



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

INFORMATION

ON THE FEDERATION OF BOSNIA AND HERZEGOVINA BANKING SYSTEM
ENTITIES WITH BALANCE AS OF 30/06/2022

Sarajevo, September 2022

Abbreviations and Terms

AMFI	Association of Micro Finance Institutions in BiH
DIA	Deposit Insurance Agency
BD	Brčko District
BiH	Bosnia and Herzegovina
CBBiH	Central Bank of Bosnia and Herzegovina
CLR	Central Loan Register in BiH (for legal entities and private individuals)
FXP	Foreign Exchange Payment
EBA	European Banking Authority
EBRD	European Bank for Reconstruction and Development
ECB	European Central Bank
ECL	Expected credit loss
EFSE	European Fund for Southeast Europe
EIR	Effective interest rate
EU	European Union
FBA	Federation of Bosnia and Herzegovina Banking Agency
FBiH	Federation of Bosnia and Herzegovina
FED	The Federal Reserve (U.S. central banking system)
FID	Financial Intelligence Department
FSAP	Financial Sector Assessment Program
FX risk	Foreign Exchange Risk
ICAAP	Internal Capital Adequacy Assessment Process
ICT	Information and Communications Technology
ILAAP	Internal Liquidity Adequacy Assessment Process
LCR	Liquidity Coverage Ratio
MCC	Micro credit company
MCF	Micro credit foundation
MCO	Micro credit organisation
IMF	International Monetary Fund
NFI	Non-deposit Financial Institutions
NIR	Nominal Interest Rate
NPL	Non performing loans
Pandemic	„COVID - 19“ virus disease
DBFBiH	Development Bank of the Federation of Bosnia and Herzegovina
LLP	Loan Loss Provisions
RS	Republic of Srpska
USA	United States of America
WB	World Bank
BSEs	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	Bank Association of Bosnia and Herzegovina
BiHALC	BiH Association of Leasing Companies

DP	Domestic Payment
USAID FINRA Projekat	United States Agency for International Development - Financial Reform Agenda Activity Project
MB FBA	Management Board of the Federation of Bosnia and Herzegovina 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) 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 Common Equity Tier 1 capital - 2,5% of the total risk exposure	Article 39 Paragraph (1) of the Decision on Capital Calculation in Banks
Financial leverage ratio – 6%	Article 37 Paragraph (2) of the Decision on Capital Calculation in Banks
Liquidity Coverage Ratio – LCR ≥100%	Article 17 Paragraph (2) of the Decision on Liquidity Risk Management in Banks ³
Maturity matching of financial assets and financial liabilities	<p>Maturity matching of remaining terms to contractual maturities of assets and liabilities instruments:</p> <ul style="list-style-type: none"> - Minimum 65% of funding sources with maturity up to 30 days shall be used for purpose of facilities (assets instruments) with maturity up to 30 days, Article 43, Paragraph (8), Item a) of the Decision on Liquidity Risk Management in Banks; - Minimum 60% of funding sources with maturity up to 90 days shall be used for purpose of facilities (assets instruments) with maturity up to 90 days, Article 43, Paragraph (8), Item b) of the Decision on Liquidity Risk Management in Banks; - Minimum 55% of funding sources with maturity up to 180 days shall be used for purpose of facilities (assets instruments) with maturity up to 180 days, Article 43, Paragraph (8), Item c) of the Decision on Liquidity Risk Management in Banks.
Limitation regarding individual overnight foreign exchange position of the bank, except in EUR – up to 20% of the bank's eligible capital	Article 3 Paragraph (2), Item a) of the Decision on Foreign Exchange Risk Management in Banks ⁴
Limitation regarding individual overnight foreign exchange position of the bank in EUR – up to 40% of the bank's eligible capital	Article 3 Paragraph (2), Item b) of the Decision on Foreign Exchange Risk Management in Banks

¹ FBiH Official Gazette No. 27/17

² FBiH Official Gazette No. 81/17, 50/19, 37/20 and 81/20

³ FBiH Official Gazette No. 39/21

⁴ FBiH Official Gazette No. 81/17 and 37/20

Limitation regarding total foreign exchange position of the bank – up to 40% of the bank's eligible capital	Article 3 Paragraph (2), Item c) of the Decision on Foreign Exchange Risk Management in Banks
Ratio of change in economic value of the banking book and own funds \leq 20%	Article 7 of the Decision on Interest Rate Risk Management in the Banking Book ⁵
Herfindahl-Hirschman Index - HHI	<p>It represents the most frequently used measure of concentration in the European and U.S. economic systems. The 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 the HHI value is below 1.000, it indicates the absence of market concentration, while its value ranging from 1.000 to 1.800 units shows moderate concentration in the market and the HHI above 1.800 means high concentration.</p>
Concentration Ratio - CR	<p>CR is an indicator of concentrations in the banking sector. It represents a total share of largest banks in the sector in relevant categories: in assets, loans and deposits. It is being designated by the number of banks included in the calculation, e.g. CR 5. There is no unique and commonly accepted opinion on interpretation of results of CR. With higher the value, comes higher the market concentration.</p>
Ratio of loans/deposits and loans taken	<p>This is a ratio between the most important bank aggregates, loans, on the assets side, and deposits and loans taken on the liabilities side. With higher rate comes weaker liquidity position of the bank. Common standards are: below 70% - very sound, 71%-75% - satisfactory, 76%-80% - marginally satisfactory, 81%-85% - insufficient, over 85% - critical.</p>
Minimum amount of Tier 1 capital of MCCs - BAM 500.000	Article 26 Paragraph (1) LoMCO ⁶
Minimum amount of Tier 1 capital of MCFs - BAM 50.000	Article 36 Paragraph (1) LoMCO
Ratio of fixed assets to total assets minus donated capital - up to 10% for MCFs and MCCs where MCF holds majority ownership	Article 11 Paragraph (2) of the Decision on Business Conditions and Other Standards and Limitations of Micro Credit Organisations 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 Credit Organisations
Portfolio at risk of MCOs over 30 days (PAR) - up to 5%	Article 12 Paragraph (1) tačka c) of the Decision on Business Conditions and Other Standards and Limitations of Micro Credit Organisations

⁵ FBiH Official Gazette No. 41/20

⁶ FBiH Official Gazette No. 59/06

⁷ FBiH Official Gazette No. 103/18

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
Minimal amount of Tier 1 capital of leasing companies - BAM 250.000	Article 8 Paragraph (1) LoL ⁸
Minimal amount of Tier 1 capital of factoring companies - BAM 750.000	Article 27 Paragraph (1) LoF ⁹

⁸ FBiH Official Gazette No. 85/08, 39/09, 65/13 and 104/16

⁹ FBiH Official Gazette No. 14/16 i 74/20

EXECUTIVE SUMMARY

Key performance indicators of the FBiH banking sector



Operating licence | 14 commercial banks, 517 organisation parts and 6.423 employees, which is by 0,1% less than at the end of the previous year



Assets | Net assets amount to **BAM 26.3 billion**, loans **BAM 16.1 billion**, cash **BAM 8.3 billion**, investments in securities **BAM 1.9 billion**



Capital | Total capital **BAM 3.2 billion** (12,1% of liabilities), of which shareholders capital is **BAM 1.4 billion**, own funds **BAM 2.9 billion**, Tier 1 capital and Common Equity Tier 1 capital **BAM 2.8 billion**, Tier 2 capital **BAM 113,3 million**



Capital ratios | 19.4% own funds ratio, 18.6% Common Equity Tier 1 capital ratio and Tier 1 capital ratio, 10% financial leverage ratio



Balance sheet exposures according to credit risk grades | **BAM 24.3 billion** (90.6% of total balance sheet exposures) within the credit risk grade 1, within the credit risk grade 2 - **BAM 1.6 billion** (5.8% of total balance sheet exposures) and **BAM 973.2 million** (3.6% of total balance sheet exposures) within the credit risk grade 3



Off-balance sheet exposures according to credit risk grades | **BAM 3.5 billion** within the credit risk grade 1 (90% of total off-balance sheet exposures), within the credit risk grade 2 - **BAM 373.5 million** (9.7% of total off-balance sheet exposures) and **BAM 10.7 million** within the credit risk grade 3 (0.3% of total off-balance sheet exposures)



ECL coverage rate for balance sheet exposures | 4.1% total coverage rate: credit risk grade 1 - 0.7%, credit risk grade 2 - 10.6% and credit risk grade 3 - 79%



ECL coverage rate for off-balance sheet exposures | 1.5% total coverage rate: credit risk grade 1 - 0.7, credit risk grade 2 - 7.9%, and credit risk grade 3 - 41.1%



Loan portfolio | Retail loans amount to **BAM 7.8 billion** (up by BAM 228.3 million or 3%), and corporate loans **BAM 8.3 billion** (up by BAM 23.9 million or 0.3%; if we exclude ST low-risk exposures, there is an increase by 3.8%)



Loan portfolio within the credit risk grade 3 (NPL) | **BAM 935.4 million**, it represents 5.8% of the total loan portfolio (decrease by 0.6 % vs. end of the previous year). NPL rate for the corporate portfolio is **6.5%**, for the retail portfolio **5.1%**. **ECL coverage rate for NPL** | **78.7%** (corporate 76.4%, and retail 81.7%), thus posting an increase by 1.2 percentage points



Deposits | **BAM 21.6 billion** (82.2% of total liabilities), of which **savings deposits amount to BAM 9.9 billion** and have a decrease rate of 5.3%



Liabilities on loans taken | **BAM 563.5 million** (2.1% of total liabilities)



Trend | An **increase** was noted with net assets (1.6%), cash (3.5%), loan portfolio (1.6%), fixed assets (0.6%), other assets (1.9%), capital (2.5%), deposits (2%) and other liabilities (14.1%), while a **decrease** was evident with investments in securities (2,4%), placements to other banks (37.3%) and liabilities on loans taken (27.7%)



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 175.1 million** of net profit, all banks posted a positive financial result

Key performance indicators of the FBiH microcredit sector



Operating licence | 13 MCOs (10 MCFs and 3 MCCs), **356 organisational parts** and **1.422 employees**, up by 1.7%



MCOs assets | BAM 699,8 million, up by BAM 6.3 million or 0,9%. Assets drop rate for MCCs is 2.4%, while assets rise rate for MCF is 2.1%



Net micro loans | BAM 575.2 million (82.2% of assets), up by BAM 18.3 million (a rise by 1.3% for MCCs and by 4.1% for MCFs)



PAR over 30 days | 1.29% of annual write-off rate | 1.45%
Portfolio quality indicators are within the prescribed limits with a PAR increase by 0.02 percentage points, while the write-off rate remained the same



72.397 concluded contracts (4.8% more) and **BAM 271.4 million micro loans disbursed** (14.4% more)



Capital | BAM 343.5 million (49.1% of liabilities), up by BAM 9.6 million or 2.9% (capital increase rate of MCCs is 6.1%, and 2.3% for MCFs)



Liabilities on loans taken | BAM 324.3 million (46.3% of liabilities), down by BAM 1.7 million (drop rate of loan obligations is 5.7% for MCCs, while rise rate of loan obligations for MCFs is 2.6%)



Trend | An increase was noted regarding placements to other banks (234.3%), gross micro loans (3.4%), net micro loans (3.3%), LLPs (11.5%), LT investments (1.4%), other assets (11.7%) and capital (2.9%), while a decrease was seen with cash (25%), tangible and intangible assets (2.9%), liabilities on loans taken (0.5%) and other liabilities (5%)



Operating efficiency | 18.83%, **return on assets adjusted by inflation, market price of capital and donations** | 2.07%, which is in line with the prescribed standards.



Positive financial result | BAM 7.1 million, down by BAM 0.2 million. **Net profit of MCCs** | BAM 0.7 million, and **excess income over expenses of MCFs** | BAM 6.5 million

Key performance indicators of the FBiH leasing sector



Operating licence | 5 leasing companies, 3 branches in the RS and **107 employees**, up by 5.9%



Assets of the leasing sector | BAM 409.6 million, up by BAM 35.8 million or 9.6%



Net receivables based on financial leasing | BAM 314.5 million (76.8% of assets), up by BAM 23.9 million



Overdue receivables | BAM 2.5 million, up by 3.9%. **Loss reserves for financial leasing | BAM 5.2 million**



Number and value of newly concluded contracts for financial and operational leasing at the leasing system level, up by 12.8% and 19% respectively



Liabilities on loans taken | BAM 365.5 million (89.2% of liabilities), up by BAM 29.2 million, with a dominant share of LT loans



Capital | BAM 35 million (8.6% of liabilities), up by BAM 5.5 million



Trend | An increase was noted with cash and cash equivalents (56.3%), gross receivables based on financial leasing (8.2%), net receivables based on financial leasing (8.2%), net value of fixed assets financed via operational leasing (19.4%), other assets (40.9%), liabilities on loans taken (8.7%), capital (18.7%) and other liabilities (14%), while a **decrease** was seen with placements to banks (59.7%), loss reserves (7.8%) and written off receivables (2.2%)



Positive financial result | BAM 4.7 million, up by BAM 2.4 million

Key indicators of the FBiH factoring business



FBiH factoring business | 4 commercial banks (2 are members of international banking groups seating in the EU countries and 2 are mostly in local ownership)



131 concluded factoring contracts (less by 60 contracts or 31.4%) **with with nominal value of redeemed monetary claims of BAM 90.2 million** (up by BAM 10.3 million or 12.9%)



Total income of the FBiH factoring service providers | BAM 555 ths, down by BAM 55 ths or 9%

Information on FBA's special measures for the FBiH BSEs



BAM 76.1 million (0.5% of total loans of the FBiH banking sector) **was captured by some of the active special measures.** Corporate loan portfolio encompassed by some of the active measures amounts to BAM 69.4 million (0.8% of the corporate loan portfolio), while retail loan portfolio covered by some of the active measures equals BAM 6.7 million (0.1% of the retail loan portfolio)



BAM 25.9 million (3% of the total loan portfolio of NFIs) **was captured by some of the special active measures.** In the retail segment, exposures covered by some of these measures amounted to BAM 20.2 million (3.5% of the total retail loan portfolio), while corporate loan exposures covered by these measures equal BAM 5.7 million (2% of the total corporate loan portfolio)

INTRODUCTION

The FBA was established in 1996 as an independent and self-standing institution which exercises its competences in accordance with the provisions of the LoA, international standards, supervision principles and professional rules. The FBA's 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 part of its regular execution of its statutory competences, the FBA draws up and discloses publicly on its website quarterly updates on BSEs, approved by the FBA's MB. Accordingly, this Information on the BSEs, with balance as of 30/06/2022, was drawn up by using reporting data and other data and information provided by the BSEs to the FBA and used in regular supervision of the BSEs.

Content-wise, this Information is divided into four sections. The first section refers to the macroeconomic environment within which credit institutions operate on a global level. The second section presents a detailed analysis of the FBiH banking sector, its structure, financial performance indicators and FBA's recommendations for the FBiH banking sector. The third 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 FBA's recommendations. The fourth section covers bank operations in the segment of payments and AML/CTF.

An overview of average weighted NIR and EIR on loans approved and deposits received by banks, as well as average weighted NIR and EIR for MCOs and financial leasing contracts per segments, is presented herewith for purpose of greater transparency and easier comparability for financial service users. This has been provided through annexes forming 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 the BSEs and other data wherein this is relevant.

MACROECONOMIC FRAMEWORK OF OPERATIONS OF CREDIT INSTITUTIONS

1. MACROECONOMIC FRAMEWORK OF OPERATIONS OF CREDIT INSTITUTIONS

The monitoring of macroeconomic indicators is especially important in the context of interest rate trends and other changes in international markets, which can possibly reflect upon the BiH market as well. The BiH banks are largely integrated within international banking groups, most of which are seated in the Eurozone countries.

Looking into the BiH banking system performance indicators, as well as the economic environment, its challenges and risks are mostly related to macroeconomic circumstances.

In addition, when monitoring macroeconomic indicators and their impact on the BiH banking sector, it is necessary to take into account the limitations related to the CBBiH monetary policy as well as the Currency Board arrangement.

According to the data of the Agency for Statistics of Bosnia and Herzegovina, the inflation rate in June 2022, compared to the same month last year, has amounted to 15.8%. In June 2022, compared to the same month last, the highest average price growth has been posted in the sections of transportation (34.5%), food and non-alcoholic beverages (23.4%) and housing and utility costs (14.1%).), while the average price drop in the sections of clothing and footwear (5.9%).

According to the IMF projections of April 2022, global economic activity growth (real GDP) is expected to slow from an estimated 6.1% in 2021 to 3.6% in 2022 and 2023. This is 0.8 and 0.2 percentage points lower compared to the IMF projections updated in January.

Based on the updated IMF projections of July 2022, the forecasts of the growth of the global economy in 2022 and 2023 have been lowered to 3.2% and 2.9%, respectively. This is by 0.4 and 0.7 percentage points lower compared to the April projections.

In its report, the IMF lists five principal forces shaping the near-term global outlook, namely: the war in Ukraine, monetary policy tightening and financial market volatility, fiscal withdrawal, the slowing growth in China's economy due to more frequent lockdowns, and the pandemic and vaccine access.

Table 1 provides selected macroeconomic indicators across periods:

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	3,7
2.	Eurozone	1,8	1,6	-6,4	5,3	2,8
3.	EU	2,2	2,0	-5,9	5,4	2,9
4.	Slovenia	4,4	3,3	-4,2	8,1	3,7
5.	Croatia	2,9	3,5	-8,1	10,4	2,7
6.	Serbia	4,5	4,3	-0,9	7,4	3,5
7.	BiH	3,7	2,8	-3,1	5,8	2,4
Consumer Price Index (CPI), annual average in %						

¹⁰ Expected values for 2022 (MMF, World Economic Outlook, April 2022); for interest rates, data for June 2022

1.	U.S.	2,4	1,8	1,2	4,7	7,7
2.	Eurozone	1,8	1,2	0,3	2,6	5,3
3.	BiH	1,4	0,6	-1,1	2,0	6,5
Key interest rates						
1.	6-month Euribor ¹¹	-0,25	-0,35	-0,51	-0,54	-0,03
2.	Yield on 10-year German government bonds ¹²	0,19	-0,30	-0,62	-0,38	1,45
3.	Yield on 10-year Italian government bonds	2,98	1,37	0,58	1,05	3,64

Source: MMF, World Economic Outlook Database, April 2022.; Eurostat

The U.S., as the world's largest economy, experienced a 5.7% GDP increase in 2021, whereas this rate is expected to decline to 3.7% in 2022. The EU economy was more affected by the pandemic. It experienced a downward trend in 2020. Compared to the U.S. economy, it shows slower recovery. The projected GDP growth rate for the EU is 2.9% on an annual level.

Compared to previous forecasts, it is expected that inflation, fueled by increasing raw material prices and broadening price pressures caused by the war in Ukraine, will remain elevated for a longer period. The war will probably have a long-term effect on the prices of raw materials, affecting the increase in oil and gas prices in 2022, and food prices even in 2023 (caused by the harvest delay in 2022). According to the IMF projections of April 2022, in 2022, inflation is projected at 5.7% in advanced countries and 8.7% in developing countries and emerging economies. This is 1.8 and 2.8 percentage points higher than the January projections. In 2023, it is projected that inflation will amount to 2.5% in advanced countries and 6.5% in developing countries and emerging economies.

However, as with global growth forecasts, inflation projections are subject to significant uncertainty. Therefore, in June 2022, the annual inflation rate in the Eurozone has reached a record level of 8.6%, while in June of the previous year this rate was 1.9%, whereas the annual inflation in the EU reached 9.6% compared to 2.2% in June of the previous year. The numbers exceeded market expectations of 8.4%, resulting in a decision on raising interest rates to be adopted in July of this year by the ECB for the first time in 11 years. High inflation rate in the Eurozone is mostly caused by energy prices, while strong price growth has also been noted in the sections of food, alcohol and tobacco, services and non-energy industrial goods, indicating widespread inflationary pressure. When excluding energy, inflation has risen from 4.6% to 4.9%, well above the ECB threshold of 2%. The annual inflation rate in the U.S. has quickly surged, reaching 9.1% in June 2022, the highest rate recorded since November 1981 and above market forecasts of 8.8%. Food prices have risen by 10.4%, the highest since February 1981, while energy prices by 41.6%, the highest inflation rate recorded since April 1980, driven by rising prices of fuel, fuel oil, electricity and natural gas.

Fiscal policy continues to being adjusted to the latest trends of rising interest rates and cost of living pressures. Adopting an appropriate fiscal policy depends on exposure to the impact of the war in Ukraine, the pandemic situation and the recovery rate. After the necessary and significant expansion of fiscal measures in many countries during the pandemic, debts have been at the highest levels ever recorded, while at the same time governments have been exposed to higher interest rates. Deficits have been declining globally, but are expected to remain above the pre-pandemic levels. By 2024, average public debt in advanced economies is

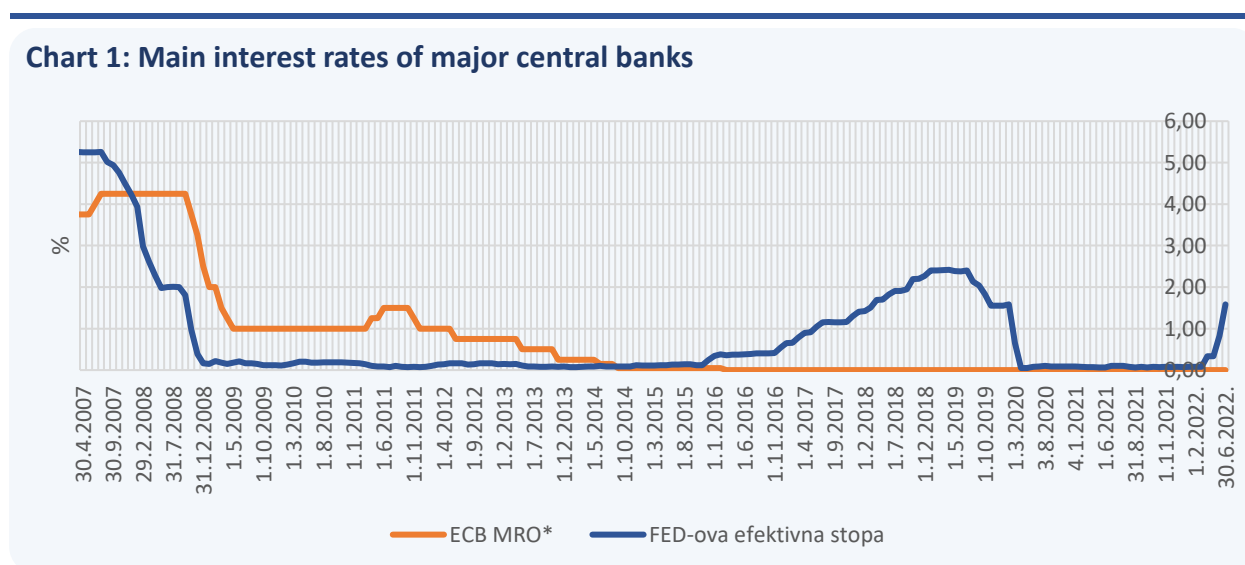
¹¹ Data for the relevant period refers to Euribor as of the first business day in the last month of the reporting period

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

projected to decline to 113% of GDP, reflecting the recovery from the pandemic recession. Debt is projected to continue to rise in emerging economies, driven largely by lockdowns in China, reaching 72% of GDP by 2024.

As for the monetary policy, the ECB did not change interest rates in the first half of 2022. The interest rate on deposits remained in the negative zone (-0.5%) and the main rate for refinancing operations at 0%. However, in June 2022, the ECB Governing Council announced its intention to raise key interest rates by 0.25 percentage points at its July monetary policy meeting. In the long term, the key interest rates have been expected to be raised again in September of the current year. After the meeting in July 2022, the ECB has raised the key interest rates by higher-than-expected 0.5 percentage points. Already in March 2022, due to the risk posed by the Russian military invasion to Ukraine and sanctions imposed against Russia, the American FED has decided to increase the target rate for the EFFR (Effective Federal Funds Rate) by 0.25 percentage points. In May, it has been increased by 0.5 percentage points and in June by 0.75 percentage points, ranging between 1.5% and 1.75%.

Chart 1 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

The European interbank market conditions have also changed, so that the reference interest rate - Euribor (Euro Interbank Offered Rate) has been constantly rising since the beginning of the year. At the end of June 2022, the 6-month Euribor rate has been at 0.263%, while the 12-month Euribor rate at 1.037%. Yield on long-term government bonds of the euro area has also risen significantly. Yield on 10-year German government bond has been at 1.45%, while in December 2021 it was at -0.38%.

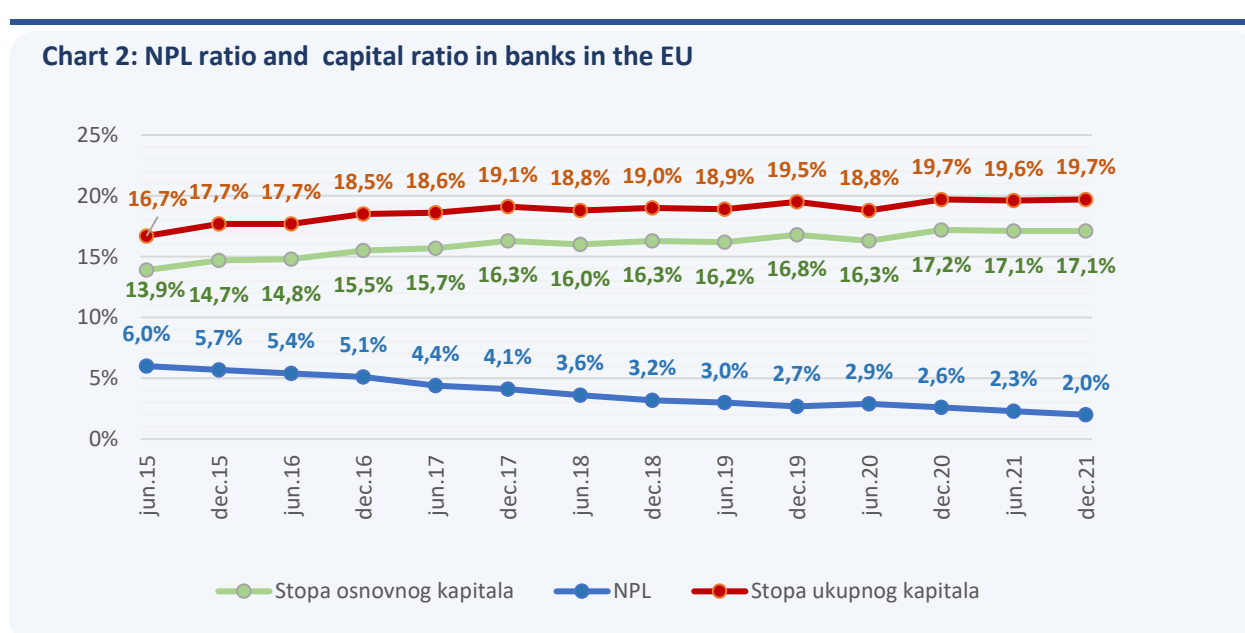
One of the main priorities of the EU banks' supervision is to preserve the resilience of the banking sector during the pandemic and the war in Ukraine. Banks have good performance in terms of achieved profitability and capital and liquidity position. There is still uncertainty about the overall impact of the pandemic, which can only be considered in the medium term, after the withdrawal of aid measures undertaken by governments and central banks in the EU.

Banks have faced key challenges regarding the importance of appropriate credit risk management and the need for further digitization as well as adequate cyber risk management. They have taken measures and increased their capacities to deal with climate and environmental risks.

After Russia's aggression against Ukraine, the operating conditions for banks have deteriorated significantly. A wide range of restrictive measures (sanctions) has been introduced in response to the Russian invasion of Ukraine, some of which relate to the exclusion of selected banks and transactions from SWIFT, preventing central banks of Russia from using its international reserves, banning the export and import in selected critical sectors and technologies, asset freezing targeting individuals and legal entities, and capital controls introduced by Russia to limit currency outflows. An increase in inflation combined with an increase in interest rates affects credit risk increase in banks. It is expected that the war and its consequences will have a direct and indirect impact on the EU banks. Initial risks are related to the exposure of the EU banks to other counterparties seated in Russia and Ukraine and market risk due to increased volatility and sudden repricing of the risk premium. The EBA's initial assessment is that the risks the EU banking sector has been exposed to do not pose a primary threat to financial stability. The impacts occurring subsequently are more to be concerned about from the perspective of financial stability and are related to the uncertainty regarding the outcome of the war in Ukraine and its potentially large impact on the economy at the global level. The ongoing war in Ukraine and widespread geopolitical risk increased the risk of cyberattacks in the future.

The capital rates of the EU banks are still much above the regulatory limits and show an upward trend compared to the onset of the pandemic, thus slightly dropping in the Q1 2022. Assets quality has improved and there is an evident NPL decrease in banks being continued in the Q1 2022. Banks' profitability has stabilised at the level exceeding the pre-pandemic one. Interest income is still the major source of funds for the EU banks, while fee and commission income are increasingly gaining importance.

Chart 2 provides an overview of NPL ratio and capital ratio in banks in the EU:



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

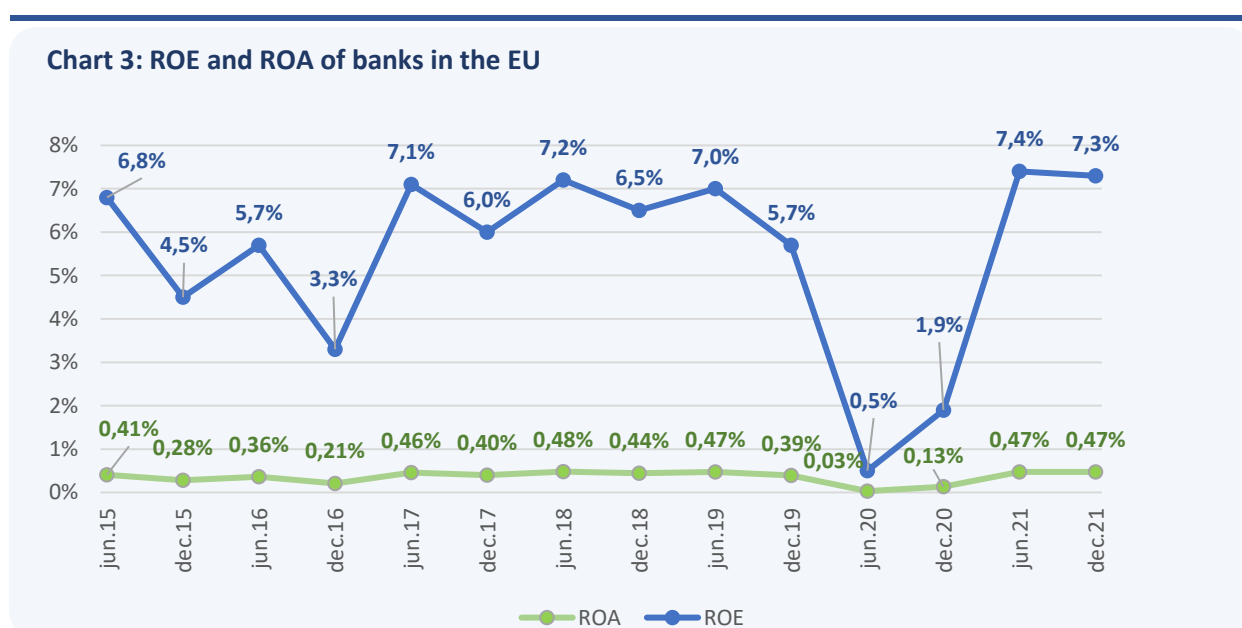
At the end of 2019, before the pandemic outbreak, the EU banks had the total capital ratio of 19.5%, thus dropping by 0.7 percentage points after the pandemic. At the end of 2021, this ratio rose by 0.2 percentage points compared to the end of 2019. The same trend was seen with Tier 1 capital ratio that stood at 16.8% at the end of 2019, thus dropping by 0.5 percentage points during 2020 and rising by 0.3 percentage points at the end of 2021 compared to the end of 2019. At the end of 2019, before the pandemic, NPL was at 2.7%. Unsurprisingly, during 2020, this ratio worsened, whereas the NPL ratio dropped by 0.7 percentage points at the end of 2021 compared to the end of 2019.

According to the preliminary data for the Q1 2022, the NPL ratio has further improved, i.e. NPL dropped by 0.1 percentage point as well as Tier 1 capital ratio and total capital ratio by 0.7 percentage points compared to the end of 2021.

The EU banks still have significant liquidity positions. At the end of 2021, LCR amounted to 174.8% and increased by 25 percentage points compared to the rate before the pandemic. According to the preliminary data for the Q1 2022, the LCR decreased by 6.7 percentage points (168.1%), still being well above the minimum.

After the pandemic outbreak, the EU banks' business results worsened, but they continued to operate in the positive zone in 2020. A positive trend and significant increase of these indicators was seen in the 1H 2021. The EU banks' profitability has been stabilized and maintained at a higher level compared to the pre-pandemic period. As of 31/12/2021, average return on assets increased by 0.34 percentage points and average return on equity by 5.4 percentage points compared to the same period in 2020. According to the preliminary data for the Q1 2022, there has been a slight decrease in these indicators compared to the same period in 2021 - average return on assets decreased by 0.06 percentage points and average return on equity decreased by 1.1 percentage points. However, the banks' profitability in the coming period will depend on the events related to the war in Ukraine and the impact on global economic activity, as well as on the possible worsening of the situation related to the pandemic.

Chart 3 provides an overview of return on assets and return on equity in banks in the EU:



Source: EBA, Risk Dashboard

Within its competences, the ECB has included issues related to climate change since they directly affect price stability and cause financial risks. In the first half of 2022, the ECB conducted the climate risk stress testing¹³ in which 104 banks in the Eurozone participated. The climate risk stress testing included the questionnaire through which the banks' preparedness to respond to climate-related risks was evaluated as well as the level of the banks' dependence on the sectors with high carbon emissions, i.e. bottom-up stress testing of specific asset classes of the banks' balance sheet exposed to climate risk was conducted (41 directly supervised banks were included to achieve proportionality in relation to smaller banks). According to the published test results on climate risk stress, the banks in the Eurozone have not yet sufficiently included climate risk within their stress test frameworks and internal models, i.e. 60% of the banks has no stress test framework for this type of risk, and only 20% of banks take climate risk as a variable in their credit risk models when approving loans. According to the results of the stress test for the 41 involved banks, credit and market losses amount to EUR 70 billion in the worst-case scenario including major natural disasters and major changes across various industries, and the losses would be much higher if considering the real risks related to global warming as well as the fact that climate shocks were not accompanied by a decline in economic activity and were limited to specific portfolios.

Every two years, the EBA, in cooperation with the ECB, the European Systemic Risk Board and national supervisory authorities, conducts stress testing at the EU level. The EBA's methodology and forms are used to conduct stress testing, and the scenarios and key assumptions are jointly developed by the EBA, the European Systemic Risk Board, the ECB and the European Commission. The EU stress testing represents an important input for the European banking sector's resilience evaluation. The last EU stress testing was carried out in 2021. In 2022, the EBA launched a discussion on the methodology of the EU stress test, planned to take place in 2023, with a focus on increasing the test sample in order to include around 75% of the banking sector assets in the Eurozone, member states outside the Eurozone and Norway. The final methodology will be published at the end of 2022. The results of the stress testing will be used as an input to the SREP, within which decisions are made on a bank's appropriate capital resources and capital plans. Conducting stress testing is an important tool from the aspect of financial stability, i.e. evaluation of how successfully banks can deal with financial and economic shocks and is an important source of information for supervisory authorities to detect bank weaknesses for the purpose of adequate risk-based supervision.

¹³ ECB, „2022 climate risk stress test“, July 2022

BANKING SECTOR

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2. BANKING SECTOR

2.1. FBiH BANKING SECTOR'S STRUCTURE

2.1.1. Status, Number and Business Network

As of 30/06/2022, 14 commercial banks had banking license in the FBiH and all banks are members of the DIA. Number of banks remained the same as at YE2021.

A special law regulates the establishment and operations of the Development Bank of the Federation of BiH 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 1 provides basic information about the FBiH banks as at 30/06/2022.

The FBiH banks had, as of 30/06/2022, a total of 517 organizational units, which was fewer by 10 organisational parts or 1.9% compared to YE2021. In the territory of the FBiH, there are 454 organizational units of banks. Seven banks from the FBiH have 52 organizational units in the RS, while 10 banks have 11 organizational units in the BD. Three banks from the RS have 28 organisational parts in the FBiH, being the same as at YE2021.

Table 2 below shows a comparative overview of organisational parts and network of ATMs and POS devices of banks 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 BiH)	409	118	24.295	1.232
2.	Organisational parts of banks from the RS operating in the FBiH	10	18	370	38
Total		419	136	24.665	1.270
30/06/2022					
1.	Banks seated in the FBiH (in the territory of BiH)	403	114	25.051	1.223
2.	Organisational parts of banks from the RS operating in the FBiH	9	19	536	36
Total		412	133	25.587	1.259

2.1.2. Ownership Structure and Market Share

Ownership structure of the FBiH banks¹⁴ as of 30/06/2022 is the following:

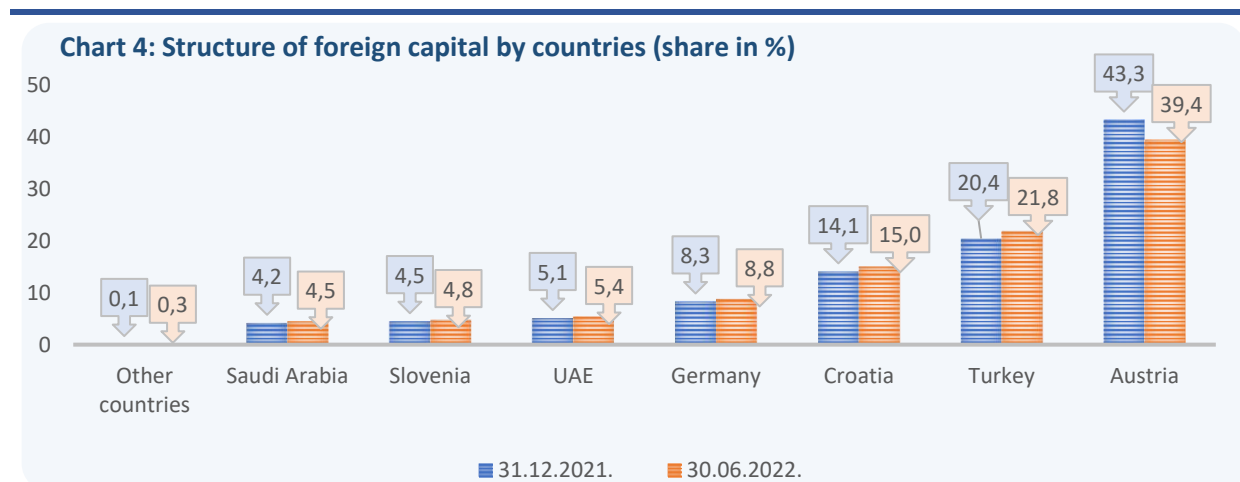
- privately owned and predominantly privately owned - 13 banks,
- state-owned and predominantly state-owned¹⁵ - one bank.

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

¹⁴ Criteria here was the ownership over shareholder capital in banks

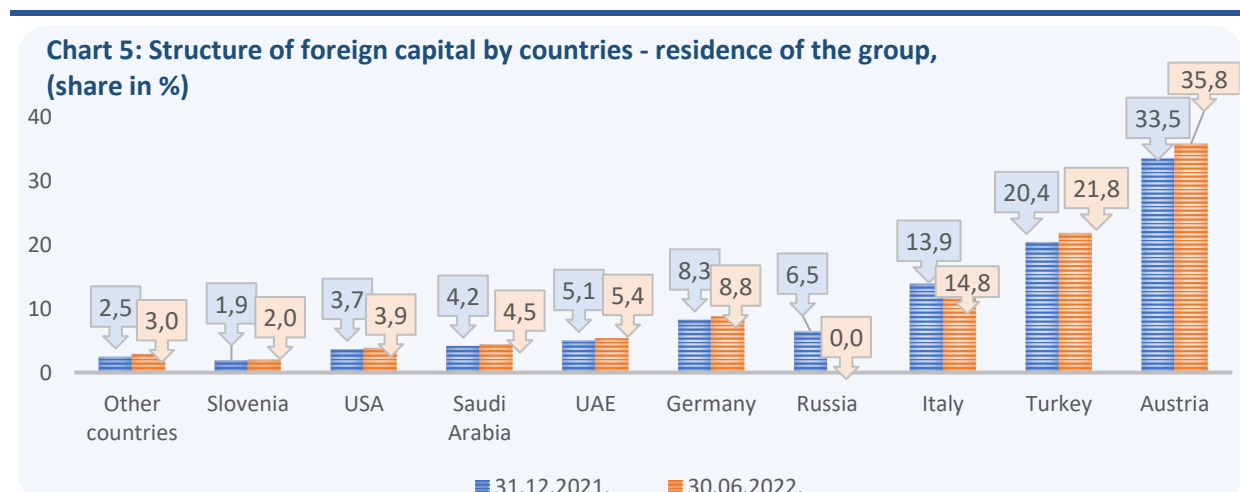
¹⁵ State ownership refers to the capital of the FBiH Government

Looking into the home countries of shareholders, the highest share as of 30/06/2022 (Chart 4) was still held by the shareholders from Austria (39.4% of foreign capital), followed by Turkey (21.8%), Croatia (15%) and Germany (8.8%), while individual shares of other countries are deemed as insignificant.



If capital ties are considered, the foreign capital structure can also be viewed according to the criterion of the country of residence of the parent, i.e. the banking group that majority-owns (directly or indirectly through the members from the banking group) the FB&H banks (Chart 5).

According to this criterion, the highest share as of 30/06/2022 is held by the banking groups and banks from Austria (35.8%), followed by the banking groups and banks from Turkey (21.8%), Italy (14.8%) and Germany (8.8%), while the banking groups and banks from other countries have no major individual shares (below 7%).



The total capital of the FBiH banking sector with the balance as at 30/06/2022 increased by BAM 78.7 million or 2.5% compared to the end of 2021, amounting to BAM 3.2 billion (Table 3). The increase of total capital was realized as a net effect of: an increase on the basis of the current financial result for the first half of 2022 of BAM 175 million, an increase on the basis of the sale of own shares of BAM 2.1 million, a decrease based on dividends disbursement of BAM

42.7 million, a decrease related to the sale of fair-valued securities of BAM 1.7 million and a decrease resting on changes to fair value of securities of BAM 54 million.

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No.	Banks	31/12/2020		31/12/2021		30/06/2022		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	97.608	3,1	150	102
2.	Private banks	3.002.440	97,9	3.012.735	96,9	3.089.257	96,9	100	103
	Total	3.066.082	100	3.108.147	100	3.186.865	100	101	103

If viewed through the state-owned, private and foreign capital shares in the share capital of the banks, this results in a more detailed analytical overview on the ownership structure of banks' capital in the FBiH, which is shown in the following (Table 4):

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No.	Share capital	31/12/2020		31/12/2021		30/06/2022		Index	
		Amount	% share	Amount	% share	Amount	% share	(5/3)	(7/5)
1	2	3	4	5	6	7	8	9	10
1.	State-owned capital	41.619	3,2	66.556	4,8	66.556	4,8	160	100
2.	Private capital (residents)	140.547	10,8	137.373	9,9	215.985	15,6	98	157
3.	Foreign capital (non-residents)	1.117.534	86,0	1.178.936	85,3	1.102.516	79,6	105	94
	Total	1.299.700	100	1.382.865	100	1.385.057	100	106	100

As of 30/06/2022, the share of private capital (residents) has risen against the end of 2021 by 5.7 percentage points compared to foreign capital (non-residents). This came as a result of a finalized bank resolution process with one bank.

Table 5 provides an overview of market shares of banks by ownership type (majority capital) across periods:

No.	Banke	31/12/2020			31/12/2021			30/06/2022		
		Number of banks	Share in total capit. %	Share in total assets %	Number of banks	Share in total capit. %	Share in total assets %	Number of banks	Share in total capit. %	Share in total assets %
1	2	3	4	5	6	7	8	9	10	11
1.	Banks with majority state-owned capital	1	2,1	3,6	1	3,1	4,1	1	3,1	4,3
2.	Banks with majority private capital - residents	4	5,3	6,7	3	5,7	6,8	4	12,7	13,7
3.	Banks with majority foreign capital	10	92,6	89,7	10	91,2	89,1	9	84,2	82,0
	Total	15	100	100	14	100	100	14	100	100

2.1.3. Staff Structure

The number of employees across the banking sector as at 30/06/2022 is 6.423, which is lower by 9 employees or 0.1% 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		30/06/2022		Index	
		Number of employees	% share	Number of employees	% share	Number of employees	% share	(5/3)	(7/5)
1	2	3	4	5	6	7	8	9	10
1.	University degree	4.088	62,7	4.090	63,6	4.101	63,8	100	100
2.	Two-year post-secondary school degree	453	6,9	413	6,4	425	6,6	91	103
3.	Secondary school degree	1.975	30,3	1.924	29,9	1.892	29,5	97	98
4.	Other	6	0,1	5	0,1	5	0,1	83	100
Total		6.522	100	6.432	100	6.423	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 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.	30/06/2022	
	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	25.890.828	4.025	6.423	26.295.104	4.094

2.2. FINANCIAL PERFORMANCE INDICATORS

2.2.1. 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 capital¹⁶, in accordance with the 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 2 of this Information - Balance Sheet of FBiH Banks According to the FBA Scheme (Active Sub-Balance Sheet). Annex 3 provides an overview of assets, loans, deposits and financial performance of the FBiH banks as at 30/06/2022.

Table 8 provides a summary of the banking sector's balance sheet:

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Tabela 8: Balance sheet

No.	Description	31/12/2020		31/12/2021		30/06/2022		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	8.269.121	31,4	108	104
2.	Securities	1.687.459	6,9	1.966.008	7,6	1.919.735	7,3	117	98
3.	Placements to other banks	275.941	1,1	350.452	1,3	219.883	0,8	127	63

¹⁶ The majority state-owned banks report in the "total" balance sheet passive and neutral items.

4.	Loans	15.254.651	62,5	15.890.821	61,4	16.143.030	61,4	104	102	
5.	Impairments	1.127.176	4,6	1.099.948	4,3	1.059.440	4,0	98	96	
6.	Net loans (loans minus impairments)	14.127.475	57,9	14.790.873	57,1	15.083.590	57,4	105	102	
7.	Business premises and other fixed assets	553.475	2,3	516.921	2,0	520.095	2,0	93	101	
8.	Other assets	337.473	1,4	277.335	1,1	282.680	1,1	82	102	
	TOTAL ASSETS	24.396.438	100	25.890.828	100	26.295.104	100	106	102	
	LIABILITIES									
9.	Deposits	19.660.862	80,6	21.184.952	81,8	21.610.906	82,2	108	102	
10.	Borrowings from other banks	0	0,0	0	0,0	0	0,0	0	-	
11.	Liabilities on loans	811.878	3,3	779.075	3,0	563.495	2,1	96	72	
12.	Other liabilities	857.616	3,5	818.654	3,2	933.838	3,6	95	114	
	CAPITAL									
13.	Capital	3.066.082	12,6	3.108.147	12,0	3.186.865	12,1	101	103	
	TOTAL LIABILITIES (LIABILITIES AND CAPITAL)	24.396.438	100	25.890.828	100	26.295.104	100	106	102	

The total net assets across the FBiH banking sector as of 30/06/2022 are BAM 26.3 billion, which is by BAM 404.3 million or 1.6% higher compared to the end of 2021. Net loans have the highest share (57.4%) within the assets in the banks' balance sheet, followed by cash (31.4%), and securities (7.3%). The deposits (82,2%) have the highest share within the liabilities in the banks' balance sheet, followed by capital (12.1%).

As of 30/06/2022, compared to the end of 2021, there was an increase of cash, loans, business premises and other fixed assets, other assets, deposits, other liabilities and total capital, while investments in securities, placements to other banks and liabilities on loans decreased.

The following Table 9 provides an overview of the banks' assets banks according to ownership structure:

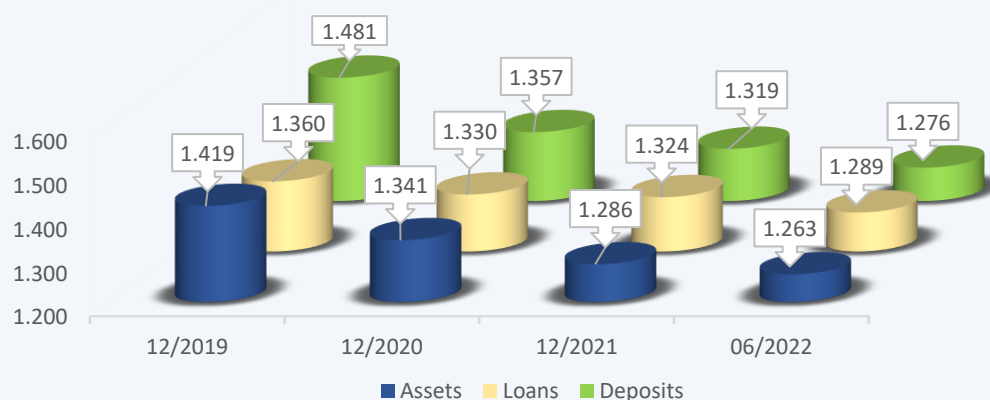
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Table 9: Banks' assets according to ownership structure

No.	Banks	31/12/2020			31/12/2021			30/06/2022			Index	
		Number of banks	Assets (BAM '000s)	% share	Number of banks	Assets (BAM '000s)	% share	Number of banks	Assets (BAM '000s)	% share	(7/4)	(10/7)
1	2	3	4	5	6	7	8	9	10	11	12	13
1.	State-owned	1	879.736	3,6	1	1.054.365	4,1	1	1.123.136	4,3	120	107
2.	Private	14	23.516.702	96,4	13	24.836.463	95,9	13	25.171.968	95,7	106	101
	Total	15	24.396.438	100	14	25.890.828	100	14	26.295.104	100	106	102

The Herfindahl index of concentration (Chart 6), as of 30/06/2022, compared to the end of 2021, dropped for assets by 23 units, for loans by 35 units and for deposits by 43 units. The Herfindahl index of concentration for the reporting period shows a moderate concentration in all three relevant categories.

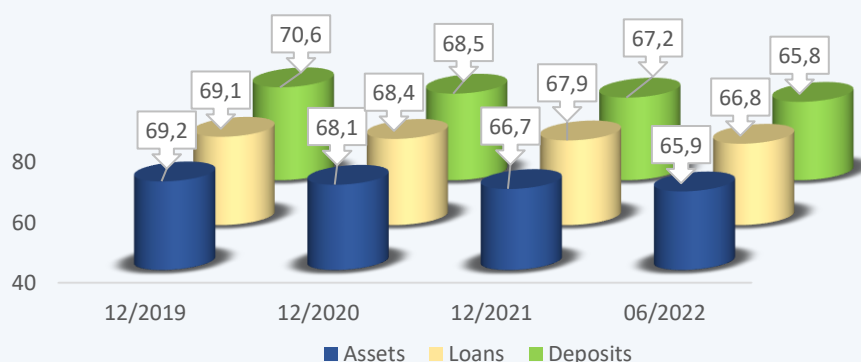
Chart 6: Herfindahl index of concentration in assets, loans and deposits



Looking into the concentration ratio, i.e. total share of the five biggest banks in the sector - CR5 as of 30/06/2022 is viewed compared to the end of 2021 (Chart 7), there is a decrease with all categories - market share by 0.8 percentage points, loans by 1.1 percentage point and deposits by 1.4 percentage points.

Two biggest banks in the sector account for 42.6% of the market (assets 42.5%, loans 42.2% and deposits 43%).

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



The banking sector can also be analysed according to the criterion of classification to the groups created according to the size of assets¹⁷ (Table 10). As of 30/06/2022, three banks in the FBiH banking sector with a 52.2% 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			30/06/2022		
		Amount	% share	Number of banks	Amount	% share	Number of banks	Amount	% share	Number of banks
1	2	3	4	5	6	7	8	9	10	11
1.	I (over BAM 2 billion)	13.375.256	54,8	3	13.713.355	53,0	3	13.722.125	52,2	3
2.	II (BAM 1-2 billion)	7.906.422	32,4	6	10.748.334	41,5	8	10.084.808	38,3	7
3.	III (BAM 0.5-1 billion)	2.708.664	11,1	4	1.301.209	5,0	2	2.369.256	9,0	3
4.	IV (BAM 0.1-0.5 billion)	406.096	1,7	2	127.930	0,5	1	118.915	0,5	1
Total		24.396.438	100	15	25.890.828	100	14	26.295.104	100	14

As of 30/06/2022 (compared to YE2021), there was a change in the structure of the group of banks in the total assets of the FBiH banking sector, i.e. one bank moved from group II to group III of banks.

¹⁷ Banks are divided into four groups depending on the size of assets.

Cash across the FBiH banking sector as of 30/06/2022 (Table 11) amounted to BAM 8.3 billion and increased by BAM 279.9 million or 3.5% vs. YE2021. Banks still hold major amount of cash in excess of the mandatory reserves.

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No.	Cash	31/12/2020		31/12/2021		30/06/2022		Index	
		Amount	% share	Amount	% share	Amount	% share	(5/3)	(7/5)
1	2	3	4	5	6	7	8	9	10
1.	Cash	1.267.712	17,1	1.526.329	19,1	1.554.152	18,8	120	102
2.	Reserve account with CBBiH	4.478.515	60,4	5.270.323	66,0	5.184.100	62,7	118	98
3.	Accounts with deposit institutions in BiH	30.194	0,4	10.345	0,1	39.403	0,5	34	381
4.	Accounts with deposit institutions abroad	1.638.190	22,1	1.182.240	14,8	1.491.464	18,0	72	126
5.	Cash in process of collection	4	0,0	2	0,0	2	0,0	50	100
	Total	7.414.615	100	7.989.239	100	8.269.121	100	108	104

As of 30/06/2022, compared to the end of 2021, there was an increase of the banks' cash funds related to cash and deposit accounts with deposit institutions in BiH and abroad, while a decrease was noted with cash related to reserve accounts with CBB&H. Cash in process of collection remained the same vs. the comparable period. In the currency structure of cash funds as of 30/06/2022 (compared to the end of 2021), the share of local currency dropped from 81.1% to 77%.

The portfolio of securities as at 30/06/2022 (Table 12) amounted to BAM 1.9 billion, which was lower by BAM 46.3 million or 2.4% compared to the end of 2021.

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No.	Investments in securities	31/12/2020		31/12/2021		30/06/2022		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	11.552	0,6	62	157
2.	Debt securities:	1.675.615	99,3	1.958.634	99,6	1.908.183	99,4	117	97
2.1.	- Securities of all levels of governments in BiH	992.337	58,8	1.014.120	51,6	1.095.477	57,1	102	108
2.2.	- Government securities (other countries)	544.646	32,3	756.726	38,4	643.912	33,5	139	85
2.3.	- Corporate bonds ¹⁸	138.632	8,2	187.788	9,6	168.794	8,8	135	90
	Total	1.687.459	100	1.966.008	100	1.919.735	100	117	98

As of 30/06/2022, the most significant item within the investments in debt securities (Table 13) are the securities of entity governments, namely the securities issued by the FBiH¹⁹ of altogether BAM 667 million and the securities of the RS as the issuer of BAM 376.7 million.

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No.	Investments in securities	31/12/2020		31/12/2021		30/06/2022		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	666.965	63,9	89	107
1.1.	- Treasury bills	100.007	10,2	34.986	3,6	29.985	2,9	35	86
1.2.	- Bonds	599.547	61,3	590.266	60,8	636.980	61,0	98	108

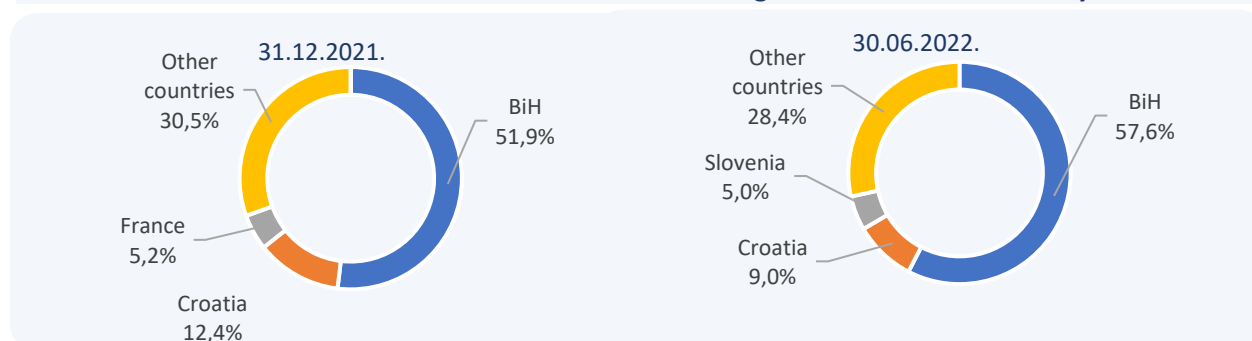
¹⁸ Relate to the EU and US banks' bonds

¹⁹ All types of securities of the FBiH as the issuer

2.	Debt securities of RS as issuer:	278.325	28,5	346.095	35,6	376.720	36,1	124	109
2.1.	- Treasury bills	41.759	4,3	0	0,0	0	0,0	0	-
2.2.	- Bonds	236.566	24,2	346.095	35,6	376.720	36,1	146	109
	Total	977.879	100	971.347	100	1.043.685	100	99	107

If total investments in securities are analysed according to the exposures by countries (Chart 8), the highest share of 57.6% is to the issuers from BiH, followed by Croatia with a 9% share, Slovenia with 5% share and other countries with individual shares below 5%.

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



2.2.2. Liabilities

As of 30/06/2022, deposits amounted to BAM 21.6 billion, increasing by BAM 426 million or 2% compared to the end of 2021. Out of the total amount of deposits at the end of the observed period, BAM 1.4 billion or 6.4% refers to deposits collected in organisational part of FBiH-seated banks operating in the RS and the BD.

As of 30/06/2022, the share of deposits, as the most significant source of the banks' funding, compared to the end of 2021, increased by 0.4 percentage points (82.2%), while the share of loan obligations reduced by 0.9 percentage points (2.1%).

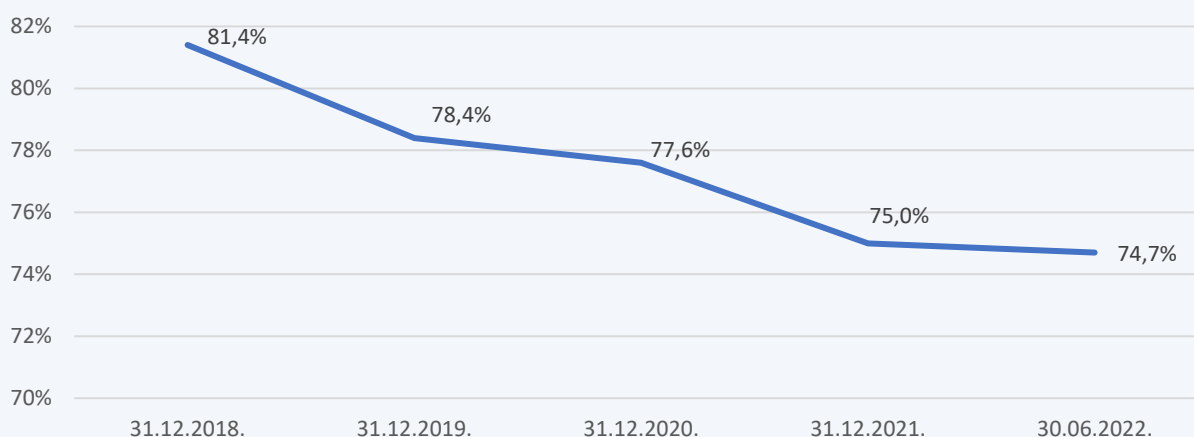
The banks' loan obligations with the amount of BAM 563.5 million have decreased by BAM 215.6 million or 27.7% compared to the end of 2021. If subordinated loans of BAM 265.3 million are also added to the loan obligations, total loans have a 3.1% share in the funding sources.

The following Charts 9 and 10 provide an overview of total deposits and loan-to-deposit ratio by periods:

Chart 9: Total deposits



Chart 10: Loan-to-deposit ratio



The following Table 14 provides an overview of the sector structure of deposits:

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Table 14: Sector structure of deposits

No.	Sectors	31/12/2020		31/12/2021		30/06/2022		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	3.338.114	15,4	116	128
2.	Public enterprises	1.453.080	7,4	1.618.685	7,6	1.664.687	7,7	111	103
3.	Priv. enterp. and companies	3.783.548	19,2	4.393.701	20,8	4.459.352	20,6	116	101
4.	Banking institutions	568.484	2,9	348.047	1,6	425.862	2,0	61	122
5.	Non-bank. Fin. institutions	848.319	4,3	829.534	3,9	822.089	3,8	98	99
6.	Retail	10.236.559	52,1	10.832.483	51,1	10.278.477	47,6	106	95
7.	Other	534.027	2,7	562.120	2,7	622.325	2,9	105	111
	Total	19.660.862	100	21.184.952	100	21.610.906	100	108	102

The highest share in the sector structure of deposits refers to retail deposits with 47.6% and this share has dropped by 3.5 percentage points compared to YE2021. As of 30/06/2022, retail deposits stood at BAM 10.3 billion.

An increase in deposits as of 30/06/2022, compared to the end of 2021, was realized in relation to the government institutions' deposits by BAM 737.7 million or 28.4%, deposits of public enterprises by BAM 46 million or 2.8%, deposits of private enterprises by BAM 65.7 million or 1.5%, deposits of banking institutions by BAM 77.8 million or 22.4% and other deposits by BAM 60.2 million or 10.7%.

A decrease of deposits as of 30/06/2022, compared to the end of 2021, was recorded in relation to deposits of non-banking financial institutions by BAM 7.4 million or 0.9% and retail deposits by BAM 554 million or 5.1%.

Financing in form of deposits of banking groups is present in eight banks in the FBiH, so that 79% of total deposits of banking institutions refer to deposits of these groups.

The currency structure of deposits as at 30/06/2022 has changed compared to the end of 2021, i.e. the share of deposits in domestic currency increased from 67.6% to 69.1% and the share of deposits in foreign currency decreased from 32.4% to 30.9%. Deposits in BAM amounted to BAM 14.9 billion and increased by BAM 616.8 million or 4.3% compared to the end of 2021, while deposits in foreign currencies stood at BAM 6.7 billion and decreased by BAM 190.8 million or 2.8% compared to the end of 2021.

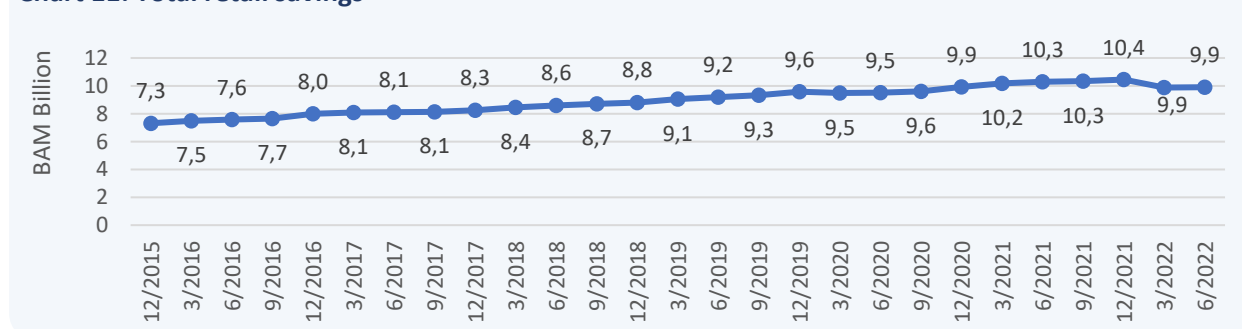
The structure of deposits, according to the origin of depositors, as of 30/06/2022, compared to the end of 2021, has the following structure: residents' deposits of BAM 20.9 billion have a 96.8% share (up by 0.2 percentage points), while non-residents' deposits are BAM 0.7 billion, which was 3.2% of total deposits (down by 0.2 percentage points).

As of 30/06/2022, savings deposits amounted to BAM 9.9 billion, decreasing by BAM 550 million or 5.3% compared to the end of 2021. This decrease of retail savings came as a result of events stemming from the Russian invasion of Ukraine, current geopolitical situation and inflationary pressures. The saving trend is shown in the Table 15 and the Chart 11 below.

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No.	Banks	Amount			Index	
		31/12/2020	31/12/2021	30/06/2022	(4/3)	(5/4)
1	2	3	4	5	6	7
1.	State-owned	105.980	124.474	121.092	117	97
2.	Private	9.809.340	10.324.468	9.777.899	105	95
	Total	9.915.320	10.448.942	9.898.991	105	95

Chart 11: Total retail savings



54% of savings are concentrated in two biggest banks, while four banks have the individual shares of less than 2%, amounting to 4.3% of the total savings in the sector. Of the total amount of the savings, 54% relate to savings deposits in domestic currency, while 46% relate to savings deposits in foreign currency.

As of 30/06/2022 vs. YE2021, short term retail savings deposits dropped by BAM 131 million or 1.9% (while their share rose by 2.2 percentage points) and long term retail savings deposits dropped by BAM 419 million or 11.3% (their share went down by 2.2 percentage points). The maturity structure of savings deposits can be seen in the Table 16 below:

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No.	Savings deposits	31/12/2020		31/12/2021		30/06/2022		Index	
		Amount	% share	Amount	% share	Amount	% share	(5/3)	(7/5)
1	2	3	4	5	6	7	8	9	10
1.	Short term savings	6.142.454	61,9	6.755.829	64,7	6.624.852	66,9	110	98
2.	Long term savings	3.772.866	38,1	3.693.113	35,3	3.274.139	33,1	98	89
	Total	9.915.320	100	10.448.942	100	9.898.991	100	105	95

The Table 17 below provides an overview of retail loans, savings and deposits by periods:

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No.	Description	31/12/2020		31/12/2021		30/06/2022		Index	
		Amount	% share	Amount	% share	Amount	% share	(4/3)	(5/4)
1	2	3	4	5	6	7	8	9	10
1.	Retail loans	7.281.540		7.613.327		7.841.598		105	103
2.	Retail savings	9.915.320		10.448.942		9.898.991		105	95
2.1.	Term deposits	4.089.390		3.976.925		3.558.007		97	89
2.2.	Demand deposits	5.825.930		6.472.017		6.340.984		111	98
3.	Loans/Savings	73%		73%		79%		-	-
4.	Retail deposits	10.236.559		10.832.483		10.278.477		106	95
5.	Loans/Retail deposits	71%		70%		76%		-	-

As of 30/06/2022, retail loans amounted to BAM 7.8 billion, up by 3% vs. YE2021, while retail deposits dropped by 5.1% to BAM 10.3 billion.

The ratios of loans to savings and loans to deposits rose by 6 percentage points vs. end of 2021 due to reduction of deposits, i.e. savings and increased retail loans in the observed period.

2.2.3. Capital and Capital Adequacy

As of 30/06/2022, the total banks' capital was BAM 3.2 billion, increasing by BAM 78.7 million or 2.5% compared to the end of 2021 (more details are provided under Subheading 2.1.2 - Ownership Structure and Market Share).

The following Table 18 provides a report on the balance, i.e. the structure of the FBiH banks' own funds:

Table 18: Report on the balance of own funds

No.	Description	31/12/2020	31/12/2021	30/06/2022	Index	
					(4/3)	(5/4)
1	2	3	4	5	6	7
1.	Own funds	2.698.561	2.852.902	2.865.389	106	100
1.1.	Tier 1 capital	2.581.508	2.733.978	2.752.133	106	101
1.1.1.	Common Equity Tier 1 capital	2.581.508	2.733.978	2.752.133	106	101
1.1.1.1.	Paid-up capital instruments	1.299.335	1.384.714	1.384.714	107	100
1.1.1.2.	Share premium	137.290	137.290	137.327	100	100
1.1.1.3.	(-) Own Common Equity Tier 1 capital instruments	-214	-214	0	100	0
1.1.1.4.	(-) Actual or contingent liabilities to purchase own Common Equity Tier 1 capital instruments	0	-2.192	0	-	0
1.1.1.5.	Previous year retained profit	343.453	393.494	443.442	115	113
1.1.1.6.	Recognized gain or loss	-145.228	-118.241	-125.734	81	106
1.1.1.7.	Accumulated other comprehensive income	29.151	10.368	-43.596	36	-
1.1.1.8.	Other reserves	1.000.959	1.014.269	1.042.353	101	103
1.1.1.9.	(-) Other intangible assets	-58.638	-61.626	-60.607	105	98
1.1.1.10.	(-) Deferred tax assets that rely on future profitability and do not arise from temporary differences minus the associated tax liabilities	-34	-1.081	-3.286	3.179	304
1.1.1.11.	(-) Deduction from Additional Tier 1 items exceeding Additional Tier 1	0	0	0	-	-
1.1.1.12.	(-) Deferred tax assets deductible and relying on future profitability and arising from temporary differences	-8.300	-8.621	-8.298	104	96
1.1.1.13.	(-) Financial sector entities' Common Equity Tier 1 instruments if bank has material investment	-16.266	-14.182	-14.182	87	100
1.1.1.14.	Elements or deductions from Common Equity Tier 1 - other	0	0	0	-	-
1.1.2.	Additional Tier 1	0	0	0	-	-
1.2.	Tier 2 capital	117.053	118.924	113.256	102	95
1.2.1.	Paid-up capital instruments and subordinated debts	117.067	118.938	113.256	102	95
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 30/06/2022 amounted to BAM 2.9 billion and, compared to the end of 2021, increased by BAM 12.5 million or 0.4%. At the same time, the banks' T1 and CET1 capitals amounted to BAM 2.8 billion, with a realized increase of BAM 18.2 million or 0.7%, while Tier 2 capital was BAM 1113.3 million, with a realized decrease of BAM 5.7million or 4.8% compared to the end of 2021. The own funds' structure of the FBiH banking sector included a share of Tier 1 capital of 96% (12/2021: 95.8%), while Tier 2 capital participated with 4% (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 63.6 million,
- increase based on reduction of an off-set item - own capital instruments (own shares' sale) in an amount of BAM 2.4 million,

- increase based on reduction of an off-set item – intangible assets in an amount of BAM 1 million,
- increase based on securities' sale of BAM 6.9 million,
- decrease based on increase of an off-set item - deferred tax assets of BAM 1.8 million, and
- decrease of accumulated other comprehensive income in an amount of BAM 54 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 30/06/2022 was BAM 14.8 billion (Table 19).

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No.	Izloženost riziku	31/12/2020		31/12/2021		30/06/2022		Index	
		Amount	% share	Amount	% share	Amount	% share	(5/3)	(7/5)
1	2	3	4	5	6	7	8	9	10
1.	Risk weighted exposures for credit risk	12.843.833	91,0	13.167.335	91,0	13.526.418	91,5	103	103
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	120.751	0,8	128	79
4.	Risk exposures for operational risk	1.150.236	8,2	1.147.271	7,9	1.144.473	7,7	100	100
Total risk exposure amount		14.113.134	100	14.467.395	100	14.791.642	100	103	102

The total risk exposure amount across the FBiH banking sector increased in the first half of the current year by BAM 324.2 million or 2.2% compared to the end of the previous year. Over the reporting period, there was an increase of credit risk weighted exposures by BAM 359.1 million or 2.7% and the market risk weighted exposures went down by BAM 32 million or 21%, while the operational risk weighted exposures dropped by BAM 2.8 million or 0.2%. At the end of the first half of 2022, there were five banks in the sector that have not posted currency risk exposures since their net open currency position did not exceed 2% of the own funds, and this number of banks did not change at the end of 2021. This major decrease of the market risk exposure at the FBiH banking sector level mostly came as a result of decreased net open position for EUR with one bank.

As of 30/06/2022, banks were most exposed to the credit risk (91.5% share), dominant in the FBiH banking sector. Compared to the end of the previous year, the share of the credit risk in total exposure went up by 0.5 percentage points, while the market risk exposure share went down by 0.3 percentage points and the share of the operational risk exposure by 0.2 percentage points. Within the credit risk weighted exposures, the highest share is with retail exposures (BAM 4.6 billion or 35.1%), followed by corporate exposures (BAM 3.6 billion or 26.9%) and real estate-secured exposures (BAM 3.3 billion or 24.4%). The banking sector's capital adequacy has continuously been maintained above 15% in the last few years, which is satisfactory capitalization across the sector. The FBiH banking sector capital adequacy indicators are provided in the following Table 20:

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Table 20: Capital adequacy indicators

No.	Capital ratios	% and amount of regulatory minimum surplus or deficit		
		31/12/2020	31/12/2021	30/06/2022
1	2	3	4	5
1.	Common Equity Tier 1 capital ratio	18,3%	18,9%	18,6%
2.	Surplus (+)/ Deficit (-) of Common Equity Tier 1 capital	1.628.872	1.757.430	1.753.699
3.	Tier 1 capital ratio	18,3%	18,9%	18,6%
4.	Surplus (+) / Deficit (-) of Tier 1 capital	1.311.327	1.431.916	1.420.886
5.	Own funds ratio	19,1%	19,7%	19,4%
6.	Surplus (+) / Deficit (-) of own funds	1.004.986	1.116.816	1.090.391

The own funds rate as at 30/06/2022 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 and CET1 and T1 ratios also decreased by the same percentage points.

The following Table 21 provides an overview of the FBiH banking sector's financial leverage ratio (i.e. the ratio of T1 capital and total exposure of a bank) across periods:

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Table 21: Financial leverage ratio

No.	Exposure values	31/12/2020	31/12/2021	30/06/2022
		3	4	5
1.	Financial leverage ratio exposures	25.523.184	27.111.043	27.508.575
2.	Tier 1 capital	2.581.508	2.733.978	2.752.133
	Financial leverage ratio	10,1%	10,1%	10,0%

The financial leverage ratio across the banking sector as at 30/06/2022 is 10% and is lower by 0.1 percentage point compared to the end of 2021.

2.2.4. Credit Risk

The Decision on Credit Risk Management and Determination of Expected Credit Losses²⁰ defines the rules of credit risk management, manner of exposure allocation to credit risk grades and ECL determination, types of eligible collateral, etc. It has been in effect since 01/01/2020. All exposures are being allocated to one of the following credit risk grades: credit risk grade 1 – low level of credit risk, credit risk grade 2 – increased level of credit risk and credit risk grade 3 – exposures in default status.

The Table 22 below provides an overview of exposures at the FBiH banking sector level based on key categories of financial assets, off-balance sheet exposures and related ECLs:

²⁰ FBiH Official Gazette No. 44/19 and 37/20

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

No.	Description	31/12/2020			31/12/2021			30/06/2022		
		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	8.495.985	11.110	0,1
2.	Financial assets at amortised cost	15.460.513	1.136.925	7,4	16.160.753	1.119.190	6,9	16.493.659	1.084.731	6,6
3.	Financial assets at fair value	1.552.559	0	0,0	1.781.852	0	0,0	1.670.699	0	0,0
4.	Other financial receivables	258.027	33.250	12,9	187.605	21.971	11,7	175.502	15.801	9,0
I Total balance sheet exposure		24.965.008	1.180.062	4,7	26.474.208	1.152.379	4,4	26.835.845	1.111.642	4,1
5.	Issued guarantees	1.373.899	24.965	1,8	1.428.082	24.875	1,7	1.519.980	32.286	2,1
6.	Uncovered letters of credit	39.203	1.432	3,7	40.601	1.172	2,9	48.857	1.447	3,0
7.	Irrevocably approved, but undrawn loans	2.468.359	32.597	1,3	2.188.232	21.071	1,0	2.066.527	20.998	1,0
8.	Other contingent liabil.	8.274	26	0,3	263.064	2.563	1,0	227.503	2.637	1,2
II Total off-bal. sheet items		3.889.735	59.020	1,5	3.919.979	49.681	1,3	3.862.867	57.368	1,5
Total exposure (I+II)		28.854.743	1.239.082	4,3	30.394.187	1.202.060	4,0	30.698.712	1.169.010	3,8

Total exposure of banks as of 30/06/2022 stood at BAM 30.7 billion, thereof BAM 26.8 billion referring to balance sheet exposures and BAM 3.9 billion to off-balance sheet items. In the first half of 2022, there was an increase of balance sheet exposures compared to the YE2021 by BAM 361.6 million or 1.4%. This increase came as a net effect of an increase of cash and cash facilities by BAM 152 million (1.8%), financial assets measured at amortised cost by BAM 332.9 million (2.1%) and a decrease of financial assets measured at fair value by BAM 111.2 million (6.2%) and other financial receivables by BAM 12.1 million (6.5%). Over the same period, there was a decrease of off-balance sheet items by BAM 57.1 million or 1.5%. This decrease came as a net effect of a reduction of irrevocably approved, but undrawn loans (BAM 121.7 million or 5.6%) and other contingent liabilities of banks (BAM 35.6 million or 13.5% - relates to one bank), as well as an increase of issued guarantees (BAM 91.9 million or 6.4%) and uncovered letters of credit (BAM 8.3 million or 20.3% - significant increase with two banks).

The following Table 23 shows balance sheet and off-balance sheet exposures at the FBiH banking sector level by credit risk grades and related ECLs:

- BAM 000 -

Tabela 23: Exposures by credit risk grades

Nn.	Description	31/12/2020			31/12/2021			30/06/2022		
		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	24.309.059	178.937	0,7
2.	Credit risk grade 2	1.645.274	204.681	12,4	1.387.627	161.999	11,7	1.553.595	163.938	10,6
3.	Credit risk grade 3	1.017.814	795.903	78,2	1.057.371	824.068	77,9	973.191	768.767	79,0
I Total balance sheet exposure		24.965.008	1.180.062	4,7	26.474.208	1.152.379	4,4	26.835.845	1.111.642	4,1
4.	Credit risk grade 1	3.440.487	21.343	0,6	3.603.792	20.660	0,6	3.478.718	23.483	0,7
5.	Credit risk grade 2	443.246	34.354	7,8	309.101	25.536	8,3	373.467	29.494	7,9
6.	Credit risk grade 3	6.002	3.323	55,4	7.086	3.485	49,2	10.682	4.391	41,1
II Total off-balance sheet exposure		3.889.735	59.020	1,5	3.919.979	49.681	1,3	3.862.867	57.368	1,5

Total exposure (I+II)	28.854.743	1.239.082	4,3	30.394.187	1.202.060	4,0	30.698.712	1.169.010	3,8
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As of 30/06/2022, balance sheet exposures within the credit risk grade 1 amounted to BAM 24.3 billion and make up for 90.6% of the total balance sheet exposures. Compared to YE2021, they have increased by BAM 279.8 million or 1.2%. The increase mostly came as a result of a net effect of loan portfolio within this credit risk grade by BAM 190.9 million, cash and cash facilities to banks by BAM 152.4 million and debt securities measured at amortised cost by BAM 40.1 million and a decrease of debt securities measured at fair value by BAM 103.4 million.

As of 30/06/2022, balance sheet exposures within the credit risk grade 2 stood at BAM 1.6 billion, representing 5.8% of the total balance sheet exposures. Compared to YE2021, they have risen by BAM 166 million or 12%. The increase of total balance sheet exposures within this credit risk grade came mostly as a result of an increase of the loan portfolio within the credit risk grade 2 by BAM 148.1 million and debt securities measured at amortised cost by BAM 16.3 million.

As of 30/06/2022, balance sheet exposures within the credit risk grade 3 amounted to BAM 973.2 million, representing 3.6% of the total balance sheet exposures. Compared to YE2021, they have decreased by BAM 84.2 or 8%, mostly as a result of a decrease of the loan portfolio within this credit risk grade by BAM 84 million.

At the end of the 1H 2022 vs. YE2021, ECLs at the credit risk grade 1 for the balance sheet exposures increased by BAM 12.6 million, for the credit risk grade 2 by BAM 1.9 million and for the credit risk grade 3 it went down by BAM 55.3 million. Over the observed period, ECL coverage rate for exposures within the credit risk grade 1 remained the same (0.7%), while this rate dropped at the credit risk grade 2 by 1.1 percentage point (from 11.7% to 10.6%) and at the credit risk grade 3 increased by 1.1 percentage point (from 77.9% to 79%). Total ECL coverage rate for balance sheet exposures is 4.1%, whereas at the end of 2021 it was 4.4%.

As of 30/06/2022, off-balance sheet exposures at the credit risk grade 1 stood at BAM 3.5 billion, thus representing 90% of the total off-balance sheet exposures. Exposures at the credit risk grade 2 amounted to BAM 373.5 million or 9.7% of the total off-balance sheet exposures, while the credit risk grade 3 includes exposures of BAM 10.7 million or 0.3% of the total off-balance sheet. Total ECL coverage for off-balance sheet exposures is 1.5%, which is by 0.2 percentage points higher than at the end of the previous year. For the credit risk grade 1, the coverage rate increased by 0.1 percentage point compared to the end of the previous year, while the coverage rates went down for the credit risk grades 2 and 3 - by 0.4 percentage points for the credit risk grade 2 and by 8.1 percentage point for the credit risk 3 due to a major increase of off-balance sheet items at the credit risk grade 3 with one bank, coupled with a slight increase of relevant ECL.

As of 30/06/2022, loans stood at BAM 16.1 billion, increasing by BAM 252.2 million or 1.6% vs. YE2021. Looking at the sector structure of loans, the increase rate came from loans to private enterprises, non-banking financial institutions and retail, while there was a decrease in other sectors. The highest decrease rate came from loans to banking institution (BAM 328.9 million or 35.8%) as a result of a reduction of the short term low-risk exposures with one bank by BAM 293.4 million as being included in the loan portfolio. If the decrease of this item would be excluded, the loan portfolio would show a growth of 3.4% over the observed period.

Retail loans amount to BAM 7.8 billion and hold a share in total loans of 48.6% (up by BAM 228.3 million or 3% compared to YE2021). Corporate loans (amounting to BAM 8.3 billion and representing 51.4% of the total loans) have increased by BAM 23.9 million or 0.3% compared to the end of 2021 (Chart 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 3.8% during the observed period.

Chart 12: Loans



The following Table 24 shows a trend and changes of individual sectors in total loan structure:

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Table 24: Loan structure by sectors

No.	Sectors	31/12/2020		31/12/2021		30/06/2022		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	201.483	1,3	112	90
2.	Public enterprises	395.157	2,6	406.525	2,6	388.330	2,4	103	96
3.	Private enterprises and companies	6.500.322	42,6	6.616.260	41,6	7.009.553	43,4	102	106
4.	Banking institutions	772.554	5,1	917.784	5,8	588.844	3,6	119	64
5.	Non-banking fin. Instit.	83.921	0,6	91.038	0,6	91.090	0,6	108	100
6.	Retail	7.281.540	47,7	7.613.327	47,9	7.841.598	48,6	105	103
7.	Other	22.125	0,1	22.635	0,1	22.132	0,1	102	98
	Total	15.254.651	100	15.890.821	100	16.143.030	100	104	102

The following Table 25 provides maturity structure of loans by sectors:

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Table 25: Maturity structure of loans

No.	Sectors	31/12/2021			30/06/2022			Index		
		ST loans	LT loans	Receiv. due	ST loans	LT loans	Receiv. due	(6/3)	(7/4)	(8/5)
1	2	3	4	5	6	7	8	9	10	11
1.	Government institutions	4.481	218.670	101	1.077	200.264	142	24	92	141
2.	Public enterprises	53.308	349.648	3.569	35.682	351.670	978	67	101	27
3.	Private enterprises and companies.	2.305.243	3.836.967	474.050	2.610.984	3.962.767	435.802	113	103	92
4.	Banking institutions	917.783	0	1	588.842	0	2	64	-	200
5.	Non-banking fin. institutions	32.401	58.615	22	31.067	60.001	22	96	102	100

6.	Retail	389.772	6.977.461	246.094	388.289	7.227.905	225.404	100	104	92
7.	Other	6.412	15.835	388	9.229	12.541	362	144	79	93
	Total	3.709.400	11.457.196	724.225	3.665.170	11.815.148	662.712	99	103	92

As of 30/06/2022, compared to the end of 2021, short term loans in the FBiH banking sector have dropped by BAM 44.2 million or 1.2, while long term loans have risen by BAM 358 million or 3.1%. Receivables due amount to BAM 662.7 million and are lower by BAM 61.5 million or 8.5% vs. YE2021.

In the currency structure of loans, loans approved in domestic currency have the highest share of 58% or BAM 9.4 billion, followed by loans approved with a currency clause with a share of 37.9% or BAM 6.1 billion (EUR: BAM 6.1 billion or 99.96%, CHF: BAM 2.1 million or 0.04 %), while loans approved in foreign currency have the lowest share of 4.1% or BAM 661.1 million (of which 99.9% relates to EUR).

The following Table 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			30/06/2022		
		Amount	ECL	% ECL	Amount	ECL	% ECL	Amount	ECL	% ECL
1	2	3	4	5	6	7	8	9	10	11
I Corporate loans										
1.	Credit risk grade 1	6.272.170	78.817	1,3	6.770.320	66.945	1,0	6.807.840	79.376	1,2
2.	Credit risk grade 2	1.157.194	141.218	12,2	925.089	116.184	12,6	956.018	100.850	10,5
3.	Credit risk grade 3	543.747	421.893	77,6	582.085	435.691	74,9	537.574	410.928	76,4
	Total I	7.973.111	641.928	8,1	8.277.494	618.820	7,5	8.301.432	591.154	7,1
II Retail loans										
4.	Credit risk grade 1	6.395.495	84.591	1,3	6.748.669	82.526	1,2	6.902.049	83.737	1,2
5.	Credit risk grade 2	446.971	58.801	13,2	425.538	43.166	10,1	541.694	59.517	11,0
6.	Credit risk grade 3	439.074	341.856	77,9	439.120	355.436	80,9	397.855	325.032	81,7
	Total II	7.281.540	485.248	6,7	7.613.327	481.128	6,3	7.841.598	468.286	6,0
Total loans										
7.	Credit risk grade 1	12.667.665	163.408	1,3	13.518.989	149.471	1,1	13.709.889	163.113	1,2
8.	Credit risk grade 2	1.604.165	200.019	12,5	1.350.627	159.350	11,8	1.497.712	160.367	10,7
9.	Credit risk grade 3	982.821	763.749	77,7	1.021.205	791.127	77,5	935.429	735.960	78,7
	Total loans (I+II)	15.254.651	1.127.176	7,4	15.890.821	1.099.948	6,9	16.143.030	1.059.440	6,6

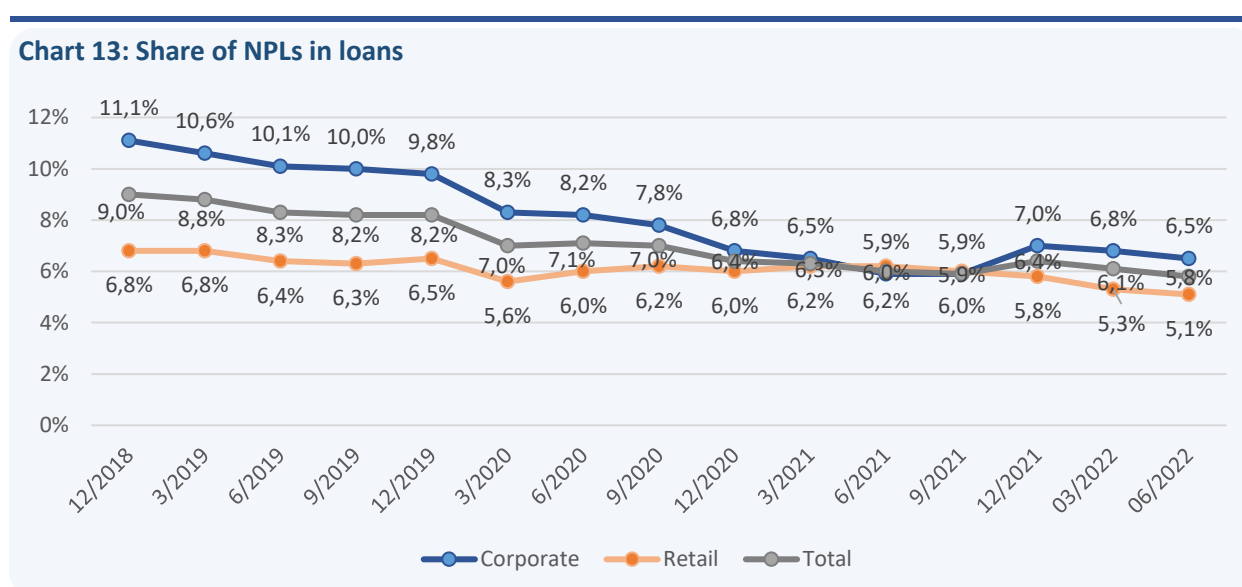
The loan portfolio allocated to the credit risk grade 1 as of 30/06/2022 stood at BAM 13.7 billion, representing 84.9% of the total loan portfolio. This represents an increase compared to YE2021 by BAM 190.9 million or 1.4%. The ECL coverage rate for the credit risk grade 1 is 1.2% (for corporate as well as retail), thus being higher by 0.1 percentage point compared to the end of 2021.

The loan portfolio in the credit risk grade 2 as of 30/06/2022 stood at BAM 1.5 billion, thus making up for 9.3% of the total loan portfolio. Compared to YE2021, it is by BAM 147.1 million or 10.9% higher due to a significant increase with one bank. The ECL coverage rate for this credit risk grade is 10.7% (corporate 10.5% and retail 11%), down by 1.1 percentage point compared to 31/12/2021.

The loan portfolio in the credit risk grade 3 (NPL) as of 30/06/2022 amounted to 935.4 million, thus constituting 5.8% of the total loan portfolio, while the NPL rate stood at 6.4% at the end of the previous year. Its reduction by BAM 85.8 million or 8.4% vs. YE2021 was largely resulting from the net effect of: new non-performing loans of BAM 94.1 million, recoveries of BAM 28.3 million, collection of BAM 65.8 million, accounting and permanent write offs of BAM 85.7 million and other items of BAM 0.1 million. The ECL coverage rate for the credit risk grade 3 is 78.7% (corporate 76.4% and retail 81.7%), up by 1.2 percentage points vs. 31/12/2021.

Out of total corporate loans, BAM 537.6 million or 6.5% refers to the NPL segment, down by 0.5 percentage points vs. YE2021. As for the retail segment, NPLs stood at BAM 397.8 million or 5.1% of the retail loan portfolio, thus being lower by 0.7 percentage points than at YE2021.

An overview of NPLs (loan portfolio allocated to the credit risk grade 3) is provided in the following Chart 13:



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

As for corporate loans, the highest share relates to the trade sector (BAM 2.9 billion or 35.2% of corporate loans, i.e. 18.1% of the total loan portfolio), processing industry (BAM 2 billion or 24.4% of corporate loans, i.e. 12.6 % of total loans) and financial industry (BAM 751.8 million or 9.1% of corporate loans, i.e. 4.6% of total loans).

The share of NPLs in loans to the trade sector is 4.8% (ECL coverage rate for NPLs is 84.7%), to the processing industry 11.9% (ECL coverage rate for NPLs is 74.7%) and to the financial industry 0.1% (ECL coverage rate for NPLs is 35.1%). With regards to other corporate loans, the highest share of NPLs at the end of the first half of 2022 referred to loans approved to agriculture (25.2%), education (21.6%) and hotel and hospitality business (12.8%).

As far as retail loans are concerned, the highest share is with general consumption loans (BAM 6.1 billion or 78.2% of retail loans, i.e. 38% of the total loan portfolio) and housing loans (BAM 1.6 billion or 20.6% of retail loans, i.e. 10% of the total loan portfolio). The share of NPLs in general consumption loans is 5.9% (ECL coverage rate is 82.3%) and with housing loans 1.7% (ECL coverage rate is 72.6%). The high share of general consumption loans in the loan portfolio of the FBiH banking sector calls for greater caution in shaping credit policies in banks.

Table 27 provides an overview of key ratios used in credit risk assessments in FBiH banks:

- %-

No.	Description	31/12/2020	31/12/2021	30/06/2022
1	2	3	4	5
1.	Rate of non-performing exposures	3,5	3,5	3,2
2.	ECL coverage rate for non-performing exposures	78,1	77,7	78,6
3.	ECL coverage rate for total assets	4,3	4,0	3,8
4.	NPL rate	6,4	6,4	5,8
5.	ECL coverage rate for NPLS	77,7	77,5	78,7
6.	ECL coverage rate for total loans	7,4	6,9	6,6
7.	New NPLs*/Total performing loans	0,7	0,8	0,0
8.	NPL/Total capital and ECL for NPL	25,7	26,2	23,8
9.	Net NPLs/Tier1 capital	8,5	8,4	7,2
10.	Loans due/Total loans	4,2	4,6	4,1

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

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

The measures prescribed by the FBA during the Pandemic are aimed at avoiding negative economic consequences of the pandemic and enabling recovery of the economy. This also resulted in mitigating the increase of NPLs in the total loan portfolio. As of the end of the 1H 2022, BAM 76.1 million or 0.5% of the total loans was encompassed by some of active special measures prescribed by the Decision on Temporary Measures of Banks to Ensure Recovery from Negative Economic Consequences Caused by Covid-19²¹. Total amount of the corporate loan portfolio subjected to active measures was BAM 69.4 million or 0.8% of the corporate loan portfolio, while active measures referring to the retail portfolio amounted to BAM 6.7 million or 0.1% of the retail loan portfolio. In May 2022, the FBA adopted the decision repealing the aforementioned Decision.

2.2.5. Profitability

Bank profitability is affected the most by asset quality. Also, the profitability indicator may be impacted by other risks, structure, diversification and funding costs, cost efficiency, FBiH banking and financial sector specific external factors (financial system development, regulatory

²¹ FBiH Official Gazette No. 60/20, 21/21, 89/21, 104/21 and 43/22

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. the stability and quality of the earnings level and strengthening of the capital base through retained profit.

FBiH Banking Sector's Earnings Level, Quality and Trend

Positive financial performance of BAM 175.1 million across the FBiH banking sector was reported for the period from 01/01/2022 to 30/06/2022, being higher by BAM 24.4 million compared to the previous year (Table 28). Positive financial performance was reported by all FBiH banks in the first half of 2022.

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No.	Description	01/01/ - 30/06/2020		01/01/ - 30/06/2021		01/01/ - 30/06/2022	
		Amount	Number of banks	Amount	Number of banks	Amount	Number of banks
1	2	3	4	5	6	7	8
1.	Profit	105.962	14	150.657	15	175.070	14
2.	Loss	474	1	0	0	0	0
	Total	105.488	15	150.657	15	175.070	14

Annex 5 shows an aggregate income statement of banks in the FBiH for the period from 01/01/2022 to 30/06/2022 (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 30/06/2022, the total income across the FBiH banking sector is BAM 646.1 million, being higher by BAM 47.1 million or 7.9% (Table 29) compared to the same period last year.

- BAM 000 -

No.	Structure of total income	01/01/ - 30/06/2021		01/01/ - 30/06/2022		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	408	0,1	755	0,1	185
2.	Loans and leasing operations	308.590	51,5	305.817	47,3	99
3.	Other interest income	36.411	6,1	37.272	5,8	102
	Total I	345.409	57,7	343.844	53,2	100
II Operating income						
4.	Service fees	165.371	27,6	197.147	30,5	119
5.	Income from FX operations	30.338	5,1	45.225	7,0	149
6.	Other operating income	57.898	9,7	59.928	9,3	104
	Total II	253.607	42,3	302.300	46,8	119
	Total income (I+II)	599.016	100	646.144	100	108

In the total income structure, interest income and similar income hold a share of 53.2%, while operating income participate with 46.8%. Compared to the same period last year, there was a decrease of share of interest and similar income by 4.5 percentage points, while share of operating income increased by the same percentage point. Total interest and similar income decreased by BAM 1.6 million or 0.5% in the reporting period. A dominant item within this income category was income from interest on loans and leasing facilities with a share in total income dropping by 4.2 percentage points. At the same period, the share of loans and leasing type receivables in total assets decreased by 2.6 percentage points (from 61.3% to 58.7%), while average weighted NIR related to loans went down from 3.29% to 3.07% (down by 0.22 percentage points).

Over the first six months of 2022, interest income under interest-bearing deposit accounts with deposit institutions have risen by BAM 347 ths or 85% compared to the same period last year, whereas 76.4% of this increase refers to two banks. Over the same period, the share of interest-bearing deposit accounts with deposit institutions in total assets of the FBiH banking sector has increased from 13.5% to 16.6% (up by 3.1 percentage point).

As for other interest income, there was an increase of interest income positions related to held-to-maturity securities by 24% and other interest income by 2.3%, while interest income from placements to other banks went down by 23.9%.

Looking into the sector structure of interest income, 61.1% refers to income from the retail segment 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 4.81% compared to the corporate segment's NIR of 2.32%. Out of the total interest income, 27% refers to private enterprises, 7.2 % to government institutions and 1.8% to public enterprises.

Total operating income recorded an increase of BAM 48.7 million or 19.2% in the reporting period. The largest item in the structure of the total operating income is income from service fees which recorded an increase of BAM 31.8 million or 19.2%. Income from foreign exchange operations showed the highest growth rate of 49.1%, i.e. they went up by BAM 14.9 million vs. the same period the year before, whereas 61.5% of this increase refers to three banks.

FBiH Banking Sector's Total Expenses

According to the banks' reporting data as of 30/06/2022, total expenses across the FBiH banking sector are BAM 469.5 million, which increased by BAM 22.2 million or 5% compared to the same period last year (Table 30).

- BAM 000 -

Table 30: Structure of total expenses of banks

No.	Structure of total expenses	01/01/- 30/06/2021		01/01/- 30/06/2022		Index (5/3)
		Amount	%	Amount	%	
1	2	3	4	5	6	7
I Interest expenses and similar expenses						
1.	Deposits	40.357	9,0	30.714	6,5	76
2.	Liabilities on loans and other borrowings	3.540	0,8	2.678	0,6	76

3.	Other interest expenses	15.848	3,5	24.415	5,2	154
	Total I	59.745	13,4	57.807	12,3	97
II Non-interest expenses						
4.	Costs of impairments of assets at risk, provisions on contingent liabilities and other value adjustments	50.331	11,3	56.505	12,0	112
5.	Salary and contribution costs	130.623	29,2	133.933	28,5	103
6.	Business premises costs and depreciation	85.479	19,1	84.136	17,9	98
7.	Other operating and direct costs	72.009	16,1	83.823	17,9	116
8.	Other operating costs	49.160	11,0	53.314	11,4	108
	Total II	387.602	86,6	411.711	87,7	106
	Total expenses (I+II)	447.347	100	469.518	100	105

The total expenses structure is dominated by non-interest expenses with a share of 87.7%, while interest expenses and similar expenses account for 12.3%. Compared to the same period last year, the share of non-interest expenses rose by 1.1 percentage points, while the share of interest expenses dropped by equivalent percentage points.

In the reporting period, interest and similar expenses decreased by BAM 1.9 million or 3.2%, whereas interest expenses on deposits went down by BAM 9.6 million or 23.9% despite deposits being the FBiH banking sector's dominant funding source. The deposit potential at the end of the first six months of 2022 stood at BAM 21.6 billion, up by BAM 1.4 billion compared to the same period last year when it was BAM 20.2 billion.

Interest-bearing deposits participate in total deposit potential as of 30/06/2022 with a share of 66.1%, thus their share has dropped since 1H 2021 when they participated with 67.8%. This decrease of interest expenses on deposits came as a result of reduced share of interest-bearing deposits and lower average NIR on deposits going from 0.54% as of 30/06/2021 to 0.31% at the end of 1H 2022.

Over the observed period, interest expenses on loans and other borrowings dropped by BAM 862 ths or 24.4%, while the FBiH banking sector's level of indebtedness on loans and other borrowings went down by BAM 219.1 million or 28%.

Other interest expenses increased during the observed period by BAM 8.6 million or 54.1%. This mostly referred to an increase of expenses based on a negative fee for banks' funds in excess of the mandatory reserve and on the mandatory reserve funds in foreign currencies and in domestic currency with the currency clause that are held with the CBBH (up by BAM 6.4 million or 105%) and based on negative interest rate on deposits with foreign banks (up by BAM 0.3 million or 6.9%).

Across the FBiH banking sector, there was an increase by BAM 24.1 million or 6.2% of the total non-interest expenses in the reporting period, where other operating and direct costs had the highest increase rate of 16.4% (37.1% of this increase refers to one bank).

Costs of value adjustments, provisions for contingent liabilities and other value adjustments were higher by BAM 6.2 million or 12.3%. There were three banks that posted no value adjustments this year and six banks that had value adjustment costs shown in the first six months this year compared to the same period last year.

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

The following Table 31 provides an overview of the most important ratios used as measures for assessing the FBiH banks' operational profitability, productivity, and efficiency:

- BAM 000 or %-

No. 1	Description 2	30/06/2020 3	30/06/2021 4	30/06/2022 5
1.	Net profit	105.488	150.657	175.070
2.	Average net assets	23.741.273	24.558.433	25.852.885
3.	Average total capital	2.950.906	3.146.082	3.147.779
4.	Total income	511.091	539.271	588.337
5.	Net interest income	282.871	285.664	286.037
6.	Operating income	228.220	253.607	302.300
7.	Operating expenses	257.594	265.262	271.383
8.	Operating and direct expenses	148.034	122.340	140.328
9.	Other operating and direct expenses	65.320	72.009	83.823
10.	Return on average assets (ROAA)	0,4	0,6	0,7
11.	Return on average equity (ROAE)	3,6	4,8	5,6
12.	Total income/average assets	2,2	2,2	2,3
13.	Net interest income/average assets (NIM)*	1,2	1,2	1,1
14.	Net interest margin (interest income/average interest-bearing assets- interest expenses/average interest-bearing liabilities)	1,3	1,2	1,2
15.	Operating expenses/total income minus other operating and direct expenses (CIR)**	57,8	56,8	53,8

* NIM Net Income Margin

** CIR Cost-income Ratio

Looking into the net interest income, there is an increase vs. the same period last year by BAM 373 ths or 0.1%, although its share in the total income has seen a major drop from 53% to 48.6%.

If observing the profitability ratios against the same period last year, it is evident that they have remained relatively the same, except ROAE and CIR that have been improved.

2.2.6. Weighted NIR and EIR

In order to increase transparency and facilitate the comparability of the banks' terms for approving loans and receiving deposits, as well as to protect clients through introduction of transparent disclosure of the loan costs, i.e. the deposit income, in accordance with the international standards, criteria, and practices in other countries, the FBA prescribed a uniform method of calculating and disclosing EIR for all banks seated in the FBiH, as well as the organizational parts of the banks seated in the RS, operating in the FBiH, as well as mandatory monthly reporting to the FBA on weighted NIR and EIR on approved loans and received deposits in the reporting month, in accordance with the prescribed methodology²². Based on received data and in line with the defined methodology, FBA calculates average weighted NIR and EIR for the banking sector, which, in addition to the interest rate levels with individual banks, also depend 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 client, which are

²² Decision on Uniform Method of Calculating and Disclosing Effective Interest Rates on Loans and Deposits ("Official Gazette of the Federation of BiH", No. 81/17), and Instructions for Calculating Weighted Nominal and Effective Interest Rates

directly related to the loan, i.e. the terms of use of the loan, and are factored in the pricing of the loan (for example, loan processing costs, insurance premium costs for natural persons if insurance is a loan approval requirement and other costs related to ancillary services paid by the client, which are a requirement for using the loan).

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

Total average weighted EIR on newly approved loans in the FBiH banking sector over the first six months of 2022 was 3.61%, thus being lower by 0.25 percentage points compared to the same period of the previous year when it stood at 3.86%.

Looking into the maturity structure of newly approved loans for the 1H 2022 vs. the same period of the year before, the average weighted EIR on long term loans dropped by 0.52 percentage points (from 5.46% to 4.94%), while EIR on short term loans went down by 0.14 percentage points (from 2.42% to 2.28%). If observed by the sector structure, the average weighted EIR on total newly approved corporate loans decreased by 0.11 percentage points (from 2.68% to 2.57%), while the average weighted EIR on total newly approved retail loans dropped by 0.72 percentage points (from 6.76% to 6.04%), while the average weighted EIR on total newly approved loans to other sectors got reduced by 0.67 percentage points (from 3.29% to 2.62%).

Total average weighted EIR on deposits in the FBiH banking sector, which were collected over the 1H 2022, was 0.31%, thus being lower by 0.24 percentage points compared to the same period in 2021 when it was 0.55%. If observed by maturity of deposits, average weighted EIR on short term deposits is lower by 0.03 percentage points (from 0.20% to 0.17%), while EIR on long term deposits went down by 0.41 percentage points (from 0.88% to 0.47%). From the perspective of the sector structure of collected deposits, average weighted EIR on corporate deposits got reduced by 0.48 percentage points (from 0.87% to 0.39%), average weighted EIR on retail deposits went down by 0.32 percentage points (from 0.71% to 0.39%), while average weighted EIR on deposits of other sectors got reduced by 0.05% (from 0.27% to 0.22%).

2.2.7. 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 32 provides the trend of LCR performance as well as short term buffers of banks related to the liquidity risk in the FBiH banking sector:

- BAM 000 -

No.	Description	31/12/2020	31/12/2021	30/06/2022	Index	
					(4/3)	(5/4)
1	2	3	4	5	6	7
1.	Liquidity buffer	5.849.379	7.064.703	6.683.910	121	95
2.	Net liquidity outflows	2.186.642	3.176.838	3.279.975	145	103
	LCR	268%	222%	204%		

As of 30/06/2022, LCR across the FBiH banking sector was 204%. 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 33:

- BAM 000 -

No.	Description	31/12/20 20	31/12/2021	30/06/2022	Index	
					(4/3)	(5/4)
1	2	3	4	5	6	7
1.	Level 1 liquid assets	5.844.033	7.059.357	6.683.460	121	95
1.1.	Cash	1.267.715	1.526.321	1.554.152	120	102
1.2.	Withdrawable central bank reserves	2.467.371	3.095.846	2.999.389	125	97
1.3.	Central government assets	1.112.172	1.401.508	1.013.860	126	72
1.4.	Assets of regional governments and local authorities	981.701	1.011.738	1.091.351	103	108
1.5.	Assets of multilateral development bank and international organisations	15.074	23.944	24.708	159	103
2.	Level 2 liquid assets	5.346	5.346	450	100	8
2.1.	Level 2a liquid assets	0	0	0	-	-
2.2.	Level 2b liquid assets	5.346	5.346	450	100	8
	Total (1+2)	5.849.379	7.064.703	6.683.910	121	95

The liquidity buffer amounts to BAM 6.7 billion and posts a decrease by BAM 380.8 million or 5.4% compared to the end of the previous year. The highest decrease by BAM of 387.6 million (27.7%) refers to central government assets, whereas 94.3% of this decrease relates to one bank due to lower level of short term low-risk exposures. The highest relative decrease (91.6%) is seen at the level 2b liquid assets and refers to one bank that collected the EU company's bonds due. In the liquidity buffer structure, the highest share refers to the amount in excess of the mandatory reserves that banks hold with CBBH (44.9%), followed by cash (23.3%), assets of regional governments (16.3%) and central government assets (15.2%).

Calculation of net liquidity outflows can be seen in the Table 34 below:

- BAM 000 -

No.	Description	31/12/2020	31/12/2021	30/06/2022	Index	
					(4/3)	(5/4)
1	2	3	4	5	6	7
1.	Total outflows	4.875.334	5.576.106	5.518.856	114	99
2.	Total inflows	2.716.263	2.399.268	2.281.925	88	95
3.	Inflows subject to cap of 75% of outflows	2.688.692	2.399.268	2.238.881	89	93
4.	Net liquidity outflows (1-3)	2.186.642	3.176.838	3.279.975	145	103

When it comes to the net liquidity outflows calculation as of 30/06/2022, all banks, except two, had their outflows reduced by the total inflows amount, while two banks have capped their liquidity inflows to 75% of the total liquidity outflows.

Outflows amounted to BAM 23.5 billion as of 30/06/2022 (prior to application of the outflow rate) and consisted mostly of outflows from retail deposits (BAM 9.4 billion or 40% of total outflows, of which BAM 4.7 billion refers to stable deposits or 50.5% of outflows of retail deposits), followed by deposits of other customers (BAM 8.2 billion or 35% of total outflows) and other products and services (BAM 3.3 billion or 13.9% of total outflows).

Total inflows amounted to BAM 2.3 billion, as largely relating to cash receivables from financial customers (BAM 1.5 billion or 64% of total inflows), thus being subject to the inflow rate of 100%, followed by inflows from financial derivatives (BAM 370.9 million or 16.3% of total inflows) – also being subject to the inflow rate of 100%, and receivables from non-financial customers of BAM 243.9 million or 10.7% of total inflows (being subject to the inflow rate of 50%).

Looking into the liquidity position, the maturity structure of deposits, as the dominant funding source, has a significant role. The maturity structure of deposits by residual maturity is shown in the following Table 35:

- BAM 000 -

No.	Deposits	31/12/2020		31/12/2021		30/06/2022		Index	
		Amount	% share	Amount	% share	Amount	% share	(5/3)	(7/5)
1	2	3	4	5	6	7	8	9	10
1.	Savings and demand deposits (up to 7 days)	12.948.828	65,9	14.755.459	69,6	15.380.826	71,2	114	104
2.	7 - 90 days	989.184	5,0	986.253	4,7	812.504	3,8	100	82
3.	91 days to one year	2.153.403	10,9	2.157.949	10,2	2.388.949	11,1	100	111
I Total short term		16.091.415	81,8	17.899.661	84,5	18.582.279	86,0	111	104
4.	Up to 5 years	3.388.072	17,3	3.174.184	15,0	2.939.350	13,6	94	93
5.	Over 5 years	181.375	0,9	111.107	0,5	89.277	0,4	61	80
II Total long term		3.569.447	18,2	3.285.291	15,5	3.028.627	14,0	92	92
Total (I + II)		19.660.862	100	21.184.952	100	21.610.906	100	108	102

As of 30/06/2022, short-term deposits had an 86% share in total deposits, while long-term ones a 14% share, with the share of the short-term deposits increasing, i.e. the share of the long-term ones decreasing by 1.5 percentage points compared to the end of 2021.

In the reporting period, an increase of BAM 682.6 million or 3.8% was recorded in relation to short-term deposits and a decrease of BAM 256.7 million or 7.8% in relation to long-term deposits. The decrease of long-term deposits was also realized in relation to deposits of up to 5 years (by BAM 234.8 million or 7.4%), as well as with deposits of over 5 years (by BAM 21.8 million or 19.6%). 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 (97.1%).

For purpose of planning the required level of liquid resources, banks need to plan for funding 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 residual 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 36 provides an overview of maturity matching of financial assets and liabilities of up to 180 days:

- BAM 000 -

Table 36: Maturity matching of financial assets and financial liabilities of up to 180 days						
No.	Description	31/12/2020 Amount	31/12/2021 Amount	30/06/2022 Amount	Index (4/3)	Index (5/4)
1	2	3	4	5	6	7
I 1-30 days						
1.	Amount of financial assets	10.981.471	11.876.470	11.814.202	108	99
2.	Amount of financial liabilities	13.510.009	15.288.271	16.023.815	113	105
3.	Balance (+ or -) = 1-2	-2.528.538	-3.411.801	-4.209.613	-	-
Calculation of compliance with regulatory requirements in %						
a)	Actual %= no. 1 / no. 2	81,3%	77,7%	73,7%		
b)	Regulatory minimum %	65,0%	65,0%	65,0%		
More (+) or less (-) = a – b		16,3%	12,7%	8,7%		
II 1-90 days						
1.	Amount of financial assets	12.065.528	13.050.687	12.876.035	108	99
2.	Amount of financial liabilities	14.303.357	16.112.291	16.601.802	113	103
3.	Balance (+ or -) = 1-2	-2.237.829	-3.061.604	-3.725.767	-	-
Calculation of compliance with regulatory requirements in %						
a)	Actual %= no. 1 / no. 2	84,4%	81,0%	77,6%		
b)	Regulatory minimum %	60,0%	60,0%	60,0%		
More (+) or less (-) = a – b		24,4%	21,0%	17,6%		
III 1-180 days						
1.	Amount of financial assets	13.257.364	14.327.360	14.350.814	108	100
2.	Amount of financial liabilities	15.167.836	16.976.401	17.399.261	112	102
3.	Balance (+ or -) = 1-2	-1.910.472	-2.649.041	-3.048.447	-	-
Calculation of compliance with regulatory requirements in %						
a)	Actual %= no. 1 / no. 2	87,4%	84,4%	82,5%		
b)	Regulatory minimum %	55,0%	55,0%	55,0%		
More (+) or less (-) = a – b		32,4%	29,4%	27,5%		

As of 30/06/2022, 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 8.7%, in the second one by 17.6% and in the third time bucket by 27.5%.

An overview of the core liquidity ratios is shown in the following Table 37:

- % -

Table 37: Liquidity ratios				
No.	Ratios	31/12/2020	31/12/2021	30/06/2022
1	2	3	4	5
1.	Liquid assets ²³ /net assets	31,3	31,9	32,0
2.	Liquid assets/short-term financial liabilities	45,9	44,6	43,9
3.	Short-term financial liabilities/total financial liabilities	78,9	82,3	83,5
4.	Loans/deposits and loans taken	74,5	72,3	72,8
5.	Loans/deposits, loans taken and subordinated debts ²⁴	73,8	71,8	71,9

²³ Liquid assets in narrow sense: cash and deposits and other financial assets with residual maturity period of less than three months, excluding interbank deposits.

²⁴ The previous ratio was expanded, the funding also includes subordinated debts, which is a more realistic indicator.

Compared to the end of 2021, the shares of liquid assets in net assets and short term financial liabilities in total financial liabilities have slightly increased, while the ratio of liquid assets and short term financial liabilities has decreased. Also, the ratios of loans/deposits and loans taken and loans/deposits, loans taken and subordinated debts have risen only moderately, and 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 FBiH banking sector's liquidity at the end of the first six months of 2022 is satisfactory.

2.2.8. Foreign Exchange (FX) Risk

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

According to the balance as at 30/06/2022, the items in foreign currencies amounts to BAM 3.8 billion, with a 14.3% share (BAM 4.0 billion or 15.5% at the end of 2021) in the currency structure of the banks' assets across the banking sector. The currency structure of liabilities is significantly different because the share of liabilities in foreign currency is significantly higher and amounts to BAM 7.6 billion or 28.9% (BAM 7.9 billion, with 30.4% share at the end of 2021).

Table 38 provides the structure of financial assets and financial liabilities and foreign exchange position for EUR, as the most important currency, and total foreign exchange position across the banking sector:

- BAM million -

No.	Description	31/12/2021				30/06/2022				Index	
		EUR		Total		EUR		Ukupno		EUR	Total
		Amount	% share	Amount	% share	Amount	% share	Amount	% share	(7/3)	(9/5)
1	2	3	4	5	6	7	8	9	10	11	12
I Financial assets											
1.	Cash	952	10,1	1.513	14,9	1.319	15,0	1.897	19,9	139	125
2.	Loans	965	10,3	981	9,7	647	7,4	647	6,8	67	66
3.	Loans with currency clause	5.938	63,1	5.938	58,4	5.626	63,9	5.627	58,9	95	95
4.	Other	1.345	14,3	1.525	15,0	1.034	11,7	1.209	12,7	77	79
5.	Other financial assets with currency clause	203	2,2	203	2,0	176	2,0	176	1,8	87	87
Total I (1+2+3+4+5)		9.403	100	10.160	100	8.802	100	9.556	100	94	94
II Financial liabilities											
6.	Deposits	6.135	72,0	6.865	74,2	5.937	71,8	6.675	74,0	97	97

7.	Loans taken	778	9,1	778	8,4	563	6,8	563	6,2	72	72
8.	Deposits and loans with currency clause	1.384	16,2	1.384	14,9	1.427	17,3	1.427	15,8	103	103
9.	Other	216	2,6	229	2,5	343	4,1	359	4,0	159	157
Total II (6+7+8+9)		8.513	100	9.256	100	8.270	100	9.024	100	97	97
III Off-balance sheet position net (+) or (-)											
10.	Assets	1		7		2		26		200	371
11.	Liabilities	763		780		452		468		59	60
IV Position											
Long (amount)		128		131		82		90		64	69
%		4,5%		4,6%		2,9%		3,1%			
Short (amount)											
%											
Permitted		40,0%		40,0%		40%		40%			
Less than permitted		35,5%		35,4%		37,1%		36,9%			

By looking into banks and the overall level of the FBiH banking sector, it can be noted that the banks and sector's FX risk exposure as of 30/06/2022 ranged within the regulatory limits.

At the sector level, there is a long FX position of 3.1% of the total eligible capital of banks, which is by 36.9 percentage points lower than permitted. Individual FX position for EUR stood at 2.9%, which was by 37.1 percentage points lower than permitted. Therein, financial assets items were higher than financial liabilities (long position). Looking into foreign currencies' structure, financial assets²⁵ show a dominant share of EUR of 79.9% (as of 31/12/2021: 81.2%), along with reduction of the nominal amount by BAM 262.2 million or 8% vs. YE2021. The share of EUR in financial liabilities is 90.1% (as of 31/12/2021: 90.6%), which is lower by BAM 285.7 million or 4% compared to the end of 2021. The calculation basis for the EUR share in financial assets and financial liabilities does not include items with a currency clause.

2.2.9. 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 reporting to the FBA, 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 the banking book positions across all major currencies respectively, as well as for other currencies aggregately, thus encompassing all the banking book positions sensitive to interest rate changes.

²⁵ Source: Report on Bank's Foreign Exchange Position: Part of Financial Assets (in Foreign Currencies Denominated in BAM). Balance sheet assets items and off-balance sheet items are reported in net terms, i.e. minus expected credit losses

Table 39 shows the currency structure of changes to the economic value of the banking book and ratio between changes to the economic value of the banking book and own funds at the FBiH banking sector level:

- BAM 000 -

No.	Description	31/12/2020	31/12/2021	30/06/2022	Index	
					(4/3)	(5/4)
1	2	3	4	5	6	7
1.	Net weighted position - KM	62.655	78.394	113.173	125	144
2.	Net weighted position - EUR	29.563	26.564	19.911	90	75
3.	Net weighted position - USD	168	339	-70	202	-21
4.	Net weighted position - other	-5.710	-3.804	-4.473	67	118
5.	Change of economic value (1+2+3+4)	86.676	101.493	128.541	117	127
6.	Own funds	2.698.561	2.852.902	2.865.389	106	100
7.	Change of economic value/own funds	3,2%	3,6%	4,5%		

The ratio of changes to the economic value of the banking book positions and owns funds as of 30/06/2022 stands at 4.5%. This is within the regulatory limits and is higher by 0.9 percentage points compared to the end of the previous year.

2.3. 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, quality and lawful operations. These measures and activities will especially focus on continuation of ongoing supervision of the banks, with an emphasis on:

- implementing the SREP for banks according to the dynamics defined in the Decision on the Supervisory Review and Evaluation Process in Banks²⁶ and in line with the adopted SREP Methodology, as well as subject to a continuous monitoring of the SREP indicators for all banks;
- monitoring the risk profile and capital position of all banks, including fulfillment of capital requirements as a result of the SREP process;
- implementing supervisory evaluation of ICAAP and ILAAP, as well as of recovery plans, for all banks;
- monitoring the banks' assets quality after expiry of special measures undertaken by the FBA with regard to the pandemic;
- examining dominant risk segments of operations, examining banks holding systemic relevance over development of lending activities and banks with concentrations of large savings and other deposits, as well as examining banks' actions in the segment of protection of financial service users and guarantors, etc.;
- monitoring implementation of the Decision on Credit Risk Management and Determination of Expected Credit Losses, including also an analysis of internal models for credit risk parameters assessment;
- monitoring implementation of strategies related to handling non-performing exposures and annual business plans of banks having NPL share in total loans above 5%;

²⁶ FBiH Official Gazette No. 94/21

- monitoring the rise in interest rates and its impact on the banking sector, and undertaking activities to mitigate the effects;
- preparing for the stress testing of banks in 2023 in line with the defined 2-year implementation dynamics, all for purpose of monitoring operations of individual banks, assessing risks and undertaking timely and appropriate measures;
- continued cooperation with competent supervisory authorities for the supervision of banking groups from the EU and third countries whose members are seated in the 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 BiH institutions, 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 2²⁷ and CRD V²⁸; and
- continuing cooperation with the BABiH, with a view to improving banks' operations, compliance of their operations with regulations, international standards, and professional rules, and market requirements, etc.

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

Due to a special role and responsibilities that banks have in the financial system and the overall economic system, achieved level of development of the FBiH banking sector, and the fact that retail deposits are a dominant funding source for banks, as well as taking into account the current macroeconomic disturbances, 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;
- supporting economic recovery and stimulating credit growth through continuous financing of customers and sustainable loan arrangements;
- in particular, monitoring of quality of the portfolio under special measures and estimating future repayment capacities of customers, thus ensuring timely allocation of provisions for expected credit losses in order to avoid potential negative effect of a sudden increase of ECL over the future period;
- analyzing, measuring and planning activities to reduce interest-induced credit risk, which could be heightened at the beginning of 2023;
- further strengthening of the internal controls system in all business segments based on the Decision on Internal Governance System in Banks ²⁹;

²⁷ Directive (EU) 2019/876 of the European Parliament and Council of 20/05/2019 on amendments to the Directive (EU) No. 575/2013 regarding financial leverage ratio, NSFR, MREL, counterparty credit risk, market risk, exposures to central counterparts, exposures to joint investment undertakings, large exposures, reporting and disclosure requirements, and the Directive (EU) No. 648/2012

²⁸ 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

²⁹ FBiH Official Gazette No. 39/21

- aligning 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 regulatory requirements;
- activities related to reporting on the net stable funding ratio (NSFR) as of 31.12.2021 and fulfillment of the NSFR-related requirements as of 31.12.2022;
- consistent implementation of regulations in the segments of payment operations, AML/CTF, protection of financial users and guarantors, security and safety of money in banks and in transport;
- further monitoring of increased risks related to information system security and implementation of new technologies, especially in the user business segment;
- setting fees in the segment of deposits and transactions, considering therein pronounced needs for financial inclusion and adjustment to actual capacities and needs of financial service users;
- intensified monitoring of risks and effects being conveyed to markets outside BiH, thus potentially augmenting the impact of credit risk and other risks; and
- assessing the effects of macroeconomic disturbances and other impacts with possible strong effect on operating capacities and liquidity.

SECTOR OF NON-DEPOSIT FINANCIAL INSTITUTIONS

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3. SECTOR OF NON-DEPOSIT FINANCIAL INSTITUTIONS

This section of the Information provides an overview of the structure and financial indicators of operations of the non-deposit financial institutions (NFIs) in the FBiH (MCOs, leasing companies and factoring business) as of 30/06/2022. Their founding, operations, management, supervision and termination are regulated under special laws and regulations.

As of 30/06/2022, active number of exposures captured by some of special measures prescribed by the Decision on Temporary Measures of Leasing Companies and Microcredit Organisations to Ensure Recovery from Negative Economic Consequences Caused by Covid-19³⁰ was 2.963 and they held an amount of BAM 25.9 million or 3.% share in the total loan portfolio. In the retail segment, exposures subjected to some of the special measures amounted to BAM 20.2 million and had a share of 3.5% in the total retail portfolio, while the corporate segment showed BAM 5.7 million of exposures encompassed by the special measures and share of 2% in the total corporate loan portfolio. In May 2022, the FBA repealed the aforementioned Decision.

3.1. MICROCREDIT SECTOR

3.1.1. MICROCREDIT SECTOR STRUCTURE IN THE FB&H

3.1.1.1. Status, Number and Business Network

In the FBiH as of 30/06/2022, FBA's operating licenses were held by 13 MCOs that comprise the microcredit sector in the FBiH, of which 10 are MCFs (non-profit organizations) and 3 are MCCs (profit organizations). Compared to December 31, 2021, the number of MCOs remained unchanged.

The microcredit sector in the FBiH, as of 30/06/2022, operates through the total of 356 organizational parts of MCOs seated in the FBiH, while 6 MCOs seated in the RS operate in the FBiH through 65 organizational units.

Annex 7 provides basic information on MCFs and MCCs which, as of 30/06/2022, held the FBA's license for performing the micro lending activity.

3.1.1.2. 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 organizations, citizens' associations and natural persons being registered founders of MCFs, but having no ownership right over capital. Out of three MCCs, one MCC is in 100% ownership of a MCF, one MCC is in full ownership of one non-resident legal entity and one MCC is in 100% ownership of one resident legal entity.

³⁰ FBiH Official Gazette No. 60/20, 21/21, 104/21 and 43/22

3.1.1.3. Staff Structure

The microcredit sector in the FBiH, as of 30/06/2022, had a total of 1,422 employees, which is higher by 24 employees or 1.7% compared to December 31, 2021 (Table 40). Out of the total number of employees in the microcredit sector in the FBiH, MCFs employ 1.171 persons or 82.3%, while MCCs employ 251 persons or 17.7%.

No.	Qualification	31/12/2021		30/06/2022		Index (5/3)
		No. of employees	% share	No. of employees	% share	
1	2	3	4	5	6	7
1.	University degree	739	52,9	730	51,4	99
2.	Two-year post-secondary school	111	7,9	117	8,2	105
3.	Secondary school degree	538	38,5	565	39,7	105
4.	Other	10	0,7	10	0,7	100
	Total	1.398	100	1.422	100	102

An analysis of data on staff efficiency in the FBiH microcredit sector as of 30/06/2022 shows that assets per MCO employee amounted to BAM 492.1 ths, which is down by 0.8% vs. 31/12/2021.

3.1.2. FINANCIAL PERFORMANCE INDICATORS

3.1.2.1. Balance Sheet

Total assets of the FBiH microcredit sector as of 30/06/2022 amounted to BAM 699.8 million and are higher by BAM 6.3 million or 0.9% compared to December 31, 2021. The highest share in the total balance sheet of MCOs is with five MCFs and one MCC with assets amounting to BAM 638.7 million or 91.3% of total assets of the microcredit sector.

Annexes 8 and 9 provide a summary overview of balance sheets of MCFs and MCCs, while Annex 10 shows basic financial indicators of MCOs based on reporting data as of 30/06/2022. The aggregate balance sheet of the FBiH microcredit sector as of 30/06/2022 and comparative data with December 31, 2021 are shown in the following Table 41:

- BAM 000 -

No.	Description	31/12/2021				30/06/2022				Index (9/5)
		Balance for MCFs	Balance for MCCs	Total	%	Balance for MCFs	Balance for MCCs	Total	%	
1	2	3	4	5=3+4	6	7	8	9=7+8	10	11
	ASSETS									
1.	Cash	45.096	19.829	64.925	9,4	35.215	13.508	48.723	7,0	75
2.	Placements to banks	1.660	0	1.660	0,2	5.550	0	5.550	0,8	334
3.	Microloans	402.924	160.441	563.365	81,2	419.199	163.256	582.455	83,2	103
4.	Loan loss provisions	3.631	2.888	6.519	0,9	3.657	3.612	7.269	1,0	112
5.	Net microloans	399.293	157.553	556.846	80,3	415.542	159.644	575.186	82,2	103
6.	Tangible and intangible assets	25.577	5.151	30.728	4,4	25.013	4.815	29.828	4,2	97
7.	Long-term investments	33.888	0	33.888	4,9	34.388	0	34.388	4,9	101
8.	Other assets	3.652	1.789	5.441	0,8	4.199	1.877	6.076	0,9	112
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	519.907	179.844	699.751	100	101
	LIABILITIES									
10.	Liabilities on loans	201.926	124.023	325.949	47,0	207.262	117.014	324.276	46,3	99
11.	Other liabilities	25.488	8.201	33.689	4,9	24.425	7.566	31.991	4,6	95

12.	Capital	281.742	52.098	333.840	48,1	288.220	55.264	343.484	49,1	103
	Total liabilities	509.156	184.322	693.478	100	519.907	179.844	699.751	100	101
13.	Off-bal. sheet records	178.970	31.948	210.918		176.253	35.632	211.885		100

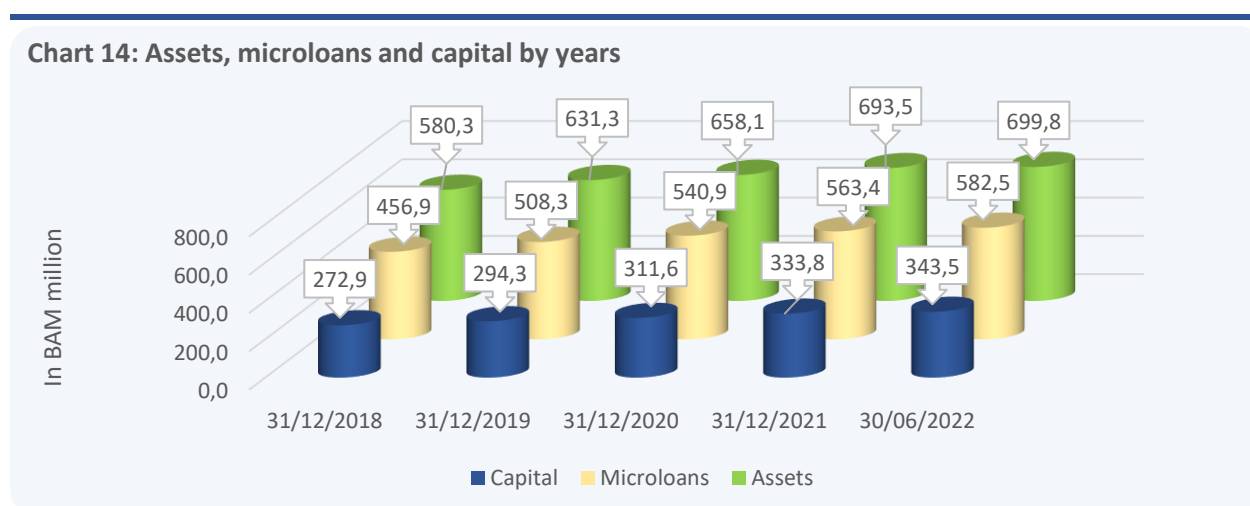
In the structure of assets of the FBiH microcredit sector as of 30/06/2022, there is a decrease related to the level of cash funds (25%), tangible and intangible assets (2.9%). The following balance sheet items rose compared to the end of the previous year: placements to banks (234.3%) as a result of a significant increase of term deposits of one MCF, gross and net micro loans (3.4% and 3.3% respectively) and LLP (11.5%), long term investments (1.4%) and other assets (11.7%).

The rate of fixed assets compared to total assets (reduced by donated capital across the FBiH microcredit sector) as of 30/06/2022 amounts to 4.58%, which is within the prescribed operating limit.

The net microloan portfolio amounts to BAM 575.2 million with a share of 82.2% in total assets of the microcredit sector, hence it recorded an increase in absolute amount of BAM 18.3 million, i.e. 3.3%, of which net micro loans with MCFs rose by BAM 16.2 million or 4.1%, while net microloans with MCCs rose by BAM 2.1 million, i.e. 1.3% compared to 31/12/2021. The level of LLPs for the entire microcredit portfolio in the reporting period is higher by BAM 0.8 million, i.e. 11.5%. LLP with MCFs slightly went up by BAM 26 ths or 0.7% and with MCCs this amount is higher by BAM 0.7 million or 25.1%.

The total off-balance sheet records as of 30/06/2022 stood at BAM 211.9 million, thus being higher by BAM 1.0 million or 0.5% vs. 31/12/2021, whereas with MCFs it went down by BAM 2.7 million or 1.5% and with MCCs it went up by BAM 3.7 million or 11.5%. Out of the total amount within the off-balance sheet records, written off loans make up for BAM 150.9 million or 71.1% of off-balance sheet items (including write-offs under the principal and regular interest, as well as default interest and court expenses), i.e. they are higher by BAM 1.1 million or 0.7% compared to the end of the previous year. The total number of written off microloans as of 30/06/2022 was 36.959, down by a total of 289 microloans (0.8%) vs. 31/12/2021. This came as a net effect of new write offs, permanent write offs and fully collected microloans.

Chart 14 shows key assets and liabilities items in the balance sheet by years.



3.1.2.2. Capital and Liabilities

The biggest items in liabilities in the FBiH microcredit sector as of 30/06/2022 relate to: capital, amounting to BAM 343.5 million and representing 49.1% of total liabilities and liabilities on loans taken, which amount to BAM 324.3 million, i.e. 46.3% of total liabilities. The remaining amount of BAM 32 million, i.e. 4.6% relates to other liabilities.

Over the first six months of 2022, total increase of capital at the FBiH microcredit sector level was BAM 9.6 million or 2.9%, of which MCF capital rose by BAM 6.5 million or 2.3% and capital of MCCs by BAM 3.1 million or 6.1% during the reporting period.

The FBiH microcredit sector's structure of capital is shown in the Table 42:

- BAM 000 -

No.	Description	31/12/2021				30/06/2022				Index (9/5)
		MCF balance	MCC balance	Total	%	MCF balance	MCC balance	Total	%	
1	2	3	4	5=3+4	6	7	8	9=7+8	10	11
1.	Donated capital	48.098	0	48.098	14,4	48.098	0	48.098	14,0	100
2.	Tier 1 capital	3.696	34.177	37.873	11,3	3.696	34.177	37.873	11,0	100
3.	Surplus/deficit of revenue over expenses	228.878	0	228.878	68,5	235.418	0	235.418	68,6	103
4.	Emission premium	0	0	0	0,0	0	0	0	0,0	-
5.	Unallocated profit	0	7.566	7.566	2,3	0	12.809	12.809	3,7	169
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	1.008	2.709	3.717	1,1	52
	Total capital	281.742	52.098	333.840	100	288.220	55.264	343.484	100	103

Total capital of MCFs amounted to BAM 288.2 million, i.e. 83.9% in total microcredit sector's capital, and the biggest items are the surplus of revenues over expenses, amounting to BAM 235.4 million and representing 81.7 % of total capital of MCFs (being higher by BAM 6.5 million or 2.9%) and donated capital, amounting to BAM 48.1 million, i.e. 16.7% (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 Tier 1 capital of MCFs and other reserves of altogether amounting to BAM 4.7 million or 1.6%.

Total capital of MCCs amounts to BAM 55.3 million, thus comprising 16.1% of the total capital of the microcredit sector. Its structure includes these key items: Tier 1 capital of BAM 34.2 million, i.e. 61.8%, and unallocated profit of BAM 12.8 million, i.e. 23.2%. The remaining BAM 8.3 million, i.e. 15% of MCC capital relates to statutory and other reserves.

Looking into the capital rate reduced by donated capital vs. assets, as of 30/06/2022, it amounted 42.21% 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 43:

- BAM 000 -

No.	Opis	31/12/2021				30/06/2022				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	16.895	4.200	21.095	6,5	120
2.	Liabilities on long-term loans taken	184.670	121.238	305.908	93,9	189.248	111.809	301.057	92,8	98
3.	Liabilities based on interest due	1.115	1.285	2.400	0,7	1.119	1.005	2.124	0,7	89
	Total	201.926	124.023	325.949	100	207.262	117.014	324.276	100	99

As of 30/06/2022, liabilities based on loans taken dropped by BAM 1.7 million or 0.5% compared to 31/12/2021. In the structure of total liabilities on loans taken as of 30/06/2022, loan obligations of MCFs represent 63.9%, while loan obligations of MCCs represent 36.1%. With respect to the maturity structure of liabilities on loans taken, compared to December 31, 2021, there is an increase of short term liabilities by 19.6% and a decrease of long term liabilities by 1.6% as of 30/06/2022. Liabilities related to interest due have dropped by 11.5%. The two largest creditors of the FBiH microcredit sector as of 30/06/2022 are EFSE Luxembourg with BAM 39.4 million and Blue Orchard, Switzerland with BAM 13.7 million. Other liabilities at the FBiH microcredit sector as of 30/06/2022 amount to BAM 32 million and represent 4.6% of total liabilities. Compared to 31/12/2021, they went down by an amount of BAM 1.7 million or 5%.

3.1.2.3. Assets and Asset Quality

The microloan portfolio reported in gross amount in the balance sheet total of the FBiH microcredit sector as of 30/06/2022 amounted to BAM 582.5 million, thus representing 83.2% of total assets of the microcredit sector. If reduced for the corresponding LLP in the total amount of BAM 7.3 million, the net microloan portfolio amounts to BAM 575.2 million, i.e. 82.2% of total assets of the FBiH microcredit sector (Table 44). Compared to December 31, 2021, gross microloan portfolio went up by BAM 19.1 million, i.e. by 3.4%, while the net microloan portfolio rose by the amount of BAM 18.3 million, i.e. 3.3%. Over the same period, LLPs rose by BAM 0.8 million or 11.5%.

In the structure of total net portfolio of the microcredit sector as of 30/06/2022, net microloans of MCFs amounted to BAM 415.5 million and represented 72.2% of the total net microloans across the sector, while the amount of BAM 159.7 million, i.e. 27.8% of the total net microloans across the sector relate to MCCs.

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No.	Description	31/12/2021			30/06/2022			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	419.199	163.256	582.455	103
2.	LLP	3.631	2.888	6.519	3.657	3.612	7.269	112
3.	Net microloans (1.-2.)	399.293	157.553	556.846	415.542	159.644	575.186	103

Detailed data on the sector and the maturity structure of the microloan portfolio (reduced by deferred fee income) as of 30/06/2022 are shown in the following Table 45:

- BAM 000 -

Table 45: Sector and maturity structure of microloans

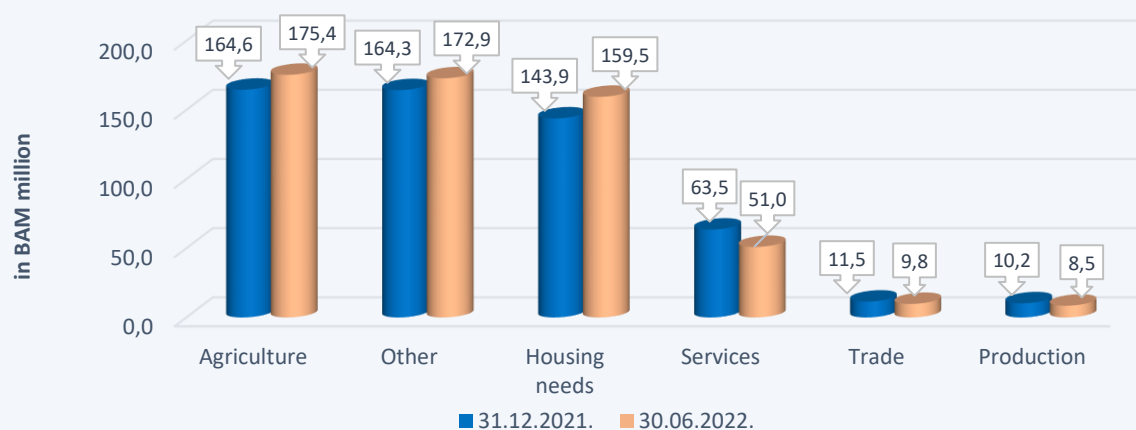
No.	Microloans	ST micro loans	LT microloans	Receivables due	Total	%
1	2	3	4	5	6=3+4+5	7
1.	Corporate					
a)	Services	246	8.601	30	8.877	55,7
b)	Trade	58	2.949	13	3.020	18,9
c)	Agriculture	70	954	2	1.026	6,4
d)	Manufacturing	93	2.712	46	2.851	17,9
e)	Other	37	143	0	180	1,1
	Total 1	504	15.359	91	15.954	100
2.	Retail					
a)	Services	1.046	40.883	201	42.130	7,5
b)	Trade	268	6.504	40	6.812	1,2
c)	Agriculture	5.157	168.866	320	174.343	31,1
d)	Manufacturing	132	5.543	22	5.697	1,0
e)	Housing needs	3.088	155.987	375	159.450	28,4
f)	Other	16.088	155.790	830	172.708	30,8
	Total 2	25.779	533.573	1.788	561.140	100
	Total (1+2)	26.283	548.932	1.879	577.094	-

In the maturity structure of the total microloan portfolio as of 30/06/2022, the highest share is the share of long-term micro loans with 95.1%, while short-term micro loans have a 4.6% share and receivables due on micro loans have a 0.3% share.

Upon observing the sector structure, the dominant share is the share of retail microloans, with 97.2%, while the remaining 2.8% relates to corporate microloans. Within the retail microloan portfolio, the highest is the share of microloans approved to the agricultural sector, which amounts to 31.1% and for other sectors at 30.8%. By share levels, housing sector follows with 28.4% and services with 7.5%. The share of microloans for trade is 1.2% and for manufacturing 1%. In the structure of corporate microloans, the dominant share is the share of microloans for services – 55.7%.

The following Chart 15 presents the sector structure of microloans across years.

**Chart 15: Sector structure of microloans
(comparative overview)**



The following Table 46 provides an overview of receivables with relevant provisions by groups according to the number of days in default, as well as data on outstanding overdue receivables over 180 days (being removed from the balance sheet), as of 30/06/2022:

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Table 46: LLP

No.	Day sin default	Rate of provisions	Amount of loans	Share (%)	Interest due		Amount of other assets items	Provisions				Total provisions
					Rate of provisions	Amount of interest		By micro loan	By past - due interest.	By other items in assets	By micro loan	
1	2	3	4	5	6	7	8	9=4x3	10=7x6	11=8x3	12	13=9+10+11+12
1.	0	0%	560.710	97,2	0%	344	0	0	0	0	27	27
2.	1-15	2%	4.876	0,8	2%	133	0	98	3	0	12	113
3.	16-30	15%	4.083	0,7	100%	94	0	612	94	0	84	790
4.	31-60	50%	2.580	0,4	100%	100	0	1.290	100	0	74	1.464
5.	61-90	80%	1.613	0,3	100%	82	0	1.290	82	0	37	1.409
6.	91-180	100%	3.232	0,6	100%	233	0	3.232	233	0	1	3.466
	Total		577.094	100		986	0	6.522	512	0	235	7.269
7.	over 180	Write off	2.000	-	-	472	-	-	-	-	-	-

In the total microloan portfolio at the sector level, 97.2% relate to microloans without defaults, while in the remaining 2.8% of microloans there are defaults, of which defaults up to 30 days represent 1.5% of micro loans, while 1.3% are defaults of 31 to 180 days. Out of the total amount of due interest (BAM 1.0 million), defaults up to 30 days represent 23%, while defaults of 31 to 180 days represent 42.1%. Total amount of provisions under microloans, interest and other asset items as of 30/06/2022 equals BAM 7.3 million. Therein, the largest item corresponds to provisions formed for microloans in default of 91 to 180 days (BAM 3.7 million), thus representing 47.7% of total provisions. As of 30/06/2022, the LLP ratio amounted to 1.13%, thus representing an increase of 0.04 percentage points compared to 1.09% as of 31/12/2021.

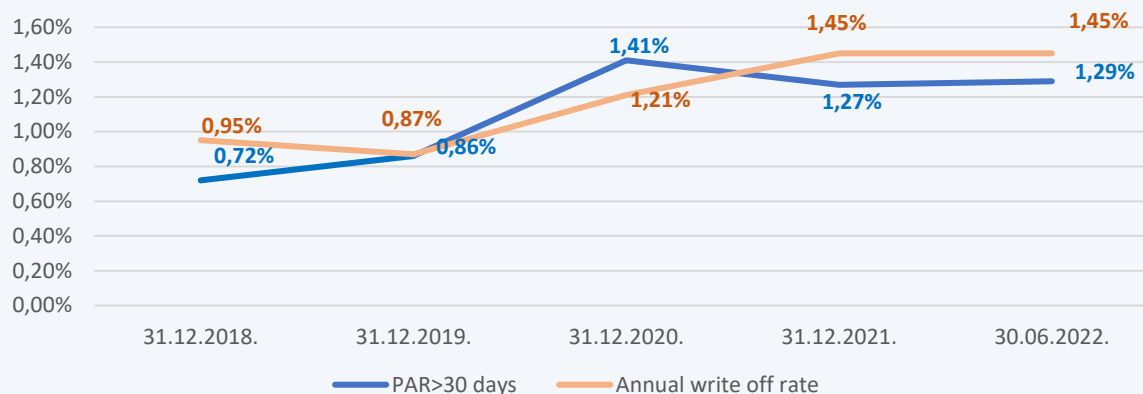
Key Indicators of the Microcredit Portfolio Quality

The risk portfolio indicator for more than 30 days in default (PAR>30 days) as of 30/06/2022 amounts to 1.29% at the level the microcredit sector and it slightly increased by 0.02 percentage points compared to December 31, 2021. This risk indicator of the microloan portfolio at the sector level is within the prescribed standard.

At the microcredit sector level, the rate of write offs of microloans as of 30/06/2022 amounted to 1.45%, which is within the prescribed standard, thus remaining at the same level compared to 31/12/2021.

Chart 16 below shows the portfolio quality indicators across years.

Chart 16: Portfolio quality indicators



Weighted NIR and EIR on micro loans

Over the period from 01/01/2022 to 30/06/2022, MCOs seated in the FBiH concluded a total of 72.397 agreements and disbursed an amount of BAM 271.4 million of microloans. This is by 3.290 agreements or 4.8% higher than in the same period last year, i.e. higher by BAM 34.2 million or 14.4% of disbursements compared to the observed period, MCOs seated in the FBiH had an average weighted NIR on total microloans of 18.86% and EIR of 23.13%, whereas NIR on short term microloans was 20.22% and on long term ones 18.71% and EIR on short term microloans was 28.75% and on long term ones 22.47%. Average weighted EIR on total microloans disbursed by MCOs seated in the FBiH posted a decrease in the period from 01/01/2022 to 30/06/2022 by 1.39 percentage points vs. the same period in 2021, whereas average weighted EIR on short term microloans posted a drop by 1.85 percentage points and on long term microloans a drop by 1.16 percentage points.

Annex 11 provides an overview of average weighted NIR and EIR by maturity and purpose related to microloans disbursed by MCOs seated in the FBiH in the period from 01/01/2022 to 30/06/2022.

Annex 11a provides a comparative overview of average weighted NIR and EIR on disbursed microloans (short term, long term and total) in the period from 2018 to 2022.

3.1.2.4. 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 30/06/2022 in an amount of BAM 7.1 million (Table 47), down by BAM 0.2 million compared to the same period in 2021. As of the reporting date, MCOs posted a total of BAM 9.9 million of excess income over expenses, i.e. profit, and BAM 2.8 million of shortage of income over expenses, i.e. loss.

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Table 47: Actual financial result of MCOs

No.	Description	01/01/ - 30/06/2021						01/01/ - 30/06/2022					
		Amount			Number of MCOs			Amount			Number of MCOs		
		MCF	MCC	Total	MCF	MCC	Total	MCF	MCC	Total	MCF	MCC	Total
1.	Excess income over expenses/Profit	7.118	3.230	10.348	8	2	10	6.790	3.169	9.959	7	2	9

2.	Shortage of income over expenses/Loss	181	2.862	3.043	3	1	4	303	2.517	2.820	3	1	4
	Total	6.937	368	7.305	11	3	14	6.487	652	7.139	10	3	13

MCFs posted excess income over expenses of BAM 6.5 million, thus being by BAM 0.5 million less than in the same period the year before. MCCs reported net profit of BAM 0.7 million, which is by BAM 0.3 million higher than in the same period of the previous year. The presented total excess income over expenses of MCFs was BAM 6.8 million (seven MCFs), while shortage of income over expenses was posted by three MCFs in an amount of BAM 0.3 million. Profit was posted by two MCCs in an amount of BAM 3.2 million, while one MCC posted a loss of BAM 2.5 million. Annexes 12 and 13 provide aggregate income statements for MCFs and MCCs.

Total Income of the FBiH Microcredit Sector

According to the reporting data of MCOs, in the period from 01/01/2022 to 30/06/2022, total income at the level of the FBiH microcredit sector amounted to BAM 61.9 million, up by BAM 3.8 million or 6.6% compared to the same period last year (Table 48).

- BAM 000 -

Table 48: Structure of total income of MCOs

No.	Structure of total income	01/01/ - 30/06/2021				01/01/ - 30/06/2022				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	5	1	6	0,0	1	1	2	0,0	33
1.2.	Interest on placements to banks	5	0	5	0,0	9	0	9	0,0	180
1.3.	Interest on loans	35.577	14.272	49.849	85,8	37.421	15.470	52.891	85,4	106
1.4.	Management fee	2.062	726	2.788	4,8	2.454	797	3.251	5,2	117
1.5.	Prepayment fee	212	112	324	0,6	287	142	429	0,7	132
1.6.	Other interest income and similar income	504	39	543	0,9	547	130	677	1,1	125
	Total	38.365	15.150	53.515	92,1	40.719	16.540	57.259	92,4	107
2.	Operating income									
2.1.	Service fees	78	0	78	0,2	113	0	113	0,2	145
2.2.	Income from collected written off receivables	3.592	257	3.849	6,6	3.413	375	3.788	6,1	98
2.3.	Other operating income	4	11	15	0,0	7	8	15	0,0	100
	Total	3.674	268	3.942	6,8	3.533	383	3.916	6,3	99
3.	Other operating income	551	99	650	1,1	666	103	769	1,3	118
	Total income (1+2+3)	42.590	15.517	58.107	100	44.918	17.026	61.944	100	107

Within the structure of total income of MCOs, interest income and similar income hold a share of 92.4%, operating income 6.3% share and other operating income 1.3%. Compared to the same period last year, interest and similar income have risen by BAM 3.7 million or 7%. Income from interest on loans, being the key item within the category of interest and similar income, climbed by BAM 3.0 million or 6.1%.

Operating income of MCOs during the observed period saw a slight fall by BAM 26 ths or 0.7%, whereas income from collected written off receivables (being a dominant item therein) went down by BAM 61 ths or 1.6%. Other operating income posted a rise by BAM 119 ths or 18.3%.

Total Expenses of the FBiH Microcredit Sector

According to the reporting data of MCOs for the period from 01/01/2022 to 30/06/2022, total expenses of the FBiH microcredit sector stood at BAM 54.8 million, up by BAM 4.0 million or 7.9% vs. the same period the year before (Table 49).

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No.	Structure of total expenses	01/01/-30/06/2021				01/01/-30/06/2022				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	3.227	2.101	5.328	10,5	3.109	2.233	5.342	9,8	100
1.2.	Fee for received loans	323	241	564	1,1	343	285	628	1,1	111
1.3.	Prepayment fee	3	0	3	0,0	0	0	0	0,0	-
1.4.	Other interest expenses and similar expenses	287	833	1.120	2,2	218	1.100	1.318	2,4	118
	Total	3.840	3.175	7.015	13,8	3.670	3.618	7.288	13,3	104
2.	Operating expenses									
2.1.	Costs of salaries and contributions	18.598	4.634	23.232	45,7	19.707	5.011	24.718	45,1	106
2.2.	Amortisation costs	2.201	667	2.868	5,6	2.265	722	2.987	5,5	104
2.3.	Material expenses	969	241	1.210	2,4	1.129	301	1.430	2,6	118
2.4.	Service costs	6.003	2.793	8.796	17,3	6.944	3.143	10.087	18,4	115
2.5.	Other operating expenses	1.312	410	1.722	3,4	1.327	309	1.636	3,0	95
	Total	29.083	8.745	37.828	74,4	31.372	9.486	40.858	74,6	108
3.	Other operating expenses	210	38	248	0,5	411	125	536	1,0	216
4.	Costs of reserves for loan and other losses	1.934	2.832	4.766	9,4	2.377	2.793	5.170	9,4	108
5.	Tax on excess income over expenses (income tax)	586	359	945	1,9	601	352	953	1,7	101
	Total expenses (1+2+3+4+5)	35.653	15.149	50.802	100	38.431	16.374	54.805	100	108

MCOs' total expense structure is dominated by operating expenses with a share of 74.6%, while interest and similar expenses participate with 13.3% and costs of reserves for loan and other losses with 9.4%. Other operating expenses and tax on excess income over expenses (i.e. income tax) hold a share of 2.7% in total expenses of MCOs.

Over the observed period, interest and similar expenses rose by BAM 0.3 million or 3.9%, whereas fees for received loans and other interest and similar expenses climbed by 11.3% and 17.7% respectively. Expenses related to interest on borrowed funds slightly increased by 0.3%.

Operating expenses of MCFs, as a dominant item among total expenses, saw a rise by BAM 3.0 million or 8%, whereas costs of salaries and contributions (as their key item) increased by BAM 1.5 million or 6.4%. Costs of services went up by BAM 1.3 million or 14.7%, while material expenses by BAM 0.2 million or 18.2%. Other operating expenses dropped by 86 ths or 5%. Amortisation costs have risen by 4.1%.

Other operating expenses increased by BAM 0.3 million or 116.1%, of which the highest increase was posted by losses related to fixed asset inventory removal and write-off and intangible investments, as well as other expenses. Also, costs of reserves for loan and other losses increased by BAM 0.4 million or 8.5%. Tax on excess income over expenses (i.e. income tax) rose by BAM 8 ths or 0.8%.

Efficiency and Sustainability Indicators for the FBiH Microcredit Sector

Operational efficacy of the FBiH microcredit sector as of 30/06/2022 stood at 18.83%, which is within the prescribed range for the indicator.

According to the reporting data at the FBiH microcredit sector as of 30/06/2022, the return on assets adjusted for inflation, market price of capital and donations (AROA) was positive at 2.07%. The indicator of operational sustainability of the FBiH microcredit sector, which is used as a general standard and represents a ratio of total income (minus collection of written off receivables and other operating income) and total expenses, equals 115.03%.

3.1.3. 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 objectives of micro lending, in terms of improving the financial position of microloan users, contributing to the increase of employment and supporting entrepreneurship development, contributing to the 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 the growth of interest rates and its impact on the MCO sector, and undertaking activities to mitigate the effects and
- monitoring the portfolio being captured by the FBA's special measures for recovery from adverse consequences caused by the pandemic.

The microcredit sector in the FBiH has an obligation to consistently apply the prescribed standards and restrictions in performance of microcredit operations, reporting and auditing. Related to the above, it is also necessary that the competent governance bodies of the MCOs ensure compliance of their business with the regulatory framework and 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 Users³¹, 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 which MCOs are or might be exposed to, efficiency of internal control systems and independent internal audit function;
- resource optimizing and applying the principles of responsible micro lending;
- harmonization, i.e. improvement of operational efficiency and operational sustainability indicators;
- continued and improved cooperation with AMFI in sense of providing expert assistance in implementing laws and regulations concerning MCOs;

³¹ FBiH Official Gazette No. 31/14

- regular, up-to-date and accurate submission of data to CBBiH for the CLR management purposes;
- improving business transparency.

MCFs 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.

3.2. LEASING SECTOR

3.2.1. FBiH LEASING SECTOR STRUCTURE

3.2.1.1. Number of Leasing Companies and Branches

The FBA license for leasing operations was, as of 30/06/2022, held by five leasing companies in the FBiH, where the number of leasing companies increased by one company compared to the end of the previous year (the company got registered in the Q1 2022). Annex 14 provides basic information on leasing companies which, as of 30/06/2022, represented the leasing sector in the FBiH. Each of the three leasing companies have established one branch in the RS.

3.2.1.2. Ownership Structure

The ownership structure of leasing companies in the FBiH, according to the data as of 30/06/2022, is as follows: three leasing companies are in 100% ownership of non-resident legal persons, one leasing company is majority-owned by a non-resident legal person, while one leasing company is in 100% ownership of a resident legal person.

3.2.1.3. Staff Structure

As at 30/06/2022, there was a total of 107 employees in the leasing sector in the FBiH, which is by six employees or 5.9% more than at the end of the previous year (Table 50).

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

No.	Qualification	31/12/2021		30/06/2022		Index (5/3)
		No. of employees	% share	No. of employees	% share	
1	2	3	4	5	6	7
1.	University degree	73	72,3	82	76,6	112
2.	Two-year post-secondary school degree	4	4,0	3	2,8	75
3.	Secondary school degree	18	17,8	16	15,0	89
4.	Other	6	5,9	6	5,6	100
	Total	101	100	107	100	106

Efficiency of employees in the course of performance assessment of leasing companies is based on the ratio of assets and number of employees. According to the indicators as at 30/06/2022,

at the level of the leasing sector in the FBiH, each employee corresponded to BAM 3.8 million in assets. This is by BAM 0.1 million or 3.4% more than as at 31/12/2021.

3.2.2. FINANCIAL PERFORMANCE INDICATORS

3.2.2.1. Balance Sheet

Total assets of the FBiH leasing sector as at 30/06/2022 amounted to BAM 409.6 million and were higher by BAM 35.8 million, i.e. 9.6% compared to December 31, 2021. Two leasing companies, viewed on the basis of asset size, accounted for 70.8% of total assets of the FBiH leasing sector.

Annex 15 provides an aggregate balance sheet of leasing companies in the FBiH, while Annex 16 provides an overview of basic indicators of leasing companies in the FBiH as of 30/06/2022.

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 314.5 million, i.e. 76.8% of total assets. Compared to December 31, 2021, net receivables under financial leasing are higher by BAM 23.9 million, i.e. 8.2%, while gross receivables under financial leasing are higher by BAM 26.2 million, i.e. 8.2%. As of 30/06/2022, one bank that performs financial leasing deals posted net receivables under financial leasing in total amount of BAM 39.6 million, thus indicating that net receivables at the leasing system level were equal to BAM 354.1 million and were by BAM 23.5 million or 7.1% higher than at the end of the previous year.

In the structure of receivables under financial leasing at the level of the leasing sector in the FBiH (if observed by the leasing objects), contracts approved for financing of passenger vehicles and vehicles for performing business activities participate with 85.5%, contracts for equipment financing participate with 14.1%, while 0.4% relates to contracts under which real estate is financed.

If viewed by lessees, 89.2% refers to contracts with legal entities and 6.5% to contracts with private individuals.

The following table 51 provides the structure of receivables under financial leasing at the level of the FBiH leasing sector (receivables before reduction for loss provisions) as of 30/06/2022.

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No.	Descriptio	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	54.474	114.512	1.016	170.002	53,2
1.2.	Vehicles for performing business activity (cargo and passenger vehicles))	37.914	64.277	1.032	103.223	32,3
1.3.	Machines and equipment	18.745	26.000	413	45.158	14,1
1.4.	Real estate	158	1.110	20	1.288	0,4
1.5.	Other	35	41	0	76	0,0
	Total	111.326	205.940	2.481	319.747	100
2.	By lessee					

2.1.	Corporate	100.628	182.571	2.202	285.401	89,2
2.2.	Entrepreneurs	3.941	7.469	90	11.500	3,6
2.3.	Retail	6.001	14.509	178	20.688	6,5
2.4.	Other	756	1.391	11	2.158	0,7
	Total	111.326	205.940	2.481	319.747	100

Chart 17 shows the structure of financial leasing receivables with a comparative overview by years.



The balance sheet position of cash and cash equivalents as of 30/06/2022 amounted to BAM 6.9 million (constituting 1.7% of total assets), which was by BAM 2.5 million, i.e. 56.3% higher compared to December 31, 2021. This balance sheet position increased compared to the end of the previous year due to the foundation of new leasing company submitting its first reports as of Q2 2022. Therefore, this balance sheet position posted the stated increase. Placements to banks (posted by one leasing company) as of 30/06/2022 amounted to BAM 3.3 million, comprising 0.8% of total assets of the FBiH leasing sector, which was by BAM 4.9 million or 59.7% less compared to December 31, 2021.

Net value of fixed assets financed through operational leasing (posted by three leasing companies) as of 30/06/2022 amounted to BAM 74.9 million and has increased by BAM 12.2 million, i.e. 19.4% compared to December 31, 2021.

The structure of net balance sheet assets positions of the leasing sector in the FBiH can be seen in the Table 52 below:

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Table 52: Structure of net balance sheet assets positions

No.	Description	31/12/2021	% share	30/06/2022	% share	Index (5/3)
1	2	3	4	5	6	7
1.	Financial leasing	290.647	77,8	314.507	76,8	108
2.	Operational leasing	62.702	16,8	74.864	18,3	119
3.	Loan	0	0,0	0	0,0	-
4.	Other assets*	20.387	5,4	20.185	4,9	99
	Total	373.736	100	409.556	100	110

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

3.2.2.2. Capital and Liabilities

Total capital of the FBiH leasing companies as of 30/06/2022 amounted to BAM 35 million, thus constituting 8.6% of total liabilities of the FBiH leasing sector. Compared to December 31, 2021, the aforementioned position increased by BAM 5.5 million or 18.7%.

Total liabilities of the leasing sector amounted to BAM 374.6 million as at 30/06/2022, thus representing 91.4% of total liabilities of leasing companies in the FBiH. Compared to December 31, 2021, total liabilities at the sector level rose by BAM 30.3 million or 8.8%.

Liabilities of leasing companies in the FBiH under loans taken as of 30/06/2022 stood at BAM 365.5 million, thus posing a dominant source in the structure of total liabilities of the FBiH leasing sector since they account for 89.2% of total liabilities. Compared to 31/12/2021, the position of loan liabilities is higher by BAM 29.2 million, i.e. 8.7%. If observed by contractual maturity, dominant portion of liabilities based on loans refers to long term loans.

3.2.2.3. 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 30/06/2022 (Table 53) amounted to BAM 5.2 million and are lower compared to December 31, 2021 by BAM 0.4 million or 7.8%.

In the structure of receivables under financial leasing as of 30/06/2022, the total of BAM 2.5 million of overdue receivables was reported, being higher by BAM 93 ths or 3.9% compared to December 31, 2021.

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Table 53: Overview of financial leasing reserves

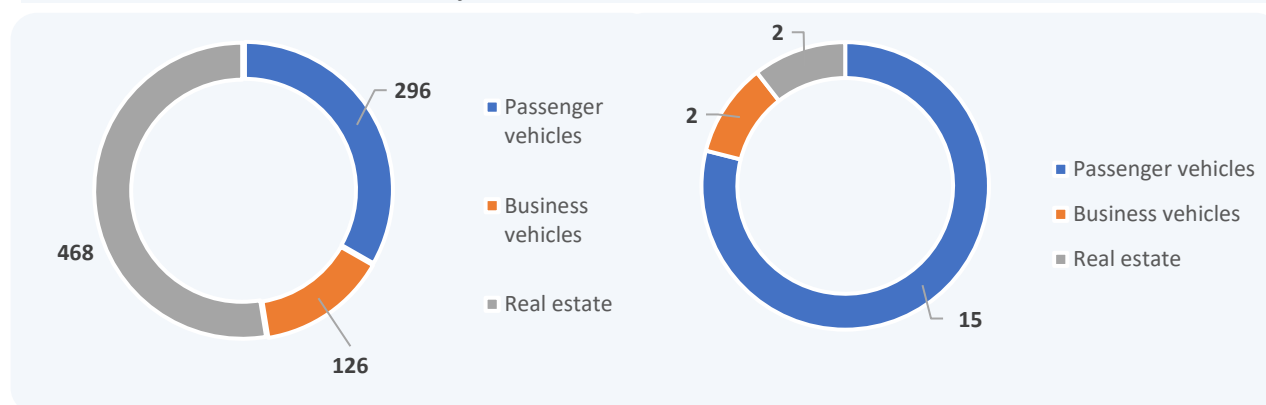
No.	Days past due	Rate of reserv. for finan. leasing (movables)	Rate of reserv. for finan. leasing (immovables)	Amount of receivables for movables	Amount of receivables for immovables	Basis - movables	Basis - immovables	Reserves			Total reserves
								For movables	For immovables	Excess calculated and allocated reserves	
1	2	3	4	5	6	7	8	9=7x3	10=8x4	11	12=9+10+11
1.	0-60	0,5%	0,5%	315.382	1.308	49.978	557	250	3	4.579	4.832
2.	60-90	10%	10%	2.290	0	340	0	34	0	21	55
3.	90-180	50%	50%	614	0	357	0	178	0	13	191
4.	over 180	100%	75%	153	0	118	0	118	0	44	162
5.	over 360	100%	100%	0	0	0	0	0	0	0	0
Total				318.439	1.308	50.793	557	580	3	4.657	5.240

The total amount of written off receivables as of 30/06/2022 amounted to BAM 6.8 million BAM and is lower compared to December 31, 2021 by BAM 155 ths or 2.2%.

The appraised market value of foreclosed leasing objects, due to termination of leasing contracts with lessees as of 30/06/2022 at the level of the FBiH leasing sector, amounted to BAM 0.9 million, up by BAM 62 ths or 7.5% compared to 31.12.2021, while there was a total of 19 foreclosed objects, remaining at the same level compared to the end of the previous year (Chart 18).

Out of the total reported amount of appraised market value of foreclosed objects in the FBiH leasing sector as of 30/06/2022, 47.4% refers to passenger vehicles and business vehicles. In addition, 52.6% relates to real estate (commercial facilities) for which leasing companies assumed possession for reasons of non-compliance with contractual liabilities on the part of lessees. The total amount of the above position relates to one leasing company.

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



Viewed from the level of the FBiH leasing system as of 30/06/2022, the market value of foreclosed leasing objects amounted to BAM 0.9 million and it decreased by BAM 3.6 million compared to December 31, 2021. Out of the above amount of foreclosed leasing objects, objects foreclosed by the bank performing leasing activities correspond to BAM 2 ths, i.e. 0.2% of the total market value of foreclosed objects 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 posed by a bank 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.

3.2.2.4. Profitability

According to the reporting data of five leasing companies, across the FBiH leasing sector in the period from 01/01/2022 to 30/06/2022, a positive financial result of BAM 4.7 million was reported, representing an increase by BAM 2.4 million compared to the same period in 2021 (Table No. 54). Total net profit was posted in an amount of BAM 5.1 million (three leasing companies), while loss was recognised by two leasing company in an amount of BAM 0.4 million.

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Table 54: Actual financial result of leasing companies

No.	Description	01/01/ - 30/06/2021		01/01/ - 30/06/2022	
		Amount	Number of leasing companies	Amount	Number of leasing companies
1	2	3	4	5	6
1.	Profit	3.001	3	5.104	3
2.	Loss	697	1	366	2
	Total	2.304	4	4.738	5

Annex 17 provides an aggregate income statement of leasing companies in the FBiH in the period from 01/01/2022 to 30/06/2022.

Total Income of the FBiH Leasing Sector

Total income of the FBiH leasing sector for the period 01/01/2022 to 30/06/2022 amounted to BAM 20.7 million, up by BAM 1.7 million or 9.2% compared to the same period of the previous year (Table 55).

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Tabela 55: Structure of total income of leasing companies						
No.	Structure of total income	01/01/ - 30/06/2021		01/01/ - 30/06/2022		Index (5/3)
		Amount	% share	Amount	% share	
1	2	3	4	5	6	7
1.	Interest income and similar income					
1.1.	Interest on placements to banks	44	0,2	64	0,3	145
1.2.	Interest under financial leasing	5.688	30,1	6.105	29,5	107
1.3.	Other interest income	907	4,8	1.022	5,0	113
	Total 1	6.639	35,1	7.191	34,8	108
2.	Operating income					
2.1.	Operating lease charges	9.393	49,6	10.944	52,9	117
2.2.	Service fees	1	0,0	0	0,0	0
2.3.	Other operating income	2.900	15,3	2.348	11,4	81
	Total 2	12.294	64,9	13.292	64,3	108
3.	Income from release of reserves for losses	0	0,0	190	0,9	-
	Total income (1+2+3)	18.933	100	20.673	100	109

The FBiH leasing sector's interest and similar income amounted to BAM 7.2 million, thus constituting 34.8% of total income of the leasing sector. It increased by BAM 0.6 million, i.e. 8.3%, 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 6.1 million and it is by BAM 0.4 million, i.e. 7.3%, higher compared to the same period of the previous year.

Operating income amounted to 13.3 million KM with a share of 64.3% in the total income of the leasing sector, and compared to the same period of the previous year, increased by 1.0 million KM or 8.1%. Fees for operating rent, as the dominant item of operating income, increased by 1.6 million KM or 16.5%, while other operating income decreased by 0.6 million KM or 19%. In the period from 01/01/2022 to 30/06/2022 income was reported based on the release of reserves for losses in the amount of 0.2 million KM, which accounted for 0.9% of the total income of the leasing sector. Two leasing companies reported income in the above position.

Total expenses of the FBiH Leasing Sector

Total expenses for the period 01/01/2022 to 30/06/2022 amounted to BAM 16 million and were lower by BAM 0.7 million or 4.2% compared to the previous year (Table 56).

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Table 56: Structure of total expenses of leasing companies

No.	Struktura ukupnih rashoda	01/01/ - 30/06/2021		01/01/ - 30/06/2022		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	2.018	12,2	2.297	14,4	114
1.2.	Fees for processing loans	39	0,2	61	0,4	156
1.3.	Other interest expenses	1	0,0	1	0,0	100
	Total 1	2.058	12,4	2.359	14,8	115
2.	Operating expenses					
2.1.	Salary and contribution costs	2.349	14,1	2.611	16,4	111
2.2.	Business premises costs	6.171	37,1	6.928	43,5	112
2.3.	Other costs	3.729	22,4	4.037	25,3	108
	Total 2	12.249	73,6	13.576	85,2	111
3.	Costs of reserves	2.322	14,0	0	0,0	0
4.	Profit tax	0	0,0	0	0,0	-
	Total expenses (1+2+3+4)	16.629	100	15.935	100	96

Interest and similar expenses of the leasing sector amounted to BAM 2.4 million and represented 14.8% of total expenses. This is higher by BAM 0.3 million or 14.6% vs. the same period of the previous financial year. Interest expenses under loans taken (as their dominant item) posted a rise by BAM 0.3 million or 13.8%.

Over the observed period, total operating expenses of the leasing sector stood at BAM 13.6 million with a share in total expenses of the leasing sector of 85.2%. This is higher by BAM 1.3 million or 10.8% compared to the same period of the year before. Therein, their structure reflects increased costs of salaries and contributions by 11.2%, costs of business premises by 12.3%, while other costs climbed by 8.6%.

3.2.2.5. Structure of Placements According to Object and Type of Leasing

The value of newly concluded contracts for financial and operational leasing executed at the level of the leasing system in the period from 01/01/2022 to 30/06/2022 amounted to BAM 126.3 million and is higher by BAM 20.2 million or 19% compared to the same period of the preceding financial year. Thereof, BAM 117.8 million or 93.3% of the total value of newly concluded contracts at the leasing system level refers to the leasing sector consisting of five leasing companies.

The number of newly concluded contracts at the leasing system level in the same period was 2.488, which was by 282 contracts or 12.8% higher compared to the same period last year. Thereof, 2.383 contracts or 95.8% 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 – 30/06/2022 amounted to BAM 50.8 ths and it is higher by 5.5% compared to the same period last year when it amounted to BAM 48.1 ths. Therein, the average value of contracts at the leasing sector level was BAM 49.4 ths, which is by 3.2% more than in the same period in 2021 when it stood at BAM 47.9 ths.

Out of the total generated value of newly concluded contracts in the period from 01/01/2022 to 30/06/2022, 81.1% relates to financial leasing contracts and 18.9% to operational leasing contracts.

The following Table 57 shows a comparative overview of the number of concluded contracts in the period from 01/01/2022 to 30/06/2022 and in the same period of the preceding financial year, as well as the comparative overview of the realized volume of newly concluded contracts in the same period:

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Table 57: Structure of the number of concluded contracts and financing amount of the leasing system

No.	Description	01/01/ - 30/06/2021						01/01/ - 30/06/2022					
		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	1.605	71.854	493	19.718	2.098	91.572	1.826	90.147	526	23.881	2.352	114.028
2.	Equipment	108	14.529	0	0	108	14.529	132	12.129	0	0	132	12.129
3.	Real estate	0	0	0	0	0	0	2	96	0	0	2	96
4.	Other	0	0	0	0	0	0	2	23	0	0	2	23
	Total	1.713	86.383	493	19.718	2.206	106.101	1.962	102.395	526	23.881	2.488	126.276

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 merging with that bank).

The structure of new placements is, according to type of lessee, dominated by placements to legal persons, which represent 91.3% of the total amount of financing in the period from 01/01/2022 to 30/06/2022. One of key reasons for this rests with the fact that financing through leasing for natural persons is less favorable compared to loan placements 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 weighted NIR for financial leasing contracts concluded in the period from 01/01/2022 to 30/06/2022 was 3.89% for short term contracts and 3.75% for long term contracts, while EIR for short term contracts was 8.74% and 6.44% for long term contracts. Total average weighted NIR was 3.75% and EIR was 6.45%. Compared to the same period in 2021 when total average weighted NIR was 3.91% and EIR 7.14%, there is an evident decrease of NIR by 0.16 percentage points and EIR by 0.69 percentage points.

Annex 18 provides an overview of average weighted NIR and EIR on financial leasing contracts concluded in the period from 01/01/2022 to 30/06/2022 (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 retail contracts was not identical to the calculation of this rate for corporate contracts since corporate contracts did not include a casco insurance premium (which in turn is mandated by law for retail contracts).

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

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

3.2.3. 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 reports 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 the growth of interest rates and its impact on the leasing sector, and undertaking activities to mitigate the effects;
- monitoring the portfolio subjected to the FBA's special measures aimed at recovery from negative consequences caused by the pandemic;
- monitoring and evaluating efficiency of the established risk management systems in the leasing sector, i.e. system in the 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 CBBiH in respect of data structures and quality related to exposures under financial leasing in the 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 from 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 CBBiH and other supervisory institutions and bodies, ensuring accuracy, validity and comprehensiveness of accounting and other records, compliance with business policies, activity programs and plans, laws and other regulations and documents, as well as protection of property of companies and preventive action;
- consistent implementation of the Law on the Protection of Financial Service Consumers.

3.3. FACTORING BUSINESS

3.3.1. Participants in the FBiH Factoring Market

Pursuant to provisions of the LoF, factoring operations in the FBiH may be conducted by a commercial enterprise organized 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 which the relevant chapters of the LoF apply to.

As of 30/06/2022, the FBiH factoring system consisted of four commercial banks, of which two banks are members of international banking groups seated in EU-member countries and two banks in majority domestic ownership.

3.3.2. Scope, Structure and Trend of Factoring Business in the FBiH

As of 30/06/2022, entities providing factoring services in the FBiH have concluded 131 factoring contracts, all of which referring to domestic factoring. Compared to the reporting data for the same period last year, the number of factoring contracts is lower by 60 contracts or 31.4%.

As of 30/06/2022, there were 130 concluded contracts on factoring with recourse right or 99.2% and 1 contract on factoring without recourse right or 0.8%. Over the observed period, factoring service providers performed no services of redemption of monetary claims in foreign factoring or deals related to factoring.

As of 30/06/2022, 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 90.2 million. Compared to the same period of the previous year, this represented an increase by BAM 10.3 million or 12.9%.

The values of redeemed monetary claims and settled payables of buyers towards suppliers in the FBiH by type of factoring and domicile status (with comparative data and trends in the reporting periods) are shown in the following Table 58:

- BAM 000 -

Table 58: Nominal amount of 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/ - 30/06/2021		01/01/ - 30/06/2022		
1	2	Amount 3	% share 4	Amount 5	% share 6	7
1.	Factoring with recourse right	37.417	46,8	41.446	45,9	111
2.	Factoring without recourse right	42.477	53,2	48.767	54,1	115
3.	Reversed (supplier) factoring	0	0	0	0	-
	Total	79.894	100	90.213	100	113
4.	Domestic factoring	79.894	100	90.213	100	113
5.	Foreign factoring	0	0	0	0	-
	Total	79.894	100	90.213	100	113

As of 30/06/2022, the change to the structure of redeemed monetary claims by factoring types referred to the share of factoring with and without recourse right, while reversed (supplier) factoring was not effected. The structure according to the domicile status remained unchanged.

Looking into the factoring contracts according to contractual maturity, the highest share in the total volume as of 30/06/2022 of 95.2% corresponded to redeemed monetary claims with contractual maturity of up to 60 days, followed by the share of 4.8% with contractual maturity of up to 61-90 days. Over the same period of the year before, the highest share in total volume was with redeemed monetary claims with contractual maturity of up to 60 days (91%).

Looking into the sector structure of buyers (with respect to the recourse right), the highest share was with public enterprises since the value of redeemed claims as of 30/06/2022 was BAM 48.7 million, thus constituting 53.9% of the total value at the FBiH factoring system level. This is followed by the share of private enterprises and companies in the amount of BAM 41.4 million or 45.9% of the total value of the FBiH factoring business, and of government institutions in the amount of BAM 175 ths or 0.2% of the total value of the FBiH factoring business.

According to the sector structure in the segment of private enterprises and companies, total advances paid to suppliers (sellers of receivables) equaled BAM 88.1 million or 100%. If observing domestic factoring by type of recourse in the segment of private enterprises and companies, an amount of BAM 39.3 million or 44.7% related to factoring with recourse right and BAM 48.8 million or 55.3% to factoring without recourse right. As for the segment of public enterprises, there were no advances paid to suppliers.

On the basis of factoring contracts as of 30/06/2022, banks claimed the total of BAM 21.1 million, fully in domestic factoring, of which BAM 12.7 million or 60.3% relates to factoring with right to recourse, while BAM 8.4 million or 39.7% relates to factoring without right to recourse. The structure of the mentioned amount of claims by contractual maturities is the following: with contractual maturity of up to 60 days – 89%, of 61 to 90 days – 11%, and of 91 to 180 days – there were no claims based on this maturity.

Total income of the factoring service providers in the FBiH as of 30/06/2022 amounted to BAM 555 ths (income from interest, factoring fees and administrative fees), thus declining by 55 ths or 9% compared to the same period the year before. In the structure of the reported total income, 57.7% refers to factoring with right to recourse and 42.3% to factoring without right to recourse.

3.3.3. FACTORING BUSINESS RECOMMENDATIONS

Within the FBA's prescribed competences regarding supervision over factoring entities in the FBiH, 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 system, as well as supporting establishment of confidence in factoring service providers;
- providing technical assistance in implementation of laws and regulations by entities performing factoring operations, as well as cooperation with supervisory and control

institutions, to include also cooperation with CBBiH regarding the structure and quality of data in CLR referring to factoring exposures; and

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

Within its competences for supervision, the FBA expects from the factoring system entities to improve activities and measures aimed at ensuring lawful, stable, efficient and transparent provision 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, CBBiH and other supervisory institutions and bodies;
- ensuring accuracy, validity and comprehensiveness of accounting and other records, preventive action and prevention of eventual fraud and errors;
- transparent, comprehensive and complete information to customers on factoring services.

BANKS' PAYMENT OPERATIONS AND AML/CTF

BANKS' PAYMENT OPERATIONS

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AML/CTF

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4. BANKS' PAYMENT OPERATIONS AND AML/CTF

4.1. 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 30/06/2022, based on DP and FXP transactions, is BAM 133.4 billion (transactions performed in all currencies, BAM equivalent). The volume of DP and FXP is shown in the Table 59 below:

No.	Effected payment transactions	01/01/ - 30/06/2021		01/01/ - 30/06/2022		Index	
		Number	Value (BAM 000)	Number	Value (BAM 000)	(5/3)	(6/4)
1	2	3	4	5	6	7	8
1.	FXP	1.367.769	17.051.530	1.417.008	23.851.846	104	140
2.	DP	40.733.276	88.451.630	42.622.168	109.561.914	105	124
	Total	42.101.045	105.503.160	44.039.176	133.413.760	105	126

Based on banks' reports on effected FXP transactions (collection/inflows and payments/outflows to and from abroad) in the period from 01/01/2022 to 30/06/2022, it has been shown that the FBiH banks and the RS banks doing business in the FBiH registered the following FXP volume by currencies (EUR, USD, other currencies) with a comparable review for the same period last year (Table 60):

No.	01/01/ - 30/06/2021				01/01/ - 30/06/2022				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.	822.968	7.162.021	351.108	7.165.782	783.192	8.945.642	419.619	10.161.595	EUR
2.	24.248	544.890	16.903	632.288	26.724	1.262.834	19.647	1.272.394	USD
3.	98.774	444.333	53.768	1.102.216	108.447	608.246	59.379	1.601.135	Other currencies
Total	945.990	8.151.244	421.779	8.900.286	918.363	10.816.722	498.645	13.035.124	

Within the structure of FXP transactions, the share of inflows from abroad in the total number of FXP transactions is 64.8%, while outflows to abroad hold a share of 35.2%. Observing the value of FXP transactions, the share of inflows from abroad is 45.3%, while outflows to abroad take on a share of 54.7%. Out of the total value of performed FXP transactions, 80% was effected in EUR.

Table 61 provides a comparative overview of DP volume in banks doing business in the FBiH (by transaction types):

Table 61: DP volume

No.	Transaction type	01/01/ - 30/06/2021		01/01/ - 30/06/2022		Index	
		Number	Value (BAM 000)	Number	Value (BAM 000)	(5/3)	(6/4)
1	2	3	4	5	6	7	8
1.	Cash	4.933.301	6.955.202	4.831.586	8.096.520	98	116
2.	Non-cash ³²	35.799.975	81.496.428	37.790.582	101.465.394	106	125
	Total	40.733.276	88.451.630	42.622.168	109.561.914	105	124

Based on data as of 30/06/2022, the Registry of Foreign Exchange Deals of Banks has shown that 76 authorised exchange offices with 443 locations hold foreign exchange contracts with banks seated in the FBiH and banks seated in the RS, but doing business in the FBiH.

The following Table 62 provides a comparative overview of the volume of foreign exchange deals of banks in the FBiH by currencies (EUR, USD, other currencies):

Table 62: Foreign exchange deals in banks

No.	01/01/ - 30/06/2021				01/01/ - 30/06/2022				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.	455.401	360.187	52.638	75.030	475.179	467.696	66.602	173.859	EUR
2.	31.167	26.311	2.433	8.900	38.878	41.656	2.606	4.523	USD
3.	69.864	50.449	57.602	6.177	89.792	71.450	18.773	11.957	Other currencies
Total	556.432	436.947	112.673	90.107	603.849	580.802	87.981	190.339	

Out of the total number of effected exchange office transactions, buy transactions hold a share of 87.3% and sell transactions a share of 12.7%, while 75.3% of buy transactions is included in the total value of exchange office deals and 24.7% refers to sell transactions. Out of the total value of performed exchange office transactions in banks, 83.2% of buy and sell transactions was effected in EUR.

Table 63 below provides information on the volume of deals effected by authorised exchange offices in the period from 01/01/2022 to 30/06/2022 by currencies (EUR, USD, other currencies):

Table 63: Deals effected by authorised exchange offices

No.	01/01/ - 30/06/2021				01/01/ - 30/06/2022				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.	881.169	475.641	39.005	23.523	1.150.006	478.630	70.904	63.716	EUR
2.	32.740	16.319	848	513	50.332	32.065	2.266	1.554	USD
3.	87.613	30.773	8.544	1.465	140.270	47.975	19.240	3.626	Other currencies
Total	1.001.522	522.733	48.397	25.510	1.340.608	558.670	92.410	68.896	

³²Non-cash transactions include cashless intra-bank payment transactions/internal orders, inter-bank transactions of gyro clearing and RTGS

4.2. AML/CTF

According to the Report on Cash Transactions of BAM 30 ths or above and the Report on Connected and Suspicious Transactions (being submitted to the FBA), in the period from 01/01/2022 to 30/06/2022, banks have reported to the FID a total of 141.262 transactions (3.4% more than in the same period last year) in total value of BAM 7.2 billion (6.9% more than in the same period last year). In the same reporting period, banks have reported to the FID a total of 371 suspicious transactions (185.4% more than in the same period last year) in total value of BAM 43.3 million (101.4% more than in the same period last year). This came as a result of the FBA orders and intensified follow-up monitoring activities.

Tables 64 and 65 show the number and value of total reported transactions and reported suspicious transactions:

No.	Description	01/01/ - 30/06/2021		01/01/ - 30/06/2022		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	14	3.701	6	2.045	43	55
2.	Transactions reported within 3 days	136.492	6.728.290	140.986	7.177.894	103	107
3.	Transactions reported after 3-day period	104	16.463	270	32.889	260	200
Total		136.610	6.748.454	141.262	7.212.828	103	107

No.	Description	01/01/ - 30/06/2021		01/01/ - 30/06/2022		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	14	3.701	6	2.045	43	55
2.	Transactions reported within 3 days	23	1.977	97	8.410	422	425
3.	Transactions reported after 3-day period	93	15.809	268	32.829	288	208
Total		130	21.487	371	43.284	285	201

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 30/06/2022, MCOs have reported to the FID a total of 70 transactions (63% less than in the same period last year) in total value of BAM 126 ths (50.6% less than in the same period last year) (Table 66).

No.	Description	01/01/ - 30/06/2021		01/01/ - 30/06/2022		Index	
		Number	Value (BAM 000)	Number	Value (BAM 000)	(5/3)	(6/4)
1	2	3	4	5	6	7	8
1.	Transactions for which FID requested information	0	0	0	0	0	0
2.	Transactions for which FID did not request information	189	255	70	126	37	49
Total		189	255	70	126	37	49

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 30/06/2022, leasing companies have reported to the FID of having no transactions to report (3 suspicious transactions were reported in the same period last year).

CONCLUSION

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

Based on the reported key business indicators of the FBiH banking sector as of 30/06/2022, it could be inferred that it is stable, adequately capitalized, liquid and profitable. In response to the events related to the situation in Ukraine and the announcement of sanctions related to the banks connected to Russia, in the observed period, the FBA undertook key activities regarding the initiation of the resolution process with one bank, successfully completed at the beginning of April 2022. The bank's operations were completely secured and their continuity ensured through the transfer of ownership and the provision of the necessary bank strengthening models. In the first half of 2022, there was an increase of net assets, cash, loan portfolio, deposits and total capital, and a slight decrease of investments in securities and retail savings. The share of non-performing loans (as a key indicator of loan quality) in total loans posted a decrease compared to the end of the last year, with an increase of the coverage rate of non-performing loans with value adjustments to cover expected credit losses. In the coming period, it is necessary to pay special attention to the potential effects of macroeconomic disturbances and rising interest rates on an increase in credit risk and issues related to the protection of financial service users.

Compared to the end of the last year, operations of the FBiH microcredit sector were marked by a slight increase of assets, an increase of the gross microcredit portfolio (as the key assets item), as well as an increase of total capital (as a dominant liabilities item). Liabilities under loans taken posted a slight decrease. If compared to the same period of the last year, the number of concluded agreements and microloan disbursements marked an increase. The FBiH microcredit sector level saw a reduction of the financial result. As of 30/06/2022 vs. the end of the last year, the FBiH leasing system recorded an increase of assets, gross and net receivables under financial leasing, liabilities under loans taken and capital. The number and value of newly concluded leasing agreements also rose compared to the same period last year. Over the observed period, the FBiH leasing sector's companies posted an operating profit. As of 30/06/2022, the factoring business, as a possible instrument of short term financing and cash flow management, was performed solely through its financing function, while there were no services of securing collections and receivables management or factoring-related deals. In relation to the same period of the previous year, there was an increase of redeemed nominal amount of monetary claims and settled payables of buyers towards suppliers of the factoring service provider, while there was also a decrease of the number of concluded factoring contracts. This segment is still beginning to develop in the FBiH market.

Current environment in which the BSEs operate is marked by uncertainty related to future global, economic and geopolitical trends. Results at the banking system level indicate to stability, sustainability and resilience of this system. Over the upcoming period, special attention will be paid to credit risk management, portfolio characteristics and growth in correlation with actual economic strengthening.

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Annex 1 - Banking information on FBiH Banks - 30/06/2022

No.	Bank	Web address	Number of employees	Management Chairperson
1.	Addiko Bank d.d. Sarajevo	www.addiko.ba	339	Sanela Pašić
2.	ASA BANKA DIONIČKO DRUŠTVO SARAJEVO	www.asabanka.ba	316	Samir Mustafić
3.	ASA BANKA NAŠA I SNAŽNA DIONIČKO DRUŠTVO SARAJEVO	www.asa-banka.ba	407	Edina Vuk, acting Management Chairperson*
4.	"BOSNA BANK INTERNATIONAL" - d.d. Sarajevo	www.bbi.ba	433	Alek Bakalović
5.	INTESA SANPAOLO BANKA d.d. BOSNA I HERCEGOVINA	www.intesasanpaolobanka.ba	571	Marco Trevisan
6.	KOMERCIJALNO-INVESTICIONA BANKA D.D. VELIKA KLADUŠA	www.kib-banka.com.ba	80	Hasan Porčić
7.	NLB Banka d.d., Sarajevo	www.nlb.ba	462	Lidija Žigić
8.	PRIVREDNA BANKA SARAJEVO d.d. SARAJEVO	www.pbs.ba	189	Hamid Pršeš
9.	ProCredit Bank d.d. Sarajevo	www.procreditbank.ba	157	Amir Salkanović
10.	RAIFFEISEN BANK DIONIČARSKO DRUŠTVO BOSNA I HERCEGOVINA	www.raiffeisenbank.ba	1.262	James Daniel Stewart, Jr
11.	Sparkasse Bank dd Bosna i Hercegovina	www.sparkasse.ba	517	Amir Softić
12.	UniCredit Bank d.d.	www.unicreditbank.ba	1.191	Amina Mahmutović
13.	UNION BANKA DD SARAJEVO	www.unionbank.ba	197	Vedran Hadžiahmetović
14.	ZiraatBank BH d.d.	www.ziraatbank.ba	302	Bülent Suer
TOTAL			6.423	

Annex 2 - FBiH banks' balance sheet according to FBA's scheme (active sub-balance sheet) -
30/06/2022

- BAM -

No.	Description	31/12/2021	%	30/06/2022	%	Index (5/3)
1	2	3	4	5	6	7
ASSETS						
1.	Cash and deposit accounts with deposit institutions	7.989.239	30,9	8.269.121	31,4	104
	1.a. Cash and non-interest bearing deposit accounts	3.813.229	14,7	3.908.048	14,9	102
	1.b. Interest-bearing deposit accounts	4.176.010	16,2	4.361.073	16,5	104
2.	Securities at fair value through profit or loss and at fair value in other comprehensive income	1.742.810	6,7	1.640.143	6,2	94
3.	Placements to other banks	350.452	1,3	219.883	0,8	63
4.	Loans, leasing type receivables and past-due receivables	15.890.821	61,4	16.143.030	61,4	102
	4.a. Loans	15.120.075	58,4	15.436.735	58,7	102
	4.b. Leasing type receivables	46.521	0,2	43.583	0,2	94
	4.c. Due receivables on loans and leasing type receivables	724.225	2,8	662.712	2,5	92
5.	Securities at amortized cost	223.198	0,9	279.592	1,1	125
6.	Business premises and other fixed assets	491.588	1,9	499.027	1,9	102
7.	Other real-estate	25.333	0,1	21.068	0,1	83
8.	Investments in subsidiaries and affiliates	13.860	0,1	13.860	0,1	100
9.	Other assets	317.273	1,2	322.371	1,2	102
10.	MINUS: Impairments	1.153.746	4,5	1.112.991	4,2	96
	10.a. Impairments of items in position 4 of Assets	1.099.948	4,3	1.059.440	4,0	96
	10.b. Impairments of assets items, except for position 4 of Assets	53.798	0,2	53.551	0,2	100
11.	TOTAL ASSETS	25.890.828	100	26.295.104	100	102
LIABILITIES						
12.	Deposits	21.184.952	81,8	21.610.906	82,2	102
	12.a. Interest-bearing deposits	14.090.013	54,4	14.287.838	54,3	101
	12.b. Non-interest bearing deposits	7.094.939	27,4	7.323.068	27,9	103
13.	Borrowings taken - 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 taken	779.075	3,0	563.495	2,1	72
	16.a. with residual maturity up to one year	313.719	1,2	171.091	0,6	55
	16.b. with residual maturity over one year	465.356	1,8	392.404	1,5	84
17.	Subordinated debts and subordinated bonds	167.557	0,7	265.348	1,0	158
18.	Other liabilities	650.947	2,5	668.340	2,6	103
19.	TOTAL LIABILITIES	22.782.681	88,0	23.108.239	87,9	101
CAPITAL						
20.	Permanent priority shares	343	0,0	343	0,0	100
21.	Common shares	1.382.522	5,3	1.384.714	5,3	100
22.	Share premium	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	1.489.411	5,6	115
24.	Exchange rate differences	0	0,0	0	0,0	-
25.	Other capital	290.342	1,1	175.070	0,7	60
26.	Loan loss reserves created from profits	0	0,0	0	0,0	-
27.	TOTAL CAPITAL: (20. do 25.)	3.108.147	12,0	3.186.865	12,1	103
28.	TOTAL LIABILITIES AND CAPITAL: (19. + 27.)	25.890.828	100	26.295.104	100	102
PASSIVE AND NEUTRAL SUB-BALANCE SHEET		712.283		717.649		101
TOTAL		26.603.111		27.012.753		102

Annex 3 - Overview of assets, loans, deposits and financial results of FBiH banks - 30/06/2022

- BAM 000 -

No.	Bank	Assets		Loans		Deposits		Financial result
		Amount	%	Amount	%	Amount	%	Amount
1.	Addiko Bank d.d. Sarajevo	930.979	3,5	545.349	3,4	726.403	3,4	4.278
2.	ASA BANKA DIONIČKO DRUŠTVO SARAJEVO	1.204.487	4,6	650.727	4,0	1.082.706	5,0	11.018
3.	ASA BANKA NAŠA I SNAŽNA DIONIČKO DRUŠTVO SARAJEVO	1.633.374	6,2	964.611	6,0	1.374.403	6,4	14.054
4.	"BOSNA BANK INTERNATIONAL" - d.d. Sarajevo	1.432.698	5,4	925.286	5,7	1.247.175	5,8	8.769
5.	INTESA SANPAOLO BANKA d.d. BOSNA I HERCEGOVINA	2.541.270	9,7	1.635.829	10,1	1.919.944	8,9	14.806
6.	KOMERCIJALNO-INVESTICIONA BANKA D.D. VELIKA KLADUŠA	118.915	0,5	54.946	0,3	86.531	0,4	481
7.	NLB Banka d.d., Sarajevo	1.534.809	5,8	994.810	6,2	1.258.690	5,8	7.459
8.	PRIVREDNA BANKA SARAJEVO d.d. SARAJEVO	651.616	2,5	343.905	2,1	558.660	2,6	3.355
9.	ProCredit Bank d.d. Sarajevo	786.661	3,0	558.906	3,5	559.684	2,6	2.926
10.	RAIFFEISEN BANK DIONIČARSKO DRUŠTVO BOSNA I HERCEGOVINA	4.765.037	18,1	2.702.491	16,7	3.903.991	18,1	32.506
11.	Sparkasse Bank dd Bosna i Hercegovina	1.973.990	7,5	1.345.534	8,3	1.643.143	7,6	15.076
12.	UniCredit Bank d.d.	6.415.818	24,4	4.110.636	25,5	5.370.322	24,9	56.821
13.	UNION BANKA DD SARAJEVO	1.123.136	4,3	416.673	2,6	987.985	4,6	469
14.	ZiraatBank BH d.d.	1.182.314	4,5	893.327	5,5	891.269	4,1	3.052
TOTAL		26.295.104	100	16.143.030	100	21.610.906	100	175.070

Annex 4 - Sector Structure of Loans in the FBiH and ECL - 30/06/2022

- 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. do 1.21.)	6.807.840	956.018	537.574	8.301.432	79.376	100.850	410.928	591.154
1.1. A Agriculture, forestry and fishing	91.152	7.719	33.346	132.217	879	536	22.936	24.351
1.2. B Mining and quarrying	84.129	14.052	726	98.907	1.058	2.205	559	3.822
1.3. C Processing industry	1.497.479	288.556	242.171	2.028.206	17.247	33.452	180.858	231.557
1.4. D Production and supply of electricity, gas, fumes and air conditioning	181.816	19.228	3.347	204.391	1.660	3.899	3.347	8.906
1.5. E Water supply, waste water drainage, commercial waste disposal and environmental recovery	37.087	2.454	1.680	41.221	409	167	884	1.460
1.6. F Construction	438.615	51.495	24.262	514.372	6.272	3.972	21.122	31.366
1.7. G Wholesale and retail trade; repair of motor vehicles and motorcycles	2.536.590	246.846	138.854	2.922.290	30.486	23.771	117.606	171.863
1.8. H Transport and warehousing	280.360	51.050	15.737	347.147	3.331	5.967	13.040	22.338
1.9. I Accommodation and catering (hotels and hospitalist business)	100.501	115.652	31.750	247.903	1.379	14.215	23.182	38.776
1.10. J Information and communication	104.991	12.551	7.889	125.431	1.899	995	4.832	7.726
1.11. K Financial and insurance business	749.641	1.379	803	751.823	6.194	77	282	6.553
1.12. L Real estate business	92.678	73.344	8.121	174.143	1.094	6.378	5.055	12.527
1.13. M Professional, scientific and technical activities	178.883	30.054	20.951	229.888	2.909	2.334	11.739	16.982
1.14. N Administration and auxiliary services	36.651	7.377	1.713	45.741	386	835	1.449	2.670
1.15. O Public administration and defence; social insurance	244.681	18.967	0	263.648	3.109	953	0	4.062
1.16. P Education	5.931	1.464	2.040	9.435	77	103	514	694
1.17. Q Health care and social welfare	61.810	10.114	1.461	73.385	420	632	939	1.991
1.18. R Art, entertainment and recreation	26.812	2.189	375	29.376	198	260	312	770
1.19. S Other services	58.030	1.527	2.348	61.905	369	99	2.272	2.740
1.20. T Activities of households as employers; activities of households manufacturing different goods and rendering different services for their own needs	0	0	0	0	0	0	0	0
1.21. U Activities of extraterritorial organisations and bodies	3	0	0	3	0	0	0	0
2. Total retail (2.1 + 2.2 + 2.3)	6.902.049	541.694	397.855	7.841.598	83.737	59.517	325.032	468.286
2.1. General consumption	5.291.742	476.661	363.641	6.132.044	71.330	53.704	299.389	424.423
2.2. Housing construction	1.531.727	57.662	28.184	1.617.573	11.280	5.282	20.473	37.035
2.3. Entrepreneurs	78.580	7.371	6.030	91.981	1.127	531	5.170	6.828
3. Total loans (1. + 2.)	13.709.889	1.497.712	935.429	16.143.030	163.113	160.367	735.960	1.059.440

Annex 5 - FBiH banks' income statement according to the FBA scheme - 30/06/2022

- BAM 000 -

No.	Description	01/01/ - 30/06/2021	%	01/01/ - 30/06/2022	%	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	408	0,1	755	0,1	185
2)	Placements to other banks	1.662	0,3	1.264	0,2	76
3)	Loans and leasing operations	308.590	57,2	305.817	52,0	99
4)	Securities held to maturity	2.124	0,4	2.633	0,4	124
5)	Equity securities	0	0,0	0	0,0	-
6)	Receivables on paid off-balance sheet liabilities	2	0,0	3	0,0	150
7)	Other interest income and similar income	32.623	6,1	33.372	5,7	102
8)	TOTAL INTEREST INCOME AND SIMILAR INCOME	345.409	64,1	343.844	58,4	100
b)	Interest expenses and similar expenses					
1)	Deposits	40.357	7,5	30.714	5,2	76
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	3.540	0,7	2.678	0,5	76
5)	Subordinated debts and subordinated bonds	3.441	0,6	3.185	0,5	93
6)	Other interest expenses and similar expenses	12.407	2,3	21.230	3,6	171
7)	TOTAL INTEREST EXPENSES AND SIMILAR EXPENSES	59.745	11,1	57.807	9,8	97
c)	Net interest and similar income	285.664	53,0	286.037	48,6	100
2.	OPERATING INCOME					
a)	Income from foreign exchange operations	30.338	5,6	45.225	7,7	149
b)	Loan fees	5.216	1,0	6.219	1,1	119
c)	Off-balance sheet operation fees	11.556	2,1	12.127	2,1	105
d)	Service fees	165.371	30,7	197.147	33,5	119
e)	Income from trading operations	619	0,1	151	0,0	24
f)	Other operating income	40.507	7,5	41.431	7,0	102
g)	TOTAL OPERATING INCOME a) do f)	253.607	47,0	302.300	51,4	119
	TOTAL INCOME (1c + 2g)	539.271	100	588.337	100	109
3.	NON-INTEREST EXPENSES					
a)	Operating and direct expenses					
1)	Risk asset impairment costs, provisions for contingent liabilities and other value adjustments	50.331	9,3	56.505	9,6	112
2)	Other operating and direct costs	72.009	13,4	83.823	14,2	116
3)	TOTAL OPERATING AND DIRECT EXPENSES 1) + 2)	122.340	22,7	140.328	23,9	115
b)	Operating expenses					
1)	Salary and contribution costs	130.623	24,2	133.933	22,8	103
2)	Costs of business premises, other fixed assets and utilities	85.479	15,9	84.136	14,3	98
3)	Other operating costs	49.160	9,1	53.314	9,1	108
4)	TOTAL OPERATING EXPENSES 1) do 3)	265.262	49,2	271.383	46,1	102
c)	TOTAL NON-INTEREST EXPENSES	387.602	71,9	411.711	70,0	106
	TOTAL EXPENSES (1b7+3c)	447.347		469.518		105
4.	PROFIT BEFORE TAXATION	151.669	28,1	176.626	30,0	116
5.	LOSS	0	0,0	0	0,0	-
6.	TAXES	969	0,2	1.234	0,2	127
7.	PROFIT ON INCREASE IN DEFERRED TAX ASSETS AND DECREASE IN DEFERRED TAX LIABILITIES	49	0,0	57	0,0	116
8.	LOSS ON DECREASE IN DEFERRED TAX ASSETS AND INCREASE IN DEFERRED TAX LIABILITIES	92	0,0	379	0,1	412
9.	NET-PROFIT	150.657	27,9	175.070	29,8	116
10.	NET-LOSS	0	0,0	0	0,0	-
11.	FINANCIAL PERFORMANCE (9.-10.)	150.657		175.070		116

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

Average weighted NIR and EIR on loans by periods

- % -

No.	Description	30/06/2018		30/06/2019		30/06/2020		30/06/2021		30/06/2022	
		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										
		2,76	3,05	2,36	2,77	2,23	2,50	2,12	2,42	2,00	2,28
1.1.	Corporate	2,70	2,93	2,32	2,66	2,19	2,40	2,07	2,29	1,96	2,20
1.2.	Retail	7,55	14,45	7,21	13,60	8,43	15,31	8,41	14,53	7,67	13,31
1.3.	Other	3,15	3,38	2,43	3,10	2,14	3,17	2,08	3,09	2,17	2,45
2.	Weighted interest rates on long-term loans										
		4,84	5,87	4,63	5,57	4,52	5,39	4,58	5,46	4,14	4,94
2.1.	Corporate	3,79	4,11	3,46	3,73	3,55	3,83	3,45	3,70	3,22	3,48
2.2.	Retail	5,66	7,26	5,37	6,74	5,43	6,84	5,34	6,65	4,77	5,96
2.3.	Other	3,79	3,98	3,16	3,32	3,11	3,33	3,94	4,51	2,82	2,95
3.	Total weighted interest rates										
		3,69	4,32	3,34	3,98	3,09	3,59	3,29	3,86	3,07	3,61
3.1.	Corporate	2,99	3,24	2,58	2,90	2,49	2,71	2,45	2,68	2,32	2,57
3.2.	Retail	5,70	7,41	5,40	6,87	5,49	7,00	5,38	6,76	4,81	6,04
3.3.	Other	3,32	3,53	2,57	3,14	2,47	3,22	2,34	3,29	2,39	2,62

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

Average Weighted NIR and EIR on deposits by periods

- % -

R. br.	Description	30/06/2018		30/06/2019		30/06/2020		30/06/2021		30/06/2022	
		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										
		0,30	0,29	0,33	0,32	0,35	0,35	0,20	0,20	0,16	0,17
1.1.	Corporate	0,45	0,45	0,67	0,67	0,41	0,41	0,45	0,45	0,19	0,19
1.2.	Retail	0,17	0,18	0,25	0,25	0,45	0,45	0,20	0,20	0,06	0,06
1.3.	Other	0,31	0,29	0,31	0,30	0,32	0,32	0,16	0,16	0,18	0,18
2.	Weighted interest rates on long-term loans										
		1,05	1,06	1,31	1,22	0,96	0,97	0,86	0,88	0,46	0,47
2.1.	Corporate	1,29	1,29	1,40	1,40	1,08	1,09	1,04	1,04	0,49	0,49
2.2.	Retail	1,10	1,11	1,34	1,17	0,98	0,99	0,82	0,84	0,50	0,51
2.3.	Other	0,76	0,77	1,09	1,09	0,82	0,83	0,73	0,78	0,35	0,37
3.	Total weighted interest rates										
		0,56	0,55	0,82	0,77	0,67	0,67	0,54	0,55	0,31	0,31
3.1.	Corporate	0,89	0,89	1,25	1,25	0,79	0,79	0,87	0,87	0,39	0,39
3.2.	Retail	0,91	0,92	1,16	1,02	0,89	0,90	0,70	0,71	0,38	0,39
3.3.	Other	0,36	0,35	0,45	0,44	0,43	0,43	0,27	0,27	0,22	0,22

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

ANNEXES - MICROCREDIT SECTOR

Annex 7 - Basic information on FBiH MCOs - 30/06/2022

No.	Name of MCO	Web address	Director	Number of employees
1.	Mikrokreditno društvo CREDO CENTAR društvo sa ograničenom odgovornošću Mostar	www.credo-centar.ba	Bernard Stojanović	14
2.	Mikrokreditno društvo EKI d.o.o. Sarajevo	www.eki.ba	Almir Sultanović	191
3.	Mikrokreditna fondacija "EKI"	www.eki.ba	Esad Uzunić	171
4.	Mikrokreditno društvo IuteCredit BH d.o.o. Sarajevo	www.iutecredit.ba	Melika Hadžijamaković - Salihović	46
5.	Mikrokreditna fondacija "LIDER"	www.lider.ba	Džavid Sejfović	68
6.	Mikrokreditna fondacija "LOK" Sarajevo	www.lok.ba	Elma Čardaklija – Bašić	58
7.	Mikrokreditna fondacija "MELAHA" Sarajevo	www.melaha.ba	Jakob Finci	4
8.	Mikrokreditna fondacija "MI-BOSPO" Tuzla	www.mi-bospo.org	Safet Husić	203
9.	Mikrokreditna fondacija "MIKRA"	www.mikra.ba	Sanin Čampara	160
10.	Mikrokreditna fondacija "MIKRO ALDI"	www.mikroaldi.org	Omar Softić	34
11.	„PARTNER MIKROKREDITNA FONDACIJA“	www.partner.ba	Senad Sinanović	287
12.	"PRVA ISLAMSKA MIKROKREDITNA FONDACIJA"	www.mfi.ba	Edina Hadžimurtezić	9
13.	Mikrokreditna fondacija "SUNRISE"	www.microsunrise.ba	Samir Bajrović	177
TOTAL				1.422

Annex 8 - MCFs' aggregate balance sheet - 30/06/2022

- BAM 000 -

No.	Description	31/12/2021	%	30/06/2022	%	Index (5/3)
1	2	3	4	5	6	7
ASSETS						
1.	Cash (1a+1b)	45.096	8,9	35.215	6,8	78
1a)	Cash and non-interest bearing deposit accounts	27.865	5,5	27.957	5,4	100
1b)	Interest-bearing deposit accounts	17.231	3,4	7.258	1,4	42
2.	Placements to banks	1.660	0,3	5.550	1,1	334
3.	Loans	402.924	79,1	419.199	80,6	104
3a)	Loan loss reserves	3.631	0,7	3.657	0,7	101
3b)	Net loans (3-3a)	399.293	78,4	415.542	79,9	104
4.	Tangible and intangible assets, net	25.577	5,0	25.013	4,8	98
5.	Long-term investments	33.888	6,7	34.388	6,6	101
6.	Other assets	3.652	0,7	4.199	0,8	115
7.	Minus: reserves on other asset items, except for loans	10	0,0	0	0,0	0
8.	TOTAL ASSETS	509.156	100	519.907	100	102
LIABILITIES						
9a)	Liabilities on short-term loans taken	16.141	3,2	16.895	3,3	105
9b)	Liabilities on long-term loans taken	184.670	36,3	189.248	36,4	102
9c)	Liabilities based on interest due	1.115	0,2	1.119	0,2	100
10.	Other liabilities	25.488	5,0	24.425	4,7	96
11.	TOTAL LIABILITIES	227.414	44,7	231.687	44,6	102
12.	Donated capital	48.098	9,4	48.098	9,3	100
13.	Tier 1 capital	3.696	0,7	3.696	0,7	100
14.	Excess income over expenses	283.956	55,8	290.799	55,9	102
14a)	for previous years	270.562	53,2	283.949	54,6	105
14b)	for current year	13.394	2,6	6.850	1,3	51
15.	Shortage of income over expenses	55.078	10,8	55.381	10,7	101
15a)	for previous years	54.954	10,8	55.078	10,6	100
15b)	for current year	124	0,0	303	0,1	244
16.	Other reserves	1.070	0,2	1.008	0,2	94
17.	TOTAL CAPITAL	281.742	55,3	288.220	55,4	102
18.	TOTAL LIABILITIES	509.156	100	519.907	100	102
OFF-BALANCE SHEET RECORDS						
19.	Written-off loans	138.239		137.080		99
20.	Approved, but undrawn loan funds of creditors	9.270		5.885		63
21.	Commission operations	213		211		99
22.	Court disputes, orders by competent authorities posing contingent liability for MCO, but that have not yet been posted in balance sheet records, etc.	400		400		100
23.	Other (all other off-balance sheet items not covered above)	30.848		32.677		106

Annex 9 - MCCs' aggregate balance sheet - 30/06/2022

- BAM 000 -

No..	Description	31/12/2021	%	30/06/2022	%	Index (5/3)
1	2	3	4	5	6	7
ASSETS						
1.	Cash (1a+1b)	19.829	10,7	13.508	7,5	68
1a)	Cash and non-interest bearing deposit accounts	19.579	10,6	13.258	7,4	68
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	163.256	90,8	102
3a)	Loan loss reserves	2.888	1,5	3.612	2,0	125
3b)	Net loans (3-3a)	157.553	85,5	159.644	88,8	101
4.	Tangible and intangible assets	5.151	2,8	4.815	2,7	93
5.	Long-term investments	0	0,0	0	0,0	-
6.	Other assets	1.789	1,0	1.877	1,0	105
7.	Minus: reserves on other asset items, except for loans	0	0,0	0	0,0	-
8.	TOTAL ASSETS	184.322	100	179.844	100	98
LIABILITIES						
9a)	Liabilities on short-term loans taken	1.500	0,8	4.200	2,3	280
9b)	Liabilities on long-term loans taken	121.238	65,8	111.809	62,2	92
9c)	Liabilities based on interest due	1.285	0,7	1.005	0,6	78
10.	Other liabilities	8.201	4,4	7.566	4,2	92
11.	TOTAL LIABILITIES	132.224	71,7	124.580	69,3	94
12.	Donated capital	0	0,0	0	0,0	-
13.	Tier 1 capital	34.177	18,6	34.177	19,0	100
14.	Share premium	0	0,0	0	0,0	-
15.	Unallocated profit (15a+15b)	7.566	4,1	12.809	7,1	169
15a)	Previous years	6.614	3,6	12.142	6,7	184
15b)	Current year	952	0,5	667	0,4	70
16.	Legal reserves	4.214	2,3	5.569	3,1	132
17.	Other reserves	6.141	3,3	2.709	1,5	44
18.	TOTAL CAPITAL	52.098	28,3	55.264	30,7	106
19.	TOTAL LIABILITIES	184.322	100	179.844	100	98
OFF-BALANCE SHEET RECORDS						
20.	Written-off loans	11.232		13.500		120
21.	Approved, but undrawn loan funds of creditors	9.333		5.871		63
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		16.261		143

Annex 10 - Overview of key indicators of MCOs in the FBiH - 30/06/2022

- BAM 000 -

No.	Name of MCO	Assets	Gross portfolio minus deferred fee income	Financial result	Placements
1.	Mikrokreditno društvo CREDO CENTAR društvo sa ograničenom odgovornošću Mostar	3.697	3.428	136	2.205
2.	Mikrokreditno društvo EKI d.o.o. Sarajevo	165.717	148.890	3.033	55.392
3.	Mikrokreditna fondacija "EKI"	108.437	60.510	876	36.524
4.	Mikrokreditno društvo luteCredit BH d.o.o. Sarajevo	10.430	9.148	-2.517	6.854
5.	Mikrokreditna fondacija "LIDER"	29.486	26.705	237	12.657
6.	Mikrokreditna fondacija "LOK" Sarajevo	6.051	4.374	-49	2.151
7.	Mikrokreditna fondacija "MELAHA" Sarajevo	566	421	-183	94
8.	Mikrokreditna fondacija "MI-BOSPO" Tuzla	85.226	76.559	1.320	39.587
9.	Mikrokreditna fondacija "MIKRA"	57.993	49.001	554	26.415
10.	Mikrokreditna fondacija "MIKRO ALDI"	8.417	7.811	110	3.581
11.	„PARTNER MIKROKREDITNA FONDACIJA“	164.304	140.110	3.080	54.882
12.	"PRVA ISLAMSKA MIKROKREDITNA FONDACIJA"	2.407	1.996	-71	1.350
13.	Mikrokreditna fondacija "SUNRISE"	57.020	48.141	613	29.700
TOTAL		699.751	577.094	7.139	271.392

Annex 11 - Overview of average weighted NIR and EIR for MCOs - 30/06/2022

No.	Description	MCOs seated in the FBiH - period 01/01/ - 31/03/2022			
		Number of concluded contracts	Microloans disbursement (in BAM 000)	Weighted NIR (average) %	Weighted EIR (average) %
1	2	3		4	5
1.	Short term microloans for:	21.477	28.282	20,22	28,75
1.1.	services	515	1.207	19,56	27,31
1.2.	trade	92	282	18,38	25,05
1.3.	agriculture	3.582	5.544	21,14	26,48
1.4.	manufacturing	59	181	18,80	25,33
1.5.	housing needs	1.702	3.202	19,10	23,82
1.6.	general-basic needs	10.128	12.003	20,90	32,07
1.7.	Other	5.399	5.863	18,77	27,29
2.	Long term microloans for:	50.920	243.110	18,71	22,47
2.1.	services	2.608	12.543	18,14	21,80
2.2.	trade	512	3.035	17,03	20,35
2.3.	agriculture	13.882	74.333	17,07	19,98
2.4.	manufacturing	328	2.142	16,85	19,89
2.5.	housing needs	11.627	71.130	18,30	20,95
2.6.	general-basic needs	10.021	38.143	20,72	25,18
2.7.	other	11.942	41.784	19,74	27,51
3.	Total microloans	72.397	271.392	18,86	23,13

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

- % -

Average weighted NIR on	01/01/- 30/06/2018	01/01/- 30/06/2019	01/01/- 30/06/2020	01/01/- 30/06/2021	01/01/- 30/06/2022
Short-term microloans	20,20	21,26	20,62	20,28	20,22
Long-term microloans	19,66	19,29	19,02	19,45	18,71
Total microloans	19,74	19,58	19,22	19,56	18,86
Average weighted EIR on:	01/01/- 30/06/2018	01/01/- 30/06/2019	01/01/- 30/06/2020	01/01/- 30/06/2021	01/01/- 30/06/2022
Short-term microloans	27,00	29,83	31,87	30,60	28,75
Long-term microloans	23,34	22,98	23,13	23,63	22,47
Total microloans	23,92	23,99	24,23	24,52	23,13

Annex 12 - MCFs' aggregate income statement - 30/06/2022

- BAM 000 -

No.	Description	For the period 01/01/ - 30/06/2021	%	For the period 01/01/ - 30/06/2022	%	Index (5/3)
1	2	3	4	5	6	7
	INTEREST INCOME AND EXPENSES					
1.	Interest income and similar income	38.365	90,1	40.719	90,6	106
2.	Interest expenses and similar expenses	3.840	10,8	3.670	9,5	96
3.	Net interest income and similar income (1. - 2.)	34.525	81,1	37.049	82,5	107
	OPERATING INCOME AND EXPENSES					
4.	Operating income	3.674	8,6	3.533	7,9	96
5.	Operating expenses	29.083	81,6	31.372	81,6	108
	OTHER OPERATING INCOME AND EXPENSES					
6.	Other operating income	551	1,3	666	1,5	121
7.	Other operating expenses	210	0,6	411	1,1	196
8.	Costs of provisions for loan and other losses	1.934	5,4	2.377	6,2	123
9.	Excess/shortage of income over expenses before taxes (3.+4.-5.+6.-7.-8.)	7.523		7.088		
10.	Tax on excess income over expenses	586	1,6	601	1,6	103
11.	Net excess/shortage of income over expenses (9.-10.)	6.937		6.487		

Annex 13 - MCCs' aggregate income statement - 30/06/2022

- BAM 000 -

No.	Description	For the period 01/01/ - 30/06/2021	%	For the period 01/01/ - 30/06/2022	%	Index (5/3)
1	2	3	4	5	6	7
	INTEREST INCOME AND EXPENSES					
1.	Interest income and similar income	15.150	97,6	16.540	97,1	109
2.	Interest expenses and similar expenses	3.175	20,9	3.618	22,1	114
3.	Net interest income and similar income (1. - 2.)	11.975	77,2	12.922	75,9	108
	OPERATING INCOME AND EXPENSES					
4.	Operating income	268	1,7	383	2,3	143
5.	Operating expenses	8.745	57,7	9.486	57,9	108
	OTHER OPERATING INCOME AND EXPENSES					
6.	Other operating income	99	0,7	103	0,6	104
7.	Other operating expenses	38	0,3	125	0,8	329
8.	Costs of provisions for loan and other losses	2.832	18,7	2.793	17,1	99
9.	Profit/loss before taxes (3.+4.-5.+6.-7.-8.)	727		1.004		
10.	Income tax	359	2,4	352	2,1	98
11.	Net profit/loss (9.-10.)	368		652		

ANNEXES - LEASING SECTOR

Annex 14 - Basic information on leasing companies in the FBiH - 30/06/2022

No.	Name of leasing company	Web address	Director	Number of employees
1.	MOGO d.o.o. Sarajevo	www.mogo.ba	Maja Nura	8
2.	PORSCHE LEASING d.o.o. Sarajevo	www.porscheleasing.ba	Dejan Stupar	24
3.	RAIFFEISEN LEASING d.o.o. Sarajevo	www.rlbh.ba	Maja Jurčević	44
4.	„SCANIA LEASING BH“ društvo sa ograničenom odgovornošću	www.scania.com/ba	Damir Slipičević	7
5.	SPARKASSE LEASING d.o.o. Sarajevo	www.s-leasing.ba	Elma Hošo	24
TOTAL				107

Annex 15 - Leasing companies' aggregate balance sheet - 30.06.2022.

- BAM 000 -

No.	Description	31/12/2021	%	30/06/2022	%	Index (5/3)
1	2	3	4	5	6	7
	ASSETS					
1.	Cash and cash equivalents	4.391	1,2	6.863	1,7	156
2.	Placements to banks	8.240	2,2	3.317	0,8	40
3.	Financial leasing type receivables, net (3a-3b-3c-3d)	290.647	77,8	314.507	76,8	108
3a)	Financial leasing type receivables, gross	318.640	85,3	344.812	84,2	108
3b)	Loss reserves	5.681	1,5	5.240	1,3	92
3c)	Deferred interest income	21.996	5,9	24.732	6,0	112
3d)	Deferred fee income	316	0,1	333	0,1	105
4.	Receivables from subsidiaries	0	0,0	0	0,0	-
5.	Tangible and intangible assets, net (5a+5b-5c-5d)	64.259	17,2	76.282	18,6	119
5a)	Tangible and intangible assets - own funds	3.869	1,0	3.851	0,9	100
5b)	Tangible and intangible assets - of operational leasing	86.199	23,1	101.269	24,7	117
5c)	Impairment - own resources	2.312	0,6	2.433	0,6	105
5d)	Impairment-operating leasing	23.497	6,3	26.405	6,4	112
6.	Long-term investments	368	0,1	370	0,1	101
7.	Other assets (7a+7b+7c)	5.831	1,5	8.217	2,0	141
7a)	Loans, net (7a1-7a2)	0	0,0	0	0,0	-
7a1)	Loans (past-due receivables+outstanding principal)	0	0,0	0	0,0	-
7a2)	Loan reserves	0	0,0	0	0,0	-
7b)	Inventory	828	0,2	890	0,2	107
7c)	Other assets	5.003	1,3	7.327	1,8	146
	TOTAL ASSETS	373.736	100	409.556	100	110
	LIABILITIES					
8.	Liabilities on loans, net (8a+8b-8c)	336.293	90,0	365.478	89,2	109
8a)	Liabilities on short-term loans	11.679	3,1	13.545	3,3	116
8b)	Liabilities on long-term loans	324.767	86,9	352.173	86,0	108
8c)	Advanced costs and fees	153	0,0	240	0,1	157
9.	Other liabilities	7.957	2,1	9.072	2,2	114
	TOTAL LIABILITIES	344.250	92,1	374.550	91,4	109
10.	Tier 1 capital	16.827	4,5	16.674	4,1	99
11.	Reserves	7.818	2,1	12.076	3,0	154
12.	Accumulated profit/loss	4.841	1,3	6.256	1,5	129
	TOTAL CAPITAL	29.486	7,9	35.006	8,6	119
	TOTAL LIABILITIES	373.736	100	409.556	100	110
	Written off receivables (opening balance)	21.020		6.957		33
	New write off (+)	589		318		54
	Recovery (-)	559		391		70
	Permanent write off (-)	14.093		82		1
	Written off receivables (closing balance)	6.957		6.802		98
	Other off-balance sheet records	99.593		75.489		76

Annex 16 - Overview of basic indicators of leasing companies in the FBiH - 30/06/2022

- BAM 000 -

No.	Name of leasing company	Balance sheet total	Financial leasing type receivables	Net balance of funds granted under operational leasing	Financial result	Placements
1.	MOGO d.o.o. Sarajevo	982	397	0	-225	0
2.	PORSCHE LEASING d.o.o. Sarajevo	173.824	108.308	58.888	2.425	52.517
3.	RAIFFEISEN LEASING d.o.o. Sarajevo	116.007	99.956	9.195	1.542	33.424
4.	„SCANIA LEASING BH“ društvo sa ograničenom odgovornošću	3.507	844	0	-141	824
5.	SPARKASSE LEASING d.o.o. Sarajevo	115.236	105.002	6.781	1.137	31.054
TOTAL		409.556	314.507	74.864	4.738	117.819

Annex 17 - Leasing companies' aggregate income statement - 30/06/2022

- BAM 000 -

No.	Description	01/01/ - 30/06/2021	%	01/01/ - 30/06/2022	%	Index (5/3)
1	2	3	4	5	6	7
	Financial income and expenses					
1.	Interest income	6.639	35,1	7.191	35,1	108
1a)	Interest on placements to banks	44	0,2	64	0,3	145
1b)	Interest on financial leasing	5.688	30,1	6.105	29,8	107
1c)	Fees (for leasing application processing, etc.)	436	2,3	501	2,5	115
1d)	Other interest income	471	2,5	521	2,5	111
2.	Interest expenses	2.058	12,4	2.359	15,0	115
2a)	Interest on borrowed funds	2.018	12,2	2.297	14,6	114
2b)	Loan processing fees	39	0,2	61	0,4	156
2c)	Other interest expenses	1	0,0	1	0,0	100
3.	Net interest income	4.581	24,2	4.832	23,6	105
	Operating income and expenses					
4.	Operating income	12.294	64,9	13.292	64,9	108
4a)	Service fees	1	0,0	0	0,0	0
4b)	Operating lease fee	9.393	49,6	10.944	53,4	117
4c)	Income from sale of leasing object	0	0,0	0	0,0	-
4d)	Other operating income	2.900	15,3	2.348	11,5	81
4d)1	Income from recovered written off receivables	222	1,2	384	1,9	173
4d)2	Income from collection letters	11	0,0	9	0,0	82
4d)3	Other	2.667	14,1	1.955	9,6	73
5.	Operating expenses	12.249	73,6	13.576	86,2	111
5a)	Salary and contribution costs	2.349	14,1	2.611	16,6	111
5b)	Business premises costs	6.171	37,1	6.928	44,0	112
5c)	Other costs	3.729	22,4	4.037	25,6	108
6.	Costs of loss reserves	2.322	14,0	-190	-1,2	-8
7.	Profit before tax	2.304		4.738		206
8.	Income tax	0	0,0	0	0,0	-
9.	Net profit/loss	2.304		4.738		206

Annex 18 - Overview of average weighted NIR and EIR financial leasing contracts - 30/06/2022

No.	Description	For the period 01/01/ - 30/06/2022			
		Number of contracts	Amount of financing (BAM 000)	Weighted NIR %	Weighted EIR %
1	2	3	4	5	6
1.	Short-term leasing contract by leasing objects:	7	530	3,89	8,74
a.	Passenger vehicles	5	418	4,03	9,60
b.	Vehicles for performing business activity (cargo and passenger vehicles)	2	112	3,36	5,52
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:	7	530	3,89	8,74
a.	Corporate	6	431	3,76	5,87
b.	Entrepreneurs	0	0	0,00	0,00
c.	Retail	1	99	4,50	21,22
2.	Long-term leasing contract by leasing objects:	1.955	101.865	3,75	6,44
a.	Passenger vehicles	1.324	58.898	3,78	6,76
b.	Vehicles for performing business activity (cargo and passenger vehicles))	495	30.719	3,65	6,18
c.	Machines and equipment	132	12.129	3,88	5,45
d.	Real estate	2	96	4,50	7,93
e.	Other	2	23	5,66	31,50
2.1.	Long-term leasing contract by lessees:	1.955	101.865	3,75	6,44
a.	Corporate	1.729	93.034	3,71	5,71
b.	Entrepreneurs	76	2.945	3,87	6,63
c.	Retail	150	5.886	4,44	17,91
	Total (1+2)	1.962	102.395	3,75	6,45

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

- % -

No.	Description	30/06/2018		30/06/2019		30/06/2020		30/06/2021		30/06/2022	
		NKS	EKS	NKS	EKS	NKS	EKS	NKS	EKS	NKS	EKS
1	2	3	4	5	6	7	8	9	10	11	12
1.	Short-term leasing contracts:	4,60	12,16	8,93	17,98	4,12	8,34	3,80	6,37	3,89	8,74
1.1.	Corporate	4,49	8,51	3,13	5,53	4,12	8,34	3,80	6,37	3,76	5,87
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	5,82	51,36	33,04	69,75	0,00	0,00	0,00	0,00	4,50	21,22
2.	Long-term leasing contracts:	4,31	6,84	6,47	9,96	4,05	7,01	3,91	7,14	3,75	6,44
2.1.	Corporate	4,26	6,14	4,05	5,88	3,97	6,21	3,84	6,31	3,71	5,71
2.2.	Entrepreneurs	5,25	7,59	4,90	6,91	4,80	7,76	3,93	5,74	3,87	6,63
2.3.	Retail	5,02	19,11	25,74	42,68	4,84	18,00	4,79	18,47	4,44	17,91
	Total	4,31	6,86	6,48	10,01	4,05	7,02	3,91	7,14	3,75	6,45



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