9	404,890	321,103	79.3
	<b>Total II</b>	<b>7,281,540</b>	<b>485,248</b>	<b>6.7</b>	<b>7,613,327</b>	<b>481,128</b>	<b>6.3</b>	<b>7,666,545</b>	<b>459,817</b>	<b>6.0</b>
Total loans										
7.	Credit risk grade 1	12,667,665	163,408	1.3	13,518,989	149,471	1.1	13,239,382	155,205	1.2
8.	Credit risk grade 2	1,604,165	200,019	12.5	1,350,627	159,350	11.8	1,494,523	172,699	11.6
9.	Credit risk grade 3	982,821	763,749	77.7	1,021,205	791,127	77.5	948,864	728,571	76.8
	<b>Total loans (I+II)</b>	<b>15,254,651</b>	<b>1,127,176</b>	<b>7.4</b>	<b>15,890,821</b>	<b>1,099,948</b>	<b>6.9</b>	<b>15,682,769</b>	<b>1,056,475</b>	<b>6.7</b>

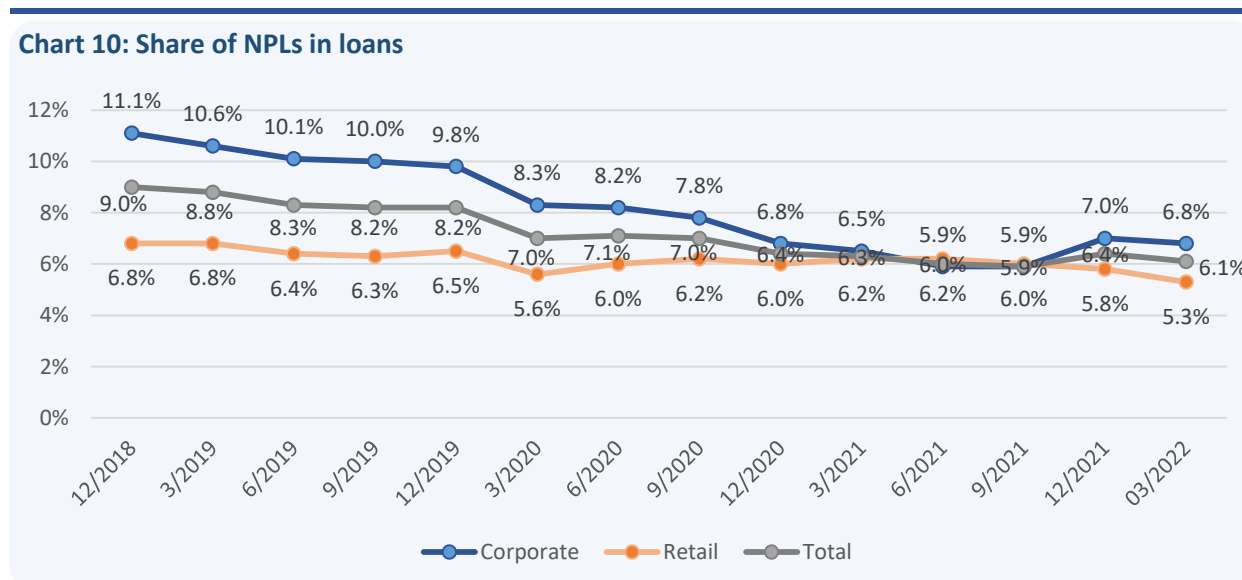
The loan portfolio allocated to the credit risk grade 1 as of 31/03/2022 stood at BAM 13.2 billion, representing 84.4% of the total loan portfolio. This represents a decrease against YE2021 by BAM 279.6 million or 2.1%. The ECL coverage rate for the credit risk grade 1 is 1.2% (corporate 1.1% and retail 1.2%), thus being higher by 0.1 percentage point against the end of 2021.

The loan portfolio in the credit risk grade 2 as of 31/03/2022 stood at BAM 1.5 billion, thus making up for 9.5% of the total loan portfolio. Compared to YE2021, it is by BAM 143.9 million or 10.7% higher, whereas 82.6% of this increase refers to one bank. The ECL coverage rate for this credit risk grade is 11.6% (corporate 12% and retail 10.8%), down by 0.2 percentage points compared to 31/12/2021.

The loan portfolio in the credit risk grade 3 (NPL) as of 31/03/2022 amounted 948.9 million, thus constituting 6.1% of the total loan portfolio, while the NPL rate stood at 6.4% at the end of the previous year. Its reduction by BAM 72.3 million or 7.1% vs. YE2021 was largely resulting from the net effect of: new non-performing loans of BAM 46.8 million, recoveries of BAM 12.4 million, collection of BAM 34.6 million, accounting and permanent write offs of BAM 72.4 million and other items of BAM 0.3 million. The ECL coverage rate for the credit risk grade 3 is 76.8% (corporate 74.9% and retail 79.3%), down by 0.7 percentage points vs. 31/12/2021.

Out of total corporate loans, BAM 544 million or 6.8% refers to the NPL segment, down by 0.2 percentage points vs. YE2021. As for the retail segment, NPLs stood at BAM 404.9 million or 5.3% of the retail loan portfolio, thus being lower by 0.5 percentage points than at YE2021.

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



Total NPL rate is being calculated as a ratio of non-performing loans and total loan portfolio.

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

As for corporate loans, the biggest share relates to the trade sector (BAM 2.8 billion or 35.2% of corporate loans, i.e. 18% of the total loan portfolio), processing industry (BAM 1.9 billion or 24.3% of corporate loans, i.e. 12.4 % of total loans) and financial industry (BAM 709.3 million or 8.8% of corporate loans, i.e. 4.5% of total loans).

The share of NPLs in loans to the trade sector is 5% (ECL coverage rate for NPLs is 81.4%), to the processing industry 12.4% (ECL coverage rate for NPLs is 74.2%) and to the financial industry 0% (no NPLs). With regards to other corporate loans, the biggest share of NPLs at the end of the first three months of 2022 referred to loans approved to agriculture (26.2%), education (24.2%) and hotel and hospitality business (11.8%).

As far as retail loans are concerned, the largest share is with general consumption loans (BAM 6.0 billion or 78.3% of retail loans, i.e. 38.3% of the total loan portfolio) and housing loans (BAM 1.6 billion or 20.6% of retail loans, i.e. 10.1% of the total loan portfolio). The share of NPLs in general consumption loans is 1.9% (ECL coverage rate is 80%) and with housing loans 1.9% (ECL coverage rate is 69.7%). The high share of general consumption loans in the loan portfolio of the FB&H banking sector calls for greater caution in shaping credit policies in banks.

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

- % -

**Table 26: Credit risk indicators**

No.	Description	31.12.2020	31.12.2021	31.03.2022
1	2	3	4	5
1.	Rate of non-performing exposures	3.5	3.5	3.4
2.	ECL coverage rate for non-performing exposures	78.1	77.7	75.9
3.	ECL coverage rate for total assets	4.3	4.0	3.9
4.	NPL rate	6.4	6.4	6.1
5.	ECL coverage rate for NPLs	77.7	77.5	76.8
6.	ECL coverage rate for total loans	7.4	6.9	6.7
7.	New NPLs*/Total performing loans	0.7	0.8	0.0
8.	NPLs/Total capital and ECL for NPL	25.7	26.2	24.6
9.	Net NPLs/Tier 1 capital	8.5	8.4	8.1
10.	Loans due/Total loans	4.2	4.6	4.3

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

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

The measures prescribed by the FBA during the Pandemic are aimed to avoid negative economic consequences of the pandemic and enable recovery of the economy. This also resulted in mitigating the increase of NPLs in the total loan portfolio. As of the end of the Q1 2022, BAM 106.9 million or 0.7% of total loans was encompassed by some of active special measures prescribed by the Decision on Temporary Measures of Banks to Ensure Recovery from Negative Economic Consequences Caused by Covid-19. Total amount of the corporate loan portfolio subjected to active measures was BAM 99.5 million or 1.2% of the corporate loan portfolio, while active measures referring to the retail portfolio amount to BAM 7.4 million or 0.1% of the retail loan portfolio.

### 1.2.5. Profitability

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

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

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

Positive financial performance of BAM 71.7 million across the FB&H banking sector was reported for the January 1 – March 31, 2022 period, which was lower by BAM 7.3 million or 9.3% compared to the same period of 2021 (Table No. 27). Positive financial result was posted by all FB&H banks, except one, in the first three months of 2022.

- BAM 000 -

**Table 27: Actual financial performance of banks**

No.	Description	01.01. - 31.03.2020		01.01. - 31.03.2021		01.01. - 31.03.2022	
		Amount	Number of banks	Amount	Number of banks	Amount	Number of banks
1	2	3	4	5	6	7	8
1.	Profit	76,391	12	79,046	14	71,707	13
2.	Loss	3,824	3	16	1	5	1
	<b>Total</b>	<b>72,567</b>	<b>15</b>	<b>79,030</b>	<b>15</b>	<b>71,702</b>	<b>14</b>

Annex 5 shows an aggregate income statement of banks in the FB&H for the period from 01/01/2022 to 31/03/2022 (as per the FBA schedule) with comparable data for the same reporting period in 2021.

#### FB&H Banking Sector's Total Income

According to the banks' reporting data as of 31/03/2022, the total income across the FB&H banking sector is BAM 313.1 million and, compared to the same period last year, it increased by BAM 22.2 million or 7.64% (Table No. 28).

- BAM 000 -

**Table 28: Structure of total income of banks**

No.	Structure of total income	01.01. - 31.03.2021		01.01. - 31.03.2022		Index (5/3)
		Amount	%	Amount	%	
1	2	3	4	5	6	7
<b>I Interest income and similar income</b>						
1.	Interest-bearing deposit accounts with deposit institutions	194	0.1	235	0.1	121
2.	Loans and leasing operations	154,291	53.1	152,293	48.6	99
3.	Other interest income	16,693	5.7	18,717	6.0	112
	<b>Total I</b>	<b>171,178</b>	<b>58.9</b>	<b>171,245</b>	<b>54.7</b>	<b>100</b>
<b>II Operating income</b>						
4.	Service fees	87,059	29.9	102,412	32.7	118
5.	Income from FX operations	13,770	4.7	20,781	6.6	151
6.	Other operating income	18,826	6.5	18,623	6.0	99
	<b>Total II</b>	<b>119,655</b>	<b>41.1</b>	<b>141,816</b>	<b>45.3</b>	<b>119</b>

Total income (I+II)	290,833	100	313,061	100	108
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In the total income structure, interest income and similar income hold a share of 54.7%, while operating income participate with 45.3%. Compared to the same period the year before, there was a decrease of share of interest and similar income by 4.2 percentage points, while share of operating income increased by the same percentage point. Total interest and similar income reported the same level in the reporting period. A dominant item among this income category was income from interest on loans and leasing facilities with a share in total income dropping by 4.5 percentage points. At the same time, the share of loans and leasing type receivables in total assets decreased by 1.1 percentage points (from 59.6% to 58.5%), while average weighted NIR related to loans went down from 3.30% to 3.08% (down by 0.22 percentage points).

Over the first three months of 2022, interest income under interest-bearing deposit accounts with deposit institutions have risen by BAM 41 ths or 21.1% 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 increased from 15.2% to 16.5% (i.e. by 1.3 percentage points).

As for other interest income, there was an increase of interest income positions related to held-to-maturity securities by 33.3% and other interest income by 13.2%, while interest income from placements to other banks went down by 30.4%.

Looking into the sector structure of interest income, most of this refers to income from the retail segment (61.3%), although retail loans make up for 48.9% of the total loan portfolio of the FB&H banking sector due to higher average NIR of the Retail segment of 4.81% compared to the corporate segment's NIR of 2.35%. Out of total interest income, the part that refers to private companies is 26.8%, 7% refers to government institutions and 1.9% to public companies.

Total operating income recorded an increase of BAM 22.2 million or 18.5% 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 15.4 million or 17.6%. Income from foreign exchange operations showed the biggest growth rate of 50.9%, i.e. they went up by BAM 7.0 million vs. the same period the year before, whereas 59.4% of this increase refers to three banks.

#### FB&H Banking Sector's Total Expenses

According to the banks' reporting data as of 31/03/2022, total expenses across the FB&H banking sector are BAM 240.6 million, which increased by BAM 29.1 million or 13.8% compared to the same period last year (Table No. 29).

- BAM 000 -

**Table 29: Structure of total expenses of banks**

No.	Structure of total expenses	01.01.- 31.03.2021		01.01.- 31.03.2022		Index (5/3)
		Amount	%	Amount	%	
1	2	3	4	5	6	7
I Interest expenses and similar expenses						
1.	Deposits	20,654	9.8	16,229	6.8	79
2.	Liabilities on loans and other borrowings	1,851	0.9	1,274	0.5	69
3.	Other interest expenses	7,757	3.7	12,515	5.2	161
<b>Total I</b>		<b>30,262</b>	<b>14.3</b>	<b>30,018</b>	<b>12.5</b>	<b>99</b>



II Non-interest expenses						
4.	Costs of impairments of assets at risk, provisions on contingent liabilities and other value adjustments	20,661	9.8	36,718	15.3	178
5.	Salary and contribution costs	64,186	30.4	65,581	27.3	102
6.	Business premises costs and depreciation	39,802	18.8	43,612	18.1	110
7.	Other operating and direct costs	33,574	15.9	38,155	15.8	114
8.	Other operating costs	22,928	10.8	26,470	11.0	115
	<b>Total II</b>	<b>181,151</b>	<b>85.7</b>	<b>210,536</b>	<b>87.5</b>	<b>116</b>
	<b>Total expenses (I+II)</b>	<b>211,413</b>	<b>100</b>	<b>240,554</b>	<b>100</b>	<b>114</b>

The total expenses structure is dominated by non-interest expenses with a share of 87.5%, while interest expenses and similar expenses account for 12.5%. Compared to the same period last year, the share of non-interest expenses rose by 1.8 percentage points, while the share of interest expenses dropped by equivalent percentage points.

In the reporting period, interest and similar expenses decreased by BAM 244 ths or 0.8%, whereas interest expenses on deposits went down by BAM 4.4 million or 21.4%, despite them being the FB&H banking sector's dominant funding source. The deposit potential at the end of the first three months of 2022 stood at BAM 20.7 billion, up by BAM 914.2 million compared to the same period last year when it was BAM 19.8 billion.

Interest-bearing deposits participate in total deposit potential as of 31/03/2022 with a share of 66.2%, thus their share has dropped since 31/03/2021 when they participated with 68.8%. This reduction of interest expenses on deposits came as a result of reduced share of interest-bearing deposits and lower average NIR on deposits going from 0.56% as of 31/03/2021 to 0.30% at the end of Q3 2022.

Over the observed period, interest expenses on loans and other borrowings dropped by BAM 577 ths or 31.2%, while the FB&H banking sector's level of indebtedness on loans and other borrowings went down by BAM 1.8 million or 0.2%.

Other interest expenses increased during the observed period by BAM 4.8 million or 61.3%. This mostly referred to an increase of interest based on a negative fee for banks' funds in excess of the mandatory reserve and on the mandatory reserve funds in foreign currencies and in local currency with the currency clause that are held with the CBBH (up by BAM 3.4 million or 116.7%) and based on negative interest rate on deposits with foreign banks (up by BAM 0.4 million or 19.8%).

Across the FB&H banking sector, there was an increase by BAM 29.4 million or 16.2% of total non-interest expenses in the reporting period, where the most significant structural changes relate to an increase of costs of value adjustments, provisions for contingent liabilities and other value adjustments by BAM 16.1 million or 77.7%. There were three banks that posted no value adjustments costs this year and seven banks had value adjustment costs shown as of March this year to be greater than in the same period last year. Out of total increase of value adjustment costs over the observed period, BAM 81.9% relates to one bank that underwent a change of macroeconomic parameters in line with the global economic situation. This caused worsening of the PD (probability of default) and transfer of exposures from credit risk grade 1 to credit risk grade 2.

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

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

- BAM 000 or % -

No. 1	Description 2	31.03.2020 3	31.03.2021 4	31.03.2022 5
1.	Net profit	72,567	79,030	71,702
2.	Average net assets	23,949,225	24,343,169	25,787,282
3.	Average total capital	2,933,541	3,105,297	3,100,777
4.	Total income	258,941	260,571	283,043
5.	Net interest income	144,139	140,916	141,227
6.	Operating income	114,802	119,655	141,816
7.	Operating expenses	131,364	126,916	135,663
8.	Operating and direct expenses	54,518	54,235	74,873
9.	Other operating and direct expenses	33,859	33,574	38,155
10.	Return on average assets (ROAA)	0.3	0.3	0.3
11.	Return on average equity (ROAE)	2.5	2.5	2.3
12.	Total income/average assets	1.1	1.1	1.1
13.	Net interest income/average assets (NIM)*	0.6	0.6	0.5
14.	Net interest margin (interest income /average interest-bearing assets – interest expenses/average interest-based liabilities)	0.6	0.6	0.4
15.	Operating expenses/total income minus other operating and direct expenses (CIR)**	58.4	55.9	55.4

\* NIM - Net Income Margin

\*\* CIR- Cost-income Ratio

Looking into the net interest income, there is an increase vs. the same period in 2021 by BAM 311 ths, although its share in total income has seen a major drop from, 54.1% to 49.9%.

If observing the profitability ratios against the same period last year, evidently return on average assets and total income vs. average assets have remained the same, while return on average equity, NIM and net interest margin showed a downward trend. Therein, CIR has improved.

### 1.2.6. Weighted NIR and EIR

In order to increase transparency and facilitate the comparability of the banks' terms for approving loans and receiving deposits, as well as to protect clients through introduction of transparent disclosure of the loan costs, i.e. the deposit income, in accordance with the international standards, criteria, and practices in other countries, the FBA prescribed a uniform method of calculating and disclosing EIR for all banks seated in the FB&H, as well as the organizational parts of the banks seated in the RS, which operate in the FB&H, as well as mandatory monthly reporting to the FBA on weighted NIR and EIR on approved loans and received deposits in the reporting month, in accordance with the prescribed methodology<sup>17</sup>. Based on delivered data and in line with the defined methodology, FBA calculates average weighted NIR and EIR for the banking sector. In addition to the interest rate levels with individual banks, this also depends on the volume and structure of newly approved loans, i.e. newly arranged deposits.

<sup>17</sup> 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

For purposes of loan beneficiaries and when analysing the interest rate trend, it is relevant to monitor the average 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.

Total average weighted EIR on newly approved loans in the FBiH banking sector over the first three months of 2022 was 3.59%, thus being lower by 0.26 percentage points compared to the same period of the previous year when it stood at 3.85%.

Looking into the maturity structure of newly approved loans for the Q1 2022 vs. the same period of the year before, evidently the average weighted EIR on long term loans has dropped by 0.66 percentage points (i.e. from 5.64% to 4.98%), while EIR on short term loans went down by 0.14 percentage points (i.e. from 2.39% to 2.25%). If observed by the sector structure, average weighted EIR on total newly approved corporate loans decreased by 0.10 percentage points (i.e. from 2.67% to 2.57%), while average EIR on total newly approved retail loans dropped by 0.94 percentage points (i.e. from 6.93% to 5.99%), while average weighted EIR on total newly approved loans to other sectors got reduced by 0.65 percentage points (i.e. from 3.09% to 2.44%).

Total average weighted EIR on deposits in the FBiH banking sector that were collected over the Q1 2022 was 0.30%, thus being lower by 0.27 percentage points compared to the same period in 2021 when it was 0.57%. If observed by maturity of deposits, average weighted EIR on short term deposits is lower by 0.03 percentage points (i.e. from 0.18% to 0.15%), while EIR on long term deposits went down by 0.42 percentage points (i.e. from 0.88% to 0.46%). From the perspective of the sector structure of collected deposits, average weighted EIR on corporate deposits got reduced by 0.36 percentage points (i.e. from 0.80% to 0.44%), average weighted EIR on retail deposits went down by 0.36 percentage points (i.e. from 0.75% to 0.39%), while going down by 0.12 percentage points for deposits of other sectors (i.e. from 0.28% to 0.16%).

### 1.2.7. Liquidity

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

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

- BAM 000 -

**Table 31: LCR**

No.	Description	31.12.2020	31.12.2021	31.03.2022	Index	
					(4/3)	(5/4)
1	2	3	4	5	6	7
1.	Liquidity buffer	5,849,379	7,064,703	6,434,751	121	91
2.	Net liquidity outflows	2,186,642	3,176,838	3,177,294	145	100
	<b>LCR</b>	<b>268%</b>	<b>222%</b>	<b>203%</b>	<b>83</b>	<b>91</b>

AS of 31/03/2022, LCR across the FB&H banking sector was 203%. All banks in the FB&H banking sector meet the requirements in respect of LCR.

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

- BAM 000 -

No.	Description	31.12.2020	31.12.2021	31.03.2022	Index	
					(4/3)	(5/4)
1	2	3	4	5	6	7
1.	<b>Level 1 liquid assets</b>	<b>5,844,033</b>	<b>7,059,357</b>	<b>6,429,411</b>	<b>121</b>	<b>91</b>
1.1.	Cash	1,267,715	1,526,321	1,560,948	120	102
1.2.	Withdrawable central bank reserves	2,467,371	3,095,846	2,900,921	125	94
1.3.	Central government assets	1,112,172	1,401,508	981,467	126	70
1.4.	Assets of regional governments and local authorities	981,701	1,011,738	962,418	103	95
1.5.	Assets of multilateral development bank and international organisations	15,074	23,944	23,657	159	99
2.	<b>Level 2 liquid assets</b>	<b>5,346</b>	<b>5,346</b>	<b>5,340</b>	<b>100</b>	<b>100</b>
2.1.	Level 2a liquid assets	0	0	0	-	-
2.2.	Level 2b liquid assets	5,346	5,346	5,340	100	100
	<b>Total (1+2)</b>	<b>5,849,379</b>	<b>7,064,703</b>	<b>6,434,751</b>	<b>121</b>	<b>91</b>

Liquidity buffer amounts to BAM 6.4 billion and posted a decrease by BAM 629.9 million or 8.9% compared to the end of the previous year. The biggest decrease of 30% refers to central government assets (BAM 420 million), whereas 93.6% of the reduction stems from one bank due to lower level of short term low-risk exposures. Liquidity buffer consists of 99.9% of level 1 liquid assets - the same as the year before. The largest share in the level 1 liquid assets refers to excess legal reserves banks hold with CBBH (45.1%), followed by cash (24.3%) and central government assets (15.3%).

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

- BAM 000 -

No.	Description	31.12.2020	31.12.2021	31.03.2022	Index	
					(4/3)	(5/4)
1	2	3	4	5	6	7
1.	Total outflows	4,875,334	5,576,106	5,376,901	114	96
2.	Total inflows	2,716,263	2,399,268	2,203,608	88	92
3.	Inflows subject to cap of 75% of outflows	2,688,692	2,399,268	2,199,607	89	92
4.	<b>Net liquidity outflows (1-3)</b>	<b>2,186,642</b>	<b>3,176,838</b>	<b>3,177,294</b>	<b>145</b>	<b>100</b>

When it comes to the net liquidity outflows calculation as of 31/03/2022, all banks, except two, had their outflows reduced by the total inflows amount, while two banks has capped their liquidity inflows to 75% of total liquidity outflows.

Outflows amounted to BAM 22.7 billion as of 31/03/2022 (prior to application of the outflow rate) and consisted mostly of outflows from retail deposits (BAM 9.3 billion or 40.9% of total outflows, of which BAM 4.7 billion refers to stable deposits or 50.1% of outflows of retail deposits), followed by deposits of other customers (BAM 7.6 billion or 33.5% of total outflows) and other products and services (BAM 3.2 billion or 14% of total outflows).

Total inflows amounted to BAM 2.2 billion, as largely relating to cash receivables from financial customers (BAM 1.4 billion or 62.9% of total inflows), thus being subject to the inflow rate of

100%, followed by inflows from financial derivatives (BAM 377.8 million or 17.1% of total inflows) – also being subject to the inflow rate of 100%, and receivables from non-financial customers of BAM 260.8 million or 11.8% of total inflows (being subject to the inflow rate of 50%).

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

- BAM 000 -

No.	Deposits	31.12.2020		31.12.2021		31.03.2022		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)	12,948,828	65.9	14,755,459	69.6	14,556,400	70.3	114	99
2.	7-90 days	989,184	5.0	986,253	4.7	750,911	3.6	100	76
3.	91 days to one year	2,153,403	10.9	2,157,949	10.2	2,245,969	10.8	100	104
<b>I Total short term</b>		<b>16,091,415</b>	<b>81.8</b>	<b>17,899,661</b>	<b>84.5</b>	<b>17,553,280</b>	<b>84.7</b>	<b>111</b>	<b>98</b>
4.	Up to 5 years	3,388,072	17.3	3,174,184	15.0	3,077,492	14.9	94	97
5.	Over 5 years	181,375	0.9	111,107	0.5	88,958	0.4	61	80
<b>II Total long-term</b>		<b>3,569,447</b>	<b>18.2</b>	<b>3,285,291</b>	<b>15.5</b>	<b>3,166,450</b>	<b>15.3</b>	<b>92</b>	<b>96</b>
<b>Total (I + II)</b>		<b>19,660,862</b>	<b>100</b>	<b>21,184,952</b>	<b>100</b>	<b>20,719,730</b>	<b>100</b>	<b>108</b>	<b>98</b>

As of 31/03/2022, short-term deposits had an 84.7% share in total deposits, while long-term ones had a 15.3% share, with the share of the short-term deposits increasing, i.e. the share of the long-term ones decreasing by 0.2 percentage points compared to the end of 2021.

In the reporting period, a decrease of BAM 346.4 million or 1.9% was recorded in relation to short-term deposits and a decrease of BAM 118.8 million or 3.6% in relation to long-term deposits. The decrease of long-term deposits was also realized in relation to deposits of up to 5 years (by BAM 96.7 million or 3%), as well as with deposits of over 5 years (by BAM 22.1 million or 19.9%). 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 (97.2%).

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

- % -

No.	Ratios	31.12.2020	31.12.2021	31.03.2022
1	2	3	4	5
1.	Liquid assets <sup>18</sup> /net assets	31.3	31.9	32.0
2.	Liquid assets/ short-term financial liabilities	45.9	44.6	44.7
3.	Short-term financial liabilities/ total financial liabilities	78.9	82.3	82.5
4.	Loans/deposits and loans taken	74.5	72.3	73.0
5.	Loans/ deposits, loans taken and subordinated debts <sup>19</sup>	73.8	71.8	72.4

<sup>18</sup> Liquid assets in narrow sense: cash and deposits and other financial assets with residual maturity period of less than three months, excluding interbank deposits.

<sup>19</sup> The previous ratio was expanded, the funding also includes subordinated debts, which is a more realistic indicator.

Compared to the end of 2021, the share of liquid assets in net assets, i.e. liquid assets in short term financial liabilities, has increased slightly, as well as the share of short term financial liabilities in total financial liabilities. Also, the ratio of loans/deposits and loans taken and subordinated debt has risen moderately, but is still within the acceptable 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.

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

- BAM 000 -

<b>Table 36: Maturity matching of financial assets and financial liabilities of up to 180 days</b>						
No.	Description	31.12.2020.	31.12.2021	31.03.2022	Index	
1	2	Amount	Amount	Amount	(4/3)	(5/4)
		3	4	5	6	7
<b>I 1-30 days</b>						
1.	Amount of financial assets	10.981.471	11.876.470	11.470.968	108	97
2.	Amount of financial liabilities	13.510.009	15.288.271	15.327.623	113	100
3.	Balance (+ or -) = 1-2	-2.528.538	-3.411.801	-3.856.655	-	-
Calculation of compliance with regulatory requirements in %						
a)	Actual %= no. 1 / no. 2	81,3%	77,7%	74,8%		
b)	Regulatory minimum %	65,0%	65,0%	65,0%		
<b>More (+) or less (-) = a – b</b>		<b>16,3%</b>	<b>12,7%</b>	<b>9,8%</b>		
<b>II 1-90 days</b>						
1.	Amount of financial assets	12.065.528	13.050.687	12.638.737	108	97
2.	Amount of financial liabilities	14.303.357	16.112.291	15.921.100	113	99
3.	Balance (+ or -) = 1-2	-2.237.829	-3.061.604	-3.282.363	-	-
Calculation of compliance with regulatory requirements in %						
a)	Actual %= no. 1 / no. 2	84,4%	81,0%	79,4%		
b)	Regulatory minimum %	60,0%	60,0%	60,0%		
<b>More (+) or less (-) = a – b</b>		<b>24,4%</b>	<b>21,0%</b>	<b>19,4%</b>		
<b>III 1-180 days</b>						
1.	Amount of financial assets	13.257.364	14.327.360	13.823.732	108	96
2.	Amount of financial liabilities	15.167.836	16.976.401	16.802.002	112	99
3.	Balance (+ or -) = 1-2	-1.910.472	-2.649.041	-2.978.270	-	-
Calculation of compliance with regulatory requirements in %						
a)	Actual %= no. 1 / no. 2	87,4%	84,4%	82,3%		
b)	Regulatory minimum %	55,0%	55,0%	55,0%		
<b>More (+) or less (-) = a – b</b>		<b>32,4%</b>	<b>29,4%</b>	<b>27,3%</b>		

As of 31/03/2022, 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 9.8%, in the second one by 19.4% and in the third time bucket by 27.3%.

By observing the key liquidity ratios, qualitative and quantitative requirements, as well as other factors affecting banks' liquidity position, it could be inferred that the FB&H banking sector's liquidity at the end of the first three months of 2022 is satisfactory.

## 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 a bank.

According to the balance as at 31/03/2022, the items in foreign currencies amounted to BAM 3.6 billion, with a 14.1% share (BAM 4.0 billion or 15.5% at the end of 2021) in the currency structure of the banks' assets across the banking sector. The currency structure of liabilities is significantly different, because the share of liabilities in foreign currency is significantly higher and amounts to BAM 7.6 billion or 29.7% (BAM 7.9 billion, with 30.4% share at the end of 2021).

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

- BAM million-

**Table 37: Foreign exchange matching of financial assets and financial liabilities (EUR and total)**

No.	Description	31.12.2021				31.03.2022				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
<b>I Financial assets</b>											
1.	Cash	952	10.1	1,513	14.9	1,187	13.4	1,763	18.4	125	117
2.	Loans	965	10.3	981	9.7	609	6.9	618	6.4	63	63
3.	Loans with currency clause	5,938	63.1	5,938	58.4	5,795	65.6	5,795	60.5	98	98
4.	Other	1,345	14.3	1,525	15.0	1,075	12.2	1,236	12.9	80	81
5.	Other financial assets with currency clause	203	2.2	203	2.0	170	1.9	170	1.8	84	84
<b>Total I (1+2+3+4+5)</b>		<b>9,403</b>	<b>100</b>	<b>10,160</b>	<b>100</b>	<b>8,836</b>	<b>100</b>	<b>9,582</b>	<b>100</b>	<b>94</b>	<b>94</b>
<b>II Financial liabilities</b>											
6.	Deposits	6,135	72.0	6,865	74.2	5,857	70.8	6,588	73.1	95	96
7.	Loans	778	9.1	778	8.4	771	9.3	771	8.6	99	99
8.	Deposits and loans with currency clause	1,384	16.2	1,384	14.9	1,413	17.1	1,413	15.7	102	102
9.	Other	216	2.6	229	2.5	227	2.7	241	2.7	105	105
<b>Total II (6+7+8+9)</b>		<b>8,513</b>	<b>100</b>	<b>9,256</b>	<b>100</b>	<b>8,268</b>	<b>100</b>	<b>9,013</b>	<b>100</b>	<b>97</b>	<b>97</b>
<b>III Off-balance sheet position net (+) or (-)</b>											
10.	Assets	1		7		1		22		100	314
11.	Liabilities	763		780		465		483		61	62
<b>IV Position</b>											
<b>Long (amount)</b>		<b>128</b>		<b>131</b>		<b>104</b>		<b>108</b>		<b>81</b>	<b>82</b>

%	4.5%	4.6%	3.7%	3.8%
<b>Short (amount)</b>				
%				
<b>Permitted</b>	40.0%	40.0%	40,0%	40,0%
<b>Less than permitted</b>	35.5%	35.4%	36,3%	36,2%

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 31/03/2022 ranged within the regulatory limits.

At the sector level, there was a long FX position of 3.8% of the total eligible capital of banks, which is by 36.2 percentage points lower than permitted. Individual FX position for EUR stood at 3.7%, which is 36.3 percentage points lower than permitted. Therein, financial assets items were higher than financial liabilities (long position).

Looking into foreign currencies' structure, financial assets<sup>20</sup> show a dominant share of EUR of 79.4% (as of 31/12/2021: 81.2%), along with reduction of the nominal amount by BAM 391.4 million or 12% vs. YE2021. The share of EUR in financial liabilities was 90.2% (as of 31/12/2021: 90.6%), which is lower by BAM 274.2 million or 3.8% compared to the end of 2021. The calculation basis for the EUR share in financial assets and financial liabilities does not include items with a currency clause.

#### 1.2.9. Interest Rate Risk in the Banking Book

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

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

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

<sup>20</sup> 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



**Table 38: Total weighted position of the banking book**

No.	Description	31.12.2020	31.12.2021	31.03.2022	Index	
					(4/3)	(5/4)
1	2	3	4	5	6	7
1.	Net weighted position - KM	62,655	78,394	146,290	125	187
2.	Net weighted position - EUR	29,563	26,564	19,889	90	75
3.	Net weighted position - USD	168	339	56	202	17
4.	Net weighted position – other	-5,710	-3,804	-57,478	67	1.511
<b>5.</b>	<b>Change of economic value (1+2+3+4)</b>	<b>86,676</b>	<b>101,493</b>	<b>108,757</b>	<b>117</b>	<b>107</b>
6.	Own funds	2,698,561	2,852,902	2,831,556	106	99
<b>7.</b>	<b>Change of economic value/own funds</b>	<b>3.2%</b>	<b>3.6%</b>	<b>3.8%</b>		

The ratio of changes to the economic value of the banking book positions and owns funds as of 31/03/2022 stands at 3.8%. This is within the regulatory limits and is higher by 0.2 percentage points compared to the end of the previous year.

### 1.3. BANKING SECTOR RECOMMENDATIONS

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

- implementing SREP for all banks according to the dynamics defined in the Decision on the Supervisory Review and Evaluation Process in Banks<sup>21</sup> and in line with the adopted SREP Methodology, as well as subject to a continuous monitoring of SREP indicators for all banks;
- monitoring the risk profile and capital position of all banks, to include also fulfillment of capital requirements as a result of the SREP process;
- implementing supervisory evaluation of ICAAP and ILAAP, as well as of recovery plans, for all banks;
- monitoring effects of FBA's special measures to the recovery from adverse consequences caused by the pandemic and banks' actions regarding these measures, with a special focus on monitoring the assets quality of banks after expiry of special measures;
- examining dominant risk segments of operations, examining banks holding systemic relevance over development of lending activities and of banks with concentrations of large savings and other deposits, as well as examining banks' actions in the segment of protection of financial service users and guarantors, etc.;
- monitoring implementation of the Decision on Credit Risk Management and Determination of Expected Credit Losses, including also an analysis of internal models for credit risk parameters assessment;
- monitoring implementation of strategies related to handling non-performing exposures and annual business plans of banks having NPL share in total loans above 5%;
- preparing for the stress testing of banks in 2023 in line with the defined 2-year implementation dynamics, all for purpose of monitoring operations of individual banks, assessing risks and taking timely and appropriate actions;
- 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,

<sup>21</sup> FB&H Official Gazette No. 94/21

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;
- activities related to environmental, social and governance risks (ESG risks);
- further activities to ensure alignment with CRR 2<sup>22</sup> and CRD V<sup>23</sup>; and
- continuing cooperation with the BAB&H, with a view to improving banks' operations, compliance of their operations with regulations, international standards, and professional rules, and market requirements, etc.

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

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

- prudential and responsible management of risks in line with effective accounting and regulatory framework, local and international standards of sound practice;
- support economic recovery and stimulate credit growth through continuous financing of customers and sustainable loan arrangements;
- 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 ECL over the future period;
- further strengthening of the internal controls system in all business segments based on the Decision on Internal Governance System in Banks <sup>24</sup>;
- alignment of operations with new regulatory requirements regarding bank operations and supervision, thus including also requirements related to bank recovery and resolution planning;
- updating recovery plans, thus paying special attention to the following key segments: escalation process, recovery indicators and options;
- improving ICAAP and ILAAP in accordance with the new regulatory requirements;
- activities related to reporting on the net stable funding ratio (NSFR) as of 31.12.2021 and fulfillment of NSFR-related requirements as of 31.12.2022;

<sup>22</sup> Directive (EU) 2019/876 of the European Parliament and Council of 20/05/2019 on amendments to the Directive (EU) No. 575/2013 regarding financial leverage ratio, NSFR, MREL, counterparty credit risk, market risk, exposures to central counterparts, exposures to joint investment undertakings, large exposures, reporting and disclosure requirements, and the Directive (EU) No. 648/2012

<sup>23</sup> Directive (EU) 2019/878 of the European Parliament and Council of 20/05/2019 on amendments to the Directive No. 2013/36/EU regarding exempt entities, financial holdings, mixed financial holdings, contributions, supervisory measures and authorities, as well as measures to preserve capital

<sup>24</sup> FB&H Official Gazette No. 39/21

- 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;
- limited, justified or reasonable increase of fees in the segment of deposits and transactions, considering therein pronounced needs for financial inclusion and adjustment to actual capacities and needs of financial service users;
- intensified monitoring of risks and effects being conveyed to markets outside BiH, thus potentially augmenting the impact of credit risk and other risks; and
- assessing the effects of macroeconomic disturbances and other impacts with possible strong effect on operating capacities and liquidity.



## 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 (NFIs) in the FB&H (MCOs, leasing companies and factoring business) as of 31/03/2022 for which founding, operations, management, supervision and termination of their activities are regulated under special laws and regulations.

As of 31/03/2022, active number of exposures captured by some of special measures prescribed by the Decision on Temporary Measures of Leasing Companies and Microcredit Organisations to Ensure Recovery from Negative Economic Consequences Caused by Covid-19 was 3,558 and they held an amount of BAM 29.7 million or 3.5% share in the total loan portfolio. In the retail segment, exposures subjected to some of the special measures amounted to BAM 23.1 million and had a share of 4% in the total retail portfolio, while the corporate segment shows BAM 6.6 million of exposures encompassed by the special measures and share of 2.4% 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 31/03/2022, FBA's operating licenses were held by 13 MCOs that comprise the microcredit sector in the FB&H, of which 10 are MCFs (non-profit organizations) and 3 are MCCs (profit organizations). Compared to December 31, 2021, the number of MCOs remained unchanged.

The microcredit sector in the FB&H, as of 31/03/2022, operates through the total of 347 organizational parts of MCOs seated in the FB&H, while 6 MCCs with headquarters in the RS operate in the FB&H through 61 organizational units.

Annex 7 provides basic information on MCFs and MCCs which, as of 31/03/2022 held the FBA's license for performing the micro lending activity.

##### 2.1.1.2. Ownership Structure

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

##### 2.1.1.3. Staff Structure

The microcredit sector in the FB&H, as of 31/03/2022, had a total of 1,400 employees, which is higher by 2 employees or 0.1%, compared to December 31, 2021 (Table No. 39). Out of the

total number of employees in the microcredit sector in the FB&H, MCFs employ 1,158 persons or 82.7%, while MCCs employ 242 persons or 17.3%.

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

No.	Qualification	31.12.2021		31.03.2022		Index (5/3)
		No. of employees	% share	No. of employees	% share	
1	2	3	4	5	6	7
1.	University qualifications	739	52.9	737	52.7	100
2.	Two-year post-secondary school qualifications	111	7.9	114	8.1	103
3.	Secondary school qualifications	538	38.5	539	38.5	100
4.	Other	10	0.7	10	0.7	100
	<b>Total</b>	<b>1,398</b>	<b>100</b>	<b>1,400</b>	<b>100</b>	<b>100</b>

An analysis of data on staff efficiency in the FB&H microcredit sector as of 31/03/2022 shows that assets per MCO employee amounted BAM 489.2 ths, which is down by 1.4% vs. 31/12/2021.

## 2.1.2. FINANCIAL INDICATORS OF PERFORMANCE

### 2.1.2.1. Balance Sheet

Total assets of the FB&H microcredit sector as of 31/03/2022 amounted to BAM 684.9 million and are lower by BAM 8.6 million or 1.2% compared to December 31, 2021. The biggest share in the total balance sheet of MCOs is with five MCFs and one MCC with assets amounting to BAM 628.8 million or 91.8% 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 31/03/2022. The aggregate balance sheet of the FB&H microcredit sector as of 31/03/2022 and comparative data with December 31, 2021 are shown in the following Table No. 40:

- BAM 000 -

**Table 40: Microcredit sector's balance sheet**

No	Description	31.12.2021				31.03.2022				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
<b>ASSETS</b>										
1.	Cash	45,096	19,829	64,925	9.4	39,814	14,597	54,411	7.9	84
2.	Placements to banks	1,660	0	1,660	0.2	2,560	0	2,560	0.4	154
3.	Microloans	402,924	160,441	563,365	81.2	405,615	160,240	565,855	82.6	100
4.	Loan loss provisions	3,631	2,888	6,519	0.9	4,034	3,345	7,379	1.1	113
5.	Net microloans	399,293	157,553	556,846	80.3	401,581	156,895	558,476	81.5	100
6.	Premises and other fixed assets	25,577	5,151	30,728	4.4	25,180	4,969	30,149	4.4	98
7.	Long-term investments	33,888	0	33,888	4.9	33,888	0	33,888	5.0	100
8.	Other assets	3,652	1,789	5,441	0.8	3,561	1,837	5,398	0.8	99
9.	Reserves on other items in assets, apart from loans	10	0	10	0.0	10	0	10	0.0	100
	<b>Total assets</b>	<b>509,156</b>	<b>184,322</b>	<b>693,478</b>	<b>100</b>	<b>506,574</b>	<b>178,298</b>	<b>684,872</b>	<b>100</b>	<b>99</b>
<b>LIABILITIES</b>										
10.	Liabilities on loans	201,926	124,023	325,949	47.0	197,374	117,170	314,544	46.0	97
11.	Other liabilities	25,488	8,201	33,689	4.9	24,248	7,537	31,785	4.6	94
12.	Capital	281,742	52,098	333,840	48.1	284,952	53,591	338,543	49.4	101
	<b>Total liabilities</b>	<b>509,156</b>	<b>184,322</b>	<b>693,478</b>	<b>100</b>	<b>506,574</b>	<b>178,298</b>	<b>684,872</b>	<b>100</b>	<b>99</b>
13.	Off-bal. sheet records	178,970	31,948	210,918		181,270	36,397	217,667		103

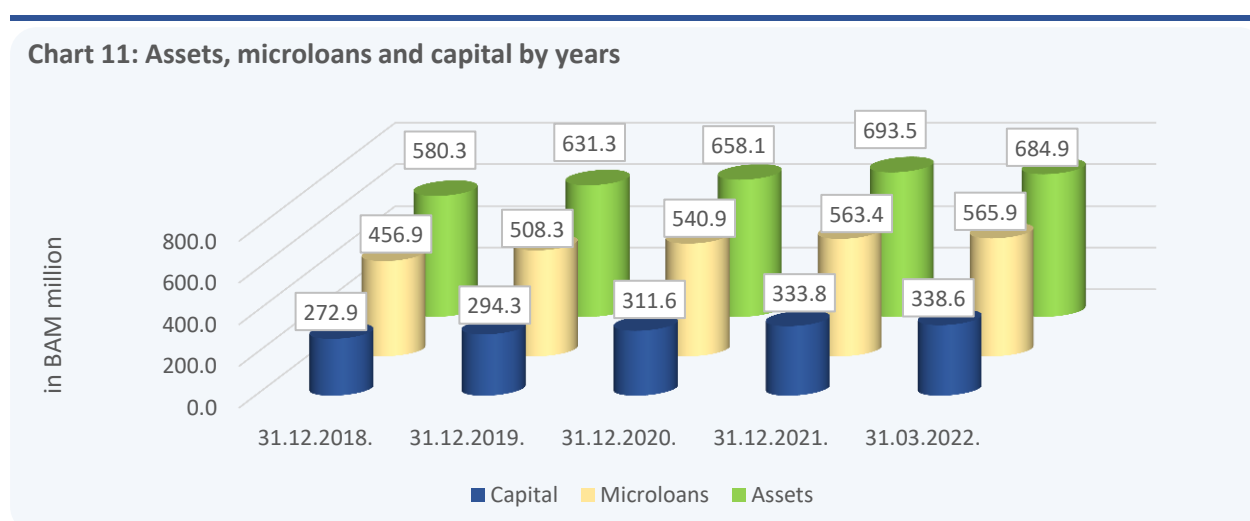
In the structure of assets of the FB&H microcredit sector as of 31/03/2022, there is a decrease related to the level of cash funds (16.2%), tangible and intangible assets (1.9%) and other assets (0.8%). The following balance sheet items rose against the end of the previous year: placements with banks (54.2%) (as a result of an increase of term deposits of one MCO), gross and net micro loans (0.4% and 0.3% respectively) and LLP (13.2%), while long term investments 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 31/03/2022 amounts to 4.73%, which is within the prescribed limit.

The net microloan portfolio amounts to BAM 558.5 million with a share of 81.5% in total assets, hence it recorded a slight increase in absolute amount of BAM 1.6 million, i.e. 0.3%, of which net micro loans with MCFs rose by BAM 2.3 million or 0.6%, while net loans with MCCs dropped by BAM 0.7 million, i.e. 0.4% compared to 31/12/2021. The level of LLPs for the entire microcredit portfolio in the reporting period is higher by BAM 0.9 million, i.e. 13.2%. LLP for MCFs went up by BAM 0.4 million with a growth rate of 11.1% and with MCCs this amount is higher by BAM 0.5 million or 15.8%.

The total off-balance sheet records as of 31/03/2022 stood at BAM 217.7 million, thus being higher by BAM 6.7 million or 3.2% vs. 31/12/2021, whereas with MCFs it went up by BAM 2.3 million or 1.3% and with MCCs by BAM 4.4 million or 13.9%. Out of the said total amount within the off-balance sheet records, written off loans make up for BAM 150.4 million or 69.1% 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 0.9 million or 0.6% compared to the end of the previous year. The total number of written off microloans as of 31/03/2022 was 37,339, up by a total of 91 microloans (0.2%) vs. 31/12/2021. This came as a net effect of new write offs, permanent write offs and fully collected microloans.

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



#### 2.1.2.2. Capital and Liabilities

The biggest items in liabilities in the FB&H microcredit sector as of 31/03/2022 relate to: capital, amounting to BAM 338.6 million and representing 49.4% of total liabilities and liabilities

on loans taken, which amount to BAM 314.5 million, i.e. 46% of total liabilities. The remaining amount of BAM 31.8 million, i.e. 4.6% relates to other liabilities. Over the observed period, total increase of capital at the FB&H microcredit sector level was BAM 4.7 million or 1.4%, of which MCF capital rose by BAM 3.2 million or 1.1% and capital of MCCs by BAM 1.5 million or 2.9% during the reporting period.

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

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**Table 41: Structure of the microcredit sector's capital**

No.	Description	31.12.2021				31.03.2022				Index (9/5)
		MCF balance	MCC balance	Total	%	MCF balance	MCC balance	Total	%	
1	2	3	4	5=3+4	6	7	8	9=7+8	10	11
1.	Donated capital	48,098	0	48,098	14.4	48,098	0	48,098	14.2	100
2.	Core capital	3,696	34,177	37,873	11.3	3,696	34,177	37,873	11.2	100
3.	Surplus & deficit of revenue over expenses	228,878	0	228,878	68.5	232,118	0	232,118	68.6	101
4.	Issue premium	0	0	0	0.0	0	0	0	0.0	-
5.	Unallocated profits	0	7,566	7,566	2.3	0	7,759	7,759	2.3	103
6.	Regulatory reserves	0	4,214	4,214	1.3	0	4,214	4,214	1.2	100
7.	Other reserves	1,070	6,141	7,211	2.2	1,040	7,441	8,481	2.5	118
	<b>Total capital</b>	<b>281,742</b>	<b>52,098</b>	<b>333,840</b>	<b>100</b>	<b>284,952</b>	<b>53,591</b>	<b>338,543</b>	<b>100</b>	<b>101</b>

Total capital of MCFs amounted to BAM 285 million, i.e. 84.2% of the total capital of the microcredit sector, and the biggest items are the surplus of revenues over expenses, amounting to BAM 232.1 million and representing even 81.4% of total capital of MCFs (being higher by BAM 3.2 million or 1.4%) and donated capital, amounting to BAM 48.1 million, i.e. 16.9% (thus remaining the same against the end of the previous year). Out of the total amount of donated capital, donations for the credit fund were reported by nine MCFs, where 64.5% relates to three MCFs, of which one MCF is responsible for 39.1% of the total donations for the credit fund. Five largest individual donors in MCFs in the FB&H participate with 69.1% (BAM 33.2 million), where the largest donor participates with BAM 10.1 million or 21% of the total donated capital in one MCF. Remaining items in the MCF capital relate to Core capital of MCFs and other reserves of altogether BAM 4.8 million or 1.7%.

Total capital of MCCs amounts to BAM 53.6 million, thus comprising 15.8% of the total capital of the microcredit sector. Its structure includes these key items: Core capital of BAM 34.2 million, i.e. 63.8%, and unallocated profit of BAM 7.8 million, i.e. 14.5%. The remaining BAM 11.6 million, i.e. 21.7% of MCC capital relates to statutory and other reserves.

Looking into the capital rate reduced by donated capital vs. assets, as of 31/03/2022, it amounted 42.41% at the microcredit sector level. Thus, we find that it is in line with the prescribed limit.

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



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**Table 42: Maturity structure of loans taken**

No.	Description	31.12.2021.				31.03.2022.				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	16,141	1,500	17,641	5.4	12,442	1,700	14,142	4.5	80
2.	Liabilities on long-term loans taken	184,670	121,238	305,908	93.9	183,937	114,286	298,223	94.8	97
3.	Liabilities based on interest due	1,115	1,285	2,400	0.7	995	1,184	2,179	0.7	91
	<b>Total</b>	<b>201,926</b>	<b>124,023</b>	<b>325,949</b>	<b>100</b>	<b>197,374</b>	<b>117,170</b>	<b>314,544</b>	<b>100</b>	<b>97</b>

As of 31/03/2022, liabilities based on loans taken dropped by BAM 11.4 million or 3.5% compared to 31/12/2021. In the structure of total liabilities on loans taken as of 31/03/2022, loan obligations of MCFs represent 62.7%, while loan obligations of MCCs represent 37.3%. With respect to the maturity structure of loan obligations compared to December 31, 2021, there is a decreased share of short term liabilities by 19.8% and long term liabilities by 2.5% as of 31/03/2022. Liabilities related to interest due have dropped by 9.2%. The largest two creditors of the FB&H microcredit sector, according to their share in total loan obligations of MCOs as of 31/03/2022, are EFSE Luxembourg with BAM 46.1 million and Blue Orchard, Switzerland with BAM 13.7 million.

Other liabilities at the FB&H microcredit sector as of 31/03/2022 amount to BAM 31.8 million and represent 4.6% of total liabilities. Compared to 31/12/2021, they went down by an amount of BAM 1.9 million or 5.6%.

### 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 31/03/2022 amounted to BAM 565.9 million, thus representing 82.6% of total assets of the microcredit sector. If reduced for the corresponding LLP in the total amount of BAM 7.4 million, the net microloan portfolio amounts to BAM 558.5 million, i.e. 81.5% of total assets of the FB&H microcredit sector (Table No. 43). Compared to December 31, 2021, gross microloan portfolio went slightly up by BAM 2.5 million, i.e. by 0.4%, while the net microloan portfolio rose by the amount of BAM 1.6 million, i.e. 0.3%. Over the same period, LLPs rose by BAM 0.9 million or 13.2%.

The ratio of LLP to total gross microloan portfolio as of 31/03/2022 amounted to 1.3%, which, compared to the same ratio as of December 31, 2021, when it amounted to 1.2%, 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 31/03/2022, net microloans of MCFs amounted to BAM 401.6 million and represent 71.9% of the total net microloans across the sector, while the amount of BAM 156.9 million, i.e. 28.1% of the total net microloans across the sector relate to MCCs.

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**Table 43: Net microloans**

No.	Description	31.12.2021			31.03.2022			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)	402,924	160,441	563,365	405,615	160,240	565,855	100
2.	LLP	3,631	2,888	6,519	4,034	3,345	7,379	113
3.	<b>Net microloans (1.-2.)</b>	<b>399,293</b>	<b>157,553</b>	<b>556,846</b>	<b>401,581</b>	<b>156,895</b>	<b>558,476</b>	<b>100</b>

Detailed data on the sector and the maturity structure of the microloan portfolio (reduced by deferred fee income) as of 31/03/2022 are shown in the following Table No. 44:

- BAM 000 -

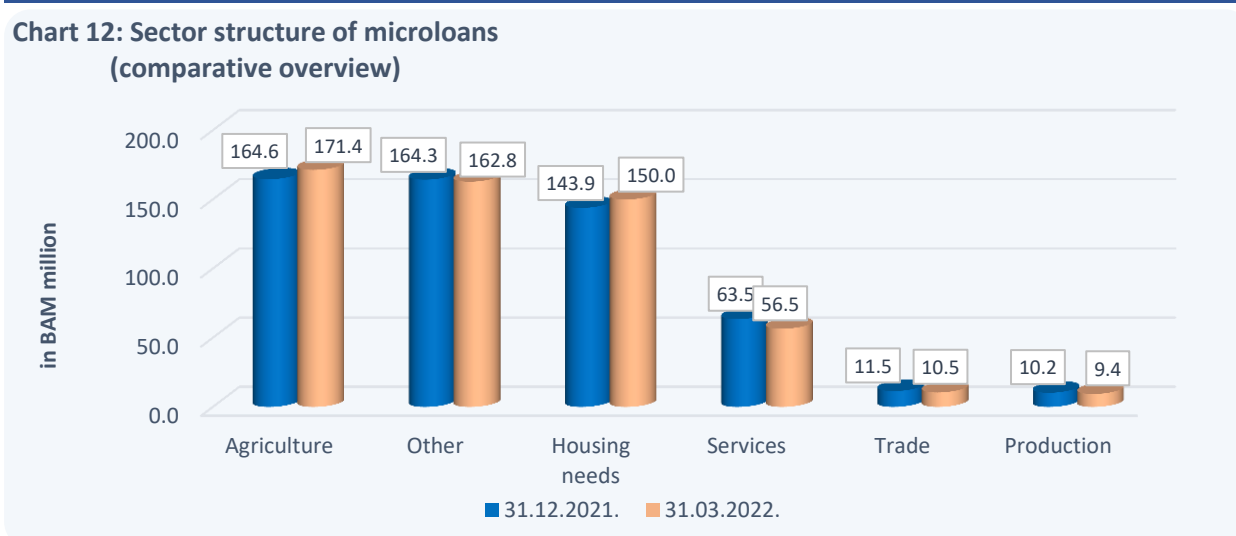
**Table 44: Sector and maturity structure of microloans**

No.	Microloans	ST micro loans	LT micro loans	Receivables due	Total	%
1	2	3	4	5	6=3+4+5	7
1.	<b>Corporate</b>					
a)	Services	280	8,616	42	8,938	55.6
b)	Trade	74	3,065	12	3,151	19.6
c)	Agriculture	9	964	2	975	6.1
d)	Manufacturing	134	2,693	6	2,833	17.6
e)	Other	52	123	0	175	1.1
	<b>Total 1</b>	<b>549</b>	<b>15,461</b>	<b>62</b>	<b>16,072</b>	<b>100</b>
2.	<b>Retail</b>					
a)	Services	1,082	46,305	203	47,590	8.7
b)	Trade	286	7,011	35	7,332	1.4
c)	Agriculture	4,873	165,189	339	170,401	31.3
d)	Manufacturing	139	6,386	25	6,550	1.2
e)	Housing needs	2,885	146,843	261	149,989	27.5
f)	Other	16,346	145,480	835	162,661	29.9
	<b>Total 2</b>	<b>25,611</b>	<b>517,214</b>	<b>1,698</b>	<b>544,523</b>	<b>100</b>
	<b>Total (1+2)</b>	<b>26,160</b>	<b>532,675</b>	<b>1,760</b>	<b>560,595</b>	<b>-</b>

In the maturity structure of the total microloan portfolio as of 31/03/2022, the highest share is the share of long-term micro loans with 95%, while short-term micro loans have a 4.7% share and receivables due on micro loans have a 0.3% share.

Upon observing the sector structure, the dominant share is the share of retail microloans, with 97.1%, while the remaining 2.9% relates to corporate microloans. Within the retail microloan portfolio, the biggest is the share of microloans approved to the agricultural sector, which amounts to 31.3% and for other sectors at 29.9%. By share levels, housing sector follows with 27.5% and services with 8.7%. The share of microloans for trade is 1.4% and for manufacturing 1.2%. In the structure of corporate microloans, the dominant share is the share of microloans for services – 55.6%.

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



The following Table No. 45 provides an overview of receivables with relevant provisions by groups according to the number of days in default, as well as data on outstanding overdue receivables over 180 days (being removed from the balance sheet), as of 31/03/2022:

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Table 45: 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%	543,932	97.0	0%	252	387	0	0	0	0	0
2.	1-15	2%	4,254	0.8	2%	99	0	85	2	0	0	87
3.	16-30	15%	4,257	0.8	100%	74	0	639	74	0	19	732
4.	31-60	50%	3,260	0.6	100%	106	0	1,630	106	0	1	1.737
5.	61-90	80%	1,898	0.3	100%	94	0	1,518	94	0	0	1.612
6.	91-180	100%	2,994	0.5	100%	216	0	2,994	216	0	1	3.211
	<b>Total</b>		<b>560,595</b>	<b>100</b>		<b>841</b>	<b>387</b>	<b>6,866</b>	<b>492</b>	<b>0</b>	<b>21</b>	<b>7.379</b>
7.	over 180	Write off	1,411	-	-	510	-	-	-	-	-	-

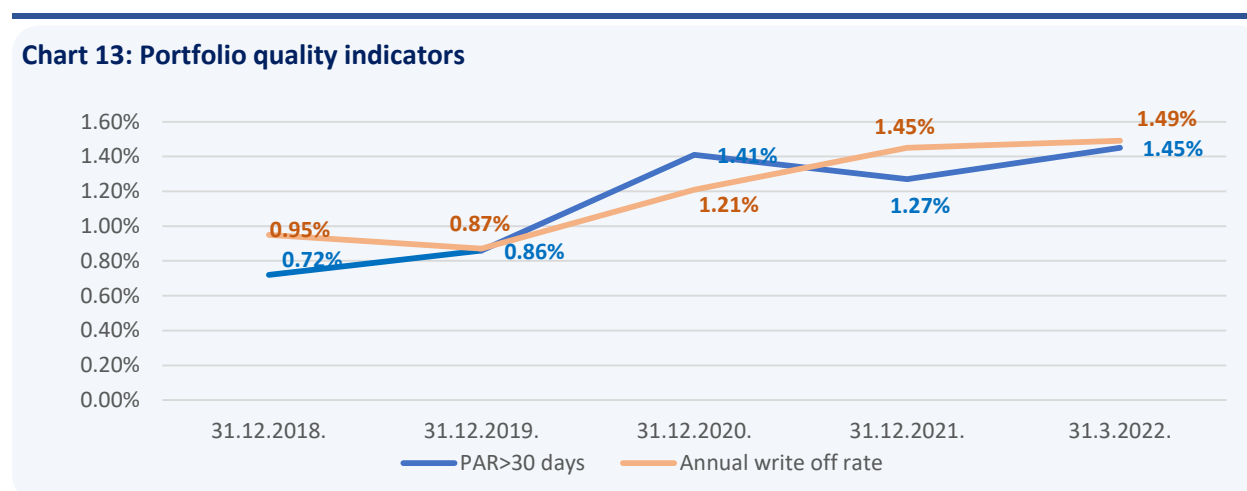
In the total microloan portfolio at the sector level, 97% relate to microloans without defaults, while in the remaining 3% of microloans there are defaults, of which defaults up to 30 days represent 1.6% of micro loans, while 1.4% are defaults of 31 to 180 days. Out of the total amount of due interest (BAM 0.8 million), defaults up to 30 days represent 20.6%, while defaults of 31 to 180 days represent 49.5%. Total amount of provisions under microloans, interest and other asset items as of 31/03/2022 equals BAM 7.4 million. Therein, the largest item corresponds to provisions formed for microloans in default of 91 to 180 days (BAM 3.2 million), thus representing 43.5% of total provisions.

#### Key Indicators of the Microcredit Portfolio Quality

The risk portfolio indicator for more than 30 days in default (PAR>30 days) as of 31/03/2022 amounts to 1.45% at the level the microcredit sector and it increased by 0.18 percentage points compared to December 31, 2021. 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 31/03/2022 amounted to 1.49%, which is within the prescribed standard. This rate has increased by 0.04 percentage points compared to 31.12.2021.

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



### Weighted NIR and EIR on micro loans

Over the period from 01/01/2022 to 31/03/2022, MCOs seated in the FB&H concluded 33,703 agreements and disbursed a total of BAM 127.2 million of microloans. This is by 1,091 agreements or 3.3% higher than in the same period last year, i.e. higher by BAM 18.3 million or 16.7% of disbursements. Over the observed period, MCOs seated in the FB&H had an average weighted NIR on total microloans of 18,71% and EIR of 22.88%, whereas NIR on short term microloans was 19.85% and on long term ones 18.58% and EIR on short term microloans was 28.50% and on long term ones 22.23%. Average weighted EIR on total microloans disbursed by MCOs seated in the FB&H posted a decrease in the period from 01/01/2022 to 31/03/2022 by 2.14 percentage points vs. the same period in 2021, whereas average weighted EIR on short term microloans posted a drop by 3.59 percentage points and on long term microloans a drop by 1.63 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 01/01/2022 to 31/03/2022 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 2018 to 2022.

#### 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 01/01/2022 to 31/03/2022 in an amount of BAM 3.4 million (Table No. 46), down by BAM 0.4 million against the same period in 2021. As of the reporting date, MCOs posted a total of BAM 4.8 million of excess income over expenses, i.e. profit, and BAM 1.4 million of shortfall of income over expenses, i.e. loss.

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**Table 46: Actual financial result of MCOs**

No.	Description	01.01. - 31.03.2021						01.01. - 31.03.2022					
		Amount			Number of MCOs			Amount			Number of MCOs		
		MCF	MCC	Total	MCF	MCC	Total	MCF	MCC	Total	MCF	MCC	Total
1.	Excess income over expenses/Profit	3,568	1,898	5,466	7	2	9	3,259	1,578	4,837	8	2	10
2.	Shortage of income over expenses/Loss	182	1,526	1,708	4	1	5	42	1,392	1,434	2	1	3
	<b>Total</b>	<b>3,386</b>	<b>372</b>	<b>3,758</b>	<b>11</b>	<b>3</b>	<b>14</b>	<b>3,217</b>	<b>186</b>	<b>3,403</b>	<b>10</b>	<b>3</b>	<b>13</b>

MCFs posted excess income over expenses of BAM 3.2 million, thus being by BAM 0.2 million less than in the same period the year before. MCCs reported net profit of BAM 0.2 million, which is by BAM 0.2 million lower than in the same period of the previous year. The presented overall excess income over expenses of MCFs was BAM 3.3 million (eight MCFs), while shortage of income over expenses was posted by two MCFs in an amount of BAM 42 ths. Profit was posted by two MCCs in an amount of BAM 1.6 million, while one MCC posted a loss of BAM 1.4 million. Annexes 12 and 13 provide aggregate income statements for MCFs and MCCs.

#### Total Income of the FB&H Microcredit Sector

According to reporting data for MCOs, in the period from 01/01/2022 to 31/03/2022, total income at the level of the FB&H microcredit sector amounted to BAM 30.4 million, up by BAM 1.6 million or 5.5% compared to the same period last year (Table No. 47).

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**Table 47: Structure of total income of MCOs**

No.	Structure of total income	01.01. - 31.03.2021				01.01. - 31.03.2022				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.	<b>Interest income and similar income</b>									
1.1.	Interest on interest-bearing deposit accounts with deposit institutions	0	0	0	0,0	1	0	1	0,0	-
1.2.	Interest on placements to banks	3	0	3	0,0	5	0	5	0,0	167
1.3.	Interest on loans	17,848	6,988	24,836	86.0	18,560	7,388	25,948	85.2	104
1.4.	Management fee	1,001	364	1,365	4.7	1,207	410	1,617	5.3	118
1.5.	Prepayment fee	97	55	152	0.5	135	72	207	0.7	136
1.6.	Other interest income and similar income	250	49	299	1.1	284	70	354	1.2	118
	<b>Total</b>	<b>19,199</b>	<b>7,456</b>	<b>26,655</b>	<b>92.3</b>	<b>20,192</b>	<b>7,940</b>	<b>28,132</b>	<b>92.4</b>	<b>106</b>
2.	<b>Operating income</b>									
2.1.	Service fees	39	0	39	0.2	56	0	56	0.2	144
2.2.	Income from collected written off receivables	1,751	133	1,884	6.5	1,666	182	1,848	6.1	98
2.3.	Other operating income	2	4	6	0.0	2	3	5	0.0	83
	<b>Total</b>	<b>1,792</b>	<b>137</b>	<b>1,929</b>	<b>6.7</b>	<b>1,724</b>	<b>185</b>	<b>1,909</b>	<b>6.3</b>	<b>99</b>
3.	<b>Other operating income</b>	<b>233</b>	<b>52</b>	<b>285</b>	<b>1.0</b>	<b>369</b>	<b>39</b>	<b>408</b>	<b>1.3</b>	<b>143</b>
	<b>Total income (1+2+3)</b>	<b>21,224</b>	<b>7,645</b>	<b>28,869</b>	<b>100</b>	<b>22,285</b>	<b>8,164</b>	<b>30,449</b>	<b>100</b>	<b>105</b>

Within the structure of total income of MCOs, interest income and similar income hold a share of 92.4%, operating income 6.3% share and other operating income 1.3%. Compared to the same period last year, interest and similar income have risen by BAM 1.5 million or 5.5%. Income from interest on loans, being the key item within the category of interest and similar income, climbed by BAM 1.1 million or 4.5%.

Operating income of MCOs during the observed period saw a slight fall by BAM 20 ths or 1%, whereas income from collected written off receivables (being a dominant item therein) went down by BAM 36 ths or 1.9%. Other operating income posted a rise by BAM 123 ths or 43.2%, whereas the biggest item was profit from sale of fixed assets and non-material investments.

#### Total Expenses of the FB&H Microcredit Sector

According to the reporting data of MCOs for the period from 01/01/2022 to 31/03/2022, total expenses of the FB&H microcredit sector stood at BAM 27 million, up by BAM 1.9 million or 7.7% vs. the same period the year before (Table No. 48).

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**Table 48: Structure of total expenses of MCOs**

No.	Structure of total expenses	01.01.-31.03.2021				01.01.-31.03.2022				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.	<b>Interest expenses and similar expenses</b>									
1.1.	Interest on borrowed funds	1,613	1,060	2,673	10.7	1,526	1,126	2,652	9.8	99
1.2.	Fee for received loans	157	122	279	1.1	167	146	313	1.2	112
1.3.	Prepayment fee	0	0	0	0.0	0	0	0	0.0	-
1.4.	Other interest expenses and similar expenses	154	397	551	2.2	108	543	651	2.4	118
	<b>Total</b>	<b>1,924</b>	<b>1,579</b>	<b>3,503</b>	<b>14.0</b>	<b>1,801</b>	<b>1,815</b>	<b>3,616</b>	<b>13.4</b>	<b>103</b>
2.	<b>Operating expenses</b>									
2.1.	Costs of salaries and contributions	8,890	2,147	11,037	44.0	9,380	2,299	11,679	43.2	106
2.2.	Amortisation costs	1,058	334	1,392	5.5	1,119	357	1,476	5.4	106
2.3.	Material expenses	507	129	636	2.5	584	148	732	2.7	115
2.4.	Service costs	2,895	1,271	4,166	16.6	3,230	1,488	4,718	17.4	113

2.5.	Other operating expenses	906	207	1,113	4.4	797	141	938	3.5	84
	<b>Total</b>	<b>14,256</b>	<b>4,088</b>	<b>18,344</b>	<b>73.0</b>	<b>15,110</b>	<b>4,433</b>	<b>19,543</b>	<b>72.2</b>	<b>107</b>
3.	Other operating expenses	116	11	127	0.5	214	78	292	1.1	230
4.	Costs of reserves for loan and other losses	1,181	1,384	2,565	10.2	1,631	1,477	3,108	11.5	121
5.	Tax on excess income over expenses(income tax)	361	211	572	2.3	312	175	487	1.8	85
	<b>Total expenses (1+2+3+4+5)</b>	<b>17,838</b>	<b>7,273</b>	<b>25,111</b>	<b>100</b>	<b>19,068</b>	<b>7,978</b>	<b>27,046</b>	<b>100</b>	<b>108</b>

MCOs' total expense structure is dominated by operating expenses with a share of 72.2%, while interest and similar expenses participate with 13.4% and costs of reserves for loan and other losses with 11.5%. Other operating expenses and tax on excess income over expenses (i.e. income tax) hold a share of 2.9% in total expenses of MCOs.

Over the observed period, interest and similar expenses rose by BAM 0.1 million or 3.2%, whereas fees for received loans and other interest and similar expenses climbed by 12.2% and 18.1% respectively. Expenses related to interest on borrowed funds dropped by 0.8%.

Operating expenses of MCFs, as a dominant item among total expenses, saw a rise by BAM 1.2 million or 6.5%, whereas costs of salaries and contributions (as their key item) increased by BAM 0.6 million or 5.8%. Costs of services went up by BAM 0.6 million or 13.3%, while material expenses by BAM 0.1 million or 15.1%. Other operating expenses dropped by 0.2 million or 15.7%. Amortisation costs have risen by 6%.

Other operating expenses increased by BAM 165 ths or 129.9%, of which the biggest items are losses from sale of fixed assets and intangible investments. Also, costs of reserves for loan and other losses increased by BAM 0.5 million or 21.2%. Cost of tax on excess income over expenses (i.e. income tax) dropped by BAM 85 ths or 14.9%.

### *Efficiency and Sustainability Indicators for the FB&H Microcredit Sector*

Operational efficiency of the FB&H microcredit sector as of 31/03/2022 stood at 18.83%, which is within the prescribed range for the indicator.

According to reporting data at the FB&H microcredit sector as of 31/03/2022, the return on assets adjusted for inflation, market price of capital and donations (AROA) was positive at 2.02%. 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 (minus collection of written off receivables and other operating income) and total expenses) equals 114.65%.

#### 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 following:

- monitoring compliance of MCOs' business operations with the regulatory framework in respect of achievement of the prescribed objectives of micro lending, in terms of improving the financial position of microloan users, contribution to the increase of employment, support to entrepreneurship development, increase of transparency of operations and protection of the rights of financial service users;
- monitoring the portfolio being captured by the FBA's special measures for recovery from adverse consequences caused by the pandemic;
- timely and adequate undertaking of activities in MCOs according to the corrective measures imposed to eliminate irregularities and weaknesses in business operations.

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

- performance of micro lending activities to improve the financial position of users, increase employment and support entrepreneurial development, starting from legally prescribed micro lending goals with consistent implementation of the Law on Protection of Financial Service Users<sup>25</sup>, 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;
- harmonization, i.e. improvement of operational efficiency and operational sustainability indicators;
- continued and improved cooperation with AMFI in sense of providing expert assistance in implementing laws and regulations concerning MCOs;
- regular, up-to-date and accurate submission of data to CBB&H for the CLR management purposes;
- improving business transparency, etc.

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

## 2.2. LEASING SECTOR

### 2.2.1. FB&H LEASING SECTOR STRUCTURE

#### 2.2.1.1. Number of Leasing Companies

The FBA license for leasing operations was, as of 31/03/2022, held by five leasing companies in the FB&H, where the number of leasing companies increased by one company compared to the end of the previous year (being the company that got registered in the Q1 2022). Annex 14 provides basic information on leasing companies which, as of 31/03/2022, represented the leasing sector in the FB&H.

#### 2.2.1.2. Ownership Structure

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<sup>25</sup> FBiH Official Gazette No. 31/14

The ownership structure of leasing companies in the FB&H, according to data as of 31/03/2022, is as follows: three 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 31/03/2022, there was a total of 98 employees in the leasing sector in the FB&H, which is 3 employees or 3% less than at the end of the previous year (Table No. 49).

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

No.	Qualification	31.12.2021		31.03.2022		Index (5/3)
		No. of employees	% share	No. of employees	% share	
1	2	3	4	5	6	7
1.	University qualifications	73	72.3	72	73.5	99
2.	Two-year post-secondary school qualifications	4	4.0	3	3.1	75
3.	Secondary school qualifications	18	17.8	17	17.3	94
4.	Other	6	5.9	6	6.1	100
	<b>Total</b>	<b>101</b>	<b>100</b>	<b>98</b>	<b>100</b>	<b>97</b>

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 31/03/2022, at the level of the leasing sector in the FB&H, each employee corresponded to BAM 4.0 million in assets. This is by BAM 0.3 million or 7.8% more than as at 31/12/2021.

## 2.2.2. FINANCIAL INDICATORS OF PERFORMANCE

### 2.2.2.1. Balance Sheet

Total assets of the FB&H leasing sector as at 31/03/2022 amounted to BAM 390.9 million and are higher by BAM 17.2 million, i.e. 4.6% compared to December 31, 2021. Two leasing companies, viewed on the basis of asset size, account for 71.4% 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 31/03/2022, while Annex 16 provides an overview of basic indicators of leasing companies in the FB&H as of 31/03/2022.

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 294.4 million, i.e. 75.3% of total assets. Compared to December 31, 2021, net receivables under financial leasing are higher by BAM 3.8 million, i.e. 1.3%, while gross receivables under financial leasing are higher by BAM 3.1 million, i.e. 1%. As of 31/03/2022, one bank that performs also financial leasing deals posted net receivables under financial leasing of altogether BAM 41.9 million, thus indicating that net receivables under financial leasing at the leasing system level were equal to BAM 336.3 million and were by BAM 5.8 million or 1.7% higher than at the end of the previous year.



In the structure of receivables under financial leasing at the level of the leasing sector in the FB&H (if observed by the leasing objects), contracts approved for financing of passenger vehicles and vehicles for performing business activities participate with 84.4%, contracts for equipment financing participate with 15.1%, while 0.5% relates to contracts under which real estate is financed.

If viewed by lessees, 88.7% refers to contracts with legal entities and 6.9% to contracts with private individuals.

The following table No. 50 provides the structure of receivables under financial leasing at the level of the FB&H leasing sector (receivables before reduction for loss provisions) as of 31/03/2022.

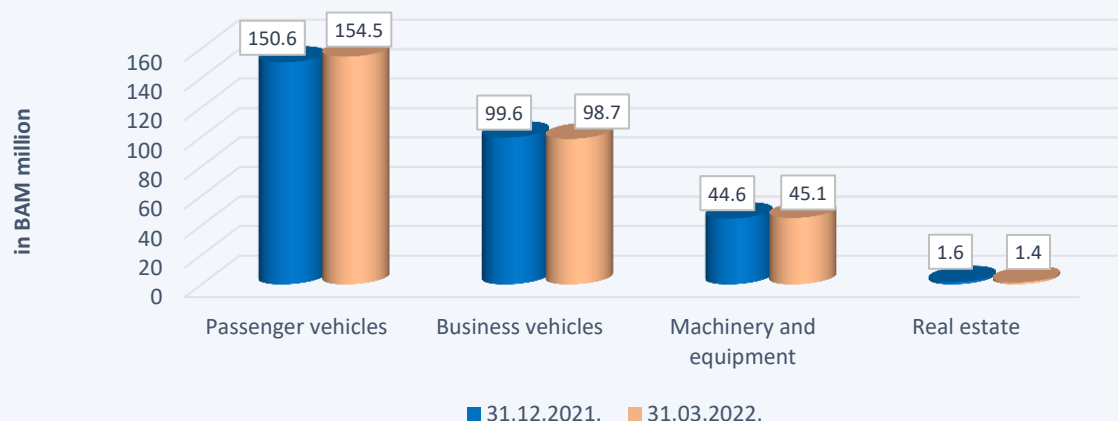
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**Table 50: Structure of financial leasing receivables**

No.	Description	Short term receivables	Long term receivables	Receivables due	Total receivables	% share
1	2	3	4	5	6	7
1.	<b>By leasing object</b>					
1.1.	Passenger vehicles	50,164	103,325	1,016	154,505	51.5
1.2.	Vehicles for performing business activity (cargo and passenger vehicles)	36,799	60,902	1,012	98,713	32.9
1.3.	Machines and equipment	18,790	25,963	361	45,114	15.1
1.4.	Real estate	165	1,195	17	1,377	0.5
1.5.	Other	11	8	0	19	0.0
	<b>Total</b>	<b>105,929</b>	<b>191,393</b>	<b>2,406</b>	<b>299,728</b>	<b>100</b>
2.	<b>By lessee</b>					
2.1.	Corporate	95,373	168,455	2,090	265,918	88.7
2.2.	Entrepreneurs	3,758	6,965	91	10,814	3.6
2.3.	Retail	5,914	14,423	215	20,552	6.9
2.4.	Other	884	1,550	10	2,444	0.8
	<b>Total</b>	<b>105,929</b>	<b>191,393</b>	<b>2,406</b>	<b>299,728</b>	<b>100</b>

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

**Chart 14: Structure of financial leasing receivables (comparative overview)**



The balance sheet position of cash and cash equivalents as of 31/03/2022 amounted to BAM 4.8 million (constituting 1.2% of total assets), which was by BAM 0.4 million, i.e. 9.2% higher compared to December 31, 2021. Placements to banks (posted by one leasing company) as of 31/03/2022 amounted to BAM 17 million, comprising 4.4% of total assets of the FB&H leasing sector, which was by BAM 8.7 million or 106.1% more compared to December 31, 2021.

Net value of fixed assets financed through operational leasing (posted by three leasing companies) as of 31/03/2022 amounted to BAM 67.3 million and has increased by BAM 4.6 million, i.e. 7.3% compared to December 31, 2021.

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

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**Table 51: Structure of net balance sheet assets positions**

No.	Description	31.12.2021	% share	31.03.2022	% share	Index (5/3)
1	2	3	4	5	6	7
1.	Financial leasing	290,647	77.8	294,430	75.3	101
2.	Operational leasing	62,702	16.8	67,277	17.2	107
3.	Loan	0	0.0	0	0.0	-
4.	Other assets*	20,387	5.4	29,196	7.5	143
	<b>Total</b>	<b>373,736</b>	<b>100</b>	<b>390,903</b>	<b>100</b>	<b>105</b>

\* Other assets include cash and cash equivalents, placements to banks and other assets.

#### 2.2.2.2. Capital and Liabilities

Total capital of the FB&H leasing sector as of 31/03/2022 amounted to BAM 31.8 million, thus constituting 8.2% of total liabilities of the FB&H leasing sector. Compared to December 31, 2021, the aforementioned position increased by BAM 2.4 million or 8%.

Total liabilities of the leasing sector in the FB&H amounted to BAM 359.1 million as at 31/03/2022, thus representing 91.8% of total liabilities of leasing companies in the FB&H. Compared to December 31, 2021, total liabilities at the sector level rose by BAM 14.8 million or 4.3%.

Liabilities of leasing companies in the FB&H under loans taken as of 31/03/2022 stood at BAM 350.7 million, thus posing a dominant source in the structure of total liabilities of the FB&H leasing sector since they account for 89.7% of total liabilities. Compared to 31/12/2021, the position of loan obligations is higher by BAM 14.4 million, i.e. 4.3%. If observed by contractual maturity, dominant portion of liabilities based on loans refers to long term loans.

#### 2.2.2.3. Assets and Assets Quality

According to the reporting data at the level of the FB&H leasing sector, reported reserves for losses under financial leasing as of 31/03/2022 (Table No. 52) amounted to BAM 5.3 million and are lower compared to December 31, 2021 by BAM 0.4 million or 6.7%.

In the structure of receivables under financial leasing as of 31/03/2022, the total of BAM 2.4 million of overdue receivables was reported, which is by BAM 18 ths or 0.8% more compared to December 31, 2021.

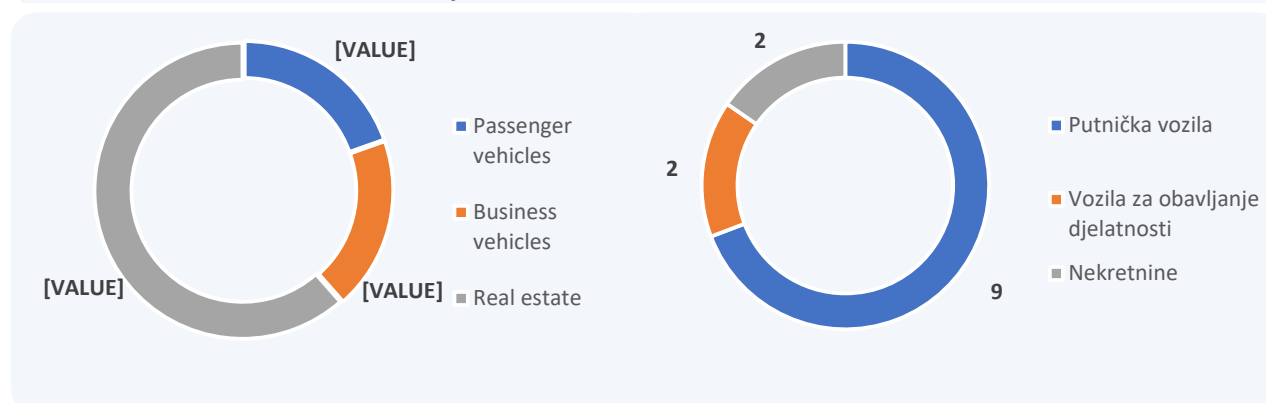
**Table 52: Overview of financial leasing reserves**

No.	Days past due	Rate of reserv. for finan. leasing (movables)	Rate of reserv. for finan. leasing (immovables)	Amount of receivables for movables	Amount of receivables for immovables	Basis - movables	Basis - immovables	For movables	For immovables	Reserves Excess calculated and allocated reserves	Total reserves
1	2	3	4	5	6	7	8	9=7x3	10=8x4	11	12=9+10+11
1.	0-60	0.5%	0.5%	296,791	1,398	47,737	623	239	3	4,738	4,980
2.	60-90	10%	10%	651	0	198	0	20	0	9	29
3.	90-180	50%	50%	799	0	368	0	184	0	32	216
4.	preko 180	100%	75%	89	0	73	0	73	0	0	73
5.	preko 360	100%	100%	0	0	0	0	0	0	0	0
<b>Total</b>				<b>298,330</b>	<b>1,398</b>	<b>48,376</b>	<b>623</b>	<b>516</b>	<b>3</b>	<b>4,779</b>	<b>5,298</b>

The total amount of written off receivables under financial leasing and loans as of 31/03/2022 amounted to BAM 6.8 million BAM and is lower compared to December 31, 2021, by BAM 0.1 million or 1.9%.

The appraised market value of foreclosed leasing objects, due to termination of leasing contracts with lessees as of 31/03/2022 at the level of the FB&H leasing sector, amounted to BAM 0.8 million, down by BAM 67 ths or 8.1% compared to 31.12.2021. There was a total of 13 foreclosed objects, with a posted decrease of the number of foreclosed objects by 6 objects or 31.6% (Chart No. 15).

Out of the total reported amount of appraised market value of foreclosed items in the FB&H leasing sector as of 31/03/2022, 38.5% refers to passenger vehicles and business vehicles. In addition, 61.5% relates to real estate (commercial facilities) for which leasing companies assumed possession for reasons of non-compliance with contractual liabilities on the part of lessees. The total amount of the above position relates to one leasing company.

**Chart 15: Structure of the appraised value of foreclosed leasing objects (in BAM 000) and number of foreclosed objects**

Viewed from the level of the FB&H leasing system as of 31/03/2022, the market value of foreclosed leasing items amounted to BAM 0.8 million and it decreased by BAM 3.7 million compared to December 31, 2021. Out of the above amount of foreclosed leasing items, items foreclosed by the bank that is performing leasing activities correspond to BAM 2 ths, i.e. 0.3% of the total market value of foreclosed items reported at the level of the leasing system. The

significant decrease of this item was caused by the reduced value of the real estate position posted by a bank that is performing leasing activities. The real estate items were foreclosed due to non-payment of lease receivables. This bank has measured the receivables in line with the Decision on Credit Risk Management and Determination of Expected Credit Losses, i.e. it reduced these items to BAM 1.0.

#### 2.2.2.4. Profitability

According to the reporting data of four leasing companies, across the FB&H leasing sector in the period from January 1 – March 31, 2022, a positive financial result of BAM 2.4 million was reported, which represents an increase by BAM 1.1 million compared to the same period in 2021 (Table No. 53). Total net profit was posted in an amount of BAM 2.5 million (three leasing companies), while loss was recognised by one leasing company in an amount of BAM 0.1 million.

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**Table 53: Actual financial result of leasing companies**

No.	Description	01.01. - 31.03.2021		01.01. - 31.03.2022	
		Amount	Number of leasing companies	Amount	Number of leasing companies
1	2	3	4	5	6
1.	Profit	1,628	3	2,475	3
2.	Loss	356	1	119	1
	<b>Total</b>	<b>1,272</b>	<b>4</b>	<b>2,356</b>	<b>4</b>

Annex 17 provides an aggregate balance sheet of leasing companies in the FB&H in the period from 01/01/2022 to 31/03/2022.

#### Total Income of the FB&H Leasing Sector

Total income of the FB&H leasing sector for the period 01/01/2022 to 31/03/2022 amounted to BAM 9.8 million, up by BAM 1.5 million or 17.4% compared to the same period of the previous year (Table No. 54).

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**Table 54: Structure of total income of leasing companies**

No.	Structure of total income	01.01. - 31.03.2021		01.01. - 31.03.2022		Index (5/3)
		Amount	% share	Amount	% share	
1	2	3	4	5	6	7
1.	<b>Interest income and similar income</b>					
1.1.	Interest under financial leasing	18	0.2	23	0.3	128
1.2.	Interest on placements to banks	2,772	33.1	3,008	30.6	109
1.3.	Other interest income	426	5.1	474	4.8	111
	<b>Total 1</b>	<b>3,216</b>	<b>38.4</b>	<b>3,505</b>	<b>35.7</b>	<b>109</b>
2.	<b>Operating income</b>					
2.1.	Operating lease charges	4,625	55.3	5,258	53.5	114
2.2.	Service fees	0	0.0	0	0.0	-
2.3.	Other operating income	529	6.3	959	9.8	181
	<b>Total 2</b>	<b>5,154</b>	<b>61.6</b>	<b>6,217</b>	<b>63.3</b>	<b>121</b>
3.	<b>Income from release of reserves for losses</b>	<b>0</b>	<b>0,0</b>	<b>101</b>	<b>1.0</b>	<b>-</b>
	<b>Total income (1+2+3)</b>	<b>8,370</b>	<b>100</b>	<b>9,823</b>	<b>100</b>	<b>117</b>

The FB&H leasing sector's interest and similar income amounted to BAM 3.5 million, thus constituting 35.7% of total income of the leasing sector. It increased by BAM 0.3 million, i.e. 9%,

compared to the same period last year. The most significant position in interest income is interest income from financial leasing in the total amount of BAM 3 million and it is by BAM 0.2 million, i.e. 8.5%, higher compared to the same period of the preceding financial year.

Operating income amounted to BAM 6.2 million with a share of 63.3% in total income of the leasing sector. Compared to the same period last year, it is higher by BAM 1.1 million, i.e. 20.6%. Operating lease charges, as dominant item of operating income, rose by BAM 0.6 million or 13.7%, while other operating income rose by BAM 0.4 million or 81.3%. In the period from 01/01/2022 to 31/03/2022, income was posted in relation to release of loss reserves in an amount of BAM 0.1 million, thus constituting 1% of total income of the leasing sector. There were two leasing companies that posted income within this item.

#### Total expenses of the FB&H Leasing Sector

Total expenses for the period 01/01/2022 to 31/03/2022 amounted to BAM 7.4 million and are higher by BAM 0.4 million or 5.2% compared to the same period of the preceding year (Table No. 55).

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**Table 55: Structure of total expenses of leasing companies**

No.	Structure of total expenses	01.01. - 31.03.2021		01.01. - 31.03.2022		Index (5/3)
		Amount	% share	Amount	% share	
1	2	3	4	5	6	7
1.	<b>Interest expenses and similar expenses</b>					
1.1.	Interest on borrowed funds	984	13.8	1,098	14.7	112
1.2.	Fees for processing loans	20	0.3	29	0.4	145
1.3.	Other interest expenses	0	0.0	1	0.0	-
	<b>Total 1</b>	<b>1,004</b>	<b>14.1</b>	<b>1,128</b>	<b>15.1</b>	<b>112</b>
2.	<b>Operating expenses</b>					
2.1.	Salary and contribution costs	1,129	15.9	1,190	15.9	105
2.2.	Business premises costs	3,012	42.4	3,253	43.6	108
2.3.	Other costs	1,779	25.1	1,896	25.4	107
	<b>Total 2</b>	<b>5,920</b>	<b>83.4</b>	<b>6,339</b>	<b>84.9</b>	<b>107</b>
3.	<b>Costs of reserves</b>	<b>174</b>	<b>2.5</b>	<b>0</b>	<b>0.0</b>	<b>0</b>
4.	<b>Profit tax</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0.0</b>	<b>-</b>
	<b>Total expenses (1+2+3)</b>	<b>7,098</b>	<b>100</b>	<b>7,467</b>	<b>100</b>	<b>105</b>

Interest and similar expenses of the leasing sector amounted to BAM 1.1 million and represented 15.1% of total expenses of the leasing sector. This is higher by BAM 0.1 million or 12.4% vs. the same period of the previous financial year. Interest expenses under loans taken (as their dominant item) posted a rise by BAM 0.1 million or 11.6%.

Over the observed period, total operating expenses of the leasing sector stood at BAM 6.3 million with a share in total expenses of the leasing sector of 84.9%. This is higher by BAM 0.4 million or 7.1% compared to the same period of the year before. Therein, their structure reflects increased costs of salaries and contributions by 5.4%, costs of business premises by 8%, while other costs climbed by 6.6%.

#### 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, 2022, amounts to BAM 53.6 million and is higher by BAM 8.9 million or 20%, compared to the same period of the preceding financial year.

Thereof, BAM 47.5 million or 88.7% of the total value of newly concluded contracts at the leasing system level refers to four leasing companies.

The number of newly concluded leasing contracts at the leasing system level in the same period was 1,025, which was by 135 contracts or 15.2% higher compared to the same period last year. Thereof, 964 contracts or 94% 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 01/01/2022 – 31/03/2022 amounted to BAM 52.3 ths and it is higher by 4.2% compared to the same period last year, when it amounted to BAM 50.2 ths. Therein, the average value of contracts at the leasing sector level was BAM 49.3 ths, which is 2% less than in the same period in 2021 when it stood at BAM 50.3 ths.

Out of the total generated value of newly concluded contracts in the period from 01/01/2022 to 31/03/2022, 80% relates to financial leasing contracts and 20% to operational leasing contracts.

The following Table No. 56 shows a comparative overview of the number of concluded contracts in the period from 01/01/2022 to 31/03/2022 and in the same period of the preceding financial year, as well as the comparative overview of the realized volume of newly concluded contracts in the same period:

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No.	Description	01.01. - 31.12.2020						01.01. - 31.12.2021					
		Financial leasing		Operational leasing		Total		Financial leasing		Operational leasing		Total	
		Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
1	2	3	4	5	6	7=3+5	8=4+6	9	10	11	12	13=9+11	14=10+12
1.	Vehicles	673	29,263	164	6,429	837	35,692	699	36,349	250	10,740	949	47,089
2.	Equipment	53	8,972	0	0	53	8,972	74	6,409	0	0	74	6,409
3.	Real estate	0	0	0	0	0	0	2	96	0	0	2	96
4.	Other	0	0	0	0	0	0	0	0	0	0	0	0
	<b>Total</b>	<b>726</b>	<b>38,235</b>	<b>164</b>	<b>6,429</b>	<b>890</b>	<b>44,664</b>	<b>775</b>	<b>42,854</b>	<b>250</b>	<b>10,740</b>	<b>1,025</b>	<b>53,594</b>

The total amount of new financing in the reporting period 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 91% of the total amount of financing in the period from 01/01/2022 to 31/03/2022. 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 01/01/2022 to 31/03/2022 was 2.95% for short term contracts and 3.69% for long term contracts, while EIR for short term contracts was 6.10% and 6.49% for long term contracts during the same period. Total average weighted NIR was 3.69% and EIR was 6.49%. Compared to the same period in 2021 when total average weighted NIR was 4.06% and EIR 7.47%, there is an evident decrease of NIR by 0.37 percentage points and EIR by 0.98 percentage points.

Annex 18 provides an overview of average weighted NIR and EIR on financial leasing contracts concluded in the period from 01/01/2022 to 31/03/2022 (by maturity, leasing object and lessee).

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

Annex 18a provides a comparative overview of average weighted NIR and EIR on financial leasing contracts concluded in the past five years (by maturity and lessee).

Differences between posted NIR and EIR are a result of VAT on interest being a mandatory part of the financial leasing contract and being paid by a lessee in advance, as well as creation of a financial leasing contract with surrender value plus additional costs of leasing arrangement being included in the EIR calculation.

### 2.2.3. LEASING SECTOR RECOMMENDATIONS

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

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

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

- promoting safe, stable and sustainable leasing business;
- capital strengthening and defining the parameters of capital protection and capital adequacy, strengthening the internal control system and internal audit function;
- improving the risk management system arising from the leasing business and the environment, identifying risks in a timely manner and taking measures to control and mitigate those risks;

- 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 other 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.

## 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 31/03/2022, factoring system consisted of four commercial banks, of which three banks are members of international banking groups seated in EU-member countries and one bank in majority domestic ownership.

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

As of 31/03/2022, entities providing factoring services in the FB&H have concluded 62 factoring contracts, all of which referring to domestic factoring. Compared to reporting data for the same period last year, the number of factoring contracts is lower by 35 contracts or 36.1%.

As of 31/03/2022, there were 61 concluded contracts on factoring with recourse right or 98.4% and 1 contract on factoring without recourse right or 1.6%. 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 31/03/2022, 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 42 million. Compared to the same period of the previous year, this represents an increase by BAM 3.8 million or 9.8%.

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

- BAM 000 -

**Table 57: 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. - 31.03.2021		01.01. - 31.03.2022		
		Amount	% share	Amount	% share	



1	2	3	4	5	6	7
1.	Factoring with right to recourse	21,785	56.9	17,232	41.0	79
2.	Factoring without right to recourse	16,485	43.1	24,788	59.0	150
3.	Reversed (supplier) factoring	0	0.0	0	0.0	-
	<b>Total</b>	<b>38,270</b>	<b>100</b>	<b>42,020</b>	<b>100</b>	<b>110</b>
4.	Domestic factoring	38,270	100.0	42,020	100.0	110
5.	Foreign factoring	0	0.0	0	0.0	-
	<b>Total</b>	<b>38,270</b>	<b>100</b>	<b>42,020</b>	<b>100</b>	<b>110</b>

As of 31/03/2022, 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 31/03/2022 of 95.3% corresponds to redeemed monetary claims with contractual maturity of 60 days, followed by the share of 4.7% with contractual maturity of 61-90 days. Over the same period of the year before, the highest share in total volume 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 31/03/2022 was BAM 24.8 million, thus constituting 58.8% of total value at the FB&H factoring system level. This is followed by BAM 17.2 million or 41% redeemed from private companies and enterprises at the FB&H factoring system level, while BAM 75 ths or 0.2% of monetary claims was redeemed from government institutions.

According to the sector structure in the segment of private enterprises and companies, total advances paid to suppliers (sellers of receivables) equaled BAM 41.1 million or 100%. If observing domestic factoring by type of recourse in the segment of private enterprises and companies, an amount of BAM 24.7 million or 60.2% related to factoring without recourse right and BAM 16.4 million or 39.8% to factoring with recourse right. As for the segment of public companies, there were no advances paid to suppliers.

On the basis of factoring contracts as of 31/03/2022, banks claimed the total of BAM 22.2 million, fully in domestic factoring, of which BAM 12.1 million or 54.2% relates to factoring with right to recourse, while BAM 10.1 million or 45.8% relates to factoring without right to recourse. The structure of the mentioned amount of redeemed claims by contractual maturities is the following: with contractual maturity of up to 60 days – 81.6%, of 61 to 90 days – 8.5%, of 91 to 180 days – 9.9%.

Total income of the factoring service providers in the FB&H as of 31/03/2022 amounted to BAM 355 ths (income from interest, fees and administrative fees), thus remaining the same compared to the same period the year before (BAM 355 ths). In the structure of the reported total income, 33.2% refers to factoring with right to recourse and 66.8% to factoring without right to recourse.

### 2.3.3. RECOMMENDATIONS FOR THE FACTORING BUSINESS

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

- 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;
- 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; and
- continued supervision of the factoring business in the FBiH via reports and on-site examinations.

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

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

## CONCLUSION

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

Operations of banks in the FBiH during the Q1 2022 were impacted by the global geopolitical occurrences. There was an evident increase of cash funds and total capital, while a slight decrease was seen with total assets, loans, investments in securities and deposits, as well as profitability, vs. the same period of the previous year. Based on presented basic performance indicators of the FBiH banking sector as of 31/03/2022, it may be concluded that it is stable, adequately capitalized, liquid and profitable. The share of non-performing loans in total loans, being the key indicator of the loan quality, posted a decrease compared to the end of the previous year. FBA hereby underlines that banks are required to manage their credit risk and establish reserves for expected credit losses in line with best estimates of credit risk, considering especially therein the intensified pressures of sudden changes of macroeconomic indicators and possible effects to risk exposures and adequate provisioning level. It is crucially important to ensure quality of the overall governance system in banks, adequate and efficient functioning of the risk management system and adequate capital coverage of risks in operations through fulfillment of the prescribed requirements for the regulatory capital calculation.

Compared to the end of the previous year, operations of the FBiH microcredit sector were marked by a slight reduction of assets, minor increase of the gross microcredit portfolio (as the key assets item), as well as a slight increase of total capital (as a dominant liabilities item). Obligations under loans taken posted a decrease. If observed against the same period of the previous year, the number of concluded agreements and microloan disbursements have both marked an increase. The FBiH microcredit sector level saw a reduction of the financial result. As of 31/03/2022 vs. 31.12.2020, the FBiH leasing system recorded an increase of assets, gross and net receivables under financial leasing, liabilities under loans taken and capital the number and value of newly concluded leasing agreements has also risen compared to the same period the year before. Over the observed period, the FBiH leasing sector's companies posted an operating profit. As of 31/03/2022, the factoring business, as possible instrument of short term financing and cash flow management, was performed solely through its financing function, while there were no services of securing collections and receivables management or factoring-related deals. In relation to the same period of the previous year, there was an increase of redeemed nominal amount of monetary claims and settled payables of buyers to towards suppliers of the factoring service provider, while there was also a decrease of the number of concluded factoring contracts. This segment is still beginning to develop in the FBiH market. Present environment in which BSEs operate is marked by uncertainty regarding future global, economic and geopolitical trends. Banking system results are indicative of achieved stability, sustainability and resilience of the banking system. FBA has taken key measures to initiate a resolution process in one bank and this process was successful finalized in early April 2022. Over the following period, special attention will be paid to the credit risk management, portfolio characteristics and growth in correlation with actual strengthening of the economy. FBA will continue with active supervision of BSEs operations in line with effective regulations and plans and will also continue to take extraordinary measures in case of further need for the relevant course of action regarding the situation at hand.



## ANNEXES - BANKING SECTOR

## Annex 1 - Basic information on FB&amp;H banks - 31.03.2022

No.	Bank	Web address	Number of employees	Management Chairperson
1.	Addiko Bank d.d. Sarajevo	www.addiko.ba	334	Sanela Pašić
2.	ASA BANKA DIONIČKO DRUŠTVO SARAJEVO	www.asabanka.ba	319	Samir Mustafić
3.	"BOSNA BANK INTERNATIONAL" - d.d. Sarajevo	www.bbi.ba	445	Alek Bakalović
4.	INTESA SANPAOLO BANKA d.d. BOSNA I HERCEGOVINA	www.intesasanpaolobanka.ba	572	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	462	Lidija Žigić
7.	PRIVREDNA BANKA SARAJEVO d.d. SARAJEVO	www.pbs.ba	187	Hamid Pršeš
8.	ProCredit Bank d.d. Sarajevo	www.procreditbank.ba	149	Amir Salkanović
9.	RAIFFEISEN BANK DIONIČARSKO DRUŠTVO BOSNA I HERCEGOVINA	www.raiffeisenbank.ba	1,269	James Daniel Stewart, Jr
10.	Sberbank BH d.d. Sarajevo*	www.sberbank.ba	418	External administrator
11.	Sparkasse Bank dd Bosna i Hercegovina	www.sparkasse.ba	510	Amir Softić
12.	UniCredit Bank d.d.	www.unicreditbank.ba	1,195	Amina Mahmutović
13.	UNION BANKA DD SARAJEVO	www.unionbank.ba	197	Vedran Hadžiahmetović
14.	ZiraatBank BH d.d.	www.ziraatbank.ba	301	Bülent Suer
<b>TOTAL</b>			<b>6,439</b>	

\*From 12.05.2022 onwards, this bank operates under the name of ASA BANKA NAŠA I SNAŽNA DIONIČKO DRUŠTVO SARAJEVO

Annex 2 - FB&H banks' balance sheet according to the FBA scheme (active sub-balance sheet) -  
31.03.2022

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No.	Description	31.12.2021	%	31.03.2022	%	Index (5/3)
1	2	3	4	5	6	7
<b>ASSETS</b>						
1.	Cash and deposit accounts with deposit institutions	7,989,239	30.9	8,066,578	31.5	101
	1.a. Cash and non-interest bearing deposit accounts	3,813,229	14.7	3,844,371	15.0	101
	1.b. Interest bearing deposit accounts	4,176,010	16.2	4,222,207	16.5	101
2.	Securities at fair value through profit or loss and at fair value in other comprehensive income	1,742,810	6.7	1,631,873	6.4	94
3.	Placements to other banks	350,452	1.3	210,717	0.8	60
4.	Loans, leasing type receivables and past-due receivables	15,890,821	61.4	15,682,769	61.3	99
	4.a. Loans	15,120,075	58.4	14,962,628	58.5	99
	4.b. Leasing type receivables	46,521	0.2	46,927	0.2	101
	4.c. Due receivables on loans and leasing type receivables	724,225	2.8	673,214	2.6	93
5.	Securities at amortized cost	223,198	0.9	252,567	1.0	113
6.	Business premises and other fixed assets	491,588	1.9	490,059	1.9	100
7.	Other real-estate	25,333	0.1	21,369	0.1	84
8.	Investments in subsidiaries and affiliates	13,860	0.1	13,860	0.1	100
9.	Other assets	317,273	1.2	316,007	1.2	100
10.	MINUS: Impairments	1,153,746	4.5	1,112,937	4.3	96
	10.a. Impairments of items in position 4 of Assets	1,099,948	4.3	1,056,475	4.1	96
	10.b. Impairments of assets items, except for position 4 of Assets	53,798	0.2	56,462	0.2	105
<b>11.</b>	<b>TOTAL ASSETS</b>	<b>25,890,828</b>	<b>100</b>	<b>25,572,862</b>	<b>100</b>	<b>99</b>
<b>LIABILITIES</b>						
12.	Deposits	21,184,952	81.8	20,719,730	81.0	98
	12.a. Interest-bearing deposits	14,090,013	54.4	13,720,109	53.6	97
	12.b. Non interest-bearing deposits	7,094,939	27.4	6,999,621	27.4	99
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	779,075	3.0	771,060	3.0	99
	16.a. with residual maturity up to one year	313,719	1.2	290,121	1.1	92
	16.b. with residual maturity over one year	465,356	1.8	480,939	1.9	103
17.	Subordinated debts and subordinated bonds	167,557	0.7	167,557	0.7	100
18.	Other liabilities	650,947	2.5	786,073	3.1	121
<b>19.</b>	<b>TOTAL LIABILITIES</b>	<b>22,782,681</b>	<b>88.0</b>	<b>22,444,570</b>	<b>87.8</b>	<b>99</b>
<b>CAPITAL</b>						
20.	Permanent priority shares	343	0.0	343	0.0	100
21.	Common shares	1,382,522	5.3	1,382,522	5.4	100
22.	Issue premiums	137,290	0.6	137,290	0.5	100
	22.a. on permanent priority shares	88	0.0	88	0.0	100
	22.b. on common shares	137,202	0.6	137,202	0.5	100
23.	Undistributed profit and capital reserves	1,297,650	5.0	1,536,435	6.0	118
24.	Exchange rate differences	0	0.0	0	0.0	-
25.	Other capital	290,342	1.1	71,702	0.3	25
26.	Loan loss reserves created from profits	0	0.0	0	0.0	-
<b>27.</b>	<b>TOTAL CAPITAL: (20 to 25)</b>	<b>3,108,147</b>	<b>12.0</b>	<b>3,128,292</b>	<b>12.2</b>	<b>101</b>
<b>28.</b>	<b>TOTAL LIABILITIES AND CAPITAL: (19 + 27)</b>	<b>25,890,828</b>	<b>100</b>	<b>25,572,862</b>	<b>100</b>	<b>99</b>
<b>PASSIVE AND NEUTRAL SUB-BALANCE SHEET</b>		<b>712,283</b>		<b>713,016</b>		
<b>TOTAL</b>		<b>26,603,111</b>		<b>26,285,878</b>		<b>99</b>

## Annex 3 - Overview of assets, loans and deposits of FB&amp;H banks - 31.03.2022

- BAM 000 -

No.	Bank	Assets		Loans		Deposits		Financial result
		Amount	%	Amount	%	Amount	%	Amount
1.	Addiko Bank d.d. Sarajevo	1,039,870	4.1	530,289	3.4	804,688	3.9	813
2.	ASA BANKA DIONIČKO DRUŠTVO SARAJEVO	1,091,319	4.3	621,708	4.0	967,284	4.7	5,683
3.	"BOSNA BANK INTERNATIONAL" - d.d. Sarajevo	1,507,772	5.9	905,290	5.8	1,217,486	5.9	2,509
4.	INTESA SANPAOLO BANKA d.d. BOSNA I HERCEGOVINA	2,427,328	9.5	1,622,834	10.3	1,777,878	8.6	6,380
5.	KOMERCIJALNO-INVESTICIONA BANKA D.D. VELIKA KLADUŠA	118,061	0.5	56,962	0.4	84,386	0.4	-5
6.	NLB Banka d.d., Sarajevo	1,441,965	5.6	933,436	6.0	1,170,278	5.6	5,274
7.	PRIVREDNA BANKA SARAJEVO d.d. SARAJEVO	563,118	2.2	324,080	2.1	468,239	2.3	1,430
8.	ProCredit Bank d.d. Sarajevo	765,848	3.0	546,919	3.5	521,148	2.5	1,179
9.	RAIFFEISEN BANK DIONIČARSKO DRUŠTVO BOSNA I HERCEGOVINA	4,743,970	18.6	2,635,270	16.8	3,901,971	18.8	9,118
10.	Sberbank BH d.d. Sarajevo	1,443,678	5.6	1,025,373	6.5	1,198,473	5.8	4,548
11.	Sparkasse Bank dd Bosna i Hercegovina	1,923,979	7.5	1,298,579	8.3	1,596,368	7.7	8,157
12.	UniCredit Bank d.d.	6,301,573	24.6	3,890,946	24.8	5,234,122	25.3	24,560
13.	UNION BANKA DD SARAJEVO	1,036,443	4.1	380,087	2.4	900,911	4.3	210
14.	ZiraatBank BH d.d.	1,167,938	4.6	910,996	5.8	876,498	4.2	1,846
<b>TOTAL</b>		<b>25,572,862</b>	<b>100</b>	<b>15,682,769</b>	<b>100</b>	<b>20,719,730</b>	<b>100</b>	<b>71,702</b>

## Annex 4 - Sector Structure of Loans in the FB&amp;H and ECL - 31.03.2022

- 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
<b>1. Total corporate loans (1.1. to 1.21.)</b>	<b>6,517,787</b>	<b>954,463</b>	<b>543,974</b>	<b>8,016,224</b>	<b>74,698</b>	<b>114,492</b>	<b>407,468</b>	<b>596,658</b>
1.1. A Agriculture, forestry and fishing	85,694	9,000	33,626	128,320	826	470	23,338	24,634
1.2. B Mining and quarrying	90,418	11,274	761	102,453	1,128	2,648	467	4,243
1.3. C Processing industry	1,419,838	283,468	241,340	1,944,646	16,961	35,701	179,091	231,753
1.4. D Production and supply of electricity, gas, fumes and air conditioning	191,930	20,309	3,365	215,604	1,954	3,933	2,831	8,718
1.5. E Water supply, waste water drainage, commercial waste disposal and environmental recovery	29,502	2,928	2,259	34,689	284	171	1,408	1,863
1.6. F Construction	398,987	51,699	26,082	476,768	4,583	4,318	20,775	29,676
1.7. G Wholesale and retail trade; repair of motor vehicles and motorcycles	2,451,660	231,407	141,356	2,824,423	22,916	22,634	115,014	160,564
1.8. H Transport and warehousing	268,092	57,286	16,225	341,603	2,958	6,035	13,324	22,317
1.9. I Accommodation and catering (hotels and hospitalist business)	91,331	127,593	29,286	248,210	1,259	20,461	22,479	44,199
1.10. J Information and communication	108,935	13,473	7,479	129,887	992	1,318	3,794	6,104
1.11. K Financial and insurance business	706,364	2,923	0	709,287	12,129	152	0	12,281
1.12. L Real estate business	71,078	97,691	9,369	178,138	1,161	13,540	6,053	20,754
1.13. M Professional, scientific and technical activities	157,276	13,888	22,300	193,464	2,570	1,005	12,074	15,649
1.14. N Administrat. and auxiliary services	25,615	7,268	3,044	35,927	343	832	2,056	3,231
1.15. O Public administration and defence; social insurance	268,083	5,998	0	274,081	3,476	275	0	3,751
1.16. P Education	6,837	716	2,417	9,970	69	69	533	671
1.17. Q Health care and social welfare	61,460	7,818	1,491	70,769	505	491	955	1,951
1.18. R Art, entertainment and recreation	25,349	3,955	385	29,689	208	329	312	849
1.19. S Other services	59,335	5,769	3,189	68,293	376	110	2,964	3,450
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	3	0	0	3	0	0	0	0
<b>2. Total Retail (2.1 + 2.2 + 2.3)</b>	<b>6,721,595</b>	<b>540,060</b>	<b>404,890</b>	<b>7,666,545</b>	<b>80,507</b>	<b>58,207</b>	<b>321,103</b>	<b>459,817</b>
2.1. General consumption	5,157,929	473,407	369,071	6,000,407	69,206	52,355	295,257	416,818
2.2. Housing construction	1,488,155	59,163	29,966	1,577,284	10,273	5,300	20,879	36,452
2.3. Entrepreneurs	75,511	7,490	5,853	88,854	1,028	552	4,967	6,547
<b>3. Total loans (1. + 2.)</b>	<b>13,239,382</b>	<b>1,494,523</b>	<b>948,864</b>	<b>15,682,769</b>	<b>155,205</b>	<b>172,699</b>	<b>728,571</b>	<b>1,056,475</b>



## Annex 5 - FB&amp;H banks' income statement according to FBA's scheme - 31.03.2022

- BAM 000 -

No.	Description	01.01. - 31.03.2021	%	01.01. - 31.03.2022	%	Index (5/3)
1	2	3	4	5	6	7
<b>1.</b>	<b>INTEREST INCOME AND EXPENSES</b>					
a)	<b>Interest income and similar income</b>					
1)	Interest-bearing deposit accounts with deposit institutions	194	0.1	235	0.1	121
2)	Placements to other banks	885	0.3	616	0.2	70
3)	Loans and leasing operations	154,291	59.2	152,293	53.8	99
4)	Securities held to maturity	1,046	0.4	1,394	0.5	133
5)	Equity securities	0	0.0	0	0.0	-
6)	Receivables on paid off-balance sheet liabilities	1	0.0	1	0.0	100
7)	Other interest income and similar income	14,761	5.7	16,706	5.9	113
8)	<b>TOTAL INTEREST INCOME AND SIMILAR INCOME</b>	<b>171,178</b>	<b>65.7</b>	<b>171,245</b>	<b>60.5</b>	<b>100</b>
b)	<b>Interest expenses and similar expenses</b>					
1)	Deposits	20,654	7.9	16,229	5.7	79
2)	Borrowings from other banks	0	0.0	0	0.0	-
3)	Borrowings taken – past-due liabilities	0	0.0	0	0.0	-
4)	Liabilities on loans and other borrowings taken	1,851	0.7	1,274	0.4	69
5)	Subordinated debts and subordinated bonds	1,710	0.7	1,583	0.6	93
6)	Other interest expenses and similar expenses	6,047	2.3	10,932	3.9	181
7)	<b>TOTAL INTEREST EXPENSES AND SIMILAR EXPENSES</b>	<b>30,262</b>	<b>11.6</b>	<b>30,018</b>	<b>10.6</b>	<b>99</b>
c)	<b>Net interest and similar income</b>	<b>140,916</b>	<b>54.1</b>	<b>141,227</b>	<b>49.9</b>	<b>100</b>
<b>2.</b>	<b>OPERATING INCOME</b>					
a)	Income from foreign exchange operations	13,770	5.3	20,781	7.4	151
b)	Loan fees	2,524	1.0	3,469	1.2	137
c)	Off-balance sheet operation fees	5,733	2.2	5,993	2.1	105
d)	Service fees	78,802	30.2	92,950	32.8	118
e)	Income from trading operations	251	0.1	123	0.0	49
f)	Other operating income	18,575	7.1	18,500	6.6	100
g)	<b>TOTAL OPERATING INCOME a) through f)</b>	<b>119,655</b>	<b>45.9</b>	<b>141,816</b>	<b>50.1</b>	<b>119</b>
	<b>TOTAL INCOME (1c + 2g)</b>	<b>260,571</b>	<b>100</b>	<b>283,043</b>	<b>100</b>	<b>109</b>
<b>3.</b>	<b>NON-INTEREST EXPENSES</b>					
a)	<b>Operating and direct expenses</b>					
1)	Risk asset impairment costs, provisions for contingent liabilities and other value adjustments	20,661	7.9	36,718	13.0	178
2)	Other operating and direct costs	33,574	12.9	38,155	13.5	114
3)	<b>TOTAL OPERATING AND DIRECT EXPENSES 1) + 2)</b>	<b>54,235</b>	<b>20.8</b>	<b>74,873</b>	<b>26.5</b>	<b>138</b>
b)	<b>Operating expenses</b>					
1)	Salary and contribution costs	64,186	24.6	65,581	23.2	102
2)	Business premises costs, other fixed assets and overheads	39,802	15.3	43,612	15.4	110
3)	Other operating costs	22,928	8.8	26,470	9.3	115
4)	<b>TOTAL OPERATING EXPENSES 1) through 3)</b>	<b>126,916</b>	<b>48.7</b>	<b>135,663</b>	<b>47.9</b>	<b>107</b>
c)	<b>TOTAL NON-INTEREST EXPENSES</b>	<b>181,151</b>	<b>69.5</b>	<b>210,536</b>	<b>74.4</b>	<b>116</b>
	<b>TOTAL EXPENSES (1b7+3c)</b>	<b>211,413</b>		<b>240,554</b>		<b>114</b>
4.	PROFIT BEFORE TAXATION	79,436	30.5	72,512	25.6	91
5.	LOSS	16	0.0	5	0.0	31
6.	TAXES	433	0.2	818	0.3	189
7.	PROFIT ON INCREASE IN DEFERRED TAX ASSETS AND DECREASE IN DEFERRED TAX LIABILITIES	47	0.0	51	0.0	109
8.	LOSS ON DECREASE IN DEFERRED TAX ASSETS AND INCREASE IN DEFERRED TAX LIABILITIES	4	0.0	38	0.0	950
9.	<b>NET PROFIT</b>	<b>79,046</b>	<b>30.3</b>	<b>71,707</b>	<b>25.3</b>	<b>91</b>
10.	<b>NET LOSS</b>	<b>16</b>	<b>0.0</b>	<b>5</b>	<b>0.0</b>	<b>31</b>
11.	<b>FINANCIAL PERFORMANCE (9-10)</b>	<b>79,030</b>		<b>71,702</b>		<b>91</b>

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

## Average weighted NIR and EIR on loans by periods

- % -

No.	Description	31.03.2018		31.03.2019		31.03.2020		31.03.2021		31.03.2022	
		NIR	EIR	NIR	EIR	NIR	EIR	NIR	EIR	NIR	EIR
1	2	3	4	5	6	7	8	9	10	11	12
<b>1.</b>	<b>Weighted interest rates on short-term loans</b>	<b>2,77</b>	<b>3,04</b>	<b>2,36</b>	<b>2,65</b>	<b>2,25</b>	<b>2,49</b>	<b>2,12</b>	<b>2,39</b>	<b>2,01</b>	<b>2,25</b>
1.1.	Corporate	2,71	2,92	2,31	2,53	2,21	2,41	2,07	2,29	1,97	2,17
1.2.	Retail	8,40	16,44	7,82	15,28	8,36	15,04	8,38	14,44	7,88	13,65
1.3.	Other	3,19	3,40	2,42	2,94	2,46	2,59	2,24	2,33	2,08	2,42
<b>2.</b>	<b>Weighted interest rates on long-term loans</b>	<b>5,02</b>	<b>6,12</b>	<b>4,67</b>	<b>5,65</b>	<b>4,53</b>	<b>5,47</b>	<b>4,73</b>	<b>5,64</b>	<b>4,20</b>	<b>4,98</b>
2.1.	Corporate	3,83	4,19	3,44	3,68	3,16	3,41	3,56	3,82	3,33	3,59
2.2.	Retail	5,86	7,49	5,42	6,83	5,41	6,81	5,49	6,82	4,78	5,91
2.3.	Other	3,72	3,89	3,58	3,80	3,65	3,94	4,21	4,92	2,46	2,60
<b>3.</b>	<b>Total weighted interest rates</b>	<b>3,69</b>	<b>4,30</b>	<b>3,36</b>	<b>3,94</b>	<b>3,06</b>	<b>3,55</b>	<b>3,30</b>	<b>3,85</b>	<b>3,08</b>	<b>3,59</b>
3.1.	Corporate	2,97	3,21	2,57	2,79	2,38	2,59	2,44	2,67	2,35	2,57
3.2.	Retail	5,90	7,65	5,46	6,97	5,46	6,96	5,53	6,93	4,81	5,99
3.3.	Other	3,24	3,44	2,49	2,99	2,66	2,82	2,82	3,09	2,14	2,44

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

## Average Weighted NIR and EIR on deposits by periods

- % -

No.	Description	31.03.2018		31.03.2019		31.03.2020		31.03.2021		31.03.2022	
		NIR	EIR	NIR	EIR	NIR	EIR	NIR	EIR	NIR	EIR
1	2	3	4	5	6	7	8	9	10	11	12
<b>1.</b>	<b>Weighted interest rates on short-term deposits</b>	<b>0.34</b>	<b>0.35</b>	<b>0.26</b>	<b>0.26</b>	<b>0.51</b>	<b>0.51</b>	<b>0.18</b>	<b>0.18</b>	<b>0.15</b>	<b>0.15</b>
1.1.	Corporate	0.50	0.50	0.70	0.70	0.39	0.39	0.45	0.45	0.22	0.22
1.2.	Retail	0.21	0.23	0.21	0.21	0.48	0.48	0.10	0.10	0.04	0.04
1.3.	Other	0.35	0.36	0.20	0.19	0.55	0.55	0.15	0.15	0.15	0.15
<b>2.</b>	<b>Weighted interest rates on long-term deposits</b>	<b>1.10</b>	<b>1.11</b>	<b>1.49</b>	<b>1.29</b>	<b>0.94</b>	<b>0.95</b>	<b>0.86</b>	<b>0.88</b>	<b>0.46</b>	<b>0.46</b>
2.1.	Corporate	1.30	1.30	1.43	1.43	1.06	1.07	0.98	0.98	0.53	0.53
2.2.	Retail	1.10	1.11	1.49	1.15	0.98	0.99	0.87	0.88	0.49	0.49
2.3.	Other	0.97	0.98	1.67	1.66	0.74	0.74	0.68	0.73	0.22	0.22
<b>3.</b>	<b>Total weighted interest rates</b>	<b>0.66</b>	<b>0.66</b>	<b>0.93</b>	<b>0.82</b>	<b>0.78</b>	<b>0.79</b>	<b>0.56</b>	<b>0.57</b>	<b>0.30</b>	<b>0.30</b>
3.1.	Corporate	1.03	1.03	1.25	1.25	0.78	0.78	0.80	0.80	0.44	0.44
3.2.	Retail	0.93	0.94	1.29	1.01	0.90	0.92	0.73	0.75	0.39	0.39
3.3.	Other	0.43	0.44	0.41	0.40	0.61	0.61	0.27	0.28	0.16	0.16

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

## ANNEXES - MICROCREDIT SECTOR

### Annex 7 - Basic information on FB&H MCOs - 31.03.2022

No.	MCO Name	Web address	Director	Licence issuance date
1.	MCC - Mikrokreditno društvo CREDO CENTAR društvo sa ograničenom odgovornošću Mostar	www.credo.centar.ba	Bernard Stojanović	13
2.	MCC - Mikrokreditno društvo EKI d.o.o. Sarajevo	www.eki.ba	Almir Sultanović	189
3.	MCF - Mikrokreditna fondacija "EKI"	www.eki.ba	Esad Uzunić	168
4.	MCC - Mikrokreditno društvo IuteCredit BH d.o.o. Sarajevo	www.iutecredit.ba	Melika Hadžijamaković - Salihović	40
5.	MCF - Mikrokreditna fondacija "LIDER"	www.lider.ba	Džavid Sejfović	69
6.	MCF - Mikrokreditna fondacija "LOK" Sarajevo	www.lok.ba	Elma Čardaklija – Bašić	58
7.	MCF - Mikrokreditna fondacija "MELAHA" Sarajevo	www.melaha.ba	Jakob Finci	6
8.	MCF - Mikrokreditna fondacija "MI-BOSPO" Tuzla	www.mi-bospo.org	Safet Husić	202
9.	MCF - Mikrokreditna fondacija "MIKRA"	www.mikra.ba	Sanin Čampara	159
10.	MCF - Mikrokreditna fondacija "MIKRO ALDI"	www.mikroaldi.org	Omar Softić	34
11.	MCF - „PARTNER MIKROKREDITNA FONDACIJA“	www.partner.ba	Senad Sinanović	283
12.	MCF - "PRVA ISLAMSKA MIKROKREDITNA FONDACIJA"	www.mfi.ba	Edina Hadžimurtezić	9
13.	MCF - Mikrokreditna fondacija "SUNRISE"	www.microsunrise.ba	Samir Bajrović	170
<b>TOTAL</b>				<b>1,400</b>

## Annex 8 - MCFs' aggregate balance sheet - 31.03.2022

- BAM 000 -

No.	Description	31.12.2021	%	31.03.2022	%	Index (5/3)
1	2	3	4	5	6	7
<b>ASSETS</b>						
1.	Cash (1a+1b)	45,096	8.9	39,814	7.8	88
1a)	Cash and non-interest bearing deposit accounts	27,865	5.5	29,450	5.8	106
1b)	Interest-bearing deposit accounts	17,231	3.4	10,364	2.0	60
2.	Placements to banks	1,660	0.3	2,560	0.5	154
3.	Loans	402,924	79.1	405,615	80.1	101
3a)	Loan loss reserves	3,631	0.7	4,034	0.8	111
3b)	Net loans (3-3a)	399,293	78.4	401,581	79.3	101
4.	Business premises and other fixed assets	25,577	5.0	25,180	5.0	98
5.	Long-term investments	33,888	6.7	33,888	6.7	100
6.	Other assets	3,652	0.7	3,561	0.7	98
7.	Minus: reserves on other asset items, except for loans	10	0.0	10	0.0	100
<b>8.</b>	<b>TOTAL ASSETS</b>	<b>509,156</b>	<b>100</b>	<b>506,574</b>	<b>100</b>	<b>99</b>
<b>LIABILITIES</b>						
9a)	Liabilities on short-term loans taken out	16,141	3.2	12,442	2.5	77
9b)	Liabilities on long-term loans taken out	184,670	36.3	183,937	36.3	100
9c)	Liabilities based on interest due	1,115	0.2	995	0.2	89
10.	Other liabilities	25,488	5.0	24,248	4.8	95
<b>11.</b>	<b>TOTAL LIABILITIES</b>	<b>227,414</b>	<b>44.7</b>	<b>221,622</b>	<b>43.8</b>	<b>97</b>
12.	Donated capital	48,098	9.4	48,098	9.5	100
13.	Core capital	3,696	0.7	3,696	0.7	100
14.	Surplus of income over expenses	283,956	55.8	287,238	56.7	101
14a)	for previous years	270,562	53.2	283,949	56.1	105
14b)	for current year	13,394	2.6	3,289	0.6	25
15.	Shortfall of income over expenses	55,078	10.8	55,120	10.9	100
15a)	for previous years	54,954	10.8	55,078	10.9	100
15b)	for current year	124	0.0	42	0.0	34
16.	Other reserves	1,070	0.2	1,040	0.2	97
<b>17.</b>	<b>TOTAL CAPITAL</b>	<b>281,742</b>	<b>55.3</b>	<b>284,952</b>	<b>56.2</b>	<b>101</b>
<b>18.</b>	<b>TOTAL LIABILITIES</b>	<b>509,156</b>	<b>100</b>	<b>506,574</b>	<b>100</b>	<b>99</b>
<b>OFF-BALANCE SHEET RECORDS</b>						
19.	Written-off loans	138,239		137,984		100
20.	Approved, but undrawn loan funds of creditors	9,270		11,180		121
21.	Commission operations	213		212		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)	30,848		31,494		102

## Annex 9 - MCCs' aggregate balance sheet - 31.03.2022

- BAM 000 -

No.	Description	31.12.2021	%	31.03.2022	%	Index (5/3)
1	2	3	4	5	6	7
<b>ASSETS</b>						
1.	Cash (1a+1b)	19,829	10.7	14,597	8.2	74
1a)	Cash and non-interest bearing deposit accounts	19,579	10.6	14,347	8.1	73
1b)	Interest-bearing deposit accounts	250	0.1	250	0.1	100
2.	Placements to banks	0	0.0	0	0.0	-
3.	Loans	160,441	87.0	160,240	89.9	100
3a)	Loan loss reserves	2,888	1.5	3,345	1.9	116
3b)	Net loans (3-3a)	157,553	85.5	156,895	88.0	100
4.	Business premises and other fixed assets	5,151	2.8	4,969	2.8	96
5.	Long-term investments	0	0.0	0	0.0	-
6.	Other assets	1,789	1.0	1,837	1.0	103
7.	Minus: reserves on other asset items, except for loans	0	0.0	0	0.0	-
<b>8.</b>	<b>TOTAL ASSETS</b>	<b>184,322</b>	<b>100</b>	<b>178,298</b>	<b>100</b>	<b>97</b>
<b>LIABILITIES</b>						
9a)	Liabilities on short-term loans taken out	1,500	0.8	1,700	0.9	113
9b)	Liabilities on long-term loans taken out	121,238	65.8	114,286	64.1	94
9c)	Liabilities based on interest due	1,285	0.7	1,184	0.7	92
10.	Other liabilities	8,201	4.4	7,537	4.2	92
<b>11.</b>	<b>TOTAL LIABILITIES</b>	<b>132,224</b>	<b>71.7</b>	<b>124,707</b>	<b>69.9</b>	<b>94</b>
12.	Donated capital	0	0.0	0	0.0	-
13.	Core capital	34,177	18.6	34,177	19.2	100
14.	Issue premium	0	0.0	0	0.0	-
15.	Unallocated profit (15a+15b)	7,566	4.1	7,759	4.3	103
15a)	Previous year	6,614	3.6	7,565	4.2	114
15b)	Current year	952	0.5	194	0.1	20
16.	Legal reserves	4,214	2.3	4,214	2.4	100
17.	Other reserves	6,141	3.3	7,441	4.2	121
<b>18.</b>	<b>TOTAL CAPITAL</b>	<b>52,098</b>	<b>28.3</b>	<b>53,591</b>	<b>30.1</b>	<b>103</b>
<b>19.</b>	<b>TOTAL LIABILITIES</b>	<b>184,322</b>	<b>100</b>	<b>178,298</b>	<b>100</b>	<b>97</b>
<b>OFF-BALANCE SHEET RECORDS</b>						
20.	Written-off loans	11,232		12,407		110
21.	Approved, but undrawn loan funds of creditors	9,333		10,610		114
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)	11,383		13,380		118

## Annex 10 - Overview of key indicators of MCOs in the FB&amp;H - 31.03.2022

- BAM 000 -

No.	Name of MCO	Assets	Gross portfolio	Capital	Financial result
1.	MCC - Mikrokreditno društvo CREDO CENTAR društvo sa ograničenom odgovornošću Mostar	3,095	3,034	71	1,030
2.	MCC - Mikrokreditno društvo EKI d.o.o. Sarajevo	167,800	148,920	1,507	27,609
3.	MCF - Mikrokreditna fondacija "EKI"	107,539	55,322	517	16,786
4.	MCC - Mikrokreditno društvo luteCredit BH d.o.o. Sarajevo	7,403	6,672	-1,392	2,595
5.	MCF - Mikrokreditna fondacija "LIDER"	27,949	26,138	90	5,874
6.	MCF - Mikrokreditna fondacija "LOK" Sarajevo	5,753	4,310	-2	953
7.	MCF - Mikrokreditna fondacija "MELAHA" Sarajevo	1,053	509	28	71
8.	MCF - Mikrokreditna fondacija "MI-BOSPO" Tuzla	81,802	74,373	717	18,506
9.	MCF - Mikrokreditna fondacija "MIKRA"	56,042	46,925	269	12,509
10.	MCF - Mikrokreditna fondacija "MIKRO ALDI"	8,330	7,654	53	1,743
11.	MCF - „PARTNER MIKROKREDITNA FONDACIJA“	158,323	138,836	1,291	25,764
12.	MCF - "PRVA ISLAMSKA MIKROKREDITNA FONDACIJA"	2,493	1,899	-40	594
13.	MCF - Mikrokreditna fondacija "SUNRISE"	57,290	46,003	294	13,194
<b>TOTAL</b>		<b>684,872</b>	<b>560,595</b>	<b>3,403</b>	<b>127,228</b>

## Annex 11 - Overview of average weighted NIR and EIR for MCOs - 31.03.2022

No.	Description	MCOs seated in the FB&H - period 01.01. - 31.03.2022			
		Number of concluded contracts	Microloans disbursement (in BAM 000)	Weighted NIR (average) %	Weighted EIR (average) %
1	2	3		4	5
<b>1.</b>	<b>Short term microloans for:</b>	<b>10,335</b>	<b>13,215</b>	<b>19.85</b>	<b>28.50</b>
1.1.	service activities	249	572	19.72	27.39
1.2.	trade	49	131	17.73	24.05
1.3.	agriculture	1,778	2,686	21.25	26.78
1.4.	manufacturing	28	90	19.05	25.24
1.5.	housing needs	797	1,422	18.46	23.73
1.6.	general-basic needs	4,742	5,512	20.98	31.93
1.7.	other	2,692	2,802	16.97	26.13
<b>2.</b>	<b>Long term microloans for:</b>	<b>23,368</b>	<b>114,013</b>	<b>18.58</b>	<b>22.23</b>
2.1.	service activities	1,227	6,066	18.02	21.60
2.2.	trade	225	1,437	16.61	19.72
2.3.	agriculture	7,066	38,515	17.49	19.70
2.4.	manufacturing	161	1,070	16.52	19.48
2.5.	housing needs	5,441	32,623	18.13	20.92
2.6.	general-basic needs	4,202	16,445	21.05	25.74
2.7.	other	5,046	17,857	19.94	27.39
<b>3.</b>	<b>Total microloans</b>	<b>33,703</b>	<b>127,228</b>	<b>18.71</b>	<b>22.88</b>

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

- % -

Average weighted NIR on:	01.01.-31.03.2018	01.01.-31.03.2019	01.01.-31.03.2020	01.01.-31.03.2021	01.01.-31.03.2022
Short-term microloans	20.06	21.64	20.36	19.92	19.85
Long-term microloans	19.58	19.22	18.96	19.34	18.58
<b>Total microloans</b>	<b>19.65</b>	<b>19.56</b>	<b>19.15</b>	<b>19.43</b>	<b>18.71</b>
Average weighted EIR on:	01.01.-31.03.2018	01.01.-31.03.2019	01.01.-31.03.2020	01.01.-31.03.2021	01.01.-31.03.2022
Short-term microloans	26.78	29.42	33.31	32.09	28.50
Long-term microloans	23.26	22.61	23.51	23.86	22.23
<b>Total microloans</b>	<b>23.79</b>	<b>23.57</b>	<b>24.85</b>	<b>25.02</b>	<b>22.88</b>

## Annex 12 - MCFs aggregate income statement - 31.03.2022

- BAM 000 -

R. br.	Description	For the period 01.01. - 31.03.2021	%	For the period 01.01. - 31.03.2022	%	Index (5/3)
1	2	3	4	5	6	7
	<b>INTEREST INCOME AND EXPENSES</b>					
1.	Interest and similar income	19,199	90.5	20,192	90.6	105
2.	Interest and similar expenses	1,924	10.8	1,801	9.5	94
<b>3.</b>	<b>Net interest and similar income (1. - 2.)</b>	<b>17,275</b>		<b>18,391</b>		<b>106</b>
	<b>OPERATING INCOME AND EXPENSES</b>					
4.	Operating income	1,792	8.4	1,724	7.7	96
5.	Operating expenses	14,256	79.9	15,110	79.2	106
	<b>OTHER OPERATING INCOME AND EXPENSES</b>					
6.	Other operating income	233	1.1	369	1.7	158
7.	Other operating expenses	116	0.7	214	1.1	184
8.	Costs of provisions for loan and other losses	1,181	6.6	1,631	8.6	138
<b>9.</b>	<b>Surplus/shortfall of income over expenses before taxes (3.+4.-5.+6.-7.-8.)</b>	<b>3,747</b>		<b>3,529</b>		<b>94</b>
10.	Tax on surplus income over expenses	361	2.0	312	1.6	86
<b>11.</b>	<b>Net surplus/shortfall of income over expenses (9.-10.)</b>	<b>3,386</b>		<b>3,217</b>		<b>95</b>



## Annex 13 - MCCs aggregate income statement - 31.03.2022

- BAM 000 -

No.	Description	For the period 01.01. - 31.03.2021	%	For the period 01.01. - 31.03.2022	%	Index (5/3)
1	2	3	4	5	6	7
	<b>INTEREST INCOME AND EXPENSES</b>					
1.	Interest and similar income	7,456	97.5	7,940	97.2	106
2.	Interest and similar expenses	1,579	21.7	1,815	22.7	115
<b>3.</b>	<b>Net interest and similar income (1. - 2.)</b>	<b>5,877</b>		<b>6,125</b>		<b>104</b>
	<b>OPERATING INCOME AND EXPENSES</b>					
4.	Operating income	137	1.8	185	2.3	135
5.	Operating expenses	4,088	56.2	4,433	55.6	108
	<b>OTHER OPERATING INCOME AND EXPENSES</b>					
6.	Other operating income	52	0.7	39	0.5	75
7.	Other operating expenses	11	0.2	78	1.0	709
8.	Costs of provisions for loan and other losses	1,384	19.0	1,477	18.5	107
<b>9.</b>	<b>Profit/loss before taxes (3.+4.-5.+6.-7.-8.)</b>	<b>583</b>		<b>361</b>		<b>62</b>
10.	Income tax	211	2.9	175	2.2	83
<b>11.</b>	<b>Net profit/loss (9.-10.)</b>	<b>372</b>		<b>186</b>		<b>50</b>

## ANNEXES – LEASING SECTOR

### Annex 14 - Basic information on leasing companies in the FB&H - 31.03.2022

No.	Leasing company name	Web address	Director	License issuance date
1.	MOGO d.o.o. Sarajevo	www.mogo.ba	Maja Nura	8
2.	PORSCHE LEASING d.o.o. Sarajevo	www.porscheleasing.ba	Dejan Stupar	23
3.	RAIFFEISEN LEASING d.o.o. Sarajevo	www.rlbh.ba	Maja Jurčević	44
4.	SPARKASSE LEASING d.o.o. Sarajevo	www.s-leasing.ba	Elma Hošo	23
5.	„SCANIA LEASING BH“ društvo sa ograničenom odgovornošću	-	Damir Slipičević	-
<b>TOTAL</b>				<b>98</b>

## Annex 15 - Leasing companies' aggregate balance sheet - 31.03.2022

- BAM 000 -

No.	Description	31.12.2021	%	31.03.2022	%	Index (5/3)
1	2	3	4	5	6	7
	<b>ASSETS</b>					
1.	Cash and cash equivalents	4,391	1.2	4,794	1.2	109
2.	Placements to banks	8,240	2.2	16,986	4.4	206
3.	Financial leasing type receivables, net (3a-3b-3c-3d)	290,647	77.8	294,430	75.3	101
3a)	Financial leasing type receivables, gross	318,640	85.3	321,725	82.3	101
3b)	Loss reserves	5,681	1.5	5,298	1.4	93
3c)	Deferred interest income	21,996	5.9	21,682	5.5	99
3d)	Deferred fee income	316	0.1	315	0.1	100
4.	Receivables from subsidiaries	0	0.0	0	0.0	-
5.	Tangible and intangible assets, net (5a+5b-5c-5d)	64,259	17.2	68,801	17.6	107
5a)	Tangible and intangible assets –own funds	3,869	1.0	3,891	1.0	101
5b)	Tangible and intangible assets –of operational leasing	86,199	23.1	92,455	23.6	107
5c)	Impairment -own resources	2,312	0.6	2,367	0.6	102
5d)	Impairment-operating leasing	23,497	6.3	25,178	6.4	107
6.	Long-term investments	368	0.1	368	0.1	100
7.	Other assets (7a+7b)	5,831	1.5	5,524	1.4	95
7a)	Loans, net (7a1-7a2)	0	0.0	0	0.0	-
7a1)	Loans (past-due receivables+outstanding principal)	0	0.0	0	0.0	-
7a2)	Loan reserves	0	0.0	0	0.0	-
7b)	Inventory	828	0.2	761	0.2	92
7c)	Other assets	5,003	1.3	4,763	1.2	95
	<b>TOTAL ASSETS</b>	<b>373,736</b>	<b>100</b>	<b>390,903</b>	<b>100</b>	<b>105</b>
	<b>LIABILITIES</b>					
8.	Liabilities on loans, net (8a+8b-8c)	336,293	90.0	350,698	89.7	104
8a)	Liabilities on short-term loans	11,679	3.1	11,689	3.0	100
8b)	Liabilities on long-term loans	324,767	86.9	339,260	86.8	104
8c)	Advanced costs and fees	153	0.0	251	0.1	164
9.	Other liabilities	7,957	2.1	8,363	2.1	105
	<b>TOTAL LIABILITIES</b>	<b>344,250</b>	<b>92.1</b>	<b>359,061</b>	<b>91.8</b>	<b>104</b>
10.	Core capital	16,827	4.5	16,827	4.3	100
11.	Reserves	7,818	2.1	7,818	2.0	100
12.	Accumulated profit/loss	4,841	1.3	7,197	1.9	149
	<b>TOTAL CAPITAL</b>	<b>29,486</b>	<b>7.9</b>	<b>31,842</b>	<b>8.2</b>	<b>108</b>
	<b>TOTAL LIABILITIES</b>	<b>373,736</b>	<b>100</b>	<b>390,903</b>	<b>100</b>	<b>105</b>
	Written off receivables (opening balance)	21,020		6,957		33
	New write off (+)	589		227		39
	Recovery (-)	559		283		51
	Permanent write off (-)	14,093		77		1
	Written off receivables (closing balance)	6,957		6,824		98
	Other off-balance sheet records	99,593		106,854		107

## Annex 16 - Basic indicators of leasing companies in the FB&amp;H - 31.03.2022

- BAM 000 -

No.	Name	Balance sheet total	Financial leasing receivables	Net balance of funds granted under operational leasing	Total capital	Financial result
1.	MOGO d.o.o. Sarajevo	1,108	452	0	-119	0
2.	PORSCHE LEASING d.o.o. Sarajevo	155,401	99,311	52,488	1,245	21,020
3.	RAIFFEISEN LEASING d.o.o. Sarajevo	123,721	94,585	8,901	610	13,474
4.	SPARKASSE LEASING d.o.o. Sarajevo	110,673	100,082	5,888	620	13,018
5.	SCANIA LEASING	0	0	0	0	0
<b>TOTAL</b>		<b>390,903</b>	<b>294,430</b>	<b>67,277</b>	<b>2,356</b>	<b>47,512</b>

## Annex 17 - Leasing companies' aggregate income statement - 31.03.2022

- BAM 000 -

No.	Description	01.01. - 31.03.2021	%	01.01. - 31.03.2022	%	Index (5/3)
1	2	3	4	5	6	7
	<b>Financial income and expenses</b>					
<b>1.</b>	<b>Interest income</b>	<b>3,216</b>	<b>38.4</b>	<b>3,505</b>	<b>36.0</b>	<b>109</b>
1a)	Interest on financial leasing	18	0.2	23	0.2	128
1b)	Interest on placements to banks	2,772	33.2	3,008	30.9	109
1c)	Fees (for leasing application processing, etc.)	213	2.5	238	2.5	112
1d)	Other interest income	213	2.5	236	2.4	111
<b>2.</b>	<b>Interest expenses</b>	<b>1,004</b>	<b>14.1</b>	<b>1,128</b>	<b>15.3</b>	<b>112</b>
2a)	Interest on borrowed funds	984	13.8	1,098	14.9	112
2b)	Loan processing fees	20	0.3	29	0.4	145
2c)	Other interest expenses	0	0.0	1	0.0	-
<b>3.</b>	<b>Net interest income</b>	<b>2,212</b>	<b>26.4</b>	<b>2,377</b>	<b>24.4</b>	<b>107</b>
	<b>Operating income and expenses</b>					
<b>4.</b>	<b>Operating income</b>	<b>5,154</b>	<b>61.6</b>	<b>6,217</b>	<b>64.0</b>	<b>121</b>
4a)	Service fees	0	0.0	0	0.0	-
4b)	Operating lease fee	4,625	55.3	5,258	54.1	114
4c)	Income from sale of leasing object	0	0.0	38	0.4	-
4d)	Other operating income	529	6.3	921	9.5	174
4d)1	Income from recovered written off receivables	62	0.7	372	3.8	600
4d)2	Income from collection letters	6	0.1	4	0.1	67
4d)3	Other	461	5.5	545	5.6	118
<b>5.</b>	<b>Operating expenses</b>	<b>5,920</b>	<b>83.4</b>	<b>6,339</b>	<b>86.1</b>	<b>107</b>
5a)	Salary and contribution costs	1,129	15.9	1,190	16.2	105
5b)	Business premises costs	3,012	42.4	3,253	44.2	108
5c)	Other costs	1,779	25.1	1,896	25.7	107
<b>6.</b>	<b>Costs of loss reserves</b>	<b>174</b>	<b>2.5</b>	<b>-101</b>	<b>-1.4</b>	<b>-58</b>
<b>7.</b>	<b>Profit before tax</b>	<b>1,272</b>		<b>2,356</b>		<b>185</b>
<b>8.</b>	<b>Corporate income tax</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0.0</b>	<b>-</b>
<b>9.</b>	<b>Net profit/loss</b>	<b>1,272</b>		<b>2,356</b>		<b>185</b>

## Annex 18 – Overview of average weighted NIR and EIR financial leasing contracts - 31.03.2022

No.	Description	For the period 01.01. - 31.03.2022			
		Broj ugovora	Iznos finansiranja (BAM 000)	Pond. NKS %	Pond. EKS %
1	2	3	4	5	6
<b>1.</b>	<b>Short-term leasing contract by leasing objects:</b>	<b>2</b>	<b>129</b>	<b>2.95</b>	<b>6.10</b>
a.	Passenger vehicles	1	80	3.59	7.71
b.	Vehicles for performing business activity (cargo and passenger vehicles)	1	49	1.90	3.46
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
<b>1.1.</b>	<b>Short-term leasing contract by lessees:</b>	<b>2</b>	<b>129</b>	<b>2.95</b>	<b>6.10</b>
a.	Corporate	2	129	2.95	6.10
b.	Entrepreneurs	0	0	0.00	0.00
c.	Retail	0	0	0.00	0.00
<b>2.</b>	<b>Long-term leasing contract by leasing objects:</b>	<b>773</b>	<b>42,725</b>	<b>3.69</b>	<b>6.49</b>
a.	Passenger vehicles	511	23,607	3.79	7.03
b.	Vehicles for performing business activity (cargo and passenger vehicles)	186	12,613	3.47	6.11
c.	Machines and equipment	74	6,409	3.77	5.26
d.	Real estate	2	96	4.50	7.93
e.	Other	0	0	0.00	0.00
<b>2.1.</b>	<b>Long-term leasing contract by lessees:</b>	<b>773</b>	<b>42,725</b>	<b>3.69</b>	<b>6.49</b>
a.	Corporate	679	38,880	3.66	5.70
b.	Entrepreneurs	24	984	3.46	6.24
c.	Retail	70	2,861	4.29	17.37
	<b>Total (1+2)</b>	<b>775</b>	<b>42,854</b>	<b>3.69</b>	<b>6.49</b>

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

No.	Description	31.03.2018		31.03.2019		31.03.2020		31.03.2021		31.03.2022	
		NIR	EIR	NIR	EIR	NIR	EIR	NIR	EIR	NIR	EIR
1	2	3	4	5	6	7	8	9	10	11	12
<b>1.</b>	<b>Short-term leasing contracts:</b>	<b>5.24</b>	<b>9.65</b>	<b>8.64</b>	<b>17.65</b>	<b>3.93</b>	<b>8.07</b>	<b>4.02</b>	<b>6.80</b>	<b>2.95</b>	<b>6.10</b>
1.1.	Corporate	5.24	9.65	2.99	5.23	3.93	8.07	4.02	6.80	2.95	6.10
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	0.00	0.00	32.08	69.21	0.00	0.00	0.00	0.00	0.00	0.00
<b>2.</b>	<b>Long-term leasing contracts:</b>	<b>4.47</b>	<b>7.24</b>	<b>7.20</b>	<b>11.29</b>	<b>4.18</b>	<b>7.25</b>	<b>4.06</b>	<b>7.47</b>	<b>3.69</b>	<b>6.49</b>
2.1.	Corporate	4.43	6.58	4.13	6.19	4.08	6.41	4.00	6.58	3.66	5.70
2.2.	Entrepreneurs	4.99	7.06	5.05	6.84	5.21	8.84	3.95	6.10	3.46	6.24
2.3.	Retail	4.97	18.44	26.15	42.82	4.91	18.18	4.86	18.82	4.29	17.37
	<b>Total</b>	<b>4.47</b>	<b>7.25</b>	<b>7.22</b>	<b>11.37</b>	<b>4.18</b>	<b>7.26</b>	<b>4.06</b>	<b>7.47</b>	<b>3.69</b>	<b>6.49</b>



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