



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 THE BALANCE AS AT 31.12.2023
(AS PER FINAL UNAUDITED DATA)**

Sarajevo, April 2024

Abbreviations and Terms

ALCBiH	Association of Leasing Companies in BiH
AMFI	Association of Microfinance Institutions in BiH
AML/CFT	Anti-money laundering and countering the financing of terrorism
ASF	Available stable funding
BABiH	Banks Association of Bosnia and Herzegovina
BD	Brčko District
BiH	Bosnia and Herzegovina
BL	Banking Law
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
CBBiH	Central Bank of Bosnia and Herzegovina
CCR	Central Credit Registry of Business Entities and Natural Persons in BiH
DBFBiH	Development Bank of the Federation of Bosnia and Herzegovina
DIA	Deposit Insurance Agency of Bosnia and Herzegovina
DPs	Domestic payments
EBA	European Banking Authority
EBRD	European Bank for Reconstruction and Development
ECB	European Central Bank
ECL	Expected credit loss
EFSE	European Fund for Southeast Europe
EIR	Effective interest rate
EU	European Union
FBA	Federation of Bosnia and Herzegovina Banking Agency
FBA MB	Federation of BiH Banking Agency's Management Board
FBiH	Federation of Bosnia and Herzegovina
FED	Federal Reserve
FID	Financial Intelligence Department
FSAP	Financial Sector Assessment Program
FX risk	Foreign exchange risk
FXPs	Foreign exchange payments
ICAAP	Internal Capital Adequacy Assessment Process
ILAAP	Internal Liquidity Adequacy Assessment Process
IMF	International Monetary Fund
LCR	Liquidity coverage ratio
LLRs	Loan loss reserves
LoA	Law on the Banking Agency of the Federation of Bosnia and Herzegovina
LoF	Law on Factoring
LoL	Law on Leasing
LoMCOs	Law on Microcredit Organisations
MCC	Microcredit company
MCF	Microcredit foundation
MCO	Microcredit organisation
NDFIs	Nondepository financial institutions

NIR	Nominal interest rate
NPLs	Non-performing loans
NSFR	Net stable funding ratio
RS	Republika Srpska
RSF	Required stable funding
SREP	Supervisory Review and Evaluation Process
USA	United States of America
WB	World Bank

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Summary of the Regulatory Requirements and Professional Standards for BSEs

Minimum amount of the paid-in initial capital - BAM 15 million	Article 24(2) of BL ¹
Common Equity Tier 1 capital ratio - 6.75%	Article 38(1)(a) of the Decision on Calculation of Bank Capital ²
Tier 1 capital ratio - 9%	Article 38(1)(b) of the Decision on Calculation of Bank Capital
Own funds ratio - 12%	Article 38(1)(c) of the Decision on Calculation of Bank Capital
Capital conservation buffer as Common Equity Tier 1 capital - 2.5% of the total risk exposure amount	Article 44(1) of the Decision on Calculation of Bank Capital
Leverage ratio - 6%	Article 38(1)(d) of the Decision on Calculation of Bank Capital
Liquidity coverage ratio - LCR ≥ 100%	Article 17(2) of the Decision on Liquidity Risk Management in Banks ³

Net stable funding ratio - NSFR \geq 100% Article 33(2) and (3) of the Decision on Liquidity Risk Management in Banks

A bank's individual FX overnight position, except in EUR – maximum up to 20% of the bank's eligible capital Article 3(2)(a) of the Decision on Foreign Exchange Risk Management in Banks⁴

Individual FX overnight EUR position limit - maximum up to 40% of the bank's eligible capital Article 3(2)(b) of the Decision on Foreign Exchange Risk Management in Banks

LINK 1



LINK 2



LINK 3



LINK 4



Total FX position limit - maximum up to 40% of the bank's eligible capital Article 3(2)(c) of the Decision on Foreign Exchange Risk Management in Banks

Ratio of change in the economic value of the banking book and own funds \leq 20% Article 7 of the Decision on the Management of Interest Rate Risk in the Banking Book⁵

Herfindahl-Hirschman Index - HHI Represents the most frequently used measure of concentration in the European and US economic systems. HHI is the sum of the squares of the percentage shares of a specific size (e.g. assets, deposits, loans) of all market participants in a system. An HHI value below 1000 indicates no concentration in the market, a value between 1000 and 1800 indicates moderate concentration, and a value above 1800 indicates high concentration.

Concentration ratio - CR CR is an indicator of concentration in the banking sector and represents the total share of the largest banks in the sector in selected relevant categories: in the assets, loans, and deposits. It is numbered according to the number of banks included in the calculation, e.g. CR5. There is no unified and generally accepted view on the interpretation of the obtained concentration ratio results. The higher value, the higher market concentration.

Loans/deposits to loans taken ratio Shows the ratio of the most important banking aggregates, loans on the assets side, and deposits and loans taken on the funding side. The higher ratio, the weaker liquidity position of the bank. The empirical standards are: below 70% - very solid, 71%-75% -

satisfactory, 76%-80% - borderline satisfactory, 81%-85% - insufficient, above 85% - critical.

Minimum amount of Tier 1 capital for MCCs - BAM 500,000

Article 26(1) of LoMCOs⁶

Minimum amount of Tier 1 capital for MCFs - BAM 50,000

Article 36(1) of LoMCOs

Ratio of fixed assets to total assets minus donated capital - up to 10% for MCFs and MCCs in which a MCF holds majority ownership

Article 11(2) of the Decision on Requirements and Other Operating Standards and Limitations in Microcredit Organisations⁷

LINK 5



LINK 6



LINK7



Ratio of capital minus donated capital to total assets for MCOs - above 10%

Article 11(1) of the Decision on Requirements and Other Operating Standards and Limitations in Microcredit Organisations

Portfolio at risk (PAR) of more than 30 days for MCOs - up to 5%

Article 12(1)(c) of the Decision on Requirements and Other Operating Standards and Limitations in Microcredit Organisations

Annual write off for MCOs - up to 3%

Article 12(1)(d) of the Decision on Requirements and Other Operating Standards and Limitations in Microcredit Organisations

Operational business efficiency for MCOs - up to 45%

Article 12(1)(b) of the Decision on Requirements and Other Operating Standards and Limitations in Microcredit Organisations

Return on assets for MCOs adjusted for inflation, market price of capital and donations (AROA) - positive

Article 12(1)(a) of the Decision on Requirements and Other Operating Standards and Limitations in Microcredit Organisations

Minimum amount of Tier 1 capital for leasing companies - BAM 250,000

Article 8(1) of LoL⁸

Minimum amount of Tier 1 capital for factoring companies - BAM 750,000

Article 27(1) of LoF⁹

LINK 8



LINK 9



EXECUTIVE SUMMARY

Key performance indicators for the FBiH banking sector



Operating licence | 13 commercial banks, 500 organisational units and 6,564 employees, which is 154 employees more compared to the previous year's end



Capital ratios | 19.3% own funds ratio, Common Equity Tier 1 capital and Tier 1 capital ratio **18.3%**, leverage ratio **9.9%**



Assets | Net assets BAM 29 billion, loans **BAM 17.5 billion**, cash **BAM 8.6 billion**, security investments **BAM 2.5 billion**



Capital | Total capital BAM 3.6 billion (12.3% of liabilities), of which **BAM 1.6 billion** is share capital, own funds **BAM 3.2 billion**, Tier 1 capital and Common Equity Tier 1 capital **BAM three billion**, Tier 2 capital **BAM 158.8 million**

On-balance sheet exposures by stage | BAM 27 billion KM in stage 1 (92.1% of total on-balance sheet exposures), in stage 2 - **BAM 1.6 billion** (5.5% of total on-balance sheet



exposures) and **BAM 0.7 billion** in stage 3 (2.4% of total on-balance sheet exposures)



Off-balance sheet exposures by stage | **BAM 4.4 billion** in stage 1 (93.3% of total off-balance sheet exposures), in stage 2 - **BAM 0.3 billion** (6.6% of total off-balance sheet exposures) and **BAM 3.5 million** in stage 3 (0.1% of total off-balance sheet exposures)



ECL coverage ratio for on-balance sheet exposures | **3.3%** total coverage ratio: stage 1 - **0.8%**, stage 2 - **10.9%** and stage 3 - **84%**



ECL coverage ratio for off-balance sheet exposures | **1.4%** total coverage ratio: stage 1 - **0.6%**, stage 2 - **11.4%**, and stage 3 - **67.9%**



Loan portfolio | Approved retail loans **BAM 8.7 billion** (up by BAM 690.9 million), and approved corporate loans **BAM 8.8 billion** (up by BAM 272.1 million)



Stage 3 loan portfolio (NPLs) | **BAM 677.8 million**, it accounts for 3.9% of total loan portfolio (0.9 percentage points decrease compared to the

previous year's end). NPL ratio for corporate portfolio is **4%**, while for retail sector it is **3.8%**. **ECL coverage ratio for NPLs** | **83.6%** (corporate 83.2%, and retail 84.1%), thus posting a rise by 0.1 percentage points compared to the previous year's end



Deposits | **BAM 23.9 billion** (82.3% of total liabilities), of which **BAM 11.3 billion** are **savings deposits**



Liabilities under loans taken | **BAM 461.1 million** (1.6% of total liabilities)



Trend | An **increase** was recorded in net assets (6.7%), cash (4.2%), loan portfolio (5.8%), security investments (23.3%), business premises (4.3%), other assets (26.8%), capital (10.5%), deposits (6.5%) and other liabilities (8.9%), whereas a **decrease** was recorded in placements to other banks (29.6%) and liabilities under loans taken (11.4%)



FBiH banking sector's liquidity | **Satisfactory**, considering key liquidity indicators, qualitative and quantitative requirements, as well as other factors affecting



banks' liquidity position



Profitability | **BAM 516.5 million** net profit, all banks posted a positive financial result

Key performance indicators for the FBiH microcredit sector



Operating licence | **13 MCOs** (nine MCFs and four MCCs), **364 organisational units** and **1,449 employees**, which is 37 employees more



MCOs' assets | **BAM 827.4 million**, up by BAM 98.5 million (MCCs' assets are BAM 48.8 million higher, while MCFs' assets are BAM 49.7 million higher)



Net microloans | **BAM 673 million** (81.3% of assets), up by BAM 74.6 million (MCCs' net microloans are BAM 39.9 million higher, while MCFs' net microloans are BAM 34.7 million higher)



PAR of more than 30 days | **0.89%**

Annual write-off rate | **1.28%**

Portfolio quality indicators are within regulatory limits, with 0.34 percentage points decrease in PAR and 0.13 percentage points decrease in write-off rate

143,458 contracts were concluded (2.9% fewer) and **BAM 621.5 million** in microloans were disbursed (12.4% more)



Capital | **BAM 405.4 million** (49% of liabilities), BAM 52.3 million higher (BAM 26.9 million increase in MCCs' capital, and BAM 25.4 million increase in



MCFs' capital)



Liabilities under loans taken | BAM 384.1 million (46.4% of liabilities), up by BAM 45.8 million (BAM 22.7 million increase in MCCs' loan obligations, and BAM 23 million increase in MCFs' loan obligations)



Operating licence | four leasing companies, four branches in RS and **114 employees**, which is 14 employees more



Leasing sector's assets | BAM 525.3 million, up by BAM 88.3 million



Trend | An **increase** was recorded in assets (13.5%), gross microloans (12.1%), net microloans (12.4%), long-term investments (90.1%), liabilities under loans taken (13.5%), other liabilities (1.1%) and capital (14.8%), whereas a **decrease** was recorded in cash (10.2%), LLRs (15.6%), tangible and intangible assets (2.1%), and other assets (6.3%)



Net financial leasing receivables | BAM 411.4 million (78.3% of assets), up by BAM 68.8 million



Overdue receivables | BAM 3.5 million. **Loss reserves for financial leasing | BAM 5.4 million**



Operational business efficiency | 17.80%, which is consistent with regulatory standard. **Return on assets, adjusted for inflation, market price of capital and donations is negative | -3.32%**



Number and value of newly concluded leasing contracts for financial and operational leasing at the leasing system level increased by 11.7% and 28.4% respectively



Positive financial result | BAM 29.6 million, up by BAM 16.3 million. **MCCs' net profit | BAM 4.3 million**, and **MCFs' excess income over expenses | BAM 25.3 million**

Key performance indicators for the FBiH leasing sector



Liabilities under loans taken | BAM 462.9 million KM (88.1% of liabilities), up by BAM 72.6 million, with a dominant share of long-term loans



Capital | BAM 43.9 million (8.4% of liabilities), up by BAM 7.4 million



Trend | An **increase** was recorded in assets (20.2%), cash and cash equivalents (44.1%), gross financial leasing receivables (22.9%), net financial leasing receivables (20.1%), net value of fixed assets financed through operational leasing (14.7%), tangible and intangible assets – own resources (4.6%), other assets (103%), liabilities under loans taken (18.6%), capital (20.2%) and other liabilities (81.4%), whereas a **decrease** was recorded in placements to banks (22.1%) and written-off receivables (29%)



Positive financial result | BAM 6.5 million, down by BAM 2.3 million



FBiH factoring operations | three commercial banks (two members of international banking groups headquartered in EU member countries and one predominantly domestically owned)



Total number of newly concluded factoring agreements is 169 (59 fewer agreements), with **nominal value of purchased monetary claims amounting to BAM 135.5 million** (down by BAM 30.3 million or 18.3%)

FBiH factoring service providers' total income | BAM 536 thousand, which is down by BAM 249 thousand

Key performance indicators for the FBiH factoring business



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 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. The FBA reports to the FBiH Parliament.

As part of regular exercise of its statutory competences, the FBA draws up and discloses quarterly updates on BSEs. Information on the BSEs with the Balance as at 31.12.2023 as per final unaudited data was drawn up using reporting 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 five sections. The first section relates to the macroeconomic environment within which credit institutions operate on a global level. The second section presents information on the FBA's regulatory activities during 2023. The third section relates to an analysis of the FBiH banking sector, its structure, financial performance

indicators and recommendations. The fourth section presents an analysis of operations of NDFIs, as well as compliance of operations of NDFIs with the laws and regulations governing the microcredit and leasing sectors as separate segments, as well as the factoring business in the FBiH, with related recommendations from the FBA. The fifth

section relates to bank payment business, including electronic banking, card business and AML/CFT.

An overview of average weighted NIR and EIR on approved loans and received deposits for the banks, as well as average weighted NIR and EIR for the MCOs and financial leasing contracts by segment is presented for the purpose of greater transparency and comparability for users of financial services through annexes, which form an integral part of this Information.

Data expressed in percentages in the Information are displayed with one decimal place, except for the data on NIR and EIR levels in BSEs and other data for which this is relevant. An integral part of the Information is also an overview of the legal framework for operation of the FBA and supervision of operations of BSEs, which is provided in Annex 1 – Legal Framework for Operation of FBA and BSEs in FBiH.

MACROECONOMIC FRAMEWORK FOR CREDIT INSTITUTIONS' OPERATIONS

1. MACROECONOMIC FRAMEWORK FOR CREDIT INSTITUTIONS' OPERATIONS

By analysing the BiH banking system's performance indicators and economic environment, it is noted that the challenges and risks for the BiH banking system are mostly related to macroeconomic conditions. For the most part, the BiH banks' business is tied to international banking groups, most of which are headquartered in Euro-zone countries. Also, monitoring macroeconomic indicators and their impact on the BiH banking sector requires due consideration of the specific characteristics related to the CBBiH's operations and the existence of the Currency Board arrangement. According to the data from the Agency for Statistics of Bosnia and Herzegovina, a 2.2% annual price level increase was recorded, on average, in 2023.

Global Economic Challenges

The global economy is continuing its gradual recovery from the effects of the pandemic, Russian invasion of Ukraine and inflation. Despite global market disruptions and unprecedented tightening of monetary measures to combat high inflation, the global economy's growth has slowed down and has been uneven, but it has not stopped, although the gaps are increasing. In late 2023, the global activity reached its lowest point in continuously changing conditions, while headline and core inflation is gradually being brought under control. However, full recovery and return to pre-pandemic trends is increasingly out of reach, especially in fast-growing economies and developing countries. Based on the IMF's updated forecasts from January 2024, global growth of 3.1% and 3.2% is projected for 2024 and 2025 respectively.

Table 1 provides selected macroeconomic indicators through periods:

Seq. no.	Area/interest rates	2019	2020	2021	2022	2023 ¹
1	2	3	4	5	6	7
GDP growth in %						
1.	USA	2.3	-2.8	5.9	2.1	2.1
2.	Euro zone	1.6	-6.1	5.6	3.3	0.7
3.	EU	2.0	-5.6	5.9	3.6	0.7
4.	Slovenia	3.5	-4.2	8.2	2.5	2.0
5.	Croatia	3.4	-8.5	13.1	6.2	2.7
6.	Serbia	4.3	-0.9	7.5	2.3	2.0
7.	BiH	2.9	-3.0	7.4	4.1	2.0
Consumer price index (CPI), annual average in %						
1.	USA	1.8	1.3	4.7	8.0	4.1
2.	Euro zone	1.2	0.3	2.6	8.4	5.6
3.	BiH	0.6	-1.1	2.0	14.0	5.5
Key interest rates						
1.	6-month Euribor ²	-0.35	-0.51	-0.54	2.41	4.00
2.	Yield on 10-year German government bonds ³	-0.30	-0.62	-0.38	2.09	2.10
3.	Yield on 10-year Italian government bonds	1.37	0.58	1.05	4.26	3.82

Source: IMF, World Economic Outlook Database, October 2023; Eurostat

The IMF estimates that the US economy should grow by 1.5% in 2024, raising the previous forecast by half a percentage point. These forecasts are the result of stronger business

¹ Projected values for 2023 (IMF, World Economic Outlook, October 2023); for interest rates, data for December 2023

² Data for the relevant period refers to EURIBOR as at the first working day of the last month in the reporting period

³ Eurostat for EU member states, 10-year yield used for calculating Maastricht criteria: data for the last month of the reporting period

investments in the second quarter and resilient growth in consumption, reflecting labour markets that remain strong. The IMF has also downgraded its estimates of the growth of Euro-zone economy, estimating it at 1.2% in 2024. Gaps have been recorded in the growth between large Euro-zone economies. It is estimated that Germany will have a 0.5% downturn in 2024 due to rising interest rates and weaker demand from its trading partners, while foreign demand for French goods has strengthened. Stronger growth is prevented by long-lasting effects of the pandemic, Ukraine war and increasing fragmentation, singling out other factors too, such as interest rate hikes, extreme weather conditions and phase out of fiscal support.

According to the IMF's forecasts, global inflation continues to slow down and it is projected that it will be 4.8% in 2024, with core inflation also decreasing to 4.5% in 2024. Inflation has been falling faster than expected in most regions due to restrictive monetary policy, so global headline inflation is expected to fall from estimated 6.8% in 2023 to 5.8% in 2024 and 4.4% in 2025 according to the IMF's updated forecasts from January 2024.

According to the data from Eurostat, annual inflation rate in Euro zone, as measured by the harmonised index of consumer prices (HICP), was 2.9% in December 2023, while it was 9.2% in the same month of the previous year. Inflation in the EU noticeably accelerated in December 2023, following stronger price growth in Euro zone. At the EU level, annual inflation rate, as measured by the HICP, grew to 3.4% in December 2023 from 3.1% in November 2023. In December 2022, annual inflation rate was 10.4%. By looking at the main inflation components in Euro zone, the food, alcohol and tobacco component has the highest annual rate in December 2023 (6.1%), followed by services (4.0%), non-energy industrial goods (2.5%) and energy (-6.7%) components. The lowest annual inflation rates in the EU were recorded in Denmark (0.4%), Italy and Belgium (both 0.5%), while the highest rates were recorded in Czechia (7%), Romania (7%) and Slovakia (6.6%). Compared to the previous month, annual inflation rate fell in 15 EU member countries, while it remained at the same level in one of them, with annual inflation rate recording growth in 11 countries.

Annual inflation rate in the US, as measured by the consumer price index (CPI), grew to 3.4% in December 2023 after a two-month fall, which is higher than market forecasts of 3.2%. The inflation growth is due to slower decline in energy costs, which fell 2% in December, while recording a 5.4% fall in November. In December, food was 2.7% more expensive in the US, while transportation costs were 9.7% more expensive, with price growth slower than in November in both indices. It is encouraging that annual core inflation rate in the US fell to 3.9% from 4% in November, but it is still above market expectations (3.8%). On a monthly basis, prices in the US grew by 0.3% in December, which is the highest for the previous three months. Persistent inflation is the main reason why the FED is still maintaining a high reference interest rate, making money expensive, in order to cool down the market that has been awash in cheap loans for many years.

The IMF has warned that global public debt is now significantly higher than several decades ago and will continue to grow significantly faster than in the pre-pandemic forecasts. The US and China have almost one half of the total global debt outside financial sector, namely with the US accounting for 30% and China accounting for 20% of it. Chinese debt grew much faster than global debt (and also much faster than Chinese GDP) and while it accounted for only 1% of global debt in 1995, it reached 20% in 2022. Global sovereign debt is expected to grow around 1% annually in the medium term, but if the two largest global economies (USA and China) are

excluded, there would be a decline of about 0.5% annually. On the other hand, increase in the debt is also driven by slowdown in economic growth, rising real interest rates and growing borrowing costs. By 2030, the debt would approach 100% of the global GDP.

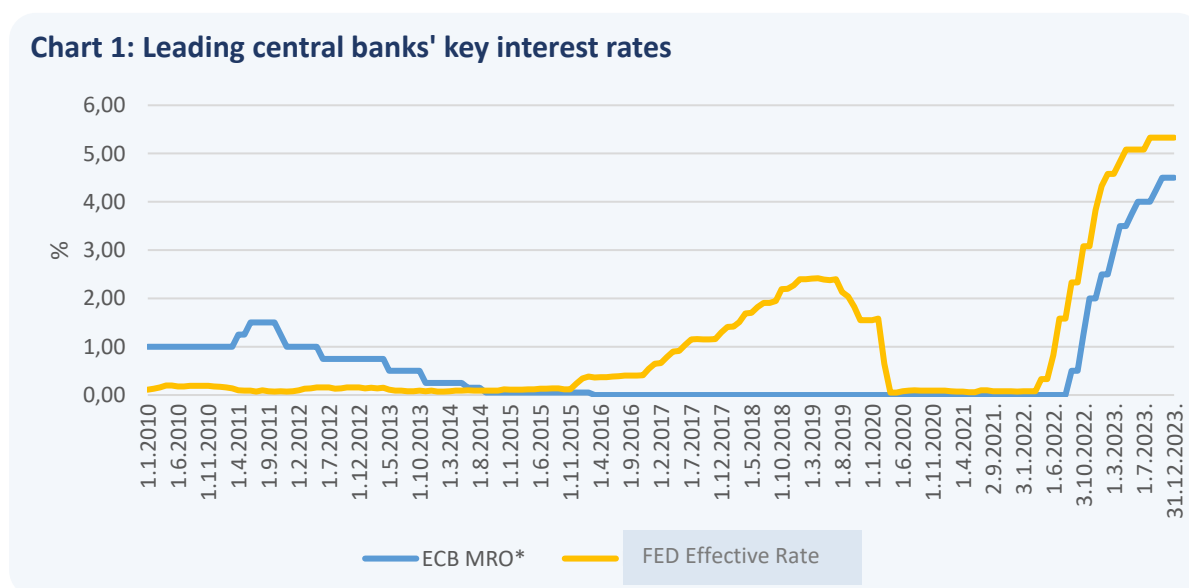
Countries with limited fiscal space, low tax capacity and expensive or non-existent access to market financing face high adaptation costs. These countries also face financial difficulties in their efforts to strive for sustainable, inclusive and resilient development. Those countries should prioritise and target consumption. They should also intensify their efforts on improving tax capacities, with a particular focus on institutional building and increasing tax bases.

Monetary and Interest Rate Policies

In the monetary policy area, the ECB’s Governing Council undertook activities by increasing interest rates in 2023 to return inflation to its 2% medium-term target as soon as possible. During 2023, the ECB’s Governing Council made decisions to increase interest rates six times, by 50 basis points in February and March, and by 25 basis points in May, June, August and September. At a meeting held on 14.12.2023, it decided that the ECB’s three key interest rates would remain unchanged as it had assessed that inflation had been coming down toward its 2% target over a longer period, and the Governing Council will set the ECB’s key interest rate levels through its future decisions, which will be sufficiently restrictive for as long as it is necessary to achieve the 2% target inflation. At the end of 2023, interest rate on deposits was 4% and main rate for refinancing operations was 4.5%, while at the end of 2022 they were 2% and 2.5% respectively.

In 2023, the FED slowed down its increase of target EFFR (Effective Federal Funds Rate). After four increases by 75 basis points in the second half of 2022 and one increase of 50 basis points in December 2022, the FED increased EFFR by 25 basis points four times in 2023: in February, March, May and July. At the end of 2023, EFFR is 5.33%, while it was 4.33% at the previous year’s end.

Chart 1 provides an overview of the leading central banks’ key interest rates:



* Marginal Refinancing Operations

Source: ECB, FED

The increase in the ECB's key interest rates was transmitted fully to the increase in the EU money market interest rates. In the European interbank market, the value of EURIBOR (Euro Interbank Offered Rate) reference interest rate has been steadily increasing since the beginning of the year, with the exception of mid-March, when a short-term decrease was recorded due to the expectation of an increase in the ECB's interest rates of milder intensity, and December, after the expectation and announcement by the ECB that it was not going to raise reference interest rates. At the end of 2023, EURIBOR 6M reached the value of 3.86%, while EURIBOR 12M reached the value of 3.51%.

Yield movements on the bond market in the first semester of 2023 were stable despite the uncertainty in the wake of the failures of three regional banks in the US and one bank in Switzerland. Given the regulatory measures taken that prevented spillover of the effects of the failures of the banks in the US and Switzerland to a wider banking and financial system, the movements on Euro-zone financial markets quickly stabilised, with the yields at the end of the first semester at similar level as at the beginning of the year. In the August to October period, yields on long-term bonds noticeably increased, falling to a lower level compared to the beginning of the year towards the end of the year. This decrease is attributable to more favourable data on inflation in Euro zone and the US, as well as an increase in the expectation that the FED and the ECB are nearing the end of the cycle of raising key interest rates, impacting the decline in yields on sovereign bonds.

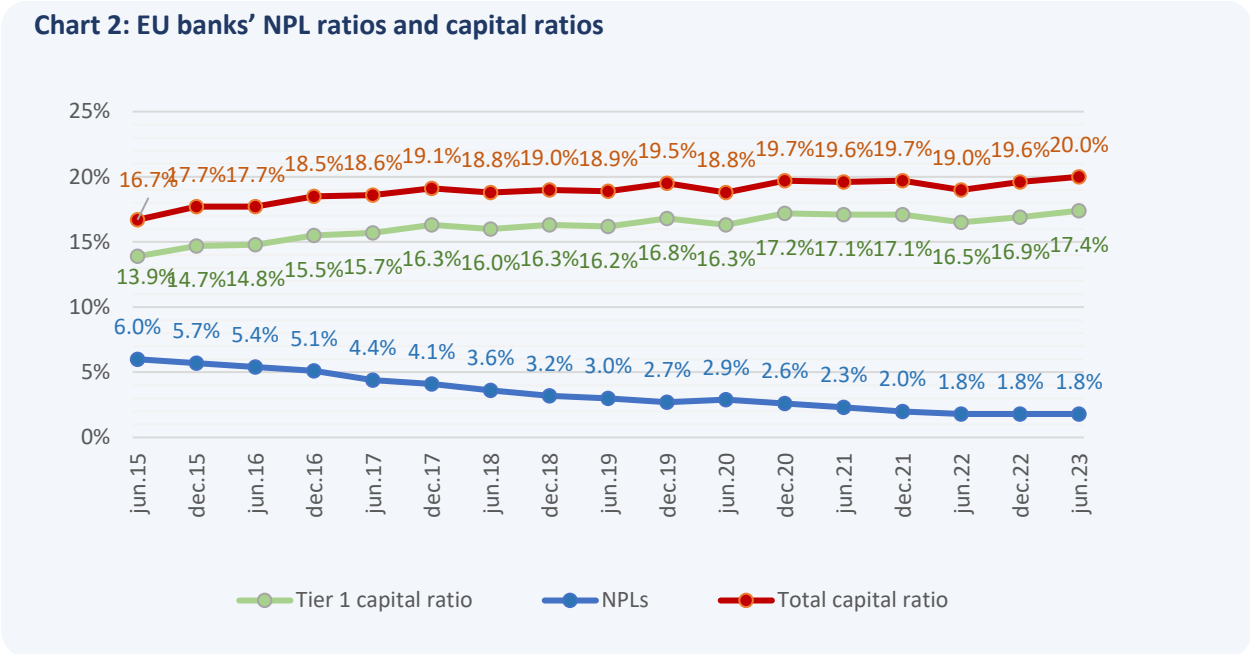
EU Banks' Other Risks, Profitability and Resilience

Even though an uncertain economic and geopolitical situation is present at the global level, the EU banks demonstrated resilience, solid capitalisation and profitability in their business operations. Holding adequate capital buffers, adequate interest rate risk and liquidity risk management and preparedness of the banks for potential stress scenarios are of great significance in this respect. The macroeconomic uncertainty impacted financial markets in relation to credit, liquidity and funding risks, as well as interest rate risk. Digital transformation of the financial sector is a challenge for the banks' business models, emphasising the need to strengthen governance in this segment. Also, ESG risks, cyber risks which are on the rise and information technology-related risks are present, since the banks are increasingly relying on outsourcing.

In the coming period, regulators at the EU level will focus their activities on further improvements of the banking regulatory framework, conducting regular analyses and improvement of key risk parameters and tools in the context of quantification and assessment of changing present and potential risks in the financial sector.

The EU banks' Tier 1 capital ratio at the end of the first semester of 2023 is 17.4% and 0.5 percentage points higher compared to the end of 2022. The same trend is also followed by the total capital ratio which is 20% and 0.4 percentage points higher compared to the end of 2022. According to the preliminary data for the third quarter of 2023, the Tier 1 capital ratio and the total capital ratio saw a slight decrease of 0.1 percentage points compared to the previous quarter. The NPLs at the end of the first semester and at the end of the third quarter of 2023 remained at the same level compared to the end of 2022 and are 1.8%.

Chart 2 provides an overview of the EU banks' NPL ratios and capital ratios:



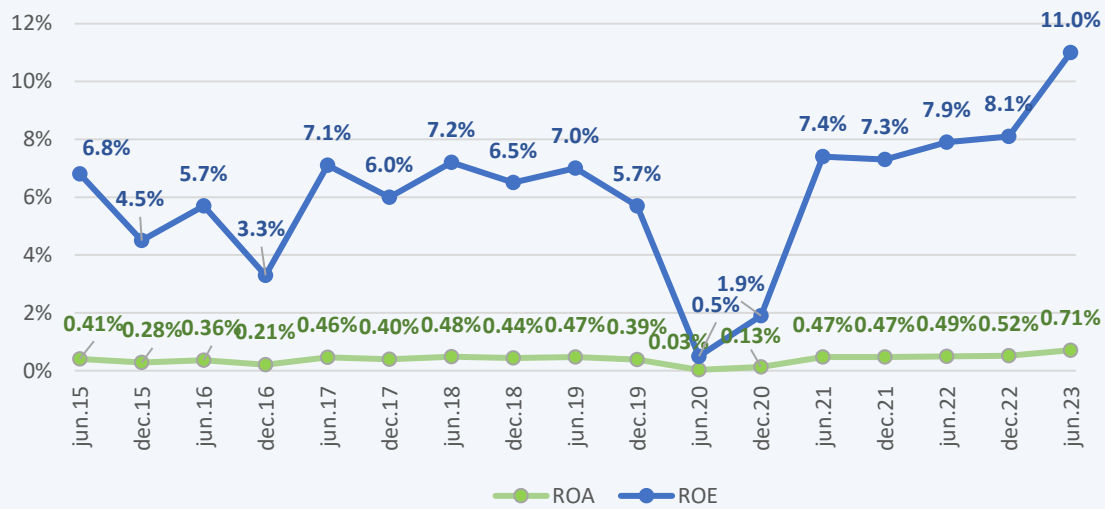
Source: EBA, Risk Dashboard

The EU banks' liquidity-related ratios, the LCR and the NSFR are above the regulatory minimums. The LCR at the end of the first semester of 2023 is 160.9% and 3.7 percentage points lower compared to the end of 2022. The downward LCR trend also continued as of the third quarter of 2023 where, according to the preliminary data, it is 160.7% (0.2 percentage points decrease compared to the previous quarter). The NSFR at the end of the first semester of 2023 is 126.5% and 0.9 percentage points higher compared to the end of 2022. According to the preliminary data, the NSFR at the end of the third quarter of 2023 is 126% (0.5 percentage points decrease compared to the previous quarter).

The EU banks recorded significant profitability in 2023. At the end of the first semester of 2023 and compared to the same period of 2022, the average return on assets saw a 0.22 percentage points growth, while the average return on equity saw a 3.1 percentage points growth. The growth in these indicators also continued in the third quarter of 2023 compared to the same period of 2022, with the average return on assets growing by 0.23 percentage points and the average return on equity growing by 3.1 percentage points. The interest income is still the most significant item in the banks' total income.

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

Chart 3: EU banks' ROE and ROA



Source: EBA, Risk Dashboard

In the years in which the EBA does not conduct an EU-wide stress test, the ECB tests the resilience of significant institutions which it directly supervises to a specific type of shock and cooperates with national regulators, such as was the stress test that was related to climate risks in 2022. Since an EU-wide stress test is conducted every second year and it was conducted in 2023, the ECB is planning to test the banks' recoverability from cyberattacks in 2024.

The ECB is planning to conduct this thematic stress test for 109 directly supervised banks in 2024. Unlike the traditional stress tests that are focused on prevention of cyberattacks, this exercise should assess how banks react to cyberattacks and how they recover from them. The scenario provides for disruption of the banks' normal business operations caused by a cyberattack. As part of regular supervisory review process, the regulators will discuss the findings of the test with each bank. The response and recovery measures will be tested, including the triggering of emergency procedures and crisis management plans and restoration of normal business operations. The regulators will assess the extent to which the banks are able to cope with such scenario.

This test will not impact capital requirements, but the findings of the test will provide an insight for a broader supervisory assessment of better quality in 2024. The results of the test of the banks' recoverability from cyberattacks are slated to be disclosed in the summer of 2024.

BSEs' REGULATORY FRAMEWORK AND SUPERVISORY PRIORITIES

2. BSEs' REGULATORY FRAMEWORK AND SUPERVISORY PRIORITIES

The significant impact of global geopolitical and economic instability was still present in 2023. Macroeconomic disruptions related to the rise in interest rates and elevated inflation increase the economic activity risks and decline in the purchasing power of the population. Also, the unfavourable demographic and migration trends that are limiting the economic growth potential and higher financing cost of manufacturing processes drove the banking regulation and supervision priorities in the FBiH in the previous year, with the aim of preventing the materialisation of negative effects on the entire economy and BSEs in the FBiH.

The FBA is committed to the preventive and planned action that is required to ensure timely management of all risks to which the banks are exposed or could be exposed in their business operations and to maintain the FBiH banking system's stability. To that end, the FBA focused the majority of its regulatory and supervisory activities in 2023 on the following:

- Mitigation of risks arising from the rise in interest rates in the EU, but also risks which may arise due to the general rise in interest rates on the BiH market. These measures and activities also entailed the continuation of ongoing supervision of the banks in the segment of monitoring the changes in interest rates and their impact on the banking sector, as well as monitoring the application of the Decision on Temporary Measures to Mitigate the Risk of an Interest Rate Increase, through off-site and on-site supervision;
- Participation in the development of the Methodology for the Calculation of Reference Rate of Average Weighted Financing Cost of the Banks Operating in BiH, in order to mitigate risks which may arise due to the general rise in interest rates on the BiH market. The banks were offered the choice to use this rate as the reference value in loan contracts with variable interest rate with the aim of managing more adequately interest rate-induced credit risk;
- Development of a new regulatory framework for the management of interest rate risk in the banking book, with the aim of managing and mitigating risks arising from potential changes in interest rates, i.e., defining an adequate manner of identifying, assessing, managing and mitigating those risks, in accordance with the bank's risk profile and risk appetite. To that end, the FBA adopted the Decision on the Management of Interest Rate Risk in the Banking Book which is aligned with the latest relevant EU regulatory framework;
- Comprehensive and efficient management of risks arising from negotiation of long-term retail general-purpose and substitute loans and long-term housing loans, resulting in the adoption of the Decision on Setting Additional Capital Requirements and Measures to Limit Systemic Risks. The banks' fast-growing exposure to general-purpose and substitute consumer loans without an adequate collateral has led to a high concentration of credit risk, whose materialisation in the situation of worsened macroeconomic movements could cause a significant rise in non-performing loans due to worsening of the debtors' creditworthiness and major losses for the banks, leading to a systemic endangerment of the banking sector and financial stability. Although the FBiH banking sector is well capitalised and liquid, the banks' resilience also depends on the development of structural systemic vulnerabilities, which can further increase the impact of unexpected shocks on the country's economy and financial system. In such conditions, it is of huge significance to maintain strong capitalisation of the banking sector, in order for the banks to be able to withstand potential losses and to keep financing continuously and smoothly the economic activity growth and the population's needs in the case of materialisation of systemic risks. The Decision concerned further aims to limit and mitigate long-term, non-cyclical systemic risk arising from the financial system's

structure and setup, which can have serious negative effects on the financial system and economy as a whole;

- Limiting the FBiH banks' exposure to central governments or central banks or exposure to them as collateral issuers or unfunded credit protection providers, considering noticeable interest rate fragmentation risk due to which domestic entities and governments may be excluded from future financing or forced increase in interest rate levels may occur in some assets to generate the same income that could be generated from investments in the entities outside BiH. To that end, the FBA adopted the Decision on Temporary Measures to Limit a Bank's Exposures in 2023, which aims to ensure more adequate management of liquidity risk, market and credit risks, as well as all other related risks;
- Development of a regulatory framework in response to risks arising from climate change, which will be one of the main challenges for banks and regulators in the coming period. In 2023 and in accordance with the Strategic Priorities on the Management and Supervision of Climate Change-Related Risks and Environmental Risks in the Banking Sector for the 2023-2025 Period, the FBA adopted the Guidelines on the Management of Climate Change-Related Risks and Environmental Risks, which are a framework for secure and prudent management of climate-related and environmental risks and steering of the banking sector with respect to identifying, measuring, managing and controlling climate-related and environmental risks, disclosure of data and information related to those risks, as well as integrating the environmental sustainability segment in the bank's business activities;
- Prescribing the Decision on Measures to Strengthen Financial Inclusion and Sustainable Operations of Banks, whose aim is creation of a specific package of services to allow users of financial services to have access to banking products and services which meet their basic needs in an equitable, affordable, responsible and sustainable manner and to encourage implementation of environmental and social factors when making decisions and in the bank's normal business activities, as well as socially responsible financing;
- Prescribing the Decision on the Conditions for Documenting, Digitalisation and Automation of Lending Activities of Banks, with the aim of converging with the EU regulations, which aims to improve the segment of documentation of lending activities in banks, as well as regulation and improvement of the segment of automation of activities within the lending process, while having regard for the rules of management of all risks to which the bank is exposed or could be exposed, as well as security principles from the aspect of information technologies and internal governance in the bank;
- Continuation of activities on the maintenance of an adequate level of the equivalence with the EU regulatory framework, to the extent permitted by legal regulations, with harmonisation between the entity-level Banking Agencies and coordination with the CBBiH, in order to achieve the objectives related to financial stability and management of systemic risks in BiH, in accordance with the Strategic Priorities for Maintaining the Equivalence of the Banking Regulations with the EU Regulatory Framework for the 2022-2026 Period;
- Revision of the regulatory framework in the segment of capital and capital requirements with the aim of achieving and maintaining the equivalence with the EU regulatory framework in this segment, resulting in the adoption of the Decision on Calculation of Bank Capital;
- Prescribing the Instruction on the Development and Implementation of a Strategy and Operational Plans for Treatment of Non-Performing Exposures, as a common framework for a strategy for treatment of non-performing exposures by banks to achieve ambitious, credible and time-bound objectives related to reduction of non-performing exposures, which

would free up funds for new financings in the real sector and thereby encourage economic growth;

- Disclosure of the Supervisory Expectations on Banks' Practices in 2023;
- Conducting supervisory stress tests of all FBiH banks. The testing horizon covered the 2023-2025 period, with the results used in the banks' supervisory review and evaluation process.

During 2023, regulatory activities in the segment of NDFIs were focused on the development of amendments to bylaws related to licensing, reporting and exercise of supervision of MCOs, as well as a regulation related to the standards and limitations in MCOs' operations. This resulted in the adoption of the Decision on Amendments to the Decision on Reports Delivered by Microcredit Organisations to the Banking Agency of the Federation of Bosnia and Herzegovina and the Decision on Amendments to the Decision on Supervision of Microcredit Organisations and Procedures of the Banking Agency of the Federation of Bosnia and Herzegovina. Regulatory activities related to specialist supervision pertained to participating in the development of a new Decision on Information System Management in Banks. Regarding the DBFBiH's operations, the FBA initiated activities to develop the DBFBiH's regulatory framework, which is dependent on the adoption and entry into force of a new Law on the Development Bank of the Federation of Bosnia and Herzegovina.

For the purpose of convergence with the international standards and best practices in the banking regulation and supervision, activities with international and domestic institutions and regional and other organisations have continued through bilateral and multilateral cooperation with the banking regulators in the country, region and beyond.

BANKING SECTOR

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3. BANKING SECTOR

3.1. FBiH BANKING SECTOR'S STRUCTURE

3.1.1. Status, Number and Business Network

As at 31.12.2023, 13 commercial banks are licensed in the FBiH, with all banks as the members of the DIA. Compared to the end of 2022, the number of banks has not changed.

A special legal regulation governs the establishment and operation of the DBFBiH, with its supervision exercised in accordance with the Decree on the Criteria and Manner of Conducting Supervision of the FBiH Development Bank's Operations and the data on its operations not included in this Information.

Annex 2 provides key data on the FBiH banks as at 31.12.2023.

At the end of 2023, the FBiH banks have a total of 500 organisational units, which is nine organisational units or 1.8% fewer compared to the end of 2022. 441 organisational units of banks operate in the FBiH territory. Seven FBiH banks have 49 organisational units in the RS, while nine banks have ten organisational units in the BD. Three RS banks have 26 organisational units in the FBiH, which is two organisational units fewer compared to the end of 2022.

Table 2 provides a comparative overview of the FBiH banks' organisational units and network of ATMs and POS devices:

Seq. no.	Description	Business unit/higher organisational units	Other organisational units	POS devices	ATMs
31.12.2022					
1.	Banks headquartered in FBiH (in BiH territory)	398	111	27,036	1,249
2.	RS banks' organisational units in FBiH	9	19	424	35
	Total	407	130	27,460	1,284
31.12.2023					
1.	Banks headquartered in FBiH (in BiH territory)	392	108	26,928	1,299
2.	RS banks' organisational units in FBiH	15	11	452	59
	Total	407	119	27,380	1,358

3.1.2. Ownership Structure and Market Share

The ownership structure of the FBiH banks⁴ is the following:

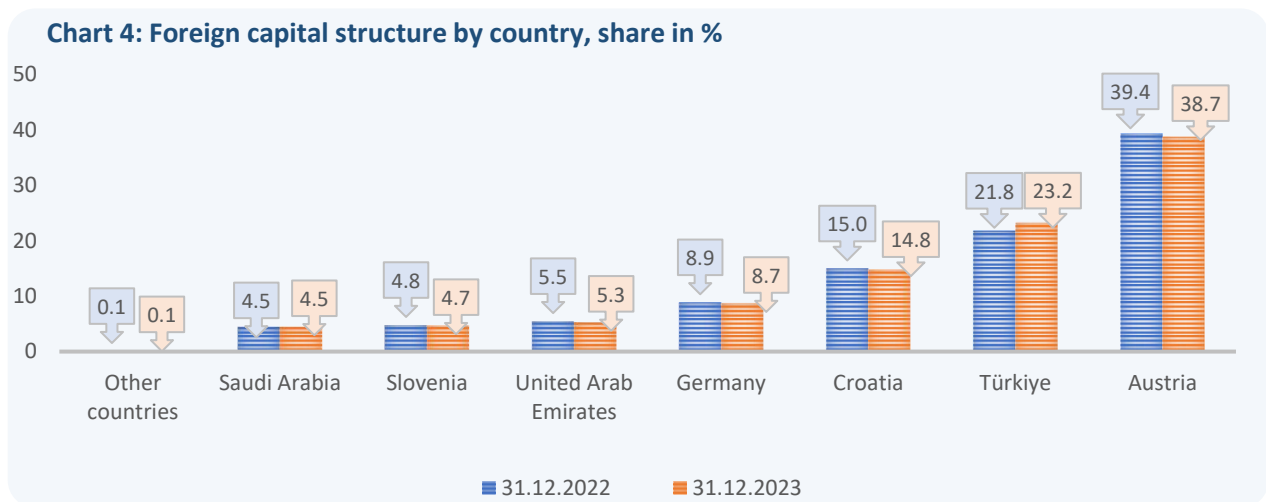
- privately owned and predominantly privately owned - 12 banks,
- state-owned and predominantly state-owned⁵ - one bank.

⁴ Criterion for the banks' classification is ownership in the banks' share capital

⁵ State ownership refers to the FBiH Government's capital

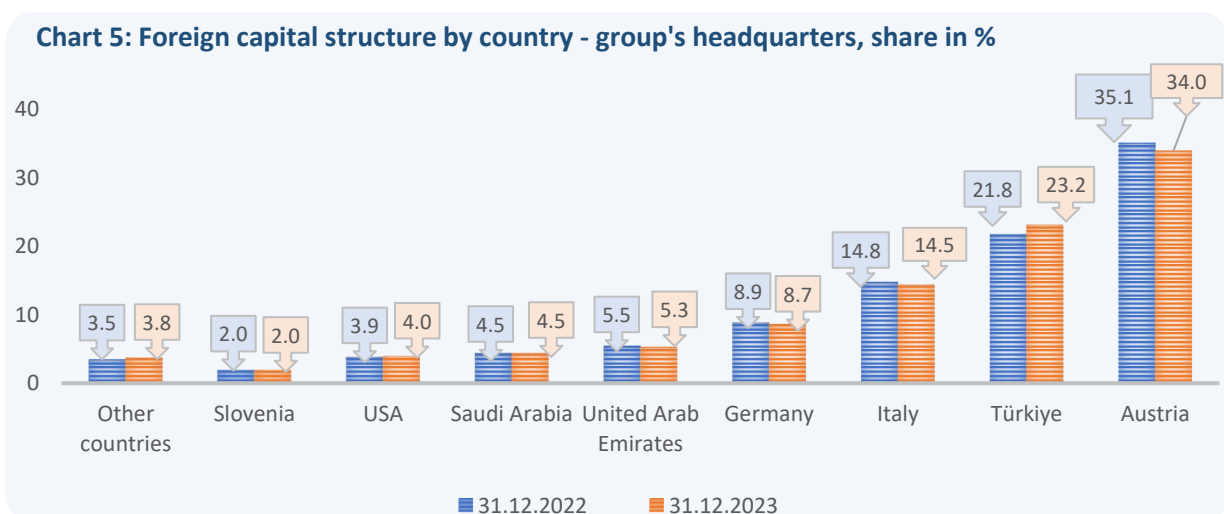
Out of the 12 privately owned and predominantly privately owned banks, three banks are majority owned by domestic legal entities and natural persons (residents), while nine banks are majority owned by foreigners.

Looking at the shareholder's country of origin as at 31.12.2023 (Chart 4), shareholders from Austria still have the highest share (38.7% of foreign capital), followed by Türkiye (23.2%), Croatia (14.8%) and Germany (8.7%), with other countries not having a major individual share.



The foreign capital structure can be viewed according to the criterion of the country in which the parent company, i.e., the banking group that majority owns (directly or indirectly through the banking group members) the FBiH banks has its headquarters (Chart 5).

According to this criterion, the banking groups and banks from Austria have the highest share (34%), followed by the banking groups and banks from Türkiye (23.2%), Italy (14.5%) and Germany (8.7%), while the banking groups and banks from other countries do not have a significant individual share (below 6%).



The FBiH banking sector's total capital as at 31.12.2023 increased by BAM 340.5 million or 10.5% compared to the end of 2022, amounting to BAM 3.6 billion (Table 3). The total capital

increased as the net effect of: BAM 516.5 million increase based on the 2023 actual current financial performance, BAM 20 million increase based on recapitalisation, BAM two million increase based on asset fair valuation, BAM 2.3 million increase based on real estate fair value and BAM 200.3 million decrease based on dividend payment.

- BAM 000s -

Table 3: Ownership structure according to total capital

Seq. no.	Banks	31.12.2021		31.12.2022		31.12.2023		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	95,412	3.1	119,681	3.7	125,094	3.5	125	105
2.	Private banks	3,012,735	96.9	3,117,650	96.3	3,452,724	96.5	103	111
	Total	3,108,147	100	3,237,331	100	3,577,818	100	104	111

Looking at the share of state-owned, private and foreign capital in the banks' share capital results in a more detailed overview of the FBiH banks' capital ownership structure (Table 4):

- BAM 000s -

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

Seq. no.	Share capital	31.12.2021		31.12.2022		31.12.2023		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	66,556	4.8	96,556	6.2	96,556	6.1	145	100
2.	Private capital (residents)	137,373	9.9	363,207	23.2	363,108	22.9	264	100
3.	Foreign capital (non-residents)	1,178,936	85.3	1,102,626	70.6	1,122,725	71.0	94	102
	Total	1,382,865	100	1,562,389	100	1,582,389	100	113	101

As of 31.12.2023 and compared to the end of 2022, the share of foreign capital increased by 0.4 percentage points due to the recapitalisation of one bank.

Table 5 provides an overview of the banks' market share by ownership type (majority capital) through periods:

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

Seq. no.	Banks	Number of banks	31.12.2021		Number of banks	31.12.2022		Number of banks	31.12.2023	
			Share in total capital %	Share in total assets %		Share in total capital %	Share in total assets %		Share in total capital %	Share in total assets %
1	2	3	4	5	6	7	8	9	10	11
1.	Banks with majority state-owned capital	1	3.1	4.1	1	3.7	3.9	1	3.5	3.8
2.	Banks with majority private capital of residents	3	5.7	6.8	3	13.1	13.3	3	13.1	13.0
3.	Banks with majority foreign capital	10	91.2	89.1	9	83.2	82.8	9	83.4	83.2
	Total	14	100	100	13	100	100	13	100	100

3.1.3. Staff Structure

At the end of 2023, the banking sector employed 6,564 employees, which is 154 employees or 2.3% more compared to the end of 2022 (Table 6).

Table 6: Qualification structure of employees in FBiH banks

Seq. no.	Qualification level	31.12.2021		31.12.2022		31.12.2023		Index	
		Staffing level	% share	Staffing level	% share	Staffing level	% share	(5/3)	(7/5)
1	2	3	4	5	6	7	8	9	10
1.	University degree	4,090	63.6	4,101	64.0	4,190	63.8	100	102

2.	Two-year post-secondary school degree	413	6.4	408	6.4	385	5.9	99	94
3.	Secondary school degree	1,924	29.9	1,897	29.5	1,987	30.3	99	105
4.	Other	5	0.1	4	0.1	2	0.0	80	50
	Total	6,432	100	6,410	100	6,564	100	100	102

One of the indicators that has a bearing on the business performance assessment of individual banks and the banking sector is assets to number of employees ratio, i.e., amount of assets per an employee (Table 7), with a higher ratio indicating better business efficiency of the bank and total sector.

- BAM 000s

Table 7: Total assets per employee

Staffing level	31.12.2021			31.12.2022			31.12.2023		
	Assets	Assets per employee	Staffing level	Assets	Assets per employee	Staffing level	Assets	Assets per employee	
1	2	3	4	5	6	7	8	9	
6,432	25,890,829	4,025	6,410	27,199,283	4,243	6,564	29,025,585	4,422	

3.2. FINANCIAL PERFORMANCE INDICATORS

3.2.1. Balance Sheet

The presented FBiH banks' performance indicators and banking sector analyses include indicators from the active sub-balance sheet of one bank with majority state-owned capital⁶, in accordance with the provisions of the Law on Opening Balance Sheet of Enterprises and Banks of the FBiH, according to which banks with majority state-owned capital are required to report to the FBA on the basis of the total balance sheet broken down by: passive, neutral and active sub-balance sheet.

The data - FBiH Banks' Balance Sheet According to FBA's Scheme (Active Sub-Balance Sheet) are presented in Annex 3 of this Information. Annex 4 provides an overview of the FBiH banks' assets, loans, deposits and financial performance as at 31.12.2023.

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

- BAM 000s -

Table 8: Balance sheet of banks

Seq. no.	Description	31.12.2021		31.12.2022*		31.12.2023		Index	
		Amount	% share	Amount	% share	Amount	% share	(5/3)	(7/5)
1	2	3	4	5	6	7	8	9	10
	ASSETS								
1.	Cash	7,989,239	30.9	8,240,642	30.3	8,590,540	29.6	103	104
2.	Securities	1,966,008	7.6	2,028,824	7.5	2,500,875	8.6	103	123
3.	Placements to other banks	350,452	1.3	530,298	1.9	373,157	1.3	151	70
4.	Loans	15,890,822	61.4	16,513,007	60.7	17,476,046	60.2	104	106
5.	Impairments	1,099,948	4.3	995,285	3.6	909,767	3.1	90	91
6.	Net loans (loans minus impairments)	14,790,874	57.1	15,517,722	57.1	16,566,279	57.1	105	107
7.	Business premises and other fixed assets	516,921	2.0	548,157	2.0	571,680	1.9	106	104
8.	Other assets	277,335	1.1	333,640	1.2	423,054	1.5	120	127
	TOTAL ASSETS	25,890,829	100	27,199,283	100	29,025,585	100	105	107
	LIABILITIES								
9.	Deposits	21,184,952	81.8	22,443,589	82.5	23,899,670	82.3	106	106

⁶ Banks that are majority state-owned report passive and neutral items in the total balance sheet

10.	Borrowings from other banks	0	0.0	0	0.0	0	0.0	-	-
11.	Liabilities under loans taken	779,075	3.0	520,335	1.9	461,138	1.6	67	89
12.	Other liabilities	818,655	3.2	998,028	3.7	1,086,959	3.8	122	109
CAPITAL									
13.	Capital	3,108,147	12.0	3,237,331	11.9	3,577,818	12.3	104	111
TOTAL LIABILITIES (LIABILITIES AND CAPITAL)		25,890,829	100	27,199,283	100	29,025,585	100	105	107

* In accordance with the FBA's instruction, one bank's report as of 31.12.2022 was adjusted, resulting in a BAM 11.1 million increase in the FBiH banking sector's total balance sheet

The total net assets at the FBiH banking sector's level as of 31.12.2023 are BAM 29 billion and BAM 1.8 billion or 6.7% higher compared to the end of 2022. In the banks' asset structure, the net loans have the highest share (57.1%), followed by the cash (29.6%) and securities (8.6%). The deposits (82.3%) and capital (12.3%) have the highest share in the balance sheet liabilities.

As of 31.12.2023 and compared to the end of 2022, the cash, security investments, loans, business premises and other fixed assets, other assets, deposits, other liabilities and total capital recorded increases, whereas the placements to other banks and liabilities under loans taken recorded decreases.

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

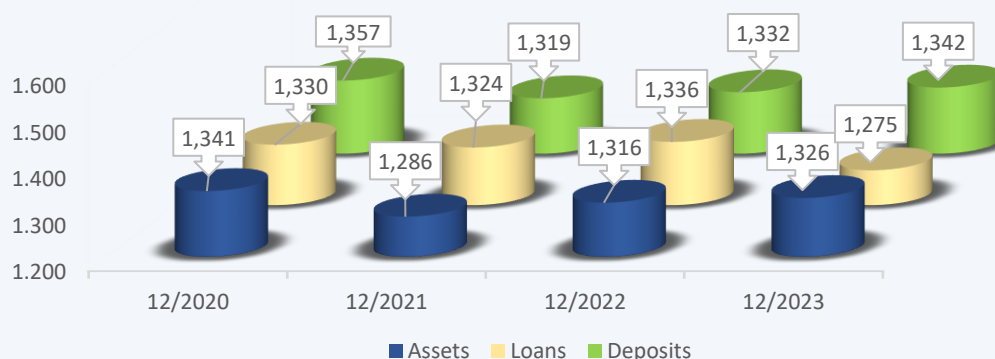
- BAM 000s -

Table 9: Banks' assets according to ownership structure

Seq. no.	Banks	No. of banks	31.12.2021		31.12.2022			31.12.2023		Index		
			Assets (BAM 000s)	% share	No. of banks	Assets (BAM 000s)	% share	No. 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	1,054,365	4.1	1	1,048,095	3.9	1	1,114,891	3.8	99	106
2.	Private	13	24,836,464	95.9	12	26,151,188	96.1	12	27,910,694	96.2	105	107
	Total	14	25,890,829	100	13	27,199,283	100	13	29,025,585	100	105	107

As of 31.12.2023, the Herfindahl index of concentration (Chart 6) compared to the end of 2022 increased by ten units for both assets and deposits, whereas it decreased by 61 units for the loans. The Herfindahl index of concentration for the period considered shows moderate concentration in all three relevant categories.

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

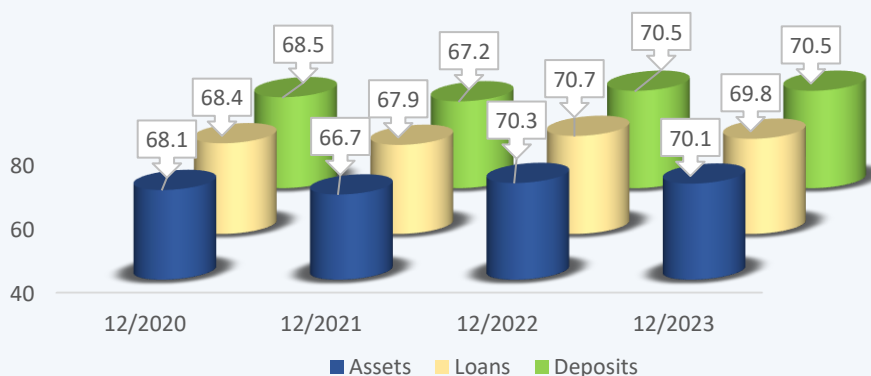


Looking at the concentration ratios, i.e., the total share of the five largest banks in the sector - CR5 as of 31.12.2023 compared to the end of 2022 (Chart 7), there has been a 0.2 percentage points decrease in the concentration ratio for the assets market share and a 0.9 percentage

points decrease in the concentration ratio for the loans market share, while the concentration ratio for the deposits market share has remained at the same level.

The two largest banks in the sector account for 42.1% of the market (42.8% of the assets, 40.5% of the loans, and 43.1% of the deposits).

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



The banking sector can also be presented according to the criterion of belonging to the peer groups created according to the assets size⁷ (Table 10). In terms of the assets size as of 31.12.2023, two banks with a 42.8% share stand out in the FBiH banking sector, constituting banking peer group I with the assets of over BAM four billion. Compared to the end of 2022, there have been no changes in the structure of the banking peer groups in the FBiH banking sector's total assets.

- BAM 000s -

Table 10: Banking peer groups' shares in total assets

Seq. no.	Amount of assets	31.12.2021			31.12.2022			31.12.2023		
		Amount	% share	No. of banks	Amount	% share	No. of banks	Amount	% share	No. of banks
1.	I (over BAM 4 billion)	11,216,540	43.3	2	11,614,886	42.7	2	12,418,492	42.8	2
2.	II (BAM 2-4 billion)	2,496,815	9.7	1	7,499,085	27.6	3	7,918,114	27.3	3
3.	III (BAM 1-2 billion)	10,748,335	41.5	8	6,406,910	23.5	5	7,003,667	24.1	5
4.	IV (below BAM 1 billion)	1,429,139	5.5	3	1,678,402	6.2	3	1,685,312	5.8	3
	Total	25,890,829	100	14	27,199,283	100	13	29,025,585	100	13

The cash at the FBiH banking sector's level as of 31.12.2023 (Table 11) is BAM 8.6 billion and has recorded a BAM 349.9 million or 4.2% increase compared to the end of 2022.

- BAM 000s -

Table 11: Banks' cash

Seq. no.	Cash	31.12.2021		31.12.2022		31.12.2023		Index	
		Amount	% share	Amount	% share	Amount	% share	(5/3)	(7/5)
1.	Cash	1,526,329	19.1	1,543,794	18.7	1,164,678	13.6	101	75
2.	Reserve account with CBBiH	5,270,323	66.0	5,365,342	65.1	5,541,846	64.5	102	103
3.	Accounts with depository institutions in BiH	10,345	0.1	7,662	0.1	11,510	0.1	74	150
4.	Accounts with depository institutions abroad	1,182,240	14.8	1,323,842	16.1	1,872,504	21.8	112	141
5.	Cash in process of collection	2	0.0	2	0.0	2	0.0	100	100
	Total	7,989,239	100	8,240,642	100	8,590,540	100	103	104

⁷ The banks have been divided into four peer groups depending on the size of their assets

As of 31.12.2023 and compared to the end of 2022, there have been increases in cash in the reserve account with CBBiH, deposit accounts with depository institutions in BiH, and deposit accounts with depository institutions abroad line items, while the cash line item has seen a decrease.

In the currency structure of the cash as of 31.12.2023 and compared to the end of 2022, the share of the domestic currency decreased from 78.5% to 73.7%.

The securities portfolio as at 31.12.2023 (Table 12) is BAM 2.5 billion and has increased by BAM 472.1 million or 23.3% compared to the end of 2022.

- BAM 000s -

Table 12: Securities according to type of instrument

Seq. no.	Investments in securities	31.12.2021		31.12.2022		31.12.2023		Index	
		Amount	% share	Amount	% share	Amount	% share	(5/3)	(7/5)
1	2	3	4	5	6	7	8	9	10
1.	Equity securities	7,374	0.4	18,113	0.9	29,580	1.2	246	163
2.	Debt securities:	1,958,634	99.6	2,010,711	99.1	2,471,295	98.8	103	123
	- Securities of all								
2.1.	government levels in BiH	1,014,120	51.6	1,045,523	51.5	1,108,698	44.3	103	106
2.2.	- Government securities (other countries)	756,726	38.4	790,617	39.0	1,135,776	45.4	104	144
2.3.	- Corporate bonds ⁸	187,788	9.6	174,571	8.6	226,821	9.1	93	130
	Total	1,966,008	100	2,028,824	100	2,500,875	100	103	123

Within the exposures in the form of debt securities, the most material items are the securities of the entity-level governments (Table 13), namely the securities issued by the FBiH totalling in value to BAM 815.2 million, and the securities of the RS as issuer amounting to BAM 293 million.

- BAM 000s -

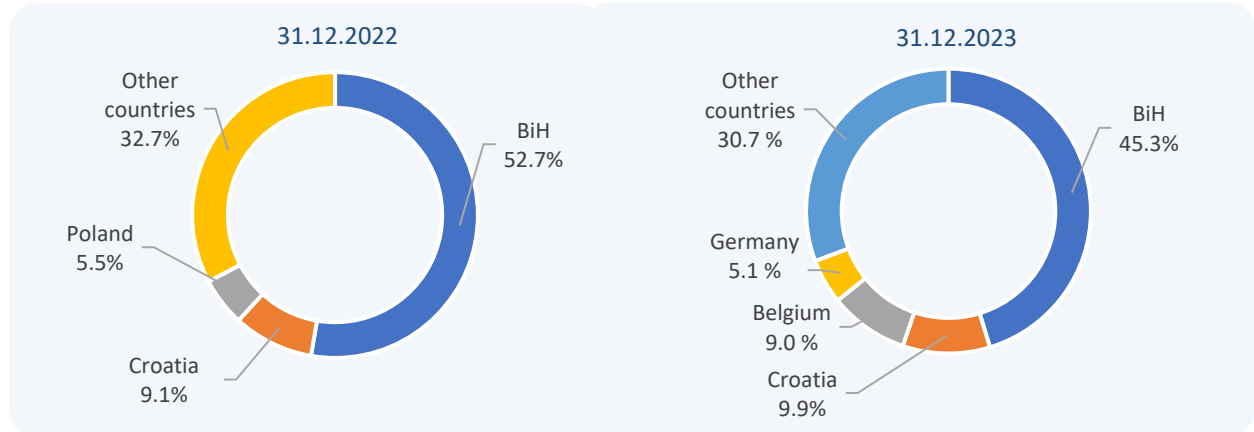
Table 13: Securities of BiH entity governments

Seq. no.	Investments in securities	31.12.2021		31.12.2022		31.12.2023		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:	625,252	62.6	607,935	58.2	815,229	73.6	97	134
1.1.	- Treasury bills	34,986	3.5	50,026	4.8	93,574	8.5	143	187
1.2.	- Bonds	590,266	59.1	557,909	53.4	721,655	65.1	95	129
2.	Debt securities of RS as issuer:	373,765	37.4	436,837	41.8	292,981	26.4	117	67
2.1.	- Treasury bills	0	0.0	56,569	5.4	35,794	3.2	-	63
2.2.	- Bonds	373,765	37.4	380,268	36.4	257,187	23.2	102	68
	Total	999,017	100	1,044,772	100	1,108,210	100	105	106

If the total exposure in the form of securities is looked at according to the exposure by country (Chart 8), as of 31.12.2023, the exposure to the issuers from BiH accounts for the highest share of 45.3%, followed by Croatia with a 9.9% share, Belgium with a 9% share, Germany with a 5.1% share, and other countries with individual shares below 5%.

⁸ The banks' bonds from the EU, Great Britain, USA and Türkiye account for the majority, i.e., approximately 82%

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



3.2.2. Liabilities

The deposits as at 31.12.2023 are BAM 23.9 billion and have increased by BAM 1.5 billion or 6.5% compared to the end of 2022. Out of the total amount of the deposits at the end of the period considered, BAM 1.5 billion or 6.2% are the deposits collected in the FBiH banks' organisational units in the RS and the BD.

Compared to the end of 2022, the share of the deposits, as the most significant source of funding for the banks, has decreased by 0.2 percentage points (from 82.5% to 82.3%), with the share of the loan obligations also decreasing by 0.3 percentage points (from 1.9% to 1.6%). The banks' loan obligations amounting to BAM 461.1 million have decreased by BAM 59.2 million or 11.4% compared to the end of 2022. If the subordinated loans amounting to BAM 274.9 million are also added to the loan obligations, the total loan facilities account for 2.5% of the funding.

Chart 9 and Chart 10 provide overviews of the total deposits and loan-to-deposit ratios by period:

Chart 9: Total deposits

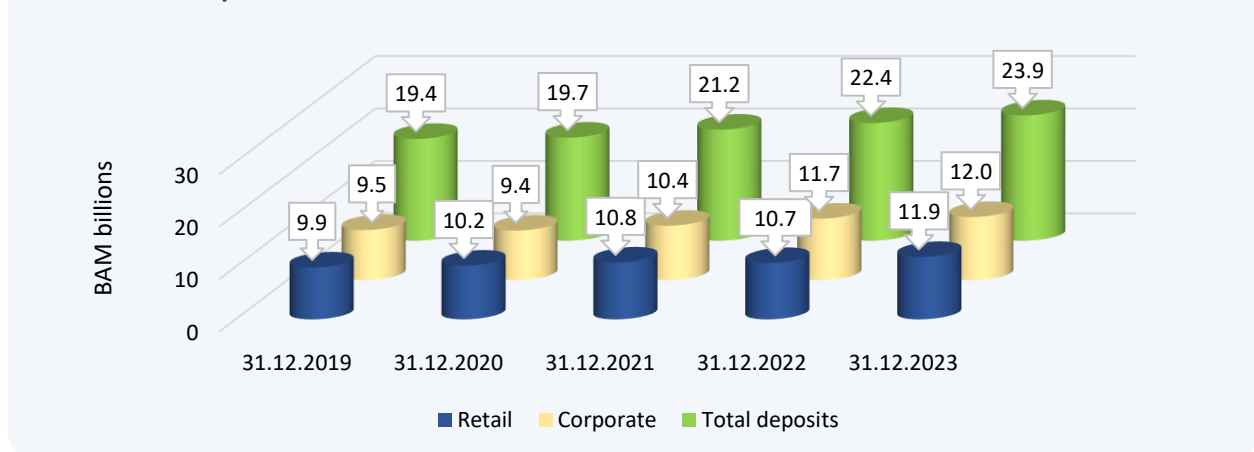


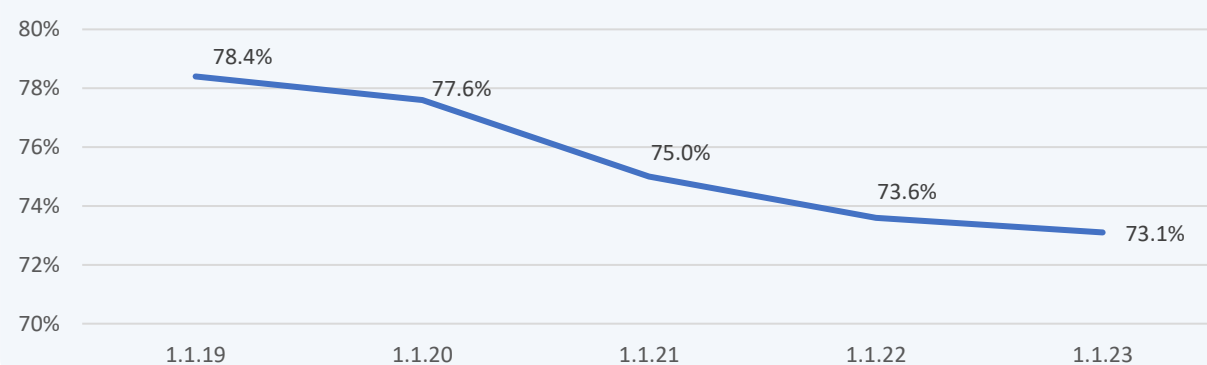
Chart 10: Loan-to-deposit ratio

Table 14 shows the sectoral structure of the deposits:

- BAM 000s -

Seq. no.	Sectors	31.12.2021		31.12.2022		31.12.2023		Index	
		Amount	% share	Amount	% share	Amount	% share	(5/3)	(7/5)
1	2	3	4	5	6	7	8	9	10
1.	Government institutions	2,600,382	12.3	3,227,149	14.4	3,110,241	13.0	124	96
2.	Public enterprises	1,618,685	7.6	1,723,548	7.7	1,749,757	7.3	106	102
3.	Private enterprises and companies	4,393,701	20.8	4,997,582	22.2	5,639,793	23.6	114	113
4.	Banking institutions	348,047	1.6	362,688	1.6	179,677	0.8	104	50
5.	Non-bank financial institutions	829,534	3.9	829,765	3.7	712,627	3.0	100	86
6.	Retail	10,832,483	51.1	10,742,142	47.9	11,882,828	49.7	99	111
7.	Other	562,120	2.7	560,715	2.5	624,747	2.6	100	111
	Total	21,184,952	100	22,443,589	100	23,899,670	100	106	106

The retail deposits amounting to BAM 11.9 billion or 49.7% have the highest share in the sectoral structure of the deposits, with their share increasing by 1.8 percentage points compared to the end of 2022.

Increases in the deposits as of 31.12.2023 and compared to the end of 2022 have been realised in the deposits from public enterprises by BAM 26.2 million or 1.5%, private enterprises by BAM 642.2 million or 12.9%, retail by BAM 1.1 billion or 10.6% and in other deposits by BAM 64 million or 11.4%. Decreases in the deposits have been recorded in the deposits from government institutions by BAM 116.9 million or 3.6%, banking institutions by BAM 183 million or 50.5%, and non-bank financial institutions by BAM 117.1 million or 14.1%.

Funding in the form of banking group deposits is prevalent in six FBiH banks, with the banking group deposits accounting for 63% of the total deposits from banking institutions.

The currency structure of the deposits as at 31.12.2023 has changed compared to the end of 2022, with the share of the domestic currency deposits increasing from 69.3% to 71% and the share of the foreign currency deposits decreasing from 30.7% to 29%. The domestic currency deposits are BAM 17 billion and have increased by BAM 1.4 billion or 9% compared to the end of 2022, while the foreign currency deposits are BAM 6.9 billion and have increased by BAM 49 million or 0.7%.

The structure of the deposits, according to the origin of the depositors, as of 31.12.2023 and compared to the end of 2022, is the following: the residents' deposits are BAM 23.4 billion and have a 97.7% share (0.8 percentage points increase), while the non-residents' deposits are BAM 0.5 billion, accounting for 2.3% of the total deposits (0.8 percentage points decrease).

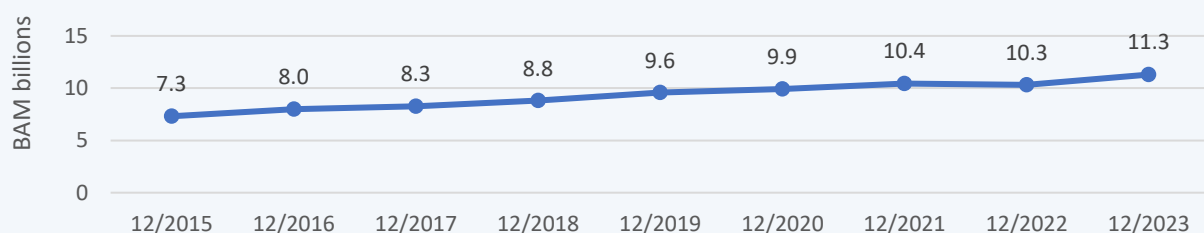
The growth trend in the savings deposits by period has been continuous, except for 2022. Changes in the growth trend in the deposits in 2022 were related to external events and dominantly to one bank which was successfully resolved in the second quarter of 2022. The growth trend in the savings deposits continued in 2023. As of 31.12.2023, the savings deposits are BAM 11.3 billion and, compared to the end of 2022, they have increased by BAM 988.6 million or 9.6%.

Table 15 and Chart 11 show the retail savings trend.

- BAM 000s -

Seq. no.	Banks	Amount			Index	
		31.12.2021	31.12.2022	31.12.2023	(4/3)	(5/4)
1	2	3	4	5	6	7
1.	State-owned	124,474	124,725	137,711	100	110
2.	Private	10,324,468	10,187,746	11,163,347	99	110
	Total	10,448,942	10,312,471	11,301,058	99	110

Chart 11: Total retail savings



52.6% of the savings are concentrated in the two largest banks, five banks have individual shares below 10% amounting to 34.6% of the total savings in the sector, while the remaining 12.8% of the savings are the savings in six banks with individual shares below 5% of the banking sector's total savings. Out of the total amount of the savings, 60.2% are the domestic currency savings deposits, while 39.8% are the foreign currency savings deposits.

As of 31.12.2023 and compared to the end of 2022, the short-term retail savings deposits increased by BAM 1.1 billion or 15.2% (3.7 percentage points increase in the share), while the long-term retail savings deposits decreased by BAM 114.3 million or 3.7% (3.7 percentage points decrease in the share).

The savings deposits' maturity structure can be seen in Table 16:

- BAM 000s -

Table 16: Maturity structure of retail savings deposits

Seq. no.	Savings deposits	31.12.2021		31.12.2022		31.12.2023		Index	
		Amount	% share	Amount	% share	Amount	% share	(5/3)	(7/5)
1	2	3	4	5	6	7	8	9	10
1.	Short-term savings deposits	6,755,829	64.7	7,232,406	70.1	8,335,315	73.8	107	115
2.	Long-term savings deposits	3,693,113	35.3	3,080,065	29.9	2,965,743	26.2	83	96
	Total	10,448,942	100	10,312,471	100	11,301,058	100	99	110

Table 17 provides an overview of the retail loans, savings and deposits by period:

- BAM 000s -

Table 17: Retail loans, savings, and deposits

Seq. no.	Description	31.12.2021	31.12.2022	31.12.2023	Index	
		Amount	Amount	Amount	(4/3)	(5/4)
1	2	3	4	5	6	7
1.	Retail loans	7,613,327	8,022,374	8,713,279	105	109
2.	Retail savings	10,448,942	10,312,471	11,301,058	99	110
2.1.	Term savings	3,976,925	3,347,737	3,251,602	84	97
2.2.	Demand savings	6,472,017	6,964,734	8,049,456	108	116
3.	Loans/savings	73%	78%	77%		
4.	Retail deposits	10,832,483	10,742,142	11,882,828	99	111
5.	Retail loans/retail deposits	70%	75%	73%		

The retail loans as of 31.12.2023 are BAM 8.7 billion and have increased by 8.6% compared to the end of 2022. The retail deposits have seen a 10.6% increase, amounting to BAM 11.9 billion. The loans-to-savings ratio decreased by one percentage point, while the ratio of retail loans to retail deposits decreased by two percentage points compared to the end of 2022.

3.2.3. Capital and Capital Adequacy

The banks' total capital as at 31.12.2023 was BAM 3.6 billion, increasing by BAM 340.5 million or 10.5% compared to the end of 2022 (see under 3.1.2 - Ownership Structure and Market Share).

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

- BAM 000s -

Table 18: Report on the balance of own funds

Seq. no.	Description	31.12.2021	31.12.2022	31.12.2023	Index	
		Amount	Amount	Amount	(4/3)	(5/4)
1	2	3	4	5	6	7
1.	Own funds	2,852,902	2,926,563	3,152,001	103	108
1.1.	Tier 1 capital	2,733,978	2,782,658	2,993,245	102	108
1.1.1.	Common Equity Tier 1 capital	2,733,978	2,782,658	2,993,245	102	108
1.1.1.1.	Paid-up capital instruments	1,384,714	1,562,046	1,582,046	113	101
1.1.1.2.	Share premium	137,290	137,327	118,164	100	86
1.1.1.3.	(-) Own Common Equity Tier 1 instruments	-214	0	0	0	-
1.1.1.4.	(-) Actual or contingent obligations to purchase own Common Equity Tier 1 instruments	-2,192	0	0	0	-
1.1.1.5.	Previous years' retained profits	393,494	466,815	538,322	119	115
1.1.1.6.	Recognised gain or loss	-118,241	-113,355	-83,400	96	74
1.1.1.7.	Accumulated other comprehensive income	10,368	-66,916	-64,921	-645	97
1.1.1.8.	Other reserves	1,014,269	897,338	1,025,332	88	114

1.1.1.9.	(–) Other intangible assets	-61,626	-68,789	-75,667	112	110
1.1.1.10.	(–) Deferred tax assets that rely on future profitability and do not arise from temporary differences minus related tax liabilities	-1,081	-4,306	-10,475	398	243
1.1.1.11.	(–) Deferred tax assets that are deductible and rely on future profitability and arise from temporary differences	-8,621	-13,470	-22,115	156	164
1.1.1.12.	(–) Financial sector entities' Common Equity Tier 1 instruments if bank has material investment	-14,182	-14,032	-14,041	99	100
1.1.1.13.	Elements or deductions from Common Equity Tier 1 – other	0	0	0	-	-
1.1.2.	Additional Tier 1 capital	0	0	0	-	-
1.2.	Tier 2 capital	118,924	143,905	158,756	121	110
1.2.1.	Paid-up capital instruments and subordinated debts	118,938	143,905	158,756	121	110
1.2.2.	(–) Own Tier 2 instruments	-14	0	0	0	-
1.2.3.	General impairments for credit risk under standardised 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 are BAM 3.2 billion, increasing by BAM 225.4 million or 7.7% compared to the end of 2022. The banks' Tier 1 and Common Equity Tier 1 capital is BAM three billion, with a BAM 210.6 million or 7.6% increase, while Tier 2 capital is BAM 158.8 million, with a BAM 14.9 million or 10.3% increase compared to the end of 2022.

In the FBiH banking sector's own funds structure, Tier 1 capital accounts for 95% (12/2022 95.1%), while Tier 2 capital accounts for 5% (12/2022 4.9%).

A more detail analysis has shown that the following items have had the biggest impact on the change in Tier 1 capital:

- increase due to the inclusion of profits amounting to BAM 210.2 million,
- increase due to the recapitalisation amounting to BAM 20 million,
- increase in the accumulated other comprehensive income due to fair valuation of the assets amounting to BAM two million,
- decrease due to the increase in deductible item - deferred tax assets amounting to BAM 14.8 million and
- decrease due to the increase in deductible item - intangible assets amounting to BAM 6.8 million.

The total risk exposure amount under the Decision on Calculation of Bank Capital is the sum of risk-weighted exposures to credit, market, operational risks, settlement/free delivery risk and risk related to large exposures arising from the trading book items. The FBiH banking sector's total risk exposure as at 31.12.2023 (Table 19) is BAM 16.4 billion.

- BAM 000s -

Table 19: Risk exposure structure

Seq. no.	Risk exposure	31.12.2021		31.12.2022		31.12.2023		Index	
		Amount	% share	Amount	% share	Amount	% share	(5/3)	(7/5)
1	2	3	4	5	6	7	8	9	10
1.	Risk weighted exposures for credit risk	13,167,335	91.0	13,870,013	91.9	15,069,379	92.1	105	109
2.	Settlement/free delivery risk exposures	0	0.0	0	0.0	0	0.0	-	-
3.	Market risk (position and currency risk) exposures	152,789	1.1	80,840	0.5	88,934	0.5	53	110
4.	Risk exposures for operational risk	1,147,271	7.9	1,144,473	7.6	1,200,210	7.4	100	105

Total risk exposure amount	14,467,395	100	15,095,326	100	16,358,523	100	104	108
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The total risk exposure amount at the FBiH banking sector's level increased by BAM 1.3 billion or 8.4% compared to the previous year's end. In the period considered, the amount of risk-weighted exposure to credit risk increased by BAM 1.2 billion or 8.6%, the amount of exposure to market risk increased by BAM 8.1 million or 10%, while the risk exposure to operational risk increased by BAM 55.7 million or 4.9%.

At the end of 2023, as well as at the end of 2022, six banks in the sector did not report any exposure to currency risk, because their net open currency position does not exceed the amount of 2% of the own funds. A more significant increase in the exposure to market risk at the FBiH banking sector's level is mainly a result of one bank's significant increase in the net open position in EUR.

As at the date considered, the banks were the most exposed to credit risk (92.1% share), which is dominant in the FBiH banking sector. Compared to the previous year's end, the share of credit risk in the total exposure increased by 0.2 percentage points, the share of the exposure to market risk remained at the same level, while the share of the exposure to operational risk decreased by 0.2 percentage points. Within the risk-weighted exposure to credit risk, the retail exposure has the highest share (BAM 5.2 billion or 34.7%), followed by the corporate exposure (BAM 4.2 billion or 27.7%), and the exposure secured by mortgages on immovable property (BAM 3.7 billion or 24.8%).

Over the last few years, the banking sector's capital adequacy was continuously maintained above 15%, which is satisfactory capitalisation at the sector's level. The FBiH banking sector's capital adequacy ratios are provided in Table 20:

- BAM 000s -

Table 20: Capital adequacy ratios

Seq. no.	Capital ratios	% and amount of regulatory minimum surplus or deficit		
		31.12.2021	31.12.2022	31.12.2023
1	2	3	4	5
1.	Common Equity Tier 1 capital ratio	18.9%	18.4%	18.3%
2.	Surplus (+) / Deficit (-) of Common Equity Tier 1 capital	1,757,430	1,763,723	1,889,044
3.	Tier 1 capital ratio	18.9%	18.4%	18.3%
4.	Surplus (+) / Deficit (-) of Tier 1 capital	1,431,916	1,424,078	1,520,978
5.	Own funds ratio	19.7%	19.4%	19.3%
6.	Surplus (+) / Deficit (-) of own funds	1,116,816	1,115,126	1,188,982

The own funds ratio as at 31.12.2023 is 19.3% and significantly higher than the legal minimum, which is also true for the other capital ratios (Common Equity Tier 1 and Tier 1 capital ratios). Compared to the end of 2022, the own funds ratio decreased by 0.1 percentage points, with the Common Equity Tier 1 and Tier 1 capital ratios also decreasing by 0.1 percentage points.

Table 21 provides an overview of the FBiH banking sector's leverage ratio (bank's Tier 1 capital to total exposure ratio) through periods:

- BAM 000s -

Table 21: Leverage ratio

Seq. no.	Exposure values	31.12.2021	31.12.2022	31.12.2023
		3	4	5
1	2	3	4	5
1.	Leverage ratio exposures	27,111,043	28,527,370	30,349,217

2. Tier 1 capital	2,733,978	2,782,658	2,993,245
Leverage ratio	10.1%	9.8%	9.9%

At the end of 2023, the leverage ratio at the banking sector's level is 9.9%, increasing by 0.1 percentage points compared to the end of 2022, and it is significantly higher than the regulatory minimum.

3.2.4. Credit Risk

The Decision on Credit Risk Management and Determination of Expected Credit Losses¹⁰ defines the rules for credit risk management, method for the classification of exposures to stages and the determination of ECL, types of eligible collaterals, etc.

LINK 10



All exposures are classified to three stages: stage 1 - low credit risk level, stage 2 - increased credit risk level and stage 3 - exposures in default.

Table 22 provides an overview of the exposures at the FBiH banking sector's level, by key category of financial assets, off-balance sheet exposures and related ECL:

- BAM 000s -

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

Seq. no.	Description	31.12.2021			31.12.2022			31.12.2023		
		Amount	ECL	% ECL	Amount	ECL	% ECL	Amount	ECL	% ECL
1	2	3	4	5	6	7	8	9	10	11
1.	Cash and cash equivalents	8,343,998	11,218	0.1	8,772,777	10,310	0.1	6,153,862	11,337	0.2
2.	Financial assets at amortised cost	16,160,753	1,119,190	6.9	17,224,054	1,022,126	5.9	21,876,796	962,703	4.4
3.	Financial assets at fair value	1,781,852	0	0.0	1,431,688	0	0.0	1,265,844	1,134	0.1
4.	Other financial assets	187,605	21,971	11.7	187,816	15,507	8.2	45,575	3,984	8.7
I Total on-balance sheet exposure		26,474,208	1,152,379	4.4	27,616,335	1,047,943	3.8	29,342,077	979,158	3.3
5.	Issued guarantees	1,428,082	24,875	1.7	1,680,091	43,900	2.6	1,813,247	38,251	2.1
6.	Uncovered letters of credit	40,601	1,172	2.9	43,263	1,255	2.9	54,851	662	1.2
7.	Irrevocably approved, but undrawn loans	2,188,232	21,071	1.0	2,270,434	22,194	1.0	2,200,814	19,548	0.9
8.	Other contingent liabilities of bank	263,064	2,563	1.0	411,127	5,342	1.3	685,099	7,997	1.2
II Total off-balance sheet items		3,919,979	49,681	1.3	4,404,915	72,691	1.7	4,754,011	66,458	1.4
Total exposure (I+II)		30,394,187	1,202,060	4.0	32,021,250	1,120,634	3.5	34,096,088	1,045,616	3.1

The banks' total exposure as at 31.12.2023 is BAM 34.1 billion, out of which BAM 29.3 billion are the on-balance sheet exposures, while BAM 4.8 billion are the off-balance sheet items. In 2023, the on-balance sheet exposure saw a BAM 1.7 billion or 6.2% increase compared to the end of 2022, as the net effect of an increase in the financial assets measured at amortised cost by BAM 4.7 billion (27%) and decreases in the cash and cash equivalents by BAM 2.6 billion

(29.9%), financial assets at fair value by BAM 165.8 million (11.6%), and other financial assets by BAM 142.2 million (75.7%). The structural changes in the reporting of financial assets in 2023 compared to 2022 resulted from the amendments made to the regulatory reporting framework in March 2023 and different positioning of specific financial asset items, due to the amendments to the Law on Accounting and Auditing and the Chart of Accounts for Banks aimed at convergence with the International Financial Reporting Standards.

In the same period, the off-balance sheet items saw a BAM 349.1 million or 7.9% increase, as the net effect of increases in the issued guarantees line item (BAM 133.2 million or 7.9%), uncovered letters of credit line item (BAM 11.6 million or 26.8%, where one bank saw a more significant increase), and other contingent liabilities of bank line item (BAM 274 million or 66.6%, due to two banks' significant increases), and a decrease in the irrevocably approved, but undrawn loans line item (BAM 69.6 million or 3.1%).

Table 23 provides an overview of the on-balance sheet and off-balance sheet exposures at the FBiH banking sector's level, by stage and related ECL:

- BAM 000s -

Seq. no.	Description	31.12.2021			31.12.2022			31.12.2023		
		Amount	ECL	% ECL	Amount	ECL	% ECL	Amount	ECL	% ECL
1	2	3	4	5	6	7	8	9	10	11
1.	Stage 1	24,029,210	166,312	0.7	25,235,277	174,910	0.7	27,024,199	205,884	0.8
2.	Stage 2	1,387,627	160,138	11.5	1,550,660	176,699	11.4	1,606,919	175,898	10.9
3.	Stage 3	1,057,371	825,929	78.1	830,398	696,334	83.9	710,959	597,376	84.0
I Total on-balance sheet exposure		26,474,208	1,152,379	4.4	27,616,335	1,047,943	3.8	29,342,077	979,158	3.3
4.	Stage 1	3,603,792	20,660	0.6	4,035,724	26,448	0.7	4,436,310	28,350	0.6
5.	Stage 2	309,101	25,536	8.3	358,721	38,984	10.9	314,227	35,750	11.4
6.	Stage 3	7,086	3,485	49.2	10,470	7,259	69.3	3,474	2,358	67.9
II Total off-balance sheet items		3,919,979	49,681	1.3	4,404,915	72,691	1.7	4,754,011	66,458	1.4
Total exposure (I+II)		30,394,187	1,202,060	4.0	32,021,250	1,120,634	3.5	34,096,088	1,045,616	3.1

The stage 1 on-balance sheet exposure as at 31.12.2023 is BAM 27 billion and accounts for 92.1% of the total on-balance sheet exposure. Compared to the end of 2022, it increased by BAM 1.8 billion or 7.1%, largely as the net effect of increases in the stage 1 loan portfolio by BAM one billion, cash and deposits with banks by BAM 375.2 million, funds with CBBiH by BAM 176.5 million, debt securities measured at amortised cost by BAM 664.2 million, equity instruments by BAM 13.2 million and other financial asset items by BAM 62.5 million, and decreases in the cash by BAM 379.1 million, and debt securities measured at fair value by BAM 170.7 million.

The stage 2 on-balance sheet exposure is BAM 1.6 billion, accounting for 5.5% of the total on-balance sheet exposure. Compared to the end of 2022, it is BAM 56.3 million or 3.6% higher. The total stage 2 on-balance sheet exposure increased as the net effect of increases in the stage 2 loan portfolio by BAM 74.8 million, cash and deposits with banks by BAM 25.6 million,

and decreases in the debt securities measured at amortised cost by BAM 35.2 million, and other financial assets by BAM 8.9 million.

The stage 3 on-balance sheet exposure is BAM 711 million, accounting for 2.4% of the total on-balance sheet exposure. Compared to the end of 2022, it is BAM 119.4 million or 14.4% lower, mainly due to a decrease in the stage 3 loan portfolio.

As of 31.12.2023 and compared to the end of 2022, the stage 1 ECL for the on-balance sheet exposure increased by BAM 31 million, while the stage 2 ECL decreased by BAM 0.8 million, and the stage 3 ECL decreased by BAM 99 million. In the period considered, the ECL coverage ratio for the stage 1 exposures increased by 0.1 percentage points (from 0.7% to 0.8%), the ECL coverage ratio for the stage 2 exposures decreased by 0.5 percentage points (from 11.4% to 10.9%), and the ECL coverage ratio for the stage 3 exposures increased by 0.1 percentage points (from 83.9% to 84%). The total ECL coverage ratio for the on-balance sheet exposures is 3.3%, while at the end of 2022 it was 3.8%.

The stage 1 off-balance sheet exposure as at the date considered is BAM 4.4 billion, accounting for 93.3% of the total off-balance sheet exposure. The stage 2 exposure is BAM 314.2 million or 6.6% of the total off-balance sheet exposure, while BAM 3.5 million or 0.1% of the total off-balance sheet exposure has been classified as stage 3. The total ECL coverage of the off-balance sheet exposures is 1.4% and it is 0.3 percentage points lower compared to the previous year's end. Compared to the previous year's end, the stage 1 and 3 ECL coverage ratios decreased by 0.1 percentage points (from 0.7% to 0.6%) and by 1.4 percentage points (from 69.3% to 67.9%) respectively, while the stage 2 ECL coverage ratio increased by 0.5 percentage points (from 10.9% to 11.4%).

As at 31.12.2023, the loans amount to BAM 17.5 billion and they are BAM 963 million or 5.8% higher compared to the end of 2022. One bank's loan portfolio also includes the short-term low-risk exposures, which have decreased by BAM 377.6 million or 64.2% compared to the previous year's end. If this decrease in the short-term low-risk exposures is excluded, the loan portfolio grew by 8.1% in the period considered.

The retail loans amount to BAM 8.7 billion, accounting for 49.9% of the total loans and increasing by BAM 690.9 million or 8.6% compared to the end of 2022. The corporate loans amount to BAM 8.8 billion, accounting for 50.1% of the total loans and increasing by BAM 272.1 million or 3.2% compared to the end of 2022 (Chart 12). If the decrease in one bank's short-term low-risk exposures is excluded, the corporate loan portfolio saw a 7.7% growth in the period considered.

Chart 12: Loans



Table 24 provides the trend and change in the shares of individual sectors in the total loan structure:

- BAM 000s -

Table 24: Sectoral structure of loans

Seq. no.	Sectors	31.12.2021		31.12.2022		31.12.2023		Index	
		Amount	% share	Amount	% share	Amount	% share	(5/3)	(7/5)
1	2	3	4	5	6	7	8	9	10
1.	Government institutions	223,252	1.4	244,803	1.5	318,550	1.8	110	130
2.	Public enterprises	406,525	2.6	452,504	2.7	419,948	2.4	111	93
3.	Private enterprises and companies	6,616,261	41.6	7,028,386	42.6	7,537,881	43.1	106	107
4.	Banking institutions	917,784	5.8	660,333	4.0	351,193	2.0	72	53
5.	Non-bank financial institutions	91,038	0.6	86,148	0.5	116,365	0.7	95	135
6.	Retail	7,613,327	47.9	8,022,374	48.6	8,713,279	49.9	105	109
7.	Other	22,635	0.1	18,459	0.1	18,830	0.1	82	102
	Total	15,890,822	100	16,513,007	100	17,476,046	100	104	106

Looking at the sectoral structure of the loans, the loans to non-bank financial institutions had the highest growth rate (35.1%, largely as the result of three banks' increases), followed by the loans to government institutions (30.1%, largely as the result of three banks' increases).

Table 25 provides the maturity structure of the loans by sector:

- BAM 000s -

Table 25: Maturity structure of loans

Seq. no.	Sectors	31.12.2022			31.12.2023			Index		
		Short-term loans	Long-term loans	Receivables due	Short-term loans	Long-term loans	Receivables due	(6/3)	(7/4)	(8/5)
1	2	3	4	5	6	7	8	9	10	11
1.	Government institutions	5,388	239,362	53	2,476	316,072	2	46	132	4
2.	Public enterprises	83,815	365,781	2,908	96,430	321,742	1,776	115	88	61
3.	Private enterprises and companies	2,541,376	4,127,079	359,931	2,863,521	4,366,660	307,700	113	106	85
4.	Banking institutions	660,331	0	2	350,250	0	943	53	-	47,150
5.	Non-bank financial institutions	16,614	69,479	55	17,639	98,726	0	106	142	0
6.	Retail	389,574	7,411,302	221,498	427,813	8,099,055	186,411	110	109	84
7.	Other	5,957	11,534	968	7,450	11,160	220	125	97	23
	Total	3,703,055	12,224,537	585,415	3,765,579	13,213,415	497,052	102	108	85

As of 31.12.2023 and compared to the end of 2022, the FBiH banking sector's short-term loans increased by BAM 62.5 million or 1.7%, while the long-term loans increased by BAM 988.9

million or 8.1%. The receivables due under the loans are BAM 497.1 million or 2.8% of the total loan portfolio and BAM 88.4 million or 15.1% lower compared to the end of 2022.

In the currency structure of the loans, the loans granted in the domestic currency have the highest share of 68.1% or BAM 11.9 billion, followed by the loans granted with a currency clause with the share of 29.8% or BAM 5.2 billion (EUR: BAM 5.2 billion or 99.99%, CHF: BAM 0.3 million or 0.01%), while the loans granted in a foreign currency have the lowest share of 2.1% or BAM 0.4 billion (out of which 99.9% are in EUR).

Table 26 provides an overview of the corporate and retail loans by stage and related ECL:

- BAM 000s -

Seq. no.	Description	31.12.2021			31.12.2022			31.12.2023		
		Amount	ECL	% ECL	Amount	ECL	% ECL	Amount	ECL	% ECL
1	2	3	4	5	6	7	8	9	10	11
I Corporate loans										
1.	Stage 1	6,770,321	66,945	1.0	7,169,779	76,991	1.1	7,458,567	93,177	1.2
2.	Stage 2	925,089	114,323	12.4	892,521	102,569	11.5	954,625	107,019	11.2
3.	Stage 3	582,085	437,552	75.2	428,333	355,323	83.0	349,575	290,869	83.2
Total I		8,277,495	618,820	7.5	8,490,633	534,883	6.3	8,762,767	491,065	5.6
II Retail loans										
4.	Stage 1	6,748,669	82,526	1.2	7,044,253	77,844	1.1	7,802,519	79,520	1.0
5.	Stage 2	425,538	43,166	10.1	607,597	70,735	11.6	582,534	63,195	10.8
6.	Stage 3	439,120	355,436	80.9	370,524	311,823	84.2	328,226	275,987	84.1
Total II		7,613,327	481,128	6.3	8,022,374	460,402	5.7	8,713,279	418,702	4.8
Total loans										
7.	Stage 1	13,518,990	149,471	1.1	14,214,032	154,835	1.1	15,261,086	172,697	1.1
8.	Stage 2	1,350,627	157,489	11.7	1,500,118	173,304	11.6	1,537,159	170,214	11.1
9.	Stage 3	1,021,205	792,988	77.7	798,857	667,146	83.5	677,801	566,856	83.6
Total loans (I+II)		15,890,822	1,099,948	6.9	16,513,007	995,285	6.0	17,476,046	909,767	5.2

As at 31.12.2023, the stage 1 loan portfolio is BAM 15.3 billion, accounting for 87.3% of the total loan portfolio. Compared to the end of 2022, it increased by BAM one billion or 7.4%. The stage 1 ECL coverage ratio is 1.1% (1.2% for corporate, 1% for retail), and it is at the same level as at the end of 2022.

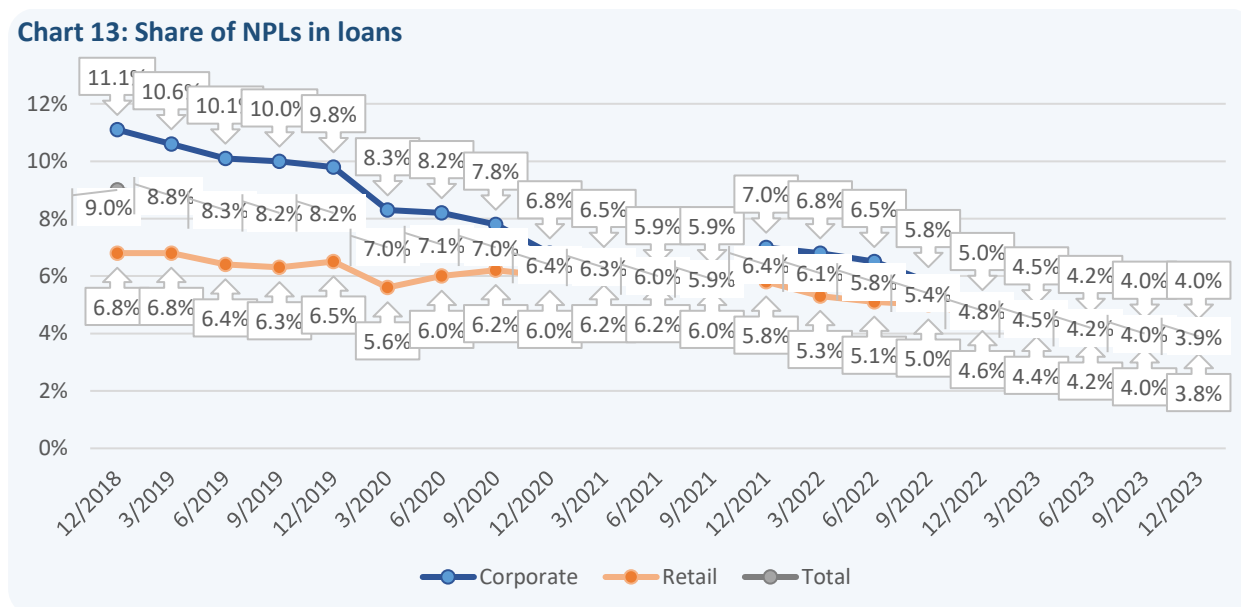
The stage 2 loan portfolio is BAM 1.5 billion, accounting for 8.8% of the total loan portfolio. Compared to the end of 2022, it is BAM 37 million or 2.5% higher. The stage 2 ECL coverage ratio is 11.1% (11.2% for corporate, 10.8% for retail) and it is 0.5 percentage points lower compared to the previous year's end.

The stage 3 (NPL) loan portfolio is BAM 677.8 million, accounting for 3.9% of the total loan portfolio, while the NPL ratio was 4.8% at the previous year's end. Its decrease by BAM 121.1 million or 15.2% compared to the end of 2022 resulted as the net effect of: new NPLs amounting to BAM 188.5 million, recovery amounting to BAM 40.8 million, collection amounting to BAM 126.4 million, accounting and permanent write-offs amounting to BAM 135.6 million, and other items amounting to BAM 6.8 million. The stage 3 ECL coverage ratio is

83.6% (83.2% for corporate, and 84.1% for retail) and it is 0.1 percentage points higher compared to the previous year's end.

Out of the total corporate loans, BAM 349.6 million or 4% are NPLs, which is one percentage point lower than at the end of 2022. For the retail sector, the NPLs amount to BAM 328.2 million or 3.8% of the retail loan portfolio, which is a decrease by 0.8 percentage points compared to the end of 2022.

Chart 13 provides an overview of the NPLs (the stage 3 loan portfolio):



Annex 5 of the Information provides the F BiH banking sector's loan portfolio sectoral analysis, which is based on the data on the sectoral concentration of the loans within the corporate sector (according to the NACE⁹ code of activities) and retail sector (by purpose).

The loans granted to the following sectors have the highest share in the corporate loans: trade (BAM 3.1 billion or 35.3% of the corporate loans, i.e., 17.7% of the total loan portfolio), manufacturing (BAM 2.1 billion or 23.9% of the corporate loans, i.e., 12% of the total loans), construction (BAM 0.7 billion or 7.6% of the corporate loans, i.e., 3.8% of the total loans), and financial activity (BAM 0.6 billion or 6.8% of the corporate loans, i.e., 3.4% of the total loans).

The NPLs' share in the loans granted to the trade sector is 3.4% (ECL coverage ratio for the NPLs is 89.7%), 5.3% in the loans granted to the manufacturing sector (ECL coverage ratio for the NPLs is 77.8%), 1.8% in the loans granted to the construction sector (ECL coverage ratio for the NPLs is 93.8%), and 0.02% in the loans granted to the financial activity sector (ECL coverage ratio for the NPLs is 100%). For the loans granted to other economic activities, the highest NPLs' shares are in the loans granted to agriculture (20.8%), water supply, sewerage, and remediation activities (17.4%), and hotel and hospitality activities (14.8%).

The general consumption loans (BAM 6.8 billion or 78.5% of the retail loans, i.e., 39.1% of the total loan portfolio) and housing loans (BAM 1.8 billion or 20.4% of the retail loans, i.e., 10.2% of the total loan portfolio) have the highest shares in the retail loans. The NPLs' shares in the

⁹ The Statistical Classification of Economic Activities in the European Community - NACE

general consumption loans are 4.5% (ECL coverage ratio is 85%) and 0.9% in the housing loans (ECL coverage ratio is 66.4%).

In the face of global economic instability and inflation growth, accompanied with interest rate growth in the international market, the FBA adopted [the Decision on Temporary Measures to Mitigate the Risk of an Interest Rate Increase¹¹](#) with the aim of timely management of credit risk, protection of users of financial services, stability of the banking system in terms of impact of the Decision's effects on the quality of the banks' loan portfolios and achievement of macroeconomic balance. The Decision provides for increase in the minimum rates that the banks are required to apply for ECL in case of a more significant interest rate growth. The Decision's provisions especially affect protection of users of financial services, implying that the bank will not increase interest rate above the level that is considered to be significant if it assesses that the interest rate increase will have an impact on the creditworthiness of a user of the financial service and that it will lead the user of the financial service to a default and can offer them credit exposure modification option. Also, the Decision aims to further stimulate banks to find a way to maintain interest rates at reasonable levels and to limit banks' actions that might have adverse effects on citizens and economy and ultimately on systemic risk growth.

When looking at the total loan portfolio at the FBiH banking sector's level from the standpoint of contractual interest rates, an increasing trend is noticeable in the fixed interest rate loans, amounting to BAM 13.9 billion or 79.4% of the total portfolio (31.12.2022: BAM 11.8 billion or 71.8%), with the variable interest rate loans amounting to BAM 3.6 billion or 20.6% of the total portfolio (31.12.2022: BAM 4.7 billion or 28.2% of the total portfolio).

LINK 11



Out of the total amount of corporate loans, the variable interest rate loans are BAM 1.3 billion or 14.4%, while the fixed interest rate loans are BAM 7.5 billion or 85.6%. When it comes to the retail loans, the variable interest rate loans are BAM 2.3 billion or 26.8%, while the fixed interest rate loans are BAM 6.4 billion or 73.2%.

According to the banks' reporting data, as of 31.12.2023 and compared to the reference date, a significant interest rate growth was identified in parts of nine banks' portfolios, without major changes in its share in the total loan portfolio compared to the previous period. The FBiH banks limited the NIR and did not cause further growth of customer costs.

As at the date considered, the ECLs for the loans for which a significant interest rate growth was identified would amount to BAM 18.3 million without the application of the Decision on Temporary Measures to Mitigate the Risk of an Interest Rate Increase, while the ECLs amounting to BAM 24.2 million were identified with the application of the Decision. It can be inferred from the above data that the banks created additional ECLs totalling to BAM 5.9 million for the loans for which a significant interest rate growth was identified.

In addition to the interest rates on newly granted loans (see under 3.2.6 Weighted NIR and EIR), the FBA monitors movements of the interest rates on the total loans by relevant segment, considering the type of contractual interest rate.

The effects of the Decision concerned are manifold, i.e., the activities undertaken by the FBA to mitigate the risk of interest rate increases resulted in:

- adjustments by the banks and limited adjustments in the interest rates on the variable interest rate loans;
- limited amount of the loans for which a significant interest rate growth was identified;
- increase in the ECL reserves for coverage of losses due to credit risk growth, i.e., worsening of the credit quality of the loans for which a significant interest rate growth was identified;
- stabilising the level of the stage 3 loans at the FBiH banking sector's level;
- low level of the stage 3 loans for the loans for which a significant interest rate growth was identified;
- seamless continuation of corporate and retail lending and
- maintain the interest rates on the newly granted loans at the level before the start of the application of the Decision concerned.

The absence of the above FBA's measures would potentially result in, among others, automatic and full transmission of the effects of the change in interest rate levels outside of BiH to the BiH market and loan portfolio, significant interest income growth, growth in the share of the non-performing assets with long-term economic consequences, as well as credit risk growth without adequate effects on the measurement and reporting of the ECLs. The FBA is monitoring on an ongoing basis and examining the need for introduction of additional measures and undertaking activities to maintain and strengthen the banking sector's stability and protect the depositors and to improve the FBiH banks' secure, good quality and lawful business operations.

Table 27 provides an overview of the most significant ratios used for the credit risk assessment in the FBiH banks:

- % -

Table 27: Credit risk indicators

Seq. no.	Description	31.12.2021	31.12.2022	31.12.2023
1	2	3	4	5
1.	Non-performing exposure ratio	3.5	2.6	2.1
2.	ECL coverage ratio for non-performing exposures	77.9	83.7	83.9
3.	ECL coverage ratio for total assets	4.0	3.5	3.1
4.	NPL ratio	6.4	4.8	3.9
5.	ECL coverage ratio for NPLs	77.7	83.5	83.6
6.	ECL coverage ratio for total loans	6.9	6.0	5.2
7.	New NPLs*/Total performing loans	0.8	-0.4	0.1
8.	NPLs/Total capital and ECL for NPLs	26.2	20.5	16.4
9.	Net NPLs/Tier 1 capital	8.4	4.7	3.7
10.	Loans due/Total loans	4.6	3.5	2.8

* The amount of NPLs increase/decrease as at the reporting date vs. the comparable period

Credit risk is a dominant risk in the FBiH banking sector, which is why the supervisor's focus is on assessing credit risk management practices, i.e., assessing the practices of granting, monitoring and analysing credit risk exposures, establishment of early warning systems for credit risk increases, assignment of exposures to stages and determining the ECLs, treatment of non-performing exposures, and concentration risk management.

3.2.5. Profitability

The banks' sustainable profitability is most significantly impacted by the quality of their assets. Also, the banks' profitability can be impacted by other risks, funding structure, diversification and costs, cost efficiency, external factors specific to the FBiH banking, i.e., financial sector (financial system development status, regulatory features, industrial concentration, etc.), and external macroeconomic factors (economic growth, global market interest rates, employment and unemployment rates, movements of salaries, inflation, etc.).

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

FBiH Banking Sector's Earnings Level, Sustainability and Trend

At the level of the FBiH banking sector and for the 01.01.-31.12.2023 period, the profit amounting to BAM 516.5 million was reported, which is BAM 155.2 million higher compared to 2022 (Table 28). All banks headquartered in the FBiH reported profits.

- BAM 000s -

Table 28: Actual financial performance of banks

Seq. no.	Description	01.01. - 31.12.2021		01.01. - 31.12.2022		01.01. - 31.12.2023	
		Amount	Number of banks	Amount	Number of banks	Amount	Number of banks
1	2	3	4	5	6	7	8
1.	Profit	293.560	14	361.381	13	516.541	13
2.	Loss	0	0	0	0	0	0
	Total	293.560	14	361.381	13	516.541	13

Annex 6 shows the FBiH banks' aggregate income statement for the 01.01.-31.12.2023 period, according to the FBA's scheme, with comparative data for the same reporting period in 2022.

FBiH Banking Sector's Total Income

According to the banks' reporting data, the total income amounting to BAM 1.6 billion was realised at the FBiH banking sector's level in 2023, which is BAM 290.9 million or 22.7% higher compared to the previous year (Table 29).

- BAM 000s -

Table 29: Banks' total income structure

Seq. no.	Total income structure	01.01. - 31.12.2022		01.01. - 31.12.2023		Index (5/3)
		Amount	%	Amount	%	
1	2	3	4	5	6	7
I Interest and similar income						
1.	Interest-bearing deposit accounts with depository institutions	7,079	0.6	76,361	4.9	1079
2.	Loans and leasing operations	592,182	46.2	710,891	45.2	120
3.	Other interest income	74,267	5.8	128,207	8.1	173
	Total I	673,528	52.5	915,459	58.2	136
II Operating income						
4.	Service fees	431,211	33.6	482,163	30.6	112
5.	Income from FX operations	91,598	7.1	89,054	5.7	97
6.	Other operating income	86,570	6.7	87,091	5.5	101
	Total II	609,379	47.5	658,308	41.8	108
	Total income (I+II)	1,282,907	100	1,573,767	100	123

In the total income structure, the interest and similar income accounts for 58.2%, while the operating income accounts for 41.8%. Compared to the previous year, the share of interest and similar income saw a 5.7 percentage points increase, while the share of operating income decreased by 5.7 percentage points. In the period considered, the actual total interest and similar income is BAM 241.9 million or 35.9% higher. The dominant item in this income is the interest income on loans and leasing operations, whose share in the total income decreased by one percentage point. In the same period, the share of loans and receivables from leasing operations in the total assets decreased by 0.5 percentage points (from 60.7% to 60.2%), while the average weighted NIR on loans increased from 3.05% to 3.12% (by 0.07 percentage points).

In 2023, the interest income on interest-bearing deposit accounts with depository institutions is BAM 69.3 million higher compared to the previous year due to a growth in the interbank interest rates in the EU money market, with three banks accounting for 64.8% of the increase. In the same period, the share of interest-bearing deposit accounts with depository institutions in the FBiH banking sector's total assets increased by 0.5 percentage points (from 15.5% to 16%).

The other interest income saw increases in all line items: interest income from placements to other banks by 478.2% (two banks account for 77.9% of the increase), interest income from securities held to maturity by 241.7% (two banks account for 66.7% of the increase), and other interest income by 25.8% (one bank accounts for 60.2% of the increase).

If looking at the sectoral structure of the actual interest income, most of it is the retail income - 51.1%, followed by the income from private enterprises - 27%, from banking institutions - 13.3%, government institutions - 5.2%, from public enterprises - 2.1%, and from other sectors - 1.3%.

The total operating income in 2023 and compared to 2022 saw a BAM 48.9 million or 8% increase. In the total operating income structure, the biggest item is the service fee income which saw a BAM 51 million or 11.8% increase, with two banks not realising increase rates in this income and one bank accounting for 42.2% of the increase. The income from foreign exchange operations decreased by BAM 2.5 million or 2.8% compared to the previous year, while other operating income increased by BAM 0.5 million or 0.6%.

FBiH Banking Sector's Total Expenses

According to the banks' reporting data, the total expenses at the FBiH banking sector's level in 2023 are BAM one billion and, compared to 2022, they are BAM 129.9 million or 14.6% higher (Table 30).

- BAM 000s

Table 30: Banks' total expenses structure

Seq. no.	Total expenses structure	01.01. - 31.12.2022		01.01. - 31.12.2023		Index (5/3)
		Amount	%	Amount	%	
1	2	3	4	5	6	7
I Interest and similar expenses						
1.	Deposits	52,226	5.9	65,289	6.4	125
2.	Liabilities under loans and other borrowings taken	5,709	0.6	9,888	1.0	173

3.	Other interest expenses	34,951	3.9	12,900	1.3	37
	Total I	92,886	10.5	88,077	8.7	95
II Non-interest expenses						
4.	Costs of impairments, provisions on contingent liabilities and other value adjustments	79,112	8.9	72,040	7.1	91
5.	Salary and contribution costs	262,807	29.6	299,156	29.4	114
6.	Business premises costs and depreciation	162,529	18.3	181,482	17.8	112
7.	Other operating and direct costs	170,082	19.2	213,733	21.0	126
8.	Other operating costs	119,684	13.5	162,481	16.0	136
	Total II	794,214	89.5	928,892	91.3	117
	Total expenses (I+II)	887,100	100	1,016,969	100	115

The non-interest expenses with the share of 91.3% dominate in the total expenses structure, while the interest and similar expenses account for 8.7%. Compared to the same period of the previous year, the share of the non-interest expenses increased by 1.8 percentage points, with the share of the interest expenses decreasing by 1.8 percentage points. In the period considered, the interest and similar expenses decreased by BAM 4.8 million or 5.2%, with the interest expenses on deposits increasing by BAM 13.1 million or 25%. Four banks did not see any increases in the interest expenses on deposits, while one bank accounts for 54.4% of the increase.

The interest expenses on the loans taken and other borrowings in the period considered increased due to interest rate growth by BAM 4.2 million or 73.2% (three banks account for 85.9% of the increase), while at the same time the FBiH banking sector's indebtedness level under loans taken and other borrowings decreased by BAM 59.2 million or 11.4%.

Other interest expenses decreased in the period considered by BAM 22.1 million or 63.1%, largely due to the abolishment of the negative fees on the banks' excess reserves and required reserves on the basis of the base denominated in foreign currencies and in the domestic currency with a currency clause with the CBBiH.

At the level of the FBiH banking sector, in 2023 and compared to 2022, the total non-interest expenses increased by BAM 134.7 million or 17%. Within them, an 8.9% or BAM 7.1 million reduction rate was recorded in the impairment costs, provisions on contingent liabilities, and other value adjustments. Two banks had no impairment costs through the net effect in 2023, while another four banks, in addition to these two, had lower impairment costs in this year compared to the previous year. Within the non-interest expenses, the rates of increases were realised in the salary and contribution costs (13.8% - all banks had the rates of increases, with one bank accounting for 36.3% of the increase), business premises costs (11.7% - only one bank had a decrease in these costs, with one bank accounting for 54.4% of the increase), other operating and direct costs (25.7%, with one bank accounting for 50.4% of the increase), while the highest rate of increase of 35.8% or BAM 42.8 million was realised in other operating costs, with six banks accounting for 80.8% of the increase.

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

Table 31 provides an overview of the most significant sizes and ratios used as the measures to assess the FBiH banks' operating profitability, productivity, and efficiency:

- BAM 000s or % -

Table 31: Profitability, productivity, and efficiency ratios					
Seq. no.	Description	31.12.2021	31.12.2022	31.12.2023	
1	2	3	4	5	

1.	Net profit	293,560	361,381	516,541
2.	Average net assets	24,808,854	24,978,287	28,117,642
3.	Average total capital	3,166,005	3,020,107	3,459,744
4.	Total income	1,098,649	1,190,021	1,485,690
5.	Net interest income	568,261	580,642	827,382
6.	Operating income	530,388	609,379	658,308
7.	Operating expenses	539,979	545,020	643,119
8.	Operating and direct expenses	231,593	249,194	285,773
9.	Other operating and direct costs	155,890	170,082	213,733
10.	Return on average assets (ROAA)	1.2	1.4	1.8
11.	Return on average total equity (ROAE)	9.3	12.0	14.9
12.	Total income/average assets	4.4	4.8	5.3
13.	Net interest income/average assets (NIM)*	2.3	2.3	2.9
14.	Net interest margin (interest income/average interest-bearing assets - interest expenses/average interest-bearing liabilities)	2.5	2.5	3.2
15.	Operating expenses/total income minus other operating and direct expenses (CIR)**	57.3	53.4	50.6

* NIM - Net Interest Margin

** CIR - Cost to Income Ratio

If looking at the net interest income, it saw a BAM 246.7 million or 42.5% increase compared to the same period of the previous year, with its share in the total income also increasing from 48.8% to 55.7%.

3.2.6. Weighted NIR and EIR

With a view to ensuring greater transparency and facilitating comparability of the banks' terms and conditions for granting loans and receiving deposits, and with a view to protecting customers through the introduction of a transparent display of loan costs, i.e., deposit income, in accordance with the international standards, criteria and practices in other countries, the FBA prescribed a uniform method of calculation and disclosure of the EIR for all banks headquartered in the FBiH, as well as for the organisational units of the banks headquartered in the RS, which operate in the FBiH. The banks are required to report on a monthly basis to the FBA on the average weighted NIR and EIR on the loans granted and deposits received in the reporting month, in accordance with the [Decision on the Uniform Method of Calculation and Disclosure of the Effective Interest Rate on Loans and Deposits](#)¹² and the [Instruction on Calculation of Weighted Nominal and Effective Interest Rates](#).¹³

Based on the data reported and according to the established methodology, the FBA calculates the banking sector's average weighted NIR and EIR, which depend on the volume and structure of newly granted loans, i.e., newly originated deposits, in addition to the individual banks' interest rate levels.

For the purposes of borrowers and when analysing the interest rate trend, it is relevant to monitor the movement of the average weighted EIR, given that it includes all costs paid by the borrower, which are directly related to the loan, i.e., the terms and conditions of using loans which are included in the calculation of the loan price (for example: loan processing costs, insurance premium costs for natural persons if insurance is a condition for granting the loan, and other costs related to ancillary services paid by the customer, which are a condition for using the loan).

Annex 7 provides an overview of the average weighted NIR and EIR on loans and deposits by period.

The total average weighted EIR on newly granted loans in 2023 in the FBiH banking sector is 3.63% and compared to the same period of the previous year, when it was 3.59%, it increased by 0.04 percentage points. When looking at the maturity structure of newly granted loans in 2023 and compared to the previous year, the average weighted EIR on the long-term loans increased by 0.46 percentage points (from 4.94% to 5.40%), while for the short-term loans it increased by 0.04 percentage points (from 2.30% to 2.34%). Looking at it according to the sectoral structure, the average weighted EIR on the total newly granted corporate loans decreased by 0.04 percentage points (from 2.57% to 2.53%), the average weighted EIR on the total newly granted retail loans increased by 0.36 percentage points (from 6.16% to 6.52%), while the average weighted EIR on the total newly granted loans to other sectors increased by 1.35 percentage points (from 3.63% to 4.98%).

The total average weighted EIR on the deposits collected in 2023 in the FBiH banking sector is 1.03% and compared to 2022, when it was 0.51%, it increased by 0.52 percentage points. Looking at it according to the maturity of the deposits, the average weighted EIR on the short-term deposits saw a 0.78 percentage points increase (from 0.41% to 1.19%) and a 0.35 percentage points increase (from 0.62% to 0.97%) on the long-term deposits. When looking at the sectoral structure of the collected deposits, the average weighted EIR on the corporate deposits increased by 0.79 percentage points (from 0.56% to 1.35%), the average weighted EIR on the retail deposits increased by 0.25 percentage points (from 0.51% to 0.76%), while the average weighted EIR on the deposits from other sectors increased by 1.02 percentage points (from 0.48% to 1.50%).

LINK 12



LINK 13



3.2.7. Liquidity

Liquidity risk management, along with credit risk management, is one of the most important and complex segments of banking operations. Maintaining the liquidity in a market economy is a permanent obligation of a bank and the main assumption for its sustainability in a financial market and it is one of the key preconditions for establishing and maintaining the trust in the banking sector and its stability and security.

Table 32 provides an overview of the FBiH banking sector's fulfilment of the LCR, indicating the banks' short-term resilience to liquidity risk:

- BAM 000s -

Table 32: LCR

Seq. no.	Description	31.12.2021	31.12.2022	31.12.2023	Index	
					(4/3)	(5/4)
1	2	3	4	5	6	7
1.	Liquidity buffer	7,064,703	6,928,631	6,643,532	98	96
2.	Net liquidity outflows	3,176,830	3,280,801	3,127,611	103	95
	LCR	222%	211%	212%		

As of 31.12.2023, the LCR at the FBiH banking sector's level is 212% and significantly higher compared to the regulatory minimum, with all banks meeting the LCR requirements.

Table 33 shows the liquidity buffer structure according to the market value after applied haircuts:

- BAM 000s -

Table 33: Liquidity buffer

Seq. no.	Description	31.12.2021	31.12.2022	31.12.2023	Index	
					(4/3)	(5/4)
1	2	3	4	5	6	7
1.	Level 1 liquid assets	7,059,357	6,928,631	6,643,532	98	96
1.1.	Cash	1,526,321	1,543,788	1,164,676	101	75
1.2.	Withdrawable central bank reserves	3,095,846	3,076,604	3,103,152	99	101
1.3.	Central government assets	1,401,508	1,238,867	1,201,900	88	97
1.4.	Regional government and local authorities assets	1,011,738	1,045,296	1,109,925	103	106
1.5.	Multilateral development bank and international organisations assets	23,944	24,076	63,879	101	265
2.	Level 2 liquid assets	5,346	0	0	0	-
2.1.	Level 2a liquid assets	0	0	0	-	-
2.2.	Level 2b liquid assets	5,346	0	0	0	-
	Total (1+2)	7,064,703	6,928,631	6,643,532	98	96

The liquidity buffer is BAM 6.6 billion, recording a BAM 0.3 billion or 4.1% decrease compared to the previous year's end. The cash line item saw the highest decrease of BAM 379.1 million or 24.6%. Only level 1 liquid assets are included in the liquidity buffer structure, with the excess reserves held by the banks in the CBBiH having the highest share of 46.7%, followed by the central government assets with a 18.1% share, cash with a 17.5% share, and regional government units assets with a 16.7% share.

The calculation of the net liquidity outflows can be seen in Table 34:

- BAM 000s -

Table 34: Net liquidity outflows

Seq. no.	Description	31.12.2021	31.12.2022	31.12.2023	Index	
					(4/3)	(5/4)
1	2	3	4	5	6	7
1.	Total outflows	5,579,174	5,690,905	6,044,233	102	106
2.	Total inflows	2,402,345	2,469,853	3,002,306	103	122
3.	Inflows subject to cap of 75% of outflows	2,402,344	2,410,104	2,916,622	100	121
	Net liquidity outflows (1-3)	3,176,830	3,280,801	3,127,611	103	95

When calculating the net liquidity outflows as at 31.12.2023, eleven banks' outflows were reduced by the amount of total inflows, while the recognition of the liquidity inflows was capped at 75% of the total liquidity outflows in two banks.

In the structure of the outflows amounting to BAM 26.8 billion as at 31.12.2023 (prior to application of the outflow rate), the retail deposit outflows have the highest share (BAM 10.8 billion or 40.5% of the total outflows, with BAM 5.7 billion or 52.8% of the retail deposit outflows as stable deposits), followed by other customer deposits (BAM nine billion or 33.8% of the total outflows), and other products and services (BAM 4.2 billion or 15.6% of the total outflows).

In the structure of the total inflows amounting to BAM three billion, the monies due from financial customers that are subject to a 100% inflow rate have the highest share (BAM 2.1 billion or 68.5% of the total inflows), followed by the inflows from financial derivatives that are also subject to a 100% inflow rate (BAM 0.6 billion or 18.8% of the total inflows), and monies due from non-financial customers which are subject to a 50% inflow rate and amount to BAM 0.3 billion or 9.2% of the total inflows.

With a view to mitigating the funding risk over a longer time period, the Decision on Liquidity Risk Management in Banks provides that the banks are required to maintain on an ongoing basis the minimum NSFR as from 31.12.2022. The NSFR encourages banks to fund their activities with more stable funding on a more permanent basis. The NSFR is calculated as the ratio between ASF and RSF, where ASF is the portion of the bank's capital and liabilities expected to be reliable over the time horizon considered by the NSFR (period of up to one year), while RSF is the result of multiplication of the bank's assets and off-balance sheet exposures with relevant factors reflecting their liquidity characteristics and residual maturities over the one-year horizon considered by the NSFR.

Table 35 provides an overview of the FBiH banking sector's fulfilment of the NSFR:

- BAM 000s -

Seq. no.	Description	31.12.2022	31.12.2023	Index
1	2	3	4	5=4/3
1.	Available stable funding (ASF)	19,770,563	20,955,674	106
2.	Required stable funding (RSF)	12,189,130	13,347,275	110
	NSFR	162%	157%	

As of 31.12.2023, the NSFR at the FBiH banking sector's level is 157% and significantly higher than the regulatory minimum, with all banks meeting the NSFR requirements.

Tables 36 and 37 provide the ASF and RSF structures at the FBiH banking sector's level respectively:

- BAM 000s -

Seq. no.	Description	31.12.2022		31.12.2023		Index	
		Amount of liabilities and capital	ASF	Amount of liabilities and capital	ASF	(5/3)	(6/4)
1	2	3	4	5	6	7	8
	ASF from:						
1.	Capital items and instruments	3,066,853	3,065,720	3,279,482	3,279,482	107	107
2.	Retail deposits	11,338,559	10,579,940	12,450,315	11,563,869	110	109
3.	Other non-financial customers (except central banks)	10,433,312	5,533,246	10,993,114	5,731,953	105	104
4.	Operational deposits	154,674	68,473	49,998	15,676	32	23
5.	Financial customers and central banks	1,190,180	401,687	1,006,304	257,699	85	64
6.	Other liabilities	608,113	121,497	685,877	106,995	113	88
	Total ASF	26,791,691	19,770,563	28,465,090	20,955,674	106	106

- BAM 000s -

Seq. no.	Description	31.12.2022		31.12.2023		Index	
		Assets amount	RSF	Assets amount	RSF	(5/3)	(6/4)
1	2	3	4	5	6	7	8
	RSF from:						
1.	Central bank assets	6,042,185	0	6,698,281	0	111	-
2.	Liquid assets	1,981,702	19,978	2,219,933	32,922	112	165
3.	Securities that are not	276,376	230,870	299,943	239,972	109	104

	liquid assets						
4.	Loans	17,319,096	10,834,010	18,772,556	11,895,009	108	110
5.	Financial derivatives	47	2	10	3	21	150
6.	Other assets	917,542	812,215	957,351	824,608	104	102
7.	Off-balance sheet items	6,065,926	292,055	6,767,942	354,761	112	121
	Total RSF	32,602,874	12,189,130	35,716,016	13,347,275	110	110

The maturity structure of the deposits as a dominant source of funding plays a significant role in understanding the liquidity position. Table 38 shows the maturity structure of the deposits by residual maturity:

- BAM 000s -

Table 38: Maturity structure of deposits by residual maturity

Seq. no.	Deposits	31.12.2021		31.12.2022		31.12.2023		Index	
		Amount	% share	Amount	% share	Amount	% share	(5/3)	(7/5)
1	2	3	4	5	6	7	8	9	10
1.	Savings and sight deposits (up to 7 days)	14,755,459	69.6	16,444,582	73.3	17,909,204	74.9	111	109
2.	7-90 days	986,253	4.7	856,555	3.8	909,124	3.8	87	106
3.	91 days to one year	2,157,949	10.2	2,252,657	10.0	2,042,989	8.6	104	91
	I Total short-term	17,899,661	84.5	19,553,794	87.1	20,861,317	87.3	109	107
4.	Up to 5 years	3,174,184	15.0	2,813,539	12.6	2,952,746	12.3	89	105
5.	Over 5 years	111,107	0.5	76,256	0.3	85,607	0.4	69	112
	II Total long-term	3,285,291	15.5	2,889,795	12.9	3,038,353	12.7	88	105
	Total (I + II)	21,184,952	100	22,443,589	100	23,899,670	100	106	106

At the end of 2023, the short-term deposits accounted for 87.3% of the total deposits, while the long-term deposits accounted for 12.7% of the total deposits, with the share of the short-term deposits increasing, i.e., the share of the long-term deposits decreasing by 0.2 percentage points compared to the end of 2022.

In the period considered, the short-term deposits saw a BAM 1.3 billion or 6.7% increase, while the long-term deposits saw a BAM 148.6 million or 5.1% increase. Within the long-term deposits, increases were seen in both the deposits with maturities of up to five years (by BAM 139.2 million or 4.9%) and deposits with maturities of over five years (by BAM 9.4 million or 12.3% - due to one bank's major increase). If the structure of the long-term deposits is analysed by residual maturity, it is evident that the deposits with residual maturities of up to five years are dominant (97.2%).

For the purpose of planning the required level of liquid assets, banks need to plan the sources and structure of adequate liquid potential and also create a credit policy in that respect. The maturity of placements, i.e., loan portfolio is determined precisely by the maturity of sources. An important aspect of monitoring and analysing the liquidity position is the maturity matching of the residual maturities of financial asset items and liabilities according to the timescale, created for the 180-day time horizon. Even though the requirement to meet the maturity matching of the residual maturities to the contractual maturities of the financial asset and financial liability instruments was repealed with the entry into force of the requirement for the banks to maintain the minimum NSFR on an ongoing basis, banks need to control on an ongoing basis the maturity matching between the sources and the placements, given that the maturity transformation of the funds in banks is inherently linked to functional characteristics of banking operations.

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

- BAM 000s -

Table 39: Maturity matching of financial assets and financial liabilities of up to 180 days						
Seq. no.	Description	31.12.2021 Amount	31.12.2022 Amount	31.12.2023 Amount	Index (4/3)	Index (5/4)
1	2	3	4	5	6	7
I 1-30 days						
1.	Amount of financial assets	11,876,368	12,036,634	10,602,763	101	88
2.	Amount of financial liabilities	15,288,271	16,950,559	18,486,449	111	109
3.	Balance (+ or -) = 1-2	-3,411,903	-4,913,925	-7,883,686	-	-
Calculation of compliance with regulatory requirement in %						
a)	Actual %= seq.no.1 / seq.no.2	77.7%	71.0%	57.4%		
b)	Regulatory minimum %	65.0%	65.0%			
More (+) or less (-) = a - b		12.7%	6.0%			
II 1-90 days						
1.	Amount of financial assets	13,050,584	13,303,221	12,011,831	102	90
2.	Amount of financial liabilities	16,112,291	17,663,350	19,237,296	110	109
3.	Balance (+ or -) = 1-2	-3,061,707	-4,360,129	-7,225,465	-	-
Calculation of compliance with regulatory requirement in %						
a)	Actual %= seq.no.1 / seq.no.2	81.0%	75.3%	62.4%		
b)	Regulatory minimum %	60.0%	60.0%			
More (+) or less (-) = a - b		21.0%	15.3%			
III 1-180 days						
1.	Amount of financial assets	14,327,268	14,669,888	13,673,457	102	93
2.	Amount of financial liabilities	16,976,401	18,494,275	19,950,788	109	108
3.	Balance (+ or -) = 1-2	-2,649,133	-3,824,387	-6,277,331	-	-
Calculation of compliance with regulatory requirement in %						
a)	Actual %= seq.no.1 / seq.no.2	84.4%	79.3%	68.5%		
b)	Regulatory minimum %	55.0%	55.0%			
More (+) or less (-) = a - b		29.4%	24.3%			

Table 40 shows an overview of the core liquidity ratios:

- % -

Table 40: Liquidity ratios				
Seq. no.	Ratio	31.12.2021	31.12.2022	31.12.2023
1	2	3	4	5
1.	Liquid assets ¹⁰ /net assets	31.9	32.1	30.7
2.	Liquid assets/short-term financial liabilities	44.6	43.5	41.7
3.	Short-term financial liabilities/total financial liabilities	82.3	84.6	85.2
4.	Loans/deposits and loans taken	72.3	71.9	71.7
5.	Loans/deposits, loans taken and subordinated debts ¹¹	71.8	71.0	70.9

Compared to the end of 2022, the share of the liquid assets in the net assets and the liquid assets to short-term financial liabilities ratio decreased. The short-term financial liabilities to total financial liabilities ratio increased, while the loans/deposits and loans taken and loans/deposits, loans taken and subordinated debts ratios have recorded improvements.

¹⁰ Liquid assets in the narrow sense: cash, deposits, and other financial assets with residual maturities of less than three months, excluding interbank deposits

¹¹ Previous ratio has been expanded to also include subordinated debts in the sources of funding, which is a more realistic indicator

Looking at the core liquidity ratios, qualitative and quantitative requirements, as well as other factors affecting the banks' liquidity position, it can be inferred that the FBiH banking sector's liquidity as of 31.12.2023 is satisfactory.

3.2.8. Foreign Exchange (FX) Risk

In their operations, banks are exposed to risks arising from potential losses on on-balance sheet and off-balance sheet items resulting from a change in prices on the market. One of those risks is also FX risk, arising as the 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 that of all currencies with which the bank operates combined - total foreign exchange position of the bank. The Decision on Foreign Exchange Risk Management in Banks provides for the method of calculation of the foreign exchange position and maximum permitted exposure to FX risk, i.e., open individual and total foreign exchange position limits (long or short), calculated in relation to the bank's eligible capital.

According to the balance as at 31.12.2023 at the banking sector's level, the items in foreign currencies in the currency structure of the banks' assets are BAM 4.6 billion, with a 15.8% share (BAM 4.2 billion or 15.5% at the end of 2022). The currency structure of the liabilities is essentially different, as the share of the liabilities in foreign currencies is significantly higher and amounts to BAM 7.8 billion or 26.7% (BAM 7.8 billion at the end of 2022, with a 28.5% share).

Table 41 provides the structure of the assets and liabilities, foreign exchange position in EUR as the most significant currency, and total foreign exchange position at the banking sector's level:

- BAM millions -

Table 41: Foreign exchange position (EUR and total)

Seq. no.	Description	31.12.2022				31.12.2023				Index	
		EUR Amount	% share	Total Amount	% share	EUR Amount	% share	Total Amount	% share	EUR (7/3)	Total (9/5)
1	2	3	4	5	6	7	8	9	10	11	12
I Balance sheet assets											
1.	Cash and cash equivalents	1,145	13.0	1,787	18.5	1,829	20.9	2,458	25.9	160	138
2.	Loans	677	7.7	679	7.0	360	4.1	360	3.8	53	53
3.	Loans with currency clause	5,332	60.4	5,333	55.2	4,810	55.0	4,810	50.6	90	90
4.	Other	1,548	17.5	1,742	18.0	1,645	18.8	1,764	18.6	106	101
5.	Other financial assets with currency clause	126	1.4	126	1.3	108	1.2	108	1.1	86	86
Total I (1+2+3+4+5)		8,828	100	9,667	100	8,752	100	9,500	100	99	98
II Balance sheet liabilities											
6.	Deposits	6,075	72.2	6,886	74.6	6,184	71.0	6,935	73.3	102	101
7.	Loans taken	520	6.2	520	5.6	461	5.3	461	4.9	89	89
8.	Deposits and loans with currency clause	1,473	17.5	1,473	16.0	1,715	19.7	1,715	18.1	116	116
9.	Other	344	4.1	354	3.8	344	4.0	355	3.8	100	100
Total II (6+7+8+9)		8,412	100	9,233	100	8,704	100	9,466	100	103	103
III Off-balance sheet position net (+) or (-)											
10.	Assets	9		9		182		202		2022	2244
11.	Liabilities	354		372		149		151		42	41
Long (amount)		71		71		81		85		114	120
%		2.4%		2.4%		2.6%		2.7%			

Short (amount) %				
Permitted	40.0%	40.0%	40%	40%
Less than permitted	37.6%	37.6%	37.4%	37.3%

Looking at it at individual bank level and as an aggregate at the FBiH banking sector's level, it can be noted that the exposures of the banks and banking sector to FX risk as at 31.12.2023 ranged within the regulatory limits. At the sector's level, long foreign exchange position of 2.7% of the banks' total eligible capital was reported, which is 37.3 percentage points lower than the permitted one. The individual foreign exchange position in EUR was 2.6%, which is 37.4 percentage points lower than the permitted one, with the asset items higher than the liabilities (long position).

If the foreign currency structure is analysed, EUR has the dominant share of 83.7% in the assets¹² (31.12.2022 80.1%), with a BAM 465.5 million or 13.8% increase in the nominal amount compared to the end of 2022. The share of EUR in the liabilities is 90.2% (31.12.2022 89.4%) and increased nominally by BAM 50.2 million or 0.7% compared to the end of 2022. The base for the calculation of the share of EUR in the assets and liabilities does not include the items with a currency clause.

3.2.9. Interest Rate Risk in the Banking Book

Interest rate risk in the banking book is a risk of potential occurrence of adverse effects on the bank's financial performance and capital based on the banking book positions due to interest rate changes. The interest rate changes that generate this risk usually result from the mismatch in the maturities, interest rate changes in asset and liability line items or off-balance sheet short or long position.

In the Decision on the Management of Interest Rate Risk in the Banking Book, the FBA prescribed minimum standards for setting up a system for the management of interest rate risk in the banking book, method for calculating change in the economic value arising from the banking book positions, and reporting to the FBA on a quarterly basis. Banks are required to establish a comprehensive and efficient system for the management of interest rate risk in the banking book, which is proportionate to the type, volume and complexity of the bank's operations, as well as to its risk profile. For the purposes of reporting to the FBA on the exposure to interest rate risk in the banking book, banks are required to use a simple calculation when assessing change in the economic value of the banking book, applying a standard interest rate shock of 200 basis points to the banking book positions at individual currency level for all material currencies and as an aggregate for other currencies and encompassing all banking book positions that are sensitive to interest rate changes.

The currency structure of the change in the economic value of the banking book and ratio of change in the economic value in the banking book and own funds at the FBiH banking sector's level can be seen in Table 42:

- BAM 000s -

Table 42: Total weighted position of the banking book

Seq. no.	Description	31.12.2021	31.12.2022	31.12.2023	Index (4/3) (5/4)
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¹² Source: Report on the Bank's Foreign Exchange Position - part of the assets (in foreign currencies denominated in BAM). On-balance sheet asset and off-balance sheet items are to be reported on a net basis, i.e., they are to be reduced by the amount of the ECL

1	2	3	4	5	6	7
1.	Net weighted position - BAM	78,394	162,878	234,742	208	144
2.	Net weighted position - EUR	26,564	44,378	49,349	167	111
3.	Net weighted position - USD	339	329	0	97	0
4.	Net weighted position - other	-3,804	-6,633	-8,069	174	122
5.	Change in economic value (1+2+3+4)	101,493	200,952	276,022	198	137
6.	Own funds	2,852,902	2,926,563	3,152,001	103	108
7.	Change in economic value/own funds	3.6%	6.9%	8.8%		

The rate of change in the economic value of the banking book positions and own funds as at 31.12.2023 is 8.8%, which is within the regulatory limit and 1.9 percentage points higher compared to the previous year's end.

3.3. RECOMMENDATIONS FOR THE BANKING SECTOR

The FBA will, in accordance with its regulatory competences to supervise the FBiH banks' operations, continue to take measures and activities on maintaining and strengthening the banking sector's stability and protecting depositors, as well as improving the FBiH banks' secure, good quality and lawful operations. The measures and activities will be particularly oriented towards continuing ongoing supervision of the banks, with a focus on:

- carrying out SREP for the banks in accordance with the timeline set out in [the Decision on Supervisory Review and Evaluation Process in Banks¹⁴](#) and in the adopted SREP methodology, and ongoing monitoring of the SREP indicators for all banks;
- monitoring the risk profiles and capital positions of all banks, including the fulfilment of the capital requirements as a result of the SREP assessment;

LINK 14



- carrying out the supervisory assessment of ICAAP and ILAAP, as well as of recovery plans for all banks;
- inspections of dominant high-risk business segments, inspections of the banks of systemic importance for the development of lending activities and sustainability of long-term funding of the banks with high concentrations of savings and other deposits, inspections of the banks' conduct in the segment of protection of users of financial services and guarantors, etc.;
- inspections of the implementation of the Decision on Credit Risk Management and Determination of Expected Credit Losses, including assessment of the internal models for assessing credit risk parameters;
- monitoring the implementation of the strategies for handling non-performing exposures and annual operational plans for the banks with the NPLs to total loans ratio exceeding 5%;
- monitoring interest rate changes and their impact on the banking sector and undertaking activities to mitigate the effects, where appropriate, and monitoring the implementation of the Decision on Temporary Measures to Mitigate the Risk of an Interest Rate Increase by the banks, through off-site and on-site supervision;

- carrying out stress tests of the banks in keeping with the defined two-year cycle, all with the aim of monitoring the operations of each bank, assessing risks and taking appropriate measures in a timely fashion;
- continuing the ongoing cooperation with relevant supervisory authorities for supervision of the banking groups from the EU and third countries whose members are headquartered in the FBiH to ensure more efficient supervision and improve supervisory practices, and cooperation and information sharing with the ECB and the EBA on the issues of supervision and banking regulation, as well as with international financial institutions;
- improving cooperation through signing new cooperation agreements with relevant institutions in BiH, which are involved in the institutional framework for carrying out supervision, crisis and systemic risk management, protection of users of financial services;
- activities related to ESG risks;
- further activities on convergence with CRR 2¹⁵ and CRD V¹⁶ and
- continuing cooperation with the BABiH with the aim of improving the banks' operations, compliance of their operations with regulations, international standards, professional rules, and market requirements,
- monitoring the banks' compliance with the FBA's document „2024 Supervisory Expectations on Banks' Practices“.

Based on its regulatory competences, the FBA will continue to take measures and activities with the aim of implementing the recommendations from the last FSAP mission - banking supervision strengthening projects under technical assistance provided by international financial institutions, the WB and IMF. Due to the specific role and responsibility of the banks in the financial and overall economic system, achieved level of the FBiH banking sector's development, fact that the deposits from citizens are a dominant source of the banks' funding, and in the light of the current macroeconomic disruptions, the banks are expected to focus their activities in the coming period on the following:

- prudent and responsible risk management, in keeping with applicable accounting and regulatory frameworks, and domestic and international sound practice standards;
- supporting the economy and stimulating credit growth through ongoing customer funding and sustainable lending arrangements;
- analysing, measuring, planning activities to mitigate interest rate-induced credit risk;

LINK 15



LINK 16



- further strengthening of the internal controls systems in all business areas in accordance with the [Decision on the Internal Governance Systems in Banks¹⁷](#);
- bringing the operations into compliance with new regulatory requirements on banking operations and supervision, including banking recovery and resolution planning requirements;
- updating recovery plans with specific attention to key segments: escalation process, recovery indicators and options;
- improving ICAAP and ILAAP in accordance with regulatory requirements;
- planing for the fulfilment of MREL requirements for the banks that have that obligation;
- consistent implementation of regulations on payments, AML/CFT, protection of users of financial services and guarantors, money security and protection in banks and transport;

- additional monitoring of enhanced risks related to cybersecurity and application of new technologies, particularly from the point of view of the business of customers;
- reasonable setting of banking services fees based on actual costs, while having regard for pronounced needs for financial inclusion and accommodating the needs of users of financial services, and development of products tailored to socially vulnerable categories of population;
- enhanced monitoring of the risks and effects transmitted from the markets outside of BiH, which may potentially enhance the impact of credit risk and other risks and
- assessing the effects of macroeconomic disruptions and other impacts which might have sudden shocks on operational capacity and liquidity.

It should be noted that the FBA disclosed the 2024 Supervisory Expectations on Banks' Practices in February 2024, identifying key risks, views and expectations from the banks which should be covered in the work and considerations of the banks' management bodies and functions, with the aim of steering the banks towards sustainable operations, as well as for the purpose of mitigating the risks and effects of external disruptions that may have an adverse impact on the economy and banking system.

LINK 17



4. NONDEPOSITORY FINANCIAL INSTITUTIONS SECTOR

4.1. MICROCREDIT SECTOR

4.1.1. FBiH MICROCREDIT SECTOR STRUCTURE

4.1.1.1. Status, Number and Business Network

As of 31.12.2023, 13 MCOs comprising the FBiH microcredit sector are licensed by the FBA in the FBiH, out of which nine are MCFs (non-profit organisations) and four are MCCs (profit-making organisations), which is the same number of the MCOs compared to 31.12.2022, since one MCF's operating license was revoked in the reporting year, while one company was granted an operating license.

As at the reporting date, the MCOs headquartered in the FBiH operate through 364 organisational units, while eight MCOs headquartered in the RS operate in the FBiH through 69 organisational units.

Annex 8 provides key data on the MCFs and MCCs licensed by the FBA to engage in microfinancing activities.

4.1.1.2. Ownership Structure

An MCO is a legal entity which, according to the regulations, may be established and operate as an MCF or an MCC. The MCFs in the FBiH were established by non-governmental organisations, mostly by humanitarian organisations, associations of citizens, and natural persons registered as the MCFs' founder, but without the ownership rights over the capital. Out of four MCCs, two are MCCs that are 100% owned by two MCFs, one MCC is 100% owned by a non-resident legal entity, while one MCC is 100% owned by a resident legal entity.

4.1.1.3. Staff Structure

As of 31.12.2023, the FBiH microcredit sector employs a total of 1,449 employees, which is 37 employees or 2.6% more compared to the balance as of the previous year's end (Table 43). Out of the total number of the FBiH microcredit sector's employees, the MCFs employ 1,177 employees or 81.2%, while the MCCs employ 272 employees or 18.8%.

Seq. no.	Qualification level	31.12.2022		31.12.2023		Index (5/3)
		Staffing level	% share	Staffing level	% share	
1	2	3	4	5	6	7
1.	University degree	718	50.8	738	50.9	103
2.	Two-year post-secondary school degree	118	8.4	130	9.0	110
3.	Secondary school degree	566	40.1	570	39.3	101
4.	Other	10	0.7	11	0.8	110
	Total	1,412	100	1,449	100	103

Based on the staff efficiency data at the FBiH microcredit sector's level, the assets per an employee in MCOs as at the reporting date are BAM 0.6 million, which is 10.6% higher compared to the previous year's end.

4.1.2. FINANCIAL PERFORMANCE INDICATORS

4.1.2.1. Balance Sheet

The FBiH microcredit sector's total assets as of 31.12.2023 are BAM 827.4 million and BAM 98.5 million or 13.5% higher compared to the balance as of the previous year's end. The MCFs' asset growth rate is 9%, while the MCCs' asset growth rate is 27.4%.

Annexes 9 and 10 show the MCFs and MCCs' aggregate balance sheets, while Annex 11 provides an overview of the MCOs' key financial indicators according to the reporting data as at 31.12.2023.

Table 44 shows the FBiH microcredit sector's aggregate balance sheet as of 31.12.2023, with comparative data as of 31.12.2022:

- BAM 000s -

Table 44: Microcredit sector's balance sheet

Seq. no.	Description	31.12.2022				31.12.2023				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	43,803	10,602	54,405	7.5	31,162	17,716	48,878	5.9	90
2.	Placements to banks	182	0	182	0.0	0	0	0	0.0	0
3.	Microloans, gross	440,182	165,440	605,622	83.1	474,936	204,121	679,057	82.0	112
4.	LLRs	2,954	4,213	7,167	1.0	3,012	3,034	6,046	0.7	84
5.	Net microloans	437,228	161,227	598,455	82.1	471,924	201,087	673,011	81.3	112
6.	Tangible and intangible asset, net	24,706	5,026	29,732	4.1	22,466	6,652	29,118	3.5	98
7.	Long-term investments	34,388	0	34,388	4.7	65,379	0	65,379	8.0	190
8.	Other assets	10,250	1,498	11,748	1.6	9,300	1,704	11,004	1.3	94
9.	Provisions for other assets items, except loans	0	0	0	0.0	0	1	1	0.0	-
	Total assets	550,557	178,353	728,910	100	600,231	227,158	827,389	100	114
LIABILITIES										
10.	Liabilities under loans taken	228,663	109,602	338,265	46.4	251,713	132,346	384,059	46.4	114
11.	Other liabilities	26,719	10,805	37,524	5.2	27,939	9,997	37,936	4.6	101
12.	Capital	295,175	57,946	353,121	48.4	320,579	84,815	405,394	49.0	115
	Total liabilities	550,557	178,353	728,910	100	600,231	227,158	827,389	100	114
13.	Off-balance sheet records	181,648	36,139	217,787		187,267	58,263	245,530		113

In the structure of the FBiH microcredit sector's assets and liabilities as of 31.12.2023, compared to the previous year's end, the on-balance sheet items that saw a growth are: gross microloans (12.1%), net microloans (12.4%), long-term investments (90.1%), liabilities under loans taken (13.5%), other liabilities (1.1%), and capital (14.8%). The on-balance sheet items that saw decreases are: cash (10.2%), LLRs (15.6%), tangible and intangible assets (2.1%), and other assets (6.3%). One MCF which made investments in an MCC in the current year saw a major growth in the long-term investments line item amounting to BAM 31.5 million.

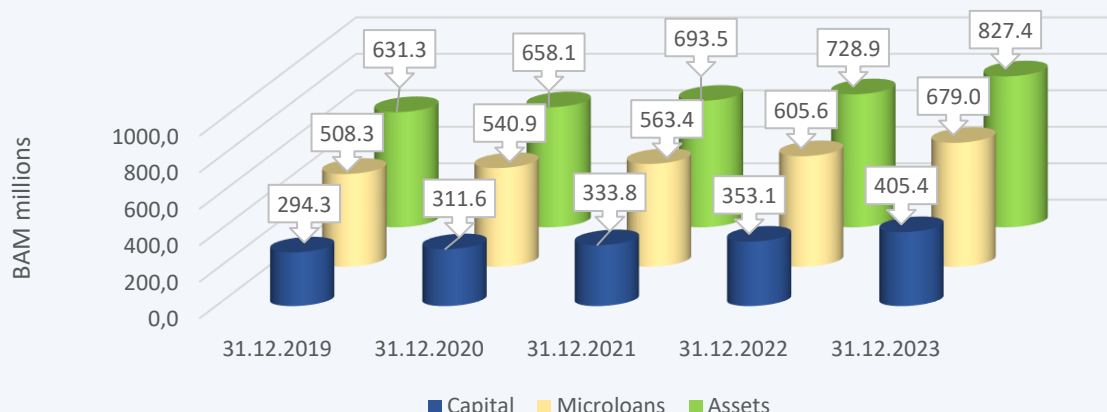
The fixed assets to total assets minus donated capital ratio at the FBiH microcredit sector's level is 3.74%, which is within the prescribed operating standard.

The net microloan portfolio, as the dominant asset item with the share of 81.3% in the microcredit sector's total assets, is BAM 673 million, recording a growth in the absolute amount of BAM 74.6 million or 12.4% compared to the previous year's end, with the MCFs' net microloans increasing by BAM 34.7 million or 7.9% and the MCCs' net loans increasing by BAM 39.9 million or 24.7%.

The total off-balance sheet records are BAM 245.5 million and BAM 27.7 million or 12.7% higher compared to the previous year's end, with the MCFs' off-balance sheet records increasing by BAM 5.6 million or 3.1% and the MCCs' off-balance sheet records increasing by BAM 22.1 million or 61.2%. The highest increase in the off-balance sheet records amounting to BAM 13.4 million (55.4%) was seen by one MCC with a 64.4% share in this item at the level of the MCCs, whose written-off loans, as the dominant item of the off-balance sheet records, increased by BAM 3.3 million or 37.6% compared to the previous year's end. Out of the total amount of the off-balance sheet records, the written-off loans (which include the principal and ordinary interest, and default interest and court costs) account for BAM 149.1 million or 60.7% of the off-balance sheet and are BAM 0.3 million or 0.2% higher compared to the end of 2022. The total number of the written-off microloan subaccounts is 36,484, which is a decrease by a total of 399 microloan subaccounts (1.1%) compared to the previous year's end, as the net effect of new write-offs, permanent write-offs and fully collected microloans.

Chart 14 shows the biggest on-balance sheet asset and liability items by year.

Chart 14: Assest, microloans, and capital by year



4.1.2.2. Capital and Liabilities

The FBiH microcredit sector's biggest liability items as of 31.12.2023 are: capital amounting to BAM 405.4 million and accounting for 49% of the total liabilities, and liabilities under loans taken amounting to BAM 384.1 million or 46.4% of the total liabilities. The remaining BAM 37.9 million or 4.6% of the total liabilities are other liabilities which increased by BAM 0.4 million or 1.1% compared to the previous year's end.

Compared to the previous year's end, the total increase in the capital at the microcredit sector's level, as at the reporting date, was BAM 52.3 million or 14.8%, out of which, in the period considered, the MCFs' capital increased by BAM 25.4 million or 8.6%, while the MCCs' capital increased by BAM 26.9 million or 46.4%, due to one newly established MCC which started operating in the reporting year.

Table 45 shows the FBiH microcredit sector's capital structure:

- BAM 000s -

Table 45: Microcredit sector's capital structure

Seq. no.	Description	31.12.2022				31.12.2023				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
1.	Donated capital	48,098	0	48,098	13.6	48,098	0	48,098	11.9	100
2.	Tier 1 capital	3,696	34,177	37,873	10.7	3,626	65,711	69,337	17.1	183
3.	Excess/shortfall of income over expenses	242,416	0	242,416	68.7	268,012	0	268,012	66.1	111
4.	Issue premiums	0	0	0	0.0	0	0	0	0.0	-
5.	Undistributed profits	0	10,191	10,191	2.9	0	10,713	10,713	2.6	105
6.	Regulatory reserves	0	5,569	5,569	1.6	0	6,586	6,586	1.6	118
7.	Other reserves	965	8,009	8,974	2.5	843	1,805	2,648	0.7	30
	Total capital	295,175	57,946	353,121	100	320,579	84,815	405,394	100	115

The MCFs' total capital is BAM 320.6 million or 79.1% of the microcredit sector's total capital, while the biggest items are the excess of income over expenses amounting to BAM 268 million and accounting for 83.6% of the MCFs' total capital, which is BAM 25.6 million or 10.6% higher, and donated capital amounting to BAM 48.1 million or 15%, which has not changed compared to the previous year's end. Out of the total amount of the donated capital, nine MCFs have reported donations for the loan fund, with three MCFs accounting for 64.5% and only one MCF accounting for 39.1% of the total amount of the donations for the loan fund. The top five individual donors in the FBiH MCFs account for 69.1% (BAM 33.2 million), with the top donor of only one MCF accounts for BAM 10.1 million or 21% of the total donated capital. The remaining MCFs' capital items are the MCFs' Tier 1 capital and other reserves totalling to BAM 4.5 million or 1.4%.

The MCCs' total capital is BAM 84.8 million, accounting for 20.9% of the microcredit sector's total capital, while the dominant item with the share of 77.5% in its structure is Tier 1 capital amounting to BAM 65.7 million. The undistributed profit is BAM 10.7 million or 12.6%, with this on-balance sheet position recording a BAM 0.5 million or 5.1% increase. The remaining BAM 8.4 million or 9.9% of the MCCs' capital are the legal and other reserves.

Looking at the capital minus donated capital to assets ratio amounting to 43.18% as at the reporting date at the microcredit sector's level, it can be noted that it is in compliance with the regulatory limit.

Table 46 shows the maturity structure of the liabilities under loans taken:

- BAM 000s -

Table 46: Maturity structure of loans taken

Seq. no.	Description	31.12.2022				31.12.2023				Index (9/5)
		MCFs	MCCs	Total	%	MCFs	MCCs	Total	%	
1	2	3	4	5=3+4	6	7	8	9=7+8	10	11
1.	Liabilities under short-term loans taken	12,292	7,856	20,148	5.9	16,046	6,380	22,426	5.8	111
2.	Liabilities under long-term loans taken	215,159	100,616	315,775	93.4	234,273	124,622	358,895	93.5	114
3.	Liabilities under interest due	1,212	1,130	2,342	0.7	1,394	1,344	2,738	0.7	117
	Total	228,663	109,602	338,265	100	251,713	132,346	384,059	100	114

The liabilities under loans taken increased by BAM 45.8 million or 13.5% compared to the previous year's end. The growth rate of the MCF's loan obligations is 10.1%, while the growth rate of the MCCs' loan obligations is 20.8%. In the structure of the total liabilities under loans taken, the MCFs' loan obligations account for 65.5%, while the MCCs' loan obligations account for 34.5%. With regard to the maturity structure of the liabilities under loans taken, compared to the previous year's end, the short-term liabilities increased by 11.3%, while the long-term liabilities increased by 13.7%. The due interest liabilities increased by 16.9%. The FBiH microcredit sector' top two creditors as at the reporting date account for 18.1% of the total liabilities under loans taken.

4.1.2.3. Assets and Asset Quality

The microloan portfolio reported in the gross amount in the FBiH microcredit sector's total balance sheet as of 31.12.2023 accounts for 82% of the microcredit sector's total assets and is BAM 679 million. Compared to the previous year's end, the gross microloan portfolio increased by BAM 73.4 million or 12.1%. If it is reduced by related LLRs totalling BAM six million, the net microloan portfolio is BAM 673 million and accounts for 81.3% of the FBiH microcredit sector's

total assets (Table 47). In the period considered, the LLRs on the total microloan portfolio are BAM 1.1 million or 15.6% lower. The MCFs' LLRs increased slightly by BAM 0.1 million or 2%, while the MCCs' LLRs decreased by BAM 1.2 million, with a 28% rate of decline.

In the structure of total net microloan portfolio, the MCFs' net microloans are BAM 471.9 million and account for 70.1% of the total net microloans at the sector's level, while the MCCs' net microloans account for BAM 201.1 million or 29.9% of the total net microloans at the sector's level.

- BAM 000s -

Table 47: Net microloans

Seq. no.	Description	31.12.2022			31.12.2023			Index (8/5)
		MCFs	MCCs	Total	MCFs	MCCs	Total	
1	2	3	4	5=3+4				
1.	Microloans (gross)	440,182	165,440	605,622	474,936	204,121	679,057	112
2.	LLRs	2,954	4,213	7,167	3,012	3,034	6,046	84
3.	Net microloans (1-2)	437,228	161,227	598,455	471,924	201,087	673,011	112

Table 48 shows the detailed data on the sectoral and maturity structures of the microloan portfolio (minus deferred fee income) as at 31.12.2023:

- BAM 000s -

Table 48: Sectoral and maturity structure of microloans

Seq. no.	Microloans	Short-term microloans	Long-term microloans	Receivables due	Total	%
1	2	3	4	5	6=3+4+5	7
1.	Corporate					
a)	Service activities	399	10,361	38	10,798	46.3
b)	Trade	205	3,325	12	3,542	15.2
c)	Agriculture	23	1,483	1	1,507	6.5
d)	Manufacture	187	3,146	6	3,339	14.3
e)	Other	70	4,038	21	4,129	17.7
	Total 1	884	22,353	78	23,315	100
2.	Retail					
a)	Service activities	377	20,582	104	21,063	3.2
b)	Trade	163	4,595	15	4,773	0.7
c)	Agriculture	5,497	180,262	291	186,050	28.5
d)	Manufacture	74	2,615	10	2,699	0.4
e)	Housing needs	3,749	222,765	326	226,840	34.8
f)	Other	15,036	195,395	648	211,079	32.4
	Total 2	24,896	626,214	1,394	652,504	100
	Total (1+2)	25,780	648,567	1,472	675,819	

In the maturity structure of the microloan portfolio, the long-term microloans have the highest share of 96%, the short-term microloans account for 3.8%, and the past due receivables under microloans account for 0.2%.

Looking at the sectoral structure, the retail microloans have the dominant share of 96.6%, while the corporate microloans account for the remaining 3.4%. Within the retail microloan portfolio, the housing microloans have the highest share of 34.8%, followed by other sectors with the share of 32.4%. According to the share levels, the microloans granted for agriculture with a 28.5% share and the microloans granted for service activities with a 3.2% share follow. The share of the microloans for trade is 0.7%, while the share of the microloans for manufacturing is 0.4%. In the structure of the corporate microloans, the share of the microloans for service activities with a 46.3% share is dominant.

Chart 15 shows the sectoral structure of the microloans, with a comparative overview compared to the previous year's end.

Chart 15: Sectoral structure of microloans (comparative overview)

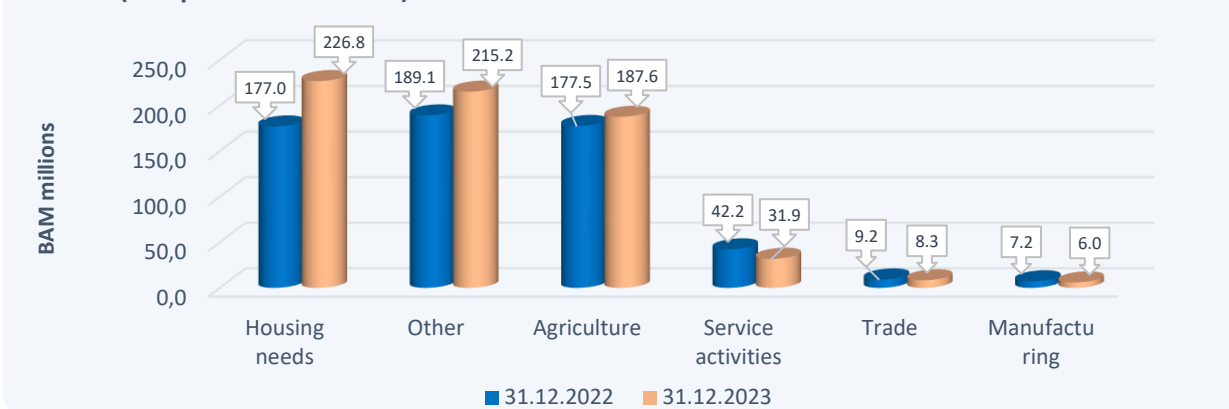


Table 49 provides an overview of the receivables with related provisions by group according to the number of days past due, as well as the data on outstanding receivables overdue for more than 180 days, which have been derecognised from the balance sheet, as at 31.12.2023:

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Table 49: LLRs

Seq. no.	Days past due	Provision rates	Amount of loans	Share (%)	Interest due		Amount of other assets items	Provisions			Excess allocated reserves	Total provisions
					Provision rate	Amount of interest		By microloan	By past due interest	By other assets item		
1	2	3	4	5	6	7	8	9=4x3	10=7x6	11=8x3	12	13=9+10+11+12
1.	0	0%	663,178	98.1	0%	76	450	0	0	0	156	156
2.	1–15	2%	3,312	0.5	2%	62	0	67	1	0	23	91
3.	16–30	15%	3,283	0.5	100%	52	0	492	52	0	48	592
4.	31–60	50%	1,841	0.3	100%	59	0	921	59	0	31	1,011
5.	61–90	80%	1,229	0.2	100%	53	0	983	53	0	11	1,047
6.	91–180	100%	2,976	0.4	100%	173	0	2,976	173	0	0	3,149
	Total		675,819	100		475	450	5,439	338	0	269	6,046
7.	over 180	Write off	1,777	-		145						

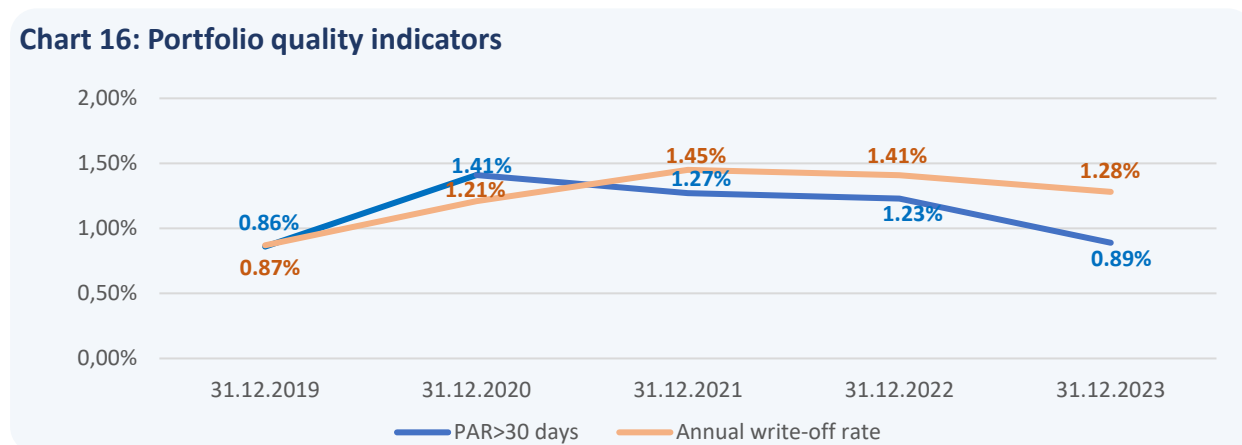
In the microloan portfolio at the sector's level, 98.1% are the microloans with no arrears in their repayment, while the remaining 1.9% are the microloans in arrears, out of which 1% of the microloans are with arrears in the repayment of up to 30 days, while 0.9% of the microloans are with arrears in the repayment of 31 to 180 days. Out of the total amount of the due interest (BAM 0.5 million), arrears in the payment of up to 30 days account for 24%, while arrears in the payment of 31 to 180 days account for 60%. The total amount of the provisions under microloans, interest and other asset items is BAM six million, with the provisions made under the microloans in arrears of 91 to 180 days, amounting to BAM 3.1 million and accounting for more than one half of the total amount of the provisions (52.1%), as the biggest item. The LLR ratio is 0.80%, which is a 0.25 percentage points decrease compared to the same ratio as at 31.12.2022, when it was 1.05%,.

Key Microloan Portfolio Quality Indicators

The portfolio at risk for over 30 days in arrears ratio (PAR>30 days) as of 31.12.2023 at the microcredit sector's level is 0.89% and has decreased by 0.34 percentage points compared to 31.12.2022. This risk indicator of the microloan portfolio at the sector's level is within the prescribed standard.

At the microcredit sector's level, the annual microloan write-off rate is 1.28%, which is within the prescribed standard, and it has decreased by 0.13 percentage points compared to the previous year's end.

Chart 16 shows the portfolio quality indicators with a comparative overview by year.



Weighted NIR and EIR on Microloans

In the 01.01. to 31.12.2023 period, the MCO headquartered in the FBiH concluded a total of 143,458 contracts and disbursed BAM 621.5 million of the microloans, which is 4,232 contracts or 2.9% fewer compared to the same period of the previous year, i.e., BAM 68.6 million or 12.4% higher in terms of the value of the disbursements compared to the same period of the previous year. In the MCOs headquartered in the FBiH, the average weighted NIR on the total microloans was 19.09%, while the average weighted EIR was 22.76%, with the average weighted NIR on the short-term microloans amounting to 20.85% and on the long-term microloans amounting to 18.91%, and the average weighted EIR on the short-term microloans amounting to 28.10% and on the long-term microloans amounting to 22.23%. The average weighted EIR on the total microloans disbursed by the MCOs headquartered in the FBiH in the reporting period saw a 0.54 percentage points decrease compared to the same period of 2022, with the average weighted EIR on the short-term microloans seeing a 0.80 percentage points decrease and on the long-term microloans seeing a 0.42 percentage points decrease.

Annex 12 provides an overview of the average weighted NIR and EIR, by maturity and purpose, for the microloans disbursed by the MCOs headquartered in the FBiH in the 01.01.-31.12.2023 period.

Annex 12a provides a comparative overview of the average weighted NIR and EIR on the disbursed microloans (short-term, long-term and total) in the 2019-2023 period.

4.1.2.4. FBiH Microcredit Sector's Financial Performance

At the FBiH microcredit sector's level, the profit amounting to BAM 29.6 million was reported for the 01.01.-31.12.2023 period (Table 50), which is BAM 16.3 million higher compared to the same period of 2022. As at the reporting date, the MCOs reported a total of BAM 31.8 million of the excess income over expenses, i.e., profit, and BAM 2.2 million of the shortfall of income over expenses, i.e., loss.

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Table 50: Actual financial performance of MCOs

Seq. no.	Description	01.01. - 31.12.2022						01.01. - 31.12.2023					
		Amount			Number of MCOs			Amount			Number of MCOs		
1	2	MCFs	MCCs	Total	MCFs	MCCs	Total	MCFs	MCCs	Total	MCFs	MCCs	Total
1.	Excess income over expenses/ Profit	13,821	5,353	19,174	8	2	10	25,399	6,350	31,749	8	2	10
2.	Shortfall of income over expenses/ Loss	396	5,510	5,906	2	1	3	66	2,116	2,182	1	2	3
	Total	13,425	-157	13,268	10	3	13	25,333	4,234	29,567	9	4	13

The MCFs' excess income over expenses is BAM 11.9 million higher compared to the same period of the previous year, while the MCCs' net profit is BAM 4.4 million higher. The MCFs' reported total excess income over expenses was BAM 25.4 million (8 MCFs), while one MCF reported the shortfall income over expenses amounting to BAM 0.1 million. Two MCCs reported the profit amounting to BAM 6.4 million, while two MCCs reported the loss amounting to BAM 2.1 million. Annexes 13 and 14 provide the aggregate income statements for the MCFs and MCCs respectively.

FBiH Microcredit Sector's Total Income

According to the MCOs' reporting data, the FBiH microcredit sector's total income realised in the 01.01.-31.12.2023 period is BAM 146.2 million and BAM 20.2 million or 16% higher compared to the same period of the previous year (Table 51).

- BAM 000s -

Table 51: MCOs' total income structure

Seq. no.	Total income structure	01.01. - 31.12.2022				01.01. - 31.12.2023				Index (9/5)
		MCFs	MCCs	Total	% share	MCFs	MCCs	Total	% share	
1	2	3	4	5=3+4	6	7	8	9=7+8	10	11
1.	Interest and similar income									
1.1.	Interest on interest-bearing deposit accounts with depository institutions	3	2	5	0.0	0	3	3	0.0	60
1.2.	Interest on placements to banks	14	0	14	0.0	0	0	0	0.0	0
1.3.	Interest on loans	77,477	29,832	107,309	85.2	84,641	31,225	115,866	79.3	108
1.4.	Loan processing fees	5,059	1,460	6,519	5.2	6,015	1,394	7,409	5.1	114
1.5.	Prepayment fees	597	266	863	0.7	709	263	972	0.6	113
1.6.	Other interest and similar income	1,095	332	1,427	1.1	1,054	104	1,158	0.8	81
	Total	84,245	31,892	116,137	92.2	92,419	32,989	125,408	85.8	108
2.	Operating income									
2.1.	Service fees	236	0	236	0.2	251	0	251	0.2	106
2.2.	Income from collected written-off receivables	6,896	979	7,875	6.2	6,597	1,075	7,672	5.2	97
2.3.	Other operating income	9	16	25	0.0	10	5	15	0.0	60
	Total	7,141	995	8,136	6.4	6,858	1,080	7,938	5.4	98
3.	Other operating income									
	Total income (1+2+3)	1,472	257	1,729	1.4	11,984	825	12,809	8.8	741
	Total income (1+2+3)	92,858	33,144	126,002	100	111,261	34,894	146,155	100	116

In the MCOs' total income structure, the interest and similar income accounts for 85.8%, operating income accounts for 5.4%, and other operating income accounts for 8.8%. Compared to the same period of the previous year, the interest and similar income recorded a BAM 9.3 million or 8% increase. The loan interest income, as the most significant item of the interest and similar income, increased by BAM 8.6 million or 8%.

The MCOs' operating income in the period considered saw a BAM 0.2 million or 2.4% decrease, with the income from collected written-off receivables, as the dominant item, decreasing by BAM 0.2 million or 2.6%. The other operating income saw a significant increase amounting to

BAM 11.1 million, since one MCF reported the value amounting to BAM ten million in the income from dividends and participation (investments) line item in the reporting period, accounting for 78.1% of the MCOs' operating income.

FBiH Microcredit Sector's Total Expenses

According to the MCOs' reporting data, the FBiH microcredit sector's total expenses for the 01.01.-31.12.2023 period are BAM 116.6 million and BAM 3.9 million or 3.4% higher compared to the same period of the previous year (Table 52).

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Table 52: MCOs' total expenses structure

Seq. no.	Total expenses structure	01.01. - 31.12.2022				01.01. - 31.12.2023				Index (9/5)
		MCFs	MCCs	Total	% share	MCFs	MCCs	Total	% share	
1	2	3	4	5=3+4	6	7	8	9=7+8	10	11
1.	Interest and similar expenses									
1.1.	Interest on borrowed funds	6,617	4,613	11,230	10.0	8,272	4,874	13,146	11.3	117
1.2.	Fees for received loans	696	546	1,242	1.1	661	479	1,140	1.0	92
1.3.	Loan prepayment fees	0	0	0	0.0	20	0	20	0.0	-
1.4.	Other interest and similar expenses	429	1,848	2,277	2.0	410	219	629	0.5	28
	Total	7,742	7,007	14,749	13.1	9,363	5,572	14,935	12.8	101
2.	Operating expenses									
2.1.	Salary and contribution costs	41,117	10,304	51,421	45.6	44,977	11,333	56,310	48.3	110
2.2.	Depreciation costs	4,630	1,454	6,084	5.4	4,702	1,461	6,163	5.3	101
2.3.	Tangible costs	2,418	710	3,128	2.8	2,265	524	2,789	2.4	89
2.4.	Service costs	15,062	6,329	21,391	18.9	15,720	5,342	21,062	18.1	98
2.5.	Other operating costs	2,641	836	3,477	3.1	2,791	1,258	4,049	3.4	116
	Total	65,868	19,633	85,501	75.8	70,455	19,918	90,373	77.5	106
3.	Other operating expenses	733	243	976	0.9	802	659	1,461	1.2	150
4.	Costs of provisions for credit and other losses	3,844	5,824	9,668	8.6	3,963	3,806	7,769	6.7	80
5.	Tax on excess income over expenses/corporate income tax	1,246	594	1,840	1.6	1,345	705	2,050	1.8	111
	Total expenses (1+2+3+4+5)	79,433	33,301	112,734	100	85,928	30,660	116,588	100	103

In the MCOs' total expenses structure, the operating expenses with a 77.5% share dominate, with the interest and similar expenses accounting for 12.8% and costs of provisions for credit and other losses accounting for 6.7%. The other operating expenses and tax on excess income over expenses and/or corporate income tax account for 3% of the MCOs' total expenses.

The interest and similar expenses are BAM 0.2 million or 1.3% higher compared to the same period of the previous year, with the interest on borrowed funds increasing by 17.1%. The fees for received loans decreased by 8.2% and other interest and similar expenses decreased by 72.4%, due to a significant decrease of this line item in one MCC (97.2% decrease).

The MCFs' operating expenses, as the dominant item of the total expenses, increased by BAM 4.9 million or 5.7%, with the salary and contribution costs, as the most significant item, increasing by BAM 4.9 million or 9.5%. The service costs slightly decreased by BAM 0.3 million or 1.5%, while the tangible costs decreased by BAM 0.3 million or 10.8%. The other operating costs increased by BAM 0.6 million or 16.4%, while the depreciation costs increased by BAM 0.1 million or 1.3%.

The other operating expenses increased by BAM 0.5 million or 49.7%, while the costs of provisions for credit and other losses decreased by BAM 1.9 million or 19.6%. The costs of tax on excess income over expenses and/or corporate income tax are BAM 0.2 million or 11.4% higher.

FBiH Microcredit Sector's Efficiency and Sustainability Ratios

The FBiH microcredit sector's operating efficiency as of 31.12.2023 is 17.80%, which is within the regulatory ratio.

At the FBiH microcredit sector's level, the return on assets adjusted for inflation, market price of capital and donations (AROA) is negative and amounts to -3.32%, due to the increase in the inflation rate used to adjust the costs when calculating this ratio. The aforementioned ratio is not within the prescribed standard. The FBiH microcredit sector's operating sustainability ratio, which is used as the customary standard and expressed as the total income (minus the collection of written-off receivables and other operating income) to total expenses, is 127.60%.

4.1.3. RECOMMENDATIONS FOR THE MICROCREDIT SECTOR

The FBA will, within its regulatory competences to supervise the FBiH microcredit sector, continue with its planned supervisory activities, which will focus on:

- monitoring compliance of the MCOs' operations with the regulatory framework, with regard to the achievement of microfinancing objectives in terms of improving the microloan beneficiaries' material situation, contributing to increasing employment and supporting the development of entrepreneurship, increasing operational transparency and protecting the rights of users of financial services;
- undertaking activities in the MCOs in a timely and adequate manner in keeping with the imposed corrective measures to remedy the identified irregularities and weaknesses in the operations;
- monitoring the macroeconomic conditions and their impact on the MCOs' sector, as well as monitoring the activities of the MCOs' management functions on bringing the operations into compliance with the regulatory parameters, primarily in the context of managing and optimising the operating costs and mitigating the adverse effects on the final loan beneficiaries.

The MCOs' relevant management bodies need to ensure compliance of the operations with the regulatory framework and prescribed standards, with a focus on:

- engaging in microfinancing activities in order to improve the beneficiaries' material situation, increase employment and support the development of entrepreneurship, based on the statutory objectives of microfinancing and with consistent implementation of [the Law on Protection of Users of Financial Services](#)¹⁸, including alignment of the microloan interest rate policies with the regulatory objectives of microfinancing, thus contributing to the FBiH microcredit sector's stability and sustainability;
- maintaining and improving sound practices of managing risks to which the MCOs are or might be exposed and the efficiency of the internal controls systems and independent internal audit functions;
- consistent implementation of the bylaws, especially in the segments of documenting and calculating the loan beneficiaries' creditworthiness;

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- ensuring the reliability and integrity of data and information reported to the FBA, CBBiH and other supervisory institutions and authorities, ensuring the accuracy, validity and comprehensiveness of the accounting and other records, as well as compliance with the business policies, work plans and programs, legal and other regulations and acts;
- optimising the resources and applying the principles of responsible microfinancing;
- compliance with and/or improvement of the operating efficiency and operating sustainability ratios;
- continuing and improving the cooperation with the AMFI, in terms of providing expert assistance in the implementation of laws and regulations for MCOs and
- improving operational transparency.

4.2. LEASING SECTOR

4.2.1. FBiH LEASING SECTOR'S STRUCTURE

4.2.1.1. Number of Leasing Companies and Branches

As at 31.12.2023, four leasing companies are licensed by the FBA to engage in leasing operations in the FBiH, with the number of leasing companies remaining the same compared to the previous year's end. The four leasing companies have each established one branch in the RS.

Annex 15 provides key data on the leasing companies comprising the FBiH leasing sector.

4.2.1.2. Ownership Structure

The ownership structure of the FBiH leasing companies, according to the data for the reporting date is the following: two leasing companies are 100% owned by non-resident legal entities, one leasing company is majority owned by a non-resident legal entity, while one leasing company is 100% owned by a resident legal entity.

4.2.1.3. Staff Structure

As at the reporting date, the FBiH leasing sector employs 114 employees, which is 14 employees or 14% more compared to the previous year's end (Table 53).

Seq. no.	Qualification level	31.12.2022		31.12.2023		Index (5/3)
		Staffing level	% share	Staffing level	% share	
1	2	3	4	5	6	7
1.	University degree	77	77.0	81	71.1	105
2.	Two-year post-secondary school degree	2	2.0	2	1.8	100
3.	Secondary school degree	16	16.0	24	21.0	150
4.	Other	5	5.0	7	6.1	140
	Total	100	100	114	100	114

When assessing a leasing company's performance, the staff efficiency is based on the assets to staffing level ratio. According to the ratios as at 31.12.2023 at the FBiH leasing sector's level, assets per employee amounted to BAM 4.6 million, which is BAM 0.2 million or 5.4% higher compared to the previous year's end.

4.2.2. FINANCIAL PERFORMANCE INDICATORS

4.2.2.1. Balance Sheet

A at the reporting date, the FBiH leasing sector's total assets are BAM 525.3 million and BAM 88.3 million or 20.2% higher compared to the previous year's end. Looking at the size of the assets, two leasing companies account for 65.5% of the FBiH leasing sector's total assets.

Annex 16 provides the FBiH Leasing Companies' Aggregate Balance Sheet, while Annex 17 provides an overview of the FBiH leasing companies' key indicators, according to the reporting data with the balance as at 31.12.2023. Table 54 provides the leasing sector's summary balance sheet.

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Table 54: Leasing sector's balance sheet

Seq. no.	Description	31.12.2022	% share	31.12.2023	% share	Index (5/3)
1	2	3	4	5	6	7
ASSETS						
1.	Cash and cash equivalents	4,384	1.0	6,316	1.2	144
2.	Placements to banks	6,167	1.4	4,805	0.9	78
3.	Receivables from financial leasing, net	342,550	78.4	411,385	78.3	120
3a)	Receivables from financial leasing, gross	383,834	87.8	471,735	89.8	123
3b)	Loss reserves	4,837	1.1	5,400	1.0	112
3c)	Deferred interest income	36,075	8.2	54,513	10.4	151
3d)	Deferred fee income	372	0.1	437	0.1	117
4.	Receivables from subsidiary entities	0	0.0	0	0.0	-
5.	Tangible and intangible assets, net	76,012	17.4	87,080	16.6	115
5a)	Tangible and intangible assets - own resources, net	1,222	0.3	1,278	0.3	105
5b)	Tangible and intangible assets - operational leasing, net	74,790	17.1	85,802	16.3	115
6.	Long-term investments	408	0.1	466	0.1	114
7.	Other assets	7,519	1.7	15,262	2.9	203
Total assets		437,040	100	525,314	100	120
LIABILITIES						
8.	Liabilities under loans taken	390,310	89.3	462,941	88.1	119
9.	Other liabilities	10,158	2.3	18,430	3.5	181
10.	Capital	36,572	8.4	43,943	8.4	120
Total liabilities		437,040	100	525,314	100	120
11.	Off-balance sheet records	60,984		133,645		219

In the structure of the FBiH leasing sector's total assets, the net financial leasing receivables amounting to BAM 411.4 million or 78.3% of the total assets have the most significant share. Compared to the previous year's end, the net financial leasing receivables are BAM 68.8 million or 20.1% higher, while the gross financial leasing receivables are BAM 87.9 million or 22.9% higher. One bank that engages in financial leasing operations has reported the net financial leasing receivables contracts totalling to BAM 32.6 million, which indicates that the net receivables at the leasing system's level are BAM 444 million and BAM 65.3 million or 17.3% higher compared to the previous year's end.

The cash and cash equivalents on-balance sheet position is BAM 6.3 million, accounting for 1.2% of the total assets, and it is BAM 1.9 million or 44.1% higher compared to the previous year's end. The placements to banks, which have been reported by one leasing company, are BAM 4.8 million, accounting for 0.9% of the FBiH leasing sector's total assets, which is BAM 1.4 million or 22.1% lower compared to the previous year's end. The net value of the fixed assets financed through operational leasing is BAM 85.8 million and has increased by BAM 11 million or 14.7% compared to the previous year's end.

In the structure of the financial leasing receivables at the FBiH leasing sector's level, looking according to the leased asset, the passenger and utility vehicles financing contracts account for 88.6%, machinery and equipment financing contracts account for 11.3%, while real estate financing contracts account for 0.1%. According to the lessee, the contracts concluded with legal entities account for the highest share (91.3%), followed by contracts concluded with natural persons (4.9%).

Table 55 shows the structure of the financial leasing receivables at the FBiH leasing sector's level (gross receivables minus deferred interest and fee income) as at 31.12.2023.

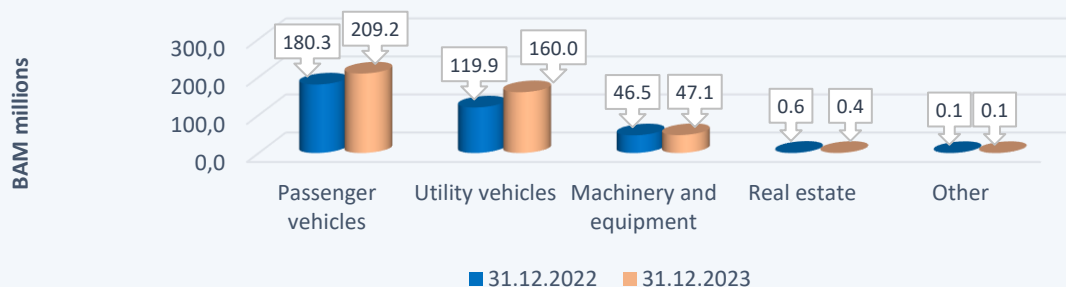
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Table 55: Structure of financial leasing receivables

Seq. no.	Description	Short-term receivables	Long-term receivables	Receivables due	Total receivables	% share
1	2	3	4	5	6	7
1.	By leased asset					
1.1.	Passenger vehicles	65,356	142,158	1,709	209,223	50.2
1.2.	Utility vehicles (off-road and passenger)	51,114	107,826	1,064	160,004	38.4
1.3.	Machinery and equipment	17,352	28,953	757	47,062	11.3
1.4.	Real estate	75	299	3	377	0.1
1.5.	Other	39	80	0	119	0.0
	Total	133,936	279,316	3,533	416,785	100
2.	By lessee					
2.1.	Corporate	122,292	255,086	3,343	380,721	91.3
2.2.	Entrepreneurs	4,676	8,867	76	13,619	3.3
2.3.	Retail	6,177	14,204	109	20,490	4.9
2.4.	Other	791	1,159	5	1,955	0.5
	Total	133,936	279,316	3,533	416,785	100

Chart 17 shows the structure of the financial leasing receivables, with comparative data as at the previous year's end.

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



4.2.2.2. Capital and Liabilities

The leasing companies' total capital as at 31.12.2023 is BAM 43.9 million, accounting for 8.4% of the FBiH leasing sector's total liabilities, with this line item increasing by BAM 7.4 million or 20.2% compared to the previous year's end.

The leasing sector's total liabilities are BAM 481.4 million, constituting the dominant source in the structure of the FBiH leasing sector's total liabilities with a 91.6% share. Compared to the previous year's end, the total liabilities at the sector's level increased by BAM 80.9 million or 20.2%.

The FBiH leasing companies' liabilities under loans taken are BAM 462.9 million, accounting for 88.1% of the total liabilities, with this line item increasing by BAM 72.6 million or 18.6% compared to the previous year's end. In terms of the contractual maturity, the share of the long-term loans in the liabilities under loans taken is dominant (93.9%).

4.2.2.3. Assets and Asset Quality

According to the reporting data at the FBiH leasing sector's level, the reserves for financial leasing losses as at 31.12.2023 (Table 56) have been reported in the amount of BAM 5.4 million and are BAM 0.6 million or 11.6% higher compared to the previous year's end.

In the structure of the financial leasing receivables, a total of BAM 3.5 million of overdue outstanding receivables has been reported and they are BAM 0.3 million or 9% higher compared to the previous year's end.

- BAM 000s -

Table 56: Overview of financial leasing reserves

Seq. no.	Days past due	Financial leasing provision rate (movables)	Financial leasing provision rate (immovables)	Amount of receivables for movables	Amount of receivables for immovables	Base amount for movables	Base amount for immovables	For movables	For immovables	Reserves Excess calculated and allocated reserves	Total reserves
1	2	3	4	5	6	7	8	9=7x3	10=8x4	11	12=9+10+11
1.	0-60	0.5%	0.5%	412,977	438	65,568	192	328	1	3,799	4,128
2.	60-90	10%	10%	1,785	0	299	0	30	0	131	161
3.	90-180	50%	50%	685	0	420	0	210	0	1	211
4.	over 180	100%	75%	900	0	900	0	900	0	0	900
5.	over 360	100%	100%	0	0	0	0	0	0	0	0
Total				416,347	438	67,187	192	1,468	1	3,931	5,400

The total amount of written-off receivables as at the reporting date is BAM 2.9 million, which is a BAM 1.2 million or 29% decrease compared to the previous year's end that has largely resulted from an 86.8% increase in the permanent write-offs.

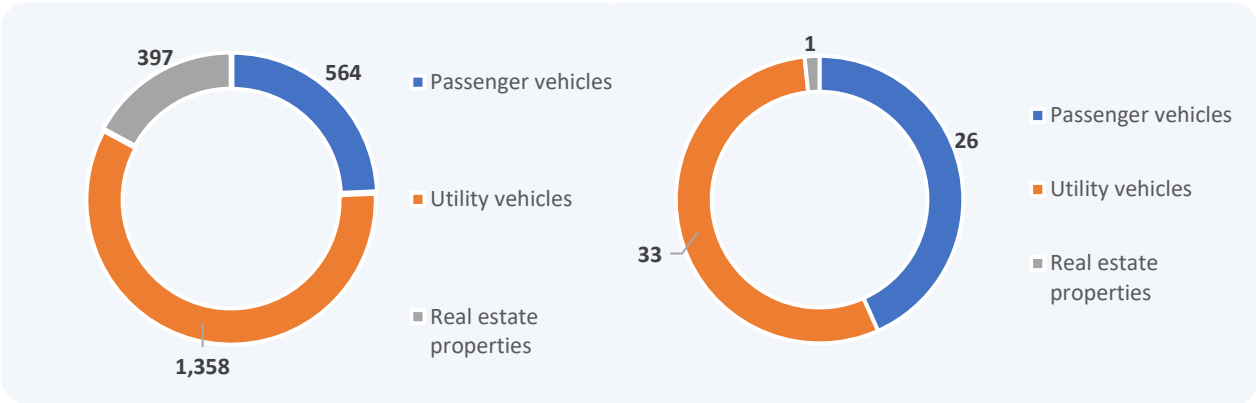
As at 31.12.2023, the appraised market value of the foreclosed leased assets due to the termination of leasing contracts with the lessees at the FBiH leasing sector's level is BAM 2.3 million and has increased by BAM 0.7 million or 47.4% compared to the previous year's end, due to the reporting of the appraised market value of the foreclosed utility vehicles in one leasing company with the share of 39%, which had not reported the value in this line item as of the previous year's end. A total of 60 leased assets was foreclosed, which is 5 leased assets fewer compared to the previous year's end (Chart 18).

The appraised market value of the foreclosed leased assets at the leasing system's level is almost identical to the value of the foreclosed leased assets at the leasing sector's level, since one bank that engages in leasing operations has reported the amount of BAM two thousand in this line item, accounting for 0.1% of the total market value of the foreclosed leased assets reported at the leasing system's level.

Out of the total reported amount of the appraised market value of the FBiH leasing sector’s foreclosed leased assets, the passenger vehicles account for 24.3%, while utility vehicles account for 58.6%.

One leasing company accounts for two thirds of the appraised market value of the foreclosed utility vehicles. The foreclosed real estate properties (commercial properties) account for 17.1% of the total reported amount of the appraised value of the foreclosed leased assets, with one leasing company accounting for the entire amount of this line item.

Chart 18: Structure of the appraised market value of foreclosed leased assets (in BAM 000s) and number of foreclosed leased assets



4.2.2.4. Profitability

According to the reporting data from four leasing companies, the profit amounting to BAM 6.5 million has been reported in the 01.01. to 31.12.2023 period at the FBiH leasing sector’s level, which is a BAM 2.3 million decrease compared to the same period of the previous year (Table 57). The reported total net profit was BAM 7.5 million (three leasing companies), while one leasing company reported the loss amounting to BAM one million.

- BAM 000s -

Table 57: Actual financial performance of leasing companies

Seq. no.	Description	01.01. - 31.12.2022		01.01. - 31.12.2023	
		Amount	Number of leasing companies	Amount	Number of leasing companies
1	2	3	4	5	6
1.	Profit	9,341	3	7,537	3
2.	Loss	461	1	995	1
	Total	8,880	4	6,542	4

Annex 18 provides the FBiH leasing companies' aggregate income statement for the 01.01.-31.12.2023 period.

FBiH Leasing Sector’s Total Income

The FBiH leasing sector's total income realised in the 01.01.-31.12.2023 period is BAM 62 million and BAM 16 million higher compared to the same period of the previous year (Table 58).

Table 58: Leasing companies' total income structure

Seq. no.	Total income structure	01.01. - 31.12.2022		01.01. - 31.12.2023		Index (5/3)
		Amount	% share	Amount	% share	
1	2	3	4	5	6	7
1.	Interest and similar income					
1.1.	Interest on placements to banks	136	0.3	87	0.1	64
1.2.	Financial leasing interest	13,631	29.6	25,055	40.4	184
1.3.	Other interest income	2,300	5.0	3,313	5.4	144
	Total 1	16,067	34.9	28,455	45.9	177
2.	Operating income					
2.1.	Operational leasing fees	23,149	50.2	25,875	41.7	112
2.2.	Service fees	1	0.0	1	0.0	100
2.3.	Other operating income	6,486	14.1	7,720	12.4	119
	Total 2	29,636	64.3	33,596	54.1	113
3.	Income from release of loss provisions	362	0.8	0	0.0	0
	Total income (1+2+3)	46,065	100	62,051	100	135

The FBiH leasing sector's interest and similar income is BAM 28.4 million, accounting for 45.9% of the leasing sector's total income, and it is BAM 12.4 million higher compared to the same period of the previous year. The most significant interest income line item is the financial leasing interest income totalling to BAM 25.1 million, which is BAM 11.4 million higher compared to the same period of the previous year.

The operating income is BAM 33.6 million, accounting for 54.1% of the leasing sector's total income, increasing by BAM four million or 13.4% compared to the same period of the previous year. The operational leasing fees, as the dominant item of the operating income, increased by BAM 2.7 million or 11.8%, while other operating income increased by BAM 1.2 million or 19%.

Compared to the same period of the previous year, an increase in the share of the interest and similar income line item in the leasing sector's total income was recorded, along with a simultaneous decrease in the share of the operating income in the leasing sector's total income. Due to the growth in 6M and 3M EURIBOR resulting from a change in the monetary policy at the level EU and application of the safeguards to stabilise the inflation growth, the leasing companies' sources of funding, i.e., their price grew in line with the EURIBOR rate's growth trend. The increase in the income in the 2023 twelve-month reporting period compared to the same period of the previous year is therefore largely the result of interest rate adjustments to the 6M and 3M EURIBOR, considering that the majority of the leasing companies' portfolio consists of the contracts that are linked to these rates.

FBiH Leasing Sector's Total Expenses

The total expenses for the 01.01.-31.12.2023 period are BAM 55.5 million and BAM 18.3 million higher compared to the same period of the previous year (Table 59).

Table 59: Leasing companies' total expenses structure

Seq. no.	Total expenses structure	01.01. - 31.12.2022		01.01. - 31.12.2023		Index (5/3)
		Amount	% share	Amount	% share	
1	2	3	4	5	6	7
1.	Interest and similar expenses					
1.1.	Interest on borrowed funds	6,331	17.0	19,599	35.3	310

1.2.	Loan processing fees	128	0.4	188	0.3	147
1.3.	Other interest expenses	4	0.0	5	0.0	125
	Total 1	6,463	17.4	19,792	35.6	306
2.	Operating expenses					
2.1.	Salary and contribution costs	4,978	13.4	5,778	10.4	116
2.2.	Business premises costs	14,826	39.9	16,485	29.7	111
2.3.	Other costs	10,199	27.4	12,202	22.0	120
	Total 2	30,003	80.7	34,465	62.1	115
3.	Reserve costs	0	0.0	643	1.2	-
4.	Corporate income tax	719	1.9	609	1.1	85
	Total expenses (1+2+3+4)	37,185	100	55,509	100	149

The leasing sector's interest and similar expenses are BAM 19.8 million, accounting for 35.6% of the total expenses, and they are BAM 13.3 million higher compared to the same period of the previous year, which is largely the result of a 190.5% increase in this item in one leasing company that has a 44.5% share in this on-balance sheet position, and the fact is that other companies have also reported a significant increase in this item. The interest expenses under loans taken, as the dominant item of the interest expenses, saw a BAM 13.3 million growth.

In the period considered, the leasing sector's total operating expenses are BAM 34.5 million, accounting for 62.1% of the leasing sector's total expenses, and they are BAM 4.5 million or 14.9% higher compared to the same period of the previous year, with the salary and contribution costs increasing by 16.1%, business premises costs increasing by 11.2%, and other costs increasing by 19.6% in their structure.

The loss reserve costs are BAM 0.6 million or 1.2% of the total expenses, while the corporate income tax costs are BAM 0.6 million with a 1.1% share.

Compared to the same period of the previous year, an increase in the share of the interest and similar expenses line item in the leasing sector's total expenses was recorded, along with a simultaneous decrease in the share of the operating expenses in the leasing sector's total expenses due to the fact that the leasing companies' borrowings were largely contractually linked to the 6M and 3M EURIBOR (80%-95% of the sources of funding), resulting in a significant increase in the expenses under the loans used. In addition to this, one leasing company refinanced the significant amount of variable interest rate loans to fixed interest rate loans, which also had an impact on the structure of the expenses in the reporting period considered.

4.2.2.5. Structure of Placements by Leased Asset and Leasing Type

The value of newly concluded financial and operational leasing contracts realised at the leasing system's level in the 01.01. to 31.12.2023 period is BAM 340 million and BAM 75.3 million or 28.4% higher compared to the same period of the previous year, out of which the leasing sector consisting of four leasing companies accounts for BAM 322.6 million or 94.9% of the total value of newly concluded contracts at the leasing system's level.

The number of newly concluded contracts at the leasing system's level is 5,305, which is 557 contracts or 11.7% more compared to the same period of the previous year. Out of these, the leasing sector accounts for 5,102 contracts or 96.2% of the total number of concluded contracts at the leasing system's level. The average value of the contracts at the leasing system's level concluded in the 01.01. to 31.12.2023 period is BAM 64.1 thousand and 15% higher compared to the same period of the previous year, when it was BAM 55.7 thousand, while the average

value of the contracts at the leasing sector's level is BAM 63.2 thousand, which is 15.2% higher compared to the same period of 2022 when it was BAM 54.9 thousand.

Out of the total realised value of newly concluded contracts in the reporting period, the financial leasing contracts account for BAM 282.9 million or 83.2% (the value of the long-term leasing contracts accounts for 99.8%), while the operational leasing contracts account for BAM 57.1 million or 16.8% (the value of the long-term leasing contracts accounts for 81.1%).

Table 60 shows a comparative overview of the number of contracts concluded in the 01.01.-31.12.2023 period and same period of the previous financial year, as well as a comparative overview of the realised amount of newly concluded contracts in the same periods:

- BAM 000s -

Table 60: Number of contracts concluded structure and financing amount across leasing system

Seq. no.	Description	01.01. - 31.12.2022						01.01. - 31.12.2023					
		Financial leasing		Operational leasing		Total		Financial leasing		Operational leasing		Total	
		Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
1	2	3	4	5	6	7=3+5	8=4+6	9	10	11	12	13=9+11	14=10+12
1.	Vehicles	3,555	193,949	938	42,327	4,493	236,276	3,892	250,321	1,216	57,120	5,108	307,441
2.	Equipment	246	28,268	0	0	246	28,268	197	32,563	0	0	197	32,563
3.	Real estate	2	96	0	0	2	96	0	0	0	0	0	0
4.	Other	7	74	0	0	7	74	0	0	0	0	0	0
	Total	3,810	222,387	938	42,327	4,748	264,714	4,089	282,884	1,216	57,120	5,305	340,004

The total amount of new financings in the reporting period was realised by all four leasing companies and one bank that engages in financial leasing operations as a legal successor of the leasing company that was acquired by it. In the structure of new placements, according to the financial leasing lessee type, the corporate placements accounting for 93.2% of the total amount of financings in the 01.01.-31.12.2023 period are dominant. One of the important reasons is the fact that the financing through the retail leasing is less favourable than the loan placements due to the obligation to pay VAT on interest, which is an additional cost for the customers who are not VAT payers.

Weighted NIR and EIR

The total average weighted NIR for the financial leasing contracts concluded in the 01.01.-31.12.2023 period is 4.04% for the short-term contracts and 5.94% for the long-term contracts, while the total average weighted EIR is 8.27% for the short-term contracts and 8.89% for the long-term contracts. The total average weighted NIR is 5.94%, while the total average weighted EIR is 8.89%. Compared to the same period of 2022, when the total average weighted NIR of 4.03% and the total average weighted EIR of 6.79% were reported, a 1.91 percentage points increase in the total average weighted NIR and a 2.10 percentage points increase in the total average weighted EIR are evident.

Annex 19 provides an overview of the average weighted NIR and EIR under the financial leasing contracts concluded in the 01.01.-31.12.2023 period, by maturity, leased asset, and lessee.

The differences in the level of the average weighted EIR in terms of lessees are caused by the fact that the calculation of the EIR on the contracts concluded with natural persons is not

identical to its calculation in the contracts concluded with legal entities as they do not include the Casco insurance premium, which is a legal requirement for the contracts with natural persons.

Annex 19a provides a comparative overview of the average weighted NIR and EIR for the financial leasing contract concluded over the last five years, by maturity and lessee.

The difference between the reported NIR and EIR is the result of VAT on interest, which is a mandatory part of financial leasing contract and is paid in advance by the lessee, as well as the creation of financial leasing contract with the repurchase value, and additional leasing arrangement costs which are included in the calculation of the EIR.

4.2.3. RECOMMENDATIONS FOR THE LEASING SECTOR

The FBA will, within its regulatory competences to supervise the FBiH leasing companies' operations, continue with its planned activities, which will focus on the following in the coming period:

- continuing the ongoing supervision of the leasing sector's operations, through off-site and on-site inspections;
- maintaining the FBiH leasing sector's capital adequacy and strengthening the internal processes for defining capital protection parameters in the FBiH leasing sector entities;
- monitoring and assessing the efficiency of the established risk management systems in the FBiH leasing sector and the quality of the overall management;
- further cooperation with the ALCBiH, in terms of providing expert assistance in the implementation of laws and regulations for leasing companies, as well as cooperation with other supervisory institutions, and with the CBBiH with regard to the structure and quality of data on exposures under financial leasing in the CCR and
- support to improving the business environment for the FBiH leasing sector's operations.

Within its regulatory competences to supervise leasing companies' operations, the FBA expects from the FBiH leasing system entities to improve their activities and measures with the primary aim of lawful, stable, efficient, and transparent provision of financing services through leasing, which are focused on:

- improving secure, stable and sustainable leasing operations;
- capital strengthening and defining the capital protection and capital adequacy parameters, strengthening the internal controls systems and internal audit functions;
- improving the systems for managing risks arising from leasing operations and environment, timely risk identification and taking measures to control and mitigate those risks;
- ensuring the reliability and integrity of data and information reported to the FBA, CBBiH and other supervisory institutions and authorities, ensuring the accuracy, validity and comprehensiveness of the accounting and other records, as well as compliance with the business policies, work plans and programs, legal and other regulations and acts, as well as protecting company assets and preventive action and
- consistent implementation of the Law on Protection of Users of Financial Services.

4.3. FACTORING OPERATIONS

4.3.1. FBiH Factoring Market Participants

In accordance with the provisions of the LoF, factoring operations in the FBiH may be performed by a company organised as a joint stock company or a limited liability company that is headquartered in the FBiH, which must be authorised by the FBA, and by a bank whose operations are regulated by the regulations governing the operations of banks in the FBiH, which is subject to relevant chapters of the LoF.

As of 31.12.2023, three commercial banks are engaged in factoring business in the FBiH, out of which two are members of international banking groups headquartered in the EU member countries and one is predominantly domestically owned.

4.3.2. FBiH Factoring Business Volume, Structure and Trend

In 2023, the total number of newly concluded factoring agreements by the entities that provide factoring services in the FBiH was 169, out of which 162 agreements were concluded with the right of recourse, while seven were reverse (supplier) factoring agreements concluded, with all of the agreements relating to domestic factoring. Comparing the reporting data with the same period of the previous year, 59 or 25.9% fewer new agreements were concluded.

In the period considered, the factoring service providers did not perform monetary claims purchasing operations in international factoring, nor did they perform factoring-related operations.

As of 31.12.2023, the total purchased nominal amount of monetary claims and nominal amount of paid buyers' liabilities to suppliers by the FBiH factoring service providers is BAM 135.5 million, which is a BAM 30.3 million or 18.3% decrease compared to the same period of the previous year, out of which the recourse factoring is BAM 134.9 million or 99.5%, non-recourse factoring is BAM 267 thousand or 0.2%, and reverse (supplier) factoring is BAM 348 thousand or 0.3%.

Table 61 shows the values of purchased monetary claims and paid buyers' liabilities to suppliers in the FBiH by type of factoring and domicile status, with comparative data and trend in indicated periods:

- BAM 000s -

Seq. no.	Type of factoring/domicile status	Volume of purchased monetary claims and paid buyers' liabilities to suppliers				
		01.01. - 31.12.2022		01.01. - 31.12.2023		Index (5/3)
		Amount	% share	Amount	% share	
1	2	3	4	5	6	7
1.	Recourse factoring	74,915	45.2	134,850	99.5	180
2.	Non-recourse factoring	90,897	54.8	267	0.2	0
3.	Reverse (supplier) factoring	0	0	348	0.3	-
	Total	165,812	100	135,465	100	82
4.	Domestic factoring	165,812	100	135,465	100	82
5.	International factoring	0	0	0	0	-
	Total	165,812	100	135,465	100	82

As of 31.12.2023, in the structure of purchased monetary claims by type of factoring, the non-recourse factoring and recourse factoring were reported, as well as one reverse (supplier) factoring agreement. The structure by domicile status remained unchanged.

Looking at the factoring agreements by contractual maturity, the purchased monetary claims with contractual maturity of up to 60 days have the highest share of 96% in the total volume, followed by a 4% share of the purchased monetary claims with contractual maturity of 61 to 90 days. In the same period of the previous year, the purchased monetary claims with contractual maturity of up to 60 days also had the highest share (97.2%) in the total volume. The entire portfolio of the concluded reverse (supplier) factoring agreements is in the category of maturity of 91-180 days.

According to the sectoral structure of the buyer in the recourse factoring, public enterprises have the highest share considering the value of the purchased claims which is BAM 84 million as of 31.12.2023, accounting for 62.2% of the total value of the factoring operations in the FBiH. They are followed by private enterprises and companies, which account for BAM 51.1 million or 37.8% of the total value of the factoring operations in the FBiH. The reverse factoring agreements are related to private enterprises and companies.

The total advances paid to the suppliers (sellers of the claims) are BAM 132.5 million. Out of the total amount of the paid advances, the recourse factoring accounts for BAM 132.2 million or 99.8%, while non-recourse factoring accounts for BAM 267 thousand or 0.2%.

Under the factoring agreements as at 31.12.2023, the banks claimed a total of BAM 13.3 million, entirely in domestic factoring, with the recourse factoring accounting for 99.9% and non-recourse factoring accounting for BAM 20 thousand or 0.1%. The structure of the aforementioned amount of claims by contractual maturity is the following: 98.6% with contractual maturity of up to 60 days and 1.4% with contractual maturity of 61 to 90 days.

The FBiH factoring service providers' total income in 2023 is BAM 536 thousand (interest income, factoring fees, and administrative fees). Compared to the same period of the previous year, the factoring service providers' total income was BAM 249 thousand or 31.7% lower. In the structure of the total reported income, the recourse factoring accounts for 98.9%.

4.3.3. RECOMMENDATIONS FOR FACTORING OPERATIONS

The FBA will, within its regulatory competences to supervise the operations of the entities that perform factoring operations in the FBiH, continue with its planned activities, which will focus on the following in the coming period:

- support to the improvement of business environment for factoring operations in the FBiH;
- providing expert assistance in the implementation of laws and regulations for the entities that perform factoring operations, as well as the cooperation with other supervisory institutions, and with the CBBiH with regard to the structure and quality of data relating to exposures under factoring in the CCR and
- continuing the ongoing supervision of factoring operations in the FBiH through reports and on-site inspection.

Within the FBA's supervisory activities, the factoring system entities are expected to improve their activities and measures with the primary aim of lawful, stable, efficient, and transparent provision of factoring services, which are focused on:

- compliance of the operations with regulatory requirements;
- improving secure, stable and sustainable factoring operations;
- improving the risk management systems, strengthening the internal controls systems and internal audit functions;
- ensuring the reliability and integrity of data and information reported to the FBA, CBBiH and other supervisory institutions and authorities;
- ensuring the accuracy, validity and comprehensiveness of the accounting and other records, preventive action and prevention of any frauds and errors and
- informing customers about factoring services in a transparent, understandable, and complete manner.

5. BANK PAYMENT BUSINESS AND AML/CFT

5.1. BANK PAYMENT BUSINESS

As of 31.12.2023, the total value of executed payment transactions under DPs and FXPs in the banks headquartered in the FBiH and in the banks headquartered in the RS that operate in the FBiH territory was BAM 296.6 billion (transactions executed in all currencies, equivalent in BAM). Table 62 provides a comparative overview of the volume of DPs and FXPs:

Seq. no.	Executed payment transactions	01.01. - 31.12.2022		01.01. - 31.12.2023		Index	
		Number	Value (BAM 000s)	Number	Value (BAM 000s)	(5/3)	(6/4)
1	2	3	4	5	6	7	8
1.	FXPs	2,904,006	50,796,739	2,948,382	50,409,836	102	99

2.	DPs	86,798,952	229,735,918	89,945,141	246,167,292	104	107
	Total	89,702,958	280,532,657	92,893,523	296,577,128	104	106

Based on the banks' reports on executed FXP transactions (collection/inflows and payment/outflow from and to abroad) for the 01.01.-31.12.2023 period, it was found that the following volume of FXPs by currency (EUR, USD, other currencies) was registered in the FBiH banks and in the banks headquartered in the RS that operate in the FBiH territory, with a comparative overview for the same period of the previous year (Table 63):

Table 63: FXPs volume

Seq. no.	01.01. - 31.12.2022				01.01. - 31.12.2023				Currency
	Inflow		Outflow		Inflow		Outflow		
	Number	Value (BAM 000s)	Number	Value (BAM 000s)	Number	Value (BAM 000s)	Number	Value (BAM 000s)	
1	2	3	4	5	6	7	8	9	10
1.	1,604,852	19,076,973	854,346	21,852,816	1,610,183	20,132,733	880,899	22,070,376	EUR
2.	55,283	2,356,777	39,261	2,437,358	57,273	1,673,127	43,166	1,996,708	USD
3.	228,118	1,531,953	122,146	3,541,362	235,324	1,167,584	121,537	3,369,308	Other currencies
Total	1,888,253	22,965,203	1,015,753	27,831,536	1,902,780	22,973,444	1,045,602	27,436,392	

It is evident from the structure of FXP transactions that the inflow transactions from abroad account for 64.5% of the total number of FXP transactions, while the outflow transactions to abroad account for 35.5%. If looking at the value of FXP transactions, the inflow transactions from abroad account for 45.6%, while outflows to abroad account for 54.4%. Out of the total value of executed FXP payment transactions, 83.7% of the transactions was executed in the EUR currency.

Table 64 provides a comparative overview of the volume of DPs of the banks that operate in the FBiH, disaggregated by transaction type:

Table 64: DPs volume

Seq. no.	Transaction type	01.01. - 31.12.2022		01.01. - 31.12.2023		Index	
		Number	Value (BAM 000s)	Number	Value (BAM 000s)	(5/3)	(6/4)
		3	4	5	6	7	8
1.	Cash	9,805,905	17,469,570	10,300,527	19,383,729	105	111
2.	Non-cash ¹³	76,993,047	212,266,348	79,644,614	226,783,563	103	107
	Total	86,798,952	229,735,918	89,945,141	246,167,292	104	107

Based on the data as at 31.12.2023, 63 authorised exchange offices are registered in the Register of Currency Exchange Operations, which perform their activities at 361 currency exchange locations and have concluded contracts on the performance of currency exchange operations with the banks headquartered in the FBiH and the banks headquartered in the RS that operate in the FBiH territory.

¹³ Include cashless intrabank payment transactions/internal orders, interbank Giro Clearing and RTGS transactions

Table 65 provides a comparative overview of the volume of currency exchange operations performed by the banks that operate in the FBiH, by currency (EUR, USD, other currencies):

Seq. no.	01.01. - 31.12.2022				01.01. - 31.12.2023				Currency
	Buy		Sell		Buy		Sell		
	Number	Value (BAM 000s)	Number	Value (BAM 000s)	Number	Value (BAM 000s)	Number	Value (BAM 000s)	
1	2	3	4	5	6	7	8	9	10
1.	1,057,385	1,126,090	130,479	275,720	1,090,729	1,327,036	131,560	234,993	EUR
2.	102,638	111,366	5,288	9,716	91,652	97,981	4,536	7,472	USD
3.	223,711	180,333	45,721	24,341	112,592	108,104	16,511	6,076	Other currencies
Total	1,383,734	1,417,789	181,488	309,777	1,294,973	1,533,121	152,607	248,541	

Out of the total number of currency exchange operations performed by the banks, buying accounts for 89.5% of the transactions, while selling accounts for 10.5%, and out of the total value of currency exchange operations, buying accounts for 86.1%, while selling accounts for 13.9%. Out of the total value of transactions executed by the exchange offices in the banks, 87.7% of the buying and selling transactions were executed in the EUR currency.

Table 66 provides the data on the volume of currency exchange operations performed by the authorised exchange offices in the 01.01.-31.12.2023 period, by currency (EUR, USD, other currencies):

Seq. no.	01.01. - 31.12.2022				01.01. - 31.12.2023				Currency
	Buy		Sell		Buy		Sell		
	Number	Value (BAM 000s)	Number	Value (BAM 000s)	Number	Value (BAM 000s)	Number	Value (BAM 000s)	
1	2	3	4	5	6	7	8	9	10
1.	2,830,236	1,353,061	157,569	126,461	3,349,648	1,771,509	184,356	132,646	EUR
2.	140,347	89,871	5,539	4,630	164,804	106,771	4,903	3,975	USD
3.	342,220	121,874	49,847	10,020	193,534	93,740	11,422	2,962	Other currencies
Total	3,312,803	1,564,806	212,955	141,111	3,707,986	1,972,020	200,681	139,583	

5.2. ELECTRONIC BANKING AND CARD BUSINESS

Electronic Banking

According to the data reported by the banks as at 31.12.2023, all banks in the FBiH provide to their corporate customers online banking services, while one bank does not have such service for retail customers. Mobile banking services for retail customers are provided by all banks, apart from one bank, while seven banks have mobile banking services for corporate customers.

The data on the number of online and mobile banking users can be seen in Chart 19:

Chart 19: Number of online and mobile banking users



Among retail customers, the share of mobile banking service is more significant than online banking, while the share of online banking is more significant than mobile banking among corporate customers.

Table 67 provides a comparative overview of the volume of electronic banking transactions in 2022 and 2023:

Seq. no.	Description	01.01. - 31.12.2022				01.01. - 31.12.2023			
		Corporate		Retail		Corporate		Retail	
		Number	Value (BAM 000s)	Number	Value (BAM 000s)	Number	Value (BAM 000s)	Number	Value (BAM 000s)
1.	Online banking	9,690,638	55,947,446	770,305	136,713	10,647,108	68,610,328	471,772	245,990
1.1.	DPs	9,483,275	46,074,111	754,458	114,174	10,429,373	56,580,360	469,484	208,252
1.2.	IPs	207,363	9,873,335	15,847	22,539	217,735	12,029,968	2,288	37,738
2.	Mobile banking	74,740	56,980	4,148,647	990,371	166,231	247,057	4,823,341	1,274,885
2.1.	DPs	73,372	56,253	4,141,196	955,549	165,911	242,558	4,810,645	1,217,290
2.2.	IPs	1,368	727	7,451	34,822	320	4,499	12,696	57,595
	Total:	9,765,378	56,004,426	4,918,952	1,127,084	10,813,339	68,857,385	5,295,113	1,520,875

In 2023, according to the bank's data, a total of 10,818,339 transactions totalling to BAM 68.9 billion was executed through corporate online and mobile banking, with 98.5% of the total number and 99.6% of the total value of transactions made through online banking.

In 2023, retail online and mobile banking users executed 5,295,113 transactions worth BAM 1.5 billion. In the total number of executed transactions, the transactions made through mobile banking account for 91.1% of the transactions, with transactions made through mobile banking accounting for 83.8% of the transactions in terms of their value.

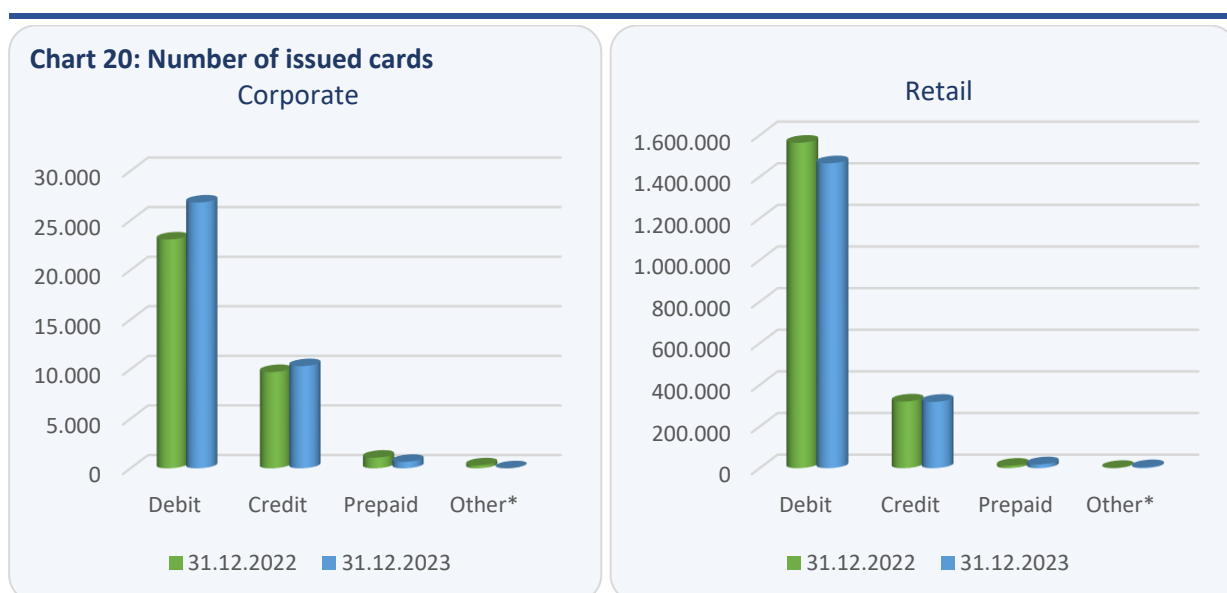
As of 31.12.2023, according to the data reported by the banks, 33.5% of the total number of corporate customers at the FBiH banking sector's level use online banking services, while 3.7% use mobile banking. When looking at the retail customers at the FBiH banking sector's level, 11.3% of the total number of customers use online banking, while 33.2% use mobile banking.

Card Business

In the global cash flows, card and electronic payments are increasingly more important, with a noticeable significant increase in their share compared to cash payments. Due to their user-friendliness, time saving and easier accessibility to the funds in the accounts, payment cards are increasingly present as a means of payment. Payment cards can be debit, credit and prepaid cards. With debit cards, the account is debited immediately after the payment is made, with prepaid cards, funds need to be deposited to the account in advance, while credit cards entail deferred payment of the executed transactions.

All banks in the FBiH offer payment cards for which they have ensured the acquiring network in the form of 26,928 POS terminals and 1,299 ATMs in the BiH territory.

Chart 20 provides an overview of the number of issued cards, while Table 68 provides an overview of the number and value of card business transactions, by card type, in 2023:



* Cards without information on their type

Table 68: Volume of card business by card type

Seq. no.	Card type	01.01. - 31.12.2022				01.01. - 31.12.2023			
		Corporate		Retail		Corporate		Retail	
		Number	Value (BAM 000s)	Number	Value (BAM 000s)	Number	Value (BAM 000s)	Number	Value (BAM 000s)
1.	Debit	738,021	565,874	62,584,575	6,493,073	537,898	164,745	66,168,735	6,640,604
2.	Credit	200,140	32,310	3,730,881	358,297	214,755	33,644	3,640,672	353,460
3.	Prepaid	63	2	66,501	4,915	333	9	74,888	2,911
4.	Other*	13,037	22,723	3,680	195	0	0	5,387	114
	Total:	951,261	620,909	66,385,637	6,856,480	752,986	198,398	69,889,682	6,997,089

* Cards without information on their type

As at 31.12.2023, the FBiH banks had 1,843,767 issued cards, whose users made 70,642,668 card transactions in 2023 (4.9% more than in the previous year) totalling to BAM 7.2 billion (3.8% less than in the previous year). Out of the total number of cards issued by the FBiH banks,

98% are retail cards, while 2% are corporate cards. In the total number of cards, debit cards have the highest share of 80.9% and, in the period considered, 94.4% of the total number of transactions were made with debit cards, i.e., 94.6% of the total value of card transactions.

The volume of card transactions by acquiring device can be seen in Table 69:

Seq. no.	Acquiring device	01.01. - 31.12.2022				01.01. - 31.12.2023			
		Corporate		Retail		Corporate		Retail	
		Number	Value (BAM 000s)	Number	Value (BAM 000s)	Number	Value (BAM 000s)	Number	Value (BAM 000s)
1	2	3	4	5	6	7	8	9	10
1.	POS	494,208	64,197	47,445,295	2,411,468	603,904	73,625	53,906,450	2,747,124
2.	ATM	406,807	536,277	24,758,510	5,772,504	120,664	101,517	22,832,465	5,567,027
3.	Online	78,317	27,870	3,555,764	161,615	102,771	36,262	5,297,267	232,043
4.	Other	643	37	6,741	330	0	0	0	0
	Total:	979,975	628,381	75,766,310	8,345,917	827,339	211,404	82,036,182	8,546,194

The highest number of transactions was made on POS (65.8%), while 64.7% of transactions were made on ATMs in terms of their value.

The data in the above table also include card transactions with foreign cards made on the FBiH banks' acquiring devices. The total number of transactions made with foreign cards is 12,220,853 totalling to BAM 1.5 billion. Out of the total number of transactions on POS in 2023, 18.5% were transactions with foreign cards, while 81.5% of the transactions were made with cards issued by the FBiH banks. When looking at the value of the POS transactions, 26.1% were made with foreign cards, while 73.9% were made with cards of the banks headquartered in the FBiH. Out of the total number of ATM transactions in 2023, 7.7% were transactions with cards issued abroad, while 92.3% of the transactions were made with cards issued by the FBiH banks. When looking at the value of ATM transactions, foreign cards account for 14.3%, while cards of the banks headquartered in the FBiH account for 85.7%.

5.3. AML/CFT

In the 01.01.-31.12.2023 period, the banks notified the FID of a total of 374,862 transactions according to the reports on cash transactions of BAM 30 thousand or more, related and suspicious transactions that they provide to the FBA, which is 6% more compared to the same period of the previous year. The total value of these transactions is BAM 19.7 billion, which is 8.8% higher compared to the same period of the previous year (Table 70).

Seq. no.	Description	01.01. - 31.12.2022		01.01. - 31.12.2023		Index	
		Number	Value (BAM 000s)	Number	Value (BAM 000s)	(5/3)	(6/4)
		3	4	5	6	7	8
1.	Transactions reported before their execution	15	8,836	9	1,941	60	22
2.	Transactions reported within 3 days	351,832	17,948,526	373,098	19,532,545	106	109
3.	Transactions reported after 3-day period	1,696	157,656	1,755	172,445	103	109
	Total	353,543	18,115,018	374,862	19,706,931	106	109

Tables 71 and 72 show the number and value of the total reported suspicious transactions in the banks and MCOs.

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

Seq. no.	Description	01.01. - 31.12.2022		01.01. - 31.12.2023		Index	
		Number	Value (BAM 000s)	Number	Value (BAM 000s)	(5/3)	(6/4)
1	2	3	4	5	6	7	8
1.	Transactions reported before their execution	15	8,836	9	1,941	60	22
2.	Transactions reported within 3 days	1,306	55,183	1,806	100,760	138	183
3.	Transactions reported after 3-day period	392	89,843	1,231	129,815	314	144
	Total	1,713	153,862	3,046	232,516	178	151

Table 72: Reported suspicious transactions by number and value - MCOs

Seq. no.	Description	01.01. - 31.12.2022		01.01. - 31.12.2023		Index	
		Number	Value (BAM 000s)	Number	Value (BAM 000s)	(5/3)	(6/4)
1	2	3	4	5	6	7	8
1.	Transactions for which FID requested information	0	0	0	0	-	-
2.	Transactions for which FID did not request information	620	1,150	1,613	1,106	260	96
	Total	620	1,150	1,613	1,106	260	96

In the 01.01.-31.12.2023 period, the leasing companies notified the FID of one suspicious transaction according to the reports on cash transactions of BAM 30 thousand or more, related and suspicious transactions that they provide to the FBA.

CONCLUSION

The BSEs are supervised on an ongoing basis with the aim of maintaining and strengthening the banking system's stability and protecting the depositors, as well as ensuring lawful, secure and good quality operations of all BSEs in the FBiH. The FBA carries out planned and extraordinary activities and measure in line with the FBA's competences.

Based on the FBiH banking sector's reported KPIs as of 31.12.2023, it can be inferred that it is adequately capitalised, liquid and profitable. Compared to the previous year's end, the net assets, cash, loan portfolio, security investments, deposits, savings, and total capital recorded growth. The share of NPLs in the total loans, as the key asset quality indicator, has recorded a decrease compared to the previous year's end. At the FBiH banking sector's level, the profit which has seen an increase year on year was reported.

As of 31.12.2023 and compared to the previous year's end, the FBiH microcredit sector's operations are characterised by a growth in assets, growth in gross microloan portfolio, as the most significant asset item, growth in total capital, as the dominant liability item, and growth in liabilities under loans taken. Year on year, the number of concluded contracts saw a decline, while the values of microloans saw a growth. At the FBiH microcredit sector's level, the profit which has seen an increase year on year was reported.

At the FBiH leasing system's level, as at the reporting date, increases in assets, gross and net financial leasing receivables, liabilities under loans taken and capital compared to the previous year's end were reported. The number and value of newly concluded leasing contracts also saw a growth compared to the same period of the

previous year. In the period considered, at the FBiH leasing sector's level, the profit from the leasing companies' operations which has seen a decrease year on year was reported.

As of 31.12.2023, factoring operations, as a potential short-term financing and cash flow management instrument, were performed solely through the performance of financing function, while the performance of collection and receivables management services or factoring-related operations was not recorded. Year on year, the value of purchased nominal amount of monetary claims and amount of paid buyers' liabilities to suppliers by the factoring service providers saw a decrease, with the number of concluded factoring agreements also decreasing.

In 2023, the BSEs operated successfully despite a growth in macroeconomic and geopolitical risks. The estimates of macroeconomic variables are susceptible to a high degree of uncertainty, but the FBiH banking system's performance points to achieved stability, sustainability and resilience of the banking system. The banking system's capacities, within the current regulatory framework, can provide adequate support to the economy and citizens, as well as adaptation to circumstances that may arise. The FBA will continue to actively supervise the BSEs' operations in line with the applicable acts and plans and to undertake regular and extraordinary activities in the case of additional need for action in the situations that arise. For the purposes of strengthening the economy and managing current risks, special attention will be paid to the measures and activities that support capital strengthening, mitigation of material risks, sustainable operations, issue of protection of users of financial services,

financial inclusion, and digital transformation.

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LEGAL FRAMEWORK

Annex 1- Legal Framework for Operation of FBA and BSEs in FBiH

I REGULATIONS ON FBA'S ORGANISATION

1. Law on the Banking Agency of the Federation of Bosnia and Herzegovina ("Official Gazette of the FBiH", number 75/17),
2. Statute of the Banking Agency of the Federation of Bosnia and Herzegovina ("Official Gazette of the FBiH", number 3/18),
3. Rules of Operation of the Banking Agency of the Federation of Bosnia and Herzegovina (consolidated text) (number U.O.-78-09/22 of 24.06.2022 and number U.O.-16-01/23 of 27.10.2023),
4. Rulebook on Internal Organisation of the Banking Agency of the Federation of Bosnia and Herzegovina (consolidated text) (number U.O.-78-07/22 of 24.06.2022 and number U.O.-08-02/23 of 30.01.2023), as an integral part of the Rules of Operation,
5. Rulebook on Systematisation of Jobs of the Banking Agency of the Federation of Bosnia and Herzegovina (consolidated text) (number 01-3678/22 of 05.09.2022, number 01-3678-1/22 of 30.09.2022, number 01-653/23 of 17.01.2023 and number 01-1729/23 of 24.04.2023).

II REGULATIONS ON FBA'S OPERATIONAL COMPETENCE

Laws

1. Banking Law ("Official Gazette of the FBiH", number 27/17),
2. Law on Microcredit Organisations ("Official Gazette of the FBiH", number 59/06),
3. Law on Associations and Foundations („Official Gazette of the FBiH", number 45/02),
4. Law on Leasing („Official Gazette of the FBiH", nos. 85/08, 39/09, 65/13 and 104/16),
5. Law on the Development Bank of the Federation of BiH ("Official Gazette of the FBiH", number 37/08),
6. Law on Foreign Exchange Operations ("Official Gazette of the FBiH", number 47/10),
7. Law on Anti-Money Laundering and Countering the Financing of Terrorism ("Official Gazette of BiH", nos. 47/14 and 46/16),
8. Law on Guarantor Protection in the FBiH („Official Gazette of the FBiH", number 100/13),
9. Law on Protection of Users of Financial Services ("Official Gazette of the FBiH", number 31/14),
10. Law on Internal Payments System („Official Gazette of the FBiH", nos. 48/15, 79/15-correction and 4/21),
11. Law on Factoring of the Federation of BiH („Official Gazette of the FBiH", nos. 14/16 and 74/20),
12. Law on Deposit Insurance in Banks of Bosnia and Herzegovina („Official Gazette of BiH", number 32/20).

FBA's Decisions, Instructions and Guidelines on Operation and Supervision of Operations of Banks

1. Decision on Calculation of Bank Capital („Official Gazette of the FBiH“, nos. 81/17, 50/19, 37/20 and 81/20) - valid until 30.06.2024,
2. Decision on Large Exposures of Banks („Official Gazette of the FBiH“, number 81/17),
3. Decision on External Audit and Contents of a Bank Audit („Official Gazette of the FBiH“, nos. 81/17 and 26/22),
4. Decision on Conditions for Issuance of Procurement in Banks („Official Gazette of the FBiH“, number 81/17),
5. Decision on Purchase and Sale of Bank Investments („Official Gazette of the FBiH“, nos. 81/17 and 86/20),
6. Decision on Recovery Plans of Banks and Banking Groups („Official Gazette of the FBiH“, nos. 81/17, 48/21 and 26/22),
7. Decision on Requirements for Consolidated Banking Group („Official Gazette of the FBiH“, nos. 81/17 and 43/22),
8. Decision on the Banking Secrecy Exemptions („Official Gazette of the FBiH“, number 81/17),
9. Decision on Records of Banks and Organisational Units of Banks Seated in Republika Srpska or Brčko District and Banks' Representative Offices Opened in the Federation of Bosnia and Herzegovina („Official Gazette of the FBiH“, number 81/17),
10. Decision on Bank's Obligation to Notify the Banking Agency of the Federation of Bosnia and Herzegovina („Official Gazette of the FBiH“, number 81/17),
11. Decision on a Bank's Business Dealings with Parties in a Special Relationship with the Bank („Official Gazette of the FBiH“, number 81/17),
12. Decision on the Uniform Method of Calculation and Disclosure of the Effective Interest Rate on Loans and Deposits („Official Gazette of the FBiH“, number 81/17),
13. Decision on Information System Management in Banks („Official Gazette of the FBiH“, number 81/17),
14. Decision on Asset Declarations („Official Gazette of the FBiH“, number 81/17),
15. Decision on Foreign Exchange Risk Management in Banks („Official Gazette of the FBiH“, nos. 81/17 and 37/20),
16. Decision on Inclusion of the Special Conditions for Negotiation of Long-Term Retail General-Purpose and Substitute Loans in the Risk Management System in Banks („Official Gazette of the FBiH“, number 81/17),
17. Decision on Conditions and Procedure for Issuance, Refusal of Issuance and Revocation of a Banking Licence („Official Gazette of the FBiH“, number 90/17),
18. Decision on the Conditions and Procedure for Granting and Withdrawal of Approvals for Selection or Appointment of Supervisory Board and Management Board Members of Banks and Revocation of Issued Approvals („Official Gazette of the FBiH“, number 90/17),
19. Decision on Conditions and Procedure for Issuance, Refusal of Issuance and Revocation of Other Approvals for Performing Banking Activities („Official Gazette of the FBiH“, number 90/17),
20. Decision on Supervision of Banks and Procedures of the Banking Agency of the Federation of Bosnia and Herzegovina („Official Gazette of the FBiH“, nos. 90/17 and 94/21),
21. Decision on Fees Tariff for Banks („Official Gazette of the FBiH“, nos. 46/18, 69/19 and 85/23),
22. Decision on Criteria for Inclusion of Formed Loan Loss Reserves into Common Equity Tier 1 Capital of Banks („Official Gazette of the FBiH“, number 91/18),

23. Decision on the Internal Capital Adequacy Assessment Process and the Internal Liquidity Adequacy Assessment Process in a Bank („Official Gazette of the FBiH“, nos. 16/19 and 30/20),
24. Decision on Credit Risk Management and Determination of Expected Credit Losses („Official Gazette of the FBiH“, nos. 44/19 and 47/20),
25. Decision on the Management of Interest Rate Risk in the Banking Book („Official Gazette of the FBiH“, number 41/20) - valid until 30.06.2025,
26. Decision on Reports Banks Deliver to the Banking Agency of the Federation of Bosnia and Herzegovina According to the Standardised Regulatory Reporting Framework (COREP) („Official Gazette of the FBiH“, nos. 86/20, 61/21 and 103/22),
27. Decision on Reports Banks Deliver to the Banking Agency of the Federation of Bosnia and Herzegovina for the Supervisory and Statistical Purposes („Official Gazette of the FBiH“, nos. 86/20, 43/22, 103/22 and 98/23),
28. Decision on the Contents, Time Limits and Data Reporting Method for Comparative Presentation of Service Fees for Business Entities in the Internal Payments System and Interbank Fees for Payment Card Transactions („Official Gazette of the FBiH“, number 31/21),
29. Decision on the Internal Governance Systems in Banks („Official Gazette of the FBiH“, number 39/21),
30. Decision on Disclosure of Bank Data and Information („Official Gazette of the FBiH“, number 39/21),
31. Decision on Liquidity Risk Management in Banks („Official Gazette of the FBiH“, number 39/21),
32. Decision on Supervisory Review and Evaluation Process (SREP) in Banks („Official Gazette of the FBiH“, number 94/21),
33. Decision on Outsourcing Management in a Bank („Official Gazette of the FBiH“, number 75/22),
34. Decision on Temporary Measures to Mitigate the Risk of an Interest Rate Increase („Official Gazette of the FBiH“, nos. 79/22, 26/23 and 85/23),
35. Decision on the Procedure for Establishing the Claims and Distributing the Assets, as Well as Establishing and Settling the Liabilities of the Bank Under Liquidation („Official Gazette of the FBiH“, number 16/23),
36. Decision on the Conditions for When a Bank Is Considered Insolvent („Official Gazette of the FBiH“, number 16/23),
37. Decision on Temporary Measures to Limit a Bank's Exposures („Official Gazette of the FBiH“, number 26/23),
38. Decision on the Conditions and Method of Filing Customer Complaints and Their Handling by the Banking System Entities and the Banking Agency of the Federation of Bosnia and Herzegovina („Official Gazette of the FBiH“, number 46/23),
39. Decision on the Conditions for Documenting, Digitalisation and Automation of Lending Activities of Banks („Official Gazette of the FBiH“, number 85/23),
40. Decision on Measures to Strengthen Financial Inclusion and Sustainable Operations of Banks („Official Gazette of the FBiH“, number 85/23),
41. Decision on Calculation of Bank Capital („Official Gazette of the FBiH“, number 98/23),
42. Decision on Setting Additional Capital Requirements and Measures to Limit Systemic Risks („Official Gazette of the FBiH“, number 98/23),
43. Decision on the Management of Interest Rate Risk in the Banking Book („Official Gazette of the FBiH“, number 98/23),

44. Decision on Minimum Standards for Documenting Lending Activities of Banks ("Official Gazette of the FBiH", nos. 3/03 and 23/14) - valid until 30.06.2024,
45. Decision on Minimum Standards for Banks' Activities on Anti-Money Laundering and Countering the Financing of Terrorism ("Official Gazette of the FBiH", number 48/12),
46. Decision on Minimum Standards for Currency Exchange Operations („Official Gazette of the FBiH“, nos. 95/13, 99/13 and 103/18),
47. Decision on Examination of Currency Exchange Operations („Official Gazette of the FBiH“, number 95/13),
48. Guidelines on Recovery Plan Assessment (number 01-4919/17 of 22.12.2017 and number 01-2941/20 of 13.07.2020),
49. Instruction on Calculation of Weighted Nominal and Effective Interest Rates (number 01-4921/17 of 22.12.2017),
50. Guidelines for External Information System Auditors (number 01-262/18 of 30.01.2018),
51. Guidelines on Reporting to the Banking Agency of Bosnia and Herzegovina on Application of ICAAP and ILAAP in Banks (number 01-1338/19 of 16.04.2019, number 01-2162/20 of 29.05.2020 and number 01-934/23 of 07.03.2023),
52. Instruction on Classification and Valuation of Financial Assets (number 01-2583/19 of 05.07.2019 and number 01-520/22 of 17.02.2022),
53. Instruction on Collateral Market Value Appraisal (number 01-3181/20 of 03.08.2020 and number 01-1367/22 of 06.04.2022),
54. Instruction on Populating Banks' Reports on Own Funds, Credit, Operational and Market Risks and Leverage Ratio (number 01-171/21 of 18.01.2021),
55. Instruction on Populating Banks' Reports on Large Exposures (number 01-172/21 of 18.01.2021),
56. Instruction on Populating Banks' Reports on Interest Rate Risk in the Banking Book (number 01-173/21 of 18.01.2021),
57. Instruction on Populating Reports on Banks' Foreign Exchange Position (number 01-174/21 of 18.01.2021),
58. Instruction on Reporting on Outsourcing Management in Banks (number 01-175/21 of 18.01.2021),
59. Instruction on Reporting on Information System Management (number 01-176/21 of 18.01.2021 and number 01-2401/22 of 06.06.2022),
60. Instruction on Populating AML/CFT Templates for Banks (number 01-177/21 of 18.01.2021),
61. Instruction on Populating Reports on Volume of Currency Exchange Operations, Internal and Foreign Exchange Payments (number 01-178/21 of 18.01.2021 and number 01-2402/22 of 06.06.2022),
62. Instruction on Data Reporting for Comparative Presentation of the Fees and Services for Business Entities in the Internal Payments System (number 01-1869/21 of 07.05.2021),
63. Instruction on Data Reporting on the Interbank Fees for Payment Card Transactions (number 01-1870/21 of 07.05.2021),
64. Instruction on the Manner of Application of the Provisions of the Decision on Liquidity Risk Management in Banks on NSFR Calculation and Maintenance (number 01-2374/21 of 03.06.2021),
65. Instruction on the Manner of Application of the Provisions of the Decision on Liquidity Risk Management in Banks on LCR Calculation and Maintenance (number 01-2375/21 of 03.06.2021),
66. Instruction on Disclosure of Bank Data and Information (number 01-2376/21 of 03.06.2021),

67. Instruction on the Application of Specific Standards in the Management of Individual Risks in Banks (number 01-2599/21 of 16.06.2021),
68. Instruction on the Manner of Compiling Reports Delivered to the Banking Agency of Bosnia and Herzegovina for the Purposes of Drawing Up and Updating Resolution Plans of Banks and Banking Groups (number 01-3585/21 of 31.08.2021),
69. Instruction on NSFR Reporting (number 01-3981 of 30.09.2021),
70. Instruction on Populating Liquidity Coverage Reporting Templates (number 01-4675/21 of 08.11.2021),
71. Instruction on Populating Banks' Supervisory and Statistical Reports (number 01-2400/22 of 06.06.2022 and number 01-933/23 of 07.03.2023),
72. Instruction on Reporting on the Application of the Decision on Temporary Measures to Mitigate the Risk of an Interest Rate Increase (number 01-4777/22 of 04.11.2022),
73. Supervisory Stress Testing Methodology (2023-2025 testing horizon) and Instructions on Populating Supervisory Stress Testing Templates,
74. Instruction on the Development and Implementation of a Strategy and Operational Plans for Treatment of Non-Performing Exposures (number 01-1519/23 of 07.04.2023),
75. Operational Manual for Liquidators in Involuntary Liquidation Proceedings in Banks (number 01-2151/23 of 22.05.2023),
76. Procedures for the Intervention When Initiating Proceedings for Involuntary Liquidation of a Bank (number 01-2152/23 of 22.05.2023),
77. Instruction on the Application and Preparation of the Banking System Entities' Reports on Customer Complaints (number 01-3020/23 of 24.07.2023),
78. Guidelines on the Management of Climate Change-Related Risks and Environmental Risks („Official Gazette of the FBiH“, nos. 57/23 and 69/23),
79. Instruction on the Method of Reporting by Liquidators on Conducting Liquidation Proceedings in Banks, Annex 1 and Annex 2 (number 01-5075/23 of 14.12.2023),
80. Instruction on the Preparation of Banks' Balance Sheets (number 01-574/00 of 12.07.2000 and number 01-2-1669/07 of 10.10.2007),
81. Instruction on the Preparation of Banks' Income Statements (number 01-575/00 of 12.07.2000).

FBA's Decisions and Instructions on Bank Resolution

1. Decision on Resolvability Assessment of Bank and Banking Group (“Official Gazette of the FBiH”, number 26/18),
2. Decision on Business Reorganisation Plan for a Bank (“Official Gazette of the FBiH”, number 26/18),
3. Decision on Conditions and Manner for Conducting Independent Valuation of Assets and Liabilities of the Bank Before and During Resolution Proceedings of the Bank (“Official Gazette of the FBiH”, number 26/18),
4. Decision on Sale of Shares, Assets, Rights, and Liabilities of Bank in Resolution (“Official Gazette of the FBiH”, number 26/18),
5. Decision on Data and Information Delivered to the Banking Agency of the Federation of Bosnia and Herzegovina for Purposes of Developing and Updating Restructuring Plans of Banks and Banking Groups (“Official Gazette of the FBiH”, nos. 44/19, 48/19 and 61/21),
6. Decision on Establishment, Conditions, and Manner of Issuance of Consent for Asset Management Company (“Official Gazette of the FBiH”, number 26/18),

7. Decision on Procedure and Manner of Performing Write Down or Conversion of Capital Instruments and Liabilities of a Bank (“Official Gazette of the FBiH”, number 26/18),
8. Decision on Establishing a Bridge Bank (“Official Gazette of the FBiH”, number 26/18),
9. Decision on Types of Financial Collateral Arrangements and Financial Instruments to Which Protective Measures for Counterparties Shall Apply (“Official Gazette of the FBiH”, number 26/18),
10. Decision on the Minimum Requirements for Own Funds and Eligible Liabilities of Banks (“Official Gazette of the FBiH”, number 26/18),
11. Decision on the Conditions and Method of Exercising Supervision and Ordering of Measures to Exercise Authorisations Falling under the Bank Resolution Purview („Official Gazette of the FBiH“, nos. 54/20 and 61/21),
12. Methodology of the Banking Agency of the Federation of Bosnia and Herzegovina for Determination of the Minimum Requirement for Own Funds and Eligible Liabilities in Banks („Official Gazette of the FBiH“, number 26/22),
13. Resolution Planning Guidelines – Expectations from the Banks („Official Gazette of the FBiH“, number 75/22).

FBA’s Decisions and Instructions on Operation and Supervision of Operations of MCOs

1. Decision on the Conditions and Procedure for Issuing and Revoking Microcredit Organisations’ Operating Licences and Other Approvals („Official Gazette of the FBiH“, number 103/18),
2. Decision on Requirements and the Procedure for Issuing the Operating Permit to a Microcredit Foundation Formed upon the Microcredit Organisation’s Change of Form („Official Gazette of the FBiH“, nos. 27/07 and 31/18),
3. Decision on Fees Tariff for Microcredit Organisations („Official Gazette of the FBiH“, nos. 46/18, 69/19 and 86/20),
4. Decision on Reports Delivered by Microcredit Organisations to the Banking Agency of the Federation of BiH and Reporting Time Limits („Official Gazette of the FBiH“, nos. 87/19 and 85/23),
5. Decision on Percentage and Manner for Forming and Maintaining Reserves for the Coverage of Loan Losses of Microcredit Organisations („Official Gazette of the FBiH“, number 27/07),
6. Decision on Requirements and Other Operating Standards and Limitations in Microcredit Organisations („Official Gazette of the FBiH“, number 103/18),
7. Decision on Minimum Standards for Microcredit Organisations’ Activities on Anti-Money Laundering and Countering the Financing of Terrorism (“Official Gazette of the FBiH”, number 48/12),
8. Decision on the Uniform Method of Calculation and Disclosure of the Effective Interest Rate on Loans and Deposits („Official Gazette of the FBiH“, number 81/17),
9. Decision on Supervision of Microcredit Organisations and Procedures of the Banking Agency of the Federation of Bosnia and Herzegovina („Official Gazette of the FBiH“, nos. 103/18 and 98/23),
10. Decision on Minimum Standards for Documenting Lending Activities of Microcredit Organisations and Assessment of Credit Standing („Official Gazette of the FBiH“, nos. 23/14 and 54/20),
11. Decision on the Conditions and Method of Filing Customer Complaints and Their Handling by the Banking System Entities and the Banking Agency of the Federation of Bosnia and Herzegovina („Official Gazette of the FBiH“, number 46/23),

12. Instruction on Calculation of Weighted Nominal and Effective Interest Rates (number 01-4921/17 of 22.12.2017),
13. Instruction on Calculation of Adjusted Return on Assets and Operational Activities (number 01-646/19 of 04.03.2019),
14. Instruction on the Content and Manner of Keeping the Register of Related Parties in Microcredit Organisations (number 01-647/19 of 04.03.2019),
15. Instruction on the Preparation of Microcredit Organisations' Reports (number 01-56/20 of 15.01.2020),
16. Instruction on the Application and Preparation of the Banking System Entities' Reports on Customer Complaints (number 01-3020/23 of 24.07.2023).

FBA's Decisions and Instructions on Operation and Supervision of Operations of Leasing Companies

1. Decision on Outsourcing of Business Process of Leasing Companies („Official Gazette of the FBiH“, number 58/17),
2. Decision on Form and Content of the Reports that the Leasing Companies Submit to the Banking Agency of the Federation of BiH and Reporting Deadlines („Official Gazette of the FBiH“, nos. 46/09, 48/12 and 110/12),
3. Decision on Conditions and Procedure for Issuing and Revoking the Licence to Perform Leasing Operations („Official Gazette of the FBiH“, nos. 46/09, 58/17 and 31/18),
4. Decision on Conditions and Procedure for Issuing and Revoking an Approval to a Leasing Company („Official Gazette of the FBiH“, nos. 46/09, 46/11 and 58/17),
5. Decision on the Uniform Method of Calculation and Disclosure of the Effective Interest Rate for Financial Leasing Contracts („Official Gazette of the FBiH“, number 46/18),
6. Decision on Fees Tariff for Leasing Companies (“Official Gazette of the FBiH“, nos. 46/18 and 69/19),
7. Decision on Uniform Manner and Method for Calculating and Reporting the Leasing Fee for Operational Leasing Arrangements („Official Gazette of the FBiH“, nos. 46/09 and 48/12),
8. Decision on Minimum Amount and Manner for Allocating, Managing and Maintaining the Reserves for Loan Losses and Risk Management of the Leasing Company („Official Gazette of the FBiH“, number 46/09),
9. Decision on Supervision of Leasing Companies („Official Gazette of the FBiH“, nos. 46/09, 58/17, 31/18 and 37/20),
10. Decision on Minimum Standards for Leasing Companies' Activities on Anti-Money Laundering and Countering the Financing of Terrorism (“Official Gazette of the FBiH“, number 48/12),
11. Decision on Minimum Standards for Documenting Financing under Leasing Agreements and Assessment of Credit Standing (“Official Gazette of the FBiH“, nos. 46/14 and 37/20),
12. Decision on the Conditions and Method of Filing Customer Complaints and Their Handling by the Banking System Entities and the Banking Agency of the Federation of Bosnia and Herzegovina („Official Gazette of the FBiH“, number 46/23),
13. Instruction on the Application of the Decision on Uniform Manner and Method of Calculation and Disclosure of the Effective Interest Rate for Financial Leasing Contracts (number 01-2445/10 of 11.06.2010),
14. Instruction on the Preparation of Leasing Companies' Reports (number 08-340/13 of 31.01.2013),

15. Instruction on the Application and Preparation of the Banking System Entities' Reports on Customer Complaints (number 01-3020/23 of 24.07.2023).

FBA's Decisions and Instructions on Operation and Supervision of Factoring Business

1. Decision on Minimum Standards for the Content of Factoring Agreements („Official Gazette of the FBiH“, number 70/16),
2. Decision on Minimum Standards for the Requirements and Manner of Performing the Business Activities of Factoring Companies („Official Gazette of the FBiH“, number 70/16),
3. Decision on Minimum Standards for the Criteria, Rules and Additional Requirements for Capital in Factoring Companies („Official Gazette of the FBiH“, number 70/16),
4. Decision on Minimum Standards for the Criteria and Decision-Making Procedure on Issuing Approvals for Acquiring or Increasing Qualifying Shares in Factoring Companies and of Factoring Companies in Another Legal Entity („Official Gazette of the FBiH“, number 70/16),
5. Decision on Minimum Standards for Detailed Requirements and the Manner of Issuing Operating Licences to Factoring Companies in Domestic Factoring („Official Gazette of the FBiH“, number 70/16),
6. Decision on Minimum Standards for the Requirements to Be Met by Members of the Factoring Company Supervisory Board and Management („Official Gazette of the FBiH“, number 70/16),
7. Decision on Minimum Standards for the Criteria and Manner of Risk Management in Factoring Companies („Official Gazette of the FBiH“, number 70/16),
8. Decision on Minimum Standards for the Manner of Conducting Internal Audits in Factoring Companies („Official Gazette of the FBiH“, number 70/16),
9. Decision on Minimum Standards for the Structure, Content, Manner and Deadlines for Delivering Factoring Companies' Information and Reports to the Banking Agency of the Federation of Bosnia and Herzegovina („Official Gazette of the FBiH“, nos. 70/16, 85/16-correction and 104/16),
10. Decision on Fees Tariff for Factoring Companies („Official Gazette of the FBiH“, nos. 46/18 and 69/19),
11. Instruction on Populating the Financial and Other Reports that Factoring Companies Are Required to Draw Up for the Purposes of the Banking Agency of the Federation of BiH (number 4203/16 of 24.10.2016),
12. Instruction on the Preparation of Reports on Calculation of Factoring Company Capital (number 4204/16 of 24.10.2016),
13. Instruction on the Preparation and Manner for Delivering a Factoring Company's Business Forecast (number 1100/19 of 01.04.2019).

Decision on Operation of Banking System Ombudsman

1. Decision on Minimum Requirements on the Content, Comprehensibility and Accessibility of the General and Special Terms and Conditions of Financial Service Providers („Official Gazette of the FBiH“, number 62/14),
2. Decision on the Conditions for Assessment and Documenting Credit Standing („Official Gazette of the FBiH“, number 23/14) - valid until 30.06.2024,
3. Decision on Conditions and Methods upon the Request of Guarantor to Be Exempt from Guarantor's Obligation („Official Gazette of the FBiH“, number 31/18),

4. Rules on the Conditions and Method of Handling Customer Complaints by the Banking System Ombudsman of the Federation of Bosnia and Herzegovina („Official Gazette of the FBiH“, number 46/23),
5. Decision on the Conditions and Method of Filing Customer Complaints and Their Handling by the Banking System Entities and the Banking Agency of the Federation of Bosnia and Herzegovina („Official Gazette of the FBiH“, number 46/23),
6. Decision on the Conditions for Documenting, Digitalisation and Automation of Lending Activities of Banks („Official Gazette of the FBiH“, number 85/23).

Other Regulations:

FBiH Development Bank

1. Decree on the Criteria and Manner of Conducting Supervision of the FBiH Development Bank's Operations (“Official Gazette of the FBiH”, nos. 57/08, 77/08, 62/10 and 59/14),
2. Decision on Determining the Amount of Fees for Performing Supervision of the FBiH Development Bank's Operation (“Official Gazette of the FBiH”, number 65/09).

Foreign Exchange Operations

1. Rulebook on the Procedures for Opening and Maintaining Foreign Exchange Accounts and Foreign Exchange Savings Deposits of Residents in Bank (“Official Gazette of the FBiH”, number 56/10),
2. Rulebook on the Conditions and Manner of Opening, Maintaining and Closing Accounts of Non-Residents in Bank (“Official Gazette of the FBiH”, number 56/10),
3. Decision on Taking Out of the Federation Foreign Cash and Cheques (“Official Gazette of the FBiH”, number 58/10),
4. Decision on the Conditions and Manner of Performing Currency Exchange Operations (“Official Gazette of the FBiH”, nos. 58/10 and 49/11),
5. Decision on the Conditions for Issuing the Approval for Opening a Foreign Exchange Account Abroad (“Official Gazette of the FBiH”, number 58/10),
6. Decision on Payments, Collection and Transfers in Foreign Exchange and Foreign Cash (“Official Gazette of the FBiH”, number 58/10),
7. Decision on the Manner and Conditions under Which Residents in Transactions with Non-Residents May Receive a Payment or Make a Payment in Foreign Cash and Cash in Convertible Marks (“Official Gazette of the FBiH”, number 58/10),
8. Rulebook on the Manner, Deadlines and Templates for Reporting on International Credit Transactions (“Official Gazette of the FBiH”, number 79/10),
9. Decision on Minimum Standards for Performing Currency Exchange Operations (“Official Gazette of the FBiH”, nos. 95/13 and 99/13),
10. Decision on Examination of Currency Exchange Operations (“Official Gazette of the FBiH”, number 95/13).

AML/CFT

1. Rulebook on the Implementation of the Law on Anti-Money Laundering and Countering the Financing of Terrorism („Official Gazette of BiH“, number 41/15).

III OTHER LAWS IN FBiH RELEVANT TO OPERATION AND SUPERVISION OF OPERATIONS OF BSEs

1. Law of Obligations (“Official Gazette of the RBiH” nos. 2/92, 13/93 and 13/94, „Official Gazette of the FBiH“, nos. 29/03 and 42/11),
2. Law on Payment Transactions (“Official Gazette of the FBiH”, nos. 32/00 and 28/03),
3. Law on Cheque (“Official Gazette of the FBiH”, number 32/00),
4. Law on Promissory Note (“Official Gazette of the FBiH”, nos. 32/00 and 28/03),
5. Law on Default Interest Rate Level on Public Revenues (“Official Gazette of the FBiH”, nos. 48/01, 52/01, 42/06, 28/13, 66/14, 86/15, 34/18, 99/19, 48/21 and 81/23),
6. Law on Companies (“Official Gazette of the FBiH” nos. 81/15 and 75/21),
7. Law on Financial Consolidation of Companies in the FBiH („Official Gazette of the FBiH“, nos. 52/14, 36/18, 54/19 and 94/23),
8. Law on Takeover of Joint Stock Companies („Official Gazette of the FBiH“, number 77/15),
9. Law on Registration of Business Entities in the FBiH (“Official Gazette of the FBiH”, nos. 27/05, 68/05, 43/09, 63/14 and 75/21),
10. Law on Public Enterprises („Official Gazette of the FBiH“, nos. 8/05, 81/08, 22/09 and 109/12),
11. Law on Liquidation Proceedings (“Official Gazette of the FBiH”, number 29/03),
12. Law on Debt, Borrowing and Guarantees in the FBiH („Official Gazette of the FBiH“, nos. 86/07, 24/09 and 44/10),
13. Law on Classification of Economic Activities in the FBiH (“Official Gazette of the FBiH”, nos. 64/07 and 80/11),
14. Law on Classification of Occupations in the FBiH (“Official Gazette of the FBiH”, number 111/12),
15. Law on Securities Market (“Official Gazette of the FBiH”, nos. 85/08, 109/12, 86/15 and 25/17),
16. Law on Securities Registry (“Official Gazette of the FBiH”, nos. 39/98, 36/99 and 33/04),
17. Law on Securities Commission (“Official Gazette of the FBiH” nos. 39/98, 36/99, 33/04 and 6/17),
18. FBiH Labour Law (“Official Gazette of the FBiH”, nos. 26/16, 89/18 and 44/22),
19. Law on Council of Employees (“Official Gazette of the FBiH”, number 38/04),
20. Law on Employing Foreigners (“Official Gazette of the FBiH”, number 111/12),
21. Law on Investments Funds (“Official Gazette of the FBiH”, nos. 85/08 and 25/17),
22. Law on Intermediation in Private Insurance (“Official Gazette of the FBiH”, nos. 22/05, 8/10 and 30/16),
23. Law on the Tax Administration of the Federation of BiH (“Official Gazette of the FBiH”, nos. 33/02, 28/04, 57/09, 40/10, 29/11 and 27/12, 7/13, 71/14, 91/15 and 44/22),
24. Law on Corporate Income Tax (“Official Gazette of the FBiH”, nos. 15/16 and 15/20),
25. Law on Personal Income Tax (“Official Gazette of the FBiH”, nos. 10/08, 9/10, 44/11, 7/13 and 65/13),
26. Law on Contributions (“Official Gazette of the FBiH”, nos. 35/98, 54/00, 16/01, 37/01, 1/02, 17/06, 14/08, 91/15, 106/16, 34/18, 99/19, 4/21 and 6/23),
27. Law on Collection and Partial Write-Off of Past Due Social Insurance Contributions (“Official Gazette of the FBiH”, nos. 25/06 and 57/09),

28. Law on Unified System of Registration, Control and Collection of Contributions ("Official Gazette of the FBiH", nos. 42/09, 109/12, 30/16 and 96/21),
29. Law on Opening Balance Sheet of Enterprises and Banks ("Official Gazette of the FBiH", nos. 12/98, 40/99, 47/06, 38/08 and 65/09),
30. Law on Auditing Privatisation of State-Owned Capital in Companies and Banks ("Official Gazette of the FBiH", number 55/12),
31. Law on the Determination and Realisation of Citizens' Claims in the Privatisation Process ("Official Gazette of the FBiH", nos. 27/97, 8/99, 45/00, 54/00, 7/01, 32/01, 27/02, 57/03, 44/04, 79/07, 65/09, 48/11, 111/12, 86/15, 13/18, 44/20, 103/21 and 81/23),
32. Law on Establishment and Mode of Settlement of the Internal Obligations of the FBiH ("Official Gazette of the FBiH", nos. 66/04, 49/05, 5/06, 35/06, 31/08, 32/09, 65/09, 42/11 and 35/14),
33. Law on Paying Off the Obligations Based on the Old Foreign Exchange Savings Accounts in the FBiH ("Official Gazette of the FBiH", nos. 62/09, 42/11, 91/13, 101/16 and 57/20),
34. Law on Associations and Foundations ("Official Gazette of the FBiH", number 45/02),
35. Law on Expropriation ("Official Gazette of the FBiH", nos. 70/07, 36/10, 25/12 and 34/16),
36. Law on the Cessation of the Application of the Law on Construction ("Official Gazette of the FBiH", nos. 55/02 and 34/07),
37. Law on Construction Land in the FBiH ("Official Gazette of the FBiH", number 67/05),
38. Law on the Temporary Prohibition of Disposal of State Property of the FBiH ("Official Gazette of the FBiH", nos. 20/05, 17/06, 62/06, 40/07, 70/07, 94/07 and 41/08),
39. Freedom of Access to Information Act in the FBiH („Official Gazette of the FBiH“, nos. 32/01 and 48/11),
40. Law on Misdemeanours of the FBiH ("Official Gazette of the FBiH", number 63/14),
41. Law on Notaries ("Official Gazette of the FBiH", number 45/02),
42. Law on Expert Witnesses ("Official Gazette of the FBiH", nos. 49/05 and 38/08),
43. Law on Agencies and Internal Services for Protection of People and Property ("Official Gazette of the FBiH", nos. 78/08 and 67/13),
44. Law on Land Registry of the FBiH ("Official Gazette of the FBiH", nos. 58/02, 19/03, 54/04 and 61/22),
45. Law on Foreign Investments ("Official Gazette of the FBiH", nos. 61/01, 50/03 and 77/15),
46. Law on Mediation Procedure ("Official Gazette of the FBiH", number 49/07),
47. Law on Treasury of the FBiH ("Official Gazette of the FBiH", nos. 26/16, 3/20 and 60/23),
48. Law on the Government of the FBiH („Official Gazette of the FBiH“, nos. 1/94, 8/95, 58/02, 19/03, 2/06 and 8/06),
49. Law on the Federation Prosecutor's Office of the FBiH ("Official Gazette of the FBiH", nos. 42/02 and 19/03),
50. Law on Courts in the FBiH ("Official Gazette of the FBiH", nos. 38/05, 22/06, 63/10, 72/10-correction, 7/13, 52/14 and 75/21),
51. Law on Enforcement Procedure ("Official Gazette of the FBiH", nos. 32/03, 52/03, 33/06, 39/06-correction, 39/09, 74/11, 35/12 and 46/16),
52. Law on Temporary Postponement of Enforcement of Claims Based on Enforceable Decisions against the FBiH Budget ("Official Gazette of the FBiH", nos. 9/04 and 30/04),
53. Law on Administrative Procedure ("Official Gazette of the FBiH", nos. 2/98, 48/99 and 61/22),
54. Law on Administrative Disputes ("Official Gazette of the FBiH", number 9/05),
55. Civil Procedure Code ("Official Gazette of the FBiH", nos. 53/03, 73/05, 19/06 and 98/15),

56. Law on Non-Contentious Procedure („Official Gazette of the FBiH“, nos. 2/98, 39/04, 73/05, 80/14 and 11/21),
57. Criminal Code of the FBiH („Official Gazette of the FBiH“, nos. 36/03, 37/03, 21/04, 69/04, 18/05, 42/10, 42/11, 59/14, 76/14, 46/16 and 75/17),
58. Criminal Procedure Code of the FBiH (“Official Gazette of the FBiH“, nos. 35/03, 37/03, 56/03, 78/04, 28/05, 55/06, 27/07, 53/07, 9/09 and 12/10, 8/13, 59/14 and 74/20),
59. Law on the Execution of Criminal Sanctions in the FBiH ("Official Gazette of the FBiH", nos. 44/98, 42/99, 12/09 and 42/11),
60. Law on Conflict of Interest in Governmental Institutions in the FBiH (“Official Gazette of the FBiH“, number 70/08),
61. Law on the Financial-Intelligence Agency ("Official Gazette of the FBiH", number 80/11),
62. Law on Fiscal Systems ("Official Gazette of the FBiH", number 81/09),
63. Law on Privatisation of Banks (“Official Gazette of the FBiH“, nos. 12/98, 29/00, 37/01 and 33/02),
64. Law on Archival Material of the Federation of BiH (“Official Gazette of the FBiH“, number 45/02),
65. Law on Recognition of Public Documents in the FBiH Territory (“Official Gazette of the FBiH“, number 4/98),
66. Law on Strikes (“Official Gazette of the FBiH“, number 14/00),
67. Law on the Federation Administrative Fees and Tariff of the Federation Administrative Fees (“Official Gazette of the FBiH“, nos. 6/98, 8/00, 45/10, 43/13 and 98/17),
68. Law on Internal Trade (“Official Gazette of the FBiH“, nos. 40/10 and 79/17),
69. Law on Property Rights („Official Gazette of the FBiH“, nos. 66/13 and 100/13),
70. Law on Budgets of the FBiH („Official Gazette of the FBiH“, nos. 102/13, 9/14-correction, 13/14, 8/15, 91/15, 102/15, 104/16, 5/18, 11/19, 99/19 and 25/22),
71. Law on Citizenship of the Federation of BiH („Official Gazette of the FBiH“, number 34/16),
72. Law on Voluntary Pension Funds („Official Gazette of the FBiH“, number 104/16),
73. Law on Financial Operations („Official Gazette of the FBiH“, number 48/16),
74. Law on Salaries and Allowances in Governmental Institutions of the Federation of Bosnia and Herzegovina („Official Gazette of the Federation of BiH“, nos. 45/10, 111/12 and 20/17),
75. Law on Unified Registry of Beneficiaries of Non-Contributory Cash Benefits („Official Gazette of the FBiH“, number 25/17),
76. Law on Insurance („Official Gazette of the FBiH“, nos. 23/17 and 103/21),
77. Law on Development Planning and Development Management in the Federation of Bosnia and Herzegovina („Official Gazette of the FBiH“, number 32/17),
78. Law on Pension and Disability Insurance („Official Gazette of the FBiH“, nos. 13/18, 90/21 and 19/22),
79. Law on Default Interest Rate Level (“Official Gazette of the FBiH“, number 18/20),
80. Law on Deadlines and Proceedings in Court Proceedings during a Natural Disaster on the Territory of the Federation of Bosnia and Herzegovina („Official Gazette of the FBiH“, number 28/20),
81. Law on the Judicial Police in the Federation of Bosnia and Herzegovina („Official Gazette of the FBiH“, number 77/20),
82. Law on Health and Safety at Work („Official Gazette of the FBiH“, number 79/20),
83. Law on the Register of Financial Statements („Official Gazette of the FBiH“, number 7/21),
84. Law on Accounting and Auditing in the Federation BiH („Official Gazette of the FBiH“, number 15/21),

85. Law on Unified Register of Fees and Charges in the Federation BiH („Official Gazette of the FBiH“, number 24/21),
86. Law on Amicable Resolution of Employment Disputes („Official Gazette of the FBiH“, number 49/21),
87. Law on Bankruptcy („Official Gazette of the FBiH“, number 53/21),
88. Law on Crafts and Related Activities in the FBiH („Official Gazette of the FBiH“, number 75/21),
89. Law on the Use of Renewable Energy Sources and Efficient Cogeneration („Official Gazette of the FBiH“, number 82/23).

IV OTHER LAWS IN BiH RELEVANT TO OPERATION AND SUPERVISION OF OPERATIONS OF BSEs

1. Law on the Central Bank of BiH (“Official Gazette of BiH”, nos. 1/97, 29/02, 8/03, 13/03, 14/03, 9/05, 76/06 and 32/07),
2. Law on Consumer Protection in BiH („Official Gazette of BiH“, number 25/06),
3. Law on Market Surveillance in BiH (“Official Gazette of BiH”, nos. 45/04, 44/07 and 102/09),
4. Law on Competition („Official Gazette of BiH“, nos. 48/05, 76/07 and 80/09),
5. Law on Foreign Direct Investment Policy in BiH (“Official Gazette of BiH“, nos. 4/98, 17/98, 13/03 and 48/10),
6. Law on Protection of Personal Data („Official Gazette of BiH“, nos. 49/06, 76/11 and 89/11-correction),
7. Law on Protection of Secret Data („Official Gazette of BiH“, nos. 54/05 and 12/09),
8. Law on Electronic Signature („Official Gazette of BiH“, number 91/06),
9. Decision on the Basics of Using the Electronic Signature and Offering Services of Certification („Official Gazette of BiH“, number 21/09),
10. Law on Classification of Economic Activities in BiH („Official Gazette of BiH“, nos. 76/06, 100/08 and 32/10),
11. Law on Civil Service in the Institutions of BiH ("Official Gazette of BiH", nos. 12/02, 19/02, 8/03, 35/03, 4/04, 17/04, 26/04, 37/04, 48/05, 2/06, 32/07, 43/09, 8/10, 40/12 and 93/17),
12. BiH Institutions’ Labour Law ("Official Gazette of BiH", nos. 26/04, 7/05, 48/05, 60/10, 32/13, 93/17 and 88/23),
13. Law on Borrowing, Debt and Guarantees of Bosnia and Herzegovina („Official Gazette of BiH“, nos. 52/05, 103/09 and 90/16),
14. Law on Paying Off the Obligations Based on the Old Foreign Exchange Savings Accounts („Official Gazette of BiH“, nos. 28/06, 76/06, 72/07, 97/11 and 100/13),
15. Law on Accounting and Auditing of BiH (“Official Gazette of BiH“, number 42/04),
16. Law on Establishment and Mode of Settlement of the Internal Debt of BiH (“Official Gazette of BiH“, number 44/04),
17. Framework Law on Pledges (“Official Gazette of BiH“, nos. 28/04 and 54/04),
18. Law on Value-Added Tax (“Official Gazette of BiH“, nos. 9/05, 35/05, 100/08, 33/17 and 46/23),
19. Law on Public Procurement of BiH („Official Gazette of BiH“, nos. 39/14 and 59/22),
20. Law on Customs Tariff (“Official Gazette of BiH“, number 58/12),
21. Law on Customs Offences of BiH (“Official Gazette of BiH“, number 88/05),
22. Law on Patent (“Official Gazette of BiH“, number 53/10),
23. Law on Personal Identification Number (“Official Gazette of BiH“, nos. 32/01, 63/08 and 103/11),

24. Law on Associations and Foundations of BiH ("Official Gazette of BiH", nos. 32/01, 42/03, 63/08, 76/11 and 94/16),
25. Law on Ministries and Other Bodies of Administration of BiH ("Official Gazette of BiH", nos. 5/03, 42/03, 26/04, 42/04, 45/06, 88/07, 35/09, 59/09, 103/09, 87/12, 6/13, 19/16 and 83/17),
26. Law on the Temporary Prohibition of Disposal of State Property of BiH ("Official Gazette of BiH", nos. 18/05, 29/06, 85/06, 32/07, 41/07, 74/07, 99/07 and 58/08),
27. Law on the Use and Protection of the Name of BiH ("Official Gazette of BiH", nos. 30/03, 42/04, 50/08 and 76/11),
28. Law on Fiscal Council in BiH („Official Gazette of BiH“, number 63/08),
29. Law on Treasury of the Institutions of BiH ("Official Gazette of BiH", nos. 27/00 and 50/08),
30. Law on Payments to the Single Account and Distribution of Revenues ("Official Gazette of BiH", nos. 55/04, 34/07, 49/09 and 91/17),
31. Law on the Indirect Taxation System in Bosnia and Herzegovina ("Official Gazette of BiH", nos. 44/03, 52/04, 34/07, 4/08, 49/09, 32/13 and 91/17),
32. Law on Mediation Procedure ("Official Gazette of BiH", number 37/04),
33. Law on Transfer of Mediation Affairs to the Association of Mediators ("Official Gazette of BiH", number 52/05),
34. Law on Excise Duties in Bosnia and Herzegovina ("Official Gazette of BiH", nos. 49/09, 49/14, 60/14, 91/17 and 50/22),
35. Law on Enforced Collection of Indirect Taxes ("Official Gazette of BiH", nos. 89/05 and 62/11),
36. Law on Misdemeanours ("Official Gazette of BiH", nos. 41/07, 18/12, 36/14, 81/15 and 65/20),
37. Law on the Court of BiH ("Official Gazette of BiH", nos. 49/09-consolidated text, 74/09-correction and 97/09),
38. Law on the High Judicial and Prosecutorial Council of BiH ("Official Gazette of BiH", nos. 35/02, 39/03, 42/03, 10/04, 25/04, 93/05, 32/07, 48/07 and 63/23),
39. Law on the Prosecutor's Office of BiH ("Official Gazette of BiH", nos. 49/09-consolidated text and 97/09),
40. Law on Administrative Procedure ("Official Gazette of BiH", nos. 29/02, 12/04, 88/07, 93/09, 41/13 and 53/16),
41. Law on Administrative Disputes of BiH ("Official Gazette of BiH", nos. 19/02, 88/07, 83/08 and 74/10),
42. Law on Civil Procedure Before the Court of BiH ("Official Gazette of BiH", nos. 36/04, 84/07, 58/13, 94/16 and 34/21),
43. Law on the Human Rights Ombudsman of Bosnia and Herzegovina ("Official Gazette of BiH", nos. 32/00, 19/02, 35/04, 32/06, 38/06 and 61/23),
44. Law on Enforcement Procedure Before the Court of BiH ("Official Gazette of BiH", number 18/03),
45. Law on Administration ("Official Gazette of BiH", nos. 32/02, 102/09 and 72/17),
46. Law on Temporary Postponement of Enforcement of Claims Based on Enforceable Decisions against the Budget of the Institutions of BiH and International Obligations of BiH ("Official Gazette of BiH", nos. 43/03 and 43/04),
47. Criminal Code of BiH ("Official Gazette of BiH", nos. 3/03, 32/03, 37/03, 54/04, 61/04, 30/05, 53/06, 55/06, 32/07, 8/10, 47/14 and 35/18),

48. Criminal Procedure Code of BiH ("Official Gazette of BiH", nos. 3/03, 32/03, 36/03, 26/04, 63/04, 13/05, 48/05, 46/06, 76/06, 29/07, 32/07, 53/07, 76/07, 15/08, 58/08, 12/09, 16/09, 93/09, 72/13 and 65/18),
49. Law on Conflict of Interest in Governmental Institutions of BiH ("Official Gazette of BiH", nos. 13/02, 16/02, 14/03, 12/04, 63/08, 18/12, 87/13 and 41/16),
50. Law on Archival Material and Archive of BiH ("Official Gazette of BiH", number 16/01),
51. Law on Free Legal Assistance ("Official Gazette of BiH", number 83/16),
52. Law on Prohibition of Discrimination („Official Gazette of BiH“, nos. 59/09 and 66/16),
53. Law on Strikes of Employees in the Institutions of BiH („Official Gazette of BiH“, number 41/16),
54. Law on the Execution of Criminal Sanctions, Detention and Other Measures („Official Gazette of BiH“, number 22/16-consolidated text),
55. Law on Citizenship of BiH („Official Gazette of BiH“, number 22/16-consolidated text),
56. Law on Salaries and Allowances in the Institutions of BiH („Official Gazette of BiH“, nos. 50/08, 35/09, 75/09, 32/12, 42/12, 50/12, 32/13, 87/13, 75/15, 88/15, 16/16, 94/16, 72/17, 25/18, 32/20, 65/20 and 59/22),
57. Law on Asylum („Official Gazette of BiH“, number 11/16),
58. Freedom of Access to Information Act at the Level of the Institutions of Bosnia and Herzegovina („Official Gazette of BiH“, number 61/23).

ANNEXES FOR BANKING SECTOR

Annex 2 - Key Information on FBiH Banks - 31.12.2023

Seq. no.	Bank	Web address	Management Chairperson	Number of employees
1.	Addiko Bank d.d. Sarajevo	www.addiko.ba	Jasmin Spahić	350
2.	ASA BANKA DIONIČKO DRUŠTVO SARAJEVO	www.asabanka.ba	Samir Mustafić	674
3.	"BOSNA BANK INTERNATIONAL" - d.d. Sarajevo	www.bbi.ba	Alek Bakalović	422
4.	INTESA SANPAOLO BANKA d.d. BOSNA I HERCEGOVINA	www.intesasanpaolobanka.ba	Marco Trevisan	566
5.	KOMERCIJALNO-INVESTICIONA BANKA D.D. VELIKA KLADUŠA	www.kib-banka.com.ba	Hasan Porčić	83
6.	NLB Banka d.d., Sarajevo	www.nlb.ba	Lidija Žigić	478
7.	PRIVREDNA BANKA SARAJEVO d.d. SARAJEVO	www.pbs.ba	Hamid Pršeš	196
8.	ProCredit Bank d.d. Sarajevo	www.procreditbank.ba	Amir Salkanović	206
9.	RAIFFEISEN BANK DIONIČARSKO DRUŠTVO BOSNA I HERCEGOVINA	www.raiffeisenbank.ba	Rainer Schnabl	1,382
10.	Sparkasse Bank dd Bosna i Hercegovina	www.sparkasse.ba	Amir Softić	504
11.	UniCredit Bank d.d.	www.unicreditbank.ba	Amina Mahmutović	1,157
12.	UNION BANKA DD SARAJEVO	www.unionbank.ba	Vedran Hadžiahmetović	208
13.	ZiraatBank BH d.d.	www.ziraatbank.ba	Bülent Suer	338
TOTAL				6,564

Note: The above names of the banks are from the decisions on their registration in the court registers.

Annex 3 - FBiH Banks' Balance Sheet According to FBA's Scheme (Active Sub-Balance Sheet) -
31.12.2023

- BAM 000s -

Seq. no.	Description	31.12.2022	%	31.12.2023	%	Index (5/3)
1	2	3	4	5	6	7
ASSETS						
1.	Cash and deposit accounts with depository institutions	8,240,642	30.3	8,590,540	29.6	104
	1.a. Cash and non-interest bearing deposit accounts	4,033,051	14.8	3,949,678	13.6	98
	1.b. Interest-bearing deposit accounts	4,207,591	15.5	4,640,862	16.0	110
2.	Securities at fair value through profit or loss and at fair value in other comprehensive income	1,395,556	5.2	1,238,605	4.3	89
3.	Placements to other banks	530,298	2.0	373,157	1.3	70
4.	Loans, receivables from leasing operations and past due receivables	16,513,007	60.7	17,476,046	60.2	106
	4.a. Loans	15,888,358	58.4	16,978,994	58.5	107
	4.b. Receivables from leasing operations	39,234	0.1	0	0	0
	4.c. Due receivables from loans and leasing operations	585,415	2.2	497,052	1.7	85
5.	Securities at amortised cost	633,268	2.3	1,262,270	4.3	199
6.	Business premises and other fixed assets	524,828	1.9	552,766	1.9	105
7.	Other real estate	23,329	0.1	18,914	0.1	81
8.	Investments in subsidiaries and associates	11,659	0.0	11,659	0.0	100
9.	Other assets	376,559	1.4	481,821	1.7	128
10.	MINUS: Impairments	1,049,863	3.9	980,193	3.4	93
	10.a. Impairments of items from line item 4 of Assets	995,285	3.7	909,767	3.1	91
	10.b. Impairments of Assets line item, excluding line item 4 of Assets	54,578	0.2	70,426	0.3	129
11.	TOTAL ASSETS	27,199,283	100	29,025,585	100	107
LIABILITIES						
12.	Deposits	22,443,589	82.5	23,899,670	82.3	106
	12.a. Interest-bearing deposits	14,021,071	51.5	14,903,386	51.3	106
	12.b. Non-interest bearing deposits	8,422,518	31.0	8,996,284	31.0	107
13.	Borrowings - due liabilities	150	0.0	150	0.0	100
	13.a. Balance of overdue liabilities	0	0.0	0	0.0	-
	13.b. Balance of not settled, called for payment off-balance sheet liabilities	150	0.0	150	0.0	100
14.	Borrowings from other banks	0	0.0	0	0.0	-
15.	Liabilities to government	0	0.0	0	0.0	-
16.	Liabilities under loans and other borrowings	520,335	1.9	461,138	1.6	89
	16.a. with residual maturity of up to one year	128,356	0.5	132,252	0.5	103
	16.b. with residual maturity of over one year	391,979	1.4	328,886	1.1	84
17.	Subordinated debts and subordinated bonds	303,155	1.1	274,932	0.9	91
18.	Other liabilities	694,723	2.6	811,877	2.9	117
19.	TOTAL LIABILITIES	23,961,952	88.1	25,447,767	87.7	106
CAPITAL						
20.	Permanent priority shares	343	0.0	343	0.0	100
21.	Ordinary shares	1,562,046	5.7	1,582,046	5.5	101
22.	Issue premiums	137,327	0.5	109,554	0.4	80
	22.a. on permanent priority shares	88	0.0	88	0.0	100
	22.b. on ordinary shares	137,239	0.5	109,466	0.4	80
23.	Undistributed profit and capital reserves	1,190,912	4.4	1,369,334	4.6	115
24.	Exchange rate differences	0	0.0	0	0.0	-
25.	Other capital	346,703	1.3	516,541	1.8	149

26.	Loan loss reserves created from profits	0	0.0	0	0.0	-
27.	TOTAL CAPITAL: (20 to 25)	3,237,331	11.9	3,577,818	12.3	111
28.	TOTAL LIABILITIES AND CAPITAL: (19+27)	27,199,283	100	29,025,585	100	107
PASSIVE AND NEUTRAL SUB-BALANCE SHEET		717,415		715,086		100
TOTAL		27,916,698		29,740,671		107

Annex 4 - Overview of Assets, Loans, Deposits and Financial Performance of FBiH Banks - 31.12.2023

- BAM 000s -

Seq. no.	Banka	Assets		Loans		Deposits		Financial performance
		Amount	%	Amount	%	Amount	%	Amount
1.	Addiko Bank d.d. Sarajevo	1,120,293	3.9	578,441	3.3	902,815	3.8	16,669
2.	ASA BANKA DIONIČKO DRUŠTVO SARAJEVO	3,031,409	10.4	1,855,139	10.6	2,615,241	10.9	46,005
3.	"BOSNA BANK INTERNATIONAL" - d.d. Sarajevo	1,546,523	5.3	987,806	5.7	1,315,804	5.5	23,349
4.	INTESA SANPAOLO BANKA d.d. BOSNA I HERCEGOVINA	2,620,819	9.0	1,767,967	10.1	2,039,693	8.5	27,450
5.	KOMERCIJALNO-INVESTICIONA BANKA D.D. VELIKA KLADUŠA	128,572	0.4	55,100	0.3	94,968	0.4	1,758
6.	NLB Banka d.d., Sarajevo	1,792,923	6.2	1,159,726	6.6	1,464,320	6.1	24,910
7.	PRIVREDNA BANKA SARAJEVO d.d. SARAJEVO	635,321	2.2	378,531	2.2	521,310	2.2	10,742
8.	ProCredit Bank d.d. Sarajevo	921,419	3.2	582,617	3.3	724,096	3.0	10,699
9.	RAIFFEISEN BANK DIONIČARSKO DRUŠTVO BOSNA I HERCEGOVINA	5,212,766	18.0	2,950,678	16.9	4,311,960	18.0	121,960
10.	Sparkasse Bank dd Bosna i Hercegovina	2,265,886	7.8	1,507,397	8.6	1,887,309	7.9	32,671
11.	UniCredit Bank d.d.	7,205,726	24.8	4,115,986	23.6	5,996,128	25.1	161,990
12.	UNION BANKA DD SARAJEVO	1,114,891	3.8	506,502	2.9	950,644	4.0	5,350
13.	ZiraatBank BH d.d.	1,429,037	4.9	1,030,156	5.9	1,075,382	4.5	32,988
TOTAL		29,025,585	100	17,476,046	100	23,899,670	100	516,541

Annex 5 - Sectoral Structure of Loans in FBiH and ECL - 31.12.2023

- BAM 000s -

Description	Stage 1	Stage 2	Stage 3	Total gross loans by stage	Stage 1 ECL	Stage 2 ECL	Stage 3 ECL	Total ECL
1	2	3	4	5	6	7	8	9
1. Total corporate loans (1.1 to 1.21)	7,458,567	954,625	349,575	8,762,767	93,177	107,019	290,869	491,065
1.1. A Agriculture, forestry and fishing	96,827	16,625	29,746	143,198	1,209	1,852	22,258	25,319
1.2. B Mining and quarrying	53,622	42,517	391	96,530	725	4,495	212	5,432
1.3. C Manufacturing	1,738,507	244,487	110,910	2,093,904	23,978	28,865	86,292	139,135
1.4. D Production and supply of electricity, gas, steam and air conditioning	218,586	31,455	3,298	253,339	2,479	3,404	3,293	9,176
1.5. E Water supply, sewerage, waste management and remediation activities	45,035	2,877	10,120	58,032	425	515	8,047	8,987
1.6. F Construction	592,268	63,594	12,174	668,036	6,811	5,618	11,414	23,843
1.7. G Wholesale and retail trade; repair of motor vehicles and motorcycles	2,697,252	292,908	106,780	3,096,940	27,682	29,687	95,749	153,118
1.8. H Transportation and storage	303,742	61,204	14,610	379,556	3,557	5,999	12,312	21,868
1.9. I Accommodation and food service activities (hotel and hospitality industry)	132,157	52,081	32,111	216,349	1,559	7,573	29,251	38,383
1.10. J Information and communication	157,726	10,782	5,978	174,486	1,792	1,020	3,663	6,475
1.11. K Financial and insurance activities	589,171	8,182	100	597,453	11,462	346	100	11,908
1.12. L Real estate activities	140,959	39,746	5,937	186,642	1,747	11,450	3,807	17,004
1.13. M Professional, scientific and technical activities	175,933	34,860	11,803	222,596	2,448	2,653	9,946	15,047
1.14. N Administrative and support service activities	56,031	7,190	2,732	65,953	749	475	2,138	3,362
1.15. O Public administration and defence; compulsory social security	342,945	14,203	0	357,148	4,358	856	0	5,214
1.16. P Education	18,432	838	309	19,579	166	59	277	502
1.17. Q Human health and social work activities	64,723	2,113	1,280	68,116	1,571	215	854	2,640
1.18. R Arts, entertainment and recreation	8,241	28,084	62	36,387	85	1,881	62	2,028
1.19. S Other service activities	26,402	879	1,234	28,515	374	56	1,194	1,624
1.20. T Activities of households as employers; undifferentiated goods – and services – producing activities of households for own use	0	0	0	0	0	0	0	0
1.21. U Activities of extraterritorial organisations and bodies	7	0	0	7	0	0	0	0
2. Total retail (2.1+2.2+2.3)	7,802,519	582,534	328,226	8,713,279	79,520	63,195	275,987	418,702
2.1. General consumption	6,028,679	503,806	307,655	6,840,140	63,574	55,756	261,613	380,943
2.2. Residential construction	1,691,243	73,642	16,885	1,781,770	14,149	6,961	11,207	32,317

2.3. Pursuit of activities (craftsmen)	82,597	5,086	3,686	91,369	1,797	478	3,167	5,442
3. Total loans (1+2)	15,261,086	1,537,159	677,801	17,476,046	172,697	170,214	566,856	909,767

Annex 6 - FBiH Banks' Income Statement According to FBA's Scheme - 31.12.2023

- BAM 000s -

Seq. no.	Description	01.01. - 31.12.2022	%	01.01. - 31.12.2023	%	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 depository institutions	7,079	0.6	76,361	5.1	1079
2)	Placements to other banks	5,189	0.4	29,973	2.0	578
3)	Loans and leasing operations	592,182	49.8	710,891	47.9	120
4)	Securities held to maturity	5,252	0.4	17,945	1.2	342
5)	Equity securities	0	0.0	0	0.0	-
6)	Receivables from paid off-balance sheet liabilities	5	0.0	2	0.0	40
7)	Other interest income and similar income	63,821	5.4	80,287	5.4	126
8)	TOTAL INTEREST INCOME AND SIMILAR INCOME	673,528	56.6	915,459	61.6	136
1)	Deposits	52,226	4.4	65,289	4.4	125
2)	Borrowings from other banks	0	0.0	0	0.0	-
3)	Borrowings - due liabilities	0	0.0	0	0.0	-
4)	Liabilities under loans and other borrowings	5,709	0.5	9,888	0.7	173
5)	Subordinated debts and subordinated bonds	7,048	0.6	9,317	0.6	132
6)	Other interest expenses and similar expenses	27,903	2.3	3,583	0.2	13
7)	TOTAL INTEREST EXPENSES AND SIMILAR EXPENSES	92,886	7.8	88,077	5.9	95
c)	NET INTEREST AND SIMILAR INCOME	580,642	48.8	827,382	55.7	142
2.	OPERATING INCOME					
a)	Income from foreign exchange operations	91,598	7.7	89,054	6.0	97
b)	Loan fees	10,572	0.9	12,270	0.8	116
c)	Off-balance sheet operation fees	23,109	1.9	27,012	1.8	117
d)	Service fees	397,530	33.4	442,881	29.8	111
e)	Income from trading operations	170	0.0	68	0.0	40
f)	Other operating income	86,400	7.3	87,023	5.9	101
g)	TOTAL OPERATING INCOME a) through f)	609,379	51.2	658,308	44.3	108
	TOTAL INCOME (1c+2g)	1,190,021	100	1,485,690	100	125
3.	NON-INTEREST EXPENSES					
a)	Operating and direct expenses					
1)	Costs of impairments of assets at risk, provisions for contingent liabilities and other value adjustments	79,112	6.6	72,040	4.8	91
2)	Other operating and direct costs	170,082	14.3	213,733	14.4	126
3)	TOTAL OPERATING AND DIRECT EXPENSES 1)+2)	249,194	20.9	285,773	19.2	115
b)	Operating expenses					
1)	Salary and contribution costs	262,807	22.1	299,156	20.2	114
2)	Business premises, other fixed assets and overhead costs	162,529	13.7	181,482	12.2	112
3)	Other operating costs	119,684	10.0	162,481	10.9	136
4)	TOTAL OPERATING EXPENSES 1) through 3)	545,020	45.8	643,119	43.3	118
c)	TOTAL NON-INTEREST EXPENSES	794,214	66.7	928,892	62.5	117
	TOTAL EXPENSES (1b7+3c)	887,100		1,016,969		115
4.	PROFIT BEFORE TAX	395,807	33.3	556,798	37.5	141
5.	LOSS	0	0.0	0	0.0	-

6.	TAXES	37,919	3.2	52,078	3.5	137
7.	PROFIT ON INCREASE IN DEFERRED TAX ASSETS AND DECREASE IN DEFERRED TAX LIABILITIES	5,081	0.4	12,002	0.8	236
8.	LOSS ON DECREASE IN DEFERRED TAX ASSETS AND INCREASE IN DEFERRED TAX LIABILITIES	1,588	0.1	181	0.0	11
9.	NET PROFIT	361,381	30.4	516,541	34.8	143
10.	NET LOSS	0	0.0	0	0.0	-
11.	FINANCIAL PERFORMANCE (9-10)	361,381		516,541		143

Annex 7 - Average Weighted NIR and EIR on Loans and Deposits by Period

Average Weighted NIR and EIR on Loans by Period

- % -

Seq. no.	Description	31.12.2019		31.12.2020		31.12.2021		31.12.2022		31.12.2023	
		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	2.32	2.67	2.25	2.53	2.12	2.45	2.01	2.30	2.12	2.34
1.1.	Corporate	2.27	2.55	2.20	2.41	2.08	2.33	1.96	2.18	1.95	2.14
1.2.	Retail	7.48	14.02	8.35	15.27	8.56	14.73	7.68	13.41	7.59	12.24
1.3.	Other	2.41	2.95	2.34	3.34	1.87	2.79	2.74	4.01	4.66	5.24
2.	Weighted interest rates on long-term loans	4.58	5.49	4.47	5.31	4.36	5.18	4.14	4.94	4.50	5.40
2.1.	Corporate	3.41	3.67	3.54	3.79	3.38	3.63	3.33	3.54	3.61	3.88
2.2.	Retail	5.38	6.74	5.45	6.88	5.12	6.38	4.79	6.07	5.08	6.45
2.3.	Other	3.44	3.62	3.20	3.37	3.14	3.31	3.17	3.28	4.37	4.63
3.	Total weighted interest rates	3.27	3.86	3.16	3.67	3.21	3.78	3.05	3.59	3.12	3.63
3.1.	Corporate	2.53	2.81	2.54	2.76	2.45	2.71	2.35	2.57	2.33	2.53
3.2.	Retail	5.42	6.89	5.50	7.04	5.17	6.50	4.82	6.16	5.11	6.52
3.3.	Other	2.67	3.12	2.72	3.35	2.31	2.97	2.96	3.63	4.54	4.98

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

Average Weighted NIR and EIR on Deposits by Period

- % -

Seq. no.	Description	31.12.2019		31.12.2020		31.12.2021		31.12.2022		31.12.2023	
		NIR	EIR	NIR	EIR	NIR	EIR	NIR	EIR	NIR	EIR
1	2	3	4	5	6	7	8	9	10	11	12
1.	Weighted interest rates on short-term deposits	0.34	0.33	0.35	0.34	0.21	0.21	0.41	0.41	1.19	1.19
1.1.	Corporate	0.63	0.61	0.49	0.49	0.45	0.45	0.35	0.35	0.88	0.89
1.2.	Retail	0.38	0.38	0.40	0.40	0.17	0.17	0.12	0.12	0.43	0.43
1.3.	Other	0.29	0.29	0.31	0.30	0.17	0.17	0.49	0.49	1.51	1.52
2.	Weighted interest rates on long-term deposits	1.24	1.19	1.04	1.05	0.74	0.75	0.61	0.62	0.97	0.97

2.1.	Corporate	1.33	1.33	1.19	1.20	0.94	0.94	0.72	0.72	1.69	1.69
2.2.	Retail	1.25	1.17	1.00	1.01	0.69	0.70	0.63	0.63	0.79	0.79
2.3.	Other	1.05	1.06	1.01	1.03	0.64	0.68	0.41	0.42	1.40	1.44
3.	Total weighted interest rates	0.78	0.75	0.70	0.70	0.48	0.48	0.50	0.51	1.03	1.03
3.1.	Corporate	1.13	1.13	0.90	0.90	0.75	0.75	0.56	0.56	1.35	1.35
3.2.	Retail	1.10	1.04	0.89	0.90	0.59	0.59	0.50	0.51	0.76	0.76
3.3.	Other	0.43	0.42	0.43	0.44	0.25	0.26	0.47	0.48	1.48	1.50

Note: Line items 1.3, 2.3 and 3.3 - Other include deposits from government and government institutions, deposits from banks and other financial institutions and other deposits.

ANNEXES FOR MICROCREDIT SECTOR

Annex 8 - Key Information on FBiH MCOs - 31.12.2023

Seq. no.	MCO name	Web address	Director	Number of employees
1.	MCC - Mikrokreditno društvo CREDO CENTAR društvo sa ograničenom odgovornošću Mostar	www.credo-centar.ba	Bernard Stojanović	18
2.	MCC - Mikrokreditno društvo EKI d.o.o. Sarajevo	www.eki.ba	Mirsad Simičić	189
3.	MCF - Mikrokreditna fondacija "EKI"	www.eki.ba	Esad Uzunić	214
4.	MCC - Mikrokreditno društvo IuteCredit BH d.o.o. Sarajevo	www.iutecredit.ba	Melika Hadžijamaković – Salihović	13
5.	MCF - Mikrokreditna fondacija "LIDER"	www.lider.ba	Džavid Sejfović	68
6.	MCF - Mikrokreditna fondacija "LOK" Sarajevo	www.lok.ba	Elma Čardaklija – Bašić	51
7.	MCF - Mikrokreditna fondacija "MI-BOSPO" Tuzla	www.mi-bospo.org	Safet Husić	211
8.	MCF - Mikrokreditna fondacija "MIKRA"	www.mikra.ba	Sanin Čampara	171
9.	MCF - Mikrokreditna fondacija "MIKRO ALDI"	www.mikroaldi.org	Omar Softić	34
10.	MCF - „PARTNER MIKROKREDITNA FONDACIJA“	www.partner.ba	Senad Sinanović	258
11.	MCF - "PRVA ISLAMSKA MIKROKREDITNA FONDACIJA"	www.mfi.ba	Edina Hadžimurtezić	8
12.	MCF - Mikrokreditna fondacija "SUNRISE"	www.microsunrise.ba	Samir Bajrović	162
13.	MCC - Mikrokreditno društvo „PARTNER“ društvo sa ograničenom odgovornošću Tuzla	www.partner.ba	Edisa Sijerčić	52
TOTAL				1,449

Note: The above names of the MCFs are from the decisions on their registration in the register with the Federation Ministry of Justice of the FBiH, while the names of the MCCs are from the decisions on their registration in the court registers.

Annex 9 - MCFs' Aggregate Balance Sheet - 31.12.2023

- BAM 000s -

Seq. no.	Description	31.12.2022	%	31.12.2023	%	Index (5/3)
1	2	3	4	5	6	7
ASSETS						
1.	Cash (1a+1b)	43,803	8.0	31,162	5.2	71
1a)	Cash and non-interest bearing deposit accounts	33,342	6.1	24,637	4.1	74
1b)	Interest-bearing deposit accounts	10,461	1.9	6,525	1.1	62
2.	Placements to banks	182	0.0	0	0.0	0
3.	Loans	440,182	79.9	474,936	79.1	108
3a)	Loan loss reserves	2,954	0.5	3,012	0.5	102
3b)	Net loans (3-3a)	437,228	79.4	471,924	78.6	108
4.	Tangible and intangible assets, net	24,706	4.5	22,466	3.7	91
5.	Long-term investments	34,388	6.2	65,379	10.9	190
6.	Other assets	10,250	1.9	9,300	1.6	91
7.	Minus: reserves on other asset items, excluding loans	0	0.0	0	0.0	-
8.	TOTAL ASSETS	550,557	100	600,231	100	109
LIABILITIES						
9a)	Liabilities under short-term loans taken	12,292	2.2	16,046	2.7	131
9b)	Liabilities under long-term loans taken	215,159	39.1	234,273	39.0	109
9c)	Due interest liabilities	1,212	0.2	1,394	0.2	115
10.	Other liabilities	26,719	4.9	27,939	4.7	105
11.	TOTAL LIABILITIES	255,382	46.4	279,652	46.6	110
12.	Donated capital	48,098	8.7	48,098	8.0	100
13.	Tier 1 capital	3,696	0.6	3,626	0.6	98
14.	Surplus of income over expenses	297,890	54.1	322,424	53.7	108
14a)	for previous years	283,948	51.6	296,903	49.5	105
14b)	for current year	13,942	2.5	25,521	4.2	183
15.	Shortfall of income over expenses	55,474	10.1	54,412	9.1	98
15a)	for previous years	55,078	10.0	54,346	9.1	99
15b)	for current year	396	0.1	66	0.0	17
16.	Other reserves	965	0.2	843	0.2	87
17.	TOTAL CAPITAL	295,175	53.6	320,579	53.4	109
18.	TOTAL LIABILITIES	550,557	100	600,231	100	109

OFF-BALANCE SHEET RECORDS					
19.	Written-off loans	135,466		131,711	97
20.	Approved, but undrawn loan funds of creditors	9,970		8,621	86
21.	On-lending activities	209		0	0
22.	Lawsuits, competent authorities' decisions that are contingent liability for MCO, but have not yet been posted in balance sheet records, etc.	400		203	51
23.	Other (all other off-balance sheet items not covered above)	35,603		46,732	131

Annex 10 - MCCs' Aggregate Balance Sheet - 31.12.2023

- BAM 000s -

Seq. no.	Description	31.12.2022	%	31.12.2023	%	Index (5/3)
1	2	3	4	5	6	
ASSETS						
1.	Cash (1a+1b)	10,602	5.9	17,716	7.8	167
1a)	Cash and non-interest bearing deposit accounts	10,352	5.8	12,466	5.5	120
1b)	Interest-bearing deposit accounts	250	0.1	5,250	2.3	2100
2.	Placements to banks	0	0.0	0	0.0	-
3.	Loans	165,440	92.8	204,121	89.8	123
3a)	Loan loss reserves	4,213	2.4	3,034	1.3	72
3b)	Net loans (3-3a)	161,227	90.4	201,087	88.5	125
4.	Tangible and intangible assets	5,026	2.8	6,652	2.9	132
5.	Long-term investments	0	0.0	0	0.0	-
6.	Other assets	1,498	0.9	1,704	0.8	114
7.	Minus: provisions for other asset items, excluding loans	0	0.0	1	0.0	-
8.	TOTAL ASSETS	178,353	100	227,158	100	127
LIABILITIES						
9a)	Liabilities under short-term loans taken	7,856	4.4	6,380	2.8	81
9b)	Liabilities under long-term loans taken	100,616	56.4	124,622	54.9	124
9c)	Due interest liabilities	1,130	0.6	1,344	0.6	119
10.	Other liabilities	10,805	6.1	9,997	4.4	93
11.	TOTAL LIABILITIES	120,407	67.5	142,343	62.7	118
12.	Donated capital	0	0.0	0	0.0	-
13.	Tier 1 capital	34,177	19.2	65,711	28.9	192
14.	Issue premiums	0	0.0	0	0.0	-
15.	Undistributed profits (15a+15b)	10,191	5.7	10,713	4.7	105
15a)	from previous years	10,348	5.8	6,479	2.8	63
15b)	from current year	-157	-0.1	4,234	1.9	-2697
16.	Statutory reserves	5,569	3.1	6,586	2.9	118
17.	Other reserves	8,009	4.5	1,805	0.8	23
18.	TOTAL CAPITAL	57,946	32.5	84,815	37.3	146
19.	TOTAL LIABILITIES	178,353	100	227,158	100	127
OFF-BALANCE SHEET RECORDS						
20.	Written-off loans	13,282		17,383		131

21.	Approved, but undrawn loan funds of creditors	7,367		10,401		141
22.	On-lending activities	0		0		-
23.	Lawsuits, competent authorities' decisions that are contingent liability for MCO, but have not yet been posted in balance sheet records, etc.	0		0		-
24.	Other (all other off-balance sheet items not covered above)	15,490		30,479		197

Annex 11 - Overview of FBiH MCOs' Key Indicators - 31.12.2023

- BAM 000s -

Seq. no.	MCO name	Amount of assets	Amount of gross portfolio minus deferred fee income	Financial performance	Placements
1.	MCC - Mikrokreditno društvo CREDO CENTAR društvo sa ograničenom odgovornošću Mostar	4,832	4,595	380	4,225
2.	MCC - Mikrokreditno društvo EKI d.o.o. Sarajevo	171,851	159,122	5,970	110,210
3.	MCF - Mikrokreditna fondacija "EKI"	125,365	79,459	12,431	85,519
4.	MCC - Mikrokreditno društvo luteCredit BH d.o.o. Sarajevo	4,240	3,339	-1,228	14
5.	MCF - Mikrokreditna fondacija "LIDER"	29,459	28,792	377	26,030
6.	MCF - Mikrokreditna fondacija "LOK" Sarajevo	6,383	4,832	10	4,961
7.	MCF - Mikrokreditna fondacija "MI-BOSPO" Tuzla	101,360	89,468	2,613	90,623
8.	MCF - Mikrokreditna fondacija "MIKRA"	70,254	60,695	893	62,302
9.	MCF - Mikrokreditna fondacija "MIKRO ALDI"	9,315	8,356	199	8,402
10.	MCF - „PARTNER MIKROKREDITNA FONDACIJA“	193,463	146,518	6,558	133,064
11.	MCF - "PRVA ISLAMSKA MIKROKREDITNA FONDACIJA"	2,471	2,161	-66	2,936
12.	MCF - Mikrokreditna fondacija "SUNRISE"	62,161	53,079	2,318	64,316
13.	MCC - Mikrokreditno društvo „PARTNER“ društvo sa ograničenom odgovornošću Tuzla	46,235	35,403	-888	28,859
TOTAL		827,389	675,819	29,567	621,461

Annex 12 - Overview of Average Weighted NIR and EIR for MCOs - 31.12.2023

Seq. no.	Description	MCOs headquartered in FBiH for 01.01. - 31.12.2023 period			
		Number of concluded contracts	Microloan disbursements (in BAM 000s)	NIR %	EIR %
1	2	3		4	5
1.	Short-term microloans for:	38,578	55,941	20.85	28.10
1.1.	Service activities	228	1,431	13.58	16.40
1.2.	Trade	89	718	14.75	19.66
1.3.	Agriculture	8,313	12,126	20.68	26.73
1.4.	Manufacture	46	412	13.42	18.07
1.5.	Housing needs	3,418	7,351	19.83	26.46
1.6.	General purpose - basic needs	16,561	22,086	22.67	30.50
1.7.	Other	9,923	11,817	19.60	27.82
2.	Long-term microloans for:	104,880	565,520	18.91	22.23
2.1.	Service activities	1,759	19,538	12.31	14.42
2.2.	Trade	492	5,687	13.12	15.27
2.3.	Agriculture	27,057	147,078	18.16	20.83
2.4.	Manufacture	249	3,529	13.05	15.04
2.5.	Housing needs	26,904	189,388	18.40	21.45
2.6.	General purpose - basic needs	25,538	102,810	21.57	26.32
2.7.	Other	22,881	97,490	19.35	22.96
3.	Total microloans	143,458	621,461	19.09	22.76

Annex 12a - Comparative Overview of Average Weighted NIR and EIR for MCOs

- % -

NIR on:	01.01.-31.12.2019	01.01.-31.12.2020	01.01.-31.12.2021	01.01.-31.12.2022	01.01.-31.12.2023
Short-term microloans	20.80	20.29	20.18	20.22	20.85
Long-term microloans	19.28	18.91	19.22	18.83	18.91
Total microloans	19.50	19.10	19.34	18.98	19.09
EIR on:	01.01.-31.12.2019	01.01.-31.12.2020	01.01.-31.12.2021	01.01.-31.12.2022	01.01.-31.12.2023
Short-term microloans	31.85	30.69	29.22	28.90	28.10

Long-term microloans	23.09	22.90	23.26	22.65	22.23
Total microloans	24.38	23.98	24.00	23.30	22.76

Annex 13 - MCFs' Aggregate Income Statement - 31.12.2023

- BAM 000s -

Seq. no.	Description	For 01.01. - 31.12.2022 period	%	For 01.01. - 31.12.2023 period	%	Index (5/3)
1	2	3	4	5	6	7
	INTEREST INCOME AND EXPENSES					
1.	Interest income and similar income	84,245	90.7	92,419	83.0	110
2.	Interest expenses and similar expenses	7,742	9.8	9,363	10.9	121
3.	Net interest income and similar income (1-2)	76,503	82.4	83,056	74.6	109
	OPERATING INCOME AND EXPENSES					
4.	Operating income	7,141	7.7	6,858	6.2	96
5.	Operating expenses	65,868	82.9	70,455	82.0	107
	OTHER OPERATING INCOME AND EXPENSES					
6.	Other operating income	1,472	1.6	11,984	10.8	814
7.	Other operating expenses	733	0.9	802	0.9	109
8.	Provision costs for loan and other losses	3,844	4.8	3,963	4.6	103
9.	Surplus/shortfall of income over expenses before tax (3+4-5+6-7-8)	14,671		26,678		182
10.	Tax on surplus income over expenses	1,246	1.6	1,345	1.6	108
11.	Net surplus/shortfall income over expenses (9-10)	13,425		25,333		189

Annex 14 - MCCs' Aggregate Income Statement - 31.12.2023

- BAM 000s -

Seq. no.	Description	For 01.01. - 31.12.2022 period	%	For 01.01. - 31.12.2023 period	%	Index (5/3)
1	2	3	4	5	6	7
	INTEREST INCOME AND EXPENSES					
1.	Interest income and similar income	31,892	96.2	32,989	94.5	103
2.	Interest expenses and similar expenses	7,007	21.0	5,572	18.2	80
3.	Net interest income and similar income (1-2)	24,885	75.1	27,417	78.6	110
	OPERATING INCOME AND EXPENSES					
4.	Operating income	995	3.0	1,080	3.1	109
5.	Operating expenses	19,633	59.0	19,918	65.0	101
	OTHER OPERATING INCOME AND EXPENSES					
6.	Other operating income	257	0.8	825	2.4	321
7.	Other operating expenses	243	0.7	659	2.1	271
8.	Provision costs for loan and other losses	5,824	17.5	3,806	12.4	65
9.	Profit/loss before tax (3+4-5+6-7-8)	437		4,939		1130
10.	Corporate income tax	594	1.8	705	2.3	119
11.	Net profit/loss (9-10)	-157		4,234		-2,697

ANNEXES FOR LEASING SECTOR

Annex 15 - Key Information on FBiH Leasing Companies - 31.12.2023

Seq. no.	Leasing company name	Web address	Director	Number of employees
1.	PORSCHE LEASING d.o.o. Sarajevo	www.porscheleasing.ba	Dejan Stupar	34
2.	RAIFFEISEN LEASING d.o.o. Sarajevo	www.rlbh.ba	Nedim Milišić	46
3.	„SCANIA LEASING BH“ društvo sa ograničenom odgovornošću	www.scania.com/ba	Damir Slipičević	8
4.	SPARKASSE LEASING d.o.o. Sarajevo	www.s-leasing.ba	Elma Hošo	26
TOTAL				114

Note: The above names of the leasing companies are from the decision on registration in the court register.

Annex 16 - Leasing Companies' Aggregate Balance Sheet - 31.12.2023

- BAM 000s -

Seq. no.	Description	31.12.2022	%	31.12.2023	%	Index (5/3)
1	2	3	4	5	6	7
	ASSETS					
1.	Cash and cash equivalents	4,384	1.0	6,316	1.2	144
2.	Placements to banks	6,167	1.4	4,805	0.9	78
3.	Receivables from financial leasing, net (3a-3b-3c-3d)	342,550	78.4	411,385	78.3	120
3a)	Receivables from financial leasing, gross	383,834	87.8	471,735	89.8	123
3b)	Loss reserves	4,837	1.1	5,400	1.0	112
3c)	Deferred interest income	36,075	8.2	54,513	10.4	151
3d)	Deferred fee income	372	0.1	437	0.1	117
4.	Receivables from subsidiaries	0	0.0	0	0.0	-
5.	Tangible and intangible assets, net (5a+5b-5c-5d)	76,012	17.4	87,080	16.6	115
5a)	Tangible and intangible assets - own resources	3,660	0.8	4,085	0.8	112
5b)	Tangible and intangible assets - operational leasing	102,437	23.4	111,555	21.2	109
5c)	Impairment - own resources	2,438	0.5	2,807	0.5	115
5d)	Impairment - operational leasing	27,647	6.3	25,753	4.9	93
6.	Long-term investments	408	0.1	466	0.1	114
7.	Other assets (7a+7b+7c)	7,519	1.7	15,262	2.9	203
7a)	Loans, net (7a1-7a2)	0	0.0	0	0.0	-
7a1)	Loans (past due receivables + outstanding principal)	0	0.0	0	0.0	-
7a2)	Loan reserves	0	0.0	0	0.0	-
7b)	Inventories	1,554	0.3	2,233	0.4	144
7c)	Other assets	5,965	1.4	13,029	2.5	218
	TOTAL ASSETS	437,040	100	525,314	100	120
	LIABILITIES					
8.	Liabilities under loans taken, net (8a+8b-8c)	390,310	89.3	462,941	88.1	119
8a)	Liabilities under short-term loans	11,035	2.5	28,523	5.4	258
8b)	Liabilities under long-term loans	379,548	86.8	434,692	82.7	115
8c)	Advanced costs and fees	273	0.0	274	0.0	100
9.	Other liabilities	10,158	2.3	18,430	3.5	181
	TOTAL LIABILITIES	400,468	91.6	481,371	91.6	120
10.	Tier 1 capital	15,916	3.7	19,653	3.7	123
11.	Reserves	11,776	2.7	18,204	3.5	155
12.	Accumulated profit/loss	8,880	2.0	6,086	1.2	69
	TOTAL CAPITAL	36,572	8.4	43,943	8.4	120
	TOTAL LIABILITIES	437,040	100	525,314	100	120
	Written-off receivables (opening balance)	4,621		4,113		89

New write off (+)	386	76	20
Recovery (-)	425	392	92
Permanent write off (-)	469	876	187
Written-off receivables (closing balance)	4,113	2,921	71
Other off-balance sheet records	56,871	130,724	230

Annex 17 - Overview of FBiH Leasing Companies' Key Indicators - 31.12.2023

- BAM 000s -

Seq. no.	Leasing company name	Balance sheet total	Receivables from financial leasing	Net balance of assets leased in operational leasing	Financial performance	Placements
1.	PORSCHE LEASING d.o.o. Sarajevo	208,961	133,604	68,150	3,459	129,745
2.	RAIFFEISEN LEASING d.o.o. Sarajevo	135,139	119,144	8,374	2,315	80,066
3.	„SCANIA LEASING BH“ društvo sa ograničenom odgovornošću	47,869	37,104	291	-995	41,629
4.	SPARKASSE LEASING d.o.o. Sarajevo	133,345	121,533	8,987	1,763	71,147
TOTAL		525,314	411,385	85,802	6,542	322,587

Annex 18 - Leasing Companies' Aggregate Income Statement - 31.12.2023

- BAM 000s -

Seq. no.	Description	01.01. - 31.12.2022	%	01.01. - 31.12.2023	%	Index (5/3)
1	2	3	4	5	6	7
	Financial income and expenses					
1.	Interest income	16,067	35.2	28,455	45.9	177
1a)	Interest on placements to banks	136	0.3	87	0.1	64
1b)	Interest on financial leasing	13,631	29.8	25,055	40.4	184
1c)	Fees (for leasing application processing, etc.)	1,069	2.4	1,336	2.2	125
1d)	Other interest income	1,231	2.7	1,977	3.2	161
2.	Interest expenses	6,463	17.5	19,792	35.6	306
2a)	Interest on borrowed funds	6,331	17.2	19,599	35.3	310
2b)	Loan processing fees	128	0.3	188	0.3	147
2c)	Other interest expenses	4	0.0	5	0.0	125
3.	Net interest income	9,604	21.0	8,663	14.0	90
	Operating income and expenses					
4.	Operating income	29,636	64.8	33,596	54.1	113
4a)	Service fees	1	0.0	1	0.0	100
4b)	Operating lease fee	23,149	50.6	25,875	41.7	112
4c)	Income from sale of leased assets	86	0.2	0	0.0	0
4d)	Other operating income	6,400	14.0	7,720	12.4	121
4d)1	Income from recovered written-off receivables	445	1.0	396	0.6	89
4d)2	Income from collection letters	20	0.0	25	0.0	125
4d)3	Other	5,935	13.0	7,299	11.8	123
5.	Operating expenses	30,003	81.5	34,465	62.1	115
5a)	Salary and contribution costs	4,978	13.5	5,778	10.4	116
5b)	Business premises costs	14,826	40.3	16,485	29.7	111
5c)	Other costs	10,199	27.7	12,202	22.0	120
6.	Costs of loss reserves	-362	-1.0	643	1.2	-178
7.	Profit before tax	9,599		7,151		74
8.	Corporate income tax	719	2.0	609	1.1	85
9.	Net profit/loss	8,880		6,542		74

Annex 19 - Overview of Average Weighted NIR and EIR for Financial Leasing Contracts -
31.12.2023

Seq. no.	Description	For 01.01. - 31.12.2023 period			
		Number of contracts	Amount of financing (BAM 000s)	NIR %	EIR %
1	2	3	4	5	6
1.	Short-term leasing contracts by leased asset:	15	581	4.04	8.27
a.	Passenger vehicles	7	92	6.91	23.36
b.	Vehicles (off-road and passenger) for pursuit of activities	7	394	2.78	4.26
c.	Machinery and equipment	1	95	6.50	10.27
d.	Real estate	0	0	0.00	0.00
e.	Other	0	0	0.00	0.00
1.1.	Short-term leasing contracts by lessee:	15	581	4.04	8.27
a.	Corporate	13	557	3.87	5.79
b.	Entrepreneurs	0	0	0.00	0.00
c.	Retail	2	24	8.06	65.96
2.	Long-term leasing contracts by leased asset:	4,074	282,303	5.94	8.89
a.	Passenger vehicles	2,572	135,940	6.12	9.49
b.	Vehicles (off-road and passenger) for pursuit of activities	1,306	113,895	5.94	8.21
c.	Machinery and equipment	196	32,468	5.24	8.79
d.	Real estate	0	0	0.00	0.00
e.	Other	0	0	0.00	0.00
2.1.	Long-term leasing contracts by lessee:	4,074	282,303	5.94	8.89
a.	Corporate	3,674	263,181	5.94	8.42
b.	Entrepreneurs	147	7,090	5.93	8.25
c.	Retail	253	12,032	6.05	19.52
	Total (1+2)	4,089	282,884	5.94	8.89

Annex 19a - Comparative Overview of Average Weighted NIR and EIR for Financial Leasing Contracts

Seq. no.	Description	31.12.2019		31.12.2020		31.12.2021		31.12.2022		31.12.2023	
		NIR	EIR	NIR	EIR	NIR	EIR	NIR	EIR	NIR	EIR
1	2	3	4	5	6	7	8	9	10	11	12
1.	Short-term leasing contracts:	6.12	12.36	3.74	6.94	4.24	7.09	3.89	8.37	4.04	8.27
1.1.	Corporate	3.26	6.27	3.74	6.94	3.60	6.31	3.80	6.30	3.87	5.79
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	33.04	69.75	0.00	0.00	36.00	45.89	4.50	21.22	8.06	65.96
2.	Long-term leasing contracts:	5.52	8.86	3.96	7.07	3.81	6.81	4.03	6.78	5.94	8.89
2.1.	Corporate	4.04	6.08	3.87	6.17	3.74	5.99	4.00	6.10	5.94	8.42
2.2.	Entrepreneurs	5.04	7.57	4.74	7.46	3.79	6.53	4.06	6.65	5.93	8.25
2.3.	Retail	19.69	35.50	4.68	18.18	4.77	18.49	4.55	18.03	6.05	19.52

Total	5.52	8.88	3.96	7.06	3.81	6.81	4.03	6.79	5.94	8.89
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