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AGENCIJA ZA BANKARSTVO
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INFORMATION

ON THE BANKING SYSTEM ENTITIES OF THE FEDERATION OF
BOSNIA AND HERZEGOVINA AS OF 30.09.2018

PUBLISHER

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BANKING AGENCY OF THE FEDERATION OF BOSNIA AND HERZEGOVINA

Abbreviations and terms:

BD	Brčko Distrikt Bosne i Hercegovine / Brčko District of Bosnia and Herzegovina
BiH	Bosnia and Herzegovina
CAMELS	Single internal system for assessment of banks that includes basic components: capital, asset quality, governance and management, profitability, liquidity and vulnerability to market risks
CBBH	Central Bank of Bosnia and Herzegovina
CEDB	Council of Europe Development Bank
CRK	Central Registry of Credits in BiH
DEG	Deutsche Investitions - und Entwicklungsgesellschaft
EBA	European Banking Authority
EBRD	European Bank for Reconstruction and Development
ECB	European Central Bank
EFSE	European Fund for Southeast Europe
EIB	European Investment Bank
EIR	Effective Interest Rate
EU	European Union
FBA	Banking Agency of the Federation of Bosnia and Herzegovina
FBiH	Federation of Bosnia and Herzegovina
FMF	Federal Ministry of Finance
FSAP	Financial Sector Assessment Program
FX risk	Foreign Exchange Risk
LCR	Liquidity Coverage Ratio
MCC	Microcredit company
MCF	Microcredit foundation
MCO	Microcredit organisation
IMF	International Monetary Fund
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
NIR	Nominal interest rate
NPL	Non-performing loans
OMBUDSMAN	Banking System Ombudsman in the FBiH
GCR	General credit risk
PLL	Potential loan losses
LLP	Loan loss provisions
RS	Republika Srpska
WB	World Bank
SREP	Supervisory Review and Evaluation Process
BA BiH	Banks Association of Bosnia and Herzegovina
ALC BiH	Association of Leasing Companies of BiH
UO	Management Board of the Banking Agency of the FBiH
LoBA	Law on the Banking Agency of the Federation of Bosnia and Herzegovina
BL	Banking Law
LoF	Law on Factoring
LoL	Law on Leasing
LoMCO	Law on Microcredit Organisations
LoPUFS	Law on Protection of Users of Financial Services

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INTRODUCTION

Established in 1996 as an independent and autonomous institution, the FBA exercises its competences in accordance to the provisions laid down by the LoBA, the international standards, principles of supervision and professional rules. The work of the FBA is supervised by the Parliament of the FBiH, to which it is responsible for its performances.

The Management Board performs general supervision on the FBA operations and undertake measures for effective and rational performance of the activities from the FBA's scope, in accordance to its competences prescribed by the law.

In the context of regular performance of competences prescribed by the law, the FBA compiles and disclose to the public the Information on the banking system entities, authorised by the Management Board of the FBA. The Information is published on the web site of the FBA, on quarterly basis, and its integral part is the analyse of the banking system entities in the FBiH.

In accordance with the aforementioned, the Information on the Banking System Entities of the FBiH, with situation as of 30.09.2018, has complied on the basis of the reference sources, made of reporting data which the banking system entities submit to the FBA in the prescribed formats and deadlines, as well as other data and information submitted by the banking system entities to the FBA.

Methodology for collection and processing of data presented, is based on reporting formats that are prescribed by the FBA bylaws, and which the banking system entities are obliged to submit to the FBA.

Considering that in the context of new banking regulation, a new supervisory reporting framework for banks (COREP) has entered into force and that 2018 is the period of parallel reporting according the previous regulatory framework and COREP reporting, and that the first quarter of 2018 saw banks in the FBiH submitting to the FBA the first COREP reports, and that in third quarter of 2018 the process of validation and analyses of new reporting formats was continued, the presented business performance indicators of banks as of 30.09.2018 were provided on the basis of analysis of reports compiled under the previous regulatory framework.

Data expressed in the Information as a percentage, are typically shown with one decimal place, with the exception of data on NIR and EIR level with the banking system entities in the FBiH.

In terms of the content, the Information is divided into three parts. The first part includes a detailed analysis of the banking sector of the FBiH in terms of its structure and financial performance indicators, as well as recommendations. The second part relates to a detailed analysis of the sector of non-deposit financial institutions, within which the microcredit sector, the leasing sector and factoring operations in the FBiH are processed as separate segments, with corresponding recommendations. In the part of the Information which concerns the supervision of the leasing companies operations in the FBiH, the terms used are the leasing system and the leasing sector, where the leasing system implies to aggregated information about leasing sector (the information on leasing companies in the FBiH with the operating licence issued by the FBA for performance of the leasing operations) and data presented in the reports of banks in the FBiH, which have claims on the basis of the financial leasing within their portfolio.

In the part of the Information which relates to supervision of the factoring sector, a data presented relates to the banks which perform factoring operations and to the factoring company, which activities in the third quarter of 2018, were directed to creation of the preconditions for the start of operations. The third part of Information relates to the segment of protection of rights and interests of the natural persons – users of the financial services in the banking system entities in the FBiH, with corresponding recommendations.

In the field of operations and supervision of the banking sector in the FBiH in 2018, following the period of adjustment with the BL, new regulations adopted in 2017 have entered into force, so that banks started applying new regulatory requirements and reporting to the FBA in accordance with the new standardised reporting framework. This was followed by intensive FBA activities in terms of interpreting the application of regulatory requirements prescribed by FBA's regulations (decisions, instructions, guidelines). In connection with these extensive and complex processes, the FBA continued activities on strengthening of institutional capacities, with the aim of full implementation of the new regulatory framework, in particular in terms of the SREP, recovery and resolution planning, as well as the establishment of a framework for supervisory stress testing. A particularly important segment relates to the continuation of the FBA regulatory activities referred to the establishment of a framework for the IFRS 9 application and monitoring of its implementation in the banks, which is in relation to regulatory requirements for bank assets classification.

Within the competences prescribed for the supervision of non-deposit financial institutions in the FBiH, it is continued with improvement of the existing regulatory framework for operations and supervision of MCO's in the FBiH in the segments related to the FBA supervision and actions, conditions and procedures of issuance and revoking the licence to MCO, as well as conditions and standards of operations and limitations in MCO operations. In relation to leasing companies supervision, the activities will be continued on drafting, i.e. amending of the regulations and the existing regulations for the purpose of its adjustment and improvement of the business environment for this sector business. For factoring segment it is expected that use of factoring services in the following period will be in a function of resolving liquidity problems of the real economy, thus will contribute to acceleration of the cash flows to a greater extent than heretofore.

In the segment of protection of users of financial services, the Ombudsman will continue with a provision of recommendations and guidelines to the banking system entities in the FBiH, in order to improve and advance operations of those entities in their relations with the users of the financial services.

SUMMARY

Key Business Performance Indicators of the Banking Sector in the FBiH

As of 30.09.2018, a 15 commercial banks operated in the FBiH, with 541 organisational units in which 6 736 persons were employed.

Total net assets at the level of the banking sector amount to BAM 21.6 billion as of 30.09.2018 and are up by BAM 1.4 billion or 7% compared to 31.12.2017.

Loans, with a share of 65,1% in the structure of total assets, recorded an increase in the amount of BAM 866 million or 7% compared to the end of the previous year, thus amounting BAM 14 billion as of 30.09.2018. In the third quarter of 2018, within a sectoral lending, there was a decrease in the share of lending to private companies, government institutions and non-banking institutions. Compared to the end of 2017, increase of share is evident in lending to the bank institutions, public companies and retail segment, while lending in other sectors remains at the same level compared to the end of 2017.

Loans granted to private companies recorded an increase in the amount of BAM 441 million or a 6% , thus reaching the amount of BAM 7.3 billion as of 30.09.2018 and holding a 51.7% share in total loans. In the same period, retail loans recorded an increase in the amount of BAM 425 million or a 7% growth rate, with a share of 48.3% in total loans, amounting to BAM 6.8 billion as of 30.09.2018.

The share of NPLs decreased from 9.7% to 9.2% mainly as a result of credit growth and activities conducted on collection. The share of non-performing corporate loans in relation to total corporate loans amounts to 11.2%, and the share of non-performing retail loans in relation to total retail loans is 6.9%.

Cash funds amount to BAM 6.6 billion or 30.7 of the total assets and are up by BAM 0.8 billion or 14% compared to the end of 2017.

Investments in securities amount to BAM 1.2. billion in the third quarter of 2018, with a 5.7% share in assets.

Deposits reached the amount of BAM 17 billion, having recorded an increase in the amount of BAM 1.2 billion or 8% and they remain the most significant source of funding, with a 78.9% share in total liabilities. Savings deposits, as the most significant and largest segment of the deposit and financial potential of banks, increased by BAM 371 million or 4%, amounting to BAM 8.6 billion.

Loan funds amount to BAM 856 million and hold a 4% share in the total liabilities, being up by 2% compared to the end of 2017

As of 30.09.2018, total capital amounts to BAM 3 billion, with share capital accounting for BAM 1.3 billion thereof. The share of total capital in sources at the level of the banking sector amounts to 14%. Regulatory capital amounts to BAM 2.6 billion and it is increased by BAM 111 million or 4% compared to the end of 2017, without change in the structure. Core capital is increased by BAM 97 million or 4%, while additional capital is up by BAM 14 million or 4%.

The capital adequacy ratio of the banking sector in the FBiH, as one of the most important indicators of the strength and adequacy of banks' capital, amounted to 15.2% as of 30.09.2018, slightly down by 0.3 percentage points compared to the end of the previous year, that is result of risk-weighted assets growth and first application of the IFRS 9. The capital adequacy ratio is up for 26.7% in relation to the legal minimum and represents satisfactory capitalisation of the overall sector.

The financial leverage ratio amounts to 9.2% (prescribed minimum 6%) at the level of the banking sector as of 30.09.2018 and it has a slight downward trend compared to the end of the previous year (9.6%).

The liquidity of the banking sector is assessed to be satisfactory, given the share of liquid assets in the total assets and the maturity adjustment of financial assets and financial liabilities.

As of 30.09.2018, a positive financial result – profit in the amount of BAM 246.7 million was recorded at the level of the banking sector, which is up by BAM 15.1 million or 6.5% compared to the same period of the previous year.

Key Business Performance Indicators of the Microcredit Sector in the FBiH

As of 30.09.2018, a 12 MCOs operated in the FBiH, 11 of which are MCFs and one of which is an MCC. There are 1 482 persons employed in the microcredit sector, that is 83 employees or 5.9% more, compared to 31.12.2017.

Total assets of the microcredit sector amounted to BAM 568.3 million, BAM 431.8 million or 76% of which relate to MCFs and BAM 136.6 million or 24% relate to the MCC. Compared to the balance as of 31.12.2017, total assets are up by BAM 41.4 million or 7.9%.

A net total microloans amount to BAM 442.4 million and account for 77.8% total assets of microcredit sector in the FBiH and are up by BAM 34.5 million or 8.5% compared to the end of the previous year.

Loan commitments amount to BAM 273.2 million, holding a 48.1% share in total liabilities, and they are up by BAM 27.2 million or 11.1% compared to 31.12.2017.

Total capital amounts to BAM 271.4 million or 47.7% of total liabilities and it is up by BAM 16.3 million or 6.4% compared to the end of the previous year. MCF capital amounted to BAM 233.4 million or 86%, while the capital of MCC amounted to BAM 38 million or 14% of the total capital of microcredit sector.

At the level of the microcredit sector, a positive financial result in the amount of BAM 16.2 million was recorded, which is up by BAM 1.2 million or 8.1% compared to the same period of the previous year.

On the basis of Business Performance Indicators of Microcredit Sctor, that are based on the analyses of reports submitted by MCO as of 30.09.2018 and in comparison with data on 31.12.2017, it might be concluded that MCO operations in the FBiH tend to be characterised as through a growth of total assets, number of employees, placements, total capital, positive financial result, along with an unchnaged placement quality for the period observed.

Key Business Performance Indicators of the Leasing Sector in the FBiH

As of 30.09.2018, the leasing system in the FBiH comprises of seven leasing companies which have the FBA licence and performe leasing operations at the company's territory of residence, with three branches in the FBiH and three branches in RS (the leasing sector), plus one bank which has recevaibels as financial leasing within its portfolio. During the first nine months of 2018, at the level of leasing system in the FBiH is evident increase in the scope of operations compared to the same period of the previous business year, in the number and value of newly concluded arrangements. The leasing system in the FBiH is stable, with constinued trend of further development. There are 117 persons employed in the leasing sector in the FBiH, as of 30.09.2018.

Total assets of the leasing sector as of 30.09.2018 amounted to BAM 282.7 million, up by BAM 22.5 million or 8.6% compared to 31.12.2017, and within the same period net receivables for financial leasing, as the most important item in the structure of the total assets amounted to BAM 206.2 million or 73% of the total assets, thus compared to 31.12.2017 presents an increase of 17.2%. In the same period, reserves for losses on financial leasing decreased by 38.3%, same as past due receivables which are down by 30.7%.

In the structure of the total liabilities of the leasing sector in the FBiH, the biggest item are liabilities from loans, amounting to 82.4% of the total funding sources, and compared to 31.12.2017 it has increased by 11.3%. As of 30.09.2018, the total capital od leasing sector in the FBiH amounted to BAM 39.6 million, that is 14% of the total liabilities of the leasing sector, and compared to 31.12.2017 it is decreased by 3%, where is one newly eastblished leasing company, which started its operations in the third quarter, presented a negative total capital due to the presented losses in the amount that is higher than its total capital.

The value of newly-concluded financial and operational leasing arrangements recorded at the level of the leasing system in the FBiH, over the first three quarters of 2018, amounted to BAM 140.2 million which relates to the total of 3 207 newly concluded arrangements, where their value is up by 21.8% compared to the same period of the previous business year, and the number of newly concluded arrangements is increased by 510 arrangements or 18.9% during the same period.

In the period observed, the trend of decreasing interets rates for financial leasing arrangements was continued.

In the period 01.01.-30.09.2018, at the level of leasing sector in the FBiH the profit presented is in the amount of BAM 3.3 million, which is by 8.6% up compared to the same period of the previous businees year. The total income at the level of the leasing sector are sligkty up by 2.6%, where in their structure there is presented drop of the interest income by 16.3% and growth of the operating income by 16.5%, that is primarily affect of the income growth from collected written-off receievables by 85.6% and fees for operating leasing by 19.7%. The total expenses at the level of leasing sector in the FBiH during the period obsrevd, are decreased by 10.2%, where in their structure interets expenses are decreased by 6.4% and operating expenses by 2.1%. In regard to the expenses structure, it is evident increase of expenses on the baisis of salaries and contrinutions for employees and business premises, while other expense categories recoreded a drop (interets expenses for borrowed funds and other expenses which are included

in the operating expenses) or remain at the same level as in the same period of the previous business year (other interest expenses).

Key Indicators of Factoring Operations in the FBiH

In the third quarter of 2018, the factoring operations in the FBiH were performed mainly by the banks, while the first registered factoring company in the FBiH, with licence issued by the FBA, did not have concluded factoring arrangements. Compared to the previous quarter, in the third quarter of 2018, and for the purpose of adjustment with the legally prescribed amount of the core capital, the company's shareholders adopted decision on increase of capital, which was below the required minimum as of 30.09.2018 due to the losses. The process of registration of increase in core capital is finalised in October 2018.

The total nominal value of purchased claims which is presented in banks amounts to BAM 92 million as of 30.09.2018 and it is fully related to domestic factoring, wherein the share of factoring without right of recourse account for 54.1%, and with right of recourse 45.9%. Compared with the same period of the previous year it is significantly decreased the volume of purchased claims, that is also followed by the change in the structure of the purchased claims, since that share of factoring without right to recourse is significantly increased, and decreased factoring with right of recourse. There is evident change in the maturity structure of purchase monetary claims by maturity. According to the sectoral structure of purchased claims, the share of public companies in the total value of purchased claims is 51.3% private companies and societies 46.5%, and remaining share relates to the non-profit organisations and government institutions.

The total income of the factoring service providers in the FBiH for the first nine months of 2018 amounts to BAM 1.2 million, out of it interest income account for 53.9%, and fees income 45.9%, while remaining share is related to the income from administrative fees. Compared to the same period of the previous year, the total income decreased by 29.4%, that is primarily result of decrease in volume of purchased claims in the period observed, and there are also changes in the structure of recorded income.

1. BANKING SECTOR

1.1. THE STRUCTURE OF A BANKING SECTOR IN THE FBiH

1.1.1. Status, Number and Branching

As of 30.09.2018, there were 15 commercial banks with a banking licence in the FBiH. The number of banks is the same as of 31.12.2017. A special law regulates the establishment and operations of the Development Bank of the Federation of BiH Sarajevo, which has the legal successor of the Investment Bank of the Federation of BiH d.d. Sarajevo since 01.07.2008

The Annex 1. provides an overview of the main banks data in the FBiH as of 30.09.2018.

Within the third quarter of 2018, there was no significant branching of the bank organisational units. Banks have reorganised their networks of organisational units by changing the organisational form, membership or address of their existing organisational units, bit also closing of some organisational units and all that with the aim of rationalising and reducing operating costs

With the aforementioned changes, banks from the FBiH (throughout the entire territory of BiH) had a total of 541 organisational units (this figure does not include six organisational units of the Development Bank of the FBiH) as of 30.09.2018, which is at the same level as of 31.12.2017. There are 483 bank organisational units at the territory of the FBiH. Seven banks from the FBiH have 49 organisational units in RS, and eight banks have in total nine organisational units in BD.

The number of organisational units of RS banks in the FBiH is 23 that is slightly up compared to the end of 2017 (22).

As of 30.09.2018, all banks had licences to effect interbank transactions within the domestic payment system, and also all 15 commercial banks in the FBiH had secured deposits.

1.1.2. Ownership Structure and Market Share

The ownership structure of banks ¹ in the FBiH as of 30.09.2018, assessed on the basis of available information and self-reviews conducted in the banks, is the following:

- Private or mostly private ownership - 14 banks,
- State or mostly state ownership ² - one bank.

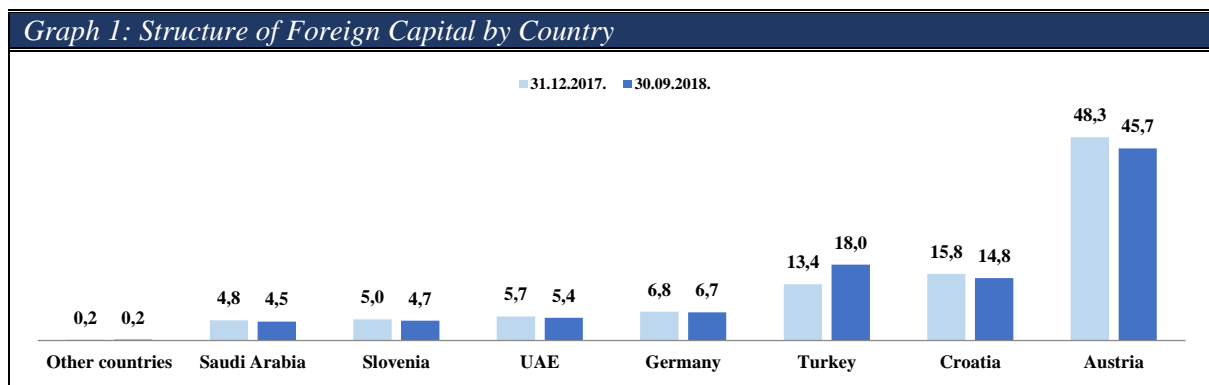
Od 14 banaka u pretežno privatnom vlasništvu, četiri banke su u većinskom vlasništvu domaćih pravnih i fizičkih osoba (rezidenata), dok je deset banaka u većinskom stranom vlasništvu.

¹ The criterion for bank classification is ownership of share capital in banks.

² State ownership refers to state-owned capital of the FBiH.

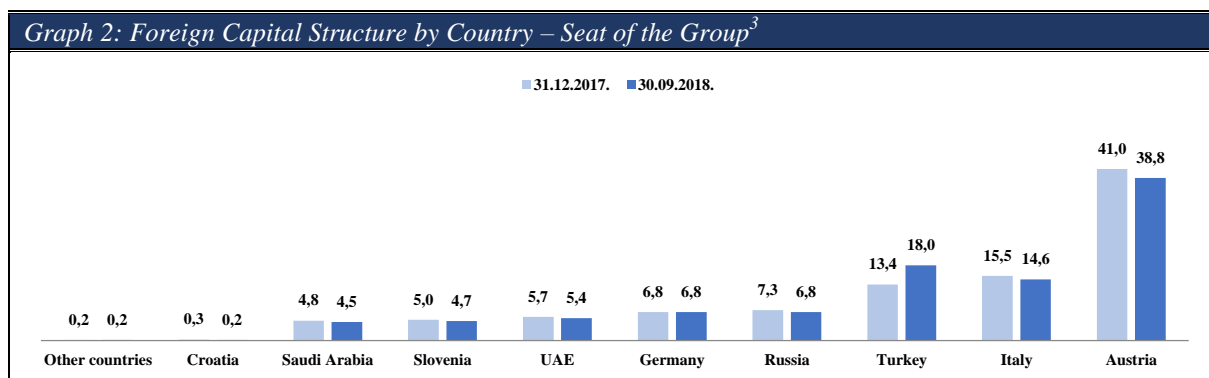
If we analyse the structure of foreign capital by country, as of 30.09.2018, there is change compared to the end of 2017, mainly due to the increased share of shareholders from Turkey (increase by 4.6 percentage points), due to the significant recapitalisation.

The structure of foreign capital by country is presented in the graph below:



If capital relations taken into account, the structure of foreign capital can also be observed using the criterion of the home country of the parent bank or banking group having majority ownership (direct or indirect via group members) of banks in the FBiH. According to this criterion, there is a change in the structure of foreign capital by country - seat of the group, as of 30.09.2018 compared to the end of 2017. The changes mainly relate to increase of relative share with the banking groups and banks from Turkey.

The structure of foreign capital by country – seat of the group is presented in the graph below:



The ownership structure may also be observed from the aspect of the amount of total capital, as shown in the following table:

-in 000 BAM-

Table 1: Ownership Structure by Total Capital

Banks	31.12.2016.		31.12.2017.		30.09.2018.		Index	
1	2	3	4	5 (3/2)	6 (4/3)	7	8	
State-owned banks	52.499	2%	53.507	2%	53.462	2%	102	100
Private banks	2.655.621	98%	2.811.542	98%	2.961.500	98%	106	105
Total	2.708.120	100%	2.865.049	100%	3.014.962	100%	106	105

³ In addition to home countries of parent banking groups whose members are banks from the FBiH, the graph also outlines countries of all other foreign shareholders of banks in the FBiH .

Over the third quarter of 2018, the total capital at the level of banking sector is increased and amounted to BAM 3 billion or increase of 5% compared to the end of 2017. Increase of the total capital by BAM 150 million is the net effect of increase on the basis of present financial result in the amount of BAM 247 million and recapitalization with two banks in the amount of BAM 64 million, but also due to decrease on the basis of first IFRS 9 application - Financial Instruments⁴ in the amount of BAM 97 million and its transfer to payment of dividends from profit for 2017, in the amount of BAM 57 million with one bank, and the amount of BAM 7 million on the basis of reduction of the value of securities, classified at fair value through other comprehensive income.

If observed from the perspective of state-owned, private and foreign capital share in the share capital of banks, the result is a more detailed analytical overview of the capital ownership structure of banks in the FBiH, which is shown in the table below:

-in 000 BAM-

Share Capital	31.12.2016.		31.12.2017.		30.09.2018.		Index	
	Amount	Share	Amount	Share	Amount	Share	(4/2)	(6/4)
1	2	3	4	5	6	7	8	9
State-owned Capital	31.647	2,6%	31.619	2,6%	31.619	2,5%	100	100
Private Capital (residents)	137.557	11,3%	142.109	11,6%	139.637	10,8%	103	98
Foreign Capital (non-residents)	1.046.673	86,1%	1.052.061	85,8%	1.118.443	86,7%	101	106
Total	1.215.877	100%	1.225.789	100%	1.289.699	100%	101	105

At the end of the third quarter of 2018, compared to the end of 2017 there was an increase of share capital due to recapitalization of two banks in the amount of BAM 64 million.

As of 30.09.2018, the market share of banks in majority foreign ownership amounted to 90.5%, the market share of banks with majority private capital to 6.2%, and the market share with majority state-owned capital to 3.3%(one bank).

The table below provide an overview of the market shares of banks by ownership type (majority capital):

-in %-

Banks	31.12.2016.			31.12.2017.			30.09.2018.		
	No.of banks	Share in total capital	Share in total assets	No.of banks	Share in total capital	Share in total assets	No.of banks	Share in total capital	Share in total assets
1	2	3	4	5	6	7	8	9	10
Banks with majority state-owned capital	1	1,9	2,8	1	1,9	3,2	1	1,8	3,3
Banks with majority private capital of residents	4	6,6	6,4	4	6,4	6,3	4	5,7	6,2
Banks with majority foreign capital	10	91,5	90,8	10	91,7	90,5	10	92,5	90,5
Total	15	100	100	15	100	100	15	100	100

1.1.3. Structure of Human Resources

As of 30.09.2018, at the level of the banking sector there were 6 736 employees, 2,9% of which were employed in banks with majority state-owned capital and 97,1% of which were employed in banks with majority private capital.

The Annex 2 shows data on employees in banks of the FBiH.

⁴ As of 01.01.2018, IFRS 9 has replaced IAS 39.

The overview of employees and qualification structure of the employees at the level of the banking sector in the FBiH are presented in the table 4 and table 5:

Banks	Number of employees						Index	
	31.12.2016.		31.12.2017.		30.09.2018.		(3/2)	(4/3)
1	2	3	4	5	6	7	8	9
State-Owned Banks	192	2,9%	192	2,9%	196	2,9%	100	102
Private Banks	6.423	97,1%	6.463	97,1%	6.540	97,1%	101	101
Total	6.615	100%	6.655	100%	6.736	100%	101	101
Number of banks	15		15		15			

Educational qualifications	Number of employees						Index	
	31.12.2016.		31.12.2017.		30.09.2018.		(4/2)	(6/4)
1	2	3	4	5	6	7	8	9
University degree	3.821	57,8%	3.970	59,7%	4.088	60,7%	104	103
Two-year post-secondary school qualification	555	8,4%	525	7,9%	521	7,7%	95	99
Secondary School Qualification	2.226	33,7%	2.149	32,3%	2.118	31,4%	97	99
Other	13	0,2%	11	0,2%	9	0,1%	85	82
Total	6.615	100%	6.655	100%	6.736	100%	101	101

Slight increase in the number of employees in the banking sector in the FBiH was recorded over the third quarter (81 more employees or 1% more compared to the end of 2017), while in educational structure the largest share of 60.7% relates to the employees with the university degree.

One of the indicators affecting the business performance assessment of individual banks and the banking sector is the ratio of assets over the number of employees, i.e. assets per employee, where a higher ratio is an indicator of better efficiency of both, the bank and the entire operations of the sector.

The following tables provide an overview of assets per employee by group of banks, according to the criterion of ownership and amount of assets:

-in 000 BAM-

Banks	31.12.2016.			31.12.2017.			30.09.2018.		
	No.of empl.	Assets (000 BAM)	Assets per Employee	No.of empl.	Assets (000 BAM)	Assets per Employee	No.of empl.	Assets (000 BAM)	Assets per Employee
State-owned	192	520.387	2.710	192	654.373	3.408	196	721.864	3.683
Private	6.423	17.861.647	2.781	6.463	19.555.478	3.026	6.540	20.848.608	3.188
Total	6.615	18.382.034	2.779	6.655	20.209.851	3.037	6.736	21.570.472	3.202

Assets	31.12.2016.		31.12.2017.		30.09.2018.	
	Number of banks		Number of banks		Number of banks	
Up to BAM 1 billion	0		0		0	
BAM 1-2 billion	5		2		2	
BAM 2-3 billion	7		7		6	
Over BAM 3 billion	2		6		7	
Total	14		15		15	

Analytical indicators for individual banks range from BAM 1.4 million to BAM 4.7 million of assets per employee. There are three banks where this ratio is better than the banking sector average, while this ratio exceeds the amount of BAM 3.2 million with two the largest banks in the sector.

1.2. FINANCIAL PERFORMANCE INDICATORS

1.2.1. Balance Sheet

The presented financial performance indicators for banks in the FBiH and analysis of the banking sector include indicators from active sub-balance of one bank with majority state-owned capital⁵, that is in accordance with the provisions of the Law on Opening Balance Sheet of Companies and Banks in the FBiH, where the banks with majority state-owned capital are required to report to the FBA on the basis of the “total” balance sheet divided into: liabilities, neutral items and active sub-balance.

In that regard, the data are presented in the Annex 3 of this Information – Balance sheet of Banks in the FBiH According to the FBA Model (Active Sub-Balance).

At the end of third quarter of 2018, the total assets of the banking sector amounted to BAM 21.6 billion, with slight changes in key balance categories, assets and liabilities.

The Annex 4 shows an overview of assets, loans, deposits and financial results of banks in FBiH as of 30.09.2018.

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

-000 BAM-

Description	31.12.2016.		31.12.2017.		30.09.2018.		Index	
	Amount	Share %	Amount	Share %	Amount	Share %	8=(4/2)	9=(6/4)
1	2	3	4	5	6	7	8=(4/2)	9=(6/4)
A C T I V E (ASSETS):								
Cash funds	5.204.564	28,3	5.794.664	28,7	6.629.412	30,7	111	114
Securities	1.226.163	6,7	1.228.432	6,1	1.234.790	5,7	100	101
Placements to other banks	96.569	0,5	350.980	1,7	121.003	0,6	363	34
Loans	12.270.228	66,8	13.178.860	65,2	14.045.024	65,1	107	107
Value adjustment	1.193.721	6,5	1.166.804	5,8	1.230.468	5,7	98	105
Net loans (loans minus value adjust.)	11.076.507	60,3	12.012.056	59,4	12.814.556	59,4	108	107
Business premises and other fixed assets	530.977	2,9	529.941	2,6	516.183	2,4	100	97
Other assets	247.254	1,3	293.778	1,5	255.171	1,2	119	87
TOTAL ASSETS	18.382.034	100	20.209.851	100	21.571.115	100	110	107
P A S S I V E (LIABILITIES):								
Deposits	14.176.274	77,1	15.814.723	78,3	17.023.844	78,9	112	108
Borrowings from other banks	0	0	0	0	0	0	0	0
Loan commitments	848.001	4,6	835.667	4,1	855.841	4	99	102
Other liabilities	649.639	3,5	694.412	3,4	676.468	3,1	107	97
CAPITAL								
Capital	2.708.120	14,7	2.865.049	14,2	3.014.962	14	106	105
TOTAL PASSIVE (LIABILITIES AND CAPITAL)	18.382.034	100	20.209.851	100	21.571.115	100	110	107

⁵ Banks in majority state ownership post the „total“ balance sheet, meaning liabilities and neutral items, which the state will take over once the privatization process gets finalized. As of 30.09.2018, these items amounted to BAM 705 million in the case of one bank with majority state-owned capital.

The table below shows an overview of bank assets by ownership structure:

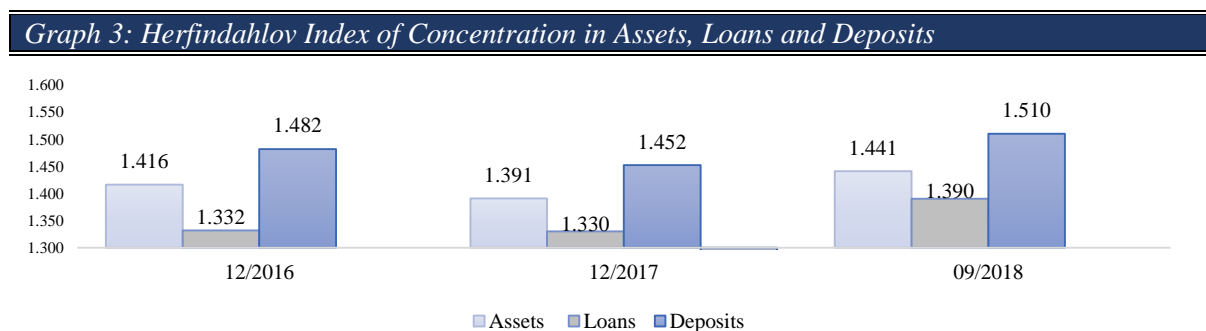
-000 BAM-

Table 9: Bank Assets by the ownership structure

Banks	31.12.2016.			31.12.2017.			30.09.2018.			Index	
	No.of banks	Assets (000 BAM)	Share%	No.of banks	Assets (000 BAM)	Share%	No.of banks	Assets (000 BAM)	Share%		
1	2	3	4	5	6	7	8=(5/3)	9=(7/5)			
State-Owned	1	520.387	2,8%	1	654.373	3,2%	1	721.864	3,3%	126	110
Private	14	17.861.647	97,2%	14	19.555.478	96,8%	14	20.849.251	96,7%	109	107
Total	15	18.382.034	100%	15	20.209.851	100%	15	21.571.115	100%	110	107

The concentration indicator used for the three key segments of banking operations: assets, loans and deposits is the value of Herfindahl index⁶.

An overview of the aforementioned by period is provided in the graph below:



In the third quarter of 2018, the Herfindahl index in all three relevant categories (assets, loans and deposits) was increased, so that it amounted to 1 441 units for assets (+50), 1 390 units for loans (+60), and 1 510 units for deposits (+58) as of 30.09.2018, thus indicating a moderate concentration⁷.

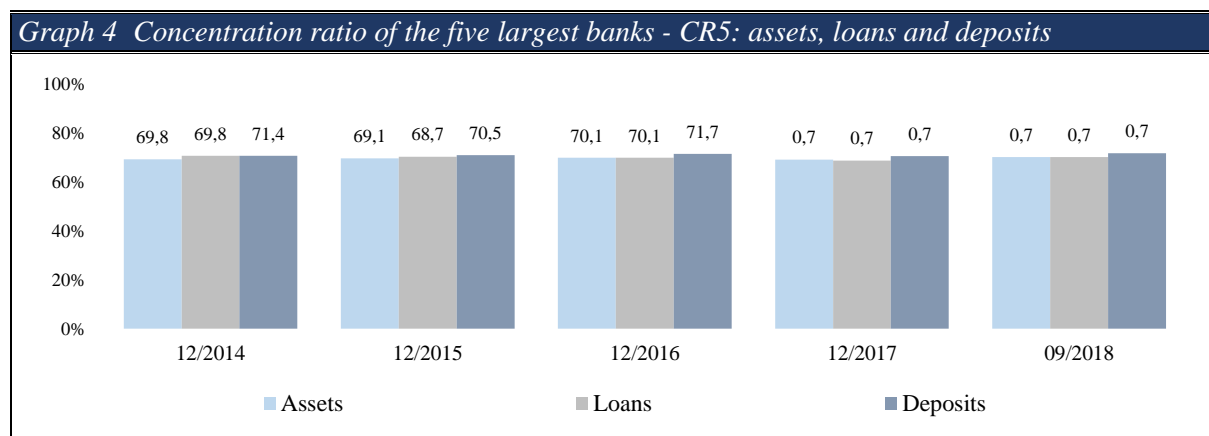
The second concentration indicator for the banking sector is the ratio of market concentrations, i.e. the concentration ratio⁸ (hereinafter: CR), which shows the total share of the largest institutions in the sector in selected relevant categories: assets, loans and deposits. Like the Herfindahl index of concentration, the CR5 also increased slightly in the reporting period of 2018, amounting to 70.1% for market share, 70.1% for loans, and 71.7% for deposits as of 30.09.2018. Two largest banks in the sector account for approximately 47% of the market (asset 47.3%, loans 45% and deposits 48,9%).

⁶ This index is also called Hirschmann-Herfindahl index or HHI and is calculated according to this formula: $\sum_{j=1}^n S_j^2$ (where S_j = percentage share of specific elements (e.g. assets, deposits, loans) of all market participants in the system. It should be noted that this index does not grow linearly and that the value of e.g. 3 000 does not mean that the concentration in the system is 30%. Hypothetically, if there were just one bank in the entire system, the HHI would be 10 000 at most.

⁷ If the value of the HHI is below 1 000, this shows no presence of the concentration on the market, while an index value between 1 000 and 1 800 shows moderate concentration, and a HHI value above 1 800 shows high concentration on the market

⁸ The concentration ratio (CR) rests on the number of institutions included in the calculation.

An overview of the concentration ratio for the five largest banks is shown in the graph below:



The banking sector may also be analysed on the basis of the group affiliations criterium, set up on the basis of asset size⁹. As of 30.09.2018, and compared to the end of 2017, there was a change in the structure, i.e. in the share of banking groups in relation to the total asset sof the banking system.

In terms of the asset size, three banks were identified in the sector with a share of 56.9%, thus presenting a group I of banks with the asset over BAM 2 billion. Compared to the end of 2017, the share is increased with the group I of banks (I) by 10.4 percentage points, due to shift of one bank from group II to this group of banks. The share of group II of banks is 18.3% and compared to the end of 2017 it is decreased by 14.5 percentage points due to shift of one bank from this group to the group I and one bank shift to group III of banks.

The group III is consisted of five banks, with the total share of 18.7% and it is increased compared to the end of 2017 (+ 6.5 percentage points), due to shift of one bank from goup IV to this group pf banks and shift of one bank from group II to this group of banks. The share of group IV (four banks, with assests between BAM 100 and 500 million) of 6.1% is decreased (-1.9 percentage points), due to shift of one bank from this group to III group of banks (assets up to BAM 100 million). As of 30.09.2018 no banks had assets below BAM 100 million.

The table below provides an overview of the amounts and shares of groups of banks in total assets by period:

-000 BAM-

Table 10: Share of the Group of Banks in Total Assets by Period

Assets size	31.12.2016.			31.12.2017.			30.09.2018.		
	Amount	Share%	No.of banks	Amount	Share%	No.of banks	Amount	Share%	No.of banks
I - over 2.000	8.681.651	47,2	2	9.404.805	46,5	3	12.267.778	56,9	3
II - 1000 to 2000	4.142.732	22,5	3	6.626.507	32,8	5	3.957.403	18,3	3
III - 500 to 1000	4.015.627	21,8	5	2.465.564	12,2	3	4.038.333	18,7	5
IV - 100 to 500	1.449.350	7,9	4	1.613.136	8	4	1.307.601	6,1	4
V - below 100	92.674	0,5	1	99.839	0,5	1	0	0	0
Total	18.382.034	100	15	20.209.851	100	16	21.571.115	100	15

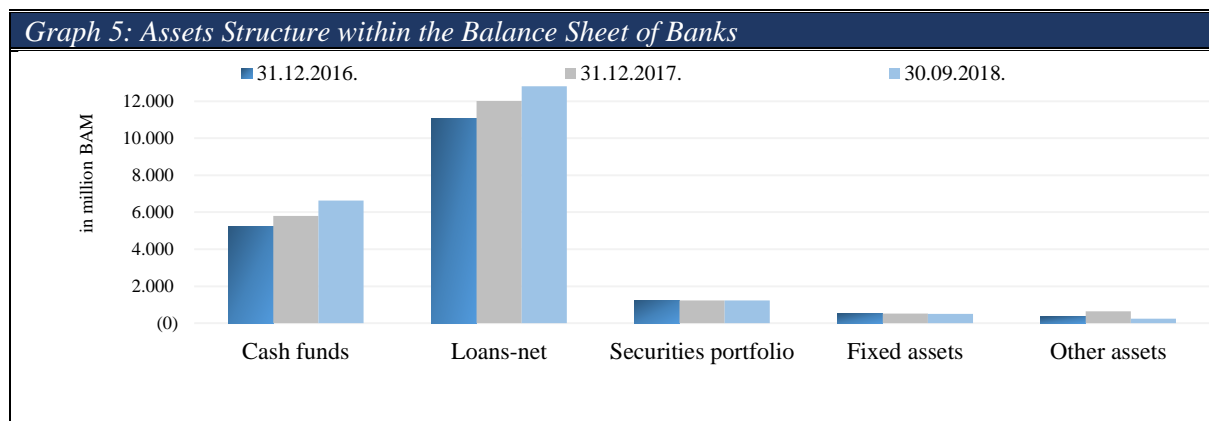
In the third quarter of 2018, the total assets increased by BAM 1.4 billion or 7%, compared to the end of 2017 and amounts to BAM 21.6 billion. Within the balance sheet of banks, there was increase in cash funds, loans, deposits and the total capital, as well as moderate increase of loan commitments, while decreasing trend is still evident in terms of placements to other banks.

⁹ Banks are divided into five groups depned on the asset size.

Within the assets structure of the banks' balance sheets, the share of loans represents the largest assets item (59.4%), followed by the cash funds (30.7%), securities (5.7%), fixed assets (2.4%) and other assets (placements to other banks and other assets) with a share of 1.2%.

The total gross loans amount to BAM 14 billion and have increase of 7% compared to the end of 2017. Positive upward trend of 14% is recorded with cash funds as well, which amount to BAM 6.6 billion as of 30.09.2018.

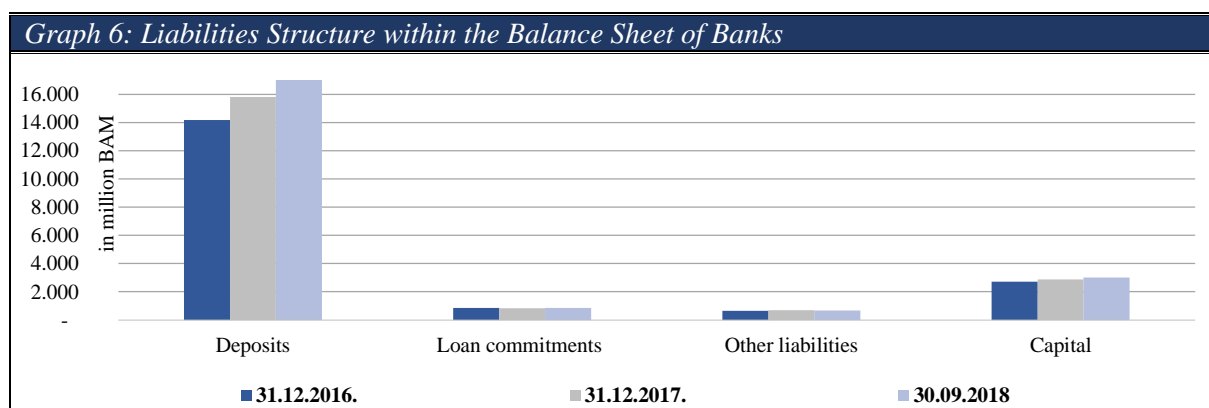
The following graph presents the structure of the key balance sheet items of bank assets



Within the liabilities structure of the banks' balance sheets, deposits have the largest share (78.9%), followed by capital (14%), loan commitments (4%), and other liabilities (3.1%).

Within the liabilities structure of the banks' balance sheets, deposits still represent a dominant source of funding for banks in the FBiH, and amounted to BAM 17 billion as of 30.09.2018 recording a growth of 8% compared to the end of 2017. The growth of total capital of 5% is also evident amounting to BAM 3 billion, as of 30.09.2018, as well as growth of loan commitments which amount to BAM 856 million. In terms of other liabilities there was a slight decrease of 3% compared to the end of 2017, amounting to BAM 676 million as of 30.09.2018.

The graph below shows the structure of the key balance sheet items of bank liabilities:



Cash funds at the level of the banking sector amount to BAM 6.6 billion and record the growth of BAM 0.8 billion, compared to the end of 2017.

An overview of cash funds at the level of the banking sector is provided in the table below:
-in 000 BAM-

Cash Funds	31.12.2016.		31.12.2017.		30.09.2018.		Index	
	Amount	Share %	Amount	Share %	Amount	Share %	(4/2)	(6/4)
1	2	3	4	5	6	7	8	9
Cash	754.059	14,5	800.215	13,8	868.769	13,1	106	109
RR at CBBH	3.295.391	63,3	3.823.980	66	3.835.127	57,9	116	100
Accounts at deposit institutions in BiH	9.101	0,2	41.411	0,7	35.378	0,5	455	85
Accounts at deposit institutions abroad.	1.145.886	22	1.127.877	19,5	1.890.026	28,5	98	168
Cash funds in the process of collection	127	0	1.181	0	112	0	0	9
Total	5.204.564	100	5.794.664	100	6.629.412	100	111	114

In the third quarter of 2018, banks' cash funds in the CBBH reserves account were up by BAM 11 million or by 0.3% and amounted to BAM 3.8 billion or 57.8% of total cash funds, as of 30.09.2018.

Banks' funds in accounts of deposit institutions abroad were up by BAM 762 million or 68 and amounted to BAM 1.9 billion or 28.5% of total cash funds. Banks held cash funds in the amount of BAM 869 million in vaults and treasuries as of 30.09.2018, which accounts for 13.1% of total cash funds.

These changes prompted a change in the currency structure of cash funds, compared to the end of 2017, since the share of local currency over the period observed has been decreased from 76.6% to 68%, while simultaneously a share of funds in foreign currency increased from 23.4 to 32%.

As of 30.09.2018, Securities portfolio amounted to BAM 1.2 billion, that is 0.5% up, compared to the end of 2017, thus having share of 5.7% in assets.

- 000 BAM -

INVESTMENTS IN SECURITIES	31.12.2016.		31.12.2017.		30.09.2018.		Index	
	Amount	Share %	Amount	Share %	Amount	Share %	(4/2)	(6/4)
1	2	3	4	5	6	7	8	9
Equity securities	1.637	0,1	1.773	0,1	5.977	0,5	108	337
Debt securities:	1.224.526	99,9	1.226.659	99,9	1.228.813	99,5	100	100
BiH securities of all levels of government in BiH	824.300	67,3	751.163	61,2	666.242	54,2	91	89
Government securities (other countries)	278.386	22,7	400.855	32,7	451.265	36,7	144	113
Corporate bonds ¹⁰	121.840	9,9	74.641	6,1	111.306	9,1	61	149
Total	1.226.163	100	1.228.432	100	1.234.790	100	100	101

In terms of investments in debt securities, the most important item are securities of the entity governments, particularly securities issued by the FBiH¹¹ in the total amount of BAM 482 million, as well as securities issued by RS in the amount of BAM 177 million. It is evident trend of decreased investment into debt securities issued by the FBiH (treasury bills and bonds) and increased investment into securities issued by RS.

¹⁰ The largest share of almost 97% refers to bonds of banks from EU.

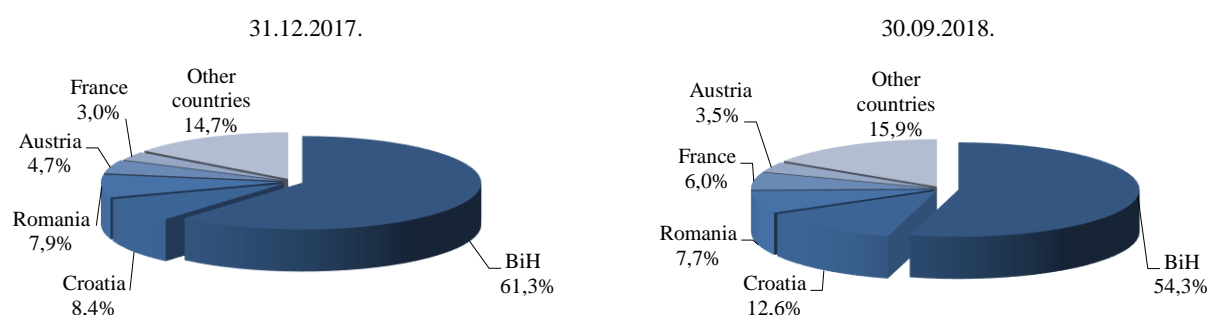
¹¹ All types of securities issued by the FBiH.

Table 13: : Securities of the Entity Governments of BiH

INVESTMENTS IN SECURITIES	31.12.2016.		31.12.2017.		30.09.2018.		Index	
	Amount	Share %	Amount	Share %	Amount	Share %	(4/2)	(6/4)
1	2	3	4	5	6	7	8	9
Debt securities issued by the FBiH:	676.832	82,1	587.687	78,9	481.559	73,2	87	82
- Treasury bills	118.031	14,3	99.949	13,4	39.995	6,1	85	40
- Bonds	558.801	67,8	487.738	65,5	441.564	67,1	87	91
Debt securities issued by RS:	147.124	17,9	157.353	21,1	176.560	26,8	107	112
- Treasury bills	56.758	6,9	65.848	8,8	0	0	116	0
- Bonds	90.366	11	91.505	12,3	176.560	26,8	101	193
Total	823.956	100	745.040	100	658.119	100	90	88

If the total investments in securities were analysed according to exposure by country, the largest share of 54,3% refers to issuers from BiH, followed by Croatia with share of 12,6%, Romania 7,7%, France 6%, Austria 3,5%, etc.

Graph 7: Structure of Investments in Securities According to the Criterion of the Issuing Country



1.2.2. Liabilities

At the end of third quarter of 2018 the share of deposits as the most significant source of funding for banks increased to 78.9% (+0,6 percentage points), while the share of loan commitments, the second-largest source, amounted to 4% (-0,1 percentage points).

In the reporting period of 2018, deposits had trend of increase in the amount of BAM 1.2 billion or 8%, amounting to BAM 17 billion as of 30.09.2018.

The second-largest source, in terms of total amount, are loan funds, but with a significantly lower amount of BAM 856 million and a 4% share, which record growth trend of 2% compared to the end of 2017. These loan funds refer mostly to borrowings from foreign financial institutions. In the last few years, there has been a change in the strategic planning of the financial potential of banks, i.e. the structure of sources and the reorientation to domestic deposit sources, that is especially characteristic of banks that are members of foreign banking groups, with simultaneous return to foreign creditors through repayment of past due liabilities, which resulted in a decrease in the aforementioned (at the end of 2008 they amounted to BAM 2.2 billion). If subordinated loans in the amount of BAM 137 million, which the banks withdrew in the interest of strengthening the capital base and improving capital adequacy, were added to loan commitments, total loan funds would hold a share of 4.6% in total sources of funding

As of 30.09.2018 banks held the largest commitments towards the following creditors, which account for almost 89% of total loan commitments: the EIB, TC Ziraat Bankasi a.s. (Turkey), Procredit Holding AG, the EFSE, the EBRD and Procredit Bank AG Frankfurt. According to data submitted by banks, out of the total deposit amount at the end of the period observed, only 5.4% relates to deposits collected in organisational units of banks from the FBiH, which are operates in RS and the Brčko District

The deposit structure by sector is shown in the table below:

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Table 14: Deposit Structure by Sector¹²

Sectors	31.12.2016.		31.12.2017.		30.09.2018.		Index	
	Amount	Share %	Amount	Share %	Amount	Share %	(4/2)	(6/4)
1	2	3	4	5	6	7	8	9
Government institutions	1.200.513	8,5	1.482.708	9,4	1.680.332	9,9	124	113
Public companies	1.036.461	7,3	1.310.610	8,3	1.627.389	9,6	126	124
Private companies and enterprises	2.191.328	15,5	2.612.441	16,5	2.698.336	15,9	119	103
Banking institutions	647.901	4,6	847.965	5,4	998.596	5,9	131	118
Non-banking financial institutions	603.757	4,3	655.360	4,1	702.806	4,1	109	107
Retail	8.154.484	57,5	8.500.668	53,8	8.874.714	52,1	104	104
Other	341.830	2,4	404.971	2,6	441.671	2,6	118	109
Total	14.176.274	100	15.814.723	100	17.023.844	100	112	108

In the third quarter of 2018 changes were recorded in the deposit structure by sector, as a result of an increase in deposits within all sectors, and mostly with deposits of public companies, banking institutions etc.

Retail deposits, as the most important deposit source, with share of 52.1%, during the third quarter of 2018, recorded an increase in the amount of BAM 374 million or 4%, amounting to BAM 8.9 billion as of 30.09.2018.

The second-largest source in terms of amount and share, although significantly lower than the retail sector, are deposits of private companies, which are up by BAM 86 million or 3% and amounted to BAM 2.7 billion or 15.9% as of 30.09.2018.

Deposits of government institutions with a share of 9.9% recorded a growth of BAM 198 million or 13%, amounting to the total of BAM 1.7 billion, as of 30.09.2018, while deposits of public companies recorded a growth of BAM 317 million or 24%, amounting to the total of BAM 1.6 billion as of 30.09.2018.

Deposits of banking institutions with share of 5.9% (BAM 1.1 billion) recorded a growth of BAM 151 million or 18%, while deposits of non-banking financial institutions which share is 4.1% (BAM 0.7 billion) recorded a growth of BAM 47 million or 7%. Financial support of the banking group is present with respect to eight banks in the FBiH, wherein roughly 85% of the total deposits of banking institutions correlated to financial support to those eight banks from a banking group. Other sectors, with a low share in the total deposits, recorded a growth of BAM 37 million or 9%.

The currency structure of deposits as of 30.09.2018 has been changed. Deposits in BAM increased by BAM 902 million or 10%, while those in foreign currency recorded an increase in the amount of BAM 307 million or 5%. Compared to the end of 2017 the currency structure of deposits changed for 1.2 percentage points, i.e. the share of deposits in local currency increased to 58.7%, and the share of deposits in foreign currency decreased to 41.3%.

¹² Information from the accompanying BS-D form, which banks submit on a quarterly basis in addition to the balance sheet (as based on the FBA model).

The structure of deposits by domicile status of depositors, at the end of third quarter of 2018, has been changed as well, since the resident funds in the amount of BAM 15.8 billion had a share of 92.5% (-0.4 percentage points), and non-residents deposits amounted to BAM 1.3 billion, which is 7.5% of the total deposits. Changes in the structure are the result of an increase in resident deposits (BAM 1 billion or 7%) and increase in non-residents deposits (BAM 146 million or 13%).

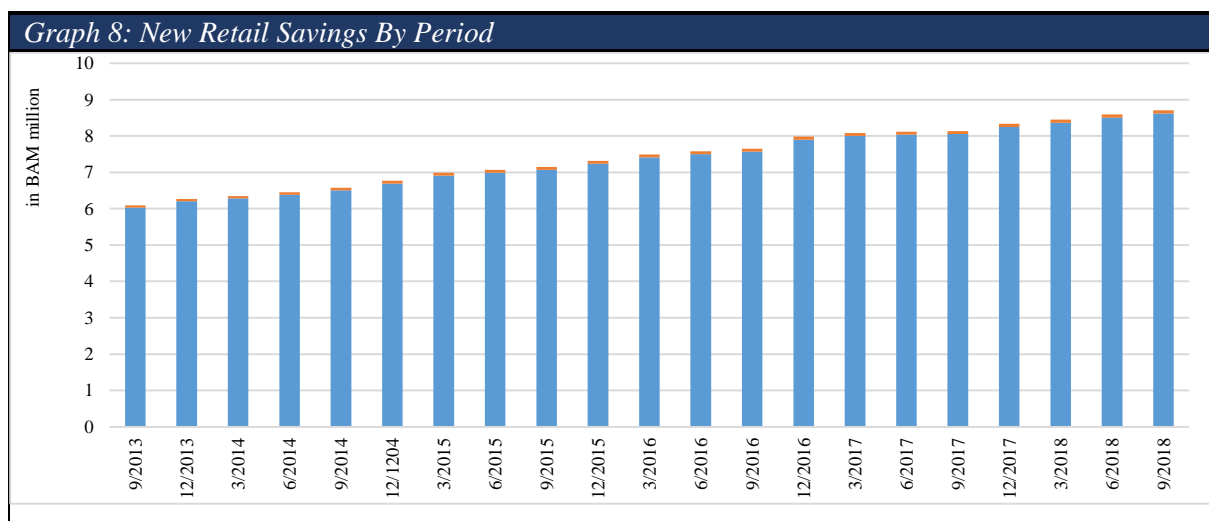
The long-standing trend of increase in savings deposits, as the most significant segment of the deposit and financial potential of banks, has continued in the third quarter of 2018, considering that the increase was BAM 371 million or 4%, and they amounted to BAM 8.6 billion as of 30.09.2018.

The trend of “new retail savings” is shown in the table and graph below:

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Table 15: New Retail Savings By Period

Banks	Amount			Index	
	31.12.2016.	31.12.2017.	30.09.2018.	(3/2)	(4/3)
1	2	3	4	5	6
State-Owned	86.481	83.530	87.015	97	104
Private	7.086.725	8.166.750	8.534.508	115	105
Total	7.173.206	8.250.280	8.621.523	115	104



The two largest banks hold 54.8% of savings, while five banks hold individual shares of less than 2%, which amounts to 5.8% of total savings at the sector level. Out of the total amount of savings, 45% refer to saving deposits in local currency and 55% to savings deposits in foreign currency.

Compared to the end of 2017, the maturity structure of savings deposits has changed due to an increase in short-term deposits by 9% or BAM 397 million, which resulted in their share being up to 56.3% (+2.2 percentage points), as it can be seen in the table below:

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Table 16: Maturity structure of retail saving deposits by period

	31.12.2016.		31.12.2017.		30.09.2018.		Index	
	Amount	Share %	Amount	Share %	Amount	Share %	(3/2)	(4/3)
1	2	3	4	5	6	7	8	9
Short-term savings deposits	4.071.231	51,6%	4.460.734	54,1%	4.857.773	56,3%	110	109
Long-term savings deposits	3.821.975	48,4%	3.789.546	45,9%	3.763.750	43,7%	99	99
Total	7.893.206	100%	8.250.280	100%	8.621.523	100%	105	104

Long-standing continuous growth and positive trends in the savings segment of banks in the FBiH, are the result of, on the one hand, enhanced safety and stability of the overall banking sector, for which is of key importance the existence of functional, effective and efficient banking supervision implemented by the FBA, and, on the other hand, the existence of the deposit insurance system, the primary objective of which is increased stability of the banking, i.e. financial sector and the protection of savers.

1.2.3. Capital and Capital Adequacy

In the process of harmonisation the FBA regulations with new legislation, a new Decision on Calculation of Capital in Banks entered into force at the end of 2017.

During 2018, a parallel reporting method is in force until the fully adjustment of banks, and further analysis is done according to the earlier regulatory reporting method.

Regulatory capital of banks in the FBiH as of 30.09.2018 amounted to BAM 2.6 billion.

The following table shows the structure of regulatory capital structure:

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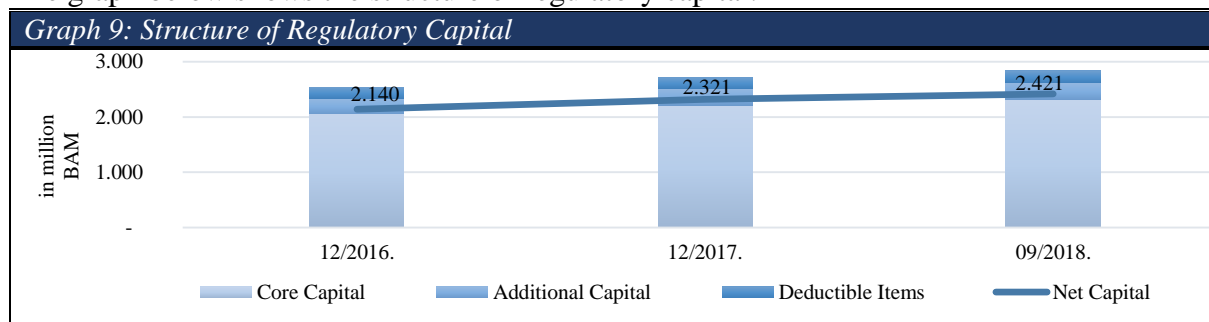
Description	31.12.2016.	Share %	31.12.2017.	Share %	30.09.2018.	Share %	Index	
1	2		3		4		5=(3/2)	6=(4/3)
1.a. Core Capital before reduction	2.167.814		2.321.458		2.466.356		107	106
1.1. Share capital – common and permanent non-cumulative shares	1.215.668		1.225.580		1.289.491		101	105
1.2. Issue premiums	138.786		137.290		137.290		99	100
1.3. Reserves and retained profit	813.360		958.588		1.039.575		118	108
1.b. Deductible items	112.297		108.151		155.740		96	144
1.1. Uncovered losses from previous years	16.690		47.879		85.169		287	178
1.2. Current year loss	42.314		7.288		13.257		17	182
1.3. Treasury shares	3.034		81		229		3	283
1.4. Intangible assets	47.315		49.963		50.530		106	101
1.5. Deferred tax assets	1.881		1.494		1.895		79	127
1.6. Negative revalorised reserves	1.063		1.446		4.660		136	322
1. Core Capital (1a-1b)	2.055.517	88%	2.213.307	88%	2.310.616	88%	108	104
2. Additional Capital	284.917	12%	306.237	12%	319.983	12%	107	104
2.1. Share capital – common and permanent cumulative shares.	209		209		209		100	100
2.2. General loan loss reserves	170.420		186.830		198.840		110	106
2.3. Positive revalorised reserves	9.741		13.037		16.329		134	125
2.4. Amount of audited profit	0		0		0		0	0
2.5. Subordinated debt	103.122		104.733		103.176		102	99
2.6 Hybrid items and other instruments	1.425		1.428		1.429		100	100
3. Capital (1 + 2)	2.340.434	100%	2.519.544	100%	2.630.599	100%	108	104
4. Deductible items from capital	200.035		198.380		209.289		99	105
4.1. Bank's shares in capital of other legal entities above 5% of core capital.	0		0		0		0	0
4.2. Loan loss reserves shortfall at regulatory request	200.035		198.380		209.289		99	105
4.3. Other deductible items	0		0		0		0	0
5. Net Capital (3- 4)	2.140.399		2.321.164		2.421.310		108	104

In the third quarter of 2018, regulatory capital of the banking sector increased for BAM 111 million or 4% compared to the end of 2017, without change in the structure (core capital 88% and additional capital 12%). The core capital increased by BAM 97 million or 4%, while additional capital increased by BAM 14 million or 4%.

Changes in regulatory capital are mainly due to the effects of first application of IFRS 9 in the amount of BAM 97 million, distribution of profit from 2017 (into core capital BAM 140 million), recapitalization of two banks in the amount of BAM 64 million, as well as net effect of regulatory capital increase on the various bases in the amount of BAM 4 million.

The missing LLP under the regulatory requirement, as a deductible item from capital as of 30.09.2018, amounted to BAM 209 million, which is up by BAM 11 million or 5% compared to the end of 2017.

The graph below shows the structure of regulatory capital:



Net capital has increased by BAM 100 million or 4% and amounted to BAM 2.4 billion as of 30.09.2018.

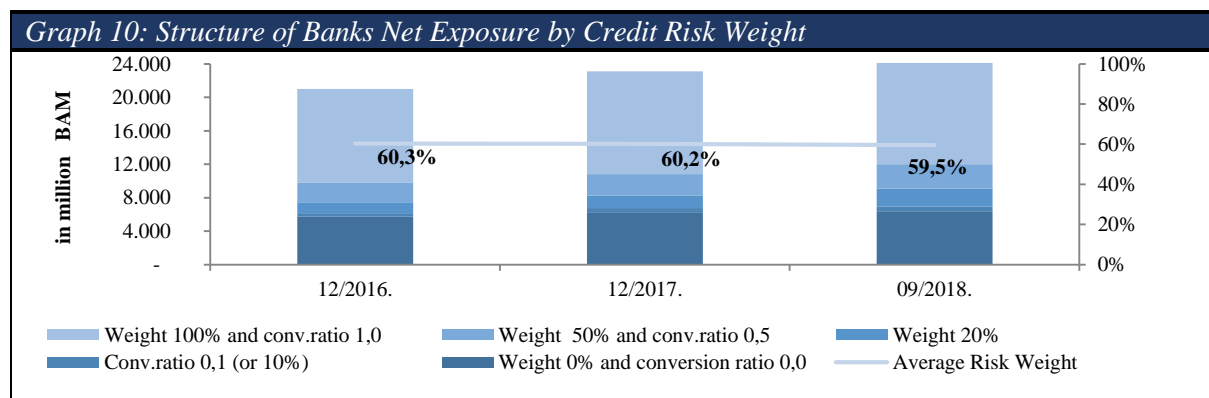
Capital adequacy of individual banks, i.e. the overall sector, depends, on the one hand, from the net capital level, and, on the other hand, on total risk-weighted assets (risk-weighted balance sheet and off-balance sheet assets and weighted operational risk).

The table and graph below provide a structure of the net exposure of banks by credit risk weight, i.e. by conversion ratios for off-balance sheet items:

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Table 18: Structure of Banks Net Exposure by Credit Risk Weight

Description	31.12.2016.	31.12.2017.	30.09.2018.	Index	
1	2	3	4	5=(3/2)	6=(4/3)
Total exposure (1+2):	20.994.773	23.095.817	24.879.666	110	108
1 Balance sheet assets	17.863.737	19.692.604	21.054.066	110	107
2. Off-balance sheet items	3.131.036	3.403.213	3.825.600	109	112
Distribution by risk weight and conversion ratios					
Weight 0%	5.695.758	6.203.689	6.311.567	109	102
Weight 20%	1.309.962	1.515.686	2.139.705	116	141
Weight 50%	75.541	93.891	106.135	124	113
Weight 100%	10.782.476	11.879.338	12.496.659	110	105
Conversion ratio 0,0	43.699	57.604	56.288	132	98
Conversion ratio 0,1	396.664	481.880	595.751	121	124
Conversion ratio 0,5	2.291.106	2.473.318	2.792.340	108	113
Conversion ratio 1,0	399.567	390.411	381.221	98	98
Risk-weighted balance sheet and off-balance sheet assets	12.667.026	13.904.675	14.814.632	110	107
Average risk weight	60,3%	60,2%	59,5%	100	99



In the third quarter of 2018, total net exposure of banks (before being weighted) increased by 8%. The risk-weighted balance sheet and off-balance sheet items (after being weighted) amounted to BAM 14.8 billion, with a 7% growth rate, as of 30.09.2018. The average risk weight decreased from 60,2% to 59.5%.

The weighted operational risk (WOR) was up (5%) and amounted to BAM 1.1 billion as of 30.09.2018. All of this resulted in an increase in the amount of total risk-weighted assets that amounted to BAM 15,9 billion or 6%.

As of 30.09.2018, the share of risk-weighted balance and off-balance sheet assets (exposure to credit risk) amounted to 93.1%, and 6.9% of the operational risk.

J One of the key indicators of banks capital strength and adequacy ¹³ is the capital adequacy ratio, calculated as a ratio between net capital and total risk-weighted assets. At the banking sector level, this ratio stood at 15.2% as of 30.09.2018, which is 0.3 percentage points down, compared to the end of 2017, due to the increase in risk-weighted assets and first application of the IFRS 9.

Annex 5 provides a Report on the banks capital and capital adequacy in the FBiH.

The ratio of the core capital (Tier I) and total risk-weighted assets amounted to 14.5% at the level of the banking sector as of 30.09.2018. Banks have the obligation to allocate part of the core capital above 9% of total risk assets to cover the risks related to preventive protection from potential losses in times of stressful situations through a capital conservation buffer that has been prescribed in the amount of 2.5% of the amount of total risk assets.

Banks are required to establish and maintain the financial leverage ratio as an additional security and a simple capital hedge, at least in the amount of 6%. The financial leverage ratio at the level of the banking sector amounted to 9.2% as of 30.09.2018 (at the end of 2017 it was 9.6%).

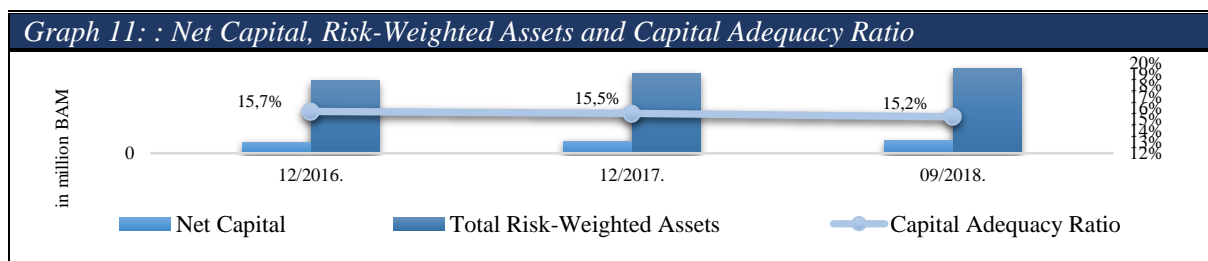
For the past few years, the capital adequacy of the banking sector has been continuously maintained at a level above 15%, which is a satisfactory capitalisation rate at the sector level. Banks have retained the largest portion of profit from previous years within their capital. In the previous period, several banks have also improved their capitalisation rate on the basis of recapitalisation.

The following table and graph provide an overview of net capital, risk-weighted assets and the capital adequacy ratio at the level of the banking sector:

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Description	31.12.2016.	31.12.2017.	30.09.2018.	Index	
1	2	3	4	5(3/2)	6(4/3)
1. Net capital	2.140.399	2.321.164	2.421.310	108	104
2. Risk-weighted balance sheet and off-balance sheet items	12.667.026	13.904.675	14.814.632	110	107
3. WOR (weighted operational risk)	1.001.018	1.042.691	1.092.596	104	105
4. Total risk-weighted assets (2+3)	13.668.044	14.947.366	15.907.228	109	106
5. Net capital ratio (capital adequacy) (1/ 4)	15,7%	15,5%	15,2%	99	98

¹³ Legal minimum of capital adequacy ratio is 12%



The capital adequacy ratio of the banking sector as of 30.09.2018 was 15.2%, which is still quite above the legal minimum (12%) and represents a satisfactory capitalisation rate of the overall sector. If observed by individual banks, as of 30.09.2018, nine banks have lower rate, four banks have higher, and two banks kept the same capital adequacy rate as at the end of 2017.

As of 30.09.2018, ten banks have capital adequacy rate below the banking system average (15.2%), and five banks above the banking system average.

By supervising the operations and financial condition of banks in the FBiH in accordance with its legal competences and for the purpose of improving the safety of both individual banks and the banking sector as a whole, the FBA instructed banks to take appropriate measures to strengthen their capital base and ensure capital adequacy in terms of the level and profile of the existing and potential exposure to all risks inherent to banking operations, primarily credit risk, as the dominant risk banks are exposed to in their business operations .

The priority task continues to be the maintenance of a strong and adequate capital base of the banking sector in accordance with the risk profile of the banks' operations, with a focus on large banks in the sector, as well as on banks whose total business operations are under enhanced supervision.

1.2.4. Asset and Asset Quality

The Decision on Minimum Standards for Credit Risk Management and Asset Classification in Banks defines criteria for the assessment of banks' exposure to credit risk by means of asset quality assessment and assessment of adequacy of reserves for loan losses and other losses as per risk level of loans and balance sheet and off-balance sheet assets items. When assessing banks' exposure to credit risk, banks are required to continue calculating LLP in accordance with the criteria from the aforementioned Decision, thereby considering already formed value adjustments of balance sheet assets and loss provisions for off-balance sheet items recorded in the banks' books (calculated in accordance with the applicable IAS and IFRS), while also taking into account LLP formed from profit (found on capital accounts).

Starting as of 01.01.2018, banks are required to apply the new financial reporting standard IFRS 9 – Financial Instruments, which has replaced IAS 39.

The following table provides an overview of assets, LLP according to the regulator and value adjustments according to IFRS:

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Description	31.12.2016.		31.12.2017.		30.09.2018.		Index	
	1	2	3	4	5=(3/2)	6=(4/3)		
1. Risk-weighted assets ¹⁴	15.678.467	17.224.329	17.224.329	18.068.611	110	105		
2. Calculated regulatory reserves for loan losses	1.533.712	1.492.475	1.492.475	1.511.533	97	101		
3. Value adjustment and reserves for off-balance sheet items	1.294.471	1.262.277	1.262.277	1.354.292	98	107		
4. Required regulatory reserves formed from profit for assessed losses	405.019	402.640	402.640	412.558	99	102		
5. Formed regulatory reserves from profit for assessed losses	315.734	315.734	315.734	315.734	100	100		
6. Shortfall of regulatory reserves formed from profit for assessed losses	200.035	198.771	198.771	209.288	99	105		
7. Non-risk weighted items	7.175.607	7.699.195	7.699.195	8.736.719	107	113		
8. Total assets (1+7)	22.854.074	24.923.524	24.923.524	26.805.330	109	108		

Total assets with off-balance sheet items (assets)¹⁵ of banks in the FBiH, as of 30.09.2018, amounted to BAM 26.8 billion and is up by BAM 1.9 billion or 8% compared to the end of 2017. Risk-weighted assets amount to BAM 18.1 billion and is up by BAM 844 million or 5% compared to the end of 2017. Non-risk weighted items amount to BAM 8.7 billion or 32.6% of total assets with off-balance sheet items and up for one billion BAM or 13% compared to the end of 2017.

Total calculated LLP based on regulatory requirements amount to BAM 1.5 billion being up by the amount of BAM 19 million or 1%, while formed value adjustments for balance sheet assets and provisions for losses amount to BAM 1.4 billion are up by BAM 92 million or 7% compared to the end of 2017.

Required regulatory reserves¹⁶ amount to BAM 413 million and are up by BAM 10 million or 2%. Formed regulatory reserves from profit in the amount of BAM 316 million are at the same level as at the end of 2017. the shortfall of regulatory reserves¹⁷ as of 30.09.2018, amount to BAM 209 million, that is an increase for the amount of BAM 10.5 million or 5% compared to the end of 2017.

The following table shows an overview of total assets, gross balance sheet assets, risk-weighted and non-risk weighted assets items at the level of the banking sector:

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Description	31.12.2016.		31.12.2017.		30.09.2018.		Index	
	Amount	Structure %	Amount	Structure %	Amount	Structure %	8=(4/2)	9=(6/4)
Loans	10.850.532	84,2	11.910.826	83,5	12.480.341	84,3	110	105
Interest	69.237	0,5	66.894	0,5	93.146	0,6	97	139
Past due receivables	1.164.973	9	1.036.949	7,3	1.070.632	7,2	89	103
Receivables on paid guarantees	26.537	0,2	31.080	0,2	30.237	0,2	117	97
Other facilities	138.995	1,1	400.584	2,8	289.596	2	288	72
Other assets	638.228	5	814.496	5,7	832.979	5,6	128	102
1. Risk-weighted balance sheet assets	12.888.502	100	14.260.829	100	14.796.931	100	111	104
2. Non-risk weighted balance sheet assets	6.745.740		7.172.606		8.090.031		106	113
3. Gross balance sheet assets (1+2)	19.634.242		21.433.435		22.886.962		109	107

¹⁴ Excluded is the amount of placements and potential liabilities in the amount of BAM 393 million secured by the cash deposit.

¹⁵ Assets, as defined in Article 2 of the Decision on Minimum Standards for Credit Risk Management and Asset Classification in Banks (Official Gazette of the Federation of BiH, No. 85/11 – consolidated text and 33/12 – correction, 15/13).

¹⁶ Required regulatory reserves represent a positive difference between calculated loan loss provisions and value adjustments (calculated loan loss provisions are higher than value adjustments).

¹⁷ Shortfall of regulatory reserves represents a positive difference between required and formed loan loss provisions.

4. Risk-weighted off-bs items	2.789.965	2.963.500	3.271.680	106	110
5. Non-risk weighted off-bs items	429.867	526.589	646.688	123	123
6. Total off-bs items (4+5)	3.219.832	3.490.089	3.918.368	108	112
7. Risk-weighted assets with off-bs item (1+4)	15.678.467	17.224.329	18.068.611	110	105
8. Non-risk weighted items (2+5)	7.175.607	7.699.195	8.736.719	107	113
9. Assets with off-bs items (3+6)	22.854.074	24.923.524	26.805.330	109	108

Gross balance sheet assets¹⁸ amount to BAM 22.9 billion and is up by BAM 1.4 billion or 7% compared to the end of 2017. Risk-weighted balance sheet assets amount to BAM 14.8 billion that is 65% of gross balance sheet assets, with an increase of BAM 536 million or 4%. Non-risk weighted balance sheet assets amount to BAM 8.1 billion and is up by BAM 917 million or 13%.

Off-balance sheet risk-weighted items amount to BAM 3.3 billion and are up by the amount of BAM 308 million or 10% compared to the end of 2017, while non-risk weighted items amount to BAM 647 million, having increase in the amount of BAM 120 million or 23%.

Over the first nine months of 2018, there was a credit growth in the amount of BAM 866 million or 7% compared to 31.12.2017. As of 30.09.2018, the loans amounted to BAM 14 billion. Trend and change in the share of individual sectors in the total loan structure is shown in the table below:

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Table 22: Loan Structure by Sector

Sectors	31.12.2016.		31.12.2017.		30.09.2018.		Index	
	Amount	Share %	Amount	Share %	Amount	Share %	8=(4/2)	9=(6/4)
1	2	3	4	5	6	7	8=(4/2)	9=(6/4)
Government institutions	265.892	2,2	245.102	1,9	215.840	1,5	92	88
Public companies	226.891	1,8	210.461	1,6	312.363	2,2	93	148
Private companies and enterprises	5.756.280	46,9	6.295.558	47,8	6.511.451	46,4	109	103
Banking institutions	58	0	12	0	137.014	1	21	1141783
Non-banking financial institutions.	40.365	0,3	58.992	0,4	71.498	0,5	146	121
Retail	5.972.074	48,7	6.358.707	48,2	6.783.907	48,3	106	107
Other	8.668	0,1	10.028	0,1	12.951	0,1	116	129
Total	12.270.228	100	13.178.860	100	14.045.024	100	107	107

The growth rate of loans to private companies amounted to BAM 216 million or 3% (in 2017 an increase of BAM 539 million or 9%), while at the same time their share is slightly decreased from 47.8% to 46.4%, thus the loans of this sector amounted to BAM 6.5 billion, as of 30.09.2018. The increase in loans to the retail sector amounted to BAM 425 million or 7% (in 2017 an increase of BAM 387 million or 6%), while the share is slightly increased from 48.2% to 48.3% compared to the end of 2017 and amounted to BAM 6.8 billion as of 30.09.2018.

In regard to loan structure by sector, as of 30.09.2018, a significant increase of loans to banking institutions is evident, for the amount of BAM 137 million compared to the end of 2017 (BAM 12 thousand), what is its amount for the period observed.

According to information submitted by the banks as of 30.09.2018 the retail loan structure by purpose is almost the same as at the end of 2017: consumer loans hold a share of 81,3%, housing loans hold a share of 17.2%, while the remaining 1.5% refer to loans to small crafts, small businesses and agriculture. The three largest banks in the sector have passed on 61% of the total approved retail loans, and 47.1% of the total approved loans to private companies.

¹⁸ The loan amount of BAM 341 million covered by cash deposit is excluded (included in non-risk weighted assets).

In the currency structure of loans, the largest share of 51.9% or BAM 7.3 billion refers to currency clause loans (EUR: BAM 7.4 billion or 97.2%, CHF: BAM 58.4 million or 2.8%), local currency loans with a share of 46.6% or BAM 6.5 billion, while the smallest share of just 1.5% or BAM 213 million refers to foreign currency loans (almost the entire amount thereof refers to EUR: BAM 211 million or 99.4%). The total amount of loans with a currency clause in CHF of BAM 58.4 million has a 0.4% share in the total loan portfolio and the total amount refers to one bank in the sector.

The table below provides an overview of the quality of assets and off-balance sheet risk-weighted items, GCR, PLL by classification category:

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Table 23: Asset Classification, GCR and PLL

Classification category	31.12.2016.			31.12.2017.			30.09.2018.			Index	
	Classified assets	Share %	GCR PLL	Classified assets	Share %	GCR PLL	Classified assets	Share %	GCR PLL	11=(5/2)	12=(8/5)
1	2	3	4	5	6	7	8	9	10	11=(5/2)	12=(8/5)
A	13.166.182	84	263.324	14.834.609	86,1	296.693	15.729.641	87,1	314.594	113	106
B	982.398	6,3	77.167	1.032.373	6	82.700	953.634	5,3	75.841	105	92
C	224.335	1,4	58.086	166.456	1	45.486	164.268	0,9	48.346	74	99
D	423.766	2,7	253.348	301.598	1,8	178.304	346.895	1,9	199.220	71	115
E	881.786	5,6	881.787	889.293	5,2	889.292	874.173	4,8	873.532	101	98
Risk-weighted assets (A-E)	15.678.467	100	1.533.712	17.224.329	100	1.492.475	18.068.611	100	1.511.533	110	105
Classified (B-E)	2.512.285	16	1.270.389	2.389.720	13,9	1.195.782	2.338.970	12,9	1.196.939	95	98
Non-performing (C-E)	1.529.887	9,8	1.193.221	1.357.347	7,9	1.113.082	1.385.336	7,7	1.121.098	89	102
Non-risk weighted assets ¹⁹	7.175.607			7.699.195			8.736.719			107	113
Total (risk-weighted and non-risk weighted)	22.854.074			24.923.524			26.805.330			109	108

Asset quality assessment is an evaluation of credit risk exposure of the banks' loans, i.e. the identification of PLL. The first and warning indicator of potential problems with loan repayment is an increase in past due receivables and their share in total loans. As of 30.09.2018, past due receivables amounted to BAM 1.1 billion, which is up by 3% or BAM 33 million compared to the end of previous year, and the share is decreased from 8.1% to 7.8%.

Annex 6 and 6a provide a classification of balance sheet assets and off-balance sheet risk-weighted items.

As of 30.09.2018, classified assets amounted to BAM 2.3 billion, non-performing assets to BAM 1.4 billion. The classified assets (categories B-E) decreased by BAM 51 million or 2% compared to the end of 2017 (in 2017 decrease of BAM 123 million or 5%). Category B decreased by BAM 79 million or 8%. Non-performing assets (categories C-E) amount to BAM 1.4 billion and is up by BAM 28 million (in 2017 non-performing assets decreased by BAM 173 million or 11%), largely due to the significant increase of non-performing loans with one bank in the total amount of BAM 92 million, as well as permanent asset write-off in the amount of BAM 57 million.

The share of classified assets in risk-weighted assets amount to 12.9%, as of 30.09.2018, which is a drop for 0.9 percentage points compared to the end of 2017.

¹⁹ In accordance with Article 2, paragraph 2 of the Decision on Minimum Standards for Credit Risk Management and Asset Classification in Banks, assets items that are not classified and items for which no general LLP of 2% are calculated (as per Article 22, paragraph 8 of the same Decision)

The most significant indicator of asset quality is the ratio between non-performing assets and risk-weighted assets, which amounts to 7.7%, that is drop by 0.2 percentage points compared to the end of 2017.

Sector-level data analysis is based on loan quality indicators for two key sectors: corporate and retail. The two aforementioned indicators for these sectors deviates significantly and indicate a higher exposure to credit risk and consequently to PLL regarding corporate loans.

The following table shows a detailed overview of the classification of retail and corporate loans:

-in 000 BAM-

Table 24: Classification of Retail and Corporate Loans

Classification on category	31.12.2017.						30.09.2018.						Index
	Retail	Share%	Corporate	Share%	Total		Retail	Share%	Corporate	Share%	Total		
					Amount	Share%					Amount	Share%	
1	2	3	4	5	6 (2+4)	7	8	9	10	11	12=(8+10)	13	14=(12/6)
A	5.732.970	90,2	5.356.474	78,5	11.089.444	84,1	6.160.984	90,8	5.844.789	80,5	12.005.773	85,5	108
B	163.628	2,6	651.859	9,6	815.487	6,2	153.744	2,3	599.832	8,3	753.576	5,4	92
C	61.371	1	98.470	1,4	159.841	1,2	61.683	0,9	98.095	1,4	159.778	1,1	100
D	46.850	0,7	243.681	3,6	290.531	2,2	51.649	0,8	281.743	3,9	333.392	2,4	115
E	353.889	5,6	469.668	6,9	823.557	6,2	355.845	5,2	436.660	6	792.505	5,6	96
Total	6.358.708	100	6.820.152	100	13.178.860	100	6.783.905	100	7.261.119	100	14.045.024	100	107
Class.loans B-E	625.738	9,8	1.463.678	21,5	2.089.416	15,9	622.921	9,2	1.416.330	19,5	2.039.251	14,5	98
NPL C-E	462.110	7,3	811.819	11,9	1.273.929	9,7	469.177	6,9	816.498	11,2	1.285.675	9,2	101
		48,2		51,8		100		48,3		51,7		100	
Individual sector's share in classified loans, non-performing loans and category B :													
Categories B-E		29,9		70,1		100		30,5		69,5		100	
Non-performing C-E		36,3		63,7		100		36,5		63,5		100	
Category B		20,1		79,9		100		20,4		79,6		100	

Over the third quarter of 2018, the share of classified loans decreased to 14.5% (-1.4 percentage point), on the one hand, due to decrease of classified loans by the amount of BAM 50 million or 2%, and on the other hand, due to overall loan increase. Classified retail loans decreased by BAM 2.8 million or 0.5%, and corporate by BAM 47 million or 3.2%.

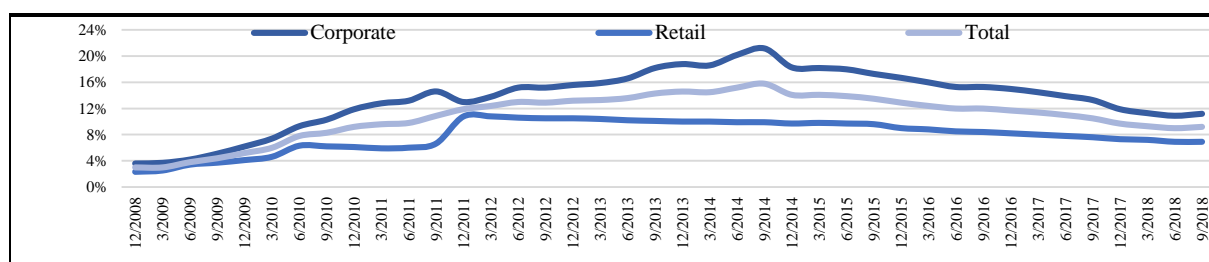
The share of NPLs decreased from 9.7% to 9.2%, mainly as a result of the credit growth and activities on collection. Out of the total approved corporate loans, BAM 816 million or 11.2% refers to NPLs, that is for 0.7 percentage points lower compared to the end of 2017 (in 2017 their share decreased by 3.1 percentage points). For retail sector, NPLs account for BAM 469 million or 6.9%, that is for 0.4 percentage points lower (in 2017 the share decreased by 0.9 percentage points).

In absolute term, the overall NPLs increased compared to the end of 2017, for the amount of BAM 12 million or 1%. Corporate NPLs increased by the amount of BAM 5 million or 0.6%, same as retail NPLs for the amount of BAM 7 million or 1.5% compared to the end of 2017.

Out of the total passed on corporate loans in the amount of BAM 7.3 billion, BAM 1.4 billion or 19.5% of loans were classified within categories B to E as of 30.09.2018, while this indicator is much better for the retail segment, which correlates with the degree of risk associated with lending to these two sectors. Out of the total approved retail loans in the amount of BAM 6.8 billion, there were BAM 623 million or 9.2% of loans classified within categories B to E.

An overview of NPLs by period is provided in the graph below:

Graph 12: NPLs



A more detailed and comprehensive analysis is based on data on loan concentration by industry sector for the corporate segment (by sector) and for the retail segment (by purpose) and it is presented in the following table:

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Table 25: Concentration of Loans by Industry Sector

Description	31.12.2017.				30.09.2018.				Index	
	Total loans		Non-performing loans		Total loans		Non-performing loans			
	Amount	Share %	Amount	Share %	Amount	Share %	Amount	Share %		
1	2	3	4	5=(4/2)	6	7	8	9=(8/6)	10=(6/2)	11=(8/4)
1. Corporate Loans for:										
Agriculture (AGR)	206.554	1,6	30.860	14,9	187.747	1,3	33.924	18,1	91	110
Industry / Production (IND)	1.986.437	15,1	281.513	14,2	2.074.597	14,8	286.397	13,8	104	102
Construction (CON)	428.151	3,2	67.845	15,8	414.529	3	72.631	17,5	97	107
Trade (TRD)	2.589.004	19,6	290.802	11,2	2.648.173	18,9	289.351	10,9	102	100
Hospitality, Tourism, Recreation (HTR)	243.136	1,8	11.536	4,7	272.361	1,9	14.648	5,4	112	127
Other ²⁰	1.366.870	10,4	129.263	9,5	1.663.712	11,8	119.547	7,2	122	92
Total 1	6.820.152	51,8	811.819	11,9	7.261.119	51,7	816.498	11,2	106	101
2. Retail Loans for:										
General consumption	5.188.942	39,4	317.089	6,1	5.518.157	39,3	333.864	6,1	106	105
Housing	1.065.987	8,1	126.907	11,9	1.167.670	8,3	118.685	10,2	110	94
Business activities (small business owners)	103.779	0,8	18.114	17,5	98.078	0,7	16.628	17	95	92
Total 2	6.358.708	48,2	462.110	7,3	6.783.905	48,3	469.177	6,9	107	102
Total (1 +2)	13.178.860	100	1.273.929	9,7	14.045.024	100	1.285.675	9,2	107	101

The largest share in total corporate loans refers to the trade sector (18.9%) and the production sector (14.8%), while the largest share in the retail segment is held by general consumption loans (39.3%) and housing loans (8.3%). The level of loans to the production sector in the amount of BAM 2.1 billion increased in the third quarter of 2018 in the amount of BAM 88 million or 4%. NPLs passed on to production sector amount to BAM 286 million and increased by the amount of BAM 5 million or 2%, while the share of NPLs is still on high level of 13.8%, although it has been decreased by 0.4 percentage points.

In the third quarter of 2018, lending to the trade sector amount to BAM 2.6 billion and it has increased by the amount of BAM 59 million or 2% compared to the end of 2017. NPLs in this sector amount to BAM 289 million and decreased by BAM 1 million, and its share decreased by 0.3 percentage points, i.e. to 10.9%, which is a better indicator than in the production sector.

The share of NPLs is high in the construction sector – 17.5%, and is up by 1.7 percentage points, while loans from this sector hold a low share in the amount of only 3% in the total corporate loans. In the agriculture sector, which has the lowest share of 1.3% of the total corporate loans, NPLs hold a significant share of 18.1%, which increased by 3.2 percentage points compared to the end of the previous year.

In the retail segment, general consumption loans hold the highest share, which amounts to 39.3% in total loans, with an increase in the amount of BAM 329 million or 6%. Housing loans

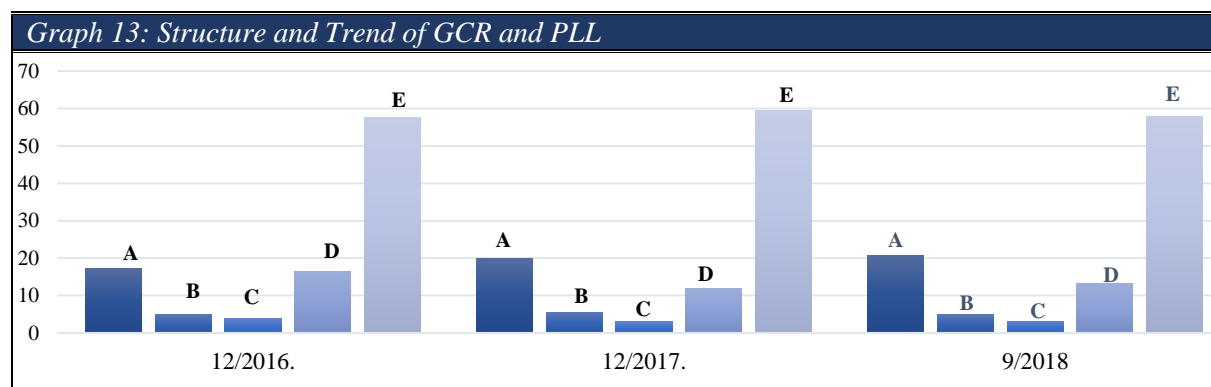
²⁰ The following sectors included: traffic, warehouse and communications (TRC); financial mediation (FIN); real estate, renting and business services (RER); public administration and defense, mandatory social insurance (GOV) and other.

increased by BAM 102 million or 10%. Housing loans hold a relatively high 10.2% share of NPLs, while general consumption loans hold a 6.1% share of NPLs.

The GCR level and estimated PLL by classification category, determined in accordance with the criteria and methodology defined by the FBA decisions, along with their trend and structure at the banking sector level, is provided in the table and graph below:

-in 000 BAM-

Classification category	Amount (in 000 BAM) and structure (u %)						Index	
	31.12.2016.	%	31.12.2017.	%	30.09.2018.	%	8=(4/2)	9=(6/4)
1	2	3	4	5	6	7		
A	263.324	17,2	296.693	19,9	314.594	20,8	113	106
B	77.167	5	82.700	5,5	75.841	5	107	92
C	58.086	3,8	45.486	3	48.346	3,2	78	106
D	253.348	16,5	178.304	11,9	199.220	13,2	70	112
E	881.787	57,5	889.292	59,6	873.532	57,8	101	98
Total	1.533.712	100	1.492.475	100	1.511.533	100	97	101



Analysing the level of the calculated LLP in total and by classification category, compared to the end of 2017, the reserves for GCR (category A) and PLL remained at the same level in the amount of BAM 1.5 billion.

The reserves for category A increased by BAM 18 million or 3% compared to the end of 2017. Within the PLL, reserves for category B decreased by the amount of BAM 7 million or 8%, for category C are increased by the amount of BAM 3 million or 6%, the reserves for category D increased for the amount of BAM 21 million or 12%, and for category E decreased for the amount of BAM 16 million or 2%.

One of the key indicators of asset quality is the ratio between PLL and risk-weighted assets with off-balance sheet items and this ratio amounts to 6.6% and it is down by 0.3 percentage points compared to the end of 2017. As of 30.09.2018, banks had at approximately same level as at the end of 2017, calculated reserves in the amount of 8% for category B, 29% for category C, 59% for category D and 57% for category E 100%²¹ (increase with category C i.e. decrease with category D was 2 percentage points).

Analysing the asset quality of the banking sector of the FBiH, through indicators of trends and changes in the third quarter of 2018, it might be concluded that asset quality of the banking sector is at satisfactory level.

²¹ According to the Decision on Minimum Standards for Credit Risk Management and Asset Classification in Banks, banks are required to calculate LLP by classification category bearing the following percentages: A-2%, B 5-15%, C 16-40%, D 41-60% and E 100%.

The credit risk is the dominant risk in most banks, which is why the focus of the supervisor is on the assessment of practices for credit risk management i.e. identification, measuring, monitoring and controlling of credit risk and assets classification.

1.2.5. Profitability

At the level of the banking sector in FBiH, a positive financial result was recorded for the period 01.01 - 30.09.2018 – profit in the amount of BAM 246.7 million, which is up by BAM 15.1 million or 6.5% compared to the same period of the previous year. In the same period the total net profit at the level of the banking sector in the FBiH (profit before tax) amounted to BAM 260 million, and net-losses amounted to BAM 13.3 million. If those data are compared with the same period of the previous business year, it is evident that losses presented are up by the amount of BAM 10 million or 309.3% and refers to one bank, while at the same time presented profit before tax is up by the amount of BAM 25.1 million or 10.7%. If three-years period is observed, a continues growth of financial result is evident in the absolute term, wherin relative term the growth was more significant within 30.09.2016 -30.09.2017 period, since it was 36%.

Based on an analysis of the structure of profit and loss at the level of the banking sector for the first nine months of 2018 in relation to the same period of the previous business year, it is evident that positive financial result – net profit in the amount of BAM 246.7 million is the result of the following changes:

- Increase of net interest and similar income for the amount of BAM 4.6 million or 1% that is result of decrease of total interest and similar income for the amount of BAM 10.3 million or 1.8% and simoultanes decrease of total interets and similar expenses for the amount of BAM 14.9 million or 13.1%;
- Increase of total operating income for the amount of BAM 16.6 million or 5.31% wherin within its structure it is evdient increase of income from foreign exchange operations, service fees, fees on off-balance and trade operations, with decerase of income based on credit fees and other operating income;
- Increase of total non-interest expenses for the amount of BAM 6.1 million or 1.1%, wherein total business and direct expenses remained at the approxiamtely same level, while the total operating income increased by BAM 6 million or 1.6%.

In the structure of total business and direct expenses at the level of banking sector in the FBiH, the expenses of value adjustemnt for risk-weighted assets were decreased, reserves for potential liabilities and other value adjustments, which compared to 30.09.2017 decreased for the amount of bam 7.7 million or 10.8%, while other business and direct expenses increased by the amount of BAM 7.8 miliona or 9.3%.

In the structure of operating expenses, it is evident increase of the costs of salaries and contributions for the amount of BAM 7.3 million or 4% same as for business premises, other fixed assets and utilities for the amount of BAM 0.6 million or 0.5%, and decrease of other operating costs for the amount of BAM 1.9 million or 2.3%. The presented increase of salaries and contributions costs is linked to the increased number of employees for 1.2%, where in relative term the growth of this expense category is higher than the growth of number of employees in the banking sector of the FBiH within the period observed.

With exception of one bank, which reported a losses as of 30.09.2018 in the amount of BAM 13.2 million (in the same period of the previous year it had reported a positive financial result

in the amount of BAM 2.9 million) all 14 banks in the system reported a positive financial result-profit in the total amount of BAM 259.9 million.

If the analytical data for 14 banks in the system are compared with the same period of the previous business year, it is evident that one bank which reported a loss as of 30.09.2017, has reported a positive financial result as of 30.09.2018, which is the result of lower costs of value adjustments and other operating expenses. Out of other 13 banks, the five banks in the system reported a lower profit compared to the same period of the previous business year, eight banks reported a higher profit where one bank reported almost the same profit level.

Observed by the asset amount as of 30.09.2018, the four biggest banks in the system which have the total share of 63.6% have reported a positive financial result in the total amount of BAM 216.7 million or 87.8% of the total reported financial result-profit. Whereby, the amount of BAM 167.6 million or 67.9% of the reported profit at the system level, refers to two largest banks which have the largest individual share as per asset amount.

Annex 7 shows the aggregated balance sheet of banks in the FBiH for the period 01.01-30.09.2018 according to the FBA model.

The table below shows an overview of the recorded financial result, at the level of banking sector in FBiH, by reporting period:

-000 BAM-

Table 27: Recorded Financial Result: Profit/Loss						
Description	30.09.2016.		30.09.2017.		30.09.2018.	
	Amount	Number of banks	Amount	Number of banks	Amount	Number of banks
1	2	3	4	5	6	7
Loss	-39.935	3	-3.239	1	-13.256	1
Profit	210.170	13	234.784	14	259.927	14
Total	170.235	16	231.545	15	246.671	15

The presented financial results at the level of banking sector in FBiH, by reporting period, steadily record an increase, wherein as in absolute, as well in relative term, increase significantly higher in the third quarter of 2017, compared to the third quarter of 2016.

According to data presented by the banks, as of 30.09.2018, the total interest income and similar income amount to BAM 555 million, and within its structure the highest item are interest income from loans and leasing operations which amount to BAM 493.1 million or 88.8%, wherein compared with the same period of the previous year are down by BAM 7.9 million or 1.6%, and within period observed the total liabilities from loans and leasing operations increased by the amount of BAM 866 million or 6.6%.

In the same period, other income from interest and similar income were down by BAM 3.2 million or 5.5%, same as income from equities which are not presented as of 30.09.2018, and were decreased by the amount of BAM 0.8 million or 100% compared to the same period of the previous year, where in the period observed the equities portfolio remained unchanged (increase below 1%).

Incomes by interest accounts of deposits with deposit institutions increased by the amount of BAM 1.3 million or 68.8%, and income based on facilities to other banks by the amount of BAM 0.3 million or 29.9%, where in the same period the amount of cash increased on interests

deposit accounts by the amount of BAM 698.6 million or 22.3%, while facilities to other banks decreased by the amount of BAM 230 million or 65.5% compared to the same period of the previous business year.

Total interest and similar expenses, as of 30.09.2018 amounts to BAM 98.7 million, which is BAM 14.9 million or 13.1% down compared to the same period of the previous business year, where, where interest expenses by deposits amounts to BAM 79.9 million or 80.9% of the total interest and similar expenses, and within period observed interests deposits, as primarily source of funding in the banking sector in the FBiH, records a growth in the amount of 732.5 million BAM or 6.4%, while the corresponding interests expenses decreased by BAM 15.5 million or 16.2%. Interests expenses by loans and other borrowings, as of 30.09.2018, amounts to BAM 6.8 million or 6.9% of the total interests and similar expenses, and compare to the same period of the previous year recorded a drop in the amount of BAM 1.2 million or 14.9%, where the loan commitments increased by the amount of BAM 20.2 million or 2.4%.

As of 30.09.2018, interests expenses by subordinated debts amount to BAM 5.9 million or 5.9% of the total interests and similar expenses where compared to the same period of the previous business year those expenses slightly down, and at the same time the amount of subordinated debts increased by the amount of BAM 7.9 million or 6.1%. In the category of other interests and similar expenses, which have a share of 6.3% in the total interest and similar expenses, it is evident increase by the amount of BAM 1.8 million or 41.2% compared to the same period of the previous business year.

When observed in the three years period, there is constant drop of the total interests and similar expenses, where in the absolute and relative term its decrease more significant in the period 30.09.2017.-30.09.2018. While the characteristic of interest and similar expenses is the constant drop for the comparative periods 2016-2018, the total interest and similar income recorded a slight increase in 2017 (0.3%), and again in 2018 compared to 2017 were decreased by 1.8%.

Analysing the trends related to presented net interests margin, it can be concluded that at the level of the system, as of 30.09.2018, and compared with the same period of the previous business year, the total interests income and interests income by loans recorded a drop, which is below 2%, and at the same time there was a decrease in total interest expenses and interests expenses by deposits by 13% i.e. 16% in the period observed.

Thereby, in the period observed the average active interest rates decreased from 3.36% to 2.98%, with simultaneous decrease of average passive interest rates from 1.00% to 0.79%, and consequently there was a decrease in net interest margin, as a difference between average active and average passive interest rates from 2.36% to 2.19%.

The total operating income, which amounts to BAM 329.5 million as of 30.09.2018, record a continuous growth in the comparative period 2016.-2018, which is in absolute and relative term more significant in the period 30.09.2016.-30.09.2017. In the structure of the total operating incomes, the highest share have incomes based on service fees, which amount to BAM 218.3 million or 66.3%, where this category of operating incomes compared to the same period of the previous business year, increased by the amount of BAM 19 million or 9.5%. Income based on foreign exchange operations amount to BAM 45.7 million and have a share of 13.9% in the total operating incomes, and compared to the same period of the previous business year were increased by the amount of BAM 6.4 million or 16.2%. Other operating income, which amount to BAM 40.6 million or 12.3% in the total operating expenses, compared to the same period of the previous business year were down by the amount of BAM 8.6 million or 17.4%. The share of other categories of operating income (income based on loan fees, off-balance and trading activities) is not higher than 5% in the total operating incomes.

The total business and direct expenses amounts to BAM 155.3 million as of 30.09.2018 and they are at the approximately the same level as in the same period of 2017 (decrease by 0.1%), and in their structure the costs of value adjustment for risk-weighted assets, reservations for potential commitments and other value adjustments amounts to BAM 63.4 million, which makes 40.8% of the total business and direct expenses, while other business and direct expenses amounts to BAM 91.9 million or 59.2% of the total business and direct expenses.

A slight increase of the total operating expenses by 1.6% compared to 30.09.2017 is the result of presented increase of salary and contributions expenses by 4% and business premises, other fixed assets and utilities by 0.5%, with simultaneous decrease of other operating expenses by 2.3%.

The total income structure is provided in the table below:

-000 BAM-

Total Income Structure	30.09.2016.		30.09.2017.		30.09.2018.		Index	
	Amount	%	Amount	%	Amount	%	8=(4/2)	9=(6/4)
1	2	3	4	5	6	7	8=(4/2)	9=(6/4)
I Interest income and similar income								
Interest-bearing deposit accounts at dep.institutions	1.185	0,2	1.886	0,2	3.183	0,4	159	174
Loans and leasing facilities	502.582	60,1	501.082	57,1	493.134	55,8	100	98
Other interest income	59.592	7,1	62.307	7,1	58.657	6,6	105	94
Total I	563.359	67,4	565.275	64,4	554.974	62,8	100	98
II Operating income								
Service fees	206.479	24,7	224.170	25,5	242.948	27,5	109	108
Income from FX deals	38.580	4,6	39.298	4,5	45.651	5,2	102	116
Other operating income	27.835	3,3	49.390	5,6	40.883	4,5	177	83
Total II	272.894	32,6	312.858	35,6	329.482	37,2	115	105
Total income (I+II)	836.253	100	878.133	100	884.456	100	105	101

The total expenses structure is provided in the table below:

-000 BAM-

Total Expenses Structure	30.09.2016.		30.09.2017.		30.09.2018.		Index	
	Amount	%	Amount	%	Amount	%	8=(4/2)	9=(6/4)
1	2	3	4	5	6	7	8=(4/2)	9=(6/4)
I Interest expenses and similar expenses								
Deposits	108.927	16,4	95.361	14,7	79.870	12,5	88	84
Liabilities based on loans and other borrowings	8.854	1,3	8.036	1,2	6.835	1,1	91	85
Other interest expenses	7.775	1,2	10.258	1,6	12.033	1,9	132	117
Total I	125.556	18,9	113.655	17,6	98.738	15,5	91	87
II Total non-interest bearing expenses								
Costs of value adjustment of risk-weighted assets and provisions for contingent liabilities and other value adjustments	66.237	9,9	71.044	11	63.377	9,9	107	89
Costs of salaries and contributions	180.480	27,1	183.178	28,3	190.459	29,9	101	104
Costs of business premises and depreciation	109.094	16,4	111.975	17,3	112.560	17,6	103	101
Other business expenses and direct expenses	72.274	10,9	84.112	13	91.893	14,4	116	109
Other operating expenses	112.377	16,9	82.624	12,8	80.758	12,7	74	98
Total II	540.462	81,1	532.933	82,4	539.047	84,5	99	101
Total expenses (I+II)	666.018	100	646.588	100	637.785	100	97	99

The table below provides an overview of key ratios for the assessment of profitability, productivity and efficiency of banks' operations:

-in %-

Table 30: Profitability, Productivity and Efficiency Ratios by Period

Ratios	30.09.2016.	30.09.2017.	30.09.2018.
Profit from average assets	1	1,2	1,2
Profit from average total capital	6,4	8,2	8,5
Profit from average share capital	14,8	19	19,9
Net interest income/average assets	2,5	2,4	2,2
Operating income/average assets	1,6	1,7	1,6
Total income/average assets	4,1	4	3,8
Business expenses and direct expenses / average assets ²²	0,8	0,8	0,7
Operating expenses/average assets	2,3	2	1,8
Total non-interest expenses/average assets	3,1	2,8	2,6

When analysing the present indicators for the banking system of the FBiH it should be taken into account that in relative term the total assets and average assets in the period 30.09.2017.-30.09.2018 recorded a higher growth compared to the growth of average total and share capital, income and expenses.

It is evident that return on average assets remained unchanged, while return on average total and share capital recorded a slight growth compared to 30.09.2017, while observed in three years period the higher growth is presented as of 30.09.2017 than as of 30.09.2016. Net interest rate compared to average assets in the period observed records a constant drop, while operating income compared to average assets mainly stable, consequently total income compared to average assets, as an indicator of productivity of the banking sector in the FBiH, records a constant decrease.

Business and direct expenses compared to average assets are mainly stable, while operating expenses compared to average assets recorded a constant drop, and consequently the total non-interest expense compared to the average assets.

The profitability indicators of the banking sector in the FBiH are the most significantly affected by indicators of the asset quality, efficiency in management, i.e. in control of operating income and expenses. In this connection is maintaining of the positive trend of credit growth, with application and compliance of prudential lending standards in the process of credit approval and adequate assessment and coverage of risk-weighted assets by value adjustments, i.e. provisions for potential commitments and other value adjustments. In addition, the financial result of banking sector operations in the FBiH will be to the great extent under influence of price and interest risk, as on the side of availability of funding sources and price trends in bank funding sources, thus the possibility to achieve adequate level of net interest margin to ensure stable and adequate capitalization, and satisfactory return on invested capital for bank owners.

The quality of the overall management system in the banks is of the key importance, and under it adequate and efficient functioning of the risk management system, and risk assessment of the bank business model in the context of fulfillment of regulatory requirements and long-term profit sustainability.

1.2.6. Weighted NIR and EIR

To ensure a greater transparency and to facilitate comparability of banks' loan approval and deposit taking terms, as well as to ensure customer protection by means of introduction of transparent disclosure of loan approval costs, i.e. deposit income, all in accordance with the international standards, criteria and practices in other countries, the FBA has prescribed a uniform manner of calculating and disclosing the EIR for all banks seated in the FBiH as well as the organizational units of banks seated in RS and operating on the territory of the FBiH,

²² Expenses also include value adjustment costs.

including a mandatory reporting to the FBA on weighted NIR and EIR on loans approved and taken deposits for the reporting month, all of it in accordance with the prescribed methodology²³.

The table below shows an overview of weighted average NIR and EIR on loans at the banking sector level and for two key customer segments (corporate and retail) for the listed reporting periods:

-in %-

Table 31: Weighted Average NIR and EIR on Loans

Description	03/2017.		06/2017.		09/2017.		12/2017.		03/2018.		06/2018.		09/2018.	
	NIR	EIR	NIR	EIR	NIR	EIR	NIR	EIR	NIR	EIR	NIR	EIR	NIR	EIR
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1. Weighted IR on short-term loans	3,27	3,54	3,25	3,53	3,07	3,32	2,94	3,16	2,84	3,14	2,75	3,10	3,04	4,05
1.1. Corporate	3,21	3,4	3,18	3,4	2,99	3,19	2,89	3,06	2,78	3,03	2,7	2,99	2,57	2,80
1.2 Retail	8,3	15,19	7,94	14,51	8,57	15,76	7,75	14,38	7,96	15,86	7,44	14,79	6,84	14,50
2. Weighted IR on long-term loans	5,59	6,58	5,32	6,3	5,28	6,44	4,28	5,06	5,14	6,26	4,53	5,48	4,57	5,46
2.1. Corporate	4,43	4,69	4,09	4,33	4,19	4,70	3,34	3,67	4,19	4,58	3,6	3,89	3,43	3,70
2.2. Retail	6,46	7,96	6,31	7,89	6,21	7,90	5,96	7,51	5,77	7,36	5,4	6,96	5,47	6,88
3. Total weighted IR on loans	4,37	4,98	4,14	4,74	3,98	4,61	3,57	4,05	3,79	4,44	3,6	4,24	3,66	4,62
3.1. Corporate	3,53	3,74	3,41	3,64	3,28	3,54	3,05	3,29	3,09	3,37	2,98	3,28	2,77	3,00
3.2. Retail	6,49	8,09	6,35	8,05	6,27	8,09	6,00	7,67	5,81	7,51	5,44	7,11	5,77	8,55

For the purpose of loan users, when analysing a trend of interest rates it is relevant to follow up a trend of weighted EIR, since it includes all costs that user should pay, and which are directly connected to the loan i.e. conditions for the loan approval and which are also included in the calculation of loan price (for instance, loan processing costs, cost of the insurance premium with natural persons if it is one of the conditions for loan approval, then other costs related to additional services paid by the client, and which presents condition for loan approval).

It is evident that within period observed, EIR on short-term loans had continues trend of decreasing up to June 2018, that in the third quarter of 2018 recorded a growth, in a both sectors (corporate and retail). In a case of long-term loans there is decreasing EIR trend over 2017, in a both sectors. Consequently, in the third quarter of 2018, there is increase for the overall weighted EIR on loans, wherein loans approved to retail recorded a decreasing trend, and for corporate loans increasing trend in terms of EIR.

Weighted NIR and EIR on term deposits for the banking sector, for mentioned reporting periods are shown in the table below:

-in %-

Table 32: Weighted Average NIR and EIR on Deposits

	03/2017.		06/2017.		09/2017.		12/2017.		03/2018.		06/2018.		09/2018.	
	NKS	EKS	EKS	EKS	NKS	EKS	NKS	EKS	NKS	EKS	NKS	EKS	NKS	EKS
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1. Weighted IR on short-term deposits	0,37	0,37	0,29	0,29	0,72	0,72	0,27	0,27	0,21	0,21	0,28	0,27	0,41	0,38
1.1. Up to three months	0,36	0,37	0,22	0,23	0,84	0,84	0,25	0,25	0,31	0,31	0,3	0,28	0,55	0,49
1.2. up to one year	0,41	0,41	0,57	0,58	0,62	0,62	0,39	0,39	0,07	0,07	0,24	0,24	0,24	0,24
2. Weighted IR on long-term deposits	1,46	1,48	1,41	1,44	1,17	1,18	1,13	1,14	1,12	1,12	0,99	1,01	1,35	1,35
2.1. up to three years	1,31	1,33	1,35	1,38	0,98	0,99	1,01	1,02	0,91	0,91	0,88	0,89	0,95	0,95
2.2. more than three years	1,94	1,96	1,72	1,74	1,78	1,79	1,51	1,51	1,45	1,45	1,33	1,35	1,82	1,82

²³ Decision on Uniform Method of Calculation and Disclosure of Effective Interest Rate on Loans and Deposits (Official Gazette of Federation of BiH, No. 48/12 – consolidated text and 23/14) and Instructions for Calculation of Weighted Nominal and Effective Interest Rate.

3. Total weighted IR on deposits	0,62	0,63	0,74	0,76	0,96	0,97	0,5	0,5	0,6	0,6	0,43	0,42	0,78	0,76
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When analysing trend of weighted average interest rates according to data presented, it might be noticed that, with an exception of the third quarter of 2017 and third quarter of 2018, EIR on short-term deposits had decreasing trend, with a difference between up three-months term deposits and those up to one year. In a case of long-term deposits, a continuous trend of decrease in EIR was by the June 2018, while in the third quarter of 2018, an increase was recorded, from 1.01% to 1.35%, with a different trends for term deposits up to three years and more than three years.

Data on the total weighted interest rates on deposits, shows that over the first three quarters there was increase, while in the last quarter there was a drop, afterward in 2018 there were oscillations over the quarters, since in the first quarter there was a slight increase compared to the end of 2017, followed by drop in a second quarter and again increase of EIR on deposits in the third quarter. The aforementioned indicates on changes of deposit policies in the banks, i.e. interest rates policies.

Weighted interest rates on loans related to transaction account overdraft facilities and call deposits, for periods observed, are provided in the table below:

-in %-

Table 33: Weighted Average NIR and EIR on Overdraft Facilities and Call Deposits

Description	03/2017.		06/2017.		09/2017.		12/2017.		03/2018.		06/2018.		09/2018.	
	NIR	EIR	NIR	EIR	NIR	EIR	NIR	EIR	NIR	EIR	NIR	EIR	NIR	EIR
1	2	3	4	5	6	7	8	9	10	11	12	13	12	13
1. Weighted IR on loans - overdraft facilities	6,78	7	6,66	6,89	6,71	6,97	6,42	6,69	6,27	6,52	6,29	6,55	6,27	6,54
2. Weighted IR on call deposits	0,04	0,04	0,03	0,03	0,03	0,03	0,03	0,03	0,02	0,02	0,02	0,03	0,02	0,03

In September 2018, the weighted EIR on total overdraft facilities for the banking sector in the FBiH amounted to 6.54% and it is slightly down compared to June 2018, for 0.01 percentage points, while for call deposits is at the same level (0.03%).

The comparative figures for 30.09.2018 and the same period of 2017 shows decreasing trend in relation to the weighted EIR on account overdrafts facilities, from 6.97% to 6.54% (decrease of 0.43 percentage points), and also a stable level of weighted EIR on call deposits within the same period.

1.2.7. Liquidity

Along with credit risk management, liquidity risk management is one of the most important and most complex segments of banking operations. Liquidity maintenance within the market economy is a permanent obligation of the bank and the basic precondition for its sustainability on the financial market, along with being a key assumption for establishing and preserving trust in the banking sector of any country as well as in its stability and safety.

The liquidity of the banking sector in the FBiH is assessed to be satisfactory, considering the share of liquid assets in total assets as well as the maturity adjustment of financial assets and financial liabilities. Given the high correlation between credit risk, the dominant risk in banks' operations, and liquidity risk, one of the most important factors impacting the liquidity position of banks is the banks' ability to adequately manage their assets and liabilities, which encompasses obtaining assets with good performances and the quality which ensures that bank loans, along with interest are repaid in accordance with maturity dates.

The Decision on Liquidity Risk Management in Banks prescribes the minimum qualitative requirements for liquidity risk management in banks, including prescribed risk management standards in banks, quantitative requirements for banks in terms of the LCR and ensurance of stable funding sources, as well as the use of additional mechanisms for liquidity risk monitoring and assessment.

In the structure of founding sources for the banking sector as of 30.09.2018, the largest share of 78.9% refers to deposits, followed by loans taken (including subordinated debt) with a share of 4.7%. Loans taken have longer maturities and represent a quality source for the approval of long-term loans, while also improving the maturity adjustment of assets and liabilities items, although a downward trend of the aforementioned has been evident for an extensive period of time.

The maturity structure of deposits by remaining maturity is shown in the table below:

-in 000 BAM-

Deposits	31.12.2016.		31.12.2017.		30.09.2018.		Index	
	Amount	Share %	Amount	Share %	Amount	Share %	8=(4/2)	9=(6/4)
1	2	3	4	5	6	7	8=(4/2)	9=(6/4)
Savings and call deposits (up to 7 days)	7.961.438	56,1	9.227.317	58,3	10.233.334	60,1	116	111
7-90 days	690.281	4,9	988.235	6,2	820.104	4,8	143	83
91 day and up to one year	1.982.775	14	2.144.316	13,6	2.800.938	16,5	108	131
1. Total short-term	10.634.494	75	12.359.868	78,2	13.854.376	81,4	116	112
Up to 5 years	3.344.169	23,6	3.280.639	20,7	2.979.083	17,5	98	91
More than 5 years	197.611	1,4	174.216	1,1	190.385	1,1	88	109
2. Total long-term	3.541.780	25	3.454.855	21,8	3.169.468	18,6	98	92
Total (1 + 2)	14.176.274	100	15.814.723	100	17.023.844	100	112	108

As of 30.09.2018, short-term deposits by remaining maturity held a share in the amount of 81.4%, while long-term deposits held a 18.6% share in total deposits. Compared to the end of 2017, short-term deposits increased by BAM 1.5 billion or 12%, while long-term deposits recorded a decrease in the amount of BAM 285 million or 8%. The share in total deposits had increase by 3.2 percentage points with short-term deposits, i.e. decrease in case of long-term deposits compared to the end of 2017.

When analysing the structure of long-term deposits, it is evidently dominated by deposits with remaining maturity of up to 5 years (94% of long-term deposits and 17.5% of total deposits). Deposits with remaining maturity of over 5 years recorded an increase in the amount of BAM 16 million or 9%.

An overview of the main liquidity indicators is given in the table below:

-in %-

Ratios	31.12.2016.	31.12.2017.	30.09.2018.
1	2	3	4
Liquid Assets ²⁴ / total assets	28,4	30,2	31,1
Liquid assets/short-term financial liabilities	47,1	47,6	46,9
Short-term financial liabilities/total financial liabilities	71,9	74,9	78
Loans/deposits and loans taken ²⁵	81,7	79,2	78,6

²⁴ In narrow terms, liquid assets are: cash and deposits and other financial assets with remaining maturity of less than 3 months (excluding interbank deposits)

²⁵ Empirical standards are: below 70% - very sound, 71%-75% - satisfactory, 76%-80% - marginally satisfactory, 81%-85% - insufficient, over 85% - critical

Loans/deposits, loans taken and subordinated debts ²⁶	81	78,5	78
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Indicator- the loans/deposits and loans taken ratio, as of 30.09.2018 was 78.6%, that is 0.6 percentage points lower compared at the end of 2017. The ratio is above 85% with respect to six banks. The share of short-term financial liabilities in total financial liabilities is still high, but the liquid assets/total assets ratio is continuously satisfactory.

A very important aspect of the monitoring and analysis of the liquidity position is the maturity adjustment of remaining maturities of financial assets and liabilities items in accordance with the time scale created to capture a time horizon of 180 days²⁷. For the purpose of planning the required level of liquid assets, banks need to plan the sources of funding and structure of adequate liquidity potential, which is also tied to plans for their credit policy. Loan maturity, i.e. the maturity of the loan portfolio, is determined precisely by the maturity of sources of funding. Since maturity transformation of funds in banks is inherently related to the functional characteristics of banking operations, banks are required to continuously control and maintain maturity mismatches between sources of funding and loans in accordance with the prescribed minimum limits

The following table provides an overview of the maturity adjustment of financial assets and liabilities – up to 180 days:

-in 000 BAM-

Description	31.12.2016.	31.12.2017.	30.09.2018.	Index	
	Amount	Amount	Amount	5=(3/2)	6=(4/3)
1	2	3	4	5=(3/2)	6=(4/3)
I 1-30 days					
1. Financial assets	7.515.361	8.462.124	9.385.405	113	111
2. Financial liabilities	7.909.801	9.193.511	10.165.290	116	111
3. Difference (+ or -) = 1-2	-394.440	-731.387	-779.885	-	-
<i>Calculation of prescribed requirement in %</i>					
a) Actual %= no. 1/no. 2	95%	92%	92,3%		
b) Prescribed minimum %	85%	85%	85%		
Plus (+) or minus (-) = a - b	10%	7%	7,3%		
II. 1-90 days					
1. Financial assets	8.384.767	9.416.671	10.411.425	112	111
2. Financial liabilities	8.476.151	10.041.101	10.813.701	118	108
3. Difference (+ or -) = 1-2	-91.384	-624.430	-402.276	-	-
<i>Calculation of prescribed requirement in %</i>					
a) Actual %= no. 1/no. 2	98,9%	93,8%	96,3%		
b) Prescribed minimum %	80%	80%	80%		
Plus (+) or minus (-) = a - b	18,9%	13,8%	16,3%		
III. 1-180 days					
1. Financial assets	9.387.062	10.476.675	11.411.361	112	109
2. Financial liabilities	9.263.730	10.734.265	11.863.925	116	111
3. Difference (+ or -) = 1-2	123.332	-257.590	-452.564	-	-
<i>Calculation of prescribed requirement in %</i>					

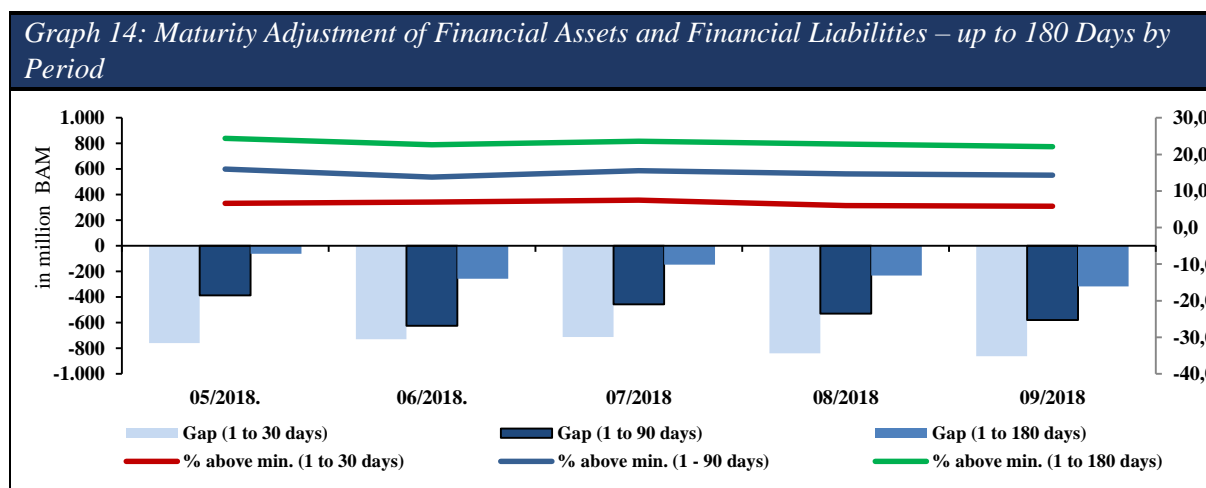
²⁶ The previous ratio was expanded and sources now include subordinated debt, thus being a more realistic indicator.

²⁸ Article 41 of the Decision on Liquidity Risk Management in Banks (Official Gazette of the Federation of BiH, No. 81/17): „Until the introduction of the NSFR referred to in Article 34 of this Decision, as a mandatory quantitative requirement towards banks, banks shall apply and report on the maturity adjustment of financial assets and financial liabilities and the structure of the largest sources, and thus accordingly, Article 6, paragraph (3), item 1, Art. 6a, 6b, 11, paragraph (2) and 12 of the Decision on Minimum Standards for Liquidity Risk Management in Banks shall remain applicable (Official Gazette of the Federation of BiH, No. 48/12, 110/12 and 45/14)“. The prescribed percentages for the maturity adjustment of financial assets and liabilities are as follows: min. 85% of sources of funding with maturity of up to 30 days must be used for facilities with maturity of up to 30 days, min. 80% of sources of funding with maturity of up to 90 days must be used for facilities with maturity of up to 90 days, and min. 75% of sources of funding with maturity of up to 180 days must be used for facilities with maturity of up to 180 days.

a) Actual %= no. 1/no. 2	101,3%	97,6%	96,2%
b) Prescribed minimum %	75%	75%	75%
Plus (+) or minus (-) = a - b	26,3%	22,6%	21,2%

Based on the data presented, it is found that, as of 30.09.2018, banks have adhered to prescribed limits and achieved a better maturity adjustment of financial assets and liabilities in relation to the prescribed limits.

The graph below shows the trend of the maturity adjustment of financial assets and liabilities in the period May-September 2018, by period of time and recorded maturity adjustment percentages in relation to the legally defined minimum standards. The maturity adjustment percentages are above the prescribed minimum in all five periods:



As of 30.09.2018, financial assets for all three intervals were lower than financial liabilities, due to the increase in financial liabilities, primarily deposits, being higher than the increase in financial assets (mostly cash funds and net loans).

Achieved maturity adjustment percentages are for intervals of 1-30 days and 1-90 days higher than at the end of 2017, and maturity adjustment percentage for interval of 1-180 days is lower than at the end of 2017 (-1.4 percentage points) but still significantly above the prescribed minimum by 7.3% in the first interval, 16.3% in the second interval, and 21.2% in the interval.

The liquidity of the banking sector in the FBiH is assessed to be satisfactory, considering the share of liquid assets in the total assets and maturity adjustment of financial assets and financial liabilities. Since this business segment and the exposure level to liquidity risk correlate with credit risk (lower inflows of liquid assets related to problems with loan collectability), and also considering other important factors (maturity structure of deposits, repayment of loan commitments due and significantly lower indebtedness with international financial institutions, which was the best source of funding for banks in the past years from the aspect of maturity), it should be emphasized that liquidity risk management and monitoring should be the focus of banks by means of establishing and implementing liquidity policies that will ensure the settlement of all liabilities due in a timely manner, and based on continuous planning of future liquidity needs, taking into account changes in operating, economic, regulatory and other conditions of the banks' business environment.

1.2.8. Foreign Exchange (FX) Risk

In their operations, banks are exposed to risks originating from possible losses related to balance sheet and off-balance sheet items, incurred due to market price changes. One of these risks is

FX risk arising as a result of changes in exchange rates and/or unadjusted levels of assets, liabilities and off-balance sheet items denominated in the same currency – individual FX position or all currencies of the bank's operations together – total FX position of the bank

In order to ensure the implementation and realisation of prudential principles related to FX activities of banks and to reduce FX risk effects on their profitability, liquidity and capital, the FBA has adopted the Decision on Foreign Currency Risk Management in Banks²⁸, which prescribes the method for calculating the FX position and the maximum allowed exposure to foreign currency risk, i.e. limits for the open individual and total FX position (long or short) calculated in relation to the eligible capital of the bank²⁹. To ensure that the FBA monitors the banks' compliance with the regulated limits and their exposure level to FX risk, banks are required to report to the FBA on a daily basis. Based on the review, monitoring and analysis of the submitted reports, it can be concluded that banks adhere to regulated limits and conduct their FX activities within such limits.

Although the share of EUR dominates in the currency structure of financial assets, the management of FX risk of banks for this currency is significantly determined by the fact that the CBBH functions as a currency board, with the EUR being the anchor currency.

As of 30.09.2018, at the level of the banking sector, foreign currency items in the currency structure of banks amounted to BAM 3 billion and held a 14.1% share (at the end of 2017, these items amounted BAM 2.3 billion or 11.2%).

The currency structure of liabilities is quite different since the share of foreign currency liabilities is much higher and equals BAM 8.1 billion or 37.5% (BAM 7.7 billion at the end of 2017, with a 38.2% share).

The table below provides the structure and trend of financial assets and financial liabilities and FX positions for the EUR as the key currency and the total FX position at the level of the banking sector:

-in million BAM-

Description	31.12.2017.				30.09.2018.				Index	
	EUR		TOTAL		EUR		TOTAL		EUR	UKUPNO
	Amount	Share%	Amount	Share%	Amount	Share%	Amount	Share%	(6/2)	(8/4)
1	2	3	4	5	6	7	8	9	10	11
I Financial Assets										
1. Cash	906	11	1.349	15,2	1.623	17,7	2.105	21,5	179	156
2. Loans	27	0,3	28	0,3	188	2,1	188	1,9	696	671
3. Loans with a currency clause	6.415	77,7	6.429	72,4	6.519	71,2	6.528	66,7	102	102
4. Other	721	8,7	884	10	611	6,7	750	7,7	85	85
5. Other financial assets with a currency clause	188	2,3	188	2,1	217	2,4	218	2,2	115	116
Total (1+2+3+4)	8.257	100	8.878	100	9.158	100	9.789	100	111	110
II Financial liabilities										
1. Deposits	6.076	74,4	6.725	76,2	6.363	74,1	7.032	75,9	105	105
2. Loans taken	813	9,9	813	9,2	847	9,9	847	9,1	104	104
3. Deposits and loans with a currency clause.	1.107	13,5	1.107	12,5	1.185	13,8	1.185	12,8	107	107
4. Other	176	2,2	180	2	188	2,2	202	2,2	107	112
Total (1+2+3+4)	8.172	100	8.825	100	8.583	100	9.266	100	105	105
III Off-balance sheet										

²⁸ Official Gazette of the Federation of BiH, No. 81/17.

²⁹ Article 3 of the Decision on Foreign Currency Risk Management in Banks defines the following limits: for the individual FX position – up to 30% of the eligible capital for EUR, up to 20% for other currencies and up to 30% for the total FX position of the bank

³⁰ Source: Form 5 – FX position.

1. Assets	98	147	114	175
2. Liabilities	218	225	534	539
IV Position				
Long (amount)			155	161
%			6,6%	6,8%
Short	36	27		
%	1,60%	1,20%		
Allowed	30%	30%	30%	30%
Below the allowed limit	28,4%	28,8%	23,4%	23,2%

If the structure of foreign currencies in the financial assets ³¹ is analysed, the dominant share is held by EUR with 79,6% (on 31.12.2017 it was 73,2%), with an increase of nominal amount from BAM 1.7 billion to BAM 2.4 billion. The share of EUR in liabilities is 91.5% and it is at the same level as of 31.12.2017 with an increase of nominal amount in the amount of BAM 332 million.

FX risk exposure calculation also includes the amount of indexed financial assets items (loans and other financial assets) and financial liabilities items ³², which is particularly significant on the assets side (BAM 6.7 billion or 68.9%), which is decrease in the amount of BAM 129 million or 2% compared to the end of 2017 (BAM 6.6 billion or 74.5%). Other FX items on the assets side hold a share of 31.1% or BAM 3 billion with the following structure: items in EUR amounts to BAM 2.4 billion or 24.7%, (31.12.2017 it was BAM 1.7 billion or 18.6%) and other currencies amounts to 6.4% or BAM 0.6 billion (31.12.2017 it was BAM 0.6 billion or 6.8%). Out of the total net loans (BAM 12.8 billion), 51% have a currency clause (mostly pegged to the EUR (99,8%).

As for the funding sources, the structure of financial liabilities conditions and determines the structure of financial assets items for every currency individually. In respect to FX liabilities (BAM 9.3 billion), the largest share in the amount of BAM 7.4 billion or 79.8% refers to items in EUR, mostly deposits (as it was case at the end of 2017, when EUR liabilities amounted to BAM 7.1 billion and held a share of 80.1%).

The amount of indexed financial liabilities in the last few years has had an upward trend. The increase in indexed financial liabilities (almost all relate to deposits) is conditioned by the outflow of deposits and loan commitments in foreign currencies, which have been a source of loans approved with a currency clause, as well as by the continuously high amount of loans with a currency clause.

When observed by banks and at the level of overall banking sector of the FBiH, it can be concluded that FX risk exposure of banks and the banking sector in the first half of 2018 fluctuated within the prescribed limits. As of 30.09.2018, the long FX position was recorded with 11 banks and the short position with 4 banks. At the sector level, there is a long FX position of 6.8% of the total eligible capital of banks, which is 23.2 percentage points lower than allowed. The individual FX position for the EUR was 6.6%, which is 23.4% lower than allowed, with financial assets items being higher than financial liabilities (net long position).

³¹ Izvor: Izvještaj o deviznoj poziciji banke: dio finansijske aktive (u stranim valutama denominirana u BAM). Finansijska aktiva se iskazuje po neto principu, odnosno umanjena za ispravke vrijednosti i rezerve za potencijalne obaveze.

³² U cilju zaštite od promjena deviznog kursa banke ugovaraju određene stavke aktive (kreditni) i obaveza s valutnom klauzulom (propisom je dozvoljena samo dvosmjerna valutna klauzula).

1.3. Recommendations for the banking sector

Considering the significant, demanding and comprehensive processes related to the reform of the regulatory framework for banking operations and supervision and the establishment of a new framework for bank resolution, the start of a multi-year project of shifting from the existing CAMELS-based supervisory methodology to a completely new supervisory framework – the SREP, the establishment of a new framework of supervisory reporting together with a gradual transition from existing reporting forms, in order to maintain the continuity of banking supervision and gradually adjust to the new method of assessing risk profiles of banks, in 2018, the FBA has continued to strengthen the supervisory capacities in order to implement the new regulatory framework in accordance with the BL, the LoBA and the set of regulations adopted on their bases. In the period to come, the FBA will continue its activities to further harmonisation of the regulatory framework with the relevant EU Directives, international standards and best supervisory practices, which is part of the preparations of BiH for the EU accession.

In accordance with its prescribed competences for banking supervision in the FBiH, the FBA will continue to undertake measures and activities to preserve and strengthen the stability of the banking sector and protection of depositors, as well as to improve the safe, high-quality and legitimate operations of banks in the FBiH.

The aforementioned measures and activities will be in particular directed towards the continuation of banking supervision, with a focus on:

- control of the dominant risk segments of operations banks of systemic importance for the development of lending activities and banks in which large amounts of savings and other deposits are concentrated, applied practices in banks in the segment of protection of users of financial services and guarantors, etc;
- capital strengthening of banks, especially those with above-average assets growth and banks with a decrease in the capital adequacy ratio;
- monitoring the application of IFRS 9, with the aim of adequately evaluation of financial assets and allocating reserves for expected loan losses in the function of maintaining adequate capitalisation of banks in the FBiH;
- systematic monitoring of banks' activities on the application of AML/CTF standards and improvement of cooperation with other competent institutions in this segment;
- establishment, expansion and improvement of cooperation with competent supervisory bodies for supervision of EU banking groups whose members are seated in the FBiH, as well as other countries, with the aim of more efficient supervision and improvement of supervisory practices, as well as cooperation and exchange of information with the ECB and the EBA in terms of supervision and banking regulation, and with international financial institutions;
- improvement of cooperation through the signing of new Cooperation Agreements with relevant institutions in BiH that are included in the institutional framework for supervision, crisis management and systemic risk management, protection of users of financial services, and
- continuation of cooperation with the BA BiH with the aim of improving the operations of banks, the compliance of their operations with regulations, international standards and rules of the profession, as well as the requirements of the market, etc.

Based on the prescribed competences, the FBA will continue to undertake measures and activities with the aim of implementation the measures of FSAP Mission, and for the objective of improvement the quality of supervision of the banking sector, as well as the obligations

assumed by the Letter of Intent signed by the governments in BiH as part of the arrangement with the IMF, which refer to the entity banking agencies, the projects of strengthening banking supervision within the framework of technical assistance provided by the international financial institutions WB and IMF, and within the USAID FINRA project, etc.

The realisation of these activities is conditioned by continuous engagement and harmonised institutional actions of all parts of the system, judicial, legislative and executive authorities, efficient implementation of economic reforms in the real sector, in order to harmonise the achieved progress in the monetary sphere and the banking sector, improvement of legislation in the segments of accounting and auditing, asset management, establishment of a mechanism for out-of-court settlement of corporate debts, security and protection of monetary assets in treasuries and cash registers of banks and in transport, resolving or mitigating overindebted citizens, special court departments for the corporate segment, etc. which is a prerequisite for creating a more favourable overall economic environment that would stimulate the banking sector, the real corporate and retail sector.

The undertaking of supervisory measures and activities presupposes continuous operational improvement of the information system as an essential prerequisite for efficient supervision of banking operations, i.e. information support in the function of warning and preventive actions in eliminating weaknesses in banking operations, permanent education and professional training of staff.

Due to the special role and responsibilities of banks in the financial system and the overall economic system, the achieved level of development of the banking sector in the FBiH and the fact that retail deposits represent the dominant source of funding for banks, in the period to come banks are expected to focus their activities on the following:

- credit support to the corporate and retail segment, applying the prescribed requirements in terms of credit risk management and maintaining adequate capitalisation in relation to the risk profile of the bank;
- efficiency of an integral risk management system and improvement of early identification system for increased credit risks, i.e. deterioration of loan portfolio quality, and more efficient management of NPL;
- adjustment of business operations with the new regulatory requirements for banking operations and supervision;
- consistent and full application of IFRS 9, together with adequate documentation of the first application of the aforementioned and comparative data relative to IAS 39;
- consistent application of regulations in the AML/CTF segment, protection of users of financial services and guarantors, security and protection of money in the bank and in transport, and
- active participation in the implementation of reform measures and measures to address the problem of over indebtedness of citizens, as well as financial consolidation of companies, etc.

2. SECTOR OF NON-DEPOSIT FINANCIAL INSTITUTIONS

2.1. MICROCREDIT SECTOR

2.1.1. THE STRUCTURE OF MICROCREDIT SECTOR IN THE FBiH

2.1.1.1. Status, Number and Branching

As of 30.09.2018, 12 MCO have the FBA's operating licence, 11 of which are MCF (non-profit organisations) and 1 of which is an MCC (profit organisation).

According to data from the Registry of Microcredit Organisations and their organisational units, which is maintained by the FBA in line with Article 13 of the LoMCO, there was a total of 356 organisational units of MCO seated in the FBiH, as of 30.09.2018, that is 58 organisational units or 19.5% more compared with data from 31.12.2017. As of 30.09.2018, four microcredit organisations seated in RS perform their operations in the FBiH through 42 organisational units, that is increase for three organisational units or 7.7% compared with 31.12.2017.

Annex 8 includes the general information on MCF and MCC, which have the FBA's operating licence for micro lending business operations as of 30.09.2018.

2.1.1.2. Ownership structure

An MCO is a legal entity which, in accordance with regulations, may be established and may operate as an MCF or an MCC. MCFs in the FBiH have been established by non-governmental, mostly humanitarian organizations, citizens' associations, and natural persons. The founders are entitled to be registered as founders without capital ownership rights on the basis of the donated capital for the establishment of MCFs. One MCC is 100% owned by one MCF.

2.1.1.3. Structure of Human Resources

As of 30.09.2018, the total headcount of the microcredit sector was 1 482, which is up by 85 persons or 5.9% compared to 31.12.2017. MCF (11) employ 1 198 persons or 80.8% and MCC 284 employees or 19.2%.

Data on number and qualification structure of the employees are presented in the table below:

Educational qualifications	Number of employees						Index	
	31.12.2016.		31.12.2017.		30.09.2018.		(4/2)	(6/4)
1	2	3	4	5	6	7	8	9
University degree	575	46%	680	48,6%	721	48,6%	118	106
Two-year post-secondary school qualification	115	9,2%	135	9,6%	149	10,1%	117	110
Secondary School Qualification	547	43,7%	572	40,9%	600	40,5%	105	105
Other	14	1,1%	12	0,9%	12	0,8%	86	100
Total	1.251	100%	1.399	100%	1.482	100%	112	106

As of 30.09.2018, in the employee structure the highest share is held by the employees with the university degree - 48,6%, followed by the secondary school qualification of 40,5%, the two-year post-secondary school qualification share of 10,1%.

It is evident that in the period observed the total number of employees in the microcredit sector records slight continues growth, which is more evident in 2017 (12%).

2.1.2. FINANCIAL PERFORMANCE INDICATORS

2.1.2.1. Balance Sheet

As of 30.09.2018, the balance sheet total of MCO amounted to BAM 568.3 million, which is up by BAM 41.4 million or 7.9% compared to the balance as of 31.12.2017. The balance sheet total increase is recorded with 7 MCF and 1 MCC compared to the end of the previous year, where one MCF recorded the same level and 4 MCF recorded a drop. The highest increase was recorded with MCC, while out of seven MCF which recorded an increase, four MCFs recorded an increase higher than 10%. Compared to 31.12.2017, the asset drops of more than 10% was recorded with two MCFs, while third MCF had a drop of less than 10%.

Annexes 9 and 10 of this Information show an overview of the consolidated balance sheet of MCF and MCC, while the Annex 11 shows an overview of key financial indicators of MCO as of 30.09.2018.

As of 30.09.2018, the total assets of five MCFs and MCC amounts to BAM 526.5 million, that is 92.6% of the total assets of microcredit sector.

The aggregated balance sheet of microcredit sector as of 30.09.2018, with comparative data as of 31.12.2017 is presented in the table below:

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No.	Description	31.12.2017			30.09.2018			Index		
		Balance for MCF	Balance for MCC	Total	Balance for MCF	%	Balance for MCC		%	Total
1	2	3	4	5=(3+4)	6	7	8	9	10=(6+8)	11
ASSETS										
1.	Cash	21.989	24.841	46.830	51.189	11,8	5.486	4	56.675	121
2.	Facilities to banks	1.210	0	1.210	240	0,1	0	0	240	20
3.	Loans	329.758	81.396	411.154	316.744	73,3	128.854	94,4	445.598	108
4.	Loan loss provisions	2.716	542	3.258	2.449	0,6	775	0,6	3.224	99
5.	Net loans	327.042	80.854	407.896	314.295	72,7	128.079	93,8	442.374	108
6.	Business premises and other fixed assets	28.383	430	28.813	25.732	6	1.161	0,8	26.893	93
7.	Long-term investments	33.061	0	33.061	33.061	7,7	0	0	33.061	100
8.	Other assets	8.062	1.243	9.305	7.384	1,7	1.891	1,4	9.257	100
9.	Provisions for other assets items, except loans	158	30	188	148	0	47	0	195	104
Total assets		419.589	107.338	526.927	431.753	100	136.570	100	568.323	108
LIABILITIES										
10.	Loan commitments.	177.140	68.856	245.996	179.724	41,6	93.489	68,5	273.213	111
11.	Other liabilities	21.215	4.656	25.871	18.638	4,3	5.102	3,7	23.740	92
12.	Capital	221.234	33.826	255.060	233.391	54,1	37.979	27,8	271.370	106
Total liabilities		419.589	107.338	526.927	431.753	100	136.570	100	568.323	108
13.	Off-balance sheet records	110.554	420	110.974	110.700		1.124		111.824	101

As of 30.09.2018, in the assets structure, cash funds amount to BAM 56.7 million or 10%, and are up by BAM 9.8 million or 21% compared to 31.12.2017. That is the result of decrease in cash funds, mostly in MCC where in the period observed the cash funds were down by BAM 19.4 million or 78%, on the one hand, and simultaneous increase of cash funds with MCFs in the amount of BAM 29.2 million which on the other hand presents a growth of 132%.

As of 30.09.2018, the facilities to banks amount to BAM 0.2 million, and compared to the same period of the previous business year they are down by BAM 0.9 million or 80%.

Net microloans, i.e. gross microloans net of LLP amount to BAM 442.3 million or 77.8% of total assets and are up by BAM 34.5 million or 8.5% compared to 31.12.2017. Net microloan growth compared to the end of the previous year was recorded by 8 MCF and 1 MCC, while a

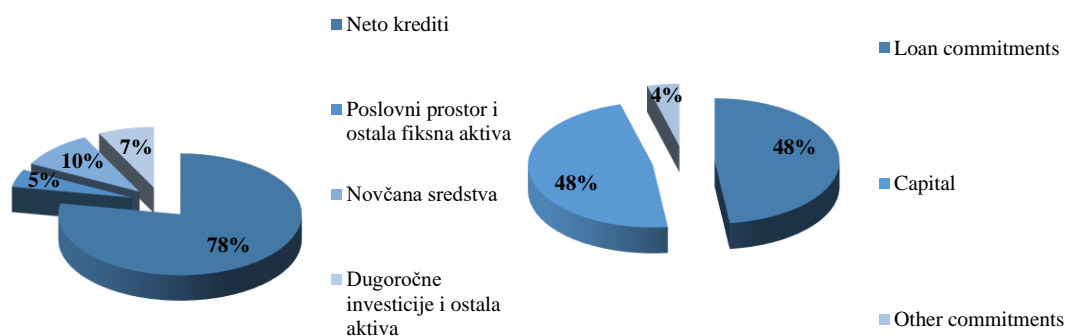
drop was recorded by 3 MCF. The highest growth of microloans was recorded with MCC (58%), while out of total eight MCFs which recorded a microloans growth, two MCFs had a growth of more than 10%, but less than 15%. Other MCFs kept the approximately same level of microloans in the period observed (growth rate below 10%).

In regard to other balance sheet positions (fixed assets, long-term investments, other assets) there was no significant changes compared to the end of 31.12.2017. As for fixed assets, the fixed asset rate in relation to total assets, and decreased by donated capital, at the level of microcredit sector amount to 5.2%, as of 30.09.2018, which is within the standard rate up to 10%, where one MCF has the rate significantly above the prescribed indicator.

As of 30.09.2018, the total off-balance evidence amount to BAM 111.8 and it is at the approximately same level as of 31.12.2017. Out of this amount, the largest items relate to written down principal in the amount of BAM 95.6 million or 85.5%, and the amount of BAM 10.3 million or 9.2% to the interest written down. Remaining amount of BAM 5.9 million or 5.3% relates to other off-balance sheet items, and the highest item is the amount recorded agent businesses (BAM 4.4 million).

The assets and liabilities structure of the microcredit sector is shown in the graph below:

Graph 15: The structure of assets and liabilities



2.1.2.2. Capital and Liabilities

As of 30.09.2018, out of the total microcredit sector liabilities in the FBiH which amount to BAM 568.3 million, the amount of BAM 273.2 million or 48.1% million refers to loan commitments, and BAM 271.4 million or 47.8 % refers to capital, while the remaining amount of BAM 23.7 million or 4.2% refers to other commitments (income tax, employees, suppliers etc.). Compared to 31.12.2017, in the third quarter of 2018, it is evident growth of loan commitments by 11.1% and capital by 6.4%, while other commitments decreased by 8.2%.

The maturity structure of loans taken is shown in the table below:

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Table 40: Maturity Structure of Loans taken

No	Description	31.12.2017				30.09.2018				Index
		MCF	MCC	Total	%	MCF	MCD	Total	%	
1	2	3	4	5=(3+4)	6	7	8	9=(7+8)	10	11=9/5
1.	Liabilities on short-term loans	86.518	18.273	104.791	43	65.306	39.125	104.431	38,2	100
2.	Liabilities on long-term loans	90.622	50.583	141.205	57	114.418	54.364	168.782	61,8	120
	Total	177.140	68.856	245.996	100	185.415	93.489	273.213	100	111

In the structure of total loan commitments, long-term microloans have a share of 61.8% and compared to 31.12.2017 are up by BAM 27.6 million or 19.5%, while short term microloans have a share of 38.2% and within period observed are down by the amount of BAM 0.4 million or 0.3%. Out of the total loan commitments, 34.2% refers to MCC loan commitments, where MCC increased loan commitments by 35.8% within period observed, and from this source the growth of microcredit portfolio was financed in the same period.

Compared to 31.12.2017, the total capital of microcredit sector in the FBiH was increased for the amount of BAM 16.3 million or 6.4% as of 30.09.2018, wherein the increase of MCC capital amount to BAM 4.2 million or 25.8% of the total capital increase of the microcredit sector. The capital of all MCFs has increased for the amount of BAM 12.1 million or 74.2%.

The structure of capital in the microcredit sector is shown in the table below:

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Table 41: The Structure of Capital in Microcredit Sector

No	Description	31.12.2017				30.09.2018				Index		
		Balance for MCFs	%	Balance for MCCs	%	Total	Balance for MCFs	%	Balance for MCCs		%	Total
1	2	3	4	5	6	7=(3+5)	8	9	10	11	12=(8+10)	13=12/7
1.	Donated capital	45.851	21	0	0	45.851	48.076	20,6	0	0	48.076	105
2.	Core capital	3.820	2	30.600	90	34.420	3.820	1,6	30.600	80,6	34.420	100
3.	Surplus/deficit of income over expenses	169.831	77	0	0	169.831	180.791	77,5	0	0	180.791	106
4.	Issue premiums	0	0	0	0	0	0	0	0	0	0	0
5.	Unallocated profit	0	0	1.317	4	1.317	0	0	5.379	14,2	5.379	408
6.	Legal reserves	0	0	1.909	6	1.909	0	0	2.000	5,2	2.000	105
7.	Other reserves	1.732	1	0	0	1.732	704	0,3	0	0	704	41
	Total Capital	221.234	100	33.826	100	255.060	233.391	100	37.979	100	271.370	106

As of 30.09.2018, the total capital of the microcredit sector amounts to BAM 271.4 million, that is compared to 31.12.2017 an increase of BAM 16.3 million or 6.4%.

Out of the total capital of microcredit sector, capital of MCF amounts to BAM 233.4 million and it is by BAM 12.2 million or 5.5% higher than as of 31.12.2017, and the largest item is the excess of income over expenses which at consolidated level amounts to BAM 180.8 million and presents 77.5% of the total MCF capital. Compared to 31.12.2017 this item has been increased by the amount of BAM 11 million or 6.5%. If the abovementioned item is observed analytically, as of 30.09.2018, in the capital structure, two MCFs recorded the excess of income over expenses in the amount of BAM 3.1 million, while the remaining nine MCFs recorded the excess of income over expenses in the amount of BAM 183.9 million, where the amount of BAM 151.7 million or 82.4% refers to three MCFs. The total excess of income over expenses of all MCFs is consisted of the excess of income over expenses for period observed (first nine months of 2018) in the amount of BAM 11.4 million or 6.3%, and the excess of income over expenses from previous years in the amount of BAM 169.4 million or 93.7%. As of 30.09.2018, the other capital items are: donated capital in the total amount of BAM 48.1 million or 20.6%, the core capital in the total amount of BAM 3.8 million or 1.6% and other reserves in the total amount of BAM 0.7 million or 0.3%. Out of the total amount of donated capital – donations for credit fund which is recorded with ten MCFs, the amount of BAM 21 million or 64.5% refers

to three MCFs, where one MCF has the amount of BAM 18.8 million or 39.1% of the total of donated funds.

The total capital of MCC amounts to BAM 38 million that presents 14% of the total capital of microcredit sector, and within its structure the largest item is the core capital in the amount of BAM 30.6 million or 80.6%, while other items refer to unallocated profit in the amount of BAM 5.4 million or 14.2% and legal reserves in the amount of BAM 2 million or 5.2%. Compared to 31.12.2017, the total capital of MCC is increased by the amount of BAM 4.2 million or 12.3% as a result of increase in non-allocated profit.

The total capital of microcredit sector in the FBiH, reduced by the amount of donated capital, amount to BAM 223.3 million, which presents 39.3% of the total liabilities, where in case of two MCFs total capital shall have a negative value.

Observing the indicator of capital ratio reduced by the amount of donated capital in relation to the assets, which amount to 39.3% at the level of microcredit sector as of 30.09.2018, it can be concluded that it is in line with standard (more than 10%), where two MCFs are not aligned with this standard, since this indicator has a negative value.

Other liabilities at the level of microcredit sector amount to BAM 23.7 million as of 30.09.2018, which presents 4.18% of the total liabilities, and compared with 31.12.2017 other liabilities are decreased by the amount of BAM 2.1 million or 8.2%.

2.1.2.3. Assets and Asset Quality

Microcredit portfolio presented in the gross amount in the total balance amounts to BAM 445.6 million or 78.4% of the total assets of microcredit sector, i.e. with a decrease of related loan loss reserves in the total amount of BAM 3.2 million or 0.6%, net microcredit portfolio amount to BAM 442.4 million or 77.8% of the total assets of microcredit sector in the FBiH.

Compared to 31.12.2017, net microcredit portfolio increased by the amount of BAM 34.5 million or 8.5%, and in the same period loan loss reserves increased by 1% (absolute amount of increase is BAM 34 thousands).

As of 30.09.2018, the ratio of loan loss reserves in relation to gross microcredit portfolio amount to 0.72%, which is compared to the same ration on 31.12.2017 when amounted to 0.79%, decrease by 0.07 percentage points.

In the structure of total net microcredit portfolio, MCFs net micro loans amount to BAM 314.3 million and presents 71% of the total microloans at the sector level, while the amount of BAM 128.1 million or 29% of total microloans at sector level refers to MCC.

For the first three quarters of 2018, it is evident that compared to 31.12.2017, microcredit portfolio in MCFs decreased by the amount of BAM 12.7 million or 3.9%, with simultaneous growth of net credit portfolio with MCC for the amount of BAM 47.2 million or 58.4%.

Net microloans, which make up total microloans net of LLP, are presented in the following table:

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Table 42: Net microloans								
No.	Description	31.12.2017			30.09.2018			Index
		MCFs	MCCs	Total	MCFs	MCCs	Total	
1	2	3	4	5=(3+4)	6	7	8=(6+7)	9=8/5

1.	Microloans	329.758	81.396	411.154	316.744	128.854	445.598	108
2.	Loan loss provisions	2.716	542	3.258	2.449	775	3.224	99
3.	Net microloans (1.-2.)	327.042	80.854	407.896	314.295	128.079	442.374	108

As of 30.09.2018, in the maturity structure of the total microcredit portfolio, presented on gross basis, the highest share has a long-term microcredit with 92.5%, short-term loans have a share of 7.2% and due receivables for microloans 0.3%.

Observing the sectoral structure, it is dominant share of microloans approved to natural persons 97.3%, and remaining 2.7% refers to microloans approved to legal persons.

In terms of the sectoral structure the highest share has loans approved to agriculture sector 33.4%, housing purposes 21.4%, followed by other purposes with 20% and 19% hospitality services, while the share of trade is 4.1% and production 2.1%.

Out of the total due receivables, 93.8% refers to microcredits of natural persons, and according to sectoral structure the highest share has microloans for other purposes, agriculture and hospitality services.

Detailed data on sectoral and maturity structure of microcredit portfolio as of 30.09.2018, are presented in the table below:

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No.	Microloans	Short-term microloans	Long-term microloans	Due receivables	Total	%
1	2	3	4	5	6=(3+4+5)	7
1.	Legal entities					
a)	Agriculture		6.456	43	6.749	55%
b)	Housing needs	161	2.932	18	3.111	25%
c)	Other purposes	7	760	6	773	7%
d)	Services	135	1.364	12	1.511	12%
e)	Trade	9	73	1	83	1%
	Total 1:	562	11.585	80	12.227	100%
2.	Natural persons					
a.)	Services	4.583	72.931	265	77.779	18%
b.)	Trade	1.179	13.900	49	15.128	4%
c.)	Agriculture	7.228	140.485	291	148.004	35%
d.)	Production	576	7.524	35	8.135	2%
e.)	Housing needs	2.945	92.100	188	95.233	21%
f.)	Other	14.885	73.829	378	89.092	20%
	Total 2:	31.396	400.769	1.206	433.371	100%
	Total (1+2):	31.958	412.354	1.286	445.598	

Out of the total amount of microcredit portfolio, the amount of BAM 12.2 million refers to the total microloans passed to legal entities, where the highest share is held by microloans for services in the amount of BAM 6.7 million or 55.2%, followed by microloans for trade in the amount of BAM 3.1 million or 25.4% and microloans for production in the amount of up to BAM 1.5 million or 12.4%. The remaining amount of microloans in the amount of BAM 0.9 million or 7.4% refers to agriculture and other purposes.

In the maturity structure of microloans passed to legal entities, short-term loans, including receivables, account for BAM 0.6 million or 5.3%, and long-term loans account for BAM 11.6 million or 94.7%. In the first three quarters of 2018 and compared to 31.12.2017 in microcredit portfolio of legal entities the highest growth is recorded in production micro crediting (10.8%), growth in service and trade sector was 4.5%, i.e. 6.1%, while at the same time microcredits for agriculture had a slight decrease (1.7%), and other purposes loans which anyway have slight share (0.7%) recorded a growth of 13.7%.

The total amount of microloans passed to physical persons amount to BAM 433.4 million with the highest share of microloans for agriculture in the total amount of BAM 148 million or 34.2%, which compared to 31.12.2017 increased for the amount of BAM 7.5 million or 5.4%. Microloans passed for housing needs amount to BAM 95.2 million or 22% and compared to 31.12.2017 recorded a growth in the amount of BAM 3.1 million or 3.4%, microcredits passed for other purposes amount to BAM 89.1 million or 20.5% and they are in the period observed increased for the amount of BAM 15.3 million or 20.7%, and microloans in services amount to BAM 77.8 million, with a growth of BAM 4.8 million or 6.7%. It is evident that in the microcredit portfolio of natural persons the highest growth recorded in the microcredits for other purposes, compared to 31.12.2017.

When observe the sectoral and maturity structure of microloans, it can be concluded that microloans are mainly referred to long-term microloans approved to natural persons, which indicates that in the most cases microloans were approved to the persons who have no access to the traditional source of financing, due to the risks connected with the job they perform, as well due to the lack of adequate collaterals. According to the Decision on the Amount and Manner of Creating and Maintaining Reserves for Covering Loan Losses of Microcredit Organisations, which is on force since 2007, MCO are required to allocate all loan proceeds and other receivables to certain groups by applying the days past due criterion in a way that funds for loan loss provisions and other losses are allocated to each group debiting operating expenses. The basis for the calculation of the reserves is the amount of outstanding loan, due interest and fee and any other items in which the MCO is exposed to the risk of impossible collection, i.e. business failure

In relation to the abovementioned, MCOs are required to establish the system to enable formulation and maintenance of loan loss reserves, and submit to the FBA reports using the forms prescribed.

In accordance with the mentioned reporting requirements, the following table provides an overview of due receivables with related reserves by days past due groups, and information on uncollected overdue receivables over 180 days, which are taken from balance sheet on 30.09.2018:

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No.	Days past due	Provisioning rates	Loan amount	Share (%)	Interest due		Provisions			Total provisions	
					Provisioning rate	Interest amount	Amount of other assets items	By loans	By interest due		By other assets items
1	2	3	4	5	6	7	8	9=(4x3)/100	10=(7x6)/100	11=(8x3)/100	12=(9+10+11)
1.	0	0%	436.673	98	0%	4	371	0	0	0	0
2.	1-15	2%	2.687	0,6	2%	40	0	54	1	0	55
3.	16-30	15%	2.788	0,6	100%	48	0	418	48	0	466
4.	31-60	50%	1.132	0,3	100%	34	0	566	34	0	600
5.	61-90	80%	724	0,2	100%	27	0	579	27	0	606
6.	91-180	100%	1.594	0,3	100%	85	0	1.607	85	0	1.692
Total			445.598	100		238	371	3.224	195	0	3.419
7.	More than 180	Write-off	974		100%	82					

It is evident that 97.9% of microloans are not defaulted, while the remaining 2.1% of microloans are defaulted for 1-180 days. The total amount of interest due by current microloans which are defaulted for more than 1-180 days is BAM 0.2 million. The total amount of calculated reserves on all bases is BAM 3.5 million and they are up by 3% compared to 31.12.2017, which indicates a slight deterioration of asset quality

In the overall microcredit portfolio, 98% refers to microloans which are not defaulted, while 2% refers to defaulted microloans, out of it 1.2% microloans defaulted up to 30 days, and 0.8% for microloans defaulted from 31 to 180 days. Microloans receivables which are defaulted more than 180 days' amount to BAM one million and presents 0.2 of the overall microcredit portfolio. Out of the total amount of interest due (BAM 0.2 million), payment overdue up to 30 days make 38.7%, overdue between 31-90 days make 25.6%, and overdue from 91 to 180 days makes 35.7%.

For the interest due which are not paid within period of 15 days, MCO is required to formulate the reserves in 100% to cover credit losses, and as of 30.09.2018 it amounts to BAM 0.2 million or 81.5% of the total amount of interest due. As of 30.09.2018. interest written-off amount to BAM 0.1 million.

The total amount of formed reserves on the basis of loans, interest and other assets items amount to BAM 3.4 million as of 30.09.2018, that is compared to 31.12.2017 drop by BAM 0.2 million or 5.8%. Within period observed the amount of microcredits increased by 6.4%, and the amount of interest written-off is up by 5.1%.

Key Indicators of Microloan Portfolio Quality

As of 30.09.2018 and compared to the end of the previous year, the gross microloan portfolio saw an increase of BAM 34.4 million or 8.4%. In the same period, the coverage of gross microloans with loan loss reserves decreased from 0.79%, as it was on 31.12.2017, to 0.72%, which is decrease by 0.07 percentage points. Through data analyse it can be noticed that decreasing trend of coverage with loan loss reserves is continued since 2014.

The indicator of the portfolio at risk exceeding 30 days past due (PAR>30 days) as of 30.09.2018 amounts 0.77% and is down by 0.12 percentage points compared to 31.12.2017, when it amounted 0.89%, which is continuation of decreasing trend since 2014. This risk indicator of microcredit portfolio at the level of system is within regulatory standard (below 5%), where two MCFs do not meet requirements. The portfolio at risk for more than one day past due (PAR>1 day) amounts to 2.00% as of 30.09.2018 and it is slightly up compared to 31.12.2017 when amounted 1.95%, while by that time this indicator had downward trend since 2014.

At the level of microcredit sector, the rate of write-offs amounts to 0.96% as of 30.09.2018, which is within the FBA standard (below 3%). This indicator records a constant downward trend since the end of 2014, when it was above the mentioned standard. Therein, two MCFs do not meet this FBA standard, same as standard related to portfolio at risk over 30 past due days. As of 30.09.2018, there was a write-off in the total amount of BAM 106 million at the level of the microcredit sector, BAM 95.7 million of which account for the written-off principal (BAM

92.6 million write-offs relate to natural persons and BAM 3.1 million to legal entities) and BAM 10.3 million account for written-off interest (natural persons – BAM 10 million and legal entities BAM 0.3 million). The number of written-off loan accounts is 39 572.

Out of the total amount of written-off receivables at the level of microcredit sector, the amount of BAM 109.1 million refers to the opening balance on 01.01.2018, the collection of written-off receivables during first nine months' accounts for BAM 6.3 million, new written-offs BAM 3.3 million and permanent written-offs BAM 0.1 million.

Detailed overview of receivables by written-off principal and interest as of 30.09.2018 is presented in the table below:

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No.	Description	Natural persons		Legal entities		Total	
		Written-off principal	Written-off interest	Written-off principal	Written-off interest	Written-off principal	Written-off interest
1	2	3	4	5	6	7=(3+5)	8=(4+6)
1.	Opening balance on 01.01.2018.	95.611	10.283	2.867	303	98.478	10.588
2.	Changes in 2018:						
3.	New write-off in the current year	2.752	232	319	23	3.071	255
	<i>Write-off in the period 01.01.-31.03.</i>	966	79	77	6	1.043	85
	<i>Write-off in the period 01.04.-30.06.</i>	913	79	141	9	1.054	88
	<i>Write-off in the period 01.07.-30.09.</i>	873	74	101	8	974	82
4.	Collected in the current year	5.713	493	83	5	5.796	498
	<i>Collection of write-offs in the period. 01.01.-31.03.</i>	1.929	161	16	0	1.945	161
	<i>Collection of write-offs in the period. 01.04.-30.06.</i>	1.954	180	42	3	1.996	183
	<i>Collection of write-offs in the period. 01.07.-30.09.</i>	1.830	152	25	2	1.855	154
5.	Permanent write-off in the current year	105	21	0	0	105	21
	<i>Permanent write-off in the period 01.01.-31.03.</i>	27	7	0	0	27	7
	<i>Permanent write-off in the period 01.04.-30.06.</i>	52	4	0	0	52	4
	<i>Permanent write-off in the period 01.07.-30.09.</i>	26	10	0	0	26	10
	Balance on 30.09.2018.	92.545	10.001	3.103	321	95.648	10.322

* Note: The data in Table 45 differ from total receivables by write-offs shown in the off-balance records in the amount of BAM 1.5 million, which includes court expenses, penalty and process interest as a portion of off-court settlements in the case of three MCF.

2.1.2.4. Profitability

Having in mind that microcredit sector in the FBiH is consisted of MCFs and MCCs, in accordance to the prescribed requirements for operations, income from MCC operation which belongs to MCF is used for the purpose of further micro lending according to the plan adopted by the Management Board of MCF and which is submitted to the FBA within 30 days from the date of adoption of decision on determination and profit distribution in MCC, and MCFs are oblige to ensure that return on assets is adjusted for inflation, market price of capital and donation, and it must be positive, and operational efficiency which should not be higher than 45% and which is applied to MCC in which MCF have a majority ownership (more than 51% of the total ownership).

In the period 01.01.-30.09.2018, MCC presented a net profit in the amount of BAM 4.2 million, which compared to the same period of the previous business year presents an extreme growth,

since that as of 30.09.2017 net profit amounted to BAM 0.8 million. It is a growth of BAM 3.4 million or 446,4%. Profit presented from regular operations in the amount of BAM 4.7 million as of 30.09.2018, which is increased by 542.1% compared to the same period of the previous year, was affected by the growth of the total interest and similar income by the amount of BAM 8.1 million or 136.9% and growth of net financial income in the amount of BAM 0.7 million or 145.6%, with simultaneous growth of interest and similar expenses by the amount of BAM 3.2 million or 90.6%. The costs of loan loss reserves, which accounted to BAM one million as of 30.09.2018, compared to the same period of 2017 are increased by 168.7%.

In the same period MCFs presented an excess of income over expenditure in the total amount of BAM 12 million, which is compared to 30.09.2017 a decrease in the amount of BAM 2.2 million or 15.3%. Observing the structure of income and expenditure, which as of 30.09.2018 amounts to BAM 47.7 and compared to 30.09.2017 are decreased by the amount of BAM 3.4 million or 6.7%, in the same period interest and similar expenses are down by BAM 0.2 million or 2.9%, which consequently decrease net financial income by the amount of BAM 3.2 million or 7.2%. At the same time, during this period the total operating income are down by the amount of BAM one million or 16%, while the total operating expenses down by the amount of BAM 1.2 million or 2.9%.

The excess of income over expenditure from regular operating amounts to BAM 3.8 million, as of 30.09.2018, which is decrease by the amount of BAM 2.5 million or 39.3% compared to the same period of the previous business year.

At the level of microcredit sector, as of 30.09.2018 an extraordinary income is presented in the amount of BAM 8.7 million and it is almost fully related to MCF (99,6%), which are compared to the same period of the previous year down by BAM 0.2 million or 2.9%. In the period observed extraordinary expenses are up by 10.3%.

Analytically observed, as of 30.09.2018, three MCFs presented deficit of income over expenditure in the total amount of BAM 0.2 million, while other eight MCFs presented an excess of income over expenditure in the total amount of BAM 12.2 million. If income and expenditure from regular operations is observed, the five MCFs presented deficit of income over expenditure in the total amount of BAM 2.4 million, thus indicate a conclusion that three MCFs presented the excess of income over expenditure due to the extraordinary income.

Annexes 12 and 13 provide an overview of the income statement of the MCC and MC.

The structure of aggregated income statement at the level of microcredit sector in the FBiH is presented in the table below:

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No.	Description	Period 01.01. - 30.09.2017				Period 01.01. - 30.09.2018				Index
		MCF	MCC	Total	%	MCF	MCC	Total	%	
1	2	1	2	3=(1+2)	4	5	6	7=(5+6)	8	9=(7/3)
1.	INCOME									
1.1.	Interest income and similar income	51.132	5.880	57.012	89,4	47.719	13.929	61.648	90,5	108
1.2.	Operating income	6.241	500	6.741	10,6	5.240	1.228	6.468	9,5	96
2.	Total income (1.1.+1.2.)	57.373	6.380	63.753	100	52.959	15.157	68.116	100	107
3.	EXPENSES									
3.1.	Interest expenses and similar expenses	6.534	1.729	8.263	14,6	6.346	2.714	9.060	15,2	110
3.2.	Operating expenses	41.709	3.555	45.264	79,8	40.494	6.776	47.270	79,3	104
3.3.	Expenses for loan loss provisions and other losses	2.856	367	3.223	5,6	2.311	986	3.297	5,5	102

4.	Total expenses (3.1.+3.2.+3.3.)	51.099	5.651	56.750	100	49.151	10.476	59.627	100	105
5.	Extraordinary incomes	8.395	37	8.432		8.637	36	8.673		103
6.	Extraordinary expenses	479	6	485		433	102	535		110
7.	Total income-expenses (2+5-4-6)	14.190	760	14.950		12.012	4.615	16.627		111
8.	Excess/deficit income over expenditure	14.190		14.190		12.012		12.012		85
9.	Profit before tax		760	760			4.615	4.615		
10.	Taxes			0			462	462		
11.	Net profit/loss		760	760			4.153	4.153		
12.	Total financial result			14.950				16.165		

The total income of the microcredit sector for the period 01.01.-30.09.2018 amounts to BAM 68.1 million and compared to the same period of the previous year thus is up by BAM 4.4 million or 6.8%. In the structure of the total income, interest and similar income have a share of BAM 61.6 million or 90.5%, and operating income BAM 6.5 million or 9.5%. In the same period a total extraordinary income, which are mainly related to collection of written-off receivables amounts to BAM 8.7 million and compared to the same period of the previous business year are up by BAM 0.2 million or 2.9%.

The total expenses of the microcredit sector in the FBiH for the first nine months of 2018 amounts to BAM 59.6 million, out of it BAM 49.2 million or 82.4% relates to MCFs expenses, and the amount of BAM 10.4 million or 17.6% to the expenses of MCC. Compared to the same period of the previous year, the total expenses are up by BAM 2.9 million or 5.1%.

In the structure of the total expenses, the largest item in the amount of BAM 47.2 million or 79.3% account for operating expenses, which are by BAM 2 million or 4.4% higher than in the same period of the previous year. Interest-based expenses for loans taken and other similar expenses amount to BAM 9.1 million or 15.2% of the total expenses and compared to the same period of the previous year are up by the amount of BAM 0.8 million or 9.6%. Expenses for loan loss provisions and other losses amount to BAM 3.3 million or 5.5% of the total expenses and compared to the same period of the previous year are slightly up by the amount of BAM 0.1 million or 2.3%. Extraordinary expenses presented in the first nine months of 2018 amounts to BAM 0.5 million and in the absolute amount are slightly up compared to the same period of the previous year (by BAM 0.1 million or 10.3%).

Operational efficiency of the microcredit sector as of 30.09.2018 amounts to 18.7%, which is within the standard indicator (up to 45%), wherein presented indicators in the case of two MCFs derogate from the mentioned standard indicator. The indicator of operational sustainability of microcredit sector, presented through ratio of the total income from regular operations (without extraordinary income) and total expenses account to 113.2%, which indicate the operational sustainability of the sector (above 100%), where five MCO present this indicator below 100%. At the end of the previous business year, this indicator at the level of microcredit sector was 108.29%, where four MCOs presented indicator below 100%.

2.1.2.5. Weighted NIR and EIR

In accordance to monthly reports which are submitted by MCOs about weighted NIR and EIR for loans, and which are presented and calculated for newly-approved microloans in the reporting month, it can be concluded that within period 01.07.-30.09.2018 there was passed microloans in the total amount of BAM 110.6 million, which is BAM 13.8 million or 14.2% up, compared to the total amount of microloans in the same period of the previous year. As of 30.09.2018, MCOs have 156.668 active microcredit accounts, which is by 756 i.e. 0.5% more, compared to the end of the previous year. Number of active microcredit accounts with MCFs during the period observed, is decreased by 10.841 or 7.9%, while in the case of MCC it is

increased by 11 597 or 62.7%. As of 30.09.2018, the average amount of microloan at the level of sector was BAM 2 844.22 BAM, which is compared to 31.12.2017 up by 7.9%.

Analytically observed, as of 30.09.2018, the average amount of microloan in MCFs amount to BAM 2 502.42 BAM, while in MCC it amounts to BAM 4 281.86.

The following table shows the average NIR and EIR on microloans by product in the third quarter of 2018:

Table 47: Average Weighted NIR and EIR on Microloans for third quarter of 2018 – by products				
No.	Description	Total amount of microloan payment in quarter III of 2018 (in 000 BAM)	Weighted NIR (average)	Weighted EIR (average)
1	2	3	4	5
1.	Short-term microloans for::	15.475	22,62%	30,92%
1.1.	Service activities	2.195	20,92%	28,09%
1.2.	Trade	526	20,35%	28,14%
1.3.	Agriculture	3.261	20,22%	27,27%
1.4.	Production	258	19,51%	25,62%
1.5.	Housing needs	1.893	21,15%	28,87%
1.6.	Non-purpose-basic needs	1.089	23,70%	34,64%
1.7.	Other	6.253	25,04%	34,25%
2.	Long-term microloans for:	95.115	19,77%	23,48%
2.1.	Service activities	17.457	19,27%	22,63%
2.2.	Trade	3.129	19,18%	22,88%
2.3.	Agriculture	29.650	18,29%	21,53%
2.4.	Production	1.761	19,15%	22,62%
2.5.	Housing needs	22.143	19,47%	22,68%
2.6.	Non-purpose basic needs	2.543	21,56%	26,10%
2.7.	Other	18.432	22,90%	28,20%
Total		110.590	20,17%	24,52%

The average weighted NIR on short-term loans ranges from 19.51% for production up to 25.49% for other microloans, and the EIR ranges from 25.62% for production up to 34.64% for non-purpose basic needs microloans. The average weighted NIR on long-term loans ranges from 18.29% for agriculture up to 22.90% for other microloans, and the EIR ranges from 21.53% for agriculture up to 28.20% for other loans. When analysing the EIR by microloan product, it can be concluded that the loans placed for agriculture and production have a lower interest rate than non-purpose and other microloans.

When observing data on the average EIR for microloans in categories of data for short-term, long-term and total microloans, starting from 2011 up to 30.09.2018, it is evident that microloans, following the period of decrease, since the end of 2015, the average EIR recorded a growth (from 25.30% to 30.92%), in case of long-term there is evident decrease, except at the end of 2015 and 2016, with the same trend in the case of overall microloans.

2.1.3. Recommendations for the microcredit sector

In the segment of supervision of the microcredit sector in the FBiH and within the framework of the prescribed competences, in the following period the FBA will continue the planned activities, with these being focused on:

- Improvement of the existing legal framework operations and supervision; of MCOs in the FBiH in the segments related to supervision and actions of the FBA, conditions and procedures for issuance and withdrawal of operating licences and other approvals for MCOs, as well as conditions and standards related to MCOs business operations and limitations;
- monitoring the compliance of MCO operations with legal regulations in order to fully apply the provisions of the LoMCO in terms of achieving the prescribed objectives of micro lending in terms of improving the material position of microloan users as well as contributing to increased employment and supporting the development of entrepreneurship;

- implementation of the planned inspections of MCOs compliance with the prescribed regulatory requirements with the aim of full and adequate application of the current regulations and increase in the transparency of the microcredit sector in the FBiH and undertaking of appropriate supervisory measures

The microcredit sector in the FBiH is required to apply the prescribed standards and limitations in the performance of microcredit operations, reporting and auditing activities in its operations. In that regard, it is required that authorised bodies of the MCOs, ensure compliance of the operations with the prescribed standards, and particularly in regard to:

- Business operations compliance with legal regulations and provision which prescribe that the objective of micro lending operations is improvement of the material position of microloan user, increase of employment, provision of support to the development of entrepreneurship and profit gain for entrepreneur-microloan users, and adjustment and control of interest rates for microloans, starting from the basic objectives of the microlending and legal provisions on protection of users of financial services, providing that way its contributions to the stability and sustainability of the microcredit sector in the FBiH;
- establishment and improvement of sound risk management practices to which MCO are or might be exposed, effective internal controls systems and independent function of the internal audit;
- optimisation of MCO resources and application of the principle of responsible lending via microloans, i.e. sound business practices in operating with MCF funds;
- regular, timely, and accurate submission of data to the CBBH for the purposes of CRC, etc.;
- improvement of business transparency and strengthening of the institutional capacities etc.

The MCFs which are less capitalized and/or have the materially relevant amount of written-off microloans, should establish and implement clear and consistent strategical directions regarding identification of the acceptable partners for consolidation, i.e. the merger to the larger and stronger MCF, in order to optimize the resources, preserved donated funds, ensured support of foreign creditors, and assure the future of the employees in MCO, and all of that for the objective of the preservation the stability of the microcredit sector and achievement of the legally prescribed objectives and operations in micro crediting in the FBiH.

2.2. LEASING SECTOR

2.2.1. THE STRUCTURE OF LEASING SECTOR IN THE FBiH

2.2.1.1. Number of Leasing Companies

As of 30.09.2018, seven leasing companies in the FBiH had operating licences to perform leasing operations, which carried out leasing activities in the seat of the company, having three branches in the FBiH and three branches registered in RS (leasing sector).

Annex 14 provides the main data on leasing companies in the FBiH

2.2.1.2. Ownership Structure

As of 30.09.2018, the ownership structure at the level of the leasing sector of the FBiH is the following:

- three leasing companies are 100% owned by non-resident legal entities – parent banks, i.e. parent companies based in the EU
- one leasing company is in majority ownership of a non-resident legal entity– parent bank (the remaining share has the bank in the FBiH which is the member of the same banking group based in the EU),
- two leasing companies are in majority ownership of resident legal entities, and
- one leasing company is 100% owned by non-resident natural person.

With an exception of one leasing company, all other leasing companies in the FBiH are on the basis of ownership directly or indirectly connected with the banking groups.

Detailed information on the overview of the ownership structure of leasing companies is provided in Annex 15.

2.2.1.3. Structure of Human Resources

As of 30.09.2018, there are 117 employees in the leasing sector in the FBiH, out of it 111 of which employees engaged on the basis of employment contract (reporting category employment on permanent basis), while six persons were recruited via student services and organisations mediating in employment (reporting category temporary employees).

The table below shows parallel data on the number and educational structure of employees in the leasing sector of the FBiH by period:

Educational qualification	Number of employees						Index	
	31.12.2016.		31.12.2017.		30.09.2018.		(4/2)	(6/4)
1	2	3	4	5	6	7	8	9
University degree	120	75%	81	77,9%	87	74,4%	68	107
Post-secondary school qualification	5	3,1%	4	3,8%	4	3,4%	80	100
Secondary school qualification	23	14,4%	13	12,5%	16	13,7%	57	123
Other	12	7,5%	6	5,8%	10	8,5%	50	167
Total	160	100%	104	100%	117	100%	65	113

It is evident that, as of 30.09.2018, the number of employees in the leasing sector of the FBiH increased by 13 or 12.5%, primarily due to the fact that newly registered leasing company started its operations in the third quarter. In the educational structure of employees in the leasing sector as of 30.09.2018, there were no significant changes compared to the previous reporting periods. The highest share has employees with the university (74.4%), followed by secondary school qualification (13.7%). Compared to 31.12.2017 it is evident growth of share of the employees with secondary school qualification.

The performance assessment of a leasing company is based on ratio of the assets/headcount ratio (assets per employee), and according to indicators on 30.09.2018 at the level of leasing sector in the FBiH, each employee accounts for BAM 2.4 million assets. This indicator is down by BAM 86 thousand or 3.4%, compared to the previous reporting period (31.12.2017). The analytical indicators for the individual leasing companies in the FBiH are in range from BAM 0.2 to BAM 4.22 million assets per employee. Three leasing companies have a higher indicator

of assets per employee in relation to the average of the leasing sector in the FBiH, while other leasing companies are below the average.

2.2.2. FINANCIAL PERFORMANCE INDICATORS

2.2.2.1. Balance Sheet

As of 30.09.2018, the total assets of the leasing sector in the FBiH amounted to BAM 282.7 million and is up by BAM 22.5 million or 8.6%, compared to 31.12.2017. Comparing the first nine months of 2018 with the same period of the previous business year, it can be noticed that the total assets increased by the amount of BAM 14.2 million or 5.3%.

The consolidated balance sheet of leasing companies as of 30.09.2018 is provided in Annex 16

When comparing the individual balance sheet totals of leasing companies with the data as of 30.09.2018 and 31.12.2017, it can be concluded that three leasing companies presented increase in the balance sheet in the amount of BAM 38.6 million, while four leasing companies presented decrease of balance sheet in the total amount of BAM 16.1 million, out of it BAM 10 million or 62.3%, from the total decreased amount of the balance sheet, refers to one leasing company

By assets size, three leasing companies, account for 91.7% of the total assets of the leasing companies in the FBiH, as of 30.09.2018.

Annex 17 provides an overview of assets, receivables by financial and operating leasing and the financial result of leasing companies as of 30.09.2018, and Annex 18 provides an overview of the key financial indicators at the level of system (leasing companies and banks which perform financial leasing operations) with ranking of leasing companies by total capital, financial result, arrangements and number of contracts.

As of 30.09.2018, in the structure of the total assets of the leasing sector in the FBiH, the highest share accounts for net receivables for financial leasing, which amounts to BAM 206.2 million or 73% of the total assets. Compared to 31.12.2017 net receivables for financial leasing are up by BAM 30.2 million or 17.2%, while gross receivables for financial leasing are up by BAM 31.6 million or 16.4%.

A review of the reports of bank that performs financial leasing operations it was found that net receivables for financial leasing in the amount of BAM 77.2 million were recorded in the aforementioned, which indicates that total net receivables at the level of leasing system in the FBiH amounts to BAM 283.4 million, being up by BAM 33.5 million or 13.4% compared to 31.12.2017.

In the structure of receivables for financial leasing at the level of the leasing sector, as of 30.09.2018, arrangements approved on the basis of financing passenger vehicles and company vehicles account for 87.6%, arrangements approved on the basis of financing equipment account for 11.2%, while financial leasing arrangements that finance real estate account for 1.2%.

The tables below provide the structure of receivables for financial leasing at the level of the leasing sector in the FBiH (receivables before impairment on the basis of reserves for losses) as of 30.09.2018 and a parallel overview of the receivables structure as of 31.12.2017 and 30.09.2018:

-in 000 BAM-

Table 49: Structure of Leasing Sector Receivables for Financial Leasing - 30.09.2018					
By leasing object	Short-term receivables	Long-term receivables	Past due receivables	Total receivables	Share in total receivables
1	2	3	4	5	6
Passenger vehicles	28.420	53.653	607	82.680	39,8%
Company vehicles (cargo and passenger)	37.420	60.537	1.250	99.207	47,8%
Machinery and equipment	9.235	13.493	415	23.143	11,2%
Real estate	415	1.966	102	2.483	1,2%
Other	6	0	0	6	0%
Total	75.496	129.649	2.374	207.519	100%
By lessee	Short-term receivables	Long-term receivables	Past due receivables	Total receivables	Share in total receivables
1	2	3	4	5	6
Legal entities	68.289	114.562	2.178	185.029	89,2%
Entrepreneurs	1.781	3.057	60	4.898	2,4%
Natural persons	3.972	9.122	127	13.221	6,4%
Other	1.454	2.908	9	4.371	2%
Total	75.496	129.649	2.374	207.519	100%

-in 000 BAM-

Table 50: Structure of Receivables for Financial Leasing – Comparative Overview			
By leasing object	Receivables as of 31.12.2017	Receivables as of 30.09.2018	Index
1	2	3	4=(3/2)
Passenger vehicles	73.142	82.680	113
Company vehicles (cargo and passenger)	79.545	99.207	125
Machinery and equipment	22.343	23.143	104
Real estate	3.037	2.483	82
Other	18	6	33
Total	178.085	207.519	117
By lessee	Receivables as of 31.12.2017	Receivables as of 30.09.2018	Index
1	2	3	4=(3/2)
Legal entities	156.216	185.029	118
Entrepreneurs	3.951	4.898	124
Natural persons	12.678	13.221	104
Other	5.240	4.371	83
Total	178.085	207.519	117

As of 30.09.2018, net receivables for loans amounted to BAM 10.4 million or 3.7% of the amount of total assets of the leasing sector. Compared to 31.12.2017, net receivables for loans drop down by BAM 3 million or 22.7%, while gross receivables drop down by BAM 3 million or 19.6%.

Receivables for loans in the structure of total assets of leasing companies record a continues downward trend, since the provisions of the LoL prohibit leasing companies from concluding new loan agreements, with the aforementioned remaining in the balance sheet until the expiry of the contracted periods of time they were granted for.

The recorded amount of net receivables for loans accounts for the receivables of one leasing company with a significant amount of loan receivables from subsidiaries in its portfolio, which had been used for financing real estate construction projects before the LoL entered into force.

As of 30.09.2018, the recorded balance sheet item Cash and Cash Equivalents amounted to BAM 14 million, which is up by BAM 0.3 million or 1.9% compared to 31.12.2017, where the percentage share is slightly changed (5%, i.e.5.3%).

As of 30.09.2018, the recorded balance sheet item Facilities to Banks amounted to BAM 6.1 million, down by BAM 10.9 million or 64% compared to 31.12.2017. This item mostly relates to term deposits of leasing companies with commercial banks, which decrease was affected by increased activities of financing via financial leasing.

The net value of fixed assets financed via operational leasing as of 30.09.2018 amounted to BAM 34.7 million, which is up by BAM 6.1 million or 21.3% compared to 31.12.2017. If observed individually, the net value of fixed assets financed via operational leasing rose for one leasing company in the amount of BAM 7.8 million, while five leasing companies recorded a decrease in the amount of BAM 1.7 million, BAM 996 thousand or 59.3% of which account for one leasing company.

The table below shows the structure of net balance sheet positions of leasing sector assets in the FBiH:

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Table 51: Structure of Assets Net Balance Sheet Positions					
Description	31.12.2017	Share in assets %	30.09.2018.	Share in assets %	Index
1	2	3	4	5	6=(4/2)
Financial leasing	176.007	67,6%	206.237	73%	117
Operational leasing	28.616	11%	34.718	12,3%	121
Loan	13.449	5,2%	10.402	3,7%	77
Other assets	42.132	16,2%	31.318	11%	74
Total	260.204	100%	282.675	100%	109

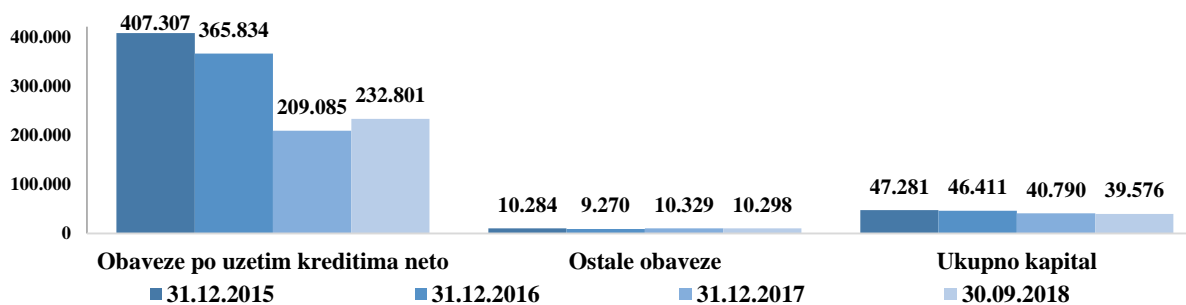
2.2.2.2. Capital and Liabilities

As of 30.09.2018, the total liabilities of the leasing sector amounted to BAM 243.1 million, which presents 86% of the total liabilities of the leasing companies in the FBiH. Compared to 31.12.2017, the total liabilities at the sector level are increased by BAM 23.7 million or 10.8%.

The following graph shows the liabilities structure of the leasing sector in the FBiH.:

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Graph 16: Liabilities Structure



The total amount of loan commitments is related to long-term loan commitments.

The loan commitments of the leasing companies in the FBiH, as of 30.09.2018, still presents a dominant position in the structure of the total liabilities of the leasing sector – 82.4% from the total amount of the balance item. Compared to 31.12.2017, the liability position is increased by BAM 23.7 million or 11.3%. The increase presented is result of increased market activities of the sector.

The indebtedness with foreign and domestic commercial banks which mostly belong to banking groups to which leasing companies belong as well, account for 42.3% of the total loan commitments, while 28.2% refers to direct indebtedness by the founder and 29.5% to the European banks (the EIB, the EBRD, the CEDB and the DEG). The funds from these banks are mostly purpose funds, and mainly intended for development of small and medium enterprises, and they have been provided by bank guarantees issued by parent banks or their holding companies.

The total weighted NIR paid by leasing companies on funding sources in the period from 01.01. to 30.09.2018 amounted to 1.4% per annum (the interest rate calculated on the basis of the average balance of taken loans and interest expenses in the reporting period) and it is up compared to 31.12.2017, when it amounted to 1.2%.

The total capital of the leasing system as of 30.09.2018 amounted to BAM 39.6 million. Compared to 31.12.2017, this item is down by BAM 1.2 million or 3%. The total net decrease in capital is due to the payment of profit to the owners in case of two leasing companies, in the total amount of BAM 4.3 million

If observed individually, two leasing companies saw an increase in total capital in the amount of BAM 1.6 million (as a result of positive business operations of the aforementioned), while four leasing companies saw a decrease in total capital in the amount of BAM 2.7 million, and one leasing company saw a negative total capital in the amount of BAM 0.2 million, due to the loss in the amount higher than the total capital.

2.2.2.3. Assets and Asset Quality

According to data from the reports of the leasing sector in the FBiH, loan loss provisions for financial leasing as of 30.09.2018 were recorded in the amount of BAM 1.3 million and are down by BAM 0.8 million or 38.3% compared to 31.12.2017. In the structure of receivables for financial leasing as of 30.09.2018, a total of BAM 2.4 million outstanding past due receivables was recorded and the aforementioned are down by BAM one million or 30.7% compared to 31.12.2017.

Annex 19 provides a detailed overview of reserves for financial leasing, while the table below shows the structure of formed reserves for losses of the leasing sector by category of default:

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Table 52: Formed Leasing Sector Reserves for Financial Leasing by Category of Default

Days past due	Total reserves 31.12.2017	Total reserves 30.09.2018	Index
1	2	3	4=(3/2)
0-60	931	948	102
60-90	164	83	51
90-180	104	218	210
More than 180	879	33	4
More than 360	0	0	0
Total	2.078	1.282	62

The decrease in the amount of formed reserves for losses further points to the stabilisation of business operations and the fact that there was no deterioration in the quality of the portfolio relating to receivables for financial leasing during the first three quarters of 2018. If observed by category of default of outstanding past due receivables, a decrease in reserves for losses was recorded in the categories of default of 0-60 days, and significant decrease in category of default more than 180 days, while an increase is recorded in categories 0-60 days and 90-180 days.

As of 30.09.2018, loan reserves amounted to BAM 1.9 million and remained approximately the same compared to 31.12.2017. The total amount of formed loan reserves as of 30.09.2018 was formed by one leasing company with a significant amount of loan receivables from subsidiary companies in its portfolio and those are in category of default of up to 60 due days.

Annex 20 provides an overview of loan reserves of leasing companies

The total amount of written-off receivables for financial leasing and loans as of 30.09.2018 was BAM 75 million, which is down by BAM 9.2 million or 10.9% compared to the amount recorded at the end of the previous business year. Out of the total recorded amount of written-off receivables, BAM 40.7 million or 54.3% account for write-offs by one leasing company.

The decrease in the total amount of written-off receivables was caused by:

- a significant collected amount of written-off receivables for loans by one leasing company in the amount of BAM 3 million, which is 86.6% of the total collection amount of written-off receivables of the leasing sector.
- recorded amount of permanent write-offs by the same leasing company in the amount of BAM 4.9 million, which relates to the remaining uncollected receivables under the same loan agreement or 75% of the total amount of permanent write-offs.

The market value of repossessed leasing objects, due to the termination of leasing arrangements with lessees or the expiry of arrangements with no contracted purchase, at the level of the leasing sector as of 30.09.2018 was down by BAM 0.7 million or 21.5% compared to 31.12.2017, while the number of repossessed objects is up by 16 units.

The most significant change in the number and value of repossessed objects is presented at the position of real estate, which decreased by BAM 0.4 million or 18.9% compared to the previous reporting period, and it refers to three units.

The structure of repossessed objects of the leasing sector is shown in the table below:

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Table 53: Repossessed Leasing Objects at the Leasing Sector Level

Type of leasing object	31.12.2017		30.09.2018	
	Number of units	Appraised market value of the leasing object	Number of units	Appraised market value of the leasing object
1	2	3	4	5

Passenger vehicles	12	198	17	232
Company vehicles (cargo and passenger)	13	129	23	205
Machinery and equipment	8	454	12	119
Real estate	9	2.246	6	1.821
Other	0	0	0	0
Total	42	3.027	58	2.377

Out of the total appraised value of repossessed objects of the leasing sector in the FBiH as of 30.09.2018, BAM 1.8 million or 76.6% relate to real estate (commercial real estate) repossessed by leasing companies due to the lessees' non-compliance with legal obligations. The total amount of this item relates to two leasing companies.

If observed at the level of the leasing system as of 30.09.2018, the market value of repossessed leasing objects is up and amounts to BAM 11 million and it is down by BAM 2.1 million or 15.8% compared to 31.12.2017. Out of the aforementioned amount of repossessed leasing objects, BAM 8.6 million or 78.4% of the total amount of repossessed objects recorded at the level of the leasing sector account for objects repossessed by the bank that performs leasing operations

The current market situation and inadequate financing approval criteria cause difficult sales or new financing of repossessed real estate via financial or operational leasing, especially if one takes into account the fact that repossessed real estate constitutes mostly production and commercial facilities.

2.2.2.4. Profitability

In the period from 01.01. to 30.09.2018, a profit in the amount of BAM 3.3 million was recorded at the level of the leasing sector. If observed individually, four leasing companies recorded a positive financial result in the amount of BAM 5.2 million, with one leasing company accounting for BAM 2.3 million or 67.8%, while three leasing companies recorded a negative financial result in the amount of BAM 1.9 million. The recorded profit at the level of the leasing sector in the first three quarters of 2018 was significantly influenced by the collection of written-off receivables for loans by one leasing company in the amount of BAM 3 million

Annex 21 of this Information provides an aggregated balance sheet of leasing companies in the FBiH as of 30.09.2018.

The comparative financial result of the leasing sector level is shown in the table below:

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Description	30.09.2016.		30.09.2017.		30.09.2018.	
	Amount	No. of leasing companies	Amount	No. of leasing companies	Amount	No. of leasing companies
1	2	3	4	5	6	7
Loss	-1.692	2	-863	3	-1.901	3
Profit	4.616	5	3.922	3	5.223	4
Total	2.924	7	3.059	6	3.322	7

It is evident that within reporting period, and according to the nominal amount, the largest income at the level of the leasing sector in the FBiH presented as of 30.09.2018 in the amount of BAM 5.2 million, which is presented by four leasing companies, and at the same time the largest loss is presented in the amount of BAM 1.9 million by three leasing companies.

The total income of the leasing sector in the FBiH, as of 30.09.2018 amounted to BAM 23.8 million, and compared with the same period of the previous business year, in terms of nominal amount they are at the approximately same level, where in the structure of the total income it is evident decrease of interest income, while the operating income in the first three quarters of 2018 recorded a growth trend, compared with the same period of the previous year.

The level and structure of the total income with comparative data for the two previous business years is presented in the table below:

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Table 55: Structure of total income

Structure of total income	30.09.2016.		30.09.2017.		30.09.2018.		Index	
	Amount	% Share	Amount	% Share	Amount	% Share	8=(4/2)	9=(6/4)
1	2	3	4	5	6	7	8=(4/2)	9=(6/4)
I Interest income and similar income								
Interest on financial leasing	13.272	37,8	7.509	31,4	6.799	28,6	57	91
Interest on facilities to banks	216	0,6	167	0,7	189	0,8	77	113
Other interest income	4.341	12,4	2.111	8,9	1.201	5	49	57
Total I	17.829	50,8	9.787	41	8.189	34,4	55	84
II Operating income								
Fees for operational lease	8.432	24	7.917	33,1	9.474	39,8	94	120
Service fees	7	0	4	0	1	0	57	25
Other operating income	8.842	25,2	5.495	23	6.148	25,8	62	112
Total II	17.281	49,2	13.416	56,1	15.623	65,6	78	116
Income from release of reserves for losses	0	0	694	2,9	0	0	n/a	0
Total Income (I+II)	35.110	100	23.897	100	23.812	100	68	100

If observed by type of income, interest income of the leasing sector amounted to BAM 8.2 million in the period from 01.01. to 30.09.2018, thus saw a decrease of BAM 1.6 million or 16.3% compared to the same period of the previous year. The most significant position of interest income is income based on interest income for financial leasing in the total amount of BAM 6.8 million and it is BAM 0.7 million or 9.5% down compared to the same period of the previous business year. The category Operating Income amounted to BAM 15.6 million and is up by BAM 2.2 million or 16.5 % compared to the same period of the previous year.

As of 30.09.2018, the total expenses amounted to BAM 20.5 million and slightly down compared to the same period of the previous year (nominally by BAM 0.3 million or 1.7%). The level and structure of the total expenses with comparative data for the same period of the two previous years are presented in the table below:

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Table 56: Total expenses structure

Total expenses structure	30.09.2016.		30.09.2017.		30.09.2018.		Index	
	Amount	% Share	Amount	% Share	Amount	% Share	8(4/2)	9(6/4)
1	2	3	4	5	6	7	8(4/2)	9(6/4)
I Interest expenses and similar income								
Interest on borrowed funds	6.069	18,9	2.489	11,9	2.325	11,3	41	93
Loan processing fees	127	0,4	68	0,3	68	0,3	54	100
Other interest expenses	0	0	3	0	3	0	n/a	100
Total I	6.196	19,3	2.560	12,3	2.396	11,7	41	94
II Operating expenses								
Costs of salaries and contributions	4.961	15,4	3.814	18,3	4.891	23,9	77	128
Costs of business premises	7.989	24,8	6.541	31,4	7.412	36,2	82	113
Other expenses	8.552	26,6	7.923	38	5.587	27,3	93	71
Total	21.502	66,8	18.278	87,7	17.890	87,3	85	98
III Costs of Reserves	4.221	13,1	0	0	204	1	0	n/a

Income tax	267	0,8	0	0	0	0	0	n/a
Total expenses (I+II+III)	32.186	100	20.838	100	20.490	100	65	98

Interest expenses amounted to BAM 2.4 million and are down by BAM 0.2 million or 6.4% compared to the same period of the previous business years. In the same period, the total operating expenses are decreased, same as individual categories of this expense item

In the period observed it is evident a continues and significant decrease of income and interest expenses and similar income, and in particular comparing to the same period of 2016, which is mainly due to the status change of one leasing company having merged with its parent bank, that started in second half of 2017, as well as due to decrease of interest rate for arrangements and continuous decrease in the EURIBOR variable index, to which the leasing companies' loan debt is mainly linked.

2.2.2.5. Weighted NIR and EIR

The total average NIR for financial leasing arrangements concluded in the first nine months of 2018 amounted to 4.47% for short-term and 4.22% for long-term arrangements, while the EIR for short-term was 11% and long-term arrangements 6.59% per annum. The total weighted NIR for the first three quarters of 2018 amounted to 4.22%, while the EIR amounted to 6.63% per annum.

Comparing those data with the same period of the previous business year, when the total weighted NIR was 4.65% and the EIR 7.12% per annum, it is evident continuation of decrease of interest rates for financial leasing arrangements, and it is mainly caused by the low value of the EURIBOR variable index, to which interest rates are mainly linked, and also due to the fact that during 2018 business year, most of the leasing providers had promotional products for which the interest on the financing amount (in whole or in part) was subsidised by the supplier of the leasing object, while the leasing object's Casco insurance fee was also subsidised by insurance companies in the case of individual promotional products.

The significant differences in weighted EIR are mainly caused by the fact that the calculation of the EIR on arrangements concluded with natural persons is not identical to the calculation of the arrangements concluded with legal entities, since its calculation does not include a Casco insurance premium, which is a legal requirement when it comes to arrangements with natural persons.

The table below shows a detailed overview of the weighted NIR and EIR for financial leasing arrangements concluded in the first three quarters of 2018:

Table 57: Average NIR and EIR for Financial Leasing Arrangements Concluded in the third quarter of 2018

No.	Description	No. of arrangements	Amount of financings (000BAM)	Weighted NIR	Weighted EIR
1	2	3	4	5	6
1.	Short-term leasing arrangements by leasing object:	19	489	4,5%	11,0%
a.	Passenger vehicles	10	286	4,6%	13,4%
b.	Company vehicles (cargo and passenger)	9	203	4,4%	7,6%
c.	Machinery and equipment	0	0	0,0%	0,0%
d.	Other	0	0	0,0%	0,0%
1.1.	Short-term leasing arrangements by type of lessee:	19	489	4,5%	11,0%
a.	Legal entities	16	457	4,3%	7,8%
b.	Entrepreneurs	0	0	0,0%	0,0%
c.	Natural persons	3	32	7,4%	56,3%

2. Long-term leasing arrangements by leasing object:	2.686	123.296	4,2%	6,6%
a. Passenger vehicles	1.527	53.001	4,7%	7,8%
b. Company vehicles (cargo and passenger)	1.023	53.315	4,0%	5,9%
c. Machinery and equipment	135	16.792	3,5%	5,1%
d. Real estate	1	188	4,0%	4,2%
e. Other	0	0	0,0%	0,0%
2.1. Long-term leasing arrangements by type of lessee:	2.686	123.296	4,2%	6,6%
a. Legal entities	2.386	115.272	4,1%	5,9%
b. Entrepreneurs	73	2.252	5,1%	7,3%
c. Natural persons	227	5.772	5,5%	19,9%
Total (1+2)	2.705	123.785	4,2%	6,6%

The significant difference between the NIR and EIR is due to the fact that the VAT is paid on the interest rate, which is a mandatory part of the financial leasing arrangement and is paid in advance by the lessee, as well as the creation of the financial leasing arrangement with purchase value, and additional costs of leasing arrangements that are commonly an integral part of a monthly lease in the leasing arrangement.

The following table shows trends of weighted NIR and EIR for financial leasing arrangements by period:

Description	30.09.2014.		30.09.2015.		30.09.2016.		30.09.2017.		30.09.2018.	
	1	2	2	2	3	3	4	4	5	5
	NIR	EIR	NIR	EIR	NIR	EIR	NIR	EIR	NIR	EIR
I Short-term leasing arrangements										
By leasing object	6,1%	9,9%	4,8%	7,6%	7,7%	7,1%	3,6%	6,2%	4,5%	11,0%
a) Passenger vehicles	6,4%	11,4%	5,2%	8,4%	4,9%	10,6%	5,0%	8,5%	4,6%	13,4%
b) Company vehicles (cargo and passenger)	5,8%	8,6%	4,6%	7,4%	4,0%	5,3%	3,7%	6,2%	4,4%	7,6%
c) Machinery and equipment	6,6%	10,6%	3,8%	5,2%	0,8%	2,2%	1,3%	2,6%	0,0%	0,0%
d) Real estate	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
e) Other	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
1.1. By type of lessee	6,1%	9,9%	4,8%	7,6%	3,7%	7,0%	3,6%	6,2%	4,5%	11,0%
a) Legal entities	6,0%	9,7%	4,7%	7,4%	3,6%	5,6%	3,5%	5,8%	4,3%	7,8%
b) Entrepreneurs	9,5%	23,6%	0,0%	0,0%	5,9%	11,7%	0,0%	0,0%	0,0%	0,0%
c) Natural persons	8,2%	17,8%	7,6%	17,4%	5,9%	45,5%	6,5%	30,2%	7,4%	56,3%
II Long-term leasing arrangements										
2. By leasing object	6,5%	9,1%	6,0%	8,2%	5,1%	8,2%	4,7%	7,1%	4,2%	6,6%
a) Passenger vehicles	6,6%	9,5%	6,0%	9,1%	5,5%	9,6%	5,0%	8,1%	4,7%	7,8%
b) Company vehicles (cargo and passenger)	6,3%	8,6%	5,5%	7,5%	4,7%	7,1%	4,4%	6,5%	4,0%	5,9%
c) Machinery and equipment	6,7%	9,3%	6,3%	8,0%	5,2%	6,9%	4,4%	6,2%	3,5%	5,1%
d) Real estate	6,2%	6,5%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	4,0%	4,2%
e) Other	8,1%	11,9%	7,8%	11,4%	6,0%	9,2%	7,0%	36,5%	0,0%	0,0%
2.1. By type of lessee	6,5%	9,1%	5,9%	8,1%	5,1%	8,2%	4,7%	7,1%	4,2%	6,6%
a) Legal entities	6,6%	9,0%	5,9%	7,9%	5,1%	7,4%	4,6%	6,6%	4,1%	5,9%
b) Entrepreneurs	7,3%	12,0%	6,9%	10,4%	6,4%	8,8%	5,9%	9,3%	5,1%	7,3%
c) Natural persons	5,9%	9,1%	5,5%	11,1%	5,0%	20,8%	5,2%	17,8%	5,5%	19,9%
Total	6,5%	9,1%	5,9%	8,2%	5,0%	8,1%	4,6%	7,1%	4,2%	6,6%

2.2.2.6. Structure of Placements by Leasing Object and Type

The value of newly-concluded financial and operational leasing arrangements in the period from 01.01. to 30.09.2018 amounted to BAM 140.2 million at the level of the leasing sector, and is up by BAM 25.1 million or 21.8% compared to the same period of the previous business year.

In the same time period, the number of newly-concluded arrangements was 3 207 and it was up by 510 arrangements or 18.9% compared to the same period of the previous year. The average value of arrangements concluded in the first nine months of 2018 at the level of the leasing sector amounted to BAM 43.7 thousand, and it is approximately at the same level as in the same period of the previous year, when amounted to BAM 42.7 thousand.

Out of the total achieved value of newly-concluded arrangements in the first three quarters of 2018, BAM 123.8 million or 88.3% account for financial leasing arrangements. Compared to the same period of the previous business year, and previous reporting periods, the stagnation is evident with the growth trend of operational leasing arrangements in the share of the total newly-concluded arrangements.

The following tables show a parallel overview of the recorded volume of newly-concluded arrangements in the first three quarters of 2018 and the same period of the previous business year as well as the number of arrangements concluded in the same period:

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Table 59: Structure of Financing Amounts of the Leasing Sector

Description	30.09.2017			30.09.2018		
	Financial leasing	Operational leasing	Total	Financial leasing	Operational leasing	Total
1	2	3	4=(2+3)	5	6	7=(5+6)
Vehicles	90.834	11.917	102.751	106.805	16.373	123.178
Equipment	12.271	0	12.271	16.792	0	16.792
Real estate	0	0	0	188	0	188
Other	6	0	6	0	0	0
Total	103.111	11.917	115.028	123.785	16.373	140.158

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Table 60: Structure of Concluded Arrangements

Description	30.09.2017			30.09.2018		
	Financial leasing	Operational leasing	Total	Financial leasing	Operational leasing	Total
1	2	3	4=(2+3)	5	6	7=(5+6)
Vehicles	2.185	345	2.530	2.569	502	3.071
Equipment	166	0	166	135	0	135
Real estate	0	0	0	1	0	1
Other	1	0	1	0	0	0
Total	2.352	345	2.697	2.705	502	3.207

Analytically observed, the total amount of new financing in the first three quarters of 2018, was achieved by four leasing companies and one bank, which performs leasing operations to certain extend (legal successor of leasing company which merged to the bank), while three leasing companies suspended the conclusion of new arrangements, with the exception of sporadic cases of financings of repossessed leasing objects.

In the structure of new placements by type of lessee, placements to legal entities are predominant, with 91.8% of the total financing amount in the first half of 2018. One important reason is the fact that financing via leasing arrangements is less favourable for natural persons than loan placements due to the obligatory payment of the VAT on interest rates, which poses additional costs for clients who are non-taxable VAT persons.

2.2.3. Recommendations for the leasing sector

Within its competences for the supervision of leasing companies in the FBiH, the FBA will continue with the planned activities, which primarily objective is financial stability of leasing companies in the FBiH and leasing activities at the level of system in the FBiH, which will be focused on the following segments:

- initiating changes of the LoL with the objective of adjusting business ambience for leasing company's operations in the FBiH and amending of legal regulations in terms of drafting a new, and updating the existing bylaws, in accordance to adopted changes and amendments of the legal regulation
- Continued supervision of leasing system in the FBiH, through reports and on-site inspections;
- Maintaining of the capital adequacy of the leasing system in the FBiH and strengthening of the internal processes on definition of parameters for protection of capital and capital adequacy in the leasing system entities in the FBiH;
- Supervision of leasing system entities in the FBiH compliance with the legal regulations and bylaws, prescribed AML/CTF standards, as well as sound practices in the segment of protection of financial services users and guarantors
- Improvement of cooperation with the ALC BiH in terms of providing expert assistance in the application of laws and regulations of leasing companies, as well as cooperation with other supervisory and control institutions, as well as the CBBH regarding the structure and quality of data related to financial leasing exposure in the CRC
- Creation of the more favourable business ambience for leasing sector operations, to facilitate creation of new leasing companies etc.

Within its competences to supervise leasing company's operations, the FBA expects from the leasing system entities in the FBiH to continue with their activities which primarily objective is legitimate, stable, effective and transparent provision of financial leasing services, which are directed to:

- Harmonisation of business operations with prescribed regulatory requirements;
- Capital strengthening of the leasing companies and definition of parameters for capital protection and capital adequacy, strengthening the systems of internal controls, provision of adequate and organisationally independent function of the internal audit, improvement of risk management process
- Ensuring a reliability and integrity of data and information submitted to the FBA, ensuring of the accuracy, validity and comprehensive accounting and non-accounting records, adjustment to business policies, plans and working programmes, legal and other regulations and acts, same as protection of the property of the company and preventive actions, to prevent frauds and mistakes
- Transparent, comprehensive and accurate informing users of the financial services on services offered, and related to improvement of products range finding new sales channels
- Timely, accurate and prompt submission of data to CBBH for the purpose of the CRR etc.

2.3. FACTORING SECTOR

2.3.1. Characteristics of the factoring sector in the FBiH

Factoring operations in BiH are regulated by law in the FBiH and factoring service providers from this entity are required to apply factoring regulations, whereas in the other entity – RS, factoring operations were not regulated by law as of the day this Information was compiled. In accordance with the regulations governing factoring, factoring operations in the FBiH may be performed by a factoring company established in the FBiH and in the possession of the FBA's license as well as a bank whose operations are regulated by the regulations governing the operations of banks in the FBiH. The FBA monitors the operations of factoring companies in order to verify the legality, assess the safety and stability of the operations of factoring companies, to protect the interests of clients and public interest, contribution to the stability of the financial system, and establishment and maintenance the confidence in the factoring market in the FBiH. If it determines illegalities and irregularities in the operations of a factoring company in the course of supervision, the FBA shall order the implementation of appropriate measures and activities aimed at eliminating the aforementioned. In accordance with the prescribed competences and within the framework of supervision of the operations of the banking system entities in the FBiH, the FBA also performs supervision of the factoring operations in the banks in the FBiH.

The main characteristic of the factoring operations in the FBiH, in the third quarter of 2018 as well, is the that factoring services in the FBiH were performed mainly by the banks, through Cash Claim Purchase Agreements, solely in domestic factoring, factoring entitled and non-entitled to recourse i.e. contracted and not contracted advance for purchased cash claim. The situation in factoring portfolio as of 30.09.2018 - as per right to recourse and entity residence amounts to BAM 24.8 million. Out of the total number of four banks which performed factoring operations, the three banks are members of the international banking group whose headquarter is in the EU member states, and one bank is in majority domestic ownership

In the reporting period, the only factoring company in the FBiH, which is on the basis of the FBA license for factoring operations, registered in the court registry, did not have a concluded contract on the purchase and sale of the existing outstanding or future short-term monetary claims, arisen under the contracts on selling of goods or the provision of services in the country and abroad.

The significant change in relation to business performance indicators of this company as of 30.06.2018, is related to the fact that the loss presented in business operations caused that core capital of the company amounts to BAM 703 thousands as of 30.09.2018, which is below the required amount according to the Article 27 of the LoF. For the purpose of adjustment with regulations, in August 2018 the company's Assembly adopted Decision to increase core capital by BAM 63 thousands, but as of 30.09.2018 the registration process with authorised court was not finalised, but it has been finished on 19.10.2018 by registration of increased capital in the abovementioned.

Annex 22 shows the general information on factoring company and ownership structure as of 30.09.2018.

Within the first three quarters of 2018, factoring service providers did not perform the operations of the reverse (supply) factoring, neither the operations similar to factoring (solvency and credit assessment of legal physical entities which perform self-employed activities, securing the claims, discount accounts, discount of bills of exchange, cession of bill

claims, issuance of guarantees and other collaterals, sale of movable and immovable property taken as collateral on the basis of factoring and similar).

2.3.2. Scope, Structure and Trend of the Factoring Operations in the FBiH

As of 30.09.2018, the total number of concluded factoring contracts was 229 which are mainly related to the domestic factoring, out of it 222 contracts or 96.9% were concluded with the right of recourse i.e. assuming the right of the factor, that in the case of inability for collection from the buyer, upon the maturity date, request the claim settlement from the seller, and that way compensate the advance paid, advance interest, as well as fees for the factor, while seven contracts or 3.1% were without the right of recourse.

Comparing the reporting data with the same period of the previous year, when there were 251 factoring contracts concluded, it is evident that there was a slight decrease of concluded factoring contracts by 8.8%, where the number of contracts with the right of recourse is decreased, i.e. number of contracts without the right of recourse increased.

As of 30.09.2018, the total nominal value of the purchased monetary claims amounts to BAM 92 million, and it is fully related to domestic factoring, out of it BAM 49.8 million or 54.1% relates to the factoring without right of recourse, and amount of BAM 42.2 million or 45.9% to the factoring with right of recourse. Comparing to the volume of the purchased monetary claims in the same period of the previous year, which amounted to BAM 287.8 million, the significant decrease is evident, since the total value of the volume of the purchased claims, as of 30.09.2018 amounts to 32% of the total value of the volume of the purchased claims as of 30.09.2017.

The structure of the purchased claims by the right of recourse is also changed, since that on 30.09.2017 the share of factoring with the right of recourse was 92.4%, while on 30.09.2018 its share is decreased to 45.9%, and at the same time in this period the share of factoring without right of recourse increased from 7.6% to 54.1%.

When observed by the residence of the factoring entities, the share of domestic factoring increased from 18.7% to 100%, during the period observed, with a simultaneous drop of foreign factoring (on 30.09.2017 its share was 81.3%, and as of 30.09.2018 there is no foreign factoring at all). In terms of maturity, the highest share of 65.3% refers to monetary claims with a maturity between 91 and 180 days, followed by 20.1% for 60 days' maturity, and remaining 14.5% refers to maturity from 61 to 90 dana. Maturity structure is significantly changed, since the share of purchased monetary claims with maturity from 91 to 180 days has increased from 13.1% to 65.3%, same as share of maturity from 61 to 90 days from 1.2% to 14.5%, while there is simultaneous decrease of maturity share up to 60 days, from 85.7% to 20.1%.

As of 30.09.2018, according to sectoral classification of customers, the share of nominal amount of claims purchased from the public companies account for 51.3% in the total value of purchased claims, followed by private companies and societies which share is 46.5%, non-profit organisations with the share of 1.4% and government institutions with the share of 0.8%.

As of 30.09.2018, the situation of debts to suppliers on the basis of factoring amounts to BAM 0.85 million, with the maturity structure as follows: 7% up to 60 days, 47.4 % from 61-90 days and 45.6% from 91 to 180 days.

Presented total income of the factoring service providers in the FBiH, for period 01.01. – 30.09.2018 amounts to BAM 1.2 million, out of it interest income accounts for BAM 0.7 million or 53.9%, income from fees account for BAM 0.5 thousands or 45.9%, and remaining 0.2% accounts for income from administrative fees. Comparing to the same period of 2017, when the total income amounted to BAM 1.7 million, it is evident that it was decreased by 29.4% as of 30.09.2018, as the result of decrease in volume of purchased monetary claims in the same period. Along with decrease of total income, the changes are also evident in the structure of income achieved by factoring type and residence, but also by income type, since that as of 30.09.2017 interest income had a share of 39.2% in the total income, and income from fees by 60.7%, income from administrative fees 0.1%, i.e. during the period observed interest income increased, and income from fees decreased.

The highest interest rate on the advance payment at the factoring market in the FBiH, which was valid on the last day of the reporting period (the third quarter of 2018) was 6%, while the discount rate was 5% and the both rates were calculated in the domestic factoring. The all four banks which perform the factoring operations were charging the factoring fees, and only one bank charged the administrative fees in provision of the factoring services. Comparing to the second quarter of 2018, the highest interest rate on the advance payment is increased from 5.67% to 6%, while the discount rate remained the same.

2.3.3. Recommendations for factoring sector

In the first three quarters of 2018, the factoring operations in the FBiH were mainly performed through the functions of financing, which is the characteristics of the banks, and the operations of recovery guarantee and claims management were not recorded, neither the operations similar to factoring, which confirms that this activity is still at the early days of development at the market of the FBiH, within legal and institutional frameworks defined by the LoF, and the FBA bylaws which regulate the factoring operations in the FBiH.

The intentions of the Law on the financial operations³³, in relation to the strengthening of the financial discipline and establishment of the clear rules in operations, still did not provide a stronger impulse for using the factoring as an instrument of the short-term financing and cash-flow management, to which also contributes the lack of adequately established and educated financial function in the small and medium enterprises.

Since that the need for the short-term financing and the cash-claim management, as well as the claims recovery guarantee is more and more evident in the real sector, in the following period it can be expected that the factoring will be used as one of the liable instrument for solving the liquidity problems in the FBiH, and as an efficient instrument for speeding up the cash flows, in a considerably higher volume than it is the case now.

³³ „Official Gazette of the Federation of BiH“, no. 48/16

3. PROTECTION OF RIGHTS AND INTERESTS OF NATURAL PERSONS – USERS OF FINANCIAL SERVICES WITH THE BANKING SYSTEM ENTITIES IN THE FBiH

3.1. Activities on protection of rights and interests of natural persons as users of the financial services with the banking system entities in the FBiH

In accordance to the LoBA and the internal organisation of the FBA, the activities on promotion and protection of rights and interests of the natural persons as users of the financial services in the banking system are organised and performed through actions and interventions of the Ombudsman.

In the reporting period 01.01. –30.09.2018 the key activities of the Ombudsman are reflected in the following: consideration of user’s complaints, provision of answers, recommendations and opinions to the banking system entities with the objective to resolve contested relations, and proposal of the measures for improvement of the operations and good practices of the banking system entities in the FBiH. Dealing with user’s complaints assume conducting the procedure in accordance to LoBA and the FBA regulations, and also users are entitled to contact the Ombudsman via telephone, directly or by the complaint, i.e. written request. As of 30.09.2018, in total 260 complaints have been received, requests and information related to contested relations concerning treatment and work of the financial institutions in the individual relations and communication with the users of the financial services. Out of the total number of received complaints/request, 241 are finished, completed, and its structure is provided in the table below:

Method of dealing / period	31.12.2016.	31.12.2017.	30.09.2018.
Well-founded complaints	54	61	48
Competent treatment	45	49	39
Unfounded complaints	108	130	69
Compalints with instruction and explained answer	37	39	29
Withdrawal of complaints	18	11	10
Under responsibility of other institutions and organizations	25	19	20
Positively resolved upon Ombudsman recommendation	8	10	2
Recommendation upon request to be exempted from guarantee	17	17	3
Compalints which are not accepted due to untimely submission or delinquency	24	25	23
Total:	336	361	241

During the reporting period, the meetings were held with the parties in the process of intermediation before the Ombudsman (it was completed by the settlement agreement between the user of financial services and the bank), and other contested relations in the process before the Ombudsman resulted by the written correspondence from both parties.

Within complaints-handling i.e. request of the users, the Ombudsman conducted more actions needed by case, which include requesting of statements and additional statements from financial institutions, various written communication with users, urgencies, explanation and amendments.

In addition to complaints and requests in written formats, the users and guarantors also approached the Ombudsman orally, by telephone or directly, with a questions and requests related to rights and obligations, new regulations and different financial products. During the reporting period in total 200 different inquires, pleas and request were received, upon which it was communicated with the detailed answers, instructions and advices, and Ombudsman recommendations.

During the reporting period, it has been worked on improvement of the regulatory framework in this segment which resulted with adoption of Ombudsman Rulebook for the banking system in the FBiH, same as adoption of the Decision on conditions and method to be followed upon user's complaints and upon a request for exemption from guarantor's obligation.

3.2. Recommendations to banking system entities

In accordance to its legal authorisations, and on the basis of knowledge gained through the proceedings, the Ombudsman will continue with the provision of recommendations and guidelines to the banking system entities, for the purpose of:

- Improvement relations with users of financial services,
- Application of sound business practices,
- Compliance with laws and other regulations in the segment of protection of users of financial services, and
- Fair treatment of users.

The Ombudsman's recommendations are primarily related to the improvement of relations with users, application of sound business practice, internal acts and resolving of individual disputes between users/guarantor and financial institutions. Considering a certain number of frequently submitted complaints, the Ombudsman has submitted recommendations to the banking system entities in the FBiH, for improvement and enhancing operations in their relations with users of financial services. The recommendations were related to the work and operations of few banks and MCFs in the following segments:

- Awareness and compliance in accordance to the provision of the LoPUFS, which defined requirements for banking system entities to provide information to the clients about all services which are offered, during the pre-contractual and contractual phase, as well as during the phase of contract realization;
- Calculation of default interests for due receivables in accordance to the regulations which define the rate of default interest and the method as it has been defined by the Law on obligatory relations;
- Contracting obligations which are identified or identifiable, in the context of temporal validity of obligation, and that was required in a case of credit card contracts to clearly precise the scope of guarantor's responsibility and the period to which the card can be re-issued;
- Conducting of internal process, in the part of regular and quality conducting of internal process upon complaints from users and guarantors, which assume statement on all fact and circumstances, assessment of the merits, i.e. whether the decision on complaints has decided in accordance with the law and internal acts, as well as notification about legal remedies; and
- Protection of guarantors, recommendations were primarily related to determination of debtor's assets when conducting a foreclosure measures, notification of guarantors when there is a delay incurred in payment by the principal debtor and respecting of payment schedule as it is defined by the Law on protection of guarantors.

The Ombudsman's recommendations issued with the purpose of conducting an internal process upon client's complaints, resulted with an increased number of positively resolved complaints and more accurate conducting of internal process by financial institutions, and a great number of complaints in this period were positively resolved. Although, the total number of received complaints/request of the users record an increase compared to the previous reporting periods, it can be concluded that number of positively resolved subjects indicates to the improvement of banking system entities in the FBiH compliance with legal regulations in the field of protection of users.

CONCLUSION

In order to preserve and strengthen the stability of the banking sector and protection of deponents, as well as to ensure the legitimate, safe, and quality operations of the banking sector entities of the FBiH, the FBA has continuously monitored the operations of all entities, carrying out planned activities and taking measures in accordance with legal authorisations; and also adopted general and individual acts which regulate the operations of the entities in the banking sector of FBiH in accordance to legal regulations, Basel principles and standards for effective banking supervision and applicable EU directives based on those principles and standards. Considering the comprehensive processes related to the reform of the regulatory framework for operations and supervision of banks and establishment of new framework for banking resolution, the activities were continued on strengthening of supervisory capacities for the purpose of implementation of new regulatory framework.

As of 30.09.2018, positive trends in the banking sector continued, reflected in the increase of assets, loans, cash and deposits, as well as the profitability improvement of the overall banking sector. There is a continuation of the increase in lending in all sectors, except loans passed to the government institutions. The share of NPL, as a key indicator of loan quality, still has a downward trend. The trend of increase in total deposits and savings deposits continued, with these being the most important and the largest segment of the deposit and financial potential of banks. By the end of third quarter of the current year, the banks in the FBiH recorded a positive financial result, wherein profitability indicators were mainly affected by assets quality indicators and efficiency in management with operating incomes and expenses. Based on the key business performance indicators of the banking sector of the FBiH as of 30.09.2018, it can be concluded that the aforementioned is stable, adequately capitalised, liquid and profitable

When analysing the reports of the microcredit sector in the FBiH as of 30.09.2018, it can be concluded that its operations is characterised by the growth of assets, number of employees, net microloans, total capital, positive financial result, with unchanged microcredit quality indicators.

In the period 01.01.-30.09.2018, the leasing system in the FBiH recorded an increase in the volume of operations, in terms of the number and value of newly-concluded arrangements, as well as increase of total assets of the leasing sector in the FBiH, compared to the 31.12.2017, and positive financial result, which indicates that leasing system is stable, with possibility of further development.

The main feature of the factoring operations in the FBiH in the third quarter of 2018 as well, is that it is performed through the functions of financing which is inherent for banks, while the enurance of payments collection and claims management is not recorded, same as other operations related to factoring, that is a confirmation that this service is still at the onset of development at the BiH market.

In the segment of protection of rights and interests of natural persons – users of financial services with the banking system entities in the FBiH, on a permanent basis the activities, defined by the law and regulations from this field, are being conducted.

Number: U.O.-28-02/18
Sarajevo, 17 December 2018

ANNEXES FOR THE BANKING SECTOR

Annex 1- General Information on Banks in the FBiH as of 30.09.2018

No.	BANK	Address		Phone	Chairperson of the Board
1.	ADDIKO BANK dd - SARAJEVO	Sarajevo	Trg solidarnosti 12	033/755-867, 755-755 fax: 755-790	Sanela Pašić
2.	ASA BANKA dd - SARAJEVO	Sarajevo	Trg međunarodnog prijateljstva 25	033/586-870, fax: 586-880	Samir Mustafić
3.	BOSNA BANK INTERNATIONAL dd - SARAJEVO	Sarajevo	Trg djece Sarajeva bb	033/275-100, fax: 203-122	Amer Bukvić
4.	INTESA SANPAOLO BANKA dd BOSNA I HERCEGOVINA	Sarajevo	Obala Kulina bana 9a	033/497-555, 497-500 fax:497-589	Almir Krkalić
5.	KOMERCIJALNO-INVESTICIONA BANKA dd V.KLADUŠA	Velika Kladuša	Tone Hrovata bb	037/771-253, fax: 037/772-416	Hasan Porčić
6.	NLB BANKA dd - SARAJEVO	Sarajevo	Džidžikovac 1	033/720-300, fax: 035/302-802	Lidija Žigić
7.	PRIVREDNA BANKA SARAJEVO dd – SARAJEVO	Sarajevo	Obala Kulina bana 18	033/278-520, fax: 278-550	Hamid Pršeš
8.	PROCREDIT BANK dd – SARAJEVO	Sarajevo	Franca Lehara bb	033/250-950, fax: 250-971	Edin Hrnjica
9.	RAIFFEISEN BANK dd BiH – SARAJEVO	Sarajevo	Zmaja od Bosne bb	033/755-010, fax: 213-851	Karlheinz Dobnigg
10.	SBERBANK BH dd - SARAJEVO	Sarajevo	Fra Anđela Zvizdovića 1	033/954-702, fax: 263-832	Jasmin Spahić
11.	SPARKASSE BANK dd BOSNA I HERCEGOVINA- SARAJEVO	Sarajevo	Zmaja od Bosne 7	033/280-300, fax: 280-230	Sanel Kusturica
12.	UNICREDIT BANK dd - MOSTAR	Mostar	Kardinala Stepinca bb	036/312-112, fax: 356-227	Dalibor Čubela
13.	UNION BANKA dd - SARAJEVO	Sarajevo	Hamdije Kreševljakovića 19	033/561-000, fax: 201-567	Vedran Hadžiahmetović
14.	VAKUFСКА BANKA dd - SARAJEVO	Sarajevo	Maršala Tita 13	033/280-100, fax: 663-399	Denis Čivgin
15.	ZIRAATBANK BH dd - SARAJEVO	Sarajevo	Zmaja od Bosne 47c	033/955-000, fax: 525-701	Yusuf Dilaver

Annex 2- Information on Bank's Employees in the FBiH

No.	BANK	31.12.2016.	31.12.2017.	30.09.2018.
1.	ADDIKO BANK d.d. - SARAJEVO	435	390	394
2.	ASA BANKA d.d. - SARAJEVO	211	211	214
3.	BOSNA BANK INTERNATIONAL d.d. - SARAJEVO	371	399	421
4.	INTESA SANPAOLO BANKA d.d. BOSNA I HERCEGOVINA	561	567	562
5.	KOMERCIJALNO-INVESTICIONA BANKA d.d. V.KLADUŠA	77	77	77
6.	NLB BANKA d.d. - SARAJEVO	444	459	459
7.	PRIVREDNA BANKA d.d - SARAJEVO	139	158	159
8.	PROCREDIT BANK d.d. - SARAJEVO	206	167	157
9.	RAIFFEISEN BANK d.d. BiH - SARAJEVO	1.312	1.320	1.356
10.	SBERBANK BH d.d. - SARAJEVO	425	440	448
11.	SPARKASSE BANK d.d. BOSNA I HERCEGOVINA - SARAJEVO	521	528	535
12.	UNICREDIT BANK d.d. - MOSTAR	1.225	1.260	1.258
13.	UNION BANKA d.d. - SARAJEVO	192	192	196
14.	VAKUFСКА BANKA d.d. - SARAJEVO	197	161	165
15.	ZIRAATBANK BH d.d. - SARAJEVO	299	326	335
	TOTAL	6.615	6.655	6.736

Annex 3- Balance Sheet of Banks in the FBiH According to the FBA Model (Active Sub-Balance)

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No.	Description	31.12.2017.		30.09.2018.		Index
1	2	3	4	5	6	7=5/3
	ASSETS	Amount	% in total assets	Amount	% in total assets	
1.	Cash and deposit accounts with deposit-taking institutions	5.794.664	28,7%	6.629.412	30,7%	114
1.a.	Cash and non-interest bearing deposit accounts	2.654.978	13,1%	2.791.128	12,9%	105
1.b.	Interest-bearing deposits accounts	3.139.686	15,5%	3.838.284	17,8%	122
2.	Securities designated at fair value through profit or loss and fair value through other comprehensive income	1.092.254	5,4%	1.101.708	5,1%	101
3.	Loans to other banks	350.980	1,7%	121.003	0,6%	34
4.	Loans, receivables based on leasing facilities and past due receivables	13.178.860	65,2%	14.045.024	65,1%	107
4.a.	Loans	12.012.214	59,4%	12.855.848	59,6%	107
4.b.	Receivables based on leasing facilities	98.617	0,5%	88.308	0,4%	90
4.c.	Past due receivables based on loans and leasing facilities	1.068.029	5,3%	1.100.868	5,1%	103
5.	Held to maturity securities	136.178	0,7%	133.082	0,6%	98
6.	Business premises and other fixed assets	480.500	2,4%	468.089	2,2%	97
7.	Other real estate	49.441	0,2%	48.094	0,2%	97
8.	Investments in unconsolidated related companies	18.401	0,1%	13.992	0,1%	76
9.	Other assets	332.157	1,6%	326.558	1,5%	98
10.	MINUS: value adjustments	1.223.584	6,1%	1.315.847	6,1%	108
10.a.	Value adjustments for Item 4. of the Assets	1.166.804	5,8%	1.230.468	5,7%	105
10.b.	Value adjustments for Assets items, except for the Item 4.	56.780	0,3%	85.379	0,4%	150
11.	TOTAL ASSETS	20.209.851	100%	21.571.115	100%	107
	LIABILITIES					
12.	Deposits	15.814.723	78,3%	17.023.844	78,9%	108
12.a.	Interest-bearing deposits	11.358.832	56,2%	12.091.339	56,1%	106
12.b.	Non-interest bearing deposits	4.455.891	22%	4.932.505	22,9%	111
13.	Borrowings – liabilities due	150	%	150	%	100
13.a.	Past due liabilities	0	%	0	%	0
13.b.	Past due – invoked off-balance sheet liabilities	150	%	150	%	100
14.	Borrowings from other banks	0	%	0	%	0
15.	Liabilities to the Government	0	%	0	%	0
16.	Loan commitments and other borrowings	835.667	4,1%	855.841	4%	102
16.a.	With remaining maturity of up to one year	184.551	0,9%	175.856	0,8%	95
16.b.	With remaining maturity of more than one year	651.116	3,2%	679.985	3,2%	104
17.	Subordinated debts and subordinated bonds	129.299	0,6%	137.179	0,6%	106
18.	Other liabilities	564.963	2,8%	539.139	2,5%	95
19.	TOTAL LIABILITIES	17.344.802	85,8%	18.556.153	86%	107
	CAPITAL					
20.	Permanent preferred shares	14.828	0,1%	14.828	0,1%	100
21.	Common shares	1.210.961	6%	1.274.872	5,9%	105
22.	Issue premiums	137.290	0,7%	137.290	0,6%	100
22.a.	Over permanent preferred shares	88	%	88	%	100
22.b.	Over common shares	137.202	0,7%	137.202	0,6%	100
23.	Undistributed profit and capital reserves	946.263	4,7%	1.025.568	4,8%	108
24.	Foreign exchange rate differences		%		%	
25.	Other capital	239.973	1,2%	246.670	1,1%	103
26.	Loan loss provisions formed from profit	315.734	1,6%	315.734	1,5%	100
27.	TOTAL CAPITAL: (20. do 25.)	2.865.049	14,2%	3.014.962	14%	105
28.	TOTAL LIABILITIES AND CAPITAL: (19. + 27.)	20.209.851	100%	21.571.115	100%	107
	PASSIVE AND NEUTRAL SUB-BALANCE	700.018	0	705.219	0	101
	TOTAL	20.909.869	0	22.276.334	0	107

Annex 4- Overview of Assets, Loans, Deposits and Financial Results of Banks in the FBiH as of 30.09.2018

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No.	BANK	Assets		Loans		Deposits		Capital	Financial result
		Amount	%	Amount	%	Amount	%	Amount	Amount
1.	ADDIKO BANK d.d. - SARAJEVO	909.349	4,2%	582.050	4,1%	677.859	4%	199.942	9.133
2.	ASA BANKA d.d. - SARAJEVO	502.929	2,3%	332.639	2,4%	431.025	2,5%	58.736	1.720
3.	BOSNA BANK INTERNATIONAL d.d. - SARAJEVO	926.538	4,3%	672.425	4,8%	663.887	3,9%	140.570	6.032
4.	INTESA SANPAOLO BANKA d.d. BOSNA I HERCEGOVINA	2.057.177	9,5%	1.490.866	10,6%	1.536.820	9%	270.852	31.427
5.	KOMERCIJALNO-INVESTICIONA BANKA d.d. V.KLADUŠA	106.553	0,5%	55.928	0,4%	75.807	0,4%	28.133	1.327
6.	NLB BANKA d.d. - SARAJEVO	1.101.106	5,1%	742.649	5,3%	897.246	5,3%	146.237	12.600
7.	PRIVREDNA BANKA SARAJEVO d.d. - SARAJEVO	415.252	1,9%	267.253	1,9%	317.048	1,9%	53.854	3.122
8.	PROCREDIT BANK d.d. - SARAJEVO	469.480	2,2%	376.021	2,7%	233.982	1,4%	50.679	19
9.	RAIFFEISEN BANK d.d. BiH - SARAJEVO	4.249.683	19,7%	2.520.368	17,9%	3.440.808	20,2%	566.180	80.552
10.	SBERBANK BH d.d. - SARAJEVO	1.385.787	6,4%	996.394	7,1%	1.151.151	6,8%	173.771	6.873
11.	SPARKASSE BANK d.d. BOSNA I HERCEGOVINA- SARAJEVO	1.470.510	6,8%	1.030.806	7,3%	1.185.925	7%	194.936	17.677
12.	UNICREDIT BANK d.d. - MOSTAR	5.960.918	27,6%	3.800.923	27,1%	4.889.531	28,7%	854.248	87.039
13.	UNION BANKA d.d. - SARAJEVO	721.864	3,3%	198.774	1,4%	638.492	3,8%	53.462	1.282
14.	VAKUFСКА BANKA d.d. - SARAJEVO	316.316	1,5%	215.611	1,5%	272.932	1,6%	30.076	1.124
15.	ZIRAATBANK BH d.d.- SARAJEVO	977.653	4,5%	762.317	5,4%	611.331	3,6%	193.286	-13.256
	TOTAL	21.571.115	100%	14.045.024	100%	17.023.844	100%	3.014.962	246.671

Annex 5- Report on Capital Position and Adequacy of Banks in the FBiH

- ACTIVE BALANCE -

-in 000 BAM-

No.	DESCRIPTION	31.12.2016.	31.12.2017.	30.09.2018.
CORE CAPITAL OF THE BANK				
1.a.	Share capital, reserves and profit			
1.1.	Share capital – common and permanent preferred non-cumulative shares – cash payments	1.203.237	1.213.318	1.277.229
1.2.	Share capital – common and permanent preferred non-cumulative shares – investments in kind and in rights	12.431	12.262	12.262
1.3.	Amount of issue premiums earned upon payment of shares	138.786	137.290	137.290
1.4.	General mandatory reserves (reserves mandated by the law)	143.166	157.513	169.789
1.5.	Other reserves from profit after tax based on the decision of the Bank's assembly	529.121	635.732	681.734
1.6.	Retained, undistributed profit from previous years and current year's profit	141.073	165.343	188.052
1.a.	TOTAL (from 1.1. to 1.6.)	2.167.814	2.321.458	2.466.356
1.b.	Deductible items from 1.a			
1.7.	Uncovered losses from previous years	16.690	47.879	85.169
1.8.	Current year's loss	42.314	7.288	13.257
1.9.	Book value of own (treasury) shares of the bank	3.034	81	229
1.10.	Intangible assets in accordance with the applicable accounting framework	47.315	49.963	50.530
1.11.	Amount of deferred tax assets	1.881	1.494	1.895
1.12.	Amount of negative revalorised reserves based on the effect of the change in the fair value of assets	1.063	1.446	4.660
1.b.	TOTAL (from 1.7. to 1.10.)	112.297	108.151	155.740
1.	AMOUNT OF CORE CAPITAL: (1.a. - 1.b.)	2.055.517	2.213.307	2.310.616
ADDITIONAL CAPITAL OF THE BANK				
2.1.	Share capital – common and permanent preferred non-cumulative shares – cash payments	209	209	209
2.2.	Share capital – common and permanent preferred non-cumulative shares – investments in kind and in rights	0	0	0
2.3.	General loan loss provisions for the category A – performing assets	170.420	186.830	198.840
2.4.	Amount of positive revalorised reserves based on the effect of the change in the fair value of assets	9.741	13.037	16.329
2.5.	Profit amount for which the FBA issues an order restricting its disbursement	0	0	0
2.6.	Amount of subordinated debt	103.122	104.733	103.176
2.7.	Amount of hybrid convertible items – capital instruments	0	0	0
2.8.	Amount of other capital instruments	1.425	1.428	1.429
2.	AMOUNT OF ADDITIONAL CAPITAL: (from 2.1 to 2.8)	284.917	306.237	319.983
DEDUCTIBLE ITEMS FROM THE BANK'S CAPITAL				
3.1.	Portion of invested share capital that, according to the FBA, represents a received, but over-appraised value	0	0	0
3.2.	Capital contributions of other legal entities exceeding 5% of the bank's core capital	0	0	0
3.3.	Receivables from shareholders with significant voting rights – approved by the bank contrary to Law provisions, FBA regulations and the bank's work policy	0	0	0
3.4.	LCRE towards shareholders with significant voting rights in the bank, conducted without prior approval from the FBA	0	0	0
3.5.	LLP shortfall as per regulatory requirement	200.035	198.380	209.289
3.	AMOUNT OF DEDUCTIBLE ITEMS FROM THE BANK'S CAPITAL: (od 3.1. do 3.5.)	200.035	198.380	209.289
A.	NET CAPITAL OF THE BANK (1+2-3)	2.140.399	2.321.164	2.421.310
B.	RISK OF BALANCE AND OFF-BALANCE ASSETS	12.667.026	13.904.675	14.814.632
C.	WOR (WEIGHTED OPERATIONAL RISK)	1.001.018	1.042.691	1.092.596
D.	WMR (WEIGHTED MARKET RISK)	0	0	0
E.	TOTAL ASSETS RISK (B+C+D)	13.668.044	14.947.366	15.907.228
F.	NET CAPITAL RATE (A/E) (% 1 dec.)	15,7%	15,5%	15,2%

Annex 6- Classification of Balance Sheet Assets of Banks in the FBiH as of 30.09.2018

– CLASSIFICATION OF BALANCE SHEET ASSETS ITEMS –

-in 000 BAM-

No.	BALANCE SHEET ASSETS ITEMS	CLASSIFICATION					TOTAL
		A	B	C	D	E	
1.	Short-term loans	2.517.542	167.524	5.795	12.968	474	2.704.303
2.	Long-term loans	9.295.017	562.255	126.284	121.422	12.368	10.117.346
3.	Other facilities	286.586	625	5	69	2.311	289.596
4.	Accrued interest and fees	37.779	3.532	2.060	6.329	43.446	93.146
5.	Past due receivables	70.708	23.797	27.585	198.966	749.576	1.070.632
6.	Receivables based on paid guarantees	0	0	114	36	30.087	30.237
7.	Other balance sheet assets being classified	793.023	3.158	863	342	35.593	832.979
8.	TOTAL BALANCE SHEET ASSETS BEING CLASSIFIED (sum of items 1 through 7 – calculation basis for regulatory loan loss provisions)	13.000.655	760.891	162.706	340.132	873.855	15.138.239
9.	CALCULATED REGULATORY RESERVES FOR LOAN LOSSES BASED ON BS ASSETS	253.187	63.570	47.931	195.181	873.213	1.433.082
10.	VALUE ADJUSTMENT FOR BS ASSETS	224.731	59.256	77.701	188.949	752.771	1.303.408
11.	REQUIRED REGULATORY RESERVES FORMED AGAINST PROFIT FOR PURPOSE OF ASSESSED LOSSES BASED ON BS ASSETS	146.509	37.623	9.366	45.860	120.010	359.368
12.	FORMEED REGULATORY RESERVES FORMED AGAINST PROFIT RELATED TO ASSESSED LOSSES BASED ON BS ASSETS	93.794	34.249	21.465	77.070	51.383	277.961
13.	SHORTFALL OF REGULATORY RESERVE FORMED AGAINST PROFIT RELATED TO ASSESSED LOSSES BASED ON BS ASSETS						195.769
14.	BALANCE SHEET ASSETS NOT BEING CLASSIFIED (gross book value)						7.748.723
15.	TOTAL BALANCE SHEET ASSETS (gross book value)						22.886.962

OVERVIEW OF BALANCE SHEET ASSETS NOT BEING CLASSIFIED AND FACILITIES SECURED WITH A CASH DEPOSIT

14.a	Cash in cash desk and vault and cash funds at the account with the Central Bank of BiH, gold and other precious metals	4.704.432
14.b	Demand deposits and term deposits up to one month located on accounts of banks with defined investment rating	1.640.031
14.c	Tangible and intangible assets	498.802
14.d	Financial and tangible assets acquired in the process of collection of receivables (within one year upon such acquisition)	5.085
14.e	Own (treasury) shares	0
14.f	Receivables based on overpaid taxes	24.486
14.g	Trading securities	81.312
14.h	Receivables from the BiH Government, FBiH Government and RS Government, securities issued by the BiH Government, FBiH Government and RS Government and receivables secured with unconditional guarantees payable upon the first call	794.575
	TOTAL Item 14	7.748.723
8a.	Facilities secured with a cash deposit	341.308

Annex 6a- Assets Classification of Off-Balance Sheet Risk-Weighted Items of Banks in the FBiH as of 30.09.2018

– CLASSIFICATION OF OFF-BALANCE SHEET ITEMS –

-u 000 BAM-

No.	OFF-BALANCE SHEET ITEMS	CLASSIFICATION					TOTAL
		A	B	C	D	E	
1.	Payment guarantees	368.154	34.193	510	509	0	403.366
2.	Performance guarantees	678.861	66.729	251	6.095	61	751.997
3.	Uncovered letters of credit	42.628	803	40	0	0	43.471
4.	Irrevocably approved, but undrawn loans	2.016.958	90.770	313	159	241	2.108.441
5.	Other contingent liabilities of the bank	15.387	248	448	0	16	16.099
6.	TOTAL OFF-BALANCE SHEET ITEMS BEING CLASSIFIED (sum of items 1 through 5 – calculation basis for regulatory loan loss provisions)	3.121.988	192.743	1.562	6.763	318	3.323.374
7.	CALCULATED REGULATORY RESERVES FOR LOAN LOSSES RELATED TO OFF-BALANCE SHEET ITEMS	61.407	12.271	415	4.039	319	78.451
8.	LOSS RESERVES FOR OFF-BALANCE SHEET ITEMS	30.186	2.327	824	4.929	245	38.511
9.	REQUIRED REGULATORY RESERVES FORMED AGAINST PROFIT RELATED TO ASSESSED LOSSES BASED ON OFF-BALANCE SHEET ITEMS	41.304	10.831	35	946	74	53.190
10.	REGULATORY RESERVES FORMED AGAINST PROFIT RELATED TO ASSESSED LOSSES BASED ON OFF-BALANCE SHEET ITEMS	26.284	9.471	512	1.364	142	37.773
11.	SHORTFALL OF REGULATORY RESERVES FORMED AGAINST PROFIT RELATED TO ASSESSED LOSSES BASED ON OFF-BALANCE SHEET ITEMS						16.487
12.	OFF-BALANCE SHEET ITEMS NOT BEING CLASSIFIED						594.994
13.	TOTAL OFF-BALANCE SHEET ITEMS						3.918.368
6a.	Contingent liabilities secured with a cash deposit						51.694
6b.	Approved undisbursed loans with a clause on unconditional cancellation						733.331

Annex 7- Income Statement of Banks in the FBiH According to the FBA Model

-in 000 BAM-

No.	DESCRIPTION	30.09.2017.	%	30.09.2018.	%	Index
1	2	3	4	5	6	7=5/3
1.	INTEREST INCOME AND EXPENSES	Amount	%	Amount	%	
a)	Interest income and similar income					
1)	Interest-bearing deposit accounts with deposit-taking institutions	1.886	0,3%	3.183	0,4%	169
2)	Loans to other banks	1.062	0,1%	1.379	0,2%	130
3)	Loans and leasing facilities	501.082	65,6%	493.134	62,8%	98
4)	Held to maturity securities	2.450	0,3%	2.510	0,3%	102
5)	Equity securities	812	0,1%	0	0%	0
6)	Receivables based on paid-off balance sheet liabilities	2	0%	1	0%	50
7)	Other interest income and similar income	57.981	7,6%	54.767	7%	94
8)	TOTAL INTEREST INCOME AND SIMILAR INCOME	565.275	74%	554.974	70,7%	98
b)	Interest expenses and similar expenses					
1)	Deposits	95.361	12,5%	79.870	10,2%	84
2)	Borrowings from other banks	0	0%	0	0%	0
3)	Borrowings taken – liabilities due	0	0%	0	0%	0
4)	Liabilities based on loans and other borrowings	8.036	1%	6.835	0,9%	85
5)	Subordinated debt and subordinated bonds	5.884	0,8%	5.859	0,7%	100
6)	Other interest and similar expenses	4.374	0,6%	6.174	0,8%	141
7)	TOTAL INTEREST EXPENSES AND SIMILAR EXPENSES	113.655	14,9%	98.738	12,6%	87
c)	NET INTEREST AND SIMILAR INCOME	451.620	59,1%	456.236	58,1%	101
2.	OPERATING INCOME					
a)	FX income	39.298	5,1%	45.651	5,8%	116
b)	Loan fees	8.566	1,1%	8.063	1%	94
c)	Fees based on off-balance sheet items	16.238	2,1%	16.549	2,1%	102
d)	Service fees	199.366	26,1%	218.336	27,8%	110
e)	Trading income	244	0,1%	306	0%	125
f)	Other operating income	49.146	6,4%	40.577	5,2%	83
g)	TOTAL OPERATING INCOME a) to f)	312.858	40,9%	329.482	41,9%	105
3.	NON-INTEREST EXPENSES					
a)	Business and direct expenses					
1)	Costs of value adjustments, risk-weighted assets, provisions for contingent liabilities and other value adjustments	71.044	9,3%	63.377	8,1%	89
2)	Other business and direct expenses	84.112	11%	91.893	11,7%	109
3)	TOTAL BUSINESS AND DIRECT EXPENSES 1) + 2)	155.156	20,3%	155.270	19,8%	100
b)	Operating expenses					
1)	Costs of salaries and contributions	183.178	24%	190.459	24,2%	104
2)	Costs of business premises, other fixed assets and utilities	111.975	14,6%	112.560	14,3%	101
3)	Other operating expenses	82.624	10,8%	80.758	10,3%	98
4)	TOTAL OPERATING EXPENSES 1) to 3)	377.777	49,4%	383.777	48,8%	102
c)	TOTAL NON-INTEREST EXPENSES	532.933	69,7%	539.047	68,6%	101
4.	PROFIT BEFORE TAXES	234.784	30,7%	259.927	33,1%	111
5.	LOSS	3.239	0,4%	13.256	1,7%	409
6.	TAXES	0	0	0	0	0
7.	PROFIT BASED ON INCREASE OF DEFERRED TAX FUNDS AD REDUCTION OF DEFERRED TAX LIABILITIES	0	0%	0	0%	0
8.	LOSS BASED ON REDUCTION OF DEFERRED TAX FUNDS AND INCREASE OF DEFERRED TAX LIABILITIES	0	0%	0	0%	0
9.	NET PROFIT ⁴ . - 6.	234.784	30,7%	259.927	33,1%	111
10.	NET LOSS ⁴ . - 6.	3.239	0,4%	13.256	1,7%	409
11.	FINANCIAL RESULT ⁹ -10.	231.545	0	246.671	0	0

ANNEXES FOR THE MICROCREDIT SECTOR

Annex 8- General Information on MCOs in the FBiH

No .	Name of microcredit organisation	Address and seat	Director	Phone	Date of issuing a licence	Number of employees	Web site
1.	MKD "EKI" d.o.o. Sarajevo	Džemala Bijedića 129, lamela C, Sarajevo	Alma Delić v.d.	+ 387 33 754 380	04.02.2008.	284	www.eki.ba
2.	MKF "EKI" Sarajevo	Džemala Bijedića 129, lamela C, Sarajevo	Sadina Bina v.d.	+ 387 33 754 380	20.08.2007.	242	www.eki.ba
3.	MKF "LIDER" Sarajevo	Turhanija 2, Sarajevo	Džavid Sejfović	+ 387 33 250 580	04.02.2008.	72	www.lider.ba
4.	"LOK MKF" Sarajevo	Skenderija 13, Sarajevo	Elma Čardaklija - Bašić	+ 387 33 564 200	04.02.2008.	77	www.lok.ba
5.	MKF "MELAHA" Sarajevo	Hamdije Kreševljakovića 59, Sarajevo	Jakob Finci	+ 387 33 205 737	09.10.2007.	6	www.melaha.ba
6.	MKF "MI-BOSPO" Tuzla	Bosne srebrene bb, Tuzla	Nejira Nalić	+ 387 35 270 283	09.07.2007.	170	www.mi-bospo.org
7.	MKF "MIKRA" Sarajevo	Marka Marulića 2/VI, Sarajevo	Sanin Čampara	+ 387 33 616 162	19.03.2008.	125	www.mikra.ba
8.	MKF "MIKRO ALDI" Goražde	Panorama bb, Goražde	Ferida Softić	+ 387 38 226 456	20.08.2007.	31	www.mikroaldi.org
9.	"PARTNER MKF" Tuzla	15. maja bb, Tuzla	Senad Sinanović	+ 387 35 300 250	20.08.2007.	293	www.partner.ba
10.	"PRVA ISLAMSKA MKF" Sarajevo	Jukićeva 75, Sarajevo	Edina Hadžimurtezić	+ 387 33 666 233	10.12.2007.	9	www.mfi.ba
11.	MKF "SANI" Zenica	Mehmedalije Tarabara 10, Zenica	Sulejman Haračić	+ 387 32 405 606	09.10.2007.	5	-
12.	MKF "SUNRISE" Sarajevo	Zagrebačka 50, Sarajevo	Samir Bajrović	+ 387 33 727 350	20.08.2007.	168	www.microsunrise.ba
Total						1482	

Annex 9- Aggregated Balance Sheet of MCFs

-in 000 BAM-

No.	Description	31.12.2017	%	30.09.2018	%	Index
1	2	3	4	5	6	7=5/3
ASSETS		Iznos	%	Iznos	%	
1.	Cash (1a+1b)	21.989	5	51.189	12	233
1a)	Cash and non-interest bearing deposit accounts	9.516	2	34.819	8	366
1b)	Interest-bearing deposit accounts	12.473	3	16.370	4	131
2.	Facilities to banks	1.210	0	240	0	20
3.	Loans	329.758		316.744		96
3a)	Loan loss provisions	2.716		2.449		90
3b)	Net loans (3-3a)	327.042	78	314.295	73	96
4.	Business premises and other fixed assets	28.383	7	25.732	6	91
5.	Long-term investments	33.061	8	33.061	7	100
6.	Other assets	8.062	2	7.384	2	92
7.	Minus: provisions for other assets items, except loans	158		148	0	94
8.	Total Assets	419.589	100	431.753	100	103
LIABILITIES						
9.	Short-term loan commitments	86.518	20	65.306	15	75
10.	Long-term loan commitments	90.622	22	114.418	27	126
11.	Other liabilities	21.215	5	18.638	4	88
12.	Total liabilities	198.355	47	198.362	46	100
13.	Donated capital	45.851		48.076		105
14.	Core capital	3.820		3.820		100
15.	Surplus of income over expenses	231.183		242.225		105
15a)	For previous years	214.123		230.646		108
15b)	For current year	17.060		11.579		68
16.	Deficit of income over expenses	61.352		61.434		100
16a)	For previous years	61.279		61.278		100
16b)	For current year	73		156		214
17.	Other reserves	1.732		704		41
18.	Total capital	221.234	53	233.391	54	105
19.	Total liabilities	419.589	100	431.753	100	103
Off-balance sheet records						
	- written-off loans	110.188		106.321		96
	- agent businesses	366		4.379		1.196

Annex 10- Aggregated Balance Sheet of MCCs

-in 000 BAM-

No.	Description	31.12.2017	%	30.06.2018	%	Index
1	2	3	4	5	6	7=5/3
ASSETS		Amount	%	Amount	%	
1.	Cash (1a+1b)	24.841	23	5.486	4	22
1a)	Cash and non-interest bearing deposit accounts	24.841	23	5.486	4	22
1b)	Interest-bearing deposit accounts	0	0	0	0	-
2.	Facilities to banks	0	0	0	0	-
3.	Loans	81.396		128.854		158
3a)	Loan loss provisions	542		775		143
3b)	Net Loans (3-3a)	80.854	75	128.079	94	158
4.	Business premises and other fixed assets	430	1	1.161	1	270
5.	Long-term investments	0	0	0	0	-
6.	Other assets	1.243	1	1.891	1	152
7.	Minus: provisions for other assets items, except loans	30		47		157
8.	Total Assets	107.338	100	136.570	100	127
LIABILITIES						
9.	Short-term loan commitments	18.273	17	39.125	28	214
10.	Long-term loan commitments	50.583	47	54.364	40	107
11.	Other liabilities	4.656	4	5.102	4	110
12.	Total liabilities	73.512	68	98.591	72	134
13.	Donated capital	0		0	0	-
14.	Core capital	30.600		30.600		100
15.	Issue premiums	0		0		-
16.	Unallocated profit (16a+16b)	1.317		5.379		408
16a)	Of previous years	1.017		1.225		120
16b)	Of current year	300		4.154		1.385
17.	Legal reserves	1.909		2.000		105
18.	Other reserves	0		0		-
19.	Total Capital	33.826	32	37.979	28	112
20.	Total Liabilities	107.338	100	136.570	100	127
Off-balance sheet records						
	- written-off loans	420		1.124		268
	- agent businesses	0		0		n/a

Annex 11- Review of the Key Financial Indicators of MCOs - 30.09.2018

-in 000 BAM-

No.	Name of microcredit organisation	Assets (000 BAM)	Gross portfolio amount (000 BAM)	Capital (000 BAM)	Surplus/deficit of income over expensesk/net profit (loss) (000 BAM)	Facilities in period 01.01.-30.09.2018 (000 BAM)
1.	MKD "EKI" d.o.o. Sarajevo	136.570	128.854	37.979	4.153	101.345
2.	MKF "EKI" Sarajevo	90.822	28.182	68.608	843	6.692
3.	MKF "LIDER" Sarajevo	20.118	19.056	11.304	340	15.366
4.	"LOK MKF" Sarajevo	10.945	6.611	2.807	83	2.581
5.	MKF "MELAHA" Sarajevo	1.277	802	513	-2	506
6.	MKF "MI-BOSPO" Tuzla	63.910	58.605	23.900	1.722	47.531
7.	MKF "MIKRA" Sarajevo	35.217	28.830	8.547	979	24.694
8.	MKF "MIKRO ALDI" Goražde	7.178	6.215	4.978	220	4.785
9.	"PARTNER MKF" Tuzla	142.446	125.658	84.477	5.926	87.315
10.	"PRVA ISLAMSKA MKF" Sarajevo	1.872	1.835	1.579	-143	1.882
11.	MKF "SANI" Zenica	470	426	213	-11	435
12.	MKF "SUNRISE" Sarajevo	57.498	40.524	26.465	2.055	40.808
Total		568.323	445.598	271.370	16.165	333.940

Annex 12- Aggregated Income Statement of MCFs

-in 000 BAM-

No.	Description	Period 01.01. - 30.09.2017	%	Period 01.01. - 30.09.2018	%	Index
1	2	3	4	5	6	7=(5/3)
I	FINANCIAL INCOME AND EXPENSES	Amount	%	Amount	%	
1.	Interest income and similar income					
1.1.	Interest by interest-bearing deposit accounts with deposit institutions	12	0	8	0	67
1.2.	Interest on facilities to banks	5	0	13	0	260
1.3.	Loan interest	50.065	98	46.808	98	93
1.4.	Other financial income	1.050	2	890	2	85
1.5.	Total interest income and similar income (1.1. do 1.4.)	51.132	100	47.719	100	93
2.	Interest expenses and similar expenses					
2.1.	Interest on borrowed funds	6.130	94	5.849	92	95
2.2.	Other financial expenses	404	6	497	8	123
2.3.	Total interest expenses and similar expenses (2.1. to 2.2.)	6.534	100	6.346	100	97
3.	Net financial income (1.5. - 2.3.)	44.598		41.373		93
II	OPERATING INCOME AND EXPENSES					
4.	Operating income					
4.1.	Fees for services performed	5.619	90	4.979	95	89
4.2.	Other operating income	622	10	261	5	42
4.3.	Total operating income (4.1. do 4.2.)	6.241	100	5.240	100	84
5.	Operating expenses					
5.1.	Salary and contributions costs	27.368	66	26.879	66	98
5.2.	Costs of business premises, other fixed assets and utility costs	7.979	19	7.762	19	97
5.3.	Other operating expenses	6.362	15	5.853	15	92
5.4.	Total operating expenses (5.1. do 5.3.)	41.709	100	40.494	100	97
6.	Loan loss provisions and provisions for other losses	2.856		2.311		81
7.	Surplus/deficit of income over expenses from regular operations(3.+4.3.-5.4.-6.)	6.274		3.808		61
8.	Extraordinary income	8.395		8.637		103
9.	Extraordinary expenses	479		433		90
10.	Surplus/deficit of income over expenses (7.+8.-9.)	14.190		12.012		85

Annex 13- Aggregated Income Statement of MCCs

-in 000 BAM-

No.	Description	Period 01.01. - 30.09.2017	%	Period 01.01. - 30.09.2018	%	Index
1	2	3	4	5	6	7=(5/3)
I	FINANCIAL INCOME AND EXPENSES	Amount	%	Amount	%	
1.	Interest income and similar income					
1.1.	Interest by interest-bearing deposit accounts with deposit institutions	0	0	0	0	n/a
1.2.	Interest on facilities to banks	0	0	0	0	n/a
1.3.	Loan interest	5.875	100	13.921	100	237
1.4.	Other financial income	5	0	8	0	160
1.5.	Total interest income and similar income (1.1. to 1.4.)	5.880	100	13.929	100	237
2.	Interest expenses and similar expenses					
2.1.	Interest on borrowed funds	1.649	95	2.550	94	155
2.2.	Other financial expenses	80	5	164	6	205
2.3.	Total interest expenses and similar expenses (2.1. do 2.2.)	1.729	100	2.714	100	157
3.	Interest income and similar income	4.151		11.215		270
II	OPERATING INCOME AND EXPENSES					
4.	Operating income					
4.1.	Fees for services performed	457	91	1.114	91	244
4.2.	Other operating income	43	9	114	9	265
4.3.	Total operating income (4.1. to 4.2.)	500	100	1.228	100	246
5.	Operating expenses					
5.1.	Salary and contributions costs	2.503	71	4.805	71	192
5.2.	Costs of business premises, other fixed assets and utility costs	586	16	1.057	16	180
5.3.	Other operating expenses	466	13	914	13	196
5.4.	Total operating expenses (5.1. to 5.3.)	3.555	100	6.776	100	191
6.	Loan loss provisions and provisions for other losses	367		986		269
7.	PROFIT/LOSS FROM REGULAR BUSINESS OPERATIONS (3.+4.3.-5.4.-6.)	729		4.681		642
8.	Extraordinary income	37		36		97
9.	Extraordinary expenses	6		102		1.700
10.	PROFIT/LOSS BEFORE TAXES	760		4.615		607
11.	TAXES	0		462		n/a
12.	Net profit / loss	760		4.153		546

ANNEXES FOR THE LEASING SECTOR

Annex 14-General Information on Leasing Companies

No.	Name of leasing company	Address and seat	Director	Phone	Date of issuing a licence	Number of employees	Web site
1.	ASA LEASING d.o.o. Sarajevo	Trg međunarodnog prijateljstva 25, Sarajevo	Aida Rifelj	+ 387 33 774 852	22.03.2010.	6	www.asa-leasing.ba
2.	MOGO d.o.o. Sarajevo	Pijačna 14k, Sarajevo	Kreics Maris	+387 33 873 456	01.06.2018.	15	www.mogo.ba
3.	NLB LEASING d.o.o. Sarajevo	Trg solidarnosti 2a, Sarajevo	Denis Silajdžić	+ 387 33 789 345	19.03.2010.	6	www.nlbleasing.ba
4.	PORSCHE LEASING d.o.o.	Trg međunarodnog prijateljstva 24, Sarajevo	Dejan Stupar	+ 387 33 257 147	28.05.2015.	20	www.porscheleasing.ba
5.	RAIFFEISEN LEASING d.o.o. Sarajevo	Zmaja od Bosne bb, Sarajevo	Munir Čengić	+ 387 33 254 354	19.01.2010.	35	www.rlbh.ba
6.	SPARKASSE LEASING d.o.o. Sarajevo	Zmaja od Bosne 7, Sarajevo	Elma Hošo	+ 387 33 565 850	11.02.2010.	23	www.s-leasing.ba
7.	VB LEASING d.o.o Sarajevo	Fra Anđela Zvizdovića 1, Sarajevo	Slobodan Vujić	+387 33 276 280	12.01.2010.	12	www.vbleasing.ba
Total						117	

Annex 15- Overview of the Ownership Structure of Leasing Companies

No.	Leasing company	Name of the owner	% share
1.	ASA LEASING d.o.o. Sarajevo	ASA AUTO d.o.o. Sarajevo	82,8%
		ASA FINANCE d.d. Sarajevo	17,2%
2.	MOGO d.o.o. Sarajevo	Pole Alberts, Riga, Latvija	100%
3.	NLB LEASING d.o.o. Sarajevo	NLB d.d. Ljubljana	100%
4.	PORSCHE LEASING d.o.o.	PORSCHE BANK Aktiengesellschaft Salzburg Austrija	100%
5.	RAIFFEISEN LEASING d.o.o. Sarajevo	RAIFFEISEN BANK d.d. Sarajevo, BiH	100%
6.	SPARKASSE LEASING d.o.o. Sarajevo	STEIERMAERKISCHE BANK UND SPARKASSEN AG, Graz	51%
		SPARKASSE BANK d.d. Sarajevo	49%
7.	VB LEASING d.o.o. Sarajevo	VB LEASING INTERNATIONAL GmbH, Vienna	100%

Annex 16- Aggregated Balance Sheet of Leasing Companies

-in 000 BAM-

No.	Description	31.12.2017		30.09.2018		Index
1	2	3	4	5	6	7=5/3
	ASSETS	Amount	% in total assets	Amount	% in total assets	30.09.2018/ 30.09.2017
1.	Cash and cash equivalents	13.738	5,3%	13.995	5%	102
2.	Placements with banks	16.953	6,5%	6.102	2,2%	36
3.	Receivables for financial leasing, net (3a-3b-3c-3d)	176.007	67,6%	206.237	73%	117
3a)	Receivables for financial leasing, gross	192.488	74%	224.098	79,3%	116
3b)	Loss provisions	2.078	0,8%	1.282	0,5%	62
3c)	Deferred interest income	14.275	5,5%	16.435	5,8%	115
3d)	Deferred fee income	128	0%	144	0,1%	113
4.	Receivables from subsidiaries	2	0%	2	0%	100
5.	Tangible and intangible assets, net (5a+5b-5c-5d)	29.606	11,4%	35.819	12,7%	121
5a)	Tangible and intangible assets – own assets	4.864	1,9%	4.814	1,7%	99
5b)	Tangible and intangible assets – operational leasing	43.673	16,8%	52.234	18,5%	120
5c)	Value adjustment – own assets	3.874	1,5%	3.713	1,3%	96
5d)	Value adjustment – operational leasing	15.057	5,8%	17.516	6,2%	116
6.	Long-term investments	291	0,1%	291	0,1%	100
7.	Other assets (7a+7b)	23.607	9,1%	20.229	7,2%	86
7a)	Loans, net (7a1-7a2)	13.449	5,2%	10.402	3,7%	77
7a1)	Loans (due receivables + non-due principal)	15.345	5,9%	12.337	4,4%	80
7a2)	Loan reserves	1.896	0,7%	1.935	0,7%	102
7b)	Inventories	3.087	1,2%	1.475	0,5%	48
7c)	Other assets	7.071	2,7%	8.352	3%	118
	Total Assets	260.204	100%	282.675	100%	109
	LIABILITIES					
9.	Receivables due for taken loans, net	209.085	80,4%	232.801	82,4%	111
9a)	Receivables due for short-term loans	0	0%	0	0%	100
9b)	Receivables due for long-term loans	209.275	80,4%	233.091	82,5%	111
9c)	Prepaid costs and fees	190	0,1%	290	0,1%	153
10.	Other liabilities	10.329	4%	10.298	3,6%	100
	Total liabilities	219.414	84,3%	243.099	86%	111
11.	Core capital	34.004	13,1%	32.752	11,6%	96
12.	Reserves	576	0,2%	4.547	1,6%	789
13.	Accumulated profit/loss	6.210	2,4%	2.277	0,8%	37
	Total capital	40.790	15,7%	39.576	14%	97
	Total liabilities	260.204	100%	282.675	100%	109
	Written-off receivables (initial balance)	95.111	36,6%	84.175	29,8%	89
	New write-off (+)	995	0,4%	853	0,3%	86
	Collection (-)	6.069	2,3%	3.492	1,2%	58
	Permanent write-off (-)	5.862	2,3%	6.550	2,3%	112
	Written-off receivables (final balance)	84.175	32,3%	74.986	26,5%	89

Annex17- Overview of assets, receivables of financial and operating leasing and the financial result of leasing companies as of 30.09.2018

-in 000 BAM-

No.	Leasing Company	Balance sum		Receivables on fin.leasing		Receivables on oper.leasing		Financial Result
		Amount	%	Amount	%	Amount	%	Amount
1.	ASA Leasing d.o.o. Sarajevo	2.846	1%	122	0%	19	0%	-252
2.	Mogo d.o.o. Sarajevo	322	0,1%	151	0,1%	0	0%	-452
3.	NLB Leasing d.o.o. Sarajevo	9.537	3,4%	276	0,1%	0	0%	2.252
4.	Porsche Leasing d.o.o. Sarajevo	84.321	29,8%	59.119	20,9%	20.795	7,4%	1.078
5.	Raiffeisen Leasing d.o.o. Sarajevo	115.860	41%	85.389	30,2%	10.377	3,7%	719
6.	Sparkasse Leasing d.o.o. Sarajevo	59.076	20,9%	53.652	19%	3.110	1,1%	1.174
7.	VB Leasing Leasing d.o.o. Sarajevo	10.713	3,8%	7.528	2,7%	417	0,1%	-1.197
Total		282.675	100%	206.237	73%	34.718	12%	3.322

Annex 18- Overview of Key Financial Indicators of Leasing Companies and Banks which perform Financial Leasing Operations

-in 000BAM-

No.	Leasing company/ bank	Total capital (000 BAM)	Rank based on total capital	Net profit/loss (000 BAM)	Rank based on net profit/loss dobit/gubitak	Facilities in first three quarters of 2018 (000 BAM)	Rank based on facilities in first three quarters of 2018	No. of arangements in first three quarters of 2018	Rank based on no. of arangements
1.	Asa Aleasing d.o.o. Sarajevo	2.753	4.	-252	5.	0	-	0	-
2.	Mogo d.o.o. Sarajevo	-152	7.	-452	6.	150	5.	22	5.
3.	NLB Leasing d.o.o. Sarajevo	9.249	2.	2.252	1.	0	-	0	-
4.	Porsche Leasing d.o.o. Sarajevo	2.695	5.	1.078	3.	53.013	1.	1.443	1.
5.	Raiffeisen Leasing d.o.o. Sarajevo	16.125	1.	719	4.	41.470	2.	890	2.
6.	Sparkasse Leasing d.o.o. Sarajevo	6.811	3.	1.174	2.	24.487	3.	500	3.
7.	VB Leasing d.o.o. Sarajevo	2.095	6.	-1.197	7.	0	-	0	-
	Total (sector)	39.576		3.322		119.120		3.185	
8.	UniCredit Bank d.d. Mostar	-	-	-	-	21.038	4.	352	4.
	Total (system)					140.158	-	3.537	-

Annex 19- Overview of Reserves for Financial Leasing

-in 000 BAM-

Days past due	Provisioning rate for financial leasing (movables)	Provisioning rate for financial leasing (immovables)	Amount of receivables for movables	Amount of receivables for immovable	Principal amount for movables	Principal amount for immovable	Reserves			Total reserves
							For move-ables	For immove-ables	Additional calculated and allocated reserves	
1	2	3	4	5	6	7	8=6*3	9=7*3	10	11=8+9+10
0-60	0,50%	0,50%	201.506	2.335	33.723	867	169	4	776	949
60-90	10%	10%	2.485	0	492	0	49	0	34	83
90-180	50%	50%	1.012	43	244	16	122	8	88	218
over 180	100%	75%	7	131	7	26	7	20	6	33
over 360	100%	100%	0	0	0	0	0	0	0	0
Total			205.010	2.509	34.466	909	347	32	904	1.282

Annex 20- Overview of Loans Reserves

-in 000 BAM-

Days past due	Provisioning rate	Amount of receivables	Reserves	Additional calculated allocated reserves	Total reserves
1	2	3	4=3*2	5	6=4+5
0-60	0,05%	12.337	6	1.929	1.935
60-90	5%	0	0	0	0
90-180	10%	0	0	0	0
180-270	30%	0	0	0	0
270-360	50%	0	0	0	0
over 360	100%	0	0	0	0
Total		12.337	6	1.929	1.935

Annex 21- Aggregated Income Statement of Leasing Companies

-in 000 BAM-

No.	Description	30.09.2017		30.09.2018		Index 7=5/3
		3	4	5	6	
		Amount	%	Amount	%	30.09.2018./ 30.09.2017.
	Financial income and expenses					
1.	Interest income	9.787	42,2%	8.189	34,4%	84
1a)	Interest for financial leasing	7.509	32,4%	6.799	28,6%	91
1b)	Interest on placements with banks	167	0,7%	189	0,8%	113
1c)	Fees (for processing leasing arrangements, etc.)	506	2,2%	459	1,9%	91
1d)	Other interest income	1.605	6,9%	742	3,1%	46
2.	Interest expenses	2.560	12,7%	2.396	11,7%	94
2a)	Interest on borrowed funds	2.489	12,4%	2.325	11,3%	93
2b)	Fees for loan processing	68	0,3%	68	0,3%	100
2c)	Other interest expenses	3	0%	3	0%	100
3.	Net interest income	7.227	31,1%	5.793	24,3%	80
	Operating income and expenses					
4.	Operating income	13.416	57,8%	15.623	65,6%	116
4a)	Fees for services	4	0%	1	0%	25
4b)	Fee for operational lease	7.917	34,1%	9.474	39,8%	120
4c)	Income from sale of leasing facilities	0	0%	253	1,1%	n/a
4d)	Other operating income	5.495	23,7%	5.895	24,8%	107
4d)1	Income from collected written-off receivables	1.859	8%	3.451	14,5%	186
4d)2	Income from notifications	263	1,1%	144	0,6%	55
4d)3	Other	3.373	14,5%	2.300	9,7%	68
5.	Operating expenses	18.278	90,7%	17.890	87,3%	98
5a)	Salaries and contributions	3.814	18,9%	4.891	23,9%	128
5b)	Costs of business premises	6.541	32,5%	7.412	36,2%	113
5c)	Other costs	7.923	39,3%	5.587	27,3%	71
6.	Costs of loan loss provisions	-694	n/a	204	1%	-29
7.	Profit before taxes	3.059	15,2%	3.322	14%	109
8.	Profit tax	0	0%	0	0%	100
9.	Net profit	3.059	13,2%	3.322	14%	109

ANNEXES FOR THE FACTORING SECTOR

Annex 22- General Information on Factoring Company and Ownership structure

No.	Name of the company	Address and seat	Director	Phone	Date of issuing a licence	No.of employees	Website	Name o the Owner	Share
1.	Batagon factoring d.o.o. Sarajevo	Fra Anđela Zvizdovića 1, Sarajevo	Đenan Bogdanić	+387 33 296 600	28.12.2017	3	www.batagon-factoring.ba	Batagon International AG, Zug, Švicarska	100%



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