



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

INFORMATION

**ON THE FEDERATION OF BOSNIA AND HERZEGOVINA BANKING SYSTEM
ENTITIES WITH BALANCE AS OF 31.12.2022**

(AS PER FINAL UNAUDITED DATA)

Sarajevo, April 2023

Abbreviations and terms

AMFI	Association of Micro Finance Institutions in BiH
AOD	Deposit Insurance Agency of Bosnia and Herzegovina
ASF	Available Stable Funding
BD	Brčko District
BiH	Bosnia and Herzegovina
CBBiH	Central Bank of Bosnia and Herzegovina
CLR	Central Loan Register in B&H (for legal entities and private individuals)
FXP	Foreign Exchange Payments
EBA	European Banking Authority
EBRD	European Bank for Reconstruction and Development
ECB	European Central Bank
ECL	Expected credit loss
EFSE	European Fund for Southeast Europe
EIR	Effective Interest Rate
EU	European Union
FBA	Federation of Bosnia and Herzegovina Banking Agency
FBIH	Federation of Bosnia and Herzegovina
FED	The Federal Reserve
FID	Financial Intelligence Department
FSAP	Financial Sector Assessment Program
FX risk	Foreign Exchange Risk
ICAAP	Internal Capital Adequacy Assessment Process
ILAAP	Internal Liquidity Adequacy Assessment Process
LCR	Liquidity Coverage Ratio
MCC	Micro credit company
MCF	Micro credit foundation
MCO	Micro credit organisation
IMF	International Monetary Fund
NFI	Non-deposit Financial Institutions
NIR	Nominal Interest Rate
NPL	Non-performing loans
NSFR	Net Stable Funding Ratio
DBFBiH	Development Bank of the Federation of Bosnia and Herzegovina
LLP	Loan Loss Provisions
RS	Republika Srpska
RSF	Required Stable Funding
USA	United States of America
WB	World Bank
BSE	FBIH Banking System Entities: banks, banking groups, development banks, MCOs, leasing companies, factoring companies, exchange offices, and other financial organisations whose operations are supervised by the FBA
AML&CTF	Anti-Money Laundering and Counter Terrorism Financing
SREP	Supervisory Review and Evaluation Process

BABiH	Banks Association of Bosnia and Herzegovina
BiHALC	B&H Association of Leasing Companies
DP	Domestic Payments
FBA MB	Management Board of the FBiH Banking Agency
LoA	Law on the Banking Agency of the Federation of Bosnia and Herzegovina
LoB	Law on Banks
LoF	Law on Factoring
LoL	Law on Leasing
LoMCO	Law on Micro Credit Organisations

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Summary of Regulatory Requirements and Operating Standards of BSEs

Minimum amount of paid in shareholder capital – BAM 15 million	Article 24, Paragraph (2) of LoB ¹
Common Equity Tier 1 capital ratio – 6.75%	Article 34, Paragraph (1), Item a) of the Decision on Capital Calculation in Banks ²
Tier 1 capital ratio - 9%	Article 34, Paragraph (1), Item b) of the Decision on Capital Calculation in Banks
Own funds ratio - 12%	Article 34, Paragraph (1), Item c) of the Decision on Capital Calculation in Banks
Capital buffer in form of Tier 1 Capital – 2.5% of the total risk exposure	Article 39, Paragraph (1) of the Decision on Capital Calculation in Banks
Financial leverage ratio - 6%	Article 37, Paragraph (2) of the Decision on Capital Calculation in Banks
Liquidity Coverage Ratio - LCR \geq 100%	Article 17, Paragraph (2) of the Decision on Liquidity Risk Management in Banks ³
Net Stable Funding Ratio - NSFR \geq 100%	Article 33, Paragraphs (2) and (3) of the Decision on Liquidity Risk Management in Banks
Maturity matching of financial assets and financial liabilities	<p>Maturity matching of remaining terms to contractual maturities of assets and liabilities instruments:</p> <ul style="list-style-type: none"> - Minimum 65% of funding sources with maturity up to 30 days shall be used for purpose of facilities (assets instruments) with maturity up to 30 days, Article 43, Paragraph (8), Item a) of the Decision on Liquidity Risk Management in Banks; - Minimum 60% of funding sources with maturity up to 90 days shall be used for purpose of facilities (assets instruments) with maturity up to 90 days, Article 43, Paragraph (8), Item b) of the Decision on Liquidity Risk Management in Banks; - Minimum 55% of funding sources with maturity up to 180 days shall be used for purpose of facilities (assets instruments) with maturity up to 180 days, Article 43, Paragraph (8), Item c) of the Decision on Liquidity Risk Management in Banks..
Limitation regarding individual overnight foreign exchange position of the bank, except in EUR – up to 20% of the bank's eligible capital	Article 3, Paragraph (2), Item a) of the Decision on Foreign Exchange Risk Management in Banks ⁴

¹ FBH Official Gazette No. 27/17

² FBH Official Gazette Nos. 81/17, 50/19, 37/20 and 81/20

³ FBH Official Gazette No. 39/21

⁴ FBH Official Gazette Nos. 81/17 and 37/20

Limitation regarding individual overnight foreign exchange position in EUR – up to 40% of the bank's eligible capital.	Article 3, Paragraph (2), Item b) of the Decision on Foreign Exchange Risk Management in Banks
Limitation regarding aggregate foreign exchange position – 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 ≤ 20%	Article 7 of the Decision on Interest Rate Risk Management in the Banking Book ⁵
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 selected 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 market concentration.</p>
Ratio of loans/deposits and loans taken	<p>This is a ratio between the most important bank products - 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) of LoMCO ⁶
Minimum amount of core capital of MCFs - BAM 50,000	Article 36, Paragraph (1) of LoMCO
Ratio of fixed assets to total assets minus donated capital – up to 10% for MCFs and MCCs where MCF holds majority ownership	Article 11, Paragraph (2) of the Decision on Business Conditions and Other Standards and Limitations of Micro Credit Organisations ⁷
Ratio of equity (minus donated capital) and total assets of MCOs – over 10%	Article 11, Paragraph (1) of the Decision on Business Conditions and Other Standards and Limitations of Micro

⁵ FBIH Official Gazette No. 41/20

⁶ FBIH Official Gazette No. 59/06

⁷ FBIH Official Gazette No. 103/18

	Credit Organisations
Portfolio at risk of MCOs over 30 days (PAR) – up to 5%	Article 12, Paragraph (1) Item c) of the Decision on Business Conditions and Other Standards and Limitations of Micro Credit Organisations
Annual write off in MCOs – up to 3%	Article 12, Paragraph (1) Item d) of the Decision on Business Conditions and Other Standards and Limitations of Micro Credit Organisations
Operating efficiency of MCOs – up to 45%	Article 12, Paragraph (1) Item b) of the Decision on Business Conditions and Other Standards and Limitations of Micro Credit Organisations
Return on Assets of MCOs adjusted by inflation, market price of capital and donations (AROA) – positive	Article 12, Paragraph (1) Item a) of the Decision on Business Conditions and Other Standards and Limitations of Micro Credit Organisations
Minimum amount of core capital of leasing companies – BAM 250,000	Article 8, Paragraph (1) of LoL ⁸
Minimum amount of core capital of factoring companies – BAM 750,000	Article 27, Paragraph (1) of LoF ⁹

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

⁹ FBH Official Gazette No. 14/16 and 74/20

EXECUTIVE SUMMARY

FBIH banking sector's key performance indicators



Operating licence | 13 commercial banks, 509 organisational parts and 6,410 employees, which is 0.3% less than at the end of the previous year.



Balance sheet exposures according to the credit risk grades | **BAM 25.2 billion** (91.4% of total balance sheet exposures) within the credit risk grade 1 and within the credit risk grade 2 – **BAM 1.6 billion** (5.6% of total balance sheet exposures), while **BAM 0.8 billion** (3% of total balance sheet exposures) is within the credit risk grade 3



Assets | Net assets amount to **BAM 27.2 billion**, loans **BAM 16.5 billion**, cash **BAM 8.2 billion**, investment in securities **BAM 2.0 billion**



Off-balance sheet exposures according to risk grades | **BAM 4.0 billion** within the credit risk grade 1 (91.6% of total off-balance sheet exposures), within the credit risk grade 2 – **BAM 0.4 billion** (8.1% of total off-balance sheet exposures) and **BAM 10.5 million** within the credit risk grade 3 (0.3% of total off-balance sheet exposures)



Capital | Total capital **BAM 3.2 billion** (11.9% of liabilities), of which shareholders capital is **BAM 1.6 billion**, own funds **BAM 2.9 billion**, common equity Tier 1 capital and Tier 1 capital **BAM 2.8 billion**, Tier 2 capital **BAM 143.9 million**.



ECL coverage rate for balance sheet exposures | **3.8%** total coverage rate: credit risk grade 1 – **0.7%**, credit risk grade 2 – **11.4%** and credit risk grade 3 – **83.9%**



Capital ratios | **19.4%** own funds ratio, **18.4%** Common Equity Tier 1 capital ratio and Tier 1 capital ratio, **9.8%** financial leverage ratio



ECL coverage rate for off-balance sheet exposures | **1.7%** total coverage rate: credit risk grade 1 – **0.7%**, credit risk grade 2 – **10.9%**, credit risk grade 3 – **69.3%**



Loan portfolio | Retail loans amount to **BAM 8.0 billion** (up by BAM 409 million or 5.4%) and corporate loans equal **BAM 8.5 billion** (up by BAM 213.1 million or 2.6%; if we exclude decrease of ST low-risk exposures, there is an increase by 4.9%)



Loan portfolio within the credit risk grade 3 (NPL) | **BAM 798.9 million**, it represents 4.8% of the total loan portfolio (decrease by 1.6 percentage points vs. end of the previous year). NPL rate for the corporate portfolio is **5%**, for the retail portfolio **4.6%**. **NPL ECL coverage rate** | **83.5%** (corporate 83%, retail 84.2%), thus posting a rise by 5.8 percentage points



Deposits | **BAM 22.4 billion** (82.5% of total liabilities), of which **savings deposits amount to BAM 10.3 billion**.



Liabilities based on loans taken | **BAM 520.3 million** (1.9% of total liabilities)



Trend | An **increase** was noted with net assets (5%), cash (3.1%), loan portfolio (3.9%), investments in securities (3.2%), placements with other banks (51.3%), fixed assets (6%), other assets (16.3%), capital (4.2%), deposits (5.9%) and other liabilities (20.6%), while a **decrease** was evident with liabilities based on loans taken (33.2%)



FBIH 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 361.4 million** of net profit, all banks have posted a positive financial result

Key performance indicators of the FBIH Microcredit Sector



Operating licence | 13 MCOs (10 MCFs and 3 MCCs), **358 organisational parts** and **1,412 employees**, which is higher by 1%



Capital | **BAM 353.1 million** (48.4% of liabilities), up by BAM 19.3 million or 5.8% (capital increase rate of MCCs is 11.2% and 4.8% for MCFs)



MCOs assets | **BAM 728.9 million**, up by BAM 35.4 million or 5.1%. Assets decrease rate for MCCs is 3.2%, while assets increase rate for MCFs is 8.1%



Liabilities based on loans taken | **BAM 338.3 million** (46.4% of liabilities), up by BAM 12.3 million or 3.8% (drop rate of loan obligations of MCCs is 11.6%, while this rate for MCFs grew by 13.2%)



Net micro loans | **BAM 598.5 million** (82.1% of assets), up by BAM 41.6 million or 7.5% (rise by 2.3% for MCCs and rise by 9.5% for MCFs)



Trend | An **increase** was noted regarding gross and net micro loans (7.5%), LLPs (9.9%), long term investments (1.5%), other assets (115.9%), capital (5.8%), liabilities based on loans taken (3.8%) and other liabilities (11.4%), while a **decrease** was seen with cash (16.2%), placements with banks (89%) and tangible and intangible assets (3.2%).



PAR over 30 days | **1.23%**
Annual rate of write offs | **1.41%**
Portfolio quality indicators are within the prescribed limits with a PAR decrease by 0.04 percentage points and a decrease of the write off rate by 0.04 percentage points



Operating efficiency | **18.93%**, **return on assets adjusted by inflation, market price of capital and donations** | **1.95%**, which is in line with the prescribed standards



147,690 concluded contracts (3.6% more) and **BAM 552.9 million of micro loans disbursed** (11.1% more)



Positive financial result | **BAM 13.3 million**, down by BAM 0.9 million. **Net loss of MCCs** | BAM 157 ths, and **excess income over expenses of MCFs** | BAM 13.4 million

Key performance indicators of the FBIH leasing sector



Operating licence | 4 leasing companies, 3 branches in the RS and 100 employees, which is 1% less



Liabilities based on loans taken | BAM 390.3 million (89.3% of liabilities), up by BAM 54 million, with a dominant share of long term loans



Assets of the leasing sector | BAM 437 million, up by BAM 63.3 million or 16.9%



Capital | BAM 36.6 million (8.4% of liabilities), up by BAM 7.1 million or 24%



Net receivables based on financial leasing | BAM 342.6 million (78.4% of assets), up by BAM 51.9 million or 17.9%



Trend | An **increase** was noted with gross receivables based on financial leasing (20.5%), net receivables based on financial leasing (17.9%), net value of fixed assets financed via operational leasing (19.3%), tangible and intangible assets (18.3%), long term investments (10.9%), other assets (28.9%), liabilities based on loans taken (16.1%), capital (24%) and other liabilities (27.7%), while a **decrease** was seen with placements with banks (25.2%), loss reserves (14.9%) and written off receivables (40.9%)



Overdue receivables | BAM 3.2 million, up by 35.7%. **Loss reserves for financial leasing** | BAM 4.8 million



Number and value of newly concluded contracts for financial and operational leasing at the leasing system level – increase by 10.9% and 23.5% respectively



Positive financial result | BAM 8.9 million, up by BAM 4.0 million

Key indicators of the factoring business in the FBIH



FBIH factoring business | 3 commercial banks (two are members of international banking groups seated in the EU countries and one is in mostly local ownership)



228 newly concluded factoring contracts (less by 121 contracts or 34.7%) **with nominal value of redeemed monetary claims of BAM 165.8 million** (up by BAM 11.1 million or 7.2%)



Total income of the factoring service providers in the FBIH | BAM 785 ths, which is less by BAM 197 ths or 20.1%.

INTRODUCTION

FBA was established in 1996 as an independent and self-standing institution which exercises its competences in accordance with the prescribed provisions of the LoA, international standards, supervision principles and professional rules. The 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 FBIH Parliament.

As a part of regular execution of its statutory competences, the FBA draws up and discloses quarterly updates on BSEs. Accordingly, this Information on the BSEs, with balance as of 31/12/2022 (based on final unaudited data) was drawn up using reporting data and other information provided by the BSEs to the FBA and used in regular supervision of the BSEs.

Content-wise, this Information is divided into five sections. The first section refers to the macroeconomic environment within which credit institutions operate on a global level. The second section presents information on regulatory activities of the FBA during 2022 for BSEs. The third section covers a detailed analysis of the FBIH banking sector, its structure, financial performance indicators and FBA's recommendations for the FBIH banking sector. The fourth section relates to a detailed analysis of operations of NFIs, as well as compliance of their operations with the laws and regulations within which microcredit and leasing sectors, as well as factoring business, in the FBIH were addressed as separate segments, with the related specific FBA's recommendations. The fifth section relates to bank operations in the segment of payments, thus including electronic banking and card operations and AML&CTF.

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

Data expressed in percentages in the Information are typically shown with one decimal place, except for the data on the NIR and EIR levels with BSEs and other data wherein this is relevant. An integral part of this Information is also an overview of the legal framework related to FBA and supervision of operations of BSEs in the FBIH, provided in Annex 1 herewith.

MACROECONOMIC FRAMEWORK OF OPERATIONS
OF CREDIT INSTITUTIONS

1. MACROECONOMIC FRAMEWORK OF OPERATIONS OF CREDIT INSTITUTIONS

Looking into the performance indicators of the BiH banking system, as well as the economic environment, challenges and risks for the BiH banking system mostly refer to international banking groups, most of which are seated in the Euro zone countries. Also, monitoring macroeconomic indicators and their impact on the BiH banking sector requires due consideration of limitations related to the CBBiH monetary policy and the existence of the Currency Board arrangement. According to information obtained from the BiH Statistics Agency, the inflation rate stood at 14.8% in December 2022 vs. the same month of the previous year. This is to say that, compared to the same month the year before, the largest average price increase in December 2022 was posted in relation to food and non-alcoholic beverages (23.2%), transport (17.2%) and housing and utility costs (16.9%), while an average price drop was seen with clothing and footwear (7.3%).

Global economy is still facing great challenges brought by lasting impact of three major factors: Russian invasion of Ukraine, living costs crisis caused by persistent and ever increasing inflatory pressures, as well as growth slowdown in China. According to IMF projections from October 2022, reduced growth is forecasted for the global economic activity (of real GDP) from 6% in 2021 to 3.2% in 2022 and 2.7% in 2023. Based on updated forecasts of IMF from January 2023, it is projected that the global growth will drop from the estimated 3.4% in 2022 to 2.9% in 2023 and would then climb to 3.1% in 2024. The January forecasts for 2023 are higher by 0.2 percentage points compared to the October forecasts. The central banks' interest rate increase aimed against the inflation and consequences of the war in Ukraine are still burdening the economic activity. Table 1 below provides selected macroeconomic indicators across periods:

Table 1: Selected macroeconomic indicators

No.	Area/interest rates	2018	2019	2020	2021	2022 ¹⁰
1	2	3	4	5	6	7
GDP growth in %						
1.	U.S.	2.9	2.3	-3.4	5.7	1.6
2.	Eurozone	1.8	1.6	-6.1	5.2	3.1
3.	EU	2.2	2.0	-5.6	5.4	3.2
4.	Slovenia	4.5	3.5	-4.3	8.2	5.7
5.	Croatia	2.9	3.5	-8.1	10.2	5.9
6.	Serbia	4.5	4.3	-0.9	7.4	3.5
7.	BiH	3.7	2.8	-3.1	7.5	2.4
Consumer Price Index (CPI), annual average in %						
1.	U.S.	2.4	1.8	1.2	4.7	8.1
2.	Eurozone	1.8	1.2	0.3	2.6	8.3
3.	BiH	1.4	0.6	-1.1	2.0	10.5
Key interest rates						
1.	6-month Euribor ¹¹	-0.25	-0.35	-0.51	-0.54	2.41
2.	Yield on 10-year German government bonds ¹²	0.19	-0.30	-0.62	-0.38	2.09
3.	Yield on 10-year Italian government bonds	2.98	1.37	0.58	1.05	4.26

Source: IMF, World Economic Outlook Database, October 2022; Eurostat

In the largest economy – U.S. economy, after having generated the GDP growth of 5.7% in 2021, a decrease was projected to 1.6% in 2022. The EU economy had sensed the higher impact

¹⁰ Projected values for 2022 (IMF, World Economic Outlook, October 2022); for interest rates, data for December 2022

¹¹ Data for the relevant period refers to Euribor as of the first business day in the last month of the reporting period

¹² Eurostat for EU-member states, 10-year yield used for calculating the criteria from Maastricht: data for the last month of the reporting period

and suffered a greater reduction in 2020, but the projected growth rate of GDP for EU is 3.2% on an annual level.

The persistent and ever increasing inflatory pressures have caused prompt and synchronous initiation of stricter monetary conditions along with significant strengthening of U.S. dollar against most of other currencies. These stricter monetary and financial conditions on a global level will aid the economies in to reduce the demand rate and gradually curb the inflation. According to updated forecasts of IMF dd January 2023, it is foreseen that the global inflation will drop from 8.8% in 2022 to 6.6% in 2023 and to 4.3% in 2024, which is still above the pre-pandemic levels (2017-2019) of app. 3.5%. The projected disinflation is partially a result of reduced prices of fuel and consumer goods on international markets due to weaker global demand, as well as the effects of stricter monetary policy. It is foreseen that an average annual inflation rate in the developed countries will go down from 7.3% in 2022 to 4.6% in 2023 and to 2.6% in 2024. For developing countries and emerging economies, the annual decrease of the inflation rate is projected to go from 9.9% in 2022 to 8.1% in 2023 and to 5.5% in 2024, which is above the average pre-pandemic level of 4.9% (2017-2019). In low-revenue developing countries, it is foreseen that the inflation will go down from 14.2% in 2022 to 8.6% in 2024, which is still high, but close to the pre-pandemic average.

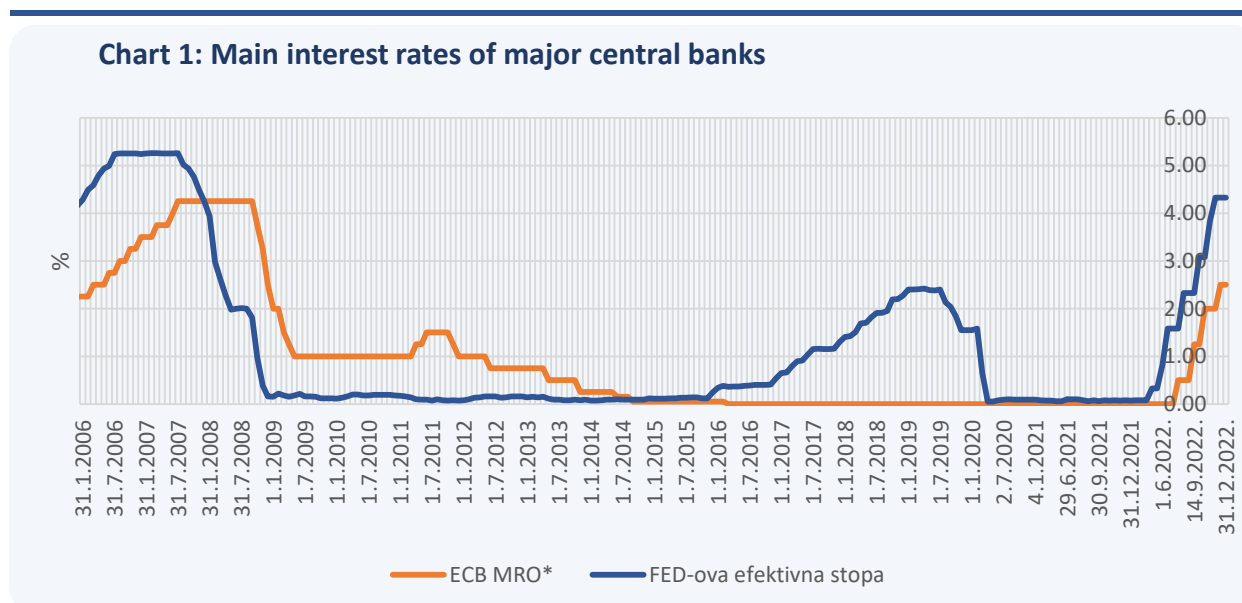
In December 2022, annual inflation rate in the Eurozone was 9.2%, while in December of the previous year it was 5%. The annual inflation in the said period in the EU reached 10.4%, but was at 5.3% in December the year before. Still, the inflation rate remained much above the target value of ECB of 2%, which could mean that the policy creators might continue, at least for some time, with the campaign of stricter measures to curb the inflation. Looking into the main components of the inflation in the Eurozone, the energy segment shows the highest annual rate in December 2022 (25.7%), followed by segments of food, alcoholic beverages and tobacco (13.8%), non-energy industrial products (6.4%) and services (4.4%). Out of 19 countries from the Eurozone as of 31.12.2022, nine of them have posted an annual inflation rate of over 10% in December 2022, thereof two countries had a rate of 20% and over 20%. The annual inflation rate in the U.S. has slowed down for six months in a row, being at 6.5% in December 2022. It is the lowest 12-month increase since October 2021, which is in line with the market forecasts. Energy costs have risen by 7.3%, while food costs went up by 10.4%.

The inflation increase and rising interest rates in many countries have pushed away the decade long condition of restrained inflation and low interest rates. There is a pronounced concern about possible recession, while geopolitical tensions persist considering that the war in Ukraine is still under way. It is getting increasingly difficult to find adequate fiscal measures, especially in high-debt countries where measures taken during the pandemic have exhausted their fiscal options. In 2021 and 2022, fiscal deficits saw a sudden drop in developed countries and emerging economies, but are still found to be above the pre-pandemic levels due to loosening of the pandemic measures and due to the inflation increase. In the context of high inflation, high debt, rising interest rates and significant unemployment, it is crucial to ensure consistent monetary and fiscal policy. It is projected that the global public debt would stand at 91% of GDP in 2022, which is by app. 7.5 percentage point above the pre-pandemic level, despite recent reduction of this indicator in many countries. The debt level went down due to lowered deficit, economic recovery and inflatory shocks.

As for the monetary policy, ECB has not been changing interest rate levels over the first half of 2022. Interest rate on deposits was on the negative side (-0.5%) and the main rate for

refinancing operations was at 0%. In June 2022, the ECB's Governing Council announced its intention to raise key interest rates by 0.25 percentage points at a monetary policy meeting in July, and in the longer term, it projects that it will raise key interest rates again in September of the current year. After the July 2022 meeting, the ECB raised key interest rates more than announced by 0.5 percentage points, with the next increase in September by the same amount, then in November by 0.75 percentage points, and in December by 0.5 percentage points, so that at the end of 2022 the interest rate on deposits was 2%, and the main rate for refinancing operations was 2.5%. As early as March 2022, due to the risks posed by Russia's military invasion of Ukraine and sanctions against Russia, the FED decided to increase the target rate for the EFFR (Effective Federal Funds Rate) from 0.08% by 0.25 percentage points. It increased by 0.5 percentage points in May, and then it went up by 0.75 percentage points in June. The latest increase was made in December 2022 and the EFFR stood at 4.33% at the end of 2022.

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



* MRO - Marginal Refinancing Operations; FED-ova efektivna stopa - FED effective rate

Source: ECB, FED

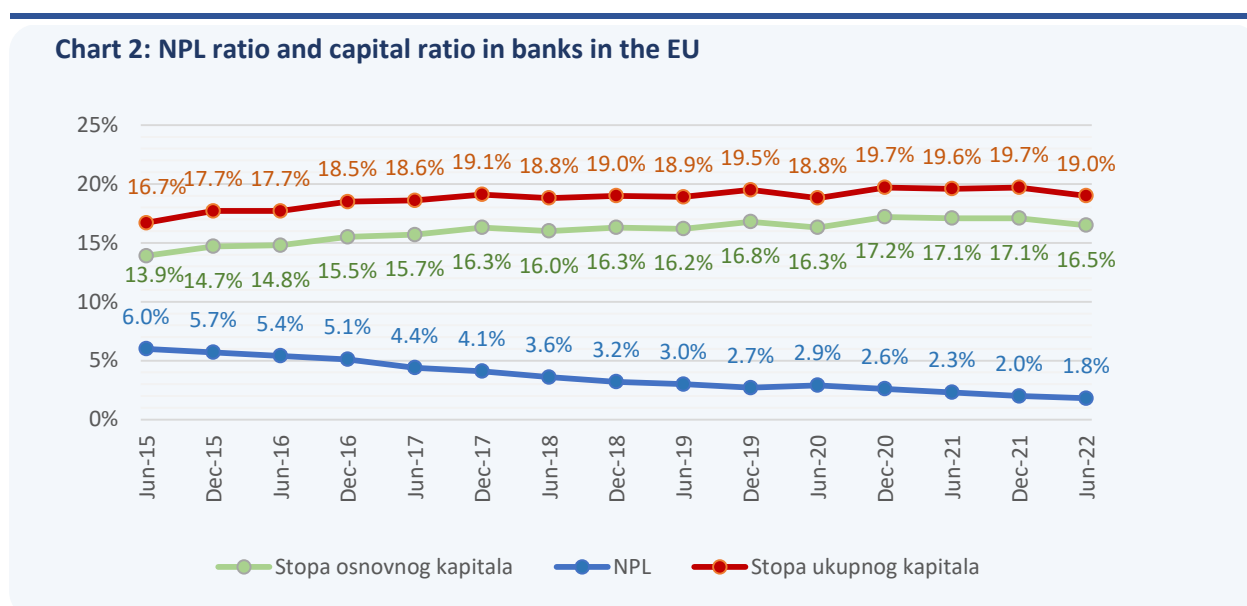
Rising inflation in the EU, as well as the ECB's announced and raised interest rates, have spurred a rise in the EU money market interbank interest rate. There has been a change in the conditions in the European interbank market, so that the value of the reference interest rate Euribor (Euro Interbank Offered Rate) has recorded a steady increase since the beginning of the year. At the end of December 2022, Euribor 6M reached a value of 2.69%, while Euribor 12M was 3.29%. Rates of yield to maturity also increased in the reference market of 10-year bonds of all Eurozone countries, so the yield on German 10-year government bond is 2.09%, while in December 2021 it was -0.38%.

Banks in the EU have sufficient liquidity reserves but are facing increased funding costs. Capital ratios of banks in the EU are stable with most banks, there is also a continuation of the trend of NPL decline. Operational risk in banks is high due to the challenges of digitalization and cyber risk. Banks' reliance on digital solutions to do their day-to-day operations, the provision of digital services, has resulted in increased exposure to sophisticated cyber attacks and fraud. The exposure of EU banks to Russia continues to be a source of reputation risk in some banks. Market risk with banks in the EU has increased due to market volatility due to rising interest

rates. The profitability of banks in the EU is stable and is at a higher level compared to the period before the outbreak of the pandemic, where interest income continues to be the most important source of income for banks in the EU. Growth in net interest income accelerated due to rising interest rates and a growing curve yield, while growth in fee income slowed slightly due to higher risk aversion in financial markets.

Climate risks may have a negative impact on banks' balance sheets in the coming period. The current energy crisis has accelerated the transition to renewable energy sources, and banks are facing challenges regarding the availability of climate data and modeling techniques. European and international supervisory authorities are intensifying activities related to carbon-related concentration risk management, and the BCBS¹³ has recommended that banks measure and manage concentrations related to climate-related financial risks.

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



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

Tier 1 ratio of banks in the EU, according to the available data for the first half of 2022, is 16.5% and is down by 0.6 percentage points compared to the end of 2021. The same trend has a total capital ratio of 19% and is 0.7 percentage points lower than at the end of 2021. According to preliminary data for the third quarter of 2022, there was a slight decrease in these ratios, a decrease in the Tier 1 ratio and the total capital ratio by 0.2 percentage points, or 0.1 percentage point compared to the previous quarter.

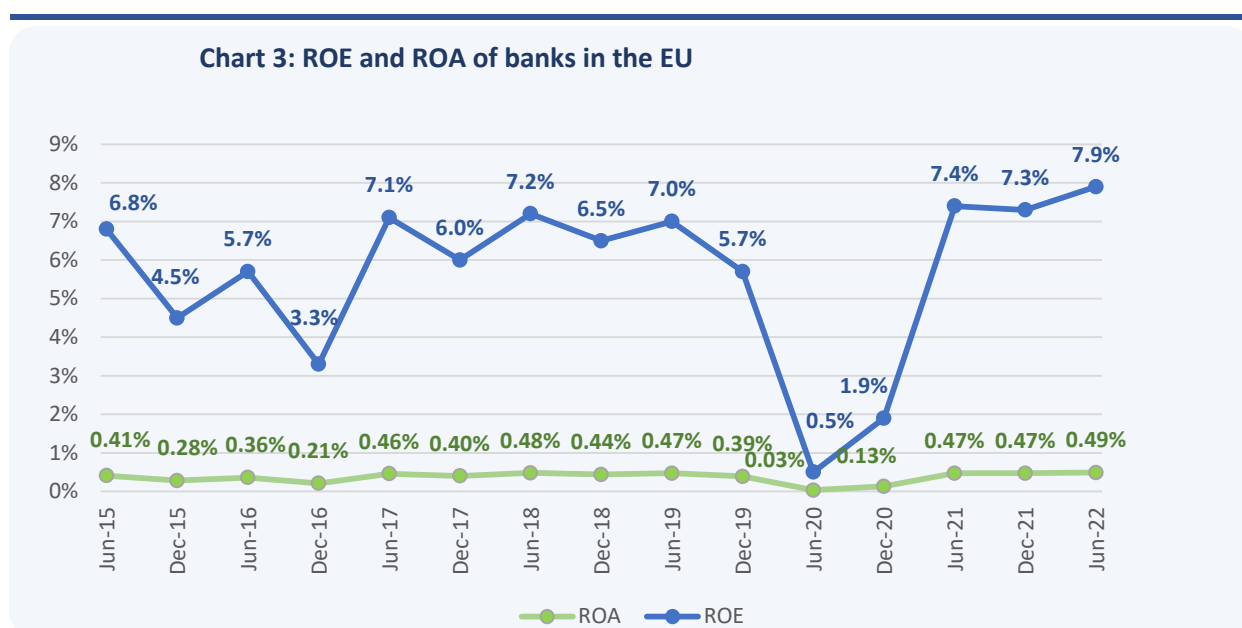
NPL has recorded a constant downward trend and with the first half of 2022 it is 1.8% and is down by 0.2 percentage points compared to the end of 2021, and according to preliminary data for the third quarter of 2022, it remained at the same level of the previous quarter.

At the end of 2021, the LCR was 174.8% and decreased by 9.9 percentage points with the first half of 2022 (164.9%). According to preliminary data for the third quarter of 2022, there was a decrease in LCR by 12.3 percentage points (162.5%) compared to the end of 2021, which is still well above the minimum.

¹³ Basel Committee for Banking Supervision

The profitability of banks in the EU in 2022 is at a stable level. With the first half of 2022, compared to the same period of 2021, the average return on assets recorded an increase of 0.02 percentage points, and an average return on equity growth of 0.5 percentage points. According to preliminary data for the third quarter of 2022, there was a slight decrease in average return on assets by 0.01 percentage point, while the average return on equity remained at the same level compared to the same period in 2021. The profitability of banks in the coming period depends on developments related to the war in Ukraine and the macroeconomic environment in which banks in the EU operate.

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



Source: EBA, Risk Dashboard

In 2023, EBA plans to focus its activities on several key areas related to the implementation of the remaining reforms of Basel III, the stress test, the development of digital regulatory reporting tools, the regulatory framework and supervision of crypto assets, and continued adaptation for environmental, social and governance risks (ESG risks).

According to the ECB's supervisory priorities for the coming period, activities under the SSM¹⁴ will be aimed at eliminating vulnerabilities and risks related to interest rate risk and credit margin risk, counterparty credit risk, monitoring and reviewing the adequacy of banks' provisioning practices and capital positions, and related alignment with the MREL¹⁵. Banks will be required to strengthen their resilience to macro-financial shocks, respond to challenges related to digitalisation and increase their efforts to tackle climate change.

Under the credit risk framework, activities will focus on addressing credit risk management gaps, including exposure to vulnerable sectors, and under the risk of financing of diversification in funding sources and addressing shortcomings in financing plans. Within the framework of

¹⁴ Single Supervisory Mechanism

¹⁵ Minimum requirement for own funds and eligible liabilities

banks' business model, activities will be focused on eliminating shortcomings in digital transformation strategies and operational resilience frameworks related to IT outsourcing risk and IT security risk. Under climate-related and environmental risk, activities will focus on adequate management of significant drivers of physical and transitional risk under climate change. Banks should appropriately incorporate climate-related and environmental risks into their business strategy and internal risk management frameworks, in order to reduce and disclose such risks and align their practices with current regulatory and supervisory expectations.

Banks are expected to draw up such capital, liquidity and financing plans to take into account the current uncertainty surrounding macro-financial indicators and a willingness to flexibly and adequately adjust their plans in relation to changing risks. The EU-wide stress test in 2023 and its results will help in the next SREP cycle and in the supervisory priorities in the coming period.

Every two years, the EBA, in cooperation with the ECB, the European Systemic Risk Board and national supervisory authorities, conducts an EU-wide stress test. The EBA's methodology and forms are used to conduct stress tests, and scenarios and key assumptions are jointly developed by the EBA, the European Systemic Risk Board, the ECB and the European Commission. The EU-wide stress test represents a significant input for assessing the resilience of the European banking sector to a common scenario of adverse economic developments in order to identify potential risks, provide information for supervisory decisions and increase market discipline.

The last EU-wide stress test was conducted in 2021. To give banks sufficient time to prepare, EBA published a stress test methodology for EU banks in November 2022, and relevant macroeconomic scenarios will be published before the start of the stress test, which is planned for early 2023. The results of the stress test will be published by the end of July 2023 and will be used as an input for the SREP, which makes decisions on the bank's appropriate capital resources and capital plans. The focus is on assessing the impact of negative shocks on banks' solvency. Conducting stress tests is a significant tool in terms of financial stability, i.e. assessing how successfully banks can cope with financial and economic shocks and is an important source of information to supervisory authorities to detect bank weaknesses with the aim of adequate risk-based supervision.

BSE REGULATORY FRAMEWORK AND SUPERVISORY PRIORITIES

2. BSE REGULATORY FRAMEWORK AND SUPERVISORY PRIORITIES

Priorities in banking regulation and supervision in the FBIH in 2022 were conditioned by circumstances and trends associated with heightened geopolitical tensions, macroeconomic disruptions, uncertain economic situation, high inflation and growth of reference interest rates, as well as possible materialisation of negative effects on the entire economy and BSEs in the FBIH.

Considering general risk assessments impacting the banking regulations and supervision in the FBIH, FBA's activities in 2022 focused on the following:

- Mitigation of risks related to the consequences of the Russian-Ukrainian crisis, which resulted in the announcement of sanctions, relating to capital and banks associated with the Russian Federation, with the aim of preserving the safe, stable and lawful operations of Sberbank BH d.d. Sarajevo, the protection of its depositors and creditors, as well as the preservation of the stability of the entire banking system of the FBIH. FBA undertook key activities within its authorities, which resulted in the adoption of adequate supervisory measures, the appointment of an external administrator, and the initiation of resolution proceedings over Sberbank BH d.d. Sarajevo, which was successfully completed, thus ensuring the continuity of key functions, avoiding adverse effects on financial stability and the financial system, and ensuring the protection of depositors, funds and assets of its customers;
- Mitigating the risks arising from the growth of reference interest rates in the EU, but also the risks that may arise from the general growth of interest rates on the BiH market, thus considering the institutional and regulatory framework that does not allow the management of inflation through interest rates and the real causes of inflatory pressures that are transferred to the BiH market. FBA has adopted temporary measures to mitigate the risk of rising interest rates, with the aim of timely management of credit risk, the allocation of additional reserves for expected credit losses and mitigating the consequences of a potentially significant increase in debt repayments, i.e. protecting users of financial services, the stability of the banking system and limiting banking procedures that could adversely affect citizens and the economy, and ultimately the growth of systemic risks;
- Continuation of activities to maintain an appropriate level of equivalence with the EU regulatory framework, to the extent permitted by laws, with harmonization between entity-level banking agencies and coordination with the CBBH, in order to achieve financial stability objectives and management of systemic risks in BiH. This entailed the development of Strategic priorities for maintaining the equivalence of banking regulations with the EU regulatory framework for the period 2022-2026 with the aim of maintaining the status of a "third country";
- Revising the reporting regulations, which included amendments to the existing reporting framework from the regulatory monitoring segment, as well as from the payment system and information systems management segment;
- Revising existing regulations from the segment of external audit and audit content in the bank, as well as regulations related to bank and banking group recovery plans, as well as ICAAP and ILAAP in banks;
- Preparatory activities to revise the Decision on Capital Calculation in Banks with a view to complying with CRR II (Regulation 2019/876) and maintaining the equivalence of the regulatory framework;

- Development of the document - Strategic priorities in the management and supervision of climate-related and environmental risks in the banking sector for the period 2023-2025, and preparatory activities on the development of a regulation that will define the rules for managing climate-related and environmental risks;
- Supervisory action in accordance with the standardised SREP methodology;
- Publication of Supervisory Expectations regarding bank actions in 2022;
- Preparation for the second cycle of supervisory stress testing of banks' solvency;
- Strengthening the internal governance system in the bank, which includes a clear, efficient and stable organisational structure, effective and efficient processes for identifying, measuring, i.e. assessing, managing, monitoring and reporting on risk exposures, adequate and efficient system of internal controls in all business activities and business lines, ICAAP and ILAAP, and adequate recovery plans.

In the NFI segment, regulatory activities were focused on impact analysis and harmonisation of regulations according to supervisory experiences and practices in the supervision of NFIs, and the practice of regulators in the environment. Regulatory activities related to specialist supervision in the field of payment transactions, AML&CTF, control of information systems, and protection of financial services users in the banking system were related to participation in harmonisation of regulations for managing outsourced activities in banks and establishing a reporting system on relevant incidents that may affect the banking sector, and expanding the reporting framework in the payment system segment. In 2022, FBA started drafting the regulatory framework of DBFBiH, which depends on the adoption and entry into force of the new Law on the Development Bank of the Federation of Bosnia and Herzegovina.

For purpose of ensuring alignment with international standards and best practices in banking regulations and supervision, activities continued with international and local institutions, as well as regional and other organisations through bilateral and multilateral cooperation with bank regulators in the country, the region and beyond.

3. BANKING SECTOR

3.1. FBIH BANKING SECTOR'S STRUCTURE

3.1.1. Status, Number and Business Network

As of 31/12/2022, 13 commercial banks had a banking license in the FBIH and all banks are members of the DIA. Compared to the YE2021, the number of banks got reduced by one bank, as its licence got revoked by the FBA due to a status change of merger with another bank.

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

Annex 2 provides basic information about the FBIH banks as at 31/12/2022.

The FBIH banks had, as of 31/12/2022, a total of 509 organisational units, which is fewer by 18 organisational parts or 3.4% compared to YE2021. In the territory of the FBIH, there are 448 organisational units of banks. Seven banks from the FBIH have 50 organisational units in the RS, while 9 banks have 11 organisational units in the BD. Three banks from the RS have 28 organisational parts in the FBIH, being the same as at YE2021.

Table No. 2 below shows a comparative overview of organisational parts and network of ATMs and POS devices of banks in the FBIH:

Table 2: Org. parts, network of ATMs and POS devices of banks operating in the FBIH

No.	Description	Business unit/higher org.parts	Other organisat. parts	POS devices	ATMs
31.12.2021					
1.	Banks seated in the FBIH (in the territory of B&H)	409	118	24,295	1,232
2.	Organisational parts of banks from the RS doing business in the FBIH	10	18	370	38
Total		419	136	24,665	1,270
31.12.2022					
1.	Banks seated in the FBIH (in the territory of B&H)	398	111	27,036	1,249
2.	Organisational parts of banks from the RS doing business in the FBIH	9	19	424	35
Total		407	130	27,460	1,284

3.1.2. Ownership Structure and Market Share

Ownership structure of the FBIH banks¹⁶ as of 31/12/2022 is as follows:

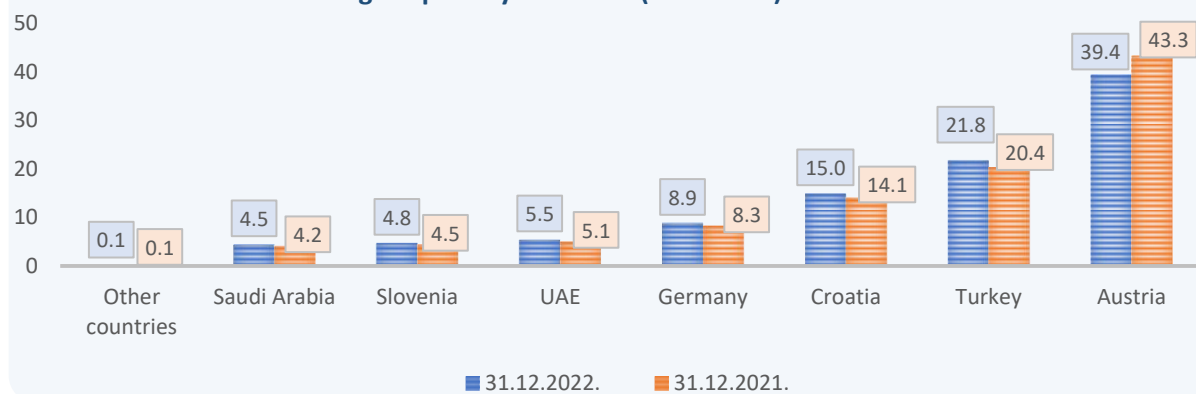
- privately owned and predominantly privately owned - 12 banks,
- state-owned and predominantly state-owned¹⁷ - one bank.

¹⁶ Criteria here was the ownership over shareholder capital in banks

¹⁷ State ownership refers to the capital of the FBIH Government

Of 12 private and predominantly privately owned banks, three banks are majority-owned by domestic legal and natural persons (residents), while nine banks are majority foreign-owned. Looking into home countries of the shareholders, the biggest share as of 31/12/2022 (Chart No. 4) 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.

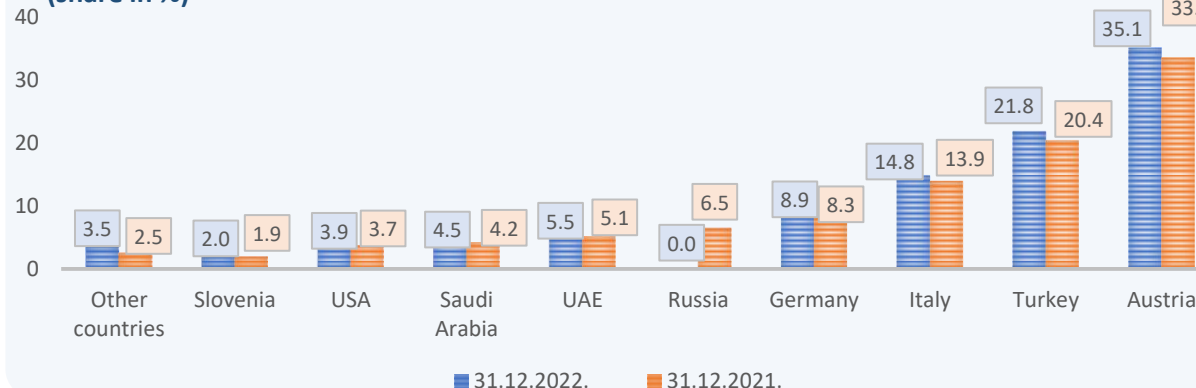
Chart 4: Structure of foreign capital by countries (share in %)



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 FBiH banks (Chart No. 5).

According to this criterion, the highest share as of 31/12/2022 is held by the banking groups and banks from Austria (35.1%), followed by the banking groups and banks from Turkey (21.8%), Italy (14.8%) and Germany (8.9%), while the banking groups and banks from other countries have no major individual shares (below 7%).

Chart 5: Structure of foreign capital by countries – residence of the group (share in %)



The total capital of the FBiH banking sector with the balance as at 31/12/2022 increased by BAM 129.2 million or 4.2% compared to the end of 2021, amounting to BAM 3.2 billion (Table No. 3). The increase of total capital was realized as a net effect of: an increase on the basis of the current financial result for 2022 of BAM 361.4 million, an increase based on conversion of subordinated debt into share capital in an amount of BAM 30 million, an increase related to

sale of own shares of BAM 2.1 million, an increase of BAM 18.3 million based on the status change of merger, a decrease based on dividends disbursement of BAM 203.7 million, a decrease related to sale of fair-valued securities of BAM 1.7 million and a decrease resting on changes to fair value of securities of BAM 77.2 million.

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Table 3: Ownership structure according to total capital

No.	Banks	31.12.2020		31.12.2021		31.12.2022		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	119,681	3.7	150	125
2.	Private banks	3,002,440	97.9	3,012,735	96.9	3,117,650	96.3	100	103
	Total	3,066,082	100	3,108,147	100	3,237,331	100	101	104

If viewed through the state-owned, private and foreign capital shares in the share capital of the banks, this results in a more detailed overview on the ownership structure of banks' capital in the FBiH (Table No. 4):

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

No	Share capital	31.12.2020		31.12.2021		31.12.2022		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	96,556	6.2	160	145
2.	Private capital (residents)	140,547	10.8	137,373	9.9	363,207	23.2	98	264
3.	Foreign capital (non-residents)	1,117,534	86.0	1,178,936	85.3	1,102,626	70.6	105	94
	Total	1,299,700	100	1,382,865	100	1,562,389	100	106	113

As of 31/12/2022, the share of private capital (residents) has risen against the end of 2021 by 13.3 percentage points. This came as a result of a finalised bank resolution process with one bank.

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

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

No	Banks	Number of banks	31.12.2020		Number of banks	31.12.2021		Number of banks	31.12.2022	
			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	3.7	3.9
2.	Banks with majority private capital - residents	4	5.3	6.7	3	5.7	6.8	3	13.1	13.3
3.	Banks with majority foreign capital	10	92.6	89.7	10	91.2	89.1	9	83.2	82.8
	Total	15	100	100	14	100	100	13	100	100

3.1.3. Staff Structure

The number of employees across the banking sector as at 31/12/2022 is 6,410, which is lower by 22 employees or 0.3% compared to the end of 2021 (Table 6).

Table 6: Qualification structure of employees in FBIH banks

No	Qualification level	31.12.2020		31.12.2021		31.12.2022		Index	
		No. of employees	% share	No. of employees	% share	No. 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	4,101	64.0	100	100
2.	Two-year post-secondary school degree	453	6.9	413	6.4	408	6.4	91	99
3.	Secondary school degree	1,975	30.3	1,924	29.9	1,897	29.5	97	99
4.	Others	6	0.1	5	0.1	4	0.1	83	80
Total		6,522	100	6,432	100	6,410	100	99	100

One of indicators affecting the assessment of the performance of an individual bank and banking sector is the assets to number of employees ratio, i.e. the amount of assets per an employee (Table No. 7), where a higher ratio is an indicator of better operational efficiency of the bank and the overall sector.

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Table 7: Total assets per employee

No. of employ.	31.12.2020		No. of employ.	31.12.2021		No. of employ.	31.12.2022	
	Assets	Assets per employee		Assets	Assets per employee		Assets	Assets per employee
1	2	3	4	5	6	7	8	9
6,522	24,396,438	3,741	6,432	25,890,829	4,025	6,410	27,188,181	4,242

3.2. FINANCIAL PERFORMANCE INDICATORS

3.2.1. Balance Sheet

The presented indicators of the FBIH banks' performance and banking sector analyses include the indicators from the active sub-balance sheet of one bank with a majority of state-owned capital¹⁸, in accordance with provisions of the FBIH Law on the Opening Balance Sheet of Enterprises and Banks, under which banks with a majority of state-owned capital are required to report to the FBA based on the „total“ balance sheet broken down into: passive, neutral, and active sub-balance sheets.

In that respect, the data are reported in Annex 3 of this Information - Balance Sheet of FBIH Banks According to the FBA Scheme (Active Sub-Balance Sheet). Annex 4 provides an overview of assets, loans, deposits and financial performance of the FBIH banks as at 31/12/2022.

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

- BAM 000 -

Table 8: Balance sheet of banks

No.	Description	31.12.2020		31.12.2021		31.12.2022		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	8,240,642	30.3	108	103
2.	Securities	1,687,459	6.9	1,966,008	7.6	2,028,824	7.5	117	103
3.	Placements to other banks	275,941	1.1	350,452	1.3	530,298	1.9	127	151
4.	Loans	15,254,651	62.5	15,890,822	61.4	16,513,007	60.7	104	104
5.	Impairments	1,127,176	4.6	1,099,948	4.3	995,285	3.6	98	90
6.	Net loans (loans minus)	14,127,475	57.9	14,790,874	57.1	15,517,722	57.1	105	105

¹⁸ The majority state-owned banks report in the "total" balance sheet passive and neutral items

	impairments)								
7.	Business premises and other fixed assets	553,475	2.3	516,921	2.0	548,157	2.0	93	106
8.	Other assets	337,473	1.4	277,335	1.1	323,538	1.2	82	116
	TOTAL ASSETS	24,396,438	100	25,890,829	100	27,188,181	100	106	105
	LIABILITIES								
9.	Deposits	19,660,862	80.6	21,184,952	81.8	22,443,589	82.5	108	106
10.	Borrowings from other banks	0	0.0	0	0.0	0	0.0	-	-
11.	Liabilities on loans	811,878	3.3	779,075	3.0	520,335	1.9	96	67
12.	Other liabilities	857,616	3.5	818,655	3.2	986,926	3.7	95	121
	CAPITAL								
13.	Capital	3,066,082	12.6	3,108,147	12.0	3,237,331	11.9	101	104
	TOTAL LIABILITIES (LIABILITIES AND CAPITAL)	24,396,438	100	25,890,829	100	27,188,181	100	106	105

The total net assets across the FBH banking sector as of 31/12/2022 are BAM 27.2 billion, which is by BAM 1.3 billion or 5% higher compared to the end of 2021. Net loans have the highest share (57.1%) within the assets in the banks' balance sheet, followed by cash (30.3%), and securities (7.5%). The deposits (82.5%) have the highest share within the liabilities in the banks' balance sheet, followed by capital (11.9%).

As of 31/12/2022, compared to the end of 2021, an increase was evident with cash, investments in securities, placements to other banks, loans, business premises and other fixed assets, other assets, deposits, other liabilities and total capital, while a decrease was evident with liabilities on loans taken.

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

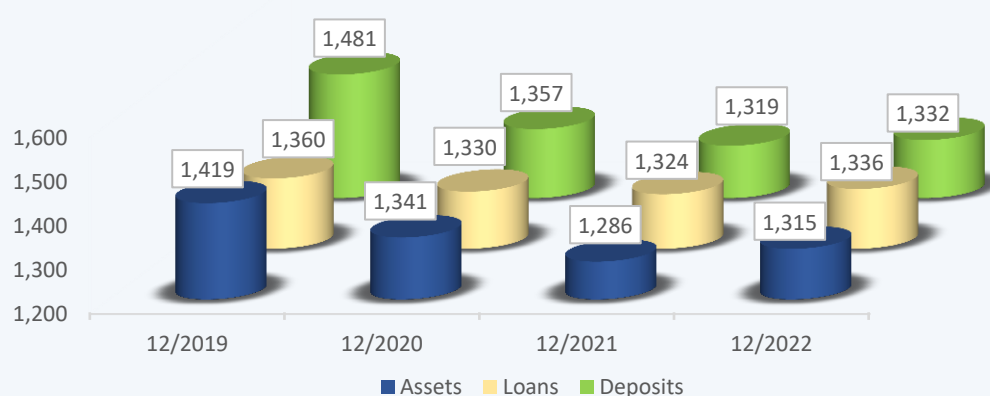
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Table 9: Banks' assets according to ownership structure

No	Banks	Number of banks	31.12.2020		31.12.2021			31.12.2022			Index	
			Assets (BAM '000s)	% share	Number of banks	Assets (BAM '000s)	% share	Number of banks	Assets (BAM '000s)	% share	(7/4)	(10/7)
1	2	3	4	5	6	7	8	9	10	11	12	13
1.	State-owned	1	879,736	3.6	1	1,054,365	4.1	1	1,048,095	3.9	120	99
2.	Private	14	23,516,702	96.4	13	24,836,464	95.9	12	26,140,086	96.1	106	105
	Total	15	24,396,438	100	14	25,890,829	100	13	27,188,181	100	106	105

The Herfindahl index of concentration (Chart No. 6) as of 31/12/2022, compared to the end of 2021, rose in relation to assets by 29 units, for loans by 12 units and for deposits by 13 units. The Herfindahl index of concentration for the reporting period shows a moderate concentration in all three relevant categories.

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

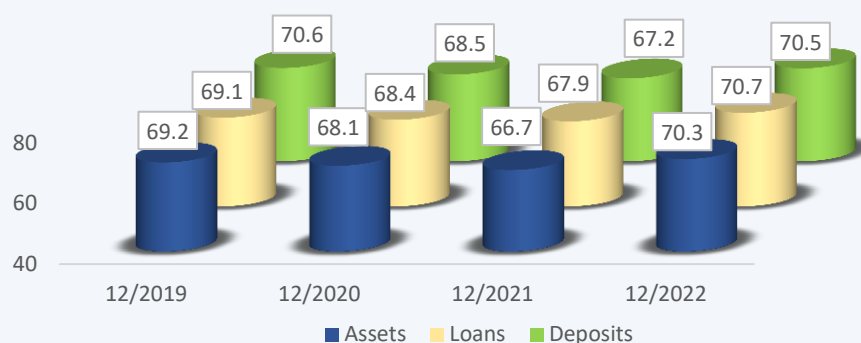


Information on the FBH banking system Entities with the balance as of 31/12/2022

Looking into the concentration ratio, i.e. total share of the five biggest banks in the sector - CR5 as of 31/12/2022 is viewed compared to the end of 2021 (Chart No. 7), there is an increase with all categories - market share by 3.6 percentage points, loans by 2.8 percentage points and deposits by 3.3 percentage points.

Two biggest banks in the sector account for 42.5% of the market (assets 42.7%, loans 41.8% and deposits 43%).

Chart 7: Concentration ratios for five biggest banks - CR5: assets, loans, and deposits



The banking sector can also be presented according to the criterion of classification to the groups created according to the size of assets¹⁹ (Table 10). As of 31/12/2022, five banks in the FBIH banking sector with a 70.3% share stand out according to the size of assets, comprising group I of banks with the assets of over BAM 2.0 billion.

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Table 10: Share of groups of banks in total assets

No	Assets amount	31.12.2020		31.12.2021			31.12.2022			
		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	19,102,869	70.3	5
2.	II (BAM 1-2 billion)	7,906,422	32.4	6	10,748,335	41.5	8	6,406,910	23.6	5
3.	III (BAM 0.5-1 billion)	2,708,664	11.1	4	1,301,209	5.0	2	1,552,257	5.7	2
4.	IV (below BAM 0.5 billion)	406,096	1.7	2	127,930	0.5	1	126,145	0.4	1
Total		24,396,438	100	15	25,890,829	100	14	27,188,181	100	13

As of 31/12/2022 (compared to YE2021), there was a change in the structure of the groups of banks in total assets of the banking sector of FBIH, i.e. two banks moved from Group II to Group I of banks.

Cash across the FBIH banking sector as of 31/12/2022 (Table No. 11) amounted to BAM 8.2 billion, up by BAM 251.4 million or 3.1% vs. YE2021. Banks still hold major amount of cash in excess of the mandatory reserves.

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Table 11: Banks' cash

No	Cash	31.12.2020.		31.12.2021.		31.12.2022.		Index	
		Amount	% share	Amount	% share	Amount	% share	(5/3)	(7/5)
1	2	3	4	5	6	7	8	9	10

¹⁹ Banks are divided into four groups depending on the size of assets.

1.	Cash	1,267,712	17.1	1,526,329	19.1	1,543,794	18.7	120	101
2.	Reserve account with CBB&H	4,478,515	60.4	5,270,323	66.0	5,365,342	65.1	118	102
3.	Accounts with deposit institutions in B&H	30,194	0.4	10,345	0.1	7,662	0.1	34	74
4.	Accounts with deposit institutions abroad	1,638,190	22.1	1,182,240	14.8	1,323,842	16.1	72	112
5.	Cash in the collection process	4	0.0	2	0.0	2	0.0	50	100
	Total	7,414,615	100	7,989,239	100	8,240,642	100	108	103

As of 31/12/2022, compared to the end of 2021, there was an increase of the banks' cash funds related to cash, reserve accounts with CBB&H and deposit accounts with deposit institutions abroad, while a decrease was noted with cash related to deposit accounts with deposit institutions in BiH. Cash in process of collection remained the same. In the currency structure of cash funds as of 31/12/2022 (compared to the end of 2021), the share of local currency dropped from 81.1% to 78.5%.

The portfolio of securities as at 31/12/2022 (Table No. 12) amounted to BAM 2.0 billion, which was higher by BAM 62.8 million or 3.2% compared to the end of 2021.

- BAM 000 -

Table 12: Securities according to type of instrument

No.	Investments in securities	31.12.2020		31.12.2021		31.12.2022		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	18,113	0.9	62	246
2.	Debt securities:	1,675,615	99.3	1,958,634	99.6	2,010,711	99.1	117	103
2.1.	- Securities of all levels of governments in B&H	992,337	58.8	1,014,120	51.6	1,045,523	51.5	102	103
2.2.	- Government securities (other countries)	544,646	32.3	756,726	38.4	790,617	39.0	139	104
2.3.	- Corporate bonds ²⁰	138,632	8.2	187,788	9.6	174,571	8.6	135	93
	Total	1,687,459	100	1,966,008	100	2,028,824	100	117	103

As of 31/12/2022, the most significant item within the investments in debt securities are the securities of entity governments (Table No. 13), namely the securities issued by the FBIH, of altogether BAM 587.9 million and the securities of the RS as the issuer of BAM 380 million.

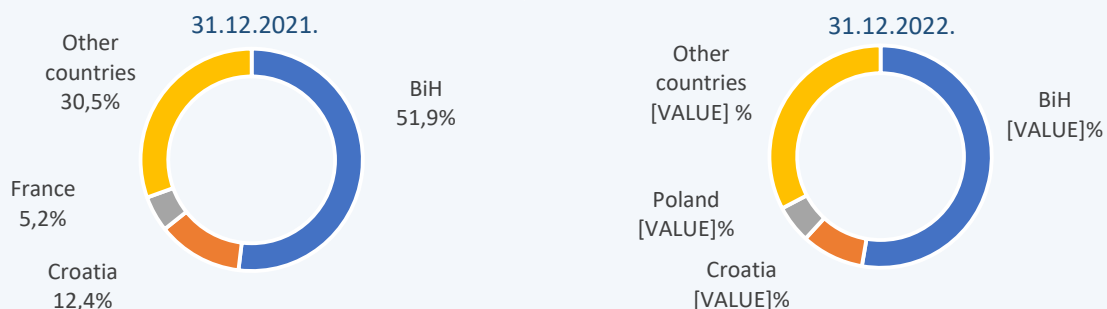
- BAM 000 -

Table 13: Securities of BiH entity governments

No.	Investments in securities	31.12.2020		31.12.2021		31.12.2022		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 FBIH as issuer:	699,554	71.5	625,252	64.4	587,897	60.7	89	94
1.1.	- Treasury bills	100,007	10.2	34,986	3.6	29,988	3.1	35	86
1.2.	- Bonds	599,547	61.3	590,266	60.8	557,909	57.6	98	95
2.	Debt securities of RS:	278,325	28.5	346,095	35.6	379,994	39.3	124	110
2.1.	- Treasury bills	41,759	4.3	0	0.0	27,437	2.8	0	-
2.2.	- Bonds	236,566	24.2	346,095	35.6	352,557	36.5	146	102
	Total	977,879	100	971,347	100	967,891	100	99	100

If total investments in securities are analysed according to the exposures by countries (Chart No. 8), as of 31/12/2022, the highest share of 52.7% is to the issuers from B&H, followed by Croatia with a 9.1% share, Poland with 5.5% share and other countries with individual shares below 5%.

²⁰ Majority, app. 97%, relates to the bonds of banks from EU, Great Britain, USA and Turkey.

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

3.2.2. Liabilities

As of 31/12/2022, deposits amounted to BAM 22.4 billion, up by BAM 1.3 billion or 5.9% 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 6.4% refers to deposits collected in organisational parts of FBiH-seated banks that operated in the RS and the BD.

As of 31/12/2022, the share of deposits, as the most significant source of the banks' funding, increased by 0.7 percentage points (82.5%), while the share of loan obligations decreased by 1.1 percentage point (1.9%).

The banks' loan obligations with the amount of BAM 520.3 million have decreased by BAM 258.7 million or 33.2% compared to the end of 2021. If subordinated loans of BAM 303.2 million are also added to the loan obligations, total loans have a 3% share in the funding sources.

The following Charts 9 and 10 provide an overview of total deposits and the ratio of loans and deposits by periods:

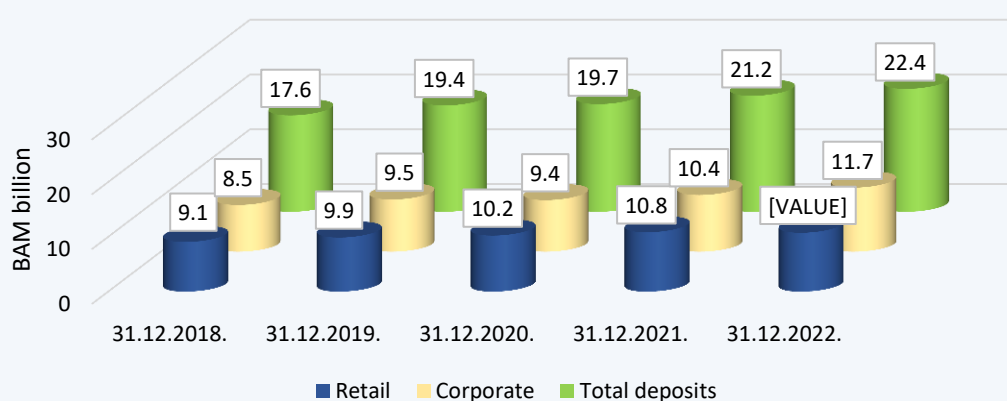
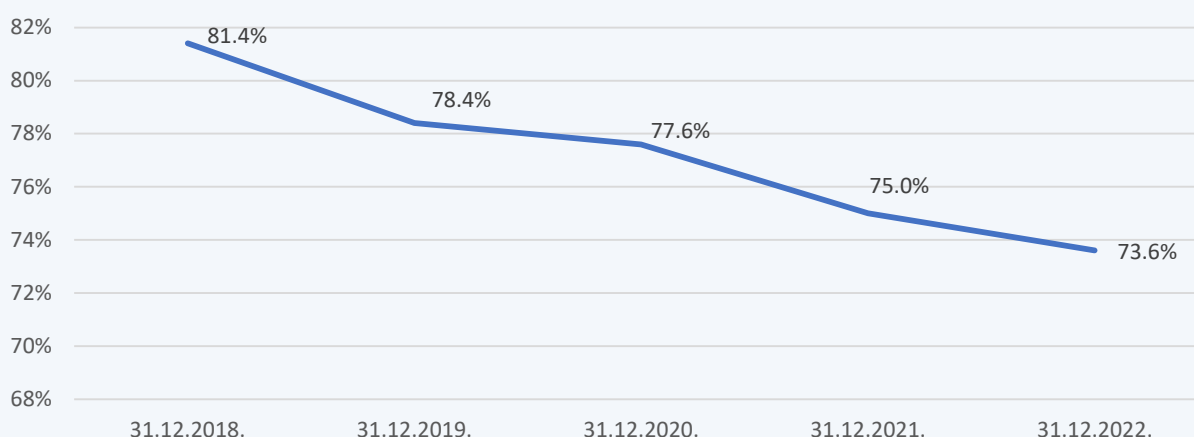
Chart 9: Total deposits

Chart 10: Loan-to-deposit ratio

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

- BAM 000 -

Table 14: Sector structure of deposits

No	Sectors	31.12.2020		31.12.2021		31.12.2022		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	3,227,149	14.4	116	124
2.	Public enterprises	1,453,080	7.4	1,618,685	7.6	1,723,548	7.7	111	106
3.	Priv. enterp. and companies	3,783,548	19.2	4,393,701	20.8	4,997,582	22.2	116	114
4.	Banking institutions	568,484	2.9	348,047	1.6	362,688	1.6	61	104
5.	Non-bank fin. institutions	848,319	4.3	829,534	3.9	829,765	3.7	98	100
6.	Retail	10,236,559	52.1	10,832,483	51.1	10,742,142	47.9	106	99
7.	Other	534,027	2.7	562,120	2.7	560,715	2.5	105	100
	Total	19,660,862	100	21,184,952	100	22,443,589	100	108	106

The largest share in the sector structure of deposits refers to retail deposits with BAM 10.7 billion or 47.9% and this share has dropped by 3.2 percentage points compared to YE2021.

An increase in deposits as of 31/12/2022, compared to the end of 2021, was realised in relation to the government institutions' deposits by BAM 626.8 million or 24.1%, deposits of public companies by BAM 104.9 million or 6.5%, deposits of private enterprises by BAM 603.9 million or 13.7%, deposits of banking institutions by BAM 14.6 million or 4.2% and deposits of non-banking financial institutions by BAM 0.2 million or 0.03%. A decrease of deposits as of 31/12/2022, compared to the end of 2021, was recorded in relation to retail deposits by BAM 90.3 million or 0.8% and other deposits by BAM 1.4 million or 0.2%. Looking into retail deposits compared to the condition as of 30/09/2022, there is an increase by BAM 243.2 million or 2.3%.

Financing in form of deposits of banking groups is present in six banks in the FBIH, so that 70.2% of total deposits of banking institutions refer to deposits of these groups.

The currency structure of deposits as at 31/12/2022 has changed compared to the end of 2021, i.e. the share of deposits in domestic currency increased from 67.6% to 69.3% and the share of deposits in foreign currency decreased from 32.4% to 30.7%. Deposits in domestic currency amounted to BAM 15.5 billion (up by BAM 1.2 billion or 8.6% vs. YE2021), while deposits in foreign currencies stood at BAM 6.9 billion (up by BAM 21.1 million or 0.3% vs. YE2021).

The structure of deposits according to the origin of depositors as of 31/12/2022, compared to the end of 2021, has the following structure: residents' deposits of BAM 21.7 billion have a 96.9% share (up by 0.3 percentage points), while non-residents' deposits are BAM 0.7 billion, which was 3.1% of total deposits (down by 0.3 percentage points).

There is a continuous trend of increase of savings deposits by periods, except for the Y2022. Changes related to the deposit increase trend refer to external events and predominantly refer to one bank that underwent a successful resolution process during 2Q 2022. As of 31/12/2022, savings deposits stood at BAM 10.3 billion, down vs. YE2021 by BAM 136.5 million or 1.3%. Considering present macroeconomic circumstances, high inflation rate and low interest rates on deposits, there is one part of retail customers that have opted for other forms of investments and cash disposal, which is currently a dominant reasons for lack of a major increase of savings.

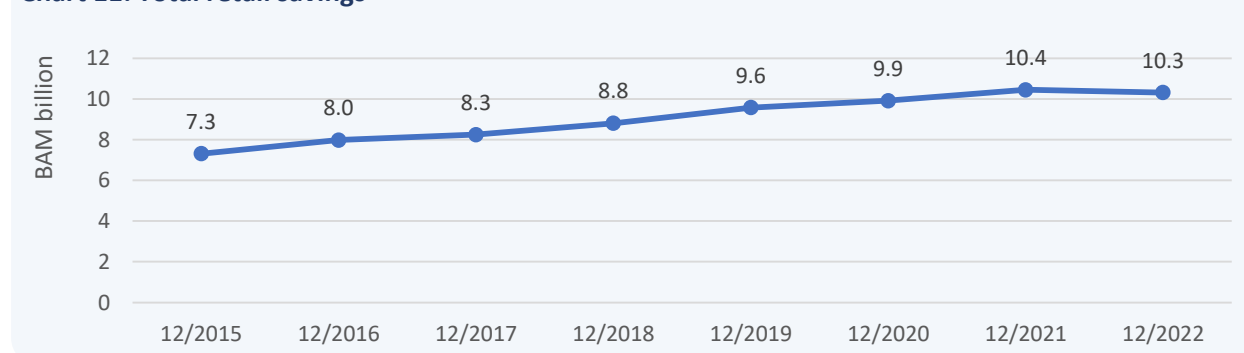
The savings trend is shown in the Table 15 and the Chart 11 below.

- BAM 000 -

Table 15: Retail savings

No.	Banks	Amount			Index	
		31.12.2020	31.12.2021	31.12.2022	(4/3)	(5/4)
1	2	3	4	5	6	7
1.	State-owned	105,980	124,474	124,725	117	100
2.	Private	9,809,340	10,324,468	10,187,746	105	99
	Total	9,915,320	10,448,942	10,312,471	105	99

Chart 11: Total retail savings



53.7% of savings are concentrated in two biggest banks, while four banks have the individual shares of less than 10%, amounting to 29.5% of the total savings in the sector, while the remaining part of savings of 16.8% refers to savings of seven banks with individual share below 5% of total savings of the banking sector. Of the total amount of the savings, 56.4% relate to savings deposits in domestic currency, while 43.6% relate to savings deposits in foreign currency.

As of 31/12/2022 vs. YE2021, short term retail savings deposits rose by BAM 476.6 million or 7.1% (their share rose by 5.4 percentage points), while long term retail savings deposits dropped by BAM 613 million or 16.6% (their share went down by 5.4 percentage points). Maturity structure of savings deposits is provided in the Table 16:

- BAM 000 -

Table 16: Maturity structure of retail savings deposits

No	Savings deposits	31.12.2020		31.12.2021		31.12.2022		Index	
		Amount	% share	Amount	% share	Amount	% share	(5/3)	(7/5)
1	2	3	4	5	6	7	8	9	10
1.	ST savings deposits	6,142,454	61.9	6,755,829	64.7	7,232,406	70.1	110	107
2.	LT savings deposits	3,772,866	38.1	3,693,113	35.3	3,080,065	29.9	98	83
	Total	9,915,320	100	10,448,942	100	10,312,471	100	105	99

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

- BAM 000 -

Table 17: Retail loans, savings and deposits

No.	Description	31.12.2020	31.12.2021	31.12.2022	Index	
		Amount	Amount	Amount	(4/3)	(5/4)
1	2	3	4	5	6	7
1.	Retail loans	7,281,540	7,613,327	8,022,374	105	105
2.	Retail savings	9,915,320	10,448,942	10,312,471	105	99
2.1.	Term deposits	4,089,390	3,976,925	3,347,737	97	84
2.2.	Demand deposits	5,825,930	6,472,017	6,964,734	111	108
3.	Loans/savings	73%	73%	78%		
4.	Retail deposits	10,236,559	10,832,483	10,742,142	106	99
5.	Loans/Retail deposits	71%	70%	75%		

As of 31/12/2022, retail loans amounted to BAM 8.0 billion, up by 5.4% vs. YE2021, while retail deposits dropped by 0.8% to BAM 10.7 billion as of 31/12/2022. The ratios of loans to savings and loans to deposits in the retail segment rose by 5 percentage points vs. end of 2021 due to the decrease of retail deposits, i.e. savings, and the increase of retail loans during the observed period.

3.2.3. Capital and Capital Adequacy

As of 31/12/2022, total banks' capital was BAM 3.2 billion, increasing by BAM 129.2 million or 4.2% compared to the end of 2021 (more details are provided under Subheading 3.1.2 - Ownership Structure and Market Share).

The following Table No. 18 provides a report on the balance, i.e. the structure of the FBIH banks' own funds:

- BAM 000 -

Table 18: Report on the balance of own funds

No.	Description	31.12.2020	31.12.2021	31.12.2022	Index	
		Amount	Amount	Amount	(4/3)	(5/4)
1	2	3	4	5	6	7
1.	Own funds	2,698,561	2,852,902	2,926,563	106	103
1.1.	Tier 1 capital	2,581,508	2,733,978	2,782,658	106	102
1.1.1.	Common Equity Tier 1	2,581,508	2,733,978	2,782,658	106	102
1.1.1.1.	Paid-up capital instruments	1,299,335	1,384,714	1,562,046	107	113
1.1.1.2.	Share premium	137,290	137,290	137,327	100	100
1.1.1.3.	(-)Own Common Equity Tier 1 instruments	-214	-214	0	100	0
1.1.1.4.	(-) Actual or contingent obligations of purchase of own common equity Tier 1 instruments	0	-2,192	0	-	0
1.1.1.5.	Previous year retained profit	343,453	393,494	466,815	115	119
1.1.1.6.	Recognized gain or loss	-145,228	-118,241	-113,355	81	96
1.1.1.7.	Accumulated other comprehensive income	29,151	10,368	-66,916	36	-645
1.1.1.8.	Other reserves	1,000,959	1,014,269	897,338	101	88
1.1.1.9.	(-)Other intangible assets	-58,638	-61,626	-68,789	105	112

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	-4,306	3.179	398
1.1.1.11.	(–)Deferred tax assets that are deductible and rely on future profitability and arise from temporary differences	-8,300	-8,621	-13,470	104	156
1.1.1.12.	(–)Financial sector entities' Common Equity Tier 1 instruments if bank has material investment	-16,266	-14,182	-14,032	87	99
1.1.1.13.	Elements or deductions from Common Equity Tier 1 – other	0	0	0	-	-
1.1.2.	Additional Tier 1	0	0	0	-	-
1.2.	Tier 2 capital	117,053	118,924	143,905	102	121
1.2.1.	Paid-up capital instruments and subordinated debts	117,067	118,938	143,905	102	121
1.2.2.	(–) Own Tier 2 instruments	-14	-14	0	100	0
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 FBIH banks' own funds as of 31/12/2022 were BAM 2.9 billion and, compared to the end of 2021, it increased by BAM 73.7 million or 2.6%. At the same time, the banks' T1 and CET1 capital equal BAM 2.8 billion, with a realised increase of BAM 48.7 million or 1.8%, while Tier 2 capital is BAM 143.9 million, with a realised increase of BAM 25 million or 21% compared to the end of 2021. This increase is mainly a result of a considerable rise of subordinated debt with two banks and its reduction with one bank. The own funds' structure of the FBIH banking sector includes a share of Tier 1 capital of 95.1% (12/2021: 95.8%), while Tier 2 capital participates with 4.9% (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 115.1 million,
- increase based on a conversion of subordinated debt to share capital in an amount of BAM 30 million,
- increase based on reduction of an off-set item – own capital instruments (sale of own shares) in an amount of BAM 2.5 million,
- increase based on sale of securities in an amount of BAM 6.9 million,
- decrease based on dividends disbursement of BAM 12.7 million,
- decrease based on increase of an off-set item – intangible assets of BAM 7.2 million,
- decrease based on other reserves related to deferred tax assets not dependent on future profitability of BAM 0.5 million,
- decrease based on increase of an off-set item – deferred tax of BAM 8.1 million, and
- decrease of accumulated other comprehensive income in an amount of BAM 77.3 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 FBIH banking sector's total risk exposure as at 31/12/2022 was BAM 15.1 billion (Table No. 19).

- BAM 000 -

Table 19: Risk exposure structure

No	Risk exposure	31.12.2020		31.12.2021		31.12.2022		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	12,843,833	91.0	13,167,335	91.0	13,870,013	91.9	103	105

credit risk									
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	80,840	0.5	128	53
4.	Risk exposures for operational risk	1,150,236	8.2	1,147,271	7.9	1,144,473	7.6	100	100
Total risk exposure amount		14,113,134	100	14,467,395	100	15,095,326	100	103	104

The total risk exposure amount across the FBH banking sector increased by BAM 627.9 million or 4.3% against the end of the previous year. Over the reporting period, there was an increase of credit risk weighted exposures by BAM 702.7 million or 5.3% and the market risk weighted exposures went down by BAM 71.9 million or 47.1%, while the operational risk weighted exposures dropped by BAM 2.8 million or 0.2%. At the end of 2022, there were six 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 FBH banking sector level mostly came as a result of decreased net open position for EUR with one bank.

As of 31/12/2022, banks were most exposed to the credit risk (91.9% share), which is dominant in the FBH banking sector. Compared to the end of the previous year, the share of credit risk in total exposure went up by 0.9 percentage points, while the market risk exposure share went down by 0.6 percentage points and the share of the operational risk exposure dropped by 0.3 percentage points. Within the credit risk weighted exposures, the biggest share is with retail exposures (BAM 4.9 billion or 35.1%), followed by corporate exposures (BAM 3.7 billion or 27%) and real estate-secured exposures (BAM 3.5 billion or 25%).

The banking sector's capital adequacy has continuously been maintained above 15% in the last few years, which is satisfactory capitalisation across the sector. The FBH banking sector capital adequacy ratios are provided in the following Table No. 20:

- BAM 000 -

Table 20: Capital adequacy ratios

No.	Capital ratios	% and amount of regulatory minimum surplus or deficit		
		31.12.2020	31.12.2021	31.12.2022
1	2	3	4	5
1.	Common Equity Tier 1 capital ratio	18.3%	18.9%	18.4%
2.	Surplus (+) / Deficit (-) of Common Equity Tier 1	1,628,872	1,757,430	1,763,723
3.	Tier 1 capital ratio	18.3%	18.9%	18.4%
4.	Surplus (+) / Deficit (-) of Tier 1 capital	1,311,327	1,431,916	1,424,078
5.	Own funds ratio	19.1%	19.7%	19.4%
6.	Surplus (+) / Deficit (-) of own funds	1,004,986	1,116,816	1,115,126

The own funds rate as at 31/12/2022 is 19.4% 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 0.3 percentage points. Over the same period, CET1 and T1 ratios also decreased by 0.5 percentage points.

The following Table No. 21 provides an overview of the FBH banking sector's financial leverage ratio (i.e. the ratio of T1 capital and total exposure of a bank) across periods:

- BAM 000 -

Table 21: Financial leverage ratio

No.	Exposure values	31.12.2020	31.12.2021	31.12.2022
		3	4	5
1.	Fin.leverage ratio exposures	25,523,184	27,111,043	28,527,370
2.	Tier 1 capital	2,581,508	2,733,978	2,782,658
	Financial leverage ratio	10.1%	10.1%	9.8%

The financial leverage ratio across the banking sector as at 31/12/2022 is 9.8%, which is lower by 0.3 percentage points compared to the end of 2021. It is much higher than the regulatory minimum.

3.2.4. Credit Risk

The Decision on Credit Risk Management and Determination of Expected Credit Losses²¹ defines rules of credit risk management, manner of exposure allocation to credit risk grades and ECL determination, types of eligible collateral, etc. It is in effect since 01/01/2020. All exposures are being allocated to one of the following credit risk grades: credit risk grade 1 – low level of credit risk, credit risk grade 2 – increased level of credit risk and credit risk grade 3 – exposures in default status.

Table No. 22 below provides an overview of balance sheet exposures at the FBiH banking sector level based on key categories of financial assets, off-balance sheet exposures and related ECLs:

- BAM 000 -

Table 22: Financial assets, off-balance sheet items and ECL

No	Description	31.12.2020			31.12.2021			31.12.2022		
		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	8,778,045	10,431	0.1
2.	Financial assets at amortised cost	15,460,513	1,136,925	7.4	16,160,753	1,119,190	6.9	17,222,513	1,022,011	5.9
3.	Financial assets at fair value	1,552,559	0	0.0	1,781,852	0	0.0	1,431,360	0	0.0
4.	Other financial receivables	258,027	33,250	12.9	187,605	21,971	11.7	190,166	15,507	8.2
	I Total balance sheet exposure	24,965,008	1,180,062	4.7	26,474,208	1,152,379	4.4	27,622,084	1,047,949	3.8
5.	Issued guarantees	1,373,899	24,965	1.8	1,428,082	24,875	1.7	1,680,091	43,900	2.6
6.	Uncovered letters of credit	39,203	1,432	3.7	40,601	1,172	2.9	43,263	1,255	2.9
7.	Irrevocably approved, but undrawn loans	2,468,359	32,597	1.3	2,188,232	21,071	1.0	2,270,434	22,194	1.0
8.	Other contingent liabil.	8,274	26	0.3	263,064	2,563	1.0	411,127	5,342	1.3
	II Total off-bal.sheet items	3,889,735	59,020	1.5	3,919,979	49,681	1.3	4,404,915	72,691	1.7
	Total exposure (I+II)	28,854,743	1,239,082	4.3	30,394,187	1,202,060	4.0	32,026,999	1,120,640	3.5

Total exposure of banks as of 31/12/2022 stood at BAM 32 billion, thereof BAM 27.6 billion referring to balance sheet exposures and BAM 4.4 billion to off-balance sheet items. In 2022, there was an increase of balance sheet exposures compared to the YE2021 by BAM 1.1 billion or 4.3%, as caused by a net effect of an increase of cash funds and facilities by BAM 434 million (5.2%), financial assets valued at amortised cost by BAM 1.1 billion (6.6%) and other financial

²¹FBiH Official Gazette Nos. 44/19 and 37/20

receivables by BAM 2.6 million (1.4%), and a decrease of financial assets measured at fair value of BAM 350.9 million or 19.7% (87.3% of this reduction refers to two banks).

Over the same period, there was also an increase of off-balance sheet items by BAM 484.9 million or 12.4%. This increase came as a result of higher amount of issued guarantees (BAM 252 million or 17.6% - 60.6% increase refers to four banks, uncovered letters of credit BAM 2.7 million or 6.6%), irrevocably approved, but undrawn loans (BAM 82.2 million or 3.8%) and other contingent liabilities of banks (BAM 148.1 million or 56.3%), whereas 81.9% of the increase refers to one bank.

The following Table No. 23 shows balance sheet and off-balance sheet exposures at the FBIH banking sector level by credit risk grades and related ECLs:

- BAM 000 -

No.	Description	31.12.2020			31.12.2021			31.12.2022		
		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	25,240,962	174,913	0.7
2.	Credit risk grade 2	1,645,274	204,681	12.4	1,387,627	160,138	11.5	1,550,710	176,701	11.4
3.	Credit risk grade 3	1,017,814	795,903	78.2	1,057,371	825,929	78.1	830,412	696,335	83.9
I Total balance sheet exposure		24,965,008	1,180,062	4.7	26,474,208	1,152,379	4.4	27,622,084	1,047,949	3.8
4.	Credit risk grade 1	3,440,487	21,343	0.6	3,603,792	20,660	0.6	4,035,724	26,448	0.7
5.	Credit risk grade 2	443,246	34,354	7.8	309,101	25,536	8.3	358,721	38,984	10.9
6.	Credit risk grade 3	6,002	3,323	55.4	7,086	3,485	49.2	10,470	7,259	69.3
II Total off-balance sheet exposure		3,889,735	59,020	1.5	3,919,979	49,681	1.3	4,404,915	72,691	1.7
Total exposure (I+II)		28,854,743	1,239,082	4.3	30,394,187	1,202,060	4.0	32,026,999	1,120,640	3.5

As of 31/12/2022, balance sheet exposures within the credit risk grade 1 amounted to BAM 25.2 billion and make up for 91.4% of the total balance sheet exposures. Compared to YE2021, they have risen by BAM 1.2 billion or 5%. The increase mostly came as a net effect of increased cash and facilities of banks by BAM 435 million, loan portfolio within this credit risk grade by BAM 697.4 million and debt securities measured at amortised cost by BAM 395.5 million and decrease of debt securities measured at fair value by BAM 350.4 million.

As of 31/12/2022, balance sheet exposures within the credit risk grade 2 stood at BAM 1.6 billion, representing 5.6% of the total balance sheet exposures. Compared to YE2021, they have risen by BAM 163.1 million or 11.8%. The increase of total balance sheet exposures within this credit risk grade came mostly as a net effect of an increase of the loan portfolio within the credit risk grade 2 by BAM 154.3 million and debt securities measured at amortised cost by BAM 14.6 million and decrease of other financial receivables by BAM 3.6 million, and cash funds and facilities within this credit risk grade by BAM 1.2 million.

As of 31/12/2022, balance sheet exposures within the credit risk grade 3 equaled BAM 830.4 million, representing 3% of the total balance sheet exposures. If observed against YE2021, they have dropped by BAM 227 million or 21.5%. This largely came as a result of a decrease of the loan portfolio within this credit risk grade by BAM 220.3 million and other financial receivables by BAM 5 million.

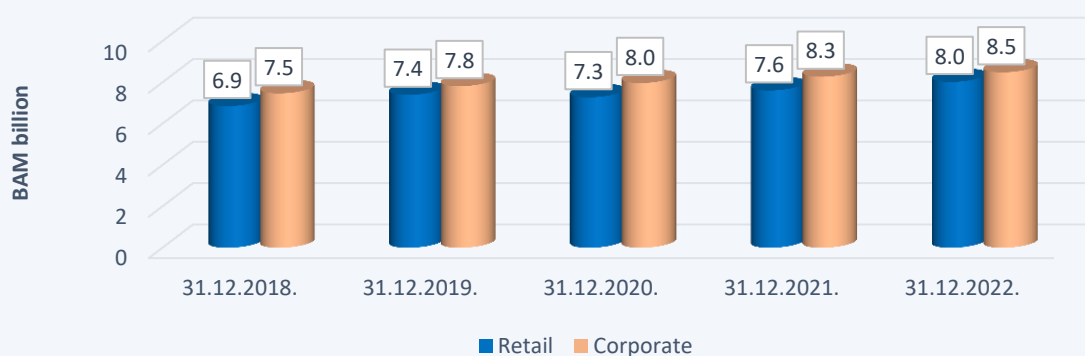
At the end of 2022, ECLs at the credit risk grade 1 for the balance sheet exposures increased by BAM 8.6 million, for the credit risk grade 2 by BAM 16.6 million and for the credit risk grade 3 it went down by BAM 129.6 million (related to YE2021). Over the observed period, ECL coverage rate at the credit risk grade 1 remained the same (0.7%), while this rate dropped at the credit risk grade 2 by 0.1 percentage point (from 11.5% to 11.4%) and it increased at the credit risk grade 3 by 5.8 percentage points (from 78.1% to 83.9%). Total ECL coverage rate for balance sheet exposures is 3.8%, whereas at the end of 2021 it was 4.4%.

As of 31/12/2022, off-balance sheet exposures at the credit risk grade 1 stood at BAM 4.0 billion, thus representing 91.6% of the total off-balance sheet exposures. Exposures at the credit risk grade 2 amounted to BAM 358.7 million or 8.1% of the total off-balance sheet exposures, while the credit risk grade 3 includes exposures of BAM 10.5 million or 0.3% of the total off-balance sheet. Total ECL coverage for off-balance sheet exposures is 1.7%, which is by 0.4 percentage points higher than at the end of the previous year. For all credit risk grades, the rate increased vs. the end of the previous year: by 0.1 percentage point for the credit risk grade 1, by 2.6 percentage points for the credit risk grade 2 and by 20.1 percentage points for the credit risk grade 3 (due to an increase of off-balance sheet items at the credit risk grade 3 with one bank, coupled with a significant increase of relevant ECL).

As of 31/12/2022, loans stood at BAM 16.5 billion, up by BAM 622.2 million or 3.9% vs. YE2021. Looking at the sector structure of loans, the growth rate came from loans to government institutions, public enterprises, private companies and retail, while other sectors posted a decrease. The biggest downward rate came from loans to banking institutions (28.1%) as a result of a reduction of short term low-risk exposures with one bank by BAM 391.4 million or 50%, as largely being a result of a reduction of short-term low-risk exposures with one bank by BAM 194.6 million or 24.9% (as being included in the loan portfolio). If the decrease of this item would be excluded, the loan portfolio would show a growth of 5.1% over the observed period.

Retail loans amount to BAM 8.0 billion and hold a share in total loans of 48.6% (up by BAM 409 million or 5.4% compared to YE2021). Corporate loans (amounting to BAM 8.5 billion and representing 51.4% of total loans) have risen by BAM 213.1 million or 2.6% against end of 2021 (Chart No. 12). If the decrease of short term low-risk exposures with one bank would be excluded, the corporate loan portfolio would show a growth of 4.9% during the observed period.

Chart 12: Loans



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

- BAM 000 -

No.	Sectors	31.12.2020		31.12.2021		31.12.2022		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	244,803	1.5	112	110
2.	Public sector enterprises	395,157	2.6	406,525	2.6	452,504	2.7	103	111
3.	Private companies	6,500,322	42.6	6,616,261	41.6	7,028,386	42.6	102	106
4.	Banking institutions	772,554	5.1	917,784	5.8	660,333	4.0	119	72
5.	Non-banking financial instit.	83,921	0.6	91,038	0.6	86,148	0.5	108	95
6.	Retail	7,281,540	47.7	7,613,327	47.9	8,022,374	48.6	105	105
7.	Other	22,125	0.1	22,635	0.1	18,459	0.1	102	82
	Total	15,254,651	100	15,890,822	100	16,513,007	100	104	104

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

- BAM 000 -

No.	Sectors	31.12.2021			31.12.2022			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	5,388	239,362	53	120	109	52
2.	Public sector enterprises	53,308	349,648	3,569	83,815	365,781	2,908	157	105	81
3.	Private companies	2,305,244	3,836,967	474,050	2,541,376	4,127,079	359,931	110	108	76
4.	Banking institutions	917,783	0	1	660,331	0	2	72	-	200
5.	Non-banking financial instit.	32,401	58,615	22	16,614	69,479	55	51	119	250
6.	Retail	389,772	6,977,461	246,094	389,574	7,411,302	221,498	100	106	90
7.	Other	6,412	15,835	388	5,957	11,534	968	93	73	249
	Total	3,709,401	11,457,196	724,225	3,703,055	12,224,537	585,415	100	107	81

As of 31/12/2022, compared to the end of 2021, short term loans in the FBIH banking sector have dropped by BAM 6.3 million or 0.2%, while long term loans have risen by BAM 767.3 million or 6.7%. Loan receivables due amount to BAM 585.4 million (or 3.5% of the total loan portfolio) and are lower by BAM 138.8 million or 19.2% vs. YE2021.

In the currency structure of loans, loans approved in domestic currency have the highest share of 60.7% or BAM 10.0 billion, followed by loans approved with a currency clause with a share of 35.2% or BAM 5.8 billion (EUR: BAM 5.8 billion or 99.98%, CHF: BAM 1.3 million or 0.02 %), while loans approved in foreign currency have the lowest share of 4.1% or BAM 0.7 million (of which 99.8% relates to EUR).

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

- BAM 000 -

No.	Description	31.12.2020			31.12.2021			31.12.2022		
		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	6,770,321	66,945	1.0	7,169,779	76,991	1.1
2.	Credit risk grade 2	1,157,194	141,218	12.2	925,089	114,323	12.4	892,521	102,569	11.5

3. Credit risk grade 3	543,747	421,893	77.6	582,085	437,552	75.2	428,333	355,323	83.0
Total I	7,973,111	641,928	8.1	8,277,495	618,820	7.5	8,490,633	534,883	6.3
II Retail loans									
4. Credit risk grade 1	6,395,495	84,591	1.3	6,748,669	82,526	1.2	7,044,253	77,844	1.1
5. Credit risk grade 2	446,971	58,801	13.2	425,538	43,166	10.1	607,597	70,735	11.6
6. Credit risk grade 3	439,074	341,856	77.9	439,120	355,436	80.9	370,524	311,823	84.2
Total II	7,281,540	485,248	6.7	7,613,327	481,128	6.3	8,022,374	460,402	5.7
Total loans									
7. Credit risk grade 1	12,667,665	163,408	1.3	13,518,990	149,471	1.1	14,214,032	154,835	1.1
8. Credit risk grade 2	1,604,165	200,019	12.5	1,350,627	157,489	11.7	1,500,118	173,304	11.6
9. Credit risk grade 3	982,821	763,749	77.7	1,021,205	792,988	77.7	798,857	667,146	83.5
Total loans (I+II)	15,254,651	1,127,176	7.4	15,890,822	1,099,948	6.9	16,513,007	995,285	6.0

The loan portfolio allocated to the credit risk grade 1 as of 31/12/2022 stood at BAM 14.2 billion, representing 86.1% of the total loan portfolio. This represents an increase against YE2021 by BAM 695 million or 5.1%. The ECL coverage rate for the credit risk grade 1 is 1.1% (for both, corporate and retail), thus being the same as at the end of 2021.

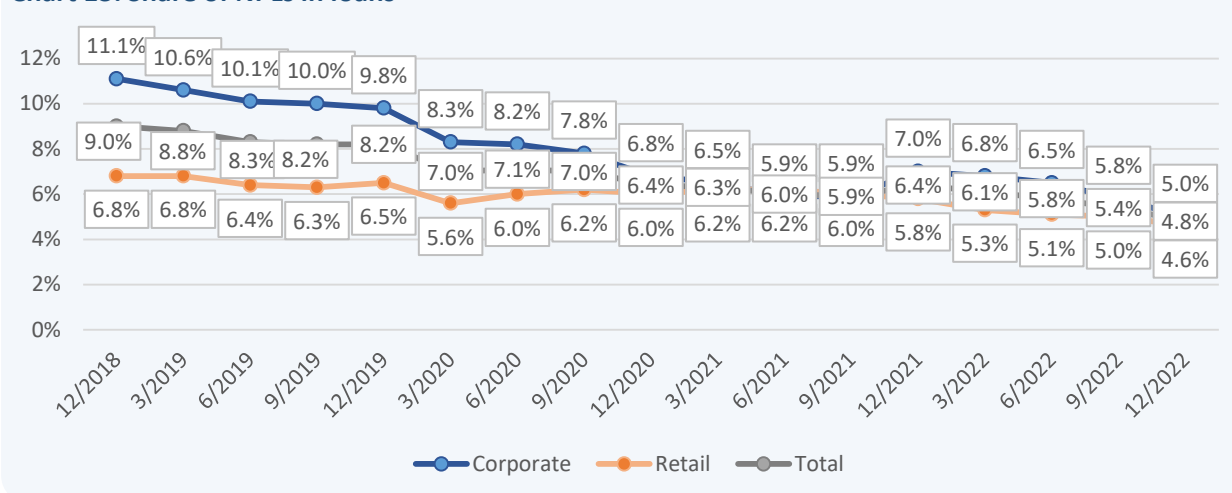
The loan portfolio in the credit risk grade 2 as of 31/12/2022 stood at BAM 1.5 billion, thus making up for 9.1% of the total loan portfolio. Compared to YE2021, it is by BAM 149.5 million or 11.1% higher, whereas 87.4% of this increase refers to two banks. The ECL coverage rate for this credit risk grade is 11.6% (corporate 11.5% and retail 11.6%), down by 0.1 percentage point compared to the end of the previous year.

The loan portfolio in the credit risk grade 3 (NPL) as of 31/12/2022 amounted 798.9 million, thus constituting 4.8% of the total loan portfolio, while the NPL rate stood at 6.4% at the end of the previous year. Its reduction by BAM 222.3 million or 21.8% vs. YE2021 was largely resulting from the net effect of: new NPLs of BAM 168.6 million, recoveries of BAM 42.5 million, collection of BAM 185.6 million, accounting and permanent write offs of BAM 158.5 million and other items of BAM 4.3 million. The ECL coverage rate for the credit risk grade 3 is 83.5% (corporate 83% and retail 84.2%), up by 5.8 percentage points vs. 31/12/2021.

Out of total corporate loans, BAM 428.3 million or 5% refers to the NPL segment, down by 2 percentage points vs. YE2021. As for the retail segment, NPLs stood at BAM 370.5 million or 4.6% of the retail loan portfolio, thus being lower by 1.2 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. 13:

Chart 13: Share of NPLs in loans



Sector analysis of the loan portfolio of the FBiH banking sector is provided in the Annex 5 of this Information. It rests on data of sector-level concentration of loans within corporate (by NACE²²) and retail segments (by purpose).

As for corporate loans, the biggest share relates to loans approved to the following sectors: trade sector (BAM 2.9 billion or 34.7% of corporate loans, i.e. 17.9% of the total loan portfolio), processing industry (BAM 2.0 billion or 23.3% of corporate loans, i.e. 12% of total loans) and financial industry (BAM 0.8 billion or 9.7% of corporate loans, i.e. 5% of total loans).

The share of NPLs in loans to the trade sector is 4.4% (ECL coverage rate for NPLs is 87.4%), to the processing industry 7.4% (ECL coverage rate for NPLs is 86.4%) and to the financial industry 0.01% (ECL coverage rate for NPLs is 98.1%). With regards to other corporate loans, the biggest share of NPLs as of 31/12/2022 referred to loans approved to agriculture (22.5%), education (16.3%) and hotel and hospitality business (13.6%).

As far as retail loans are concerned, the largest share is with general consumption loans (BAM 6.3 billion or 79% of retail loans, i.e. 38.4% of the total loan portfolio) and housing loans (BAM 1.6 billion or 19.9% of retail loans, i.e. 9.6% of the total loan portfolio). The share of NPLs in general consumption loans is 5.4% (ECL coverage rate is 84.6%) and with housing loans 1.5% (ECL coverage rate is 77.1%).

In the conditions of the global economic crisis and rising inflation, accompanied by rising interest rates on the international market, FBA adopted in September 2022 a Decision on temporary measures to mitigate the risk of rising interest rates²³, with the aim of timely management of credit risk, protecting users of financial services, the stability of the banking system in terms of the impact of the decision on the quality of banks' loan portfolio, and achieving macroeconomic balance.

The Decision provides for an increase in the minimum rates that banks are obliged to apply for ECL in the event of a significant increase in interest rates. The provisions of the decision particularly affect the protection of financial service users, which implies that the bank will not raise the interest rate above the level that is considered significant, if it assesses that the said

²² Statistical classification of economic activities in the EU - NACE

²³ FBiH Official Gazette No. 79/22

interest rate increase will have an impact on the creditworthiness of the financial service user, and would also bring the financial service user into the status of default. In accordance with the above, the bank may offer such a financial service user the possibility of modifying the loan exposure. Also, the decision aims to further stimulate banks to find a way to keep interest rates at reasonable levels, in order to avoid adverse effects on the economy and the population, which directly affects the avoidance of the risk of loss due to the inability to settle liabilities towards banks.

When looking at the total loan portfolio at the level of the banking sector of the FBH from the perspective of the method of the arranged interest rate as of 31/12/2022, BAM 4.7 billion or 28.2% of the total portfolio was arranged with a variable interest rate, while BAM 11.8 billion or 71.8% were arranged with a fixed interest rate. According to the reporting data of banks, a significant increase in the interest rate as of 31/12/2022 in relation to the reference date was posted in relation to the loan portfolio in the amount of BAM 108.5 million, which makes 0.7% of the total loan portfolio. In the corporate loan portfolio, a significant increase in the interest rate was posted in the amount of BAM 103.5 million or 1.2% of the corporate loan portfolio, while for the retail loan portfolio it was BAM 5.0 million or 0.06% of the retail portfolio. Banks do not yet have modified loan exposures in their portfolio in accordance with the provisions of the Decision on temporary measures to mitigate the risk of rising interest rates.

Table No. 27 provides an overview of key ratios used in credit risk assessments in FBH banks:

- % -

Table 27: Credit risk indicators

No.	Description	31.12.2020	31.12.2021	31.12.2022
1	2	3	4	5
1.	Rate of non-performing exposures	3.5	3.5	2.6
2.	ECL coverage rate for non-performing exposures	78.1	77.9	83.7
3.	ECL coverage rate for total exposures	4.3	4.0	3.5
4.	NPL rate	6.4	6.4	4.8
5.	ECL coverage rate for NPLs	77.7	77.7	83.5
6.	ECL coverage rate for total loans	7.4	6.9	6.0
7.	New NPLs*/Total performing loans	0.7	0.8	-0.4
8.	NPLs/Total capital and ECL for NPL	25.7	26.2	20.5
9.	Net NPLs/Tier 1 capital	8.5	8.4	4.7
10.	Loans due/Total loans	4.2	4.6	3.5

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

Credit risk is the dominant risk in the FBH banking sector, which is why the supervisor's focus is on assessing 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.

3.2.5. Profitability

Bank profitability is affected the most by asset quality. Also, the profitability of banks may be impacted by other risks, structure, diversification and funding costs, cost efficiency, FBH 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 FBIH banking sector, as well as that of individual banks in the sector, is viewed in the context of sustainability, i.e. stability and quality of the earnings level and strengthening of the capital base through retained earnings.

FBIH Banking Sector's Earnings Level, Quality and Trend

Positive financial performance of BAM 361.4 million across the FBIH banking sector was reported for the January 1 – December 31, 2022 period, which was higher by BAM 67.8 million compared to the previous year (Table No. 28). Positive financial result was posted by all banks seated in the FBIH.

- BAM 000 -

Table 28: Actual financial performance of banks

No.	Description	01.01. - 31.12.2020		01.01. - 31.12.2021		01.01. - 31.12.2022	
		Amount	No. of banks	Amount	No. of banks	Amount	No. of banks
1	2	3	4	5	6	7	8
1.	Profit	187,335	13	293,560	14	361,381	13
2.	Loss	13,070	2	0	0	0	0
	Total	174,265	15	293,560	14	361,381	13

Annex 6 shows an aggregate income statement of banks in the FBIH for the period from 01/01/2022 to 31/12/2022 (as per the FBA schedule) with comparable data for the same reporting period in 2021.

FBIH Banking Sector's Total Income

According to the banks' reporting data as of 31/12/2022, the total income across the FBIH banking sector is BAM 1.3 billion and, compared to the same period last year, it increased by BAM 64.1 million or 5.3% (Table No. 29).

- BAM 000 -

Table 29: Structure of total income of banks

No.	Structure of total income	01.01. - 31.12.2021		01.01. - 31.12.2022		Index (5/3)
		Amount	%	Amount	%	
1	2	3	4	5	6	7
I Interest income and similar income						
1.	Interest-bearing deposit accounts with deposit institutions	796	0.1	7,079	0.5	889
2.	Loans and leasing operations	611,388	50.2	592,182	46.2	97
3.	Other interest income	76,275	6.3	74,267	5.8	97
	Total I	688,459	56.5	673,528	52.5	98
II Operating income						
4.	Service fees	388,320	31.9	431,211	33.6	111
5.	Income from FX operations	70,514	5.8	91,598	7.1	130
6.	Other operating income	71,554	5.9	86,570	6.8	121
	Total II	530,388	43.5	609,379	47.5	115
	Total income (I+II)	1,218,847	100	1,282,907	100	105

In the total income structure, interest income and similar income hold a share of 52.5%, while operating income participate with 47.5%. Compared to the year before, there was a decrease of share of interest and similar income by 4 percentage points, while share of operating income increased by the same percentage point. Total interest and similar income went down in the

reporting period by BAM 14.9 million or 2.2%. 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 percentage points. At the same time, the share of loans and leasing type receivables in total assets decreased by 0.7 percentage points (from 61.4% to 60.7%), while average weighted NIR related to loans went down from 3.21% to 3.05% (down by 0.16 percentage points).

During 2022, interest income under interest-bearing deposit accounts with deposit institutions have risen by BAM 6.3 million or 789.3% compared to the last year, whereas 76.1% of the increase refers to three banks. Over the same period, the share of interest-bearing deposit accounts with deposit institutions in total assets of the FBIH banking sector has decreased from 16.1% to 15.5% (i.e. by 0.6 percentage points). As for other interest income, there was an increase of interest income positions related to held-to-maturity securities by 6.1% and interest income from placements to other banks by 74.8% (whereas 88.7% of this increase refers to three banks), while other interest income went down by 6.6%.

Looking into the sector structure of interest income, most of this refers to income from the retail segment (58.1%), although retail loans make up for 48.6% of the total loan portfolio of the FBIH banking sector due to higher average NIR of the Retail segment of 4.82% compared to the corporate segment's NIR of 2.35%. Out of total interest income, the part that refers to private companies is 26.1%, 6.7% refers to government institutions and 1.7% to public companies.

Total operating income recorded an increase of BAM 79 million or 14.9% 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 42.9 million or 11%. Income from foreign exchange operations went up by BAM 21.1 million or 29.9% vs. the same period the year before, whereas 88.5% of this increase refers to four banks.

FBIH Banking Sector's Total Expenses

According to the banks' reporting data as of 31/12/2022, total expenses across the FBIH banking sector are BAM 887.1 million, which decreased by BAM 4.7 million or 0.5% compared to the same period last year (Table No. 30).

- BAM 000 -

Table 30: Structure of total expenses of banks

No.	Structure of total expenses	01.01. - 31.12.2021		01.01. - 31.12.2022		Index (5/3)
		Amount	%	Amount	%	
1	2	3	4	5	6	7
I Interest expenses and similar expenses						
1.	Deposits	75,580	8.5	52,226	5.9	69
2.	Liabilities on loans and other borrowings	6,782	0.8	5,709	0.7	84
3.	Other interest expenses	37,836	4.2	34,951	3.9	92
Total I		120,198	1,5	92,886	10.5	77
II Non-interest expenses						
4.	Costs of impairments of assets at risk, provisions on contingent liabilities and other value adjustments	75,703	8.5	79,112	8.9	105
5.	Salary and contribution costs	259,673	29.1	262,807	29.6	101
6.	Business premises costs and depreciation	173,442	19.4	162,529	18.3	94
7.	Other operating and direct costs	155,890	17.5	170,082	19.2	109
8.	Other operating costs	106,864	12.0	119,684	13.5	112

Total II	771,572	86.5	794,214	89.5	103
Total expenses (I+II)	891,770	100	887,100	100	99

The total expenses structure is dominated by non-interest expenses with a share of 89.5%, while interest expenses and similar expenses account for 10.5%. Compared to the last year, the share of non-interest expenses rose by 3 percentage points, while the share of interest expenses dropped by equivalent percentage points.

In the reporting period, interest and similar expenses decreased by BAM 27.3 million or 22.7%, whereas interest expenses on deposits went down by BAM 23.4 million or 30.9%, despite them being the FBIH banking sector's dominant funding source. Interest-bearing deposits participate in total deposit potential as of 31/12/2022 with a share of 62.5%, thus their share has dropped since on 31/12/2021 they participated with 66.5%. This reduction of interest expenses on deposits came as a result of reduced share of interest-bearing deposits and lower average weighted NIR on corporate deposits going from 0.75% as of 31/12/2021 to 0.56% at the end of Q3 2022. The average NIR on retail deposits went down from 0.59% to 0.50% for the same period.

Over the observed period, interest expenses on loans and other borrowings dropped by BAM 1.1 million or 15.8%, while the FBIH banking sector's level of indebtedness on loans and other borrowings went down by BAM 258.7 million or 33.2%.

Other interest expenses decreased during the observed period by BAM 2.9 million or 7.6%. This mostly referred to a decrease of other interest expenses related to foreign banks (down by BAM 2.8 million or 31.8%) and also as a result of significant reduction with one bank.

Across the FBIH banking sector, there was an increase by BAM 22.6 million or 2.9% of total non-interest expenses in the reporting period. Thereof, the biggest increase rate of 12% or BAM 12.8 million refers to other operating expenses and where 66.5% of this increase relates to one bank. Costs of value adjustments, provisions for contingent liabilities and other value adjustments amount to BAM 79.1 million with an increase rate of 4.5%. They have risen by BAM 3.4 million. There were two banks that posted no value adjustment costs through the net effect this year and three banks had lower value adjustment costs this year than in the last year. Other operating and direct costs posted a rise by 9.1% or BAM 14.2 million, thus 61.8% of this increase referred to two banks.

FBIH Banking Sector's Operational Profitability, Productivity and Efficiency Ratios

The following Table No. 31 provides an overview of the most important ratios that are used as measures for assessing the FBIH banks' operational profitability, productivity, and efficiency:

- BAM 000 or %-

No.	Description	31.12.2020	31.12.2021	31.12.2022
1	2	3	4	5
1.	Net profit	174,265	293,560	361,381
2.	Average net assets	23,842,663	24,808,854	24,978,287
3.	Average total capital	2,996,296	3,166,005	3,020,107
4.	Total income	1,035,059	1,098,649	1,190,021
5.	Net interest income	568,581	568,261	580,642
6.	Operating income	466,478	530,388	609,379
7.	Operating expenses	529,943	539,979	545,020

8.	Operating and direct expenses	317,866	231,593	249,194
9.	Other operating and direct expenses	135,862	155,890	170,082
10.	Return on average assets (ROAA)	0.7	1.2	1.4
11.	Return on average equity (ROAE)	5.8	9.3	12.0
12.	Total income/average assets	4.3	4.4	4.8
13.	Net interest income/average assets (NIM)*	2.4	2.3	2.3
14.	Net interest margin (interest income /average interest-bearing assets – interest expenses/average interest-based liabilities)	2.5	2.5	2.5
15.	Operating expenses/total income minus other operating and direct expenses (CIR)**	58.9	57.3	53.4

* NIM - Net Income Margin

** CIR - Cost-income Ratio

Looking into the net interest income, there is an increase vs. the previous year by BAM 12.4 million or 2.2%, although its share in total income has seen a major drop from 51.7% to 48.8%. If observing the profitability ratios against the last year, evidently they have mostly improved, except for NIM and net interest margin that remained the same.

3.2.6. Weighted NIR and EIR

In order to increase transparency and facilitate the comparability of the banks' terms for approving loans and receiving deposits, as well as to protect customers 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 FBiH, as well as the organisational parts of the banks seated in the RS, which operate in the FBiH. Banks are required to submit monthly reports to the FBA on average weighted NIR and EIR on approved loans and received deposits in the reporting month, in accordance with the prescribed methodology²⁴. 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.

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 customer, 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 private individuals if insurance is a loan approval requirement, then other costs related to ancillary services paid by the customer, which are a requirement for using the loan).

Annex 7 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 during 2022 was 3.59%, thus being lower by 0.19 percentage points compared to the previous year when it stood at 3.78%.

Looking into the maturity structure of newly approved loans in 2022 vs. the year before, evidently the average weighted EIR on long term loans has dropped by 0.24 percentage points (i.e. from 5.18% to 4.94%), while EIR on short term loans went down by 0.15 percentage points (i.e. from 2.45% to 2.30%). If observed by the sector structure, average weighted EIR on total

²⁴ Decision on Uniform Method of Calculating and Disclosing Effective Interest Rates on Loans and Deposits (FBiH Official Gazette No. 81/17), and Instructions for Calculating Weighted Nominal and Effective Interest Rates

newly approved corporate loans decreased by 0.14 percentage points (i.e. from 2.71% to 2.57%), while average EIR on total newly approved retail loans dropped by 0.34 percentage points (i.e. from 6.50% to 6.16%), while average weighted EIR on total newly approved loans to other sectors got rose by 0.66 percentage points (i.e. from 2.97% to 3.63%).

Total average weighted EIR on deposits in the FBIH banking sector that were collected in 2022 was 0.51%, thus being higher by 0.03 percentage points compared to 2021 when it was 0.48%. If observed by maturity of deposits, average weighted EIR on short term deposits is higher by 0.20 percentage points (i.e. from 0.21% to 0.41%), while EIR on long term deposits went down by 0.13 percentage points (i.e. from 0.75% to 0.62%). From the perspective of the sector structure of collected deposits, average weighted EIR on corporate deposits got reduced by 0.19 percentage points (i.e. from 0.75% to 0.56%), average weighted EIR on retail deposits went down by 0.08 percentage points (i.e. from 0.59% to 0.51%), while going up by 0.22 percentage points for deposits of other sectors (i.e. from 0.26% to 0.48%).

3.2.7. Liquidity

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

Table No. 32 provides the trend of LCR performance in the FBIH banking sector, as well as short term buffers of banks related to the liquidity risk (at the FBIH banking sector level):

- BAM 000 -

Table 32: LCR

No.	Description	31.12.2020	31.12.2021	31.12.2022	Index	
					(4/3)	(5/4)
1	2	3	4	5	6	7
1.	Liquidity buffer	5,849,379	7,064,703	6,928,631	121	98
2.	Net liquidity outflows	2,186,642	3,176,830	3,280,801	145	103
	LCR	268%	222%	211%		

AS of 31/12/2022, LCR across the FBIH banking sector was 211% and is significantly higher compared to the regulatory minimum. All banks in the FBIH banking sector meet the requirements in respect of LCR.

The liquidity buffer structure by market value (after corrective factor) is shown in Table No. 33:

- BAM 000 -

Table 33: Liquidity buffer

No.	Description	31.12.2020	31.12.2021	31.12.2022	Index	
					(4/3)	(5/4)
1	2	3	4	5	6	7
1.	Level 1 liquid assets	5,844,033	7,059,357	6,928,631	121	98
1.1.	Cash	1,267,715	1,526,321	1,543,788	120	101
1.2.	Withdrawable central bank reserves	2,467,371	3,095,846	3,076,604	125	99
1.3.	Central government assets	1,112,172	1,401,508	1,238,867	126	88
1.4.	Assets of regional governments and local authorities	981,701	1,011,738	1,045,296	103	103
1.5.	Assets of multilateral development bank and international organisations	15,074	23,944	24,076	159	101

2.	Level 2 liquid assets	5,346	5,346	0	100	0
2.1.	Level 2a liquid assets	0	0	0	-	-
2.2.	Level 2b liquid assets	5,346	5,346	0	100	0
	Total (1+2)	5,849,379	7,064,703	6,928,631	121	98

Liquidity buffer amounts to BAM 6.9 billion and posted a decrease by BAM 136.1 million or 1.9% compared to the end of the previous year. The biggest decrease of BAM 162.6 million or 11.6% refers to central government assets as a result of a reduction of short-term, low-risk exposures with one bank. Liquidity buffer consists only of level 1 liquid assets and the largest share in the level 1 liquid assets refers to excess legal reserves banks hold with CBBH (44.4%), followed by cash (22.3%), central government assets (17.9%) and assets of regional governments (15.1%).

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

- BAM 000 -

Table 34: Net liquidity outflows

No.	Description	31.12.2020	31.12.2021	31.12.2022	Index	
					(4/3)	(5/4)
1	2	3	4	5	6	7
1.	Total outflows	4,875,334	5,579,174	5,690,905	114	102
2.	Total inflows	2,716,263	2,402,345	2,469,853	88	103
3.	Inflows subject to cap of 75% of outflows	2,688,692	2,402,344	2,410,104	89	100
	Net liquidity outflows (1-3)	2,186,642	3,176,830	3,280,801	145	103

When it comes to the net liquidity outflows calculation as of 31/12/2022, all banks, except one, had their outflows reduced by the total inflows amount, while one bank has capped its liquidity inflows to 75% of total liquidity outflows.

Outflows amounted to BAM 24.8 billion as of 31/12/2022 (prior to application of the outflow rate) and the largest share is with outflows from retail deposits (BAM 9.9 billion or 39.8% of total outflows, of which BAM 5.4 billion refers to stable deposits or 54.9% of outflows of retail deposits), followed by deposits of other customers (BAM 8.4 billion or 33.9% of total outflows) and other products and services (BAM 3.7 billion or 14.8% of total outflows).

Total inflows amounted to BAM 2.5 billion, as largely relating to cash receivables from financial customers (BAM 1.6 billion or 63.3% of total inflows), thus being subject to the inflow rate of 100%, followed by inflows from financial derivatives (BAM 0.5 billion or 19.1% of total inflows) – also being subject to the inflow rate of 100%, and receivables from non-financial customers of BAM 0.3 billion or 10.2% of total inflows (being subject to the inflow rate of 50%).

In order to reduce the risk of financing over a longer period of time, the Decision on Liquidity Management in Banks stipulates that banks are required to continuously maintain the minimum NSFR starting from 31 December 2022 onwards. NSFR encourages banks to finance their activities with more stable sources of funding on an ongoing basis. NSFR is calculated as the ratio of ASF and RSF, where ASF represents part of the bank's capital and liabilities whose reliability is expected during the time period included in the NSFR (period up to one year), and RSF represents the result of the multiplication of assets and off-balance sheet exposures of the bank by appropriate factors reflecting their liquidity characteristics and remaining maturities until the one-year period of the NSFR.

Table No. 35 provides an overview of NSFR fulfillment in the FBiH banking sector:

- BAM 000 -

Table 35: NSFR

No.	Description	31.12.2021	31.12.2022	Index
1	2	3	4	5=4/3
1.	Available stable funding (ASF)	19,085,238	19,770,563	104
2.	Required stable funding (RSF)	11,488,742	12,189,130	106
	NSFR	166%	162%	

As of 31/12/2022, NSFR at the level of the banking sector of the FBiH is 162% and is significantly higher compared to the regulatory minimum, and all banks meet the requirements regarding the NSFR.

Table 36 provides the structure of ASF, and Table 37 the structure of RSF at the level of the banking sector of the FBiH:

- BAM 000 -

Table 36: ASF Structure

No.	Description	31.12.2021		31.12.2022		Index	
		Amount of liabilities and capital	ASF	Amount of liabilities and capital	ASF	(5/3)	(6/4)
1	2	3	4	5	6	7	8
	ASF from:						
1.	Capital items and instruments	2,983,318	2,961,760	3,066,853	3,065,720	103	104
2.	Retail deposits	11,343,194	10,557,433	11,338,559	10,579,940	100	100
3.	Other non-financial customers (except central banks)	9,193,960	4,894,824	10,451,040	5,533,246	114	113
4.	Financial customers and central banks	1,567,541	555,737	1,327,124	470,160	85	85
5.	Net liabilities based on financ. derivatives	4	0	28	0	700	-
6.	Other liabilities	603,201	115,484	608,116	121,497	101	105
	Total ASF	25,691,218	19,085,238	26,791,720	19,770,563	104	104

- BAM 000 -

Table 37: RSF structure

No.	Description	31.12.2021		31.12.2022		Index	
		Assets amount	RSF	Assets amount	RSF	(5/3)	(6/4)
1	2	3	4	5	6	7	8
	RSF from:						
1.	Central Bank funds	6,762,820	0	6,903,112	0	102	-
2.	Liquid assets	1,733,998	37,289	1,773,311	19,978	102	54
3.	Securities that are not liquid assets	287,897	241,299	276,375	230,870	96	96
4.	Loans	16,077,638	10,136,514	17,319,091	10,834,011	108	107
5.	Financial derivatives	19	1	47	2	247	200
6.	Other assets	936,110	821,488	917,543	812,213	98	99
7.	Off-bal.sheet items	5,379,463	252,151	6,065,927	292,056	113	116
	Total RSF	31,177,945	11,488,742	33,255,406	12,189,130	107	106

In considering the liquidity position, a significant role is played by the maturity structure of deposits, as the dominant source of financing. The maturity structure of deposits by residual maturity is shown in the following Table No. 38:

- BAM 000 -

Table 38: Maturity structure of deposits by residual maturity

No.	Deposits	31.12.2020		31.12.2021		31.12.2022		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	16,444,582	73.3	114	111
2.	7-90 days	989,184	5.0	986,253	4.7	856,555	3.8	100	87
3.	91 days to one year	2,153,403	10.9	2,157,949	10.2	2,252,657	10.0	100	104
I Total short term		16,091,415	81.8	17,899,661	84.5	19,553,794	87.1	111	109
4.	Up to 5 years	3,388,072	17.3	3,174,184	15.0	2,813,539	12.5	94	89
5.	Over 5 years	181,375	0.9	111,107	0.5	76,256	0.3	61	69
II Total long term		3,569,447	18.2	3,285,291	15.5	2,889,795	12.9	92	88
Total (I + II)		19,660,862	100	21,184,952	100	22,443,589	100	108	106

As of 31/12/2022, short-term deposits had an 87.1% share in total deposits, while long-term ones had a 12.9% share, with the share of the short-term deposits increasing, i.e. the share of the long-term ones decreasing by 2.6 percentage points compared to the end of 2021.

In the reporting period, an increase of BAM 1.7 billion or 9.2% was recorded in relation to short-term deposits and a decrease of BAM 395.5 million or 12% in relation to long-term deposits. The decrease of long-term deposits was also realised in relation to deposits of up to 5 years (by BAM 360.6 million or 11.4%), as well as with deposits of over 5 years (by BAM 34.9 million or 31.4%). 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 (97.4%).

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

- BAM 000 -

Table 39: Maturity matching of financial assets and financial liabilities of up to 180 days

No.	Description	31.12.2020	31.12.2021	31.12.2022	Index	
		Amount	Amount	Amount	(4/3)	(5/4)
1	2	3	4	5	6	7
I 1-30 days						
1.	Amount of financial assets	10,981,471	11,876,368	12,036,634	108	101
2.	Amount of financial liabilities	13,510,009	15,288,271	16,950,559	113	111

3.	Balance (+ or -) = 1-2	-2,528,538	-3,411,903	-4,913,925	-	-
Calculation of compliance with regulatory requirements in %						
a)	Actual %= no. 1 / no. 2	81.3%	77.7%	71.0%		
b)	Regulatory minimum %	65.0%	65.0%	65.0%		
More (+) or less (-) = a – b		16.3%	12.7%	6.0%		
II 1-90 days						
1.	Amount of financial assets	12,065,528	13,050,584	13,303,221	108	102
2.	Amount of financial liabilities	14,303,357	16,112,291	17,663,350	113	110
3.	Balance (+ or -) = 1-2	-2,237,829	-3,061,707	-4,360,129	-	-
Calculation of compliance with regulatory requirements in %						
a)	Actual %= no. 1 / no. 2	84.4%	81.0%	75.3%		
b)	Regulatory minimum %	60.0%	60.0%	60.0%		
More (+) or less (-) = a – b		24.4%	21.0%	15.3%		
III 1-180 days						
1.	Amount of financial assets	13,257,364	14,327,268	14,669,888	108	102
2.	Amount of financial liabilities	15,167,836	16,976,401	18,494,275	112	109
3.	Balance (+ or -) = 1-2	-1,910,472	-2,649,133	-3,824,387	-	-
Calculation of compliance with regulatory requirements in %						
a)	Actual %= no. 1 / no. 2	87.4%	84.4%	79.3%		
b)	Regulatory minimum %	55.0%	55.0%	55.0%		
More (+) or less (-) = a – b		32.4%	29.4%	24.3%		

As of 31/12/2022, 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 6%, in the second one by 15.3% and in the third time bucket by 24.3%.

An overview of the core liquidity ratios is shown in the following Table No. 40:

- % -

Table 40: Liquidity ratios

No.	Ratio	31.12.2020	31.12.2021	31.12.2022
1	2	3	4	5
1.	Liquid assets ²⁵ /net assets	31.3	31.9	32.1
2.	Liquid assets/ short-term financial liabilities	45.9	44.6	43.5
3.	Short-term financial liabilities/ total financial liabilities	78.9	82.3	84.6
4.	Loans/deposits and loans taken	74.5	72.3	71.9
5.	Loans/deposits, loans taken and subordinated debts ²⁶	73.8	71.8	71.0

Compared to the end of 2021, the share of liquid assets in net assets and the share of short term financial liabilities in total financial liabilities has increased, while the ratio of liquid assets and short term financial liabilities has decreased. The ratios of loans/deposits and loans taken and loans/deposits, loans taken and subordinated debt have improved, i.e. have dropped slightly, but are still within the acceptable grids.

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 FBH banking sector's liquidity at the end of 2022 is satisfactory.

3.2.8. Foreign Exchange (FX) Risk

In their operations, banks are exposed to risks arising from potential losses related to on- and off-balance sheet items resulting from changes in market prices. One of those risks is also FX

²⁵ Liquid assets in narrow sense: cash and deposits and other financial assets with residual maturity period of less than three months, excluding interbank deposits.

²⁶ The previous ratio was expanded, the funding also includes subordinated debts, which is a more realistic indicator.

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.

According to the balance as at 31/12/2022, the items in foreign currencies amounted to BAM 4.2 billion, with a 15.5% 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 7.8 billion or 28.5% (BAM 7.9 billion, with 30.4% share at the end of 2021).

Table 41 provides the structure of assets and liabilities and foreign exchange position for EUR, as well as the most important currencies total foreign exchange position across the banking sector:

- BAM million -

Table 41: Foreign exchange position (EUR and total)

No.	Description	31.12.2021				31.12.2022				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
I Balance sheet assets											
1.	Cash	952	10.1	1,513	14.9	1,145	13.0	1,787	18.5	120	118
2.	Loans	965	10.3	981	9.7	677	7.7	679	7.0	70	69
3.	Loans with currency clause	5,938	63.1	5,938	58.4	5,332	60.4	5,333	55.2	90	90
4.	Other	1,345	14.3	1,525	15.0	1,548	17.5	1,742	18.0	115	114
5.	Other financial assets with currency clause	203	2.2	203	2.0	126	1.4	126	1.3	62	62
Total I (1+2+3+4+5)		9,403	100	10,160	100	8,828	100	9,667	100	94	95
II Balance sheet liabilities											
6.	Deposits	6,135	72.0	6,865	74.2	6,075	72.2	6,886	74.6	99	100
7.	Loans taken	778	9.1	778	8.4	520	6.2	520	5.6	67	67
8.	Deposits and loans with currency clause	1,384	16.2	1,384	14.9	1,473	17.5	1,473	16.0	106	106
9.	Other	216	2.6	229	2.5	344	4.1	354	3.8	159	155
Total II (6+7+8+9)		8,513	100	9,256	100	8,412	100	9,233	100	99	100
III Off-balance sheet position net (+) or (-)											
10.	Assets	1		7		9		9		900	129
11.	Liabilities	763		780		354		372		46	48
IV Position											
Long (amount)		128		131		71		71		55	54
%		4.5%		4.6%		2.4%		2.4%			
Short (amount)											
%											
Permitted		40.0%		40.0%		40.0%		40.0%			
Less than permitted		35.5%		35.4%		37.6%		37.6%			

Viewed by banks and as the total across the FBH banking sector, it could be noted that the banks and sector's FX risk exposures as of 31/12/2022 ranged within the regulatory limits.

At the sector level, there was a long FX position of 2.4% of the total eligible capital of banks, which is by 37.6 percentage points lower than permitted. Individual FX position for EUR also stood at 2.4%, which is 37.6 percentage points lower than permitted. Therein, assets items were higher than liabilities (long position). Looking into foreign currencies' structure, assets²⁷ show a dominant share of EUR of 80.1% (as of 31/12/2021: 81.2%), along with reduction of the nominal amount by BAM 107.6 million or 3.3% vs. YE2021. The share of EUR in liabilities was 89.4% (as of 31/12/2021: 90.6%), which is lower by BAM 190.3 million or 2.7% compared to the end of 2021. The calculation basis for the EUR share in assets and liabilities does not include items with a currency clause.

3.2.9. Interest Rate Risk in the Banking Book

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

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

Table 42 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 FBBIH banking sector level:

- BAM 000 -

No.	Description	31.12.2020	31.12.2021	31.12.2022	Index	
					(4/3)	(5/4)
1	2	3	4	5	6	7
1.	Net weighted position - KM	62,655	78,394	162,878	125	205
2.	Net weighted position - EUR	29,563	26,564	44,378	90	167
3.	Net weighted position - USD	168	339	329	202	97
4.	Net weighted position – other	-5,710	-3,804	-6,633	67	174
5.	Change of economic value (1+2+3+4)	86,676	101,493	200,952	117	196
6.	Own funds	2,698,561	2,852,902	2,926,563	106	102
7.	Change of economic value/own funds	3.2%	3.6%	6.9%		

²⁷ Source: Report on Bank's Foreign Exchange Position: Part of Assets (in Foreign Currencies Denominated in BAM). Balance sheet assets items and off-balance sheet items are reported in net terms, i.e. minus ECL

The ratio of changes to the economic value of the banking book positions and owns funds as of 31/12/2022 stands at 6.9%. This is within the regulatory limits and is higher by 3.3 percentage points compared to the end of the previous year.

3.3. BANKING SECTOR RECOMMENDATIONS

The FBA will, in accordance with its prescribed supervisory authorities for the FBiH 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 FBiH banks' safe, sound 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 Banks²⁸ 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;
- examining dominant risk segments of operations, examining banks holding systemic relevance over development of lending activities and sustainability of long term funding sources 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.;
- control of 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%;
- monitoring the interest rate increase and its impact on the banking sector and taking measures to mitigate the effects and monitoring implementation by banks of the Decision on Temporary Measures to Mitigate the Risk of Interest Rate Increase (through onsite and off-site examinations);
- performing 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 FBiH, 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 2²⁹ and CRD V³⁰ and

²⁸ FBiH Official Gazette No. 94/21

²⁹ Directive (EU) 2019/876 of the European Parliament and Council dd 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

- 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.

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 FBiH banking sector, and the fact that retail deposits are a dominant funding source for banks, as well as considering current macroeconomic disruptions, 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 the economy and stimulate the credit growth through continuous financing of customers and sustainable loan arrangements;
- analysing, measuring and planning activities related to reduction of the interest-induced credit risk that may be pronounced during 2023;
- further strengthening of the internal controls system in all business segments based on the Decision on Internal Governance System in Banks³¹;
- alignment of operations with new regulatory requirements regarding bank operations and supervision, thus including also requirements related to bank recovery and resolution planning;
- updating recovery plans, thus paying special attention to the following key segments: escalation process, recovery indicators and options;
- improving ICAAP and ILAAP in accordance with the new regulatory requirements;
- activities related to reporting on the net stable funding ratio (NSFR) and fulfillment of NSFR-related requirements as of 31.12.2022;
- planning fulfillment of MREL for banks that hold this requirement;
- 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;
- reasonable ascertainment of fees for banking services resting on actual costs, thus considering pronounced needs for financial inclusion and adjustment to the needs of the financial service users, as well as development of products that are adjusted to socially sensitive categories of the population;
- 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 sudden effect on operating capacities and liquidity.

counterparts, exposures to joint investment undertakings, large exposures, reporting and disclosure requirements, and the Directive (EU) No. 648/2012

³⁰ 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

³¹ FBiH Official Gazette No. 39/21

4. SECTOR OF NON-DEPOSIT FINANCIAL INSTITUTIONS

4.1. MICROCREDIT SECTOR

4.1.1. MICROCREDIT SECTOR STRUCTURE IN THE FBIH

4.1.1.1. Status, Number and Business Network

In the FBIH as of 31/12/2022, FBA's operating licenses were held by 13 MCOs that comprise the microcredit sector in the FBIH, of which 10 are MCFs (non-profit organisations) and 3 are MCCs (profit organisations). Compared to December 31, 2021, the number of MCOs remained unchanged.

The microcredit sector in the FBIH, as of 31/12/2022, operates through the total of 358 organisational parts of MCOs seated in the FBIH, while 6 MCCs with headquarters in the RS operate in the FBIH through 67 organisational units.

Annex 8 provides basic information on MCFs and MCCs which, as of 31/12/2022 held the FBA's license for performing the micro lending activity.

4.1.1.2. Ownership Structure

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

4.1.1.3. Staff Structure

The microcredit sector in the FBIH, as of 31/12/2022, had a total of 1,412 employees, which is higher by 14 employees or 1%, compared to December 31, 2021 (Table No. 43). Out of the total number of employees in the microcredit sector in the FBIH, MCFs employ 1,171 persons or 82.9%, while MCCs employ 241 persons or 17.1%.

Table 43: Qualification structure of employees in MCOs in the FBIH

No	Qualification	31.12.2021		31.12.2022		Index (5/3)
		No. of employees	% share	No. of employees	% share	
1	2	3	4	5	6	7
1.	University qualifications	739	52.9	718	50.8	97
2.	Two-year post-secondary school qualifications	111	7.9	118	8.4	106
3.	Secondary school qualifications	538	38.5	566	40.1	105
4.	Other	10	0.7	10	0.7	100
	Total	1,398	100	1,412	100	101

An analysis of data on staff efficiency in the FBIH microcredit sector as of 31/12/2022 shows that assets per MCO employee amounted BAM 516.2 ths, which is higher by 4.1% vs. 31/12/2021.

4.1.2. FINANCIAL INDICATORS OF PERFORMANCE

4.1.2.1. Balance Sheet

Total assets of the FBIH microcredit sector as of 31/12/2022 amounted to BAM 728.9 million and are higher by BAM 35.4 million or 5.1% compared to December 31, 2021.

Annexes 9 and 10 provide a summary overview of balance sheets of MCFs and MCCs, while Annex 11 shows basic financial indicators of MCOs based on reporting data as of 31/12/2022. The aggregate balance sheet of the FBIH microcredit sector as of 31/12/2022 and comparative data with December 31, 2021 are shown in the following Table No. 44:

- BAM 000 -

No	Description	31.12.2021				31.12.2022				Index (9/5)
		Balance for MCFs 3	Balance for MCCs 4	Total 5=3+4	% 6	Balance for MCFs 7	Balance for MCCs 8	Total 9=7+8	% 10	
1	2									11
	ASSETS									
1.	Cash	45,096	19,829	64,925	9.4	43,803	10,602	54,405	7.5	84
2.	Placements to banks	1,660	0	1,660	0.2	182	0	182	0.0	11
3.	Microloans	402,924	160,441	563,365	81.2	440,182	165,440	605,622	83.1	108
4.	LLP	3,631	2,888	6,519	0.9	2,954	4,213	7,167	1.0	110
5.	Net microloans	399,293	157,553	556,846	80.3	437,228	161,227	598,455	82.1	107
6.	Tangible and intangible assets, net	25,577	5,151	30,728	4.4	24,706	5,026	29,732	4.1	97
7.	Long-term investments	33,888	0	33,888	4.9	34,388	0	34,388	4.7	101
8.	Other assets	3,652	1,789	5,441	0.8	10,250	1,498	11,748	1.6	216
9.	Reserves on other items in assets, apart from loans	10	0	10	0.0	0	0	0	0.0	0
	Total assets	509,156	184,322	693,478	100	550,557	178,353	728,910	100	105
	LIABILITIES									
10.	Liabilities on loans	201,926	124,023	325,949	47.0	228,663	109,602	338,265	46.4	104
11.	Other liabilities	25,488	8,201	33,689	4.9	26,719	10,805	37,524	5.2	111
12.	Capital	281,742	52,098	333,840	48.1	295,175	57,946	353,121	48.4	106
	Total liabilities	509,156	184,322	693,478	100	550,557	178,353	728,910	100	105
13.	Off-bal. sheet records	178,970	31,948	210,918		181,648	36,139	217,787		103

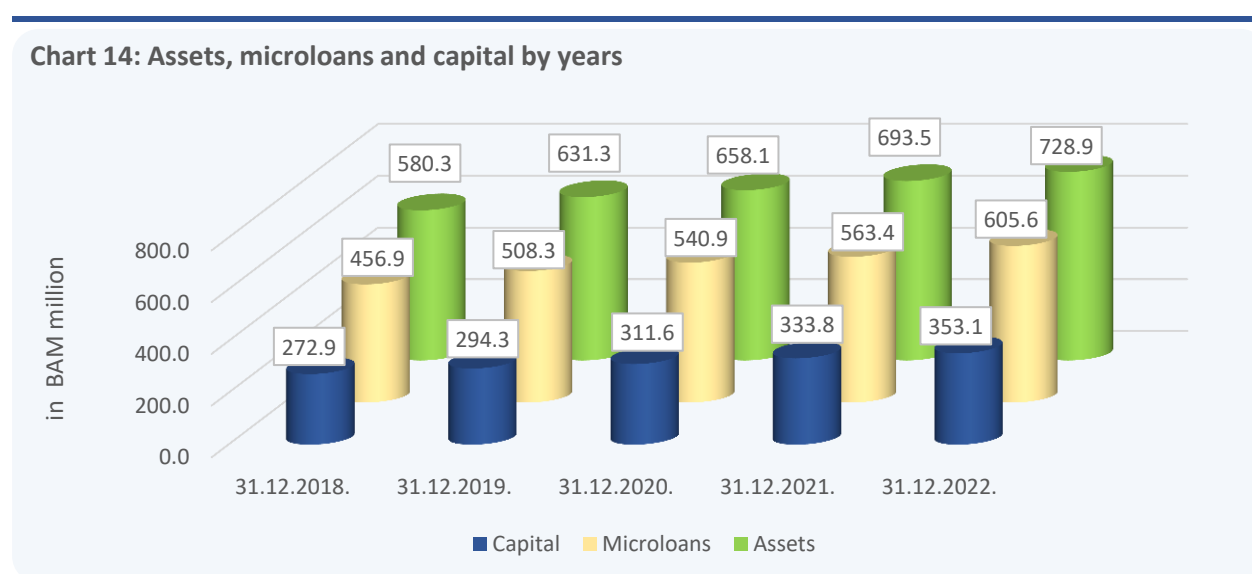
In the structure of assets of the FBIH microcredit sector as of 31/12/2022, there is a decrease related to the level of cash funds (16.2%), tangible and intangible assets (3.2%) and placements to banks (89%) as a result of reduced term deposits of one MCF that had 90.4% share in this balance sheet item as of 31/12/2021. The following balance sheet items rose against the end of the previous year: gross and net micro loans (by 7.5%), LLP (9.9%), long term investments (1.5%), other assets (115.9%), capital (5.8%), liabilities on loans (3.8%) and other liabilities (11.4%).

The rate of fixed assets compared to total assets (reduced by donated capital across the FBIH microcredit sector) as of 31/12/2022 amounts to 4.37%, which is within the prescribed limit.

The net microloan portfolio amounts to BAM 598.5 million with a share of 82.1% in total assets of the microcredit sector, hence it recorded a slight increase in absolute amount of BAM 41.6 million, i.e. 7.5%, of which net micro loans with MCFs rose by BAM 37.9 million or 9.5%, while net loans with MCCs rose by BAM 3.7 million, i.e. 2.3% compared to 31/12/2021. The level of LLPs for the entire microcredit portfolio in the reporting period is higher by BAM 0.6 million, i.e. 9.9%. LLP for MCFs went down by BAM 0.7 million or 18.6% and with MCCs this amount is higher by BAM 1.3 million or 45.9% since one MCC (having 60.1% share in this balance sheet item of MCC) posted a rise by 67%.

The total off-balance sheet records as of 31/12/2022 stood at BAM 217.8 million, thus being higher by BAM 6.9 million or 3.3% vs. 31/12/2021, whereas with MCFs it went up by BAM 2.7 million or 1.5% and with MCCs by BAM 4.2 million or 13.1%. Out of the said total amount within the off-balance sheet records, written off loans make up for BAM 148.7 million or 68.3% of off-balance sheet items (including write-offs under the principal and regular interest, default interest and court expenses), i.e. they are lower by BAM 0.7 million or 0.5% compared to the end of 2021. The total number of written off microloans as of 31/12/2022 was 36,883, down by a total of 365 microloans (1%) vs. 31/12/2021. This came as a net effect of new write offs, permanent write offs and fully collected microloans.

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



4.1.2.2. Capital and Liabilities

The biggest items in liabilities in the FBIH microcredit sector as of 31/12/2022 relate to: capital, amounting to BAM 353.1 million and representing 48.4% of total liabilities and liabilities on loans taken, which amount to BAM 338.3 million, i.e. 46.4% of total liabilities. The remaining amount of BAM 37.5 million, i.e. 5.2% of total liabilities relates to other liabilities that have risen by BAM 3.8 million or 11.4% vs. 31/12./2021.

In 2022, total increase of capital at the FBIH microcredit sector level was BAM 19.3 million or 5.8%, of which MCF capital rose by BAM 13.4 million or 4.8% and capital of MCCs by BAM 5.9 million or 11.2% during the reporting period.

The FBIH microcredit sector's structure of capital is shown in the Table No. 45:

- BAM 000 -

No.	Description	31.12.2021				31.12.2022				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	13.6	100
2.	Core capital	3,696	34,177	37,873	11.3	3,696	34,177	37,873	10.7	100

3.	Surplus & deficit of revenue over expenses	228,878	0	228,878	68.5	242,416	0	242,416	68.7	106
4.	Issue premium	0	0	0	0.0	0	0	0	0.0	-
5.	Unallocated profits	0	7,566	7,566	2.3	0	10,191	10,191	2.9	135
6.	Regulatory reserves	0	4,214	4,214	1.3	0	5,569	5,569	1.6	132
7.	Other reserves	1,070	6,141	7,211	2.2	965	8,009	8,974	2.5	124
	Total capital	281,742	52,098	333,840	100	295,175	57,946	353,121	100	106

Total capital of MCFs amounted to BAM 295.2 million, i.e. 83.6% of the total capital of the microcredit sector, and the biggest items are the surplus of revenues over expenses, amounting to BAM 242.4 million and representing 82.1% of total capital of MCFs (being higher by BAM 13.5 million or 5.9%) and donated capital, amounting to BAM 48.1 million, i.e. 16.3% (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 FBiH 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 4.7 million or 1.6%.

Total capital of MCCs amounts to BAM 57.9 million, thus comprising 16.4% of the total capital of the microcredit sector. Its structure includes these key items: core capital of BAM 34.2 million, i.e. 59%, and unallocated profit of BAM 10.2 million, i.e. 17.6%. The remaining BAM 13.5 million, i.e. 23.4% of MCC capital relates to statutory and other reserves.

Looking into the capital rate reduced by donated capital vs. assets, as of 31/12/2022, it amounted 41.85% 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. 46:

- BAM 000 -

Table 46: Maturity structure of loans taken

No.	Description	31.12.2021				31.12.2022				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	12,292	7,856	20,148	5.9	114
2.	Liabilities on long-term loans taken	184,670	121,238	305,908	93.9	215,159	100,616	315,775	93.4	103
3.	Liabilities based on interest due	1,115	1,285	2,400	0.7	1,212	1,130	2,342	0.7	98
	Total	201,926	124,023	325,949	100	228,663	109,602	338,265	100	104

As of 31/12/2022, liabilities based on loans taken rose by BAM 12.3 million or 3.8% compared to 31/12/2021. In the structure of total liabilities on loans taken as of 31/12/2022, loan obligations of MCFs represent 67.6%, while loan obligations of MCCs represent 32.4%. With respect to the maturity structure of loan obligations compared to December 31, 2021, there is an increased share of short term liabilities by 14.2% and long term liabilities by 3.2% as of

31/12/2022. Liabilities related to interest due have dropped by 2.4%. The largest two creditors of the FBIH microcredit sector as of 31/12/2022, are EFSE Luxembourg with BAM 25.4 million and GGF Southeast Europe B.V., Luxembourg with BAM 16.6 million.

4.1.2.3. Assets and Assets Quality

The microloan portfolio reported in gross amount in the balance sheet total of the FBIH microcredit sector as of 31/12/2022 amounted to BAM 605.6 million, thus representing 83.1% of total assets of the microcredit sector. If reduced for the corresponding LLP in the total amount of BAM 7.2 million, the net microloan portfolio amounts to BAM 598.4 million, i.e. 82.1% of total assets of the FBIH microcredit sector (Table No. 47). Compared to December 31, 2021, gross microloan portfolio went up by BAM 42.3 million, i.e. by 7.5%, while the net microloan portfolio rose by the amount of BAM 41.6 million, i.e. 7.5%. Over the same period, LLPs rose by BAM 0.6 million or 9.9%.

In the structure of total net portfolio of the microcredit sector in the FBIH as of 31/12/2022, net microloans of MCFs amounted to BAM 437.2 million and represent 73.1% of the total net microloans across the sector, while the amount of BAM 161.2 million, i.e. 26.9% of the total net microloans across the sector relate to MCCs.

- BAM 000 -

Table 47: Net microloans

No.	Description	31.12.2021			31.12.2022			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	440,182	165,440	605,622	108
2.	LLP	3,631	2,888	6,519	2,954	4,213	7,167	110
3.	Net microloans (1.-2.)	399,293	157,553	556,846	437,228	161,227	598,455	107

Detailed data on the sector and the maturity structure of the microloan portfolio (reduced by deferred fee income) as of 31/12/2022 are shown in the following Table No. 48:

- BAM 000 -

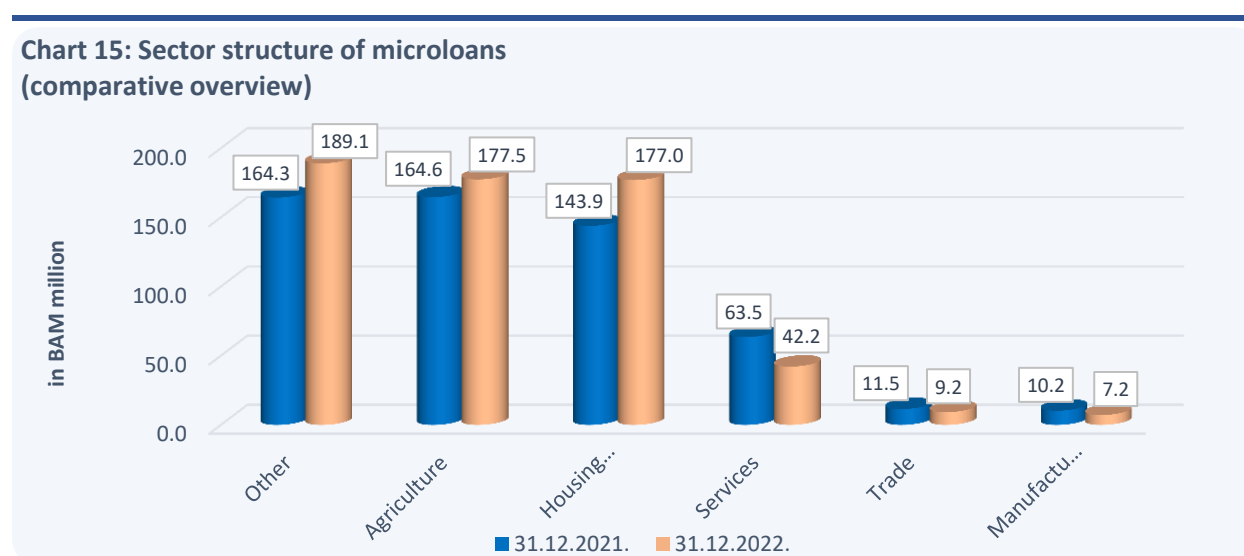
Table 48: Sector and maturity structure of microloans

No.	Microloans	ST micro loans	LT micro loans	Receivables due	Total	%
1	2	3	4	5	6=3+4+5	7
1.	Corporate					
a)	Services	279	8,655	62	8,996	55.4
b)	Trade	288	2,956	11	3,255	20.1
c)	Agriculture	33	961	3	997	6.1
d)	Manufacturing	93	2,758	10	2,861	17.6
e)	Other	16	120	0	136	0.8
	Total 1	709	15,450	86	16,245	100
2.	Retail					
a)	Services	810	32,244	170	33,224	5.7
b)	Trade	265	5,686	33	5,984	1.0
c)	Agriculture	5,298	170,711	437	176,446	30.1
d)	Manufacturing	108	4,209	16	4,333	0.7
e)	Housing needs	3,507	173,157	303	176,967	30.2
f)	Other	15,567	172,672	755	188,994	32.3
	Total 2	25,555	558,679	1,714	585,948	100
	Total (1+2)	26,264	574,129	1,800	602,193	

In the maturity structure of the total microloan portfolio as of 31/12/2022, the highest share is the share of long-term micro loans with 95.3%, while short-term micro loans have a 4.4% share and receivables due on micro loans have a 0.3% share.

Upon observing the sector structure, the dominant share is the share of retail microloans, with 97.3%, while the remaining 2.7% relates to corporate microloans. Within the retail microloan portfolio, the biggest is the share of microloans approved to other sectors, which amounts to 32.3% and for housing needs at 30.2%. By share levels, agricultural sector follows with 30.1% and services with 5.7%. The share of microloans for trade is 1% and for manufacturing 0.7%. In the structure of corporate microloans, the dominant share is the share of microloans for services – 55.4%.

The following Chart No. 15 presents the sector structure of microloans with comparative overview vs. end of the previous year.



The following Table No. 49 provides an overview of receivables with relevant provisions by groups according to the number of days in default, as well as data on outstanding overdue receivables over 180 days (being removed from the balance sheet), as of 31/12/2022:

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Table 49: LLP

No.	Days in default	Rate of provisions	Amount of loans	Share (%)	Interest due			Provisions			Total provisions	
					Rate of provisions	Amount of interest	Amount of other assets items	By micro loans	By past -due interest	By other items in assets		Excess allocated provision
1	2	3	4	5	6	7	8	9=4x3	10=7x6	11=8x3	12	13=9+10+11+12
1.	0	0%	586,918	97.5	0%	313	421	0	0	0	171	171
2.	1–15	2%	4,184	0.7	2%	124	0	84	2	0	26	112
3.	16–30	15%	3,679	0.6	100%	87	0	552	87	0	56	695
4.	31–60	50%	2,714	0.4	100%	116	0	1,357	116	0	61	1,534
5.	61–90	80%	1,703	0.3	100%	71	0	1,362	71	0	39	1,472
6.	91–180	100%	2,995	0.5	100%	187	0	2,995	187	0	1	3,183
	Total		602,193	100		898	421	6,350	463	0	354	7,167
7.	over 180	Write off	1,983	-	-	154	-	-	-	-	-	-

In the total microloan portfolio at the sector level, 97.5% relate to microloans without defaults, while in the remaining 2.5% of microloans there are defaults, of which defaults up to 30 days represent 1.3% of micro loans, while 1.2% are defaults of 31 to 180 days. Out of the total amount of due interest (BAM 0.9 million), defaults up to 30 days represent 23.5%, while defaults of 31 to 180 days represent 41.6%. Total amount of provisions under microloans, interest and other asset items as of 31/12/2022 equals BAM 7.2 million. Therein, the largest item corresponds to provisions formed for microloans in default of 91 to 180 days (BAM 3.2

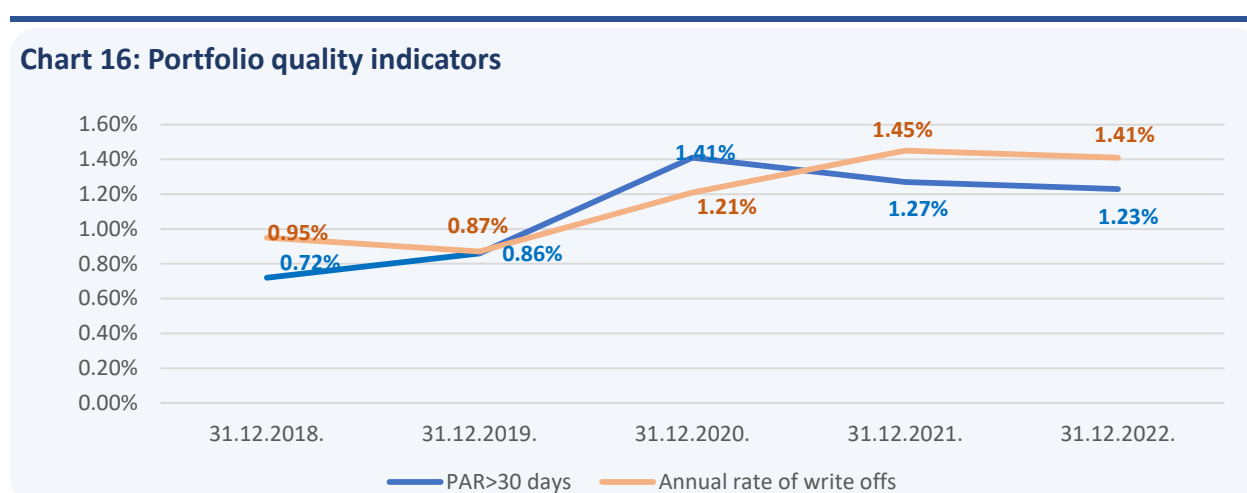
million), thus representing 44.4% of total provisions. LLP ratio as of 31/12/2022 equals 1.05%, which, comparing to the ratio as of 31/12/2021 (1.09%), represents a decrease by 0.04 percentage points.

Key Indicators of the Microcredit Portfolio Quality

The risk portfolio indicator for more than 30 days in default (PAR>30 days) as of 31/12/2022 amounts to 1.23% at the level the microcredit sector and it decreased by 0.04 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 annual rate of write offs of microloans as of 31/12/2022 amounted to 1.41%, which is within the prescribed standard. This rate has decreased by 0.04 percentage points compared to the end of the previous year.

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



Weighted NIR and EIR on micro loans

Over the period from 01/01/2022 to 31/12/2022, MCOs seated in the FBIH concluded 147,690 agreements and disbursed a total of BAM 552.9 million of microloans. This is by 5,132 agreements or 3.6% higher than in the same period last year, i.e. higher by BAM 55 million or 11.1% of disbursements compared to the observed period. MCOs seated in the FBIH had an average weighted NIR on total microloans of 18.98% and EIR of 23.30%, whereas NIR on short term microloans was 20.22% and on long term ones 18.83% and EIR on short term microloans was 28.90% and on long term ones 22.65%. Average weighted EIR on total microloans disbursed by MCOs seated in the FBIH posted a decrease in the period from 01/01/2022 to 31/12/2022 by 0.7 percentage points vs. the same period in 2021, whereas average weighted EIR on short term microloans posted a drop by 0.32 percentage points and on long term microloans a drop by 0.61 percentage points.

Annex 12 provides an overview of average weighted NIR and EIR by maturity and purpose related to microloans disbursed in the period from 01/01/2022 to 31/12/2022 by MCOs seated in the FBIH.

Annex 12a provides a comparative overview of average weighted NIR and EIR on disbursed microloans (short term, long term and total) in the period from 2018 to 2022.

4.1.2.4. Financial Performance of the FBIH Microcredit Sector

At the FBIH microcredit sector, positive financial result was posted in the period from 01/01/2022 to 31/12/2022 in an amount of BAM 13.3 million (Table No. 50), down by BAM 0.9 million or 6.4% against the same period in 2021. As of the reporting date, MCOs posted a total of BAM 19.2 million of excess income over expenses, i.e. profit, and BAM 5.9 million of shortfall of income over expenses, i.e. loss.

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Table 50: Actual financial result of MCOs

No.	Description	01.01. - 31.12.2021						01.01. - 31.12.2022					
		Amount			Number of MCOs			Amount			Number of MCOs		
1	2	MCF	MCC	Total	MCF	MCC	Total	MCF	MCC	Total	MCF	MCC	Total
3	4	5	6	7	8	9	10	11	12	13	14	15	16
1.	Excess income over expenses/Profit	13,353	6,884	20,237	8	2	10	13,821	5,353	19,174	8	2	10
2.	Shortfall of income over expenses/Loss	124	5,932	6,056	2	1	3	396	5,510	5,906	2	1	3
	Total	13,229	952	14,181	10	3	13	13,425	-157	13,268	10	3	13

MCFs posted excess income over expenses of BAM 13.4 million, thus being by BAM 0.2 million more than in the same period the year before. MCCs reported net loss of BAM 157 ths. The presented overall excess income over expenses of MCFs was BAM 13.8 million (eight MCFs), while shortfall of income over expenses was posted by two MCFs in an amount of BAM 0.4 million. Profit was posted by two MCCs in an amount of BAM 5.4 million, while one MCC posted a loss of BAM 5.5 million. Annexes 13 and 14 provide aggregate income statements for MCFs and MCCs.

Total Income of the FBIH Microcredit Sector

According to reporting data for MCOs, in the period from 01/01/2022 to 31/12/2022, total income at the level of the FBIH microcredit sector amounted to BAM 126 million, up by BAM 6.4 million or 5.4% compared to the same period last year (Table No. 51).

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Table 51: Structure of total income of MCOs

No.	Structure of total income	01.01. - 31.12.2021				01.01. - 31.12.2022				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.	Interest income and similar income									
1.1.	Interest on interest-bearing deposit accounts with deposit institutions	15	3	18	0,0	3	2	5	0,0	28
1.2.	Interest on placements to banks	11	0	11	0,0	14	0	14	0,0	127
1.3.	Interest on loans	72,800	29,332	102,132	85.4	77,477	29,832	107,309	85.2	105
1.4.	Management fee	4,317	1,521	5,838	4.9	5,059	1,460	6,519	5.2	112
1.5.	Prepayment fee	466	249	715	0.6	597	266	863	0.7	121
1.6.	Other interest income and similar income	1,022	108	1,130	1.0	1,095	332	1,427	1.1	126
	Total	78,631	31,213	109,844	91.9	84,245	31,892	116,137	92.2	106
2.	Operating income									
2.1.	Service fees	184	0	184	0.2	236	0	236	0.2	128
2.2.	Income from collected written off receivables	7,109	585	7,694	6.4	6,896	979	7,875	6.2	102
2.3.	Other operating income	13	18	31	0.0	9	16	25	0.0	81
	Total	7,306	603	7,909	6.6	7,141	995	8,136	6.4	103
3.	Other operating income	1,564	234	1,798	1.5	1,472	257	1,729	1.4	96

Total income (1+2+3)	87,501	32,050	119,551	100	92.858	33,144	126,002	100	105
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Within the structure of total income of MCOs, interest income and similar income hold a share of 92.2%, operating income 6.4% share and other operating income 1.4%. Compared to the same period last year, interest and similar income have risen by BAM 6.3 million or 5.7%. Income from interest on loans, being the key item within the category of interest and similar income, climbed by BAM 5.2 million or 5.1%.

Operating income of MCOs during the observed period saw an increase by BAM 0.2 million or 2.9%, whereas income from collected written off receivables (being a dominant item therein) went up by BAM 0.2 million or 2.4%. Other operating income posted a drop by BAM 0.1 million or 3.8%.

Total Expenses of the FBH Microcredit Sector

According to the reporting data of MCOs for the period from 01/01/2022 to 31/12/2022, total expenses of the FBH microcredit sector stood at BAM 112.7 million, up by BAM 7.4 million or 7% vs. the same period the year before (Table No. 52).

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Table 52: Structure of total expenses of MCOs

No.	Structure of total expenses	01.01. - 31.12.2021				01.01. - 31.12.2022				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.	Interest expenses and similar expenses									
1.1.	Interest on borrowed funds	6,458	4,315	10,773	10.2	6,617	4,613	11,230	10.0	104
1.2.	Fee for received loans	676	529	1,205	1.2	696	546	1,242	1.1	103
1.3.	Prepayment fee	0	0	0	0.0	0	0	0	0.0	-
1.4.	Other interest expenses and similar expenses	444	2,321	2,765	2.6	429	1,848	2,277	2.0	82
	Total	7,578	7,165	14,743	14.0	7,742	7,007	14,749	13.1	100
2.	Operating expenses									
2.1.	Costs of salaries and contributions	38,375	9,919	48,294	45.8	41,117	10,304	51,421	45.6	106
2.2.	Amortisation costs	4,410	1,427	5,837	5.5	4,630	1,454	6,084	5.4	104
2.3.	Material expenses	1,955	522	2,477	2.4	2,418	710	3,128	2.8	126
2.4.	Service costs	12,909	6,303	19,212	18.2	15,062	6,329	21,391	18.9	111
2.5.	Other operating expenses	2,489	773	3,262	3.1	2,641	836	3,477	3.1	107
	Total	60,138	18,944	79,082	75.0	65,868	19,633	85,501	75.8	108
3.	Other operating expenses	731	201	932	0.9	733	243	976	0.9	105
4.	Costs of reserves for loan and other losses	4,180	4,415	8,595	8.2	3,844	5,824	9,668	8.6	112
5.	Tax on excess income over expenses (income tax)	1,645	373	2,018	1.9	1,246	594	1,840	1.6	91
	Total expenses (1+2+3+4+5)	74,272	31,098	105,370	100	79,433	33,301	112,734	100	107

MCOs' total expense structure is dominated by operating expenses with a share of 75.8%, while interest and similar expenses participate with 13.1% and costs of reserves for loan and other losses with 8.6%. Other operating expenses and tax on excess income over expenses (i.e. income tax) hold a share of 2.5% in total expenses of MCOs.

Against the same period last year, interest and similar expenses remained the same, whereas interest on borrowed funds and fees for received loans climbed by 4.2% and 3.1% respectively. Other interest expenses and similar expenses dropped by 17.6%.

Operating expenses of MCFs, as a dominant item among total expenses, saw a rise by BAM 6.4 million or 8.1%, whereas costs of salaries and contributions (as their key item) increased by

BAM 3.1 million or 6.5%. Costs of services went up by BAM 2.2 million or 11.3%, while material expenses by BAM 0.7 million or 26.3%. Other operating expenses rose by 0.2 million or 6.6%. Amortisation costs have risen by BAM 0.2 million or 4.2%.

Other operating expenses increased by 4.7%, while costs of reserves for loan and other losses increased by BAM 1.1 million or 12.5%. Cost of tax on excess income over expenses (i.e. income tax) dropped by BAM 0.2 million or 8.8%.

Efficiency and Sustainability Indicators for the FBIH Microcredit Sector

Operational efficiency of the FBIH microcredit sector as of 31/12/2022 stood at 18.93%, which is within the prescribed range for the indicator.

According to reporting data at the FBIH microcredit sector as of 31/12/2022, the return on assets adjusted for inflation, market price of capital and donations (AROA) was positive at 1.95%. The indicator of operational sustainability of the FBIH 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 113.62%.

4.1.3. MICROCREDIT SECTOR RECOMMENDATIONS

The FBA will, within its prescribed supervisory authorities for the FBIH 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;
- timely and adequate undertaking of activities in MCOs according to the corrective measures imposed to eliminate irregularities and weaknesses in business operations;
- monitoring macroeconomic situation and its impact to the MCO sector, as well as mitigating adverse effects to end users of loans.

The competent governance bodies of the MCOs need to ensure compliance of their business with the regulatory framework and 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 Users³², including aligning interest rates policies on microloans with the prescribed micro lending goals, thus contributing to stability and sustainability of the FBIH 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 optimising and applying the principles of responsible micro lending;
- harmonisation, i.e. improvement of operational efficiency and operational sustainability indicators;

³² FBIH Official Gazette No. 31/14

- 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; and
- improving business transparency.

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 FBIH.

4.2. LEASING SECTOR

4.2.1. FBIH LEASING SECTOR STRUCTURE

4.2.1.1. Number of Leasing Companies

The FBA license for leasing operations was, as of 31/12/2022, held by four leasing companies in the FBIH, where the number of leasing companies remained the same compared to the end of the previous year (since one leasing company got registered in the Q1 2022, while one leasing company had its operating license revoked in Q4 2022, hence the court received relevant request for initiation of liquidation proceedings for this company). Three leasing companies have one branch each operating in the RS.

Annex 15 provides basic information on leasing companies which, as of 31/12/2022, represented the leasing sector in the FBIH.

4.2.1.2. Ownership Structure

The ownership structure of leasing companies in the FBIH, according to data as of 31/12/2022, is as follows: two leasing companies are in 100% ownership of non-resident legal entities, one leasing company is majority-owned by a non-resident legal entity, while one leasing company is in 100% ownership of a resident legal entity.

4.2.1.3. Staff Structure

As at 31/12/2022, there was a total of 100 employees in the leasing sector in the FBIH, which is one employee or 1% less than at the end of the previous year (Table No. 53).

Table 53: Qualification structure of employees in the leasing companies in the FBIH

No.	Qualification	31.12.2021		31.12.2022		Index (5/3)
		No. of employees	% share	No. of employees	% share	
1	2	3	4	5	6	7
1.	University qualifications	73	72.3	77	77.0	105
2.	Two-year post-secondary school qualifications	4	4.0	2	2.0	50
3.	Secondary school qualifications	18	17.8	16	16.0	89

4. Other	6	5.9	5	5.0	83
Total	101	100	100	100	99

Efficiency of employees in the course of the performance assessment of leasing companies is based on the ratio of assets and number of employees. According to indicators as at 31/12/2022, at the level of the leasing sector in the FBIH, each employee corresponded to BAM 4.4 million in assets. This is by BAM 0.7 million or 18.1% more than as at 31/12/2021.

4.2.2. FINANCIAL INDICATORS OF PERFORMANCE

4.2.2.1. Balance Sheet

Total assets of the FBIH leasing sector as at 31/12/2022 amounted to BAM 437 million and are higher by BAM 63.3 million, i.e. 16.9% compared to December 31, 2021. Two leasing companies, viewed on the basis of asset size, account for 69.8% of total assets of the FBIH leasing sector.

Annex 16 provides an aggregate balance sheet of leasing companies in the FBIH as per reporting data of 31/12/2022, while Annex 17 provides an overview of basic indicators of leasing companies in the FBIH as of 31/12/2022. The following table No. 54 provides summary of the leasing sector's balance sheet.

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Table 54: Leasing sector's balance sheet

No	Description	31.12.2021	% share	31.12.2022	% share	Index (5/3)
1	2	3	4	5	6	7
ASSETS						
1.	Cash and cash equivalents	4,391	1.2	4,384	1.0	100
2.	Placements with banks	8,240	2.2	6,167	1.4	75
3.	Financial leasing receivables, net	290,647	77.8	342,550	78.4	118
3a)	Financial leasing receivables, gross	318,640	85.3	383,834	87.8	120
3b)	Loss reserves	5,681	1.5	4,837	1.1	85
3c)	Deferred interest income	21,996	5.9	36,075	8.2	164
3d)	Deferred fee income	316	0.1	372	0.1	118
4.	Receivables from subsidiaries	0	0.0	0	0.0	-
5.	Tangible and intangible assets, net	64,259	17.2	76,012	17.4	118
5a)	Tangible and intangible assets – own funds, net	1,557	0.4	1,222	0.3	78
5b)	Tangible and intangible assets – operational leasing, net	62,702	16.8	74,790	17.1	119
6.	Long term investments	368	0.1	408	0.1	111
7.	Other assets	5,831	1.5	7,519	1.7	129
Total assets		373,736	100	437,040	100	117
LIABILITIES						
8.	Obligations under loans taken	336,293	90.0	390,310	89.3	116
9.	Other liabilities	7,957	2.1	10,158	2.3	128
10.	Capital	29,486	7.9	36,572	8.4	124
Total liabilities		373,736	100	437,040	100	117
11.	Off-balance sheet records	106,550		60,984		57

In the structure of total assets of the FBIH leasing sector, the most significant share is the share of net receivables under financial leasing, which amount to BAM 342.6 million, i.e. 78.4% of total assets. Compared to December 31, 2021, net receivables under financial leasing are higher by BAM 51.9 million, i.e. 17.9%, while gross receivables under financial leasing are higher by BAM 65.2 million, i.e. 20.5%. As of 31/12/2022, one bank that performs also financial leasing deals posted net receivables under financial leasing agreements of altogether BAM 36.1 million, thus indicating that net receivables under financial leasing at the leasing system level were equal to BAM 378.7 million and were by BAM 48.1 million or 14.6% higher than at the end of the previous year.

The balance sheet position of cash and cash equivalents as of 31/12/2022 amounted to BAM 4.4 million (constituting 1% of total assets) and remained the same compared to December 31, 2021. Placements with banks (posted by one leasing company) as of 31/12/2022 amounted to BAM 6.2 million, comprising 1.4% of total assets of the FBIH leasing sector, which was by BAM 2.1 million or 25.2% less compared to December 31, 2021. Net value of fixed assets financed through operational leasing as of 31/12/2022 amounted to BAM 74.8 million and has increased by BAM 12.1 million, i.e. 19.3% compared to December 31, 2021.

In the structure of receivables under financial leasing at the level of the leasing sector in the FBIH (if observed by the leasing objects), contracts approved for financing of passenger vehicles and vehicles for performing business activities participate with 86.4%, contracts for equipment and machinery financing participate with 13.4%, while 0.2% relates to contracts under which real estate is financed. If viewed by lessees, majority (90.2%) refers to contracts with legal entities and 5.6% to contracts with private individuals.

The following table No. 55 provides the structure of receivables under financial leasing at the level of the FBIH leasing sector (receivables before reduction for loss provisions) as of 31/12/2022.

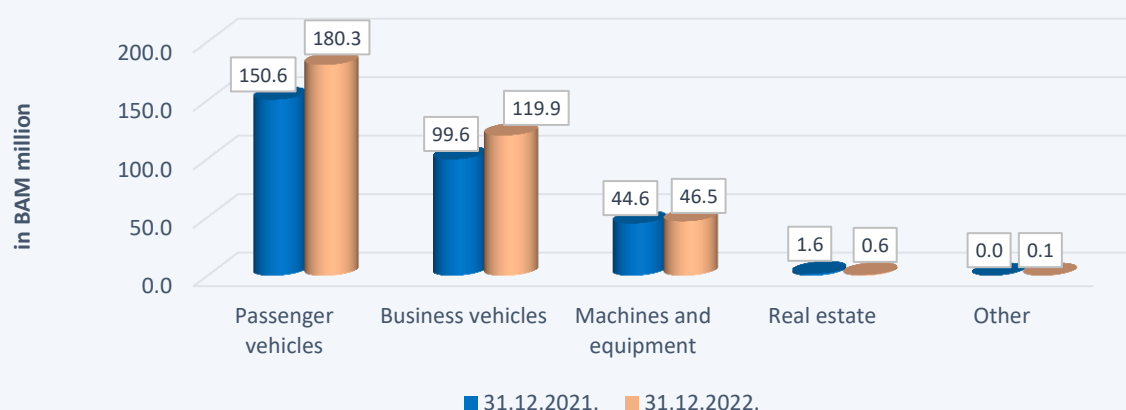
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Table 55: Structure of financial leasing receivables

No.	Description	Short term receivables	Long term receivables	Receivables due	Total receivables	% share
1	2	3	4	5	6	7
1.	By leasing object					
1.1.	Passenger vehicles	57,304	121,574	1,469	180,347	51.9
1.2.	Vehicles for performing business activity (cargo and passenger vehicles)	41,168	77,399	1,297	119,864	34.5
1.3.	Machines and equipment	18,454	27,615	460	46,529	13.4
1.4.	Real estate	111	469	15	595	0.2
1.5.	Other	39	13	0	52	0.0
	Total	117,076	227,070	3,241	347,387	100
2.	By lessee					
2.1.	Corporate	106,450	203,919	2,994	313,363	90.2
2.2.	Entrepreneurs	4,140	8,025	102	12,267	3.5
2.3.	Retail	5,670	13,755	137	19,562	5.6
2.4.	Other	816	1,371	8	2,195	0.7
	Total	117,076	227,070	3,241	347,387	100

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

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



4.2.2.2. Capital and Liabilities

Total capital of the FBIH leasing sector as of 31/12/2022 amounted to BAM 36.6 million, thus constituting 8.4% of total liabilities of the FBIH leasing sector. Compared to December 31, 2021, the aforementioned position increased by BAM 7.1 million or 24%.

Total liabilities of the leasing sector in the FBIH amounted to BAM 400.4 million as at 31/12/2022, thus representing 91.6% of total liabilities of leasing companies in the FBIH. Compared to December 31, 2021, total liabilities at the sector level rose by BAM 56.2 million or 16.3%.

Liabilities of leasing companies in the FBIH under loans taken as of 31/12/2022 stood at BAM 390.3 million, thus posing a dominant source in the structure of total liabilities of the FBIH leasing sector since they account for 89.3% of total liabilities. Compared to 31/12/2021, the position of loan obligations is higher by BAM 54 million, i.e. 16.1%. If observed by contractual maturity, dominant portion of liabilities based on loans refers to long term loans.

4.2.2.3. Assets and Assets Quality

According to the reporting data at the level of the FBIH leasing sector, reported reserves for losses under financial leasing as of 31/12/2022 (Table No. 56) amounted to BAM 4.8 million and are lower compared to December 31, 2021 by BAM 0.8 million or 14.9%.

In the structure of receivables under financial leasing as of 31/12/2022, the total of BAM 3.2 million of overdue receivables was reported, which is by BAM 0.9 million or 35.7% more compared to December 31, 2021. This is a result of a major increase of this item with two leasing companies by a total of 163.3%, while one leasing company posted a decrease by 21.4%.

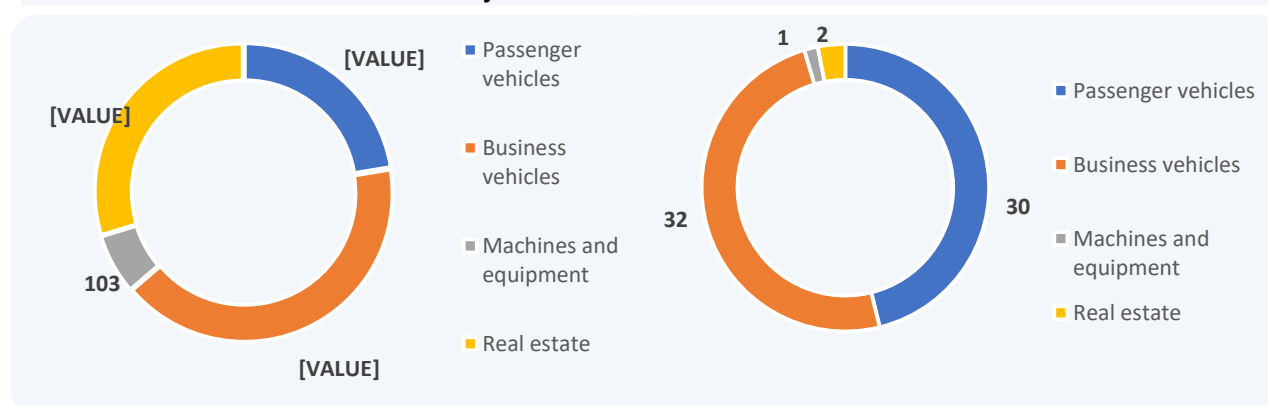
Table 56: Overview of financial leasing reserves

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%	343,836	490	61,934	218	310	1	4,306	4,617
2.	60-90	10%	10%	2,311	120	486	0	49	0	54	103
3.	90-180	50%	50%	596	0	166	0	83	0	0	83
4.	over 180	100%	75%	34	0	34	0	34	0	0	34
5.	over 360	100%	100%	0	0	0	0	0	0	0	0
Total				346,777	610	62,620	218	476	1	4,360	4,837

The total amount of written off receivables under financial leasing and loans as of 31/12/2022 amounted to BAM 4.1 million BAM and is lower compared to December 31, 2021, by BAM 2.8 million or 40.9% due to one leasing company having its operating license revoked (as of 31/12/2021, this company had a share in this position of 33.6%), as well as due to a reduction of this balance sheet position with three leasing companies posted in their statements.

The appraised market value of foreclosed leasing objects, due to termination of leasing contracts with lessees as of 31/12/2022 at the level of the FBIH leasing sector, amounted to BAM 1.6 million, up by BAM 0.7 million compared to 31.12.2021. There was a total of 65 foreclosed objects, with a posted increase of the number of foreclosed objects by 46 objects (Chart No. 18). With one leasing company holding 88.6% share in the appraised market value of foreclosed leasing objects, there was a value increase compared to the end of the previous year by 141.2%.

Out of the total reported amount of appraised market value of foreclosed items in the FBIH leasing sector as of 31/12/2022, 63.7% refers to passenger vehicles and business vehicles. In addition, 6.5% relates to machines and equipment. The share of 29.8% of the total appraised value of foreclosed objects refers to real estate (commercial facilities) for which leasing companies assumed possession for reasons of non-compliance with contractual liabilities on the part of lessees. The total amount of the above position relates to one leasing company.

Chart 18: Structure of the appraised value of foreclosed leasing objects (in BAM 000) and number of foreclosed objects

Viewed from the level of the FBIH leasing system as of 31/12/2022, the market value of foreclosed leasing items amounted to BAM 1.6 million and it decreased by BAM 2.9 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 19 ths, i.e. 1.2% 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.

4.2.2.4. Profitability

According to the reporting data of four leasing companies, across the FBIH leasing sector in the period from January 1 – December 31, 2022, a positive financial result of BAM 8.9 million was reported, which represents an increase by BAM 4.0 million compared to the same period in 2021 (Table No. 57). Total net profit was posted in an amount of BAM 9.3 million (three leasing companies), while loss was recognised by one leasing company in an amount of BAM 461 ths.

- BAM 000 -

Table 57: Actual financial result of leasing companies

No.	Description	01.01. - 31.12.2021		01.01. - 31.12.2022	
		Amount	Number of leasing companies	Amount	Number of leasing companies
1	2	3	4	5	6
1.	Profit	5,776	3	9,341	3
2.	Loss	936	1	461	1
	Total	4,840	4	8,880	4

Annex 18 provides an aggregate balance sheet of leasing companies in the FBIH in the period from 01/01/2022 to 31/12/2022.

Total Income of the FBIH Leasing Sector

Total income of the FBIH leasing sector for the period 01/01/2022 to 31/12/2022 amounted to BAM 46.1 million, up by BAM 9.1 million or 24.7% compared to the same period of the previous year (Table No. 58).

- BAM 000 -

Table 58: Structure of total income of leasing companies

No.	Structure of total income	01.01. - 31.12.2021		01.01. - 31.12.2022		Index (5/3)
		Amount	% share	Amount	% share	
1	2	3	4	5	6	7
1.	Interest income and similar income					
1.1.	Interest under financial leasing	73	0.2	136	0.3	186
1.2.	Interest on placements to banks	11,772	31.9	13,631	29.6	116
1.3.	Other interest income	2,005	5.4	2,300	5.0	115
	Total 1	13,850	37.5	16,067	34.9	116
2.	Operating income					
2.1.	Operating lease charges	19,498	52.8	23,149	50.2	119
2.2.	Service fees	1	0.0	1	0.0	100
2.3.	Other operating income	3,577	9.7	6,486	14.1	181

Total 2	23,076	62.5	29,636	64.3	128
3. Income from release of reserves for losses	0	0.0	362	0.8	-
Total income (1+2+3)	36,926	100	46,065	100	125

The FBIH leasing sector's interest and similar income amounted to BAM 16.1 million, thus constituting 34.9% of total income of the leasing sector. It increased by BAM 2.2 million, i.e. 16%, 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 13.6 million and it is by BAM 1.9 million, i.e. 15.8%, higher compared to the same period of the preceding year.

Operating income amounted to BAM 29.6 million with a share of 64.3% in total income of the leasing sector. Compared to the same period last year, it is higher by BAM 6.6 million, i.e. 28.4%. Operating lease charges, as dominant item of operating income, rose by BAM 3.6 million or 18.7%, while other operating income rose by BAM 2.9 million or 81.3% due to major increase of this item with two leasing companies holding 85.9% share in this item. In the period from 01/01/2022 to 31/12/2022, income was posted in relation to release of loss reserves in an amount of BAM 362 ths, thus constituting 0.8% of total income of the leasing sector. There were two leasing companies that posted income within this item.

Total expenses of the FBIH Leasing Sector

Total expenses for the period 01/01/2022 to 31/12/2022 amounted to BAM 37.2 million and are higher by BAM 5.1 million or 15.9% compared to the same period of the preceding year (Table No. 59).

- BAM 000 -

Table 59: Structure of total expenses of leasing companies

No.	Structure of total expenses	01.01. - 31.12.2021		01.01. - 31.12.2022		Index (5/3)
		Amount	% share	Amount	% share	
1	2	3	4	5	6	7
1.	Interest expenses and similar expenses					
1.1.	Interest on borrowed funds	4,244	13.2	6,331	17.0	149
1.2.	Fees for processing loans	88	0.3	128	0.4	145
1.3.	Other interest expenses	3	0.0	4	0.0	133
	Total 1	4,335	13.5	6,463	17.4	149
2.	Operating expenses					
2.1.	Salary and contribution costs	4,736	14.7	4,978	13.4	105
2.2.	Business premises costs	12,823	40.0	14,826	39.9	116
2.3.	Other costs	8,147	25.4	10,199	27.4	125
	Total 2	25,706	80.1	30,003	80.7	117
3.	Costs of reserves	1,444	4.5	0	0.0	0
4.	Profit tax	601	1.9	719	1.9	120
	Total expenses (1+2+3+4)	32,086	100	37,185	100	116

Interest and similar expenses of the leasing sector amounted to BAM 6.5 million and represented 17.4% of total expenses of the leasing sector. This is higher by BAM 2.1 million or 49.1% vs. the same period of the previous year. This was mostly contributed by the increase of this item by 65.1% with one leasing company that holds 46.9% share in this balance sheet position. Interest expenses under loans taken (as their dominant item) posted a rise by BAM 2.1 million or 49.2%.

Over the observed period, total operating expenses of the leasing sector stood at BAM 30 million with a share in total expenses of the leasing sector of 80.7%. This is higher by BAM 4.3 million or 16.7% compared to the same period of the year before. Therein, their structure

reflects increased costs of salaries and contributions by 5.1%, costs of business premises by 15.6%, while other costs climbed by 25.2%. Income tax for leasing companies amounts to BAM 0.7 million with a share of 1.9%.

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

The value of newly concluded contracts for financial and operational leasing executed at the level of the leasing system in January 1 – December 31, 2022, amounts to BAM 264.7 million and is higher by BAM 50.4 million or 23.5%, compared to the same period of the preceding financial year. Thereof, BAM 249.7 million or 94.3% 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 4,748, which was by 468 contracts or 10.9% higher compared to the same period last year. Thereof, 4,551 contracts or 95.9% of the total number of 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 – 31/12/2022 amounted to BAM 55.7 ths and it is higher by 11.3% compared to the same period last year, when it amounted to BAM 50.1 ths. Therein, the average value of contracts at the leasing sector level was BAM 54.9 ths, which is 13.6% more than in the same period in 2021 when it stood at BAM 48.3 ths.

Out of the total generated value of newly concluded contracts in the period from 01/01/2022 to 31/12/2022, 84% relates to financial leasing contracts and 16% to operational leasing contracts.

The following Table No. 60 shows a comparative overview of the number of concluded contracts in the period from 01/01/2022 to 31/12/2022 and in the same period of the preceding financial year, as well as the comparative overview of the realised volume of newly concluded contracts in the same period:

- BAM 000 -

No	Description	01.01. - 31.12.2021						01.01. - 31.12.2022					
		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	3,237	150,995	796	33,228	4,033	184,223	3,555	193,949	938	42,327	4,493	236,276
2.	Equipment	247	30,136	0	0	247	30,136	246	28,268	0	0	246	28,268
3.	Real estate	0	0	0	0	0	0	2	96	0	0	2	96
4.	Other	0	0	0	0	0	0	7	74	0	0	7	74
	Total	3,484	181,131	796	33,228	4,280	214,359	3,810	222,387	938	42,327	4,748	264,714

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

The structure of new placements is, according to type of lessee, dominated by placements to legal persons, which represent 91.5% of the total amount of financing in the period from 01/01/2022 to 31/12/2022. 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 31/12/2022 was 3.89% for short term contracts and 4.03% for long term contracts, while EIR for short term contracts was 8.37% and 6.78% for long term contracts during the same period. Total average weighted NIR was 4.03% and EIR was 6.79%. Compared to the same period in 2021 when total average weighted NIR was 3.81% and EIR 6.81%, there is an evident increase of NIR by 0.22 percentage points and slight decrease of EIR by 0.02 percentage points.

Annex 19 provides an overview of average weighted NIR and EIR on financial leasing contracts concluded in the period from 01/01/2022 to 31/12/2022 (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 19a provides a comparative overview of average weighted NIR and EIR on financial leasing contracts concluded in the past five years (by maturity and lessee).

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

4.2.3. LEASING SECTOR RECOMMENDATIONS

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

- ongoing supervision of business operations of the leasing sector through offsite and onsite examinations;
- preservation of capital adequacy of the FBIH leasing sector and strengthening of internal processes for defining the parameters of capital protection in the entities of the FBIH leasing sector;
- monitoring macroeconomic situation and reference interest rate trends, as well as their impact on the leasing sector and taking measures to mitigate any adverse effects to the leasing sector and the financial service users;
- monitoring and evaluating efficiency of the established risk management systems in the leasing sector, i.e. system, in the FBIH 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 FBIH leasing sector.

Within its competence for supervision of business operations of leasing companies, the FBA expects of leasing system entities in the FBIH 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 overall 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;
- consistent implementation of regulations defining protection of financial service users.

4.3. FACTORING BUSINESS

4.3.1. Participants in the FBIH Factoring Market

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

As of 31/12/2022, factoring system consisted of three commercial banks, of which two banks are members of international banking groups seated in EU-member countries and one bank in majority domestic ownership.

4.3.2. Scope, Structure and Trend of Factoring Business in the FBIH

As of 31/12/2022, entities providing factoring services in the FBIH have concluded 228 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 121 contracts or 34.7%.

As of 31/12/2022, there were 227 concluded contracts on factoring with recourse right or 99.6% and 1 contract on factoring without recourse right or 0.4%. Over the observed period, factoring service providers performed no services of redemption of monetary claims in foreign factoring or deals related to factoring.

As of 31/12/2022, the total redeemed nominal amount of monetary claims and nominal amount of settled payables of buyers towards suppliers at the FBIH factoring system level was BAM 165.8 million. Compared to the same period of the previous year, this represents an increase by BAM 11.1 million or 7.2%.

The values of redeemed monetary claims and settled payables of buyers to towards suppliers in the FBIH by type of factoring and domicile status (with comparative data and trends in reporting periods) are shown in the following Table No. 61:

- BAM 000 -

Table 61: Redeemed monetary claims and settled payables of buyers to suppliers in the FBIH - by type of factoring and domicile status

No.	Type of factoring/ domicile status	Volume of redeemed monetary claims and settled payables of buyers towards suppliers				Index (5/3)
		01.01. - 31.12.2021		01.01. - 31.12.2022		
		Amount 3	% share 4	Amount 5	% share 6	
1.	Factoring with right to recourse	80,045	51.7	74,915	45.2	94
2.	Factoring without right to recourse	74,645	48.3	90,897	54.8	122
3.	Reversed (supplier) factoring	0	0	0	0	-
	Total	154,690	100	165,812	100	107
4.	Domestic factoring	154,690	100	165,812	100	107
5.	Foreign factoring	0	0	0	0	-
	Total	154,690	100	165,812	100	107

As of 31/12/2022, the structure of redeemed monetary claims by factoring types referred to the factoring with and without recourse right, while reverse (supplier) factoring was not effected. The structure according to the domicile status remained unchanged.

Looking into the factoring contracts according to contractual maturity, the highest share in the total volume as of 31/12/2022 of 97.2% corresponds to redeemed monetary claims with contractual maturity of 60 days, followed by the share of 2.8% with contractual maturity of 61-90 days. Over the same period of the year before, the highest share in total volume was also with redeemed monetary claims with maturity of up to 60 days (89.1%).

Looking into the sector structure of buyers (with respect to the recourse right), the highest share was with public companies since the value of redeemed claims as of 31/12/2022 was BAM 90.8 million, thus constituting 54.8% of total value at the FBIH factoring system level. This is followed by the share of private companies and enterprises of BAM 75 million or 45.2% of the total value of factoring deals in the FBIH.

According to the sector structure in the segment of private enterprises and companies, total advances paid to suppliers (sellers of receivables) equaled BAM 162 million. Out of the total amount of advances paid, an amount of BAM 90.9 million or 56.1% relates to factoring with recourse right and BAM 71.1 million or 43.9% to factoring without recourse right.

On the basis of factoring contracts as of 31/12/2022, banks claimed the total of BAM 19.2 million, fully in domestic factoring, of which BAM 10.8 million or 56.1% relates to factoring with right to recourse, while BAM 8.4 million or 43.9% 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 – 98.4% and with maturity from 61 to 90 days – 1.6%.

Total income of the factoring service providers in the FBIH as of 31/12/2022 amounted to BAM 785 ths (income from interest, fees and administrative fees). Compared to the same period last year, it is lower by BAM 197 ths or 20.1%. In the structure of the reported total income, 69.3%

refers to the factoring with right to recourse and 30.7% to the factoring without right to recourse.

4.3.3. RECOMMENDATIONS FOR THE FACTORING BUSINESS

Within the FBA's prescribed competences regarding supervision over factoring companies in the FBIH 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 FBIH factoring operations;
- 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 other supervisory institutions and 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 off-site 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 other records, preventive action and prevention of fraud and errors; and
- transparent, comprehensive and complete information to customers on factoring services.

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5. BANKS' PAYMENT OPERATIONS AND AML&CTF

5.1. BANKS' PAYMENT OPERATIONS

Total value of payments in banks seated in the FBIH and in banks seated in the RS and doing business in the FBIH as of 31/12/2022, based on DP and FXP transactions, is BAM 280.5 billion (transactions performed in all currencies, BAM equivalent). Comparative overview of the volume of DP and FXP is shown in the Table No. 62 below:

Table 62: Volume of DP and FXP

No	Effected payment transactions	01.01. - 31.12.2021		01.01. - 31.12.2022		Index	
		Number	Value (BAM 000)	Number	Value (BAM 000)	(5/3)	(6/4)
1	2	3	4	5	6	7	8
1.	FXP	2,829,143	37,892,235	2,904,006	50,796,739	103	134
2.	DP	83,719,743	195,468,154	86,798,952	229,735,918	104	118
	Total	86,548,886	233,360,389	89,702,958	280,532,657	104	120

An analysis of banks' reports on effected FXP transactions (collection/inflows and payments/outflows to and from abroad) in the period from 01/01/2022 to 31/12/2022 has shown that the FBIH banks and the RS banks doing business in the FBIH have registered the following FXP volume by currencies (EUR, USD, other currencies) – with a comparative overview with the same period the year before (Table No. 63):

Table 63: FXP volume

No.	01.01. - 31.12.2021				01.01. - 31.12.2022				Currency
	Inflow		Outflow		Inflow		Outflow		
	Number	Value (BAM 000)	Number	Value (BAM 000)	Number	Value (BAM 000)	Number	Value (BAM 000)	
1	2	3	4	5	6	7	8	9	10
1.	1,649,390	15,298,471	774,687	16,015,976	1,604,852	19,076,973	854,346	21,852,816	EUR
2.	50,860	1,416,064	35,414	1,598,771	55,283	2,356,277	39,261	2,43,358	USD
3.	206,023	1,046,941	112,769	2,516,012	228,118	1,531,953	122,146	3,54,362	Other currencies
	Total	1,906,273	17,761,476	922,870	20,130,759	1,888,253	22,965,203	1,015,753	27,831,536

Within the structure of FXP transactions, the share of inflows from abroad in the total number of FXP transactions is 65%, while outflows to abroad hold a share of 35%. Observing the value of FXP transactions, the share of inflows from abroad is 45.2%, while outflows to abroad take on a share of 54.8%. Out of total value of performed FXP transactions, 80.6% was effected in EUR.

Table No. 64 provides a comparative overview of DP volume in banks doing business in the FBIH (by transaction types):

Table 64: DP volume

No	Transaction type	01.01. - 31.12.2021		01.01. - 31.12.2022		Index	
		Number	Value (BAM 000)	Number	Value (BAM 000)	(5/3)	(6/4)
1	2	3	4	5	6	7	8
1.	Cash	10,116,657	15,558,043	9,805,905	17,469,570	97	112
2.	Non-cash ³³	73,603,086	179,910,111	76,993,047	212,266,348	105	118
	Total	83,719,743	195,468,154	86,798,952	229,735,918	104	118

An analysis of data as of 31/12/2022 in the Registry of Foreign Exchange Deals of Banks has shown that 77 authorised exchange offices with 457 locations hold foreign exchange contracts with banks seated in the FBiH and in banks seated in the RS, but doing business in the FBiH.

The following Table No. 65 provides a comparative overview of the volume of foreign exchange deals of banks in the FBiH by currencies (EUR, USD, other currencies):

Table 65: Foreign exchange deals in banks

No.	01.01. - 31.12.2021				01.01. - 31.12.2022				Currency
	Buy		Sell		Buy		Sell		
	Number	Value (BAM 000)	Number	Value (BAM 000)	Number	Value (BAM 000)	Number	Value (BAM 000)	
1	2	3	4	5	6	7	8	9	10
1.	1,042,441	909,776	121,356	191,665	1,057,385	1,126,090	130,479	275,720	EUR
2.	92,997	82,055	4,803	12,727	102,638	111,366	5,288	9,716	USD
3.	199,965	150,742	86,221	18,210	223,711	180,333	45,721	24,341	Other currencies
Total	1,335,383	1,142,573	212,380	222,602	1,383,734	1,417,789	181,488	309,777	

Out of the total number of exchange office transactions of banks, buy transactions hold a share of 88.4% and sell transactions a share of 11.6%, while 82% of buy transactions is included in the total value of exchange office deals and 18% refers to sell transactions. Out of the total value of effected exchange office transactions in banks, 81.1% of buy and sell transactions was effected in EUR.

Table No. 66 below provides information on the volume of deals effected by authorised exchange offices in the period from 01/01/2022 to 31/12/2022 by currencies (EUR, USD, other currencies):

Table 66: Deals effected by authorised exchange offices

No.	01.01. - 31.12.2021				01.01. - 31.12.2022				Currency
	Buy		Sell		Buy		Sell		
	Number	Value (BAM 000)	Number	Value (BAM 000)	Number	Value (BAM 000)	Number	Value (BAM 000)	
1	2	3	4	5	6	7	8	9	10
1.	2,217,412	1,217,287	104,041	69,740	2,830,236	1,353,061	157,569	126,461	EUR
2.	117,745	59,937	3,885	2,267	140,347	89,871	5,539	4,630	USD
3.	295,278	120,715	32,965	7,850	342,220	121,874	49,847	10,020	Other currencies
Total	2,630,435	1,397,939	140,891	79,857	3,312,803	1,564,806	212,955	141,111	

³³ Non-cash transactions include cashless intra-bank payment transactions/internal orders, inter-bank transactions of gyro clearing and RTGS.

5.2. ELECTRONIC BANKING AND CARD OPERATIONS

Electronic Banking

According to information delivered by banks as of 31/12/2022, all banks in the FBIH provide to their corporate customers the online banking services, while one bank does not have this service for private individuals. Mobile banking services for private individuals are being provided by all banks, except one, while mobile banking services for corporate customers are being provided by five banks. Table 67 below provides an overview of e-banking volume in 2022:

No. 1	Description 2	Corporate 3	Retail 4	Total 5
1.	Online banking			
1.1.	Number of users	54,702	224,169	278,871
1.2.	Number of transactions	9,690,638	770,305	10,460,943
1.2.1.	DP	9,483,275	754,458	10,237,733
1.2.2.	IP	207,363	15,847	223,210
1.3.	Transaction value (BAM 000)	55,947,446	136,713	56,084,159
1.3.1.	DP	46,074,111	114,174	46,188,285
1.3.2.	IP	9,873,335	22,539	9,895,874
2.	Mobile banking			
2.1.	Number of users	4,469	524,315	528,784
2.2.	Number of transactions	74,740	4,148,647	4,223,387
2.2.1.	DP	73,372	4,141,196	4,214,568
2.2.2.	IP	1,368	7,451	8,819
2.3.	Transaction value (BAM 000)	56,980	990,371	1,047,351
2.3.1.	DP	56,253	955,549	1,011,802
2.3.2.	IP	727	34,822	35,549

At the FBIH banking sector level, total number of online and mobile banking users is 807,655, of which 92.7% refers to retail customers (748,484) and 7.3% to corporate customers (59,171). With retail customers, the share of mobile banking services is more significant than the one for the online banking services, while the situation is opposite with corporate customers.

As of 31/12/2022, corporate online and mobile banking entailed a total of 9,765,378 of effected transactions worth altogether BAM 56 billion, whereas 99.2% of the total number, i.e. 99.9% of the total value of transactions was effected via online banking.

In 2022, retail customers – online and mobile banking users, have effected 4,918,952 transactions worth BAM 1.1 billion. In the total number of effected transactions, 84.3% refers to mobile banking transactions. In terms of their value, 87.9% of transactions refers to those effected via mobile banking.

If observed in relation to the total number of corporate customers at the FBIH banking sector level as of 31/12/2022, 41.4% of corporate customers uses online banking, while 3.4% of them use mobile banking. As for retail customers at the FBIH banking sector level, 14.4% of the total number of customers uses online banking, while 33.6% of them use mobile banking.

Card Operations

In global cash flows, card and electronic payments show an increasing importance and a significant upward trend of their share vs. cash payments. It is because they are simple to use, save time and enable easier access to the account funds that the payment cards are getting increasingly present as means of payment. Payment cards are: debit, credit and prepaid cards. With debit cards, an account is debited immediately upon effected payment, while with prepaid cards, required funds need to be deposited in advance to relevant account. Therein, credit cards entail a deferred payment of effected transactions.

All banks in the FBIH offer payment cards, whereas they have ensured relevant acquiring network in form of 27,036 POS terminals and 1,249 ATMs throughout the entire territory of B&H.

Table 68 provides an overview of the number of issued cards and volume of card transactions by card types (for the Y2022):

No	Card type	Corporate			Retail			Total		Value of trans. (BAM 000)
		No. of cards	No. of trans.	Value of trans. (BAM 000)	No. of cards	No. of trans.	Value of trans. (BAM 000)	No. of cards	No. of trans.	
1	2	3	4	5	6	7	8	9=3+6	10=4+7	11=5+8
1.	Debit	23,080	738,021	565,874	1,563,485	62,584,575	6,493,073	1,586,565	63,322,596	7,058,947
2.	Credit	9,706	200,140	32,310	320,118	3,730,881	358,297	329,824	3,931,021	390,607
3.	Prepaid	1,071	63	2	11,288	66,501	4,915	12,359	66,564	4,917
4.	Other*	297	13,037	22,723	900	3,680	195	1,197	16,717	22,918
	Total	34,154	951,261	620,909	1,895,791	66,385,637	6,856,480	1,929,945	67,336,898	7,477,389

* Card without information on their actual type

As of 31/12/2022, banks in the FBIH had 1,929,945 of issued cards whose holders have effected 67.3 million card transactions in 2022 in total value of BAM 7.5 billion. Out of the total number of cards issued by banks in the FBIH, 98.2% refers to cards issued to private individuals and 1.8% to cards issued to legal entities.

Out of the total number of cards, majority refers to debit cards with a share of 82.2%, followed by credit cards with a share of 17.1%. Over the observed period, debit cards were used to effect 94% of the total number of transactions, i.e. 94.4% of the total value of card transactions.

Table 69 provides an overview of the volume of card transactions by acquiring devices:

No.	Acquiring device	Corporate		Retail		Total	
		No. of transactions	Value of transactions (BAM 000)	No. of transactions	Value of transactions (BAM 000)	No. of transactions	Value of transactions (BAM 000)
1	2	3	4	5	6	7=3+5	8=4+6
1.	POS	494,208	64,197	47,445,295	2,411,468	47,939,503	2,475,665
2.	ATM	406,807	536,277	24,758,510	5,772,504	25,165,317	6,308,781
3.	Internet	78,317	27,870	3,555,764	161,615	3,634,081	189,485
4.	Other	643	37	6,741	330	7,384	367
	Total	979,975	628,381	75,766,310	8,345,917	76,746,285	8,974,298

The biggest number of transactions was effected via POS devices (62.5%), while in terms of their value, 70.3% of the total value of transactions was effected via ATMs.

Information contained in the table above includes also card transactions effected via foreign cards at acquiring devices of banks in the FBIH. The total number of transactions effected via foreign cards is 9,409,387 and their total value is BAM 1.5 billion. Out of the total number of transactions on POS devices in 2022, 14.7% refers to transactions effected with foreign-issued cards and 85.3% are transactions effected with cards issued by banks from the FBIH. If observing the value of transactions at POS devices, 22.8% refers to foreign cards and 77.2% refers to cards issued by banks seated in the FBIH. Out of the total number of transactions at ATMs effected in 2022, 8.5% were transactions with foreign-issued cards and 91.5% were transactions that referred to cards issued by banks from the FBIH. When observing value of transactions effected at ATMs, 14.6% refers to foreign cards and 85.4% refers to cards issued by banks seated in the FBIH.

5.3. AML&CTF

According to the Report on Cash Transactions of BAM 30 ths or above and the Report on Connected and Suspicious Transactions (being submitted to the FBA), in the period from 01/01/2022 to 31/12/2022, banks have reported to FID a total of 353,544 transactions (17.6% more than in the same period the year before) in total value of BAM 18.1 billion (20.3% more than in the same period of the previous year). In the same reporting period, banks have reported to FID a total of 1,713 suspicious transactions (108.6% more than in the same period the year before) in total value of BAM 101.8 million (132.5% more than in the previous year). This came as a result of FBA orders and intensified follow-up activities. Total value of the said transactions is BAM 153.9 million, which is by 51.2% more than in the same period of the previous year.

Tables No 70 and No. 71 show the number and value of total reported transactions and reported suspicious transactions in banks.

Table 70: Reported transactions by number and value - banks

No.	Description	01.01. - 31.12.2021		01.01. - 31.12.2022		Index	
		Number	Value (BAM 000)	Number	Value (BAM 000)	(5/3)	(6/4)
1	2	3	4	5	6	7	8
1.	Transactions reported before their realisation	19	8,618	15	8,836	79	103
2.	Transactions reported within 3 days	299,913	14,965,967	351,833	17,948,558	117	120
3.	Transactions reported after 3-day period	764	88,436	1,696	157,656	222	178
	Total	300,696	15,063,021	353,544	18,115,050	118	120

Table 71: Reported suspicious transactions by number and value - banks

No.	Description	01.01. - 31.12.2021		01.01. - 31.12.2022		Index	
		Number	Value (BAM 000)	Number	Value (BAM 000)	(5/3)	(6/4)
1	2	3	4	5	6	7	8
1.	Transactions reported before their realisation	18	8,428	15	8,836	83	105
2.	Transactions reported within 3 days	54	7,176	1,306	55,182	2,419	769
3.	Transactions reported after 3-day period	749	86,164	392	89,843	52	104
	Total	821	101,768	1,713	153,861	209	151

According to the Report on Cash Transactions of BAM 30 ths or above and the Report on Connected and Suspicious Transactions (being submitted to the FBA), in the period from 01/01/2022 to 31/12/2022, MCOs have reported to FID a total of 620 transactions (61% more than in the same period the year before) in total value of BAM 1.1 million (98.6% more than in the same period of the previous year) (Table No. 72).

No.	Description	01.01. - 31.12.2021		01.01. - 31.12.2022		Index	
		Number 3	Value (BAM 000) 4	Number 5	Value (BAM 000) 6	(5/3) 7	(6/4) 8
1.	Transactions for which FID requested information	1	0	0	0	0	-
2.	Transactions for which FID did not request information	384	579	620	1,150	161	199
	Total	385	579	620	1,150	161	199

According to the Report on Cash Transactions of BAM 30 ths or above and the Report on Connected and Suspicious Transactions (being submitted to the FBA), in the period from 01/01/2022 to 31/12/2022, leasing companies had no suspicious transactions to report to FID (over the same period of the previous year, they reported 11 suspicious transactions).

CONCLUSION

Supervision of BSEs is being performed continuously, while information on BSEs is published quarterly. The aim of supervision is to preserve and strengthen the stability of the banking system and the protection of depositors, as well as the lawful, safe and sound operations of all BSEs in the FBIH. The activities carried out by the FBA include planned and extraordinary activities and measures in accordance with the competences of the FBA.

Based on the stated basic performance indicators of the banking sector of the FBIH as of 31/12(2022, it can be concluded that it is adequately capitalised, liquid and profitable. Compared to the end of the previous year, there was an increase in net assets, cash, loan portfolio, investments in securities, placements to other banks, deposits and total capital. The share of non-performing loans in total loans, as a key indicator of asset quality, recorded a decrease compared to the end of the previous year, with an increase in the rate of coverage of non-performing loans by value adjustments to cover for expected credit losses. In the coming period, FBA will pay special attention to the potential effects of macroeconomic disruptions and rising interest rate levels on the increase of credit risk and issues related to the protection of financial service users.

The operations of the microcredit sector in the FBIH, compared to the end of the previous year, is characterised by the growth of assets, growth of the gross microcredit portfolio as the most important item of assets and total capital, as the dominant liability item, and the growth of liabilities on loans taken. Compared to the same period last year, the number of contracts concluded and micro loan disbursed has also recorded an increase. At the level of the microcredit sector in the FBIH, a positive financial result was expressed, which recorded a decrease.

At the level of leasing system in the FBIH, as of December 31, 2022, an increase in assets, gross and net receivables based on financial leasing, loan obligations and capital was reported compared to the end of the previous year. The number and value of newly concluded leasing contracts also recorded an increase compared to the same period of the previous year. In the observed period, at the level of leasing sector in the FBIH, profit in operations of leasing companies was shown.

Factoring business, as a possible instrument of short-term financing and cash flow management, from 31.12.2022. took place exclusively through the performance of the financing function, whereas no collection service and receivables management service was posted or any deals related to factoring. Compared to the same period of the previous year, there was an increase in the value of the redeemed nominal amount of monetary claims and the amount of settled payables towards suppliers of factoring services, and the number of concluded factoring contracts decreased.

Taking into account the current macroeconomic circumstances, the prospects for achieving significant real growth of the BiH economy have been diminished. According to available projections, we can expect lower real GDP growth in 2023, while reducing inflationary pressures. The estimated values of macroeconomic variables are exposed to a high degree of uncertainty. The results of the banking system indicate the achieved stability, sustainability and resilience of the banking system. The capacities of the banking system, within the existing regulatory framework, are sufficient to continue supporting the economy and citizens, while adapting to the circumstances that may arise. In the coming period, special attention will be paid to the management of credit risk, portfolio characteristics and growth that is correlated with the actual strengthening of the economy.



LEGAL FRAMEWORK

Annex 1- Legal framework related to operations of the FBA and BSEs in the FBiH

I REGULATIONS REGARDING FBA ORGANISATION

1. Law on the Banking Agency of the Federation of Bosnia and Herzegovina (FBiH Official Gazette No. 75/17),
2. Statute of the Banking Agency of the Federation of B&H (FBiH Official Gazette No. 3/18),
3. Rules of Procedure of the Banking Agency of the Federation of B&H (consolidated text) (No. U.O.-78-09/22 of 24.06.2022),
4. Rules of Internal Organisation of the Banking Agency of the Federation of B&H (consolidated text) (No. U.O.-78-07/22 of 24.06.2022), forming an integral part of the Rules of Procedure,
5. Rules of Job Classification of the Banking Agency of the Federation of Bosnia and Herzegovina (Consolidated text) (No. 01-3678/22 of 05.09.2022 and No. 01-3678-1/22 of 30.09.2022).

II REGULATIONS RELATED TO FBA COMPETENCIES

Laws

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

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

1. Decision on Capital Calculation in Banks (FBiH Official Gazette Nos. 81/17, 50/19, 37/20 and 81/20),
2. Decision on Large Exposures in Banks (FBiH Official Gazette No. 81/17),
3. Decision on External Audit and Audit Contents in Banks (FBiH Official Gazette Nos. 81/17 and 26/22),
4. Decision on Conditions for Issuance of Procuration in Banks (FBiH Official Gazette No. 81/17),

5. Decision on Purchase and Sale of Bank Facilities (FBIH Official Gazette Nos. 81/17 and 86/20),
6. Decision on Recovery Plans of Banks and Banking Groups (FBIH Official Gazette Nos. 81/17, 48/21 and 26/22),
7. Decision on Requirements for Consolidated Banking Groups (FBIH Official Gazette Nos. 81/17 and 43/22),
8. Decision on the Banking Secrecy Exceptions (FBIH Official Gazette No. 81/17),
9. Decision on Records of Banks and Organisational Units of Banks Seated in Republika Srpska or Brčko District and Banks' Representative Offices Opened in the Federation of Bosnia and Herzegovina (FBIH Official Gazette No. 81/17),
10. Decision on Banks Notifications to the Federation of Bosnia and Herzegovina Banking Agency (FBIH Official Gazette No. 81/17),
11. Decision on Banks' Activities with Related Persons (FBIH Official Gazette No. 81/17),
12. Decision on Uniform Manner of Calculating and Reporting of Effective Interest Rate on Loans and Deposits (FBIH Official Gazette No. 81/17),
13. Decision on Conditions when the Bank is Considered Insolvent (FBIH Official Gazette No. 81/17),
14. Decision on the Conditions and Manner of Handling Client's Complaint by Bank, Microcredit Organisation and Leasing Company (FBIH Official Gazette No. 81/17),
15. Decision on Information System Management in Banks (FBIH Official Gazette No. 81/17),
16. Decision on Statement on Financial Situation (*wealth statement*) (FBIH Official Gazette No. 81/17),
17. Decision on Foreign Exchange Risk Management in Banks (FBIH Official Gazette Nos. 81/17 and 37/20),
18. Decision on Inclusion of Special Conditions for Arranging Long Term Non-purpose and Consolidation Loans of Private Individuals into the Banks' Risk Management System (FBIH Official Gazette No. 81/17),
19. Decision on Conditions and Procedure for Issuance, Refusal of Issuance and Revocation of a Banking License (FBIH Official Gazette No. 90/17),
20. Decision on Conditions and Procedure for Granting and Withdrawal of Approvals for Selection or Appointment of Supervisory Board and Management Board Members of Banks and Revocation of Issued Approvals (FBIH Official Gazette No. 90/17),
21. Decision on the Requirements and the Process of Granting, Withdrawal and Revocation of Other Approvals for Performance of Banking Activities (FBIH Official Gazette No. 90/17),
22. Decision on Supervision of Banks and Procedures of the Federation of Bosnia and Herzegovina Banking Agency (FBIH Official Gazette Nos. 90/17 and 94/21),
23. Decision on Procedure for Determination of Claims and Distribution of Assets and Liabilities in Bank Liquidation (FBIH Official Gazette No. 90/17),
24. Decision on Fee Tariff for Banks (FBIH Official Gazette Nos. 46/18 and 69/19),
25. Decision on Criteria for Inclusion of Loan Loss Reserves into Common Equity Tier 1 (FBIH Official Gazette No. 91/18),
26. Decision on Internal Capital Adequacy Assessment Process and the Internal Liquidity Adequacy Process in Banks (FBIH Official Gazette Nos. 16/19 and 30/20),
27. Decision on Credit Risk Management and Determination of Expected Credit Losses (FBIH Official Gazette Nos. 44/19 and 37/20),
28. Decision on Interest Rate Management in the Banking Book (FBIH Official Gazette No. 41/20),

29. Decision on Reports Banks Deliver to the Banking Agency of the Federation of Bosnia and Herzegovina according to Standardised Regulatory Reporting Framework (COREP) (FBIH Official Gazette Nos. 86/20, 61/21 and 103/22),
30. Decision on Reports Banks Deliver to the Banking Agency of the Federation of Bosnia and Herzegovina for Supervisory and Statistical Purposes (FBIH Official Gazette Nos. 86/20, 43/22 and 103/22),
31. Decision on Contents, Deadlines and Manner of Data Delivery for Comparative Overview of Service Fees for Commercial Entities participating in domestic payments and interbank fees for payment card transactions (FBIH Official Gazette No. 31/21),
32. Decision on Internal Governance System in Banks (FBIH Official Gazette No. 39/21),
33. Decision on Data and Information Disclosure by Banks (FBIH Official Gazette No. 39/21),
34. Decision on Liquidity Risk Management in Banks (FBIH Official Gazette No. 39/21),
35. Decision on Supervisory Review and Evaluation Process in Banks (SREP) (FBIH Official Gazette No. 94/21),
36. Decision on Outsourcing Management in Banks (FBIH Official Gazette No. 75/22),
37. Decision on Temporary Measures to Mitigate the Risk of an Interest Rate Increase (FBIH Official Gazette No. 79/22),
38. Decision on Minimum Standards for Documenting Lending Activities of Banks (FBIH Official Gazette Nos. 3/03 and 23/14),
39. Decision on Minimum Standards for Banks' Activities on Anti-Money Laundering and Counter-Terrorism Financing (FBIH Official Gazette No. 48/12),
40. Decision on Minimum Standards for Currency Exchange Operations (FBIH Official Gazette Nos. 95/13, 99/13 and 103/18),
41. Decision on Examination of Currency Exchange Operations (FBIH Official Gazette No. 95/13),
42. Decision on Conditions for Assessing and Documenting a Credit Standing (FBIH Official Gazette No. 23/14),
43. Guidelines to Assess Recovery Plans (No. 01-4919/17 dd 22.12.2017),
44. Instruction for Calculation of Weighted Nominal and Effective Interest Rate (No. 01-4921/17 dd 22.12.2017),
45. Instruction to Apply and Create Creditor's Report in accordance with the Decision on Conditions and Manner of Handling Client Complaints in Banks, Microcredit Organisations and Leasing Companies (No. 01-4922/17 dd 22.12.2017),
46. Guidelines for External Auditors of Information Systems (No. 01-262/18 dd 30.01.2018),
47. Guidelines on reporting on ICAAP and ILAAP application to the Banking Agency of the Federation of Bosnia and Herzegovina (No. 01-1338/19 dd 16.04.2019 and No. 01-2162/20 dd 29.05.2020),
48. Instructions for Classification and Valuation of Financial Assets (No. 01-2583/19 of 05.07.2019 and No. 01-520/22 of 17.02.2022),
49. Instructions for Appraisal of Market Value of Collateral (No. 01-3181/20 of 03.08.2020 and No. 01-1367/22 of 06.04.2022),
50. Instructions for Populating Reports on Special Measures Approved in line with the Decision on Temporary Measures of Banks to Ensure Recovery from Negative Economic Consequences Caused by COVID-19 (No. 4003/20 dd 25.09.2020),
51. Instructions for Completing the Report on Regulatory Capital, Credit, Operational and Market Risk and Financial Leverage Rate (No. 01-171/21 of 18.01.2021),
52. Instructions for Completing the Report on Large Exposures (No. 01-172/21 of 18.01.2021),

53. Instructions for Completing the Report on Interest Rate Risk in the Banking Book (No. 01-173/21 of 18.01.2021),
54. Instructions for Completing the Report on Foreign Currency Position of Banks (No. 01-174/21 of 18.01.2021),
55. Instructions for Reporting on Outsourcing Management in Banks (No. 01-175/21 of 18.01.2021),
56. Instructions for Reporting on Information System Management (No. 01-176/21 of 18.01.2021 and No. 01-2401/22 of 06.06.2022),
57. Instructions for Completing the AML&CTF Form for Banks (No. 01-177/21 of 18.01.2021),
58. Instructions for Completing the Report on the Volume of Currency Exchange Deals and Domestic and International Payments (No. 01-178/21 of 18.01.2021 and No. 01-2402/22 of 06.06.2022),
59. Instructions for Delivery of Data for Comparative Overview of Fees and Services for Commercial Entities participating in Domestic Payments (No. 01-1869/21 of 07.05.2021),
60. Instructions for Delivery of Data on Interbank Fees for Payment Card Transactions (No. 01-1870/21 of 07.05.2021),
61. Instructions on the Method of Implementation of the Decision on Liquidity Risk Management in Banks - Calculation and Maintenance of NSFR (No. 01-2374/21 of 03.06.2021),
62. Instructions on the Method of Implementation of the Decision on Liquidity Risk Management in Banks – Calculation and Maintenance of LCR (No. 01-2375/21 of 03.06.2021),
63. Instructions for Disclosure of Bank Data and Information (No. 01-2376/21 of 03.06.2021),
64. Instructions for Implementation of Special Standards of Management of Individual Risks in Banks (No. 01-2599/21 of 16.06.2021),
65. Instructions on the Method of Preparation of Reports Banks Deliver to the Banking Agency of the Federation of Bosnia and Herzegovina for purposes of developing and Updating the Resolution Plans for Banks and Banking Groups (No. 01-3585/21 of 31.08.2021),
66. Instructions for Reporting on NSFR (No. 01-3981 of 30.09.2021),
67. Instructions for Completing the Liquidity Coverage Reporting Forms (No. 01-4675/21 of 08.11.2021),
68. Instructions for Completing Supervisory and Statistical Reports for Banks (No. 01-2400/22 of 06.06.2022),
69. Instructions for Reporting on Implementation of the Decision on Temporary Measures to Mitigate the Risk of an Interest Rate Increase (No. 01-4777/22 of 04.11.2022),
70. Instructions for Method of Reporting to Liquidation Administrator about Implementation of Liquidation in Bank (No. 06-2516/13 dd 19.07.2013),
71. Instructions for Preparation of the Banks' Balance Sheet (No. 01-574/00 dd 12.07.2000 and No. 01-2-1669/07 dd 10.10.2007),
72. Instructions for Preparation of the Banks' Income Statement (No. 01-575/00 dd 12.07.2000).

FBA decisions and instructions related to bank resolutions

1. Decision on Resolvability Assessment of Banks and Banking Groups (FBIH Official Gazette No. 26/18),
2. Decision on Business Reorganisation Plan for a Bank (FBIH Official Gazette No. 26/18),

3. Decision on Conditions and Manner for Conducting Independent Valuation of Assets and Liabilities of the Bank before and during Resolution Proceedings of the Bank (FBIH Official Gazette No. 26/18),
4. Decision on Sale of Shares, Assets, Rights and Liabilities of Bank in Resolution (FBIH Official Gazette No. 26/18),
5. Decision on Data and Information Delivered to the Federation of Bosnia and Herzegovina Banking Agency for Purpose of Developing and Updating Restructuring Plans for Banks and Banking Groups (FBIH Official Gazette Nos. 44/19, 48/19 and 61/21),
6. Decision on Establishment, Conditions and Manner of Issuance Consent for Asset Management Company (FBIH Official Gazette No. 26/18),
7. Decision on Procedure and Manner of Performing Write Down or Conversion of Capital Instruments and Liabilities of a Bank (FBIH Official Gazette No. 26/18),
8. Decision on Establishing a Bridge Bank (FBIH Official Gazette No. 26/18),
9. Decision on Types of Arrangements and Financial Instruments to which Protective Measures for Counterparties shall Apply (FBIH Official Gazette No. 26/18),
10. Decision on Minimum Requirements for Own Funds and Eligible Liabilities of Banks (FBIH Official Gazette No. 26/18),
11. Decision on Conditions and Manner of Performing Supervision and Instructing Measures to ensure Implementation of Bank Resolution Competences (FBIH Official Gazette Nos. 54/20 and 61/21),
12. Methodology of the FBIH Banking Agency for Determination of the Minimum Requirement for Own Funds and Eligible Liabilities in Banks (No. U.O.-74-04/22 of 31.03.2022, FBIH Official Gazette No. 26/22);
13. Guidelines for the Resolution Planning – expectations from banks (No. U.O.-02-06/22 of 13.09.2022, FBIH Official Gazette No. 75/22).

FBA decisions and instructions related to operations and supervision of MCOs

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

10. Decision on Fee Tariff of Microcredit Organisations (FBIH Official Gazette Nos. 46/18, 69/19 and 86/20),
11. Decision on the Conditions and Manner of Handling Client's Complaint by Bank, Microcredit Organisation and Leasing Company (FBIH Official Gazette No. 81/17),
12. Instruction to Apply and Create Creditor's Report in accordance with the Decision on Conditions and Manner of Handling Client Complaints in Banks, Microcredit Organisations and Leasing Companies (No. 01-4922/17 dd 22.12.2017),
13. Instructions for Calculation of Weighted Nominal Interest Rate and Effective Interest Rate (No. 01-4921/17 dd 22.12.2017),
14. Instructions for Calculation of Adjusted Return on Assets and Operational Activities (No. 01-646/19 dd 04.03.2019),
15. Instructions for Contents and Manner of Keeping the Register of Related Entities in Microcredit Organisations (No. 01-647/19 dd 04.03.2019),
16. Instructions for Preparation of Reports of Microcredit Organisations (No. 01-56/20 dd 15.01.2020),
17. Instructions for Populating Reports on Special Measures Approved in line with the Decision on Temporary Measures of Leasing Companies and Micro Credit Organisations to Ensure Recovery from Negative Economic Consequences Caused by COVID-19 (No. 4004/20 dd 25.09.2020).

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

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

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

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

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

Decisions regarding activities of the Banking System Ombudsmen

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

Other regulations:

FBIH Development Bank

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

Foreign Exchange Operations

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

AML&CTF

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

III OTHER LAWS IN THE FBIH OF RELEVANCE FOR OPERATIONS AND SUPERVISION OF BSEs

1. Law on Obligations (RB&H Official Gazette Nos. 2/92, 13/93 and 13/94, FBIH Official Gazette Nos. 29/03 and 42/11),

2. Law on Payment Transactions (FBIH Official Gazette Nos. 32/00 and 28/03),
3. Law on Cheques (FBIH Official Gazette No. 32/00),
4. Law on Promissory Notes (FBIH Official Gazette Nos. 32/00 and 28/03),
5. Law on Default Interest Rate Level on Public Revenues (FBIH Official Gazette Nos. 48/01, 52/01, 42/06, 28/13, 66/14, 86/15, 34/18 and 99/19 and 48/21),
6. Law on Companies (FBIH Official Gazette Nos. 81/15 and 75/21),
7. Law on Financial Consolidation of Companies in the FBIH (FBIH Official Gazette Nos. 52/14, 36/18 and 54/19),
8. Law on Takeover of Joint Stock Companies (FBIH Official Gazette No. 77/15),
9. Law on Registration of Commercial Entities in the FBIH (FBIH Official Gazette Nos. 27/05, 68/05, 43/09, 63/14 and 75/21),
10. Law on Public Companies (FBIH Official Gazette Nos. 8/05, 81/08, 22/09 and 109/12),
11. Law on Liquidation Proceedings (FBIH Official Gazette No. 29/03),
12. Law on Debt, Borrowing and Guarantees of the Federation of Bosnia and Herzegovina (FBIH Official Gazette Nos. 86/07, 24/09 and 44/10),
13. Law on Classification of Activities in the Federation of Bosnia and Herzegovina (FBIH Official Gazette Nos. 64/07 and 80/11),
14. Law on Classification of Occupations in the FBIH (FBIH Official Gazette No. 111/12),
15. Law on Securities Market (FBIH Official Gazette Nos. 85/08, 109/12, 86/15 and 25/17),
16. Law on Securities Register (FBIH Official Gazette Nos. 39/98, 36/99 and 33/04),
17. Law on Securities Commission (FBIH Official Gazette Nos. 39/98, 36/99, 33/04 and 6/17),
18. FBIH Labour Law (FBIH Official Gazette Nos. 26/16, 89/18 and 44/22),
19. Law on Council of Employees (FBIH Official Gazette No. 38/04),
20. Law on Employing Foreigners (FBIH Official Gazette No. 111/12),
21. Law on Investment Funds (FBIH Official Gazette Nos. 85/08 and 25/17),
22. Law on Mediation in Private Insurance (FBIH Official Gazette Nos. 22/05, 8/10 and 30/16),
23. Law on Tax Authorities of the Federation of B&H (FBIH Official Gazette Nos. 33/02, 28/04, 57/09, 40/10, 29/11 i 27/12, 7/13, 71/14, 91/15 and 44/22),
24. Law on Profit Tax (FBIH Official Gazette Nos. 15/16 and 15/20),
25. Law on Personal Income Tax (FBIH Official Gazette Nos. 10/08, 9/10, 44/11, 7/13 and 65/13),
26. Law on Contributions (FBIH Official Gazette Nos. 35/98, 54/00, 16/01, 37/01, 1/02, 17/06, 14/08, 91/15, 106/16, 34/18, 99/19 and 4/21),
27. Law on Collection and Partial Write-Off of Past Due Social Insurance Contributions (FBIH Official Gazette Nos. 25/06 and 57/09),
28. Law on Single System of Registration of Control and Collection of Contributions (FBIH Official Gazette Nos. 42/09, 109/12, 30/16 and 96/21),
29. Law on Opening Balance Sheet of Companies and Banks (FBIH Official Gazette Nos. 12/98, 40/99, 47/06, 38/08 and 65/09),
30. Law on Audit of Privatisation of State-owned Capital in Companies and Banks (FBIH Official Gazette No. 55/12),
31. Law on Identifying and Realising Claims of Citizens in the Privatisation Process (FBIH Official Gazette Nos. 27/97, 8/99, 45/00, 54/00, 7/01, 32/01, 27/02, 57/03, 44/04, 79/07, 65/09, 48/11, 111/12, 86/15, 13/18, 44/20 and 103/21),
32. Law on Identification and Manner of Settlement of Domestic Debt of the FBIH (FBIH Official Gazette Nos. 66/04, 49/05, 5/06, 35/06, 31/08, 32/09, 65/09, 42/11 and 35/14),
33. Law on Settlement of Liabilities Based on Pre-War FC Savings in the FBIH (FBIH Official Gazette Nos. 62/09, 42/11, 91/13, 101/16 and 57/20),

34. Law on Associations and Foundations (FBIH Official Gazette No. 45/02),
35. Law on Expropriation (FBIH Official Gazette Nos. 70/07, 36/10, 25/12 and 34/16),
36. Law Rendering Ineffective the Law on Construction (FBIH Official Gazette Nos. 55/02 and 34/07),
37. Law on Construction Land in the FBIH (FBIH Official Gazette No. 67/05),
38. Law on Temporary Restriction over Disposing with State Property in the FBIH (FBIH Official Gazette Nos. 20/05, 17/06, 62/06, 40/07, 70/07, 94/07 and 41/08),
39. Law on Free Access to Information in the FBIH (FBIH Official Gazette Nos. 32/01 and 48/11),
40. Regulatory Offence Law of the FBIH (FBIH Official Gazette No. 63/14),
41. Law on Public Notaries (FBIH Official Gazette No. 45/02),
42. Law on Court Appraisers (FBIH Official Gazette Nos. 49/05 and 38/08),
43. Law on Agencies and Internal Departments for Personal and Property Protection (FBIH Official Gazette Nos. 78/08 and 67/13),
44. Law on Land Books in the FBIH (FBIH Official Gazette Nos. 58/02, 19/03, 54/04 and 61/22),
45. Law on Foreign Investments (FBIH Official Gazette Nos. 61/01, 50/03 and 77/15),
46. Law on Mediation Procedure (FBIH Official Gazette No. 49/07),
47. Law on Treasury of the FBIH (FBIH Official Gazette No. 26/16),
48. Law on the FBIH Government (FBIH Official Gazette Nos. 1/94, 8/95, 58/02, 19/03, 2/06 and 8/06),
49. Law on FBIH Prosecutor's Office (FBIH Official Gazette Nos. 42/02 and 19/03),
50. Law on FBIH Courts (FBIH Official Gazette Nos. 38/05, 22/06, 63/10, 72/10-corr., 7/13, 52/14 and 75/21),
51. Law on Enforcement Proceedings (FBIH Official Gazette Nos. 32/03, 52/03, 33/06, 39/06 - corr., 39/09, 74/11, 35/12 and 46/16),
52. Law on Temporary Postponement of Fulfillment of Receivables Based on Executive Decisions Issued in Relation to the FBIH Budget (FBIH Official Gazette Nos. 9/04 and 30/04),
53. Law on Administrative Procedure (FBIH Official Gazette Nos. 2/98, 48/99 and 61/22),
54. Law on Administrative Disputes (FBIH Official Gazette No. 9/05),
55. Civil Procedure Code (FBIH Official Gazette Nos. 53/03, 73/05, 19/06 and 98/15),
56. Law on Non-Civil Proceedings (FBIH Official Gazette Nos. 2/98, 39/04, 73/05, 80/14 and 11/21),
57. FBIH Criminal Code (FBIH Official Gazette Nos. 36/03, 37/03, 21/04, 69/04, 18/05, 42/10 i 42/11, 59/14, 76/14, 46/16 and 75/17),
58. FBIH Law on Criminal Proceedings (FBIH Official Gazette Nos. 35/03, 37/03, 56/03, 78/04, 28/05, 55/06, 27/07, 53/07, 9/09, 12/10, 8/13, 59/14 and 74/20),
59. Law on Enforcement of Criminal Sanctions in the FBIH (FBIH Official Gazette Nos. 44/98, 42/99, 12/09 and 42/11),
60. Law on Conflict of Interest in Government Bodies in the FBIH (FBIH Official Gazette No. 70/08),
61. Law on Financial-Intelligence Agency (FBIH Official Gazette No. 80/11),
62. Law on Fiscal Systems (FBIH Official Gazette No. 81/09),
63. Law on Privatisation of Banks (FBIH Official Gazette Nos. 12/98, 29/00, 37/01 and 33/02),
64. Law on Archive Materials of the FBIH (FBIH Official Gazette No. 45/02),
65. Law on Recognition of Public Identification Documents on Territory of the FBIH (FBIH Official Gazette No. 4/98),
66. Law on Strike (FBIH Official Gazette No. 14/00),

67. Law on Federal Administrative Taxes and Tariffs of Federal Administrative Taxes (FBIH Official Gazette Nos. 6/98, 8/00, 45/10, 43/13 and 98/17),
68. Law on Domestic Trade (FBIH Official Gazette Nos. 40/10 and 79/17),
69. Property Law (FBIH Official Gazette Nos. 66/13 and 100/13),
70. Law on FBIH Budgets (FBIH Official Gazette Nos. 102/13, 9/14-corr., 13/14, 8/15, 91/15, 102/15, 104/16, 5/18, 11/19, 99/19 and 25/22),
71. Law on Citizenship of the Federation B&H (FBIH Official Gazette No. 34/16),
72. Law on Voluntary Pension Funds (FBIH Official Gazette No. 104/16),
73. Law on Financial Operations (FBIH Official Gazette No. 48/16),
74. Law on Salaries and Remunerations in Government Bodies of the Federation of Bosnia and Herzegovina (FBIH Official Gazette Nos. 45/10, 111/12 and 20/17),
75. Law on Single Registry of Users of Cash Benefits with no Fee Payment (FBIH Official Gazette No. 25/17),
76. Law on Insurance (FBIH Official Gazette No. 23/17),
77. Law on Development Planning and Management in the Federation of Bosnia and Herzegovina (FBIH Official Gazette No. 32/17),
78. Law on Pension and Disability Insurance (FBIH Official Gazette Nos. 13/18, 90/21 and 19/22),
79. Law on Default Interest Rate Level (FBIH Official Gazette No. 18/20),
80. Law on Deadlines and Actions in Court Proceedings during the Emergency Period in the Federation of Bosnia and Herzegovina (FBIH Official Gazette No. 28/20),
81. Law on Court Police in the Federation of Bosnia and Herzegovina (FBIH Official Gazette No. 77/20),
82. Law on Occupational Safety (FBIH Official Gazette No. 79/20),
83. Law on the Register of Financial Statements (FBIH Official Gazette No. 7/21),
84. Law on Accounting and Audit in the Federation of B&H (FBIH Official Gazette No. 15/21),
85. Law on Single Register of Duties and Fees in the Federation of B&H (FBIH Official Gazette No. 24/21),
86. Law on Peaceful Resolution of Labour Disputes (FBIH Official Gazette No. 49/21),
87. Law on Bankruptcy (FBIH Official Gazette No. 53/21),
88. Law on Crafts and Similar Business Activities in the FBIH (FBIH Official Gazette No. 75/21).

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

1. Law on the Central Bank of B&H (B&H Official Gazette Nos. 1/97, 29/02, 8/03, 13/03, 14/03, 9/05, 76/06 and 32/07),
2. Law on Protection of Consumers in B&H (B&H Official Gazette No. 25/06),
3. Law on Market Surveillance in B&H (B&H Official Gazette Nos. 45/04, 44/07 and 102/09),
4. Law on Competition (B&H Official Gazette Nos. 48/05, 76/07 and 80/09),
5. Law on Policy of Direct Foreign Investments in B&H (B&H Official Gazette Nos. 4/98, 17/98, 13/03 and 48/10),
6. Law on Personal Data Protection (B&H Official Gazette Nos. 49/06, 76/11 and 89/11-corr.),
7. Law on Protection of Classified Data of B&H (B&H Official Gazette Nos. 54/05 and 12/09),
8. Law on Electronic Signature (B&H Official Gazette No. 91/06),
9. Decision on Use of Electronic Signature and Documents Certification Services (B&H Official Gazette No. 21/09),
10. Law on classification of activities in Bosnia and Herzegovina (B&H Official Gazette Nos. 76/06, 100/08 and 32/10),

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

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

ANNEXES – BANKING SECTOR

Annex 2 - Basic information on FBiH banks - 31.12.2022

No.	Bank	Web address	Number of employees	Management Chairperson
1.	Addiko Bank d.d. Sarajevo	www.addiko.ba	338	Jasmin Spahić
2.	ASA BANKA DIONIČKO DRUŠTVO SARAJEVO	www.asabanka.ba	667	Samir Mustafić
3.	"BOSNA BANK INTERNATIONAL" - d.d. Sarajevo	www.bbi.ba	403	Alek Bakalović
4.	INTESA SANPAOLO BANKA d.d. BOSNA I HERCEGOVINA	www.intesasanpaolobanka.ba	549	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	475	Lidija Žigić
7.	PRIVREDNA BANKA SARAJEVO d.d. SARAJEVO	www.pbs.ba	186	Hamid Pršeš
8.	ProCredit Bank d.d. Sarajevo	www.procreditbank.ba	170	Amir Salkanović
9.	RAIFFEISEN BANK DIONIČARSKO DRUŠTVO BOSNA I HERCEGOVINA	www.raiffeisenbank.ba	1,341	Rainer Schnabl
10.	Sparkasse Bank dd Bosna i Hercegovina	www.sparkasse.ba	502	Amir Softić
11.	UniCredit Bank d.d.	www.unicreditbank.ba	1,180	Amina Mahmutović
12.	UNION BANKA DD SARAJEVO	www.unionbank.ba	199	Vedran Hadžiahmetović
13.	ZiraatBank BH d.d.	www.ziraatbank.ba	319	Bülent Suer
TOTAL			6,410	

Annex 3 - FBIH banks' balance sheet according to the FBA scheme (active sub-balance sheet) -
31.12.2022

- BAM 000 -

No.	Description	31.12.2021	%	31.12.2022	%	Index (5/3)
1	2	3	4	5	6	7
ASSETS						
1.	Cash and deposit accounts with deposit institutions	7,989,239	30.9	8,240,642	30.3	103
	1.a. Cash and non-interest bearing deposit accounts	3,813,229	14.7	4,033,051	14.8	106
	1.b. Interest bearing deposit accounts	4,176,010	16.2	4,207,591	15.5	101
2.	Securities at fair value through profit or loss and at fair value in other comprehensive income	1,742,810	6.7	1,395,556	5.2	80
3.	Placements to other banks	350,452	1.3	530,298	2.0	151
4.	Loans, leasing type receivables and past-due receivables	15,890,822	61.4	16,513,007	60.7	104
	4.a. Loans	15,120,076	58.4	15,888,358	58.4	105
	4.b. Leasing type receivables	46,521	0.2	39,234	0.1	84
	4.c. Due receivables on loans and leasing type receivables	724,225	2.8	585,415	2.2	81
5.	Securities at amortised cost	223,198	0.9	633,268	2.3	284
6.	Business premises and other fixed assets	491,588	1.9	524,828	1.9	107
7.	Other real-estate	25,333	0.1	23,329	0.1	92
8.	Investments in subsidiaries and affiliates	13,860	0.1	11,659	0.0	84
9.	Other assets	317,273	1.2	365,457	1.4	115
10.	MINUS: Impairments	1,153,746	4.5	1,049,863	3.9	91
	10.a. Impairments of items in position 4 of Assets	1,099,948	4.3	995,285	3.7	90
	10.b. Impairments of assets items, except for position 4 of Assets	53,798	0.2	54,578	0.2	101
11.	TOTAL ASSETS	25,890,829	100	27,188,181	100	105
LIABILITIES						
12.	Deposits	21,184,952	81.8	22,443,589	82.5	106
	12.a. Interest-bearing deposits	14,090,013	54.4	14,021,071	51.5	100
	12.b. Non interest-bearing deposits	7,094,939	27.4	8,422,518	31.0	119
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	520,335	1.9	67
	16.a. with residual maturity up to one year	313,719	1.2	128,356	0.5	41
	16.b. with residual maturity over one year	465,356	1.8	391,979	1.4	84
17.	Subordinated debts and subordinated bonds	167,557	0.7	303,155	1.1	181
18.	Other liabilities	650,948	2.5	683,621	2.6	105
19.	TOTAL LIABILITIES	22,782,682	88.0	23,950,850	88.1	105
CAPITAL						
20.	Permanent priority shares	343	0.0	343	0.0	100
21.	Common shares	1,382,522	5.3	1,562,046	5.7	113
22.	Issue premiums	137,290	0.6	137,327	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	137,239	0.5	100
23.	Undistributed profit and capital reserves	1,297,650	5.0	1,190,912	4.4	92
24.	Exchange rate differences	0	0.0	0	0.0	-
25.	Other capital	290,342	1.1	346,703	1.3	119
26.	Loan loss reserves created from profits	0	0.0	0	0.0	-
27.	TOTAL CAPITAL: (20 to 25)	3,108,147	12.0	3,237,331	11.9	104
28.	TOTAL LIABILITIES AND CAPITAL: (19 + 27)	25,890,829	100	27,188,181	100	105
PASSIVE AND NEUTRAL SUB-BALANCE SHEET		712,283		717,415		101
TOTAL		26,603,112		27,905,596		105

Annex 4 - Overview of assets, loans and deposits of FBiH banks - 31.12.2022

- BAM 000 -

No.	Bank	Assets		Loans		Deposits		Financial result
		Amount	%	Amount	%	Amount	%	Amount
1.	Addiko Bank d.d. Sarajevo	1,019,987	3.8	549,943	3.3	819,223	3.7	14,377
2.	ASA BANKA DIONIČKO DRUŠTVO SARAJEVO	2,816,069	10.4	1,708,641	10.3	2,438,146	10.9	18,856
3.	"BOSNA BANK INTERNATIONAL" - d.d. Sarajevo	1,469,929	5.4	937,082	5.7	1,275,925	5.7	14,678
4.	INTESA SANPAOLO BANKA d.d. BOSNA I HERCEGOVINA	2,566,691	9.4	1,666,580	10.1	1,975,099	8.8	26,078
5.	KOMERCIJALNO-INVESTICIONA BANKA D.D. VELIKA KLADUŠA	126,145	0.5	54,752	0.3	93,226	0.4	1,133
6.	NLB Banka d.d., Sarajevo	1,637,501	6.0	1,053,078	6.4	1,357,427	6.0	22,120
7.	PRIVREDNA BANKA SARAJEVO d.d. SARAJEVO	678,281	2.5	351,020	2.1	574,241	2.6	8,757
8.	ProCredit Bank d.d. Sarajevo	873,976	3.2	557,825	3.4	663,439	3.0	7,088
9.	RAIFFEISEN BANK DIONIČARSKO DRUŠTVO BOSNA I HERCEGOVINA	5,043,980	18.6	2,680,739	16.2	4,123,939	18.4	100,777
10.	Sparkasse Bank dd Bosna i Hercegovina	2,116,325	7.8	1,399,294	8.5	1,766,069	7.9	25,673
11.	UniCredit Bank d.d.	6,559,804	24.1	4,226,925	25.6	5,522,921	24.6	112,524
12.	UNION BANKA DD SARAJEVO	1,048,095	3.9	430,059	2.6	905,963	4.0	1,232
13.	ZiraatBank BH d.d.	1,231,398	4.5	897,069	5.4	927,971	4.1	8,088
TOTAL		27,188,181	100	16,513,007	100	22,443,589	100	361,381

Annex 5 - Sector Structure of Loans in the FBiH and ECL - 31.12.2022

- 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
1. Total corporate loans (1.1. to 1.21.)	7,169,779	892,521	428,333	8,490,633	76,991	102,570	355,322	534,883
1.1. A Agriculture, forestry and fishing	94,173	7,343	29,546	131,062	1,124	584	20,946	22,654
1.2. B Mining and quarrying	64,929	26,288	643	91,860	750	2,937	478	4,165
1.3. C Processing industry	1,606,930	227,724	147,515	1,982,169	19,391	27,166	127,502	174,059
1.4. D Production and supply of electricity, gas, fumes and air conditioning	191,734	23,268	5,630	220,632	1,866	2,468	4,552	8,886
1.5. E Water supply, waste water drainage, commercial waste disposal and environmental recovery	37,639	3,912	1,352	42,903	355	281	673	1,309
1.6. F Construction	510,712	50,153	17,170	578,035	5,777	4,484	15,333	25,594
1.7. G Wholesale and retail trade; repair of motor vehicles and motorcycles	2,542,004	275,265	130,720	2,947,989	24,799	29,400	114,263	168,462
1.8. H Transport and warehousing	300,152	43,035	17,095	360,282	3,413	2,975	13,158	19,546
1.9. I Accommodation and catering (hotels and hospitalist business)	121,193	87,987	32,962	242,142	1,773	10,241	26,517	38,531
1.10. J Information and communication	113,749	13,218	7,351	134,318	1,819	1,091	4,597	7,507
1.11. K Financial and insurance business	822,927	2,224	107	825,258	8,054	8	105	8,167
1.12. L Real estate business	101,291	67,283	10,755	179,329	1,054	16,210	7,440	24,704
1.13. M Professional, scientific and technical activities	194,494	33,641	19,578	247,713	2,588	2,563	14,207	19,358
1.14. N Administrat. and auxiliary services	36,838	6,786	2,363	45,987	402	570	1,691	2,663
1.15. O Public administration and defence; social insurance	290,453	12,255	0	302,708	2,651	562	0	3,213
1.16. P Education	6,626	1,256	1,540	9,422	73	122	445	640
1.17. Q Health care and social welfare	54,517	6,257	1,382	62,156	501	517	915	1,933
1.18. R Art, entertainment and recreation	29,431	3,326	351	33,108	188	309	305	802
1.19. S Other services	49,980	1,300	2,273	53,553	413	82	2,195	2,690
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	7	0	0	7	0	0	0	0
2. Total Retail (2.1 + 2.2 + 2.3)	7,044,253	607,597	370,524	8,022,374	77,844	70,735	311,823	460,402
2.1. General consumption	5,454,214	539,903	342,053	6,336,170	64,788	64,817	289,478	419,083
2.2. Housing construction	1,508,756	60,143	23,212	1,592,111	11,848	5,293	17,907	35,048
2.3. Entrepreneurs	81,283	7,551	5,259	94,093	1,208	625	4,438	6,271
3. Total loans (1. + 2.)	14,214,032	1,500,118	798,857	16,513,007	154,835	173,305	667,145	995,285

Annex 6 - FBH banks' income statement according to FBA's scheme - 31.12.2022

- BAM 000 -

No.	Description	01.01. - 31.12.2021	%	01.01. - 31.12.2022	%	Index (5/3)
1	2	3	4	5	6	7
1.	INTEREST INCOME AND EXPENSES					
a)	Interest income and similar income					
1)	Interest-bearing deposit accounts with deposit institutions	796	0,1	7.079	0.6	889
2)	Placements to other banks	2,969	0,3	5.189	0.4	175
3)	Loans and leasing operations	611,388	55,6	592.182	49.8	97
4)	Securities held to maturity	4,950	0,5	5.252	0.4	106
5)	Equity securities	0	0,0	0	0.0	-
6)	Receivables on paid off-balance sheet liabilities	3	0,0	5	0.0	167
7)	Other interest income and similar income	68,353	6,2	63.821	5.4	93
8)	TOTAL INTEREST INCOME AND SIMILAR INCOME	688,459	62,7	673.528	56.6	98
b)	Interest expenses and similar expenses					
1)	Deposits	75,580	6.9	52,226	4.4	69
2)	Borrowings from other banks	0	0.0	0	0.0	-
3)	Borrowings taken – past-due liabilities	0	0.0	0	0.0	-
4)	Liabilities on loans and other borrowings taken	6,782	0.6	5,709	0.5	84
5)	Subordinated debts and subordinated bonds	6,866	0.6	7,048	0.6	103
6)	Other interest expenses and similar expenses	30,970	2.9	27,903	234	90
7)	TOTAL INTEREST EXPENSES AND SIMILAR EXPENSES	120,198	11.0	92,886	7.8	77
c)	NET INTEREST AND SIMILAR INCOME	568,261	51.7	580,642	48.8	102
2.	OPERATING INCOME					
a)	Income from foreign exchange operations	70,514	6.4	91,598	7.7	130
b)	Loan fees	11,001	1.0	10,572	0.9	96
c)	Off-balance sheet operation fees	23,184	2.1	23,109	1.9	100
d)	Service fees	354,135	32.2	397,530	33.4	112
e)	Income from trading operations	903	0.1	170	0.0	19
f)	Other operating income	70,651	6.5	86,400	7.3	122
g)	TOTAL OPERATING INCOME a) through f)	530,388	48.3	609,379	51.2	115
	TOTAL INCOME (1c + 2g)	1,098,649	100	1,190,021	100	108
3.	NON/INTEREST EXPENSES					
a)	Operating and direct expenses					
1)	Risk asset impairment costs, provisions for contingent liabilities and other value adjustments	75,703	6.9	79,112	6.6	105
2)	Other operating and direct costs	155,890	14.2	170,082	14.3	109
3)	TOTAL OPERATING AND DIRECT EXPENSES 1) + 2)	231,593	21.1	249,194	20.9	108
b)	Operating expenses					
1)	Salary and contribution costs	259,673	23.6	262,807	22.1	101
2)	Business premises costs, other fixed assets and overheads	173,442	15.8	162,529	13.7	94
3)	Other operating costs	106,864	9.7	119,684	10.0	112
4)	TOTAL OPERATING EXPENSES 1) through 3)	539,979	49.1	545,020	45.8	101
c)	TOTAL NON-INTEREST EXPENSES	771,572	70.2	794,214	66.7	103
	TOTAL EXPENSES (1b7+3c)	891,770		887,100		99
4.	PROFIT BEFORE TAXATION	327,077	29.8	395,807	33.3	121
5.	LOSS	0	0.0	0	0.0	-
6.	TAXES	33,180	3.0	37,919	3.2	114
7.	PROFIT ON INCREASE IN DEFERRED TAX ASSETS AND DECREASE IN DEFERRED TAX LIABILITIES	1,686	0.1	5,081	0.4	301
8.	LOSS ON DECREASE IN DEFERRED TAX ASSETS AND INCREASE IN DEFERRED TAX LIABILITIES	2,023	0.2	1,588	0.1	78
9.	NET PROFIT	293,560	26.7	361,381	30.4	123
10.	NET LOSS	0	0.0	0	0.0	-
11.	FINANCIAL PERFORMANCE (9-10)	293,560		361,381		123

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

Average weighted NIR and EIR on loans by periods

- % -

No.	Description	31.12.2018		31.12.2019		31.12.2020		31.12.2021		31.12.2022	
		NIR	EIR	NIR	EIR	NIR	EIR	NIR	EIR	NIR	EIR
1	2	3	4	5	6	7	8	9	10	11	12
1.	Weighted interest rates on short-term loans	2,67	2,97	2,32	2,67	2,25	2,53	2,12	2,45	2,01	2,30
1.1.	Corporate	2,61	2,84	2,27	2,55	2,20	2,41	2,08	2,33	1,96	2,18
1.2.	Retail	7,53	14,66	7,48	14,02	8,35	15,27	8,56	14,73	7,68	13,41
1.3.	Other	3,04	3,30	2,41	2,95	2,34	3,34	1,87	2,79	2,74	4,01
2.	Weighted interest rates on long-term loans	4,66	5,62	4,58	5,49	4,47	5,31	4,36	5,18	4,14	4,94
2.1.	Corporate	3,61	3,91	3,41	3,67	3,54	3,79	3,38	3,63	3,33	3,54
2.2.	Retail	5,55	7,06	5,38	6,74	5,45	6,88	5,12	6,38	4,79	6,07
2.3.	Other	3,55	3,71	3,44	3,62	3,20	3,37	3,14	3,31	3,17	3,28
3.	Total weighted interest rates	3,56	4,15	3,27	3,86	3,16	3,67	3,21	3,78	3,05	3,59
3.1.	Corporate	2,88	3,13	2,53	2,81	2,54	2,76	2,45	2,71	2,35	2,57
3.2.	Retail	5,59	7,22	5,42	6,89	5,50	7,04	5,17	6,50	4,82	6,16
3.3.	Other	3,20	3,43	2,67	3,12	2,72	3,35	2,31	2,97	2,96	3,63

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	31.12.2018		31.12.2019		31.12.2020		31.12.2021		31.12.2022	
		NIR	EIR	NIR	EIR	NIR	EIR	NIR	EIR	NIR	EIR
1	2	3	4	5	6	7	8	9	10	11	12
1.	Weighted interest rates on short-term deposits	0,38	0,36	0,34	0,33	0,35	0,34	0,21	0,21	0,41	0,41
1.1.	Corporate	0,55	0,55	0,63	0,61	0,49	0,49	0,45	0,45	0,35	0,35
1.2.	Retail	0,22	0,23	0,38	0,38	0,40	0,40	0,17	0,17	0,12	0,12
1.3.	Other	0,38	0,36	0,29	0,29	0,31	0,30	0,17	0,17	0,49	0,49
2.	Weighted interest rates on long-term deposits	1,15	1,16	1,24	1,19	1,04	1,05	0,74	0,75	0,61	0,62
2.1.	Corporate	1,39	1,39	1,33	1,33	1,19	1,20	0,94	0,94	0,72	0,72
2.2.	Retail	1,14	1,15	1,25	1,17	1,00	1,01	0,69	0,70	0,63	0,63
2.3.	Other	0,97	0,99	1,05	1,06	1,01	1,03	0,64	0,68	0,41	0,42
3.	Total weighted interest rates	0,66	0,65	0,78	0,75	0,70	0,70	0,48	0,48	0,50	0,51
3.1.	Corporate	1,01	1,01	1,13	1,13	0,90	0,90	0,75	0,75	0,56	0,56
3.2.	Retail	0,97	0,98	1,10	1,04	0,89	0,90	0,59	0,59	0,50	0,51
3.3.	Other	0,44	0,42	0,43	0,42	0,43	0,44	0,25	0,26	0,47	0,48

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 8 - Basic information on FBiH MCOs - 31.12.2022

No.	MCO Name	Web address	Director	Number of employees
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	193
3.	MCF – Mikrokreditna fondacija "EKI"	www.eki.ba	Esad Uzunić	177
4.	MCC - Mikrokreditno društvo IuteCredit BH d.o.o. Sarajevo	www.iutecredit.ba	Melika Hadžijamaković - Salihović	35
5.	MCF - Mikrokreditna fondacija "LIDER"	www.lider.ba	Džavid Sejfović	68
6.	MCF - Mikrokreditna fondacija "LOK" Sarajevo	www.lok.ba	Elma Čardaklija – Bašić	53
7.	MCF - Mikrokreditna fondacija "MELAHA" Sarajevo	www.melaha.ba	Jakob Finci	4
8.	MCF - Mikrokreditna fondacija "MI-BOSPO" Tuzla	www.mi-bospo.org	Safet Husić	202
9.	MCF - Mikrokreditna fondacija "MIKRA"	www.mikra.ba	Sanin Čampara	166
10.	MCF - Mikrokreditna fondacija "MIKRO ALDI"	www.mikroaldi.org	Omar Softić	34
11.	MCF - „PARTNER MIKROKREDITNA FONDACIJA“	www.partner.ba	Senad Sinanović	288
12.	MCF - "PRVA ISLAMSKA MIKROKREDITNA FONDACIJA"	www.mfi.ba	Edina Hadžimurtezić	9
13.	MCF - Mikrokreditna fondacija "SUNRISE"	www.microsunrise.ba	Samir Bajrović	170
TOTAL				1,412

Annex 9 - MCFs' aggregate balance sheet - 31.12.2022

- BAM 000 -

No.	Description	31.12.2021.	%	31.12.2022	%	Index (5/3)
1	2	3	4	5	6	7
ASSETS						
1.	Cash (1a+1b)	45,096	8.9	43,803	8.0	97
1a)	Cash and non-interest bearing deposit accounts	27,865	5.5	33,342	6.1	120
1b)	Interest-bearing deposit accounts	17,231	3.4	10,461	1.9	61
2.	Placements to banks	1,660	0.3	182	0.0	11
3.	Loans	402,924	79.1	440,182	79.9	109
3a)	Loan loss reserves	3,631	0.7	2,954	0.5	81
3b)	Net loans (3-3a)	399,293	78.4	437,228	79.4	110
4.	Business premises and other fixed assets	25,577	5.0	24,706	4.5	97
5.	Long-term investments	33,888	6.7	34,388	6.2	101
6.	Other assets	3,652	0.7	10,250	1.9	281
7.	Minus: reserves on other asset items, except for loans	10	0.0	0	0.0	0
8.	TOTAL ASSETS	509,156	100	550,557	100	108
LIABILITIES						
9a)	Liabilities on short-term loans taken out	16,141	3.2	12,292	2.2	76
9b)	Liabilities on long-term loans taken out	184,670	36.3	215,159	39.1	117
9c)	Liabilities based on interest due	1,115	0.2	1,212	0.2	109
10.	Other liabilities	25,488	5.0	26,719	4.9	105
11.	TOTAL LIABILITIES	227,414	44.7	255,382	46.4	112
12.	Donated capital	48,098	9.4	48,098	8.7	100
13.	Core capital	3,696	0.7	3,696	0.6	100
14.	Surplus of income over expenses	283,956	55.8	297,890	54.1	105
14a)	for previous years	270,562	53.2	283,948	51.6	105
14b)	for current year	13,394	2.6	13,942	2.5	104
15.	Shortfall of income over expenses	55,078	10.8	55,474	10.1	101
15a)	for previous years	54,954	10.8	55,078	10.0	100
15b)	for current year	124	0.0	396	0.1	319
16.	Other reserves	1,070	0.2	965	0.2	90
17.	TOTAL CAPITAL	281,742	55.3	295,175	53.6	105
18.	TOTAL LIABILITIES	509,156	100	550,557	100	108
OFF-BALANCE SHEET RECORDS						
19.	Written-off loans	138,239		135,466		98
20.	Approved, but undrawn loan funds of creditors	9,270		9,970		108
21.	Commission operations	213		209		98
22.	Court disputes, orders by competent authorities posing contingent liability for MCO, but that have not yet been posted in balance sheet records, etc.	400		400		100
23.	Other (all other off-balance sheet items not covered above)	30,848		35,603		115

Annex 10 - MCCs' aggregate balance sheet - 31.12.2022

- BAM 000 -

No.	Description	31.12.2021	%	31.12.2022	%	Index (5/3)
1	2	3	4	5	6	7
ASSETS						
1.	Cash (1a+1b)	19,829	10.7	10,602	5.9	53
1a)	Cash and non-interest bearing deposit accounts	19,579	10.6	10,352	5.8	53
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	165,440	92.8	103
3a)	Loan loss reserves	2,888	1.5	4,213	2.4	146
3b)	Net loans (3-3a)	157,553	85.5	161,227	90.4	102
4.	Business premises and other fixed assets	5,151	2.8	5,026	2.8	98
5.	Long-term investments	0	0.0	0	0.0	-
6.	Other assets	1,789	1.0	1,498	0.9	84
7.	Minus: reserves on other asset items, except for loans	0	0.0	0	0.0	-
8.	TOTAL ASSETS	184,322	100	178,353	100	97
LIABILITIES						
9a)	Liabilities on short-term loans taken out	1,500	0.8	7,856	4.4	524
9b)	Liabilities on long-term loans taken out	121,238	65.8	100,616	56.4	83
9c)	Liabilities based on interest due	1,285	0.7	1,130	0.6	88
10.	Other liabilities	8,201	4.4	10,805	6.1	132
11.	TOTAL LIABILITIES	132,224	71.7	120,407	67.5	91
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	10,191	5.7	135
15a)	Previous year	6,614	3.6	10,348	5.8	156
15b)	Current year	952	0.5	-157	-0.1	-16
16.	Legal reserves	4,214	2.3	5,569	3.1	132
17.	Other reserves	6,141	3.3	8,009	4.5	130
18.	TOTAL CAPITAL	52,098	28.3	57,946	32.5	111
19.	TOTAL LIABILITIES	184,322	100	178,353	100	97
OFF-BALANCE SHEET RECORDS						
20.	Written-off loans	11,232		13,282		118
21.	Approved, but undrawn loan funds of creditors	9,333		7,367		79
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		15,490		136

Annex 11 - Overview of key indicators of MCOs in the FBiH - 31.12.2022

- BAM 000 -

No.	Name of MCO	Assets	Gross portfolio minus deferred fee income	Financial result	Placements
1.	MCC - Mikrokreditno društvo CREDO CENTAR društvo sa ograničenom odgovornošću Mostar	4,049	3,926	266	4,341
2.	MCC - Mikrokreditno društvo EKI d.o.o. Sarajevo	164,190	149,749	5,087	107,550
3.	MCF - Mikrokreditna fondacija "EKI"	114,962	65,400	2,019	72,973
4.	MCC - Mikrokreditno društvo luteCredit BH d.o.o. Sarajevo	10,114	9,915	-5,510	13,682
5.	MCF - Mikrokreditna fondacija "LIDER"	28,290	27,392	503	25,552
6.	MCF - Mikrokreditna fondacija "LOK" Sarajevo	6,188	4,826	10	4,854
7.	MCF - Mikrokreditna fondacija "MELAHA" Sarajevo	463	269	-225	94
8.	MCF - Mikrokreditna fondacija "MI-BOSPO" Tuzla	88,465	79,967	2,498	80,184
9.	MCF - Mikrokreditna fondacija "MIKRA"	65,661	53,939	942	56,506
10.	MCF - Mikrokreditna fondacija "MIKRO ALDI"	8,598	7,900	148	7,280
11.	MCF - „PARTNER MIKROKREDITNA FONDACIJA“	171,841	147,455	6,125	117,199
12.	MCF - "PRVA ISLAMSKA MIKROKREDITNA FONDACIJA"	2,320	1,960	-171	2,738
13.	MCF - Mikrokreditna fondacija "SUNRISE"	63,769	49,495	1,576	59,938
TOTAL		728,910	602,193	13,268	552,891

Annex 12 - Overview of average weighted NIR and EIR for MCOs - 31.12.2022

No.	Description	MCOs seated in the FBIH period 01.01. - 31.12.2022			
		Number of concluded contracts	Microloans disbursement (in BAM 000)	NIR %	EIR %
1	2	3		4	5
1.	Short term microloans for:	43,657	57,497	20.22	28.90
1.1.	service activities	932	2,299	18.76	26.44
1.2.	trade	229	951	16.78	23.20
1.3.	agriculture	7,543	11,051	20.76	26.25
1.4.	manufacturing	117	349	16.55	23.00
1.5.	housing needs	3,685	7,069	19.46	24.21
1.6.	general-basic needs	19,888	23,444	21.23	32.81
1.7.	other	11,263	12,334	18.82	27.47
2.	Long term microloans for:	104,033	495,394	18.83	22.65
2.1.	service activities	5,031	24,427	17.80	21.42
2.2.	trade	1,000	6,011	16.48	19.73
2.3.	agriculture	26,565	139,601	17.89	20.25
2.4.	manufacturing	637	4,060	16.71	19.78
2.5.	housing needs	23,769	148,772	18.45	21.08
2.6.	general-basic needs	20,692	79,360	21.10	25.70
2.7.	other	26,339	93,163	19.42	26.76
3.	Total microloans	147,690	552,891	18.98	23.30

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

- % -

NIR on:	01.01.-31.12.2018	01.01.-31.12.2019	01.01.-31.12.2020	01.01.-31.12.2021	01.01.-31.12.2022
Short-term microloans	21.40	20.80	20.29	20.18	20.22
Long-term microloans	19.63	19.28	18.91	19.22	18.83
Total microloans	19.89	19.50	19.10	19.34	18.98
Average weighted EIR on:	01.01.-31.12.2018	01.01.-31.12.2019	01.01.-31.12.2020	01.01.-31.12.2021	01.01.-31.12.2022
Short-term microloans	29.11	31.85	30.69	29.22	28.90
Long-term microloans	23.27	23.09	22.90	23.26	22.65
Total microloans	24.13	24.38	23.98	24.00	23.30

Annex 13 - MCFs aggregate income statement - 31.12.202

- BAM 000 -

No.	Description	For the period 01.01. - 31.12.2021	%	For the period 01.01. - 31.12.2022	%	Index (5/3)
1	2	3	4	5	6	7
	INTEREST INCOME AND EXPENSES					
1.	Interest and similar income	78,631	89.9	84,245	90.7	107
2.	Interest and similar expenses	7,578	10.2	7,742	9.8	102
3.	Net interest and similar income (1. - 2.)	71,053		76,503		108
	OPERATING INCOME AND EXPENSES					
4.	Operating income	7,306	8.3	7,141	7.7	98
5.	Operating expenses	60,138	81.0	65,868	82.9	110
	OTHER OPERATING INCOME AND EXPENSES					
6.	Other operating income	1,564	1.8	1,472	1.6	94
7.	Other operating expenses	731	1.0	733	0.9	100
8.	Costs of provisions for loan and other losses	4,180	5.6	3,844	4.8	92
9.	Surplus/shortfall of income over expenses before taxes (3.+4.-5.+6.-7.-8.)	14,874		14,671		99
10.	Tax on surplus income over expenses	1,645	2.2	1,246	1.6	76
11.	Net surplus/shortfall of income over expenses (9.-10.)	13,229		13,425		101

Annex 14 - MCCs aggregate income statement - 31.12.2022

- BAM 000 -

No.	Description	For the period 01.01. - 31.12.2021	%	For the period 01.01. - 31.12.2022	%	Index (5/3)
1	2	3	4	5	6	7
	INTEREST INCOME AND EXPENSES					
1.	Interest and similar income	31,213	97.4	31,892	96.2	102
2.	Interest and similar expenses	7,165	23.0	7,007	21.0	98
3.	Net interest and similar income (1. - 2.)	24,048		24,885		103
	OPERATING INCOME AND EXPENSES					
4.	Operating income	603	1.9	995	3.0	165
5.	Operating expenses	18,944	60.9	19,633	59.0	104
	OTHER OPERATING INCOME AND EXPENSES					
6.	Other operating income	234	0.7	257	0.8	110
7.	Other operating expenses	201	0.7	243	0.7	121
8.	Costs of provisions for loan and other losses	4,415	14.2	5,824	17.5	132
9.	Profit/loss before taxes (3.+4.-5.+6.-7.-8.)	1,325		437		33
10.	Income tax	373	1.2	594	1.8	159
11.	Net profit/loss (9.-10.)	952		-157		-16

ANNEXES – LEASING SECTOR

Annex 15 - Basic information on leasing companies in the FBiH - 31.12.2022

No.	Leasing company name	Web address	Director	Number of employees
1.	PORSCHE LEASING d.o.o. Sarajevo	www.porscheleasing.ba	Dejan Stupar	25
2.	RAIFFEISEN LEASING d.o.o. Sarajevo	www.rlbh.ba	Nedim Milišić	45
3.	„SCANIA LEASING BH“ društvo sa ograničenom odgovornošću	www.scania.com/ba	Damir Slipičević	7
4.	SPARKASSE LEASING d.o.o. Sarajevo	www.s-leasing.ba	Elma Hošo	23
TOTAL				100

Annex 16 - Leasing companies' aggregate balance sheet - 31.12.2022

- BAM 000 -

No.	Description	31.12.2021	%	31.12.2022	%	Index (5/3)
1	2	3	4	5	6	7
	ASSETS					
1.	Cash and cash equivalents	4,391	1.2	4,384	1.0	100
2.	Placements to banks	8,240	2.2	6,167	1.4	75
3.	Financial leasing type receivables, net (3a-3b-3c-3d)	290,647	77.8	342,550	78.4	118
3a)	Financial leasing type receivables, gross	318,640	85.3	383,834	87.8	120
3b)	Loss reserves	5,681	1.5	4,837	1.1	85
3c)	Deferred interest income	21,996	5.9	36,075	8.2	164
3d)	Deferred fee income	316	0.1	372	0.1	118
4.	Receivables from subsidiaries	0	0.0	0	0.0	-
5.	Tangible and intangible assets, net (5a+5b-5c-5d)	64,259	17.2	76,012	17.4	118
5a)	Tangible and intangible assets –own funds	3,869	1.0	3,660	0.8	95
5b)	Tangible and intangible assets –of operational leasing	86,199	23.1	102,437	23.4	119
5c)	Impairment -own resources	2,312	0.6	2,438	0.5	105
5d)	Impairment-operating leasing	23,497	6.3	27,647	6.3	118
6.	Long-term investments	368	0.1	408	0.1	111
7.	Other assets (7a+7b)	5,831	1.5	7,519	1.7	129
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)	Inventories	828	0.2	1,554	0.3	188
7c)	Other assets	5,003	1.3	5,965	1.4	119
	TOTAL ASSETS	373,736	100	437,040	100	117
	LIABILITIES					
8.	Liabilities on loans, net (8a+8b-8c)	336,293	90.0	390,310	89.3	116
8a)	Liabilities on short-term loans	11,679	3.1	11,035	2.5	94
8b)	Liabilities on long-term loans	324,767	86.9	379,548	86.8	117
8c)	Advanced costs and fees	153	0.0	273	0.0	178
9.	Other liabilities	7,957	2.1	10,158	2.3	128
	TOTAL LIABILITIES	344,250	92.1	400,468	91.6	116
10.	Core capital	16,827	4.5	15,916	3.7	95
11.	Reserves	7,818	2.1	11,776	2.7	151
12.	Accumulated profit/loss	4,841	1.3	8,880	2.0	183
	TOTAL CAPITAL	29,486	7.9	36,572	8.4	124
	TOTAL LIABILITIES	373,736	100	437,040	100	117
	Written off receivables (opening balance)	21,020		4,621		22
	New write off (+)	589		386		66
	Recovery (-)	559		425		76
	Permanent write off (-)	14,093		469		3
	Written off receivables (closing balance)	6,957		4,113		59
	Other off-balance sheet records	99,593		56,871		57

Annex 17 - Basic indicators of leasing companies in the FBiH - 31.12.2022

- BAM 000 -

No.	Name	Balance sheet total	Financial leasing receivables	Net balance of funds granted under operational leasing	Financial result	Placements
1.	PORSCHE LEASING d.o.o. Sarajevo	179,015	114,183	59,170	4,412	99,764
2.	RAIFFEISEN LEASING d.o.o. Sarajevo	121,435	103,337	8,526	2,885	66,992
3.	„SCANIA LEASING BH“ društvo sa ograničenom odgovornošću	10,511	9,466	57	-461	9,539
4.	SPARKASSE LEASING d.o.o. Sarajevo	126,079	115,564	7,037	2,044	73,411
TOTAL		437,040	342,550	74,790	8,880	249,706

Annex 18 - Leasing companies' aggregate income statement - 31.12.2022

- BAM 000 -

No.	Description	01.01. - 31.12.2021	%	01.01. - 31.12.2022	%	Index (5/3)
1	2	3	4	5	6	7
	Financial income and expenses					
1.	Interest income	13,850	37.5	16,067	35.2	116
1a)	Interest on placements to banks	73	0.2	136	0.3	186
1b)	Interest on financial leasing	11,772	31.9	13,631	29.8	116
1c)	Fees (for leasing application processing, etc.)	926	2.5	1,069	2.4	115
1d)	Other interest income	1,079	2.9	1,231	2.7	114
2.	Interest expenses	4,335	13.5	6,463	17.5	149
2a)	Interest on borrowed funds	4,244	13.2	6,331	17.2	149
2b)	Loan processing fees	88	0.3	128	0.3	145
2c)	Other interest expenses	3	0.0	4	0.0	133
3.	Net interest income	9,515	25.8	9,604	21.0	101
	Operating income and expenses					
4.	Operating income	23,076	62.5	29,636	64.8	128
4a)	Service fees	1	0.0	1	0.0	100
4b)	Operating lease fee	19,498	52.8	23,149	50.6	119
4c)	Income from sale of leasing object	0	0.0	86	0.2	0
4d)	Other operating income	3,577	9.7	6,400	14.0	179
4d)1	Income from recovered written off receivables	709	1.9	445	1.0	63
4d)2	Income from collection letters	19	0.1	20	0.0	105
4d)3	Other	2,849	7.7	5,935	13.0	208
5.	Operating expenses	25,706	80.1	30,003	81.5	117
5a)	Salary and contribution costs	4,736	14.7	4,978	13.5	105
5b)	Business premises costs	12,823	40.0	14,826	40.3	116
5c)	Other costs	8,147	25.4	10,199	27.7	125
6.	Costs of loss reserves	1,444	4.5	-362	-1.0	-25
7.	Profit before tax	5,441		9,599		176
8.	Income tax	601	1.9	719	2.0	120
9.	Net profit/loss	4,840		8,880		183

Annex 19 – Overview of average weighted NIR and EIR on financial leasing contracts -
31.12.2022

No.	Description	For the period 01.01. - 31.12.2022			
		Number of contracts	Amount of financing (BAM 000)	NIR %	EIR %
1	2	3	4	5	6
1.	Short-term leasing contract by leasing objects:	14	715	3.89	8.37
a.	Passenger vehicles	8	469	4.14	9.69
b.	Vehicles for performing business activity (cargo and passenger vehicles)	6	246	3.41	5.84
c.	Machines and equipment	0	0	0.00	0.00
d.	Real estate	0	0	0.00	0.00
e.	Other	0	0	0.00	0.00
1.1.	Short-term leasing contract by lessees:	14	715	3.89	8.37
a.	Corporate	13	616	3.80	6.30
b.	Entrepreneurs	0	0	0.00	0.00
c.	Retail	1	99	4.50	21.22
2.	Long-term leasing contract by leasing objects:	3,796	221,672	4.03	6.78
a.	Passenger vehicles	2,482	117,486	3.99	7.22
b.	Vehicles for performing business activity (cargo and passenger vehicles)	1,059	75,748	4.06	6.40
c.	Machines and equipment	246	28,268	4.14	5.98
d.	Real estate	2	96	4.50	7.93
e.	Other	7	74	5.35	16.16
2.1.	Long-term leasing contract by lessees:	3,796	221,672	4.03	6.78
a.	Corporate	3,346	202,804	4.00	6.10
b.	Entrepreneurs	155	6,395	4.06	6.65
c.	Retail	295	12,473	4.55	18.03
	Total (1+2)	3,810	222,387	4.03	6.79

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

- % -

No.	Description	31.12.2018		31.12.2019		31.12.2020		31.12.2021		31.12.2022	
		NIR	EIR	NIR	EIR	NIR	EIR	NIR	EIR	NIR	EIR
1	2	3	4	5	6	7	8	9	10	11	12
1.	Short-term leasing contracts:	5.96	12.30	6.12	12.36	3.74	6.94	4.24	7.09	3.89	8.37
1.1.	Corporate	4.12	7.34	3.26	6.27	3.74	6.94	3.60	6.31	3.80	6.30
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	17.56	43.62	33.04	69.75	0.00	0.00	36.00	45.89	4.50	21.22
2.	Long-term leasing contracts:	4.30	6.81	5.52	8.86	3.96	7.07	3.81	6.81	4.03	6.78
2.1.	Corporate	4.06	5.94	4.04	6.08	3.87	6.17	3.74	5.99	4.00	6.10
2.2.	Entrepreneurs	5.07	7.23	5.04	7.57	4.74	7.46	3.79	6.53	4.06	6.65
2.3.	Retail	8.12	21.82	19.69	35.50	4.68	18.18	4.77	18.49	4.55	18.03
	Total	4.31	6.85	5.52	8.88	3.96	7.06	3.81	6.81	4.03	6.79



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