



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

# INFORMATION

**ON THE FEDERATION OF BOSNIA AND HERZEGOVINA  
BANKING SYSTEM ENTITIES WITH BALANCE AS OF 31/03/2020**

*Sarajevo, June 2020*

DIA	Deposit Insurance Agency of Bosnia and Herzegovina
BD	Brčko District
B&H	Bosnia and Herzegovina
CBB&H	Central Bank of Bosnia and Herzegovina
CLR	Central Loan Register in B&H (for legal entities and private individuals)
EBA	European Banking Authority
ECB	European Central Bank
ECL	Expected Credit Loss
EFSE	European Fund for Southeast Europe
EKS	Effective Interest Rate
EU	European Union
FBA	Federation of Bosnia and Herzegovina Banking Agency
FB&H	Federation of Bosnia and Herzegovina
FSAP	Financial Sector Assessment Program
FX risk	Foreign Exchange Risk
ICAAP	Internal Capital Adequacy Assessment Process
ILAAP	Internal Liquidity Adequacy Assessment Process
LCR	Liquidity Coverage Ratio
MCC	Micro credit company
MCF	Micro credit foundation
MCO	Micro credit organisation
IMF	International Monetary Fund
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
NIR	Nominal Interest Rate
NPL	Non-performing loans
LLP	Loan Loss Provisions
RS	Republic of Srpska
WB	World Bank
BSE	FB&H Banking System Entities: banks, banking groups, development banks, MCOs, leasing companies, factoring companies, exchange offices, and other financial organizations whose operations are supervised by the FBA
SREP	Supervisory Review and Evaluation Process
BAB&H	Banks Association of Bosnia and Herzegovina
B&HALC	B&H Association of Leasing Companies
USAID FINRA Project	United States Agency for International Development - Financial Reform Agenda Activity Project
FBA MB	Management Board of the FB&H Banking Agency
LoA	Law on the Banking Agency of the Federation of Bosnia and Herzegovina
LoB	Law on Banks
LoF	Law on Factoring
LoL	Law on Leasing
LoMCO	Law on Micro Credit Organisations



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## EXECUTIVE SUMMARY

### *FB&H Banking Sector's Key Performance Indicators*

15 commercial banks, with 544 organisational units employing a total of 6,609 persons, operated in the FB&H as at 31/03/2020.

The total net assets across the FB&H banking sector as of 31/03/2020 were BAM 23.8 billion and were lower by BAM 407.2 million or 1.7% compared to 31/12/2019.

The FB&H banks' total capital amounted to BAM 2.9 billion as at 31/03/2019, which was lower by BAM 191 million or 6.1% compared to the end of 2019, of which shareholders' capital was BAM 1.3 billion. The share of total capital in the funding sources across the FB&H banking sector was 12.4%.

The own funds amounted to BAM 2.7 billion and decreased by BAM 34.2 million or 1.3% compared to the end of 2019. Tier 1 capital decreased by BAM 127.6 million or 4.8%, while Tier 2 capital increased by BAM 93.4 million or 276.7%. This significant increase of Tier 2 capital came as a result of implementation of the Decision on Credit Risk Management and Determination of Expected Credit Losses (FB&H Official Gazette No. 44/19) and cancellation of LLP shortfall as an offset item to Tier 2 capital.

The FB&H banking sector's own funds ratio was 17.7% as at 31/03/2020 and was lower by 0.2 percentage points compared to the end of 2019. It is higher by 5.7 percentage points than the statutory minimum of 12%. Other capital ratios (Common Equity Tier 1 capital ratio and Tier 1 capital ratio) at the FB&H banking sector level were also higher compared to the regulatory minimums.

The financial leverage ratio (i.e. the ratio of Tier 1 capital and total exposure of banks) across the FB&H banking sector was 10.2% as at 31/03/2020 and was lower by 0.3 percentage points compared to the end of 2019. It is higher by 4.2 percentage points compared to the regulatory minimum of 6%.

Total exposure of banks as of 31/03/2020 stood at BAM 27.8 billion, of which BAM 24.3 billion refers to on-balance exposures and BAM 3.5 billion to off-balance items.

Over the first three months of 2020, balance sheet exposures decreased against YE2019 by an amount of BAM 480.7 million or 1.9%. This was caused by a cash decrease and an accounting write-off performed in line with the new regulatory framework. Over the same period, off-balance sheet items dropped by BAM 2.38 million or 0.7%.

For purpose of standardisation of credit risk management and ECL valuation, as well as for purpose of ensuring alignment with IFRS 9, in 2019, FBA has adopted the Decision on Credit Risk Management and Determination of Expected Credit Losses (effective as of 01/01/2020). The same decision introduces a concept of exposure allocation to one of three credit risk grades and ECL determination. This includes credit risk grade 1 (exposures with low risk level and no material defaults of over 30 days), credit risk grade 2 (increased credit risk level, defaults over 30 days) and credit risk grade 3 (exposures are in default status, over 90 dpd). As of 31/03/2020, balance sheet exposures within the credit risk grade 1 amounted to BAM 21.5 billion, thus constituting 88.4% of total balance sheet exposures. Balance sheet exposures within the credit

risk grade 2 stood at BAM 1.7 billion as of 31/03/2020 and represented 7% of the total amount of such exposures, while balance sheet exposures in the credit risk grade 3 amount to BAM 1.1 billion and make up for 4.6% of the said total amount.

As of 31/03/2020, off-balance sheet exposures in the credit risk grade 1 amounted to BAM 3.1 billion and constitute 89% of total off-balance sheet exposures. As for credit risk grade 2 exposures, they amount to BAM 369.4 million and hold a share of 10.6% of total off-balance sheet exposures, while credit risk grade 3 includes BAM 13.2 million or 0.4% of total off-balance sheet exposures.

As a result of implementation of the Decision on Credit Risk Management and Determination of Expected Credit Losses, the ECL coverage rates rose against YE2019. The balance sheet exposure coverage in the credit risk grade 1 rose from 0.6% to 0.7%, in credit risk grade 2 from 6.9% to 8.6% and in credit risk grade 3 from 72.7% to 79.8%.

The total ECL coverage for off-balance sheet exposures rose from 1.2% to 1.6%. The coverage increase was noted with the credit risk grades 1 and 2, while the credit risk grade 3 saw a coverage rate reduction.

As of 31/03/2020, loans amounted to BAM 15.3 billion, up by BAM 36.2 million or 0.2% vs. YE2019. Retail loans hold a share of 48.4% in total loans, down by 0.3% to BAM 7.4 billion. Corporate loans participate in total loans with 51.6% share, which is an increase by 0.8% to BAM 7.9 billion.

As of 31/03/2020, the loan portfolio within the credit risk grade 3 (NPL) stood at BAM 1.1 billion, thus constituting 7% of the total loan portfolio (down by 14.6% compared to the end of the previous year). ECL coverage rate for the credit risk grade 3 is 79.5% (corporate 76.9% and retail 83.6%), which is higher by 7.6 percentage points vs. 31/12/2019.

Out of total corporate loans, BAM 652.3 million or 8.3% refers to NPLs, which is by 1.5 percentage points lower than at YE2019. As for the retail segment, NPLs amount to BAM 413.3 million or 5.6%, down by 0.9 percentage points vs. YE2019.

Cash funds equal BAM 7.3 billion and hold a share of 30.7% in total assets, thus being by BAM 333.7 million or 4.49% lower than at the end of 2019.

As of 31/03/2020, investments in securities amounted BAM 1.5 billion, thus holding a share of 6.1% in assets and posting a rise by BAM 5.2 million or 0.4% vs. YE2019.

Deposits, being the key source of funding for banks, reached an amount of BAM 19.1 billion, down by BAM 266.2 million or 1.4% and with a share of 80.4% in total liabilities. Savings deposits as the most significant and the biggest segment of deposit and financial potential of banks, decreased by BAM 91.1 million or 1% to BAM 9.5 billion.

The loans taken amounted to BAM 863.9 million with a share of 3.6% in total liabilities, thus going up by BAM 7.3 million or 0.8% vs. YE2019.

By observing the key liquidity indicators, qualitative and quantitative requirements, as well as other factors affecting banks' liquidity position, it could be inferred that the FB&H banking sector's liquidity was satisfactory as of 31/03/2020.



According to reporting data as of 31/03/2020, the FB&H banking sector posted a positive financial result, but this is being by 19.2% lower than in the same period last year. Three banks posted operating loss in the 1<sup>st</sup> quarter of 2020.

#### *FB&H Micro Credit Sector's Key Performance Indicators*

In the FB&H, as of 31/03/2020, 14 MCOs comprising the FB&H microcredit sector had a license issued by the FBA, of which 11 were MCFs (non-profit organizations) and 3 MCCs (profit organizations). In the Q1 2020, the number of organisational parts of MCOs seated in the FB&H was 377 employing 1,359 persons. This is higher by 1.2% vs. 31/12/2019.

Total assets of the FB&H micro credit sector as of 31/03/2020 were BAM 621.4 million, which is by BAM 8.2 million or 1.3% lower than as at 31.12.2019. Over the observed period, the rate of assets decrease of MCCs was 1.7% and 1.2% in MCFs.

Total net micro loans were BAM 502.9 million, thus constituting 81% of total assets of the FB&H micro credit sector. This is BAM 3.9 million or 0.7% lower than as of 31/12/2019. The net MCCs' micro loans increased by 0.2%, while the total decrease reported at the MCFs' level was 1.1% compared to 31/12/2019.

The FB&H micro credit sector's total liabilities under loans taken were BAM 292.8 million as of 31/03/2020, with a share of 47.1% in total liabilities and decreasing by BAM 10.8 million or 3.5% compared to 31.12.2019. In the reporting period, MCCs' credit obligations decreased by 3.5%, while MCFs' credit obligations decreased by 3.6%.

The total capital across the FB&H micro credit sector was BAM 299.6 million or 48.2% of total liabilities as of 31/03/2020 and was higher by BAM 5.3 million or 1.8% compared to the end of 2019, where the total capital of MCCs rose by 4.2% and the total capital of MCFs by 1.3%.

Across the FB&H micro credit sector, in the period from 01/01/2020 to 31/03/2020, positive financial performance of BAM 3 million was reported, which is 40.9% lower compared to the same period of 2019. The MCCs reported net loss of BAM 16.3 million, while MCFs reported a total surplus of revenues over expenses of BAM 3.3 million.

Operational efficiency of the FB&H micro credit sector was 19.70% as of 31/03/2020, which was within the regulatory indicator of up to 45%, while reported return on assets, adjusted by the inflation rate, market price of capital and donations, was positive and amounted to 1.65%, which was in compliance with the regulatory limit.

FB&H microcredit sector's key performance indicators show a decrease of total assets, micro credit portfolio and loan obligations, while total capital and headcount level show a rise. The sector's operations with a positive financial performance continued, although being by BAM 2.1 million lower than the figure posted in the same period the year before. The micro credit portfolio quality indicators across the sector (portfolio at risk over 30 days – 1.21% and write offs - 1.12%) were within the regulatory limits and showed slight increases vs. YE2019.

#### *FB&H Leasing Sector's Key Performance Indicators*

The FB&H leasing system comprised, as of 31/03/2020, five leasing companies (leasing sector) and one commercial bank performing financial leasing operations. The FB&H leasing sector employed a total of 115 persons (full-time employees) as of 31/03/2020.

The FB&H leasing sector's total assets were BAM 335.4 million as at 31/03/2020 and were higher by BAM 11.8 million or 3.6% compared to 31/12/2019.

The net receivables under financial leasing, as the most significant item in the composition of total assets, were BAM 239.9 million or 71.5% of the total assets and were lower by BAM 1.1 million or 0.5% compared to 31/12/2019. With respect to the FB&H leasing sector's asset quality in Q1 2020, an increase in overdue receivables of 57.3% was seen with respect to 31/12/2019, as well as an increase in financial leasing loss reserves of 4.7% compared to the same period. Out of the posted amount of loss reserves, 77.4% refers to one leasing company recognising the biggest loss in Q1 2020. The total number and value of newly concluded leasing contracts (financial and operational leasing) in the reporting period recorded decreased by 34.6% and 9.2% respectively.

The largest item in the composition of the FB&H leasing sector's total liabilities constituted, as of 31/03/2020, liabilities of BAM 297.3 million under loans taken, all of which were of a long-term character and accounted for 88.6% of total liabilities. Compared to 31/12/2019, these liabilities increased by BAM 11 million or 3.8%. If observed from the perspective of contractual maturity, long term loan obligations make up for 61.1% of total loan obligations, while short term loan obligations account for 38.9% and refer to one leasing company.

The FB&H leasing sector's total capital was BAM 30.3 million as at 31/03/2020, comprising 9% of the FB&H leasing sector's total liabilities and increasing by BAM 0.8 million or 2.8% compared to December 31<sup>st</sup>, 2019.

Across the FB&H leasing sector, in the January 1 - December 31, 2020 period, a profit of BAM 0.8 million was reported, which is an increase by BAM 0.5 million compared to the same period of the preceding financial year. Three leasing companies posted a positive financial result of BAM 1.1 million, while two leasing companies recognized a negative financial result of BAM 0.3 million.

#### *FB&H Factoring Sector's Key Indicators*

As of 31/03/2020, there were four commercial banks in the FB&H performing the factoring business, three of which are members of international banking groups seated in the EU member states and one in majority domestic ownership.

In the FB&H, 131 factoring contracts were concluded with the total volume (nominal amount) of purchased monetary claims as of 31/03/2020 was BAM 30.6 million. Compared to the total number of concluded factoring contracts in the same period last year, this number increased in Q1 2020 by 151.9%, while the nominal value of purchased monetary claims and settled payables saw a decrease by 13.3% vs. the same period the year before.

The factoring service providers' total income in the FB&H for the January 1 - December 31, 2020 period was BAM 0.3 million, which is lower by 22.5% vs. the same period in 2019.

## **INTRODUCTION**

The FBA was established in 1996 as an independent and self-standing institution which exercises its competences in accordance with the prescribed provisions of the LoA, international standards and supervision principles and professional rules. The MB performs general supervision of the FBA's operations, taking measures for efficient performance of the functions from the FBA's purview in accordance with its statutory competences and reporting to the FB&H Parliament. As part of its regular execution of its statutory competences, the FBA draws up and discloses publicly on its website quarterly updates on BSEs approved by the FBA's MB.

Accordingly, this Information on the BSEs, with balance as of 31/03/2020 was drawn up using processed reporting data provided by the BSEs to the FBA in the prescribed formats and within the prescribed timelines, and other data and information provided by the FB&H BSEs to the FBA and used in regular supervision of the BSEs. Certain reporting forms were temporarily modified due to the emergency situation caused by the virus pandemic.

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

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

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

On 16/03/2020, FB&H Government has issued a decision declaring a state of natural disaster caused by the Corona virus (COVID-19) outbreak in the Federation of B&H considering therein also the global emergence of this virus. FBA has initiated series of activities to prepare relevant regulations – temporary measures, recommendations and public announcements aimed at mitigating economic consequences caused by this virus disease and at maintaining stability of BSE's operations. For purpose of ensuring dynamics growth and recovery after the pandemic, FBA continued working on drafting regulations aimed at stimulating lending activities of BSEs, industry growth, employment rate and overall economic growth of the country.

## 1. BANKING SECTOR

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

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

As of 31/03/2020, 15 commercial banks had banking license in the FB&H. Number of banks remained the same as on December 31<sup>st</sup>, 2019. All banks are members of the DIA.

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

Annex 2 provides basic information about the FB&H banks as at 31/03/2020.

The FB&H banks had, as of 31/03/2020, a total of 544 organizational units, which was fewer by 11 organisational parts or 2.1% compared to December 31<sup>st</sup>, 2019. This came as a result of reorganisations, rather than an actual number increase. In the territory of the FB&H there are 481 organizational units of banks. Seven banks from the FB&H had 53 organizational units in the RS, while nine banks had ten organizational units in the BD.

Three banks from the RS have 26 organisational parts in the FB&H, down by one compared to December 31<sup>st</sup>, 2019.

The table below shows organisational structure of banks in the FB&H as of 31/03/2020:

*Table 1: Banks in the FB&H, organisational parts of RS banks doing business in the FB&H and network of ATMs and POS devices*

No.	Bank name	Business unit/ branch	Other organisational parts	POS devices	ATMs
<b>I Banks seated in the FB&amp;H (in the territory of B&amp;H)</b>					
1.	Addiko Bank d.d. Sarajevo	35	-	-	81
2.	ASA Banka d.d. Sarajevo	13	7	-	25
3.	Bosna Bank International d.d. Sarajevo	34	1	-	55
4.	Intesa Sanpaolo Banka d.d. BiH Sarajevo	53	-	2,863	117
5.	Komercijalno-investiciona banka d.d. V. Kladuša	5	7	-	4
6.	NLB Banka d.d. Sarajevo	6	37	1,770	83
7.	Privredna banka Sarajevo d.d. Sarajevo	7	7	-	22
8.	ProCredit Bank d.d. Sarajevo	3	3	-	14
9.	Raiffeisen Bank d.d. BiH Sarajevo	38	68	8,728	282
10.	Sberbank BH d.d. Sarajevo	32	-	33	66
11.	Sparkasse Bank d.d. BiH Sarajevo	9	40	-	107
12.	UniCredit Bank d.d. Mostar	74	-	9,049	277
13.	Union Banka d.d. Sarajevo	4	9	-	15
14.	Vakufska banka d.d. Sarajevo	4	16	-	23
15.	ZiraatBank BH d.d. Sarajevo	18	14	815	65
	<b>Total I</b>	<b>335</b>	<b>209</b>	<b>23,258</b>	<b>1,236</b>
<b>II Organisational parts of banks from the RS doing business in the FB&amp;H</b>					
1.	Komercijalna banka a.d. Banja Luka	2		1	2
2.	Nova banka a.d. Banja Luka	12	2	538	26
3.	MF banka a.d. Banja Luka	10		62	10
	<b>Total II</b>	<b>24</b>	<b>2</b>	<b>601</b>	<b>38</b>



### 1.1.2. Ownership Structure and Market Share

Ownership structure of the FB&H banks <sup>1</sup> as of 31/03/2020, based on the available information, is the following:

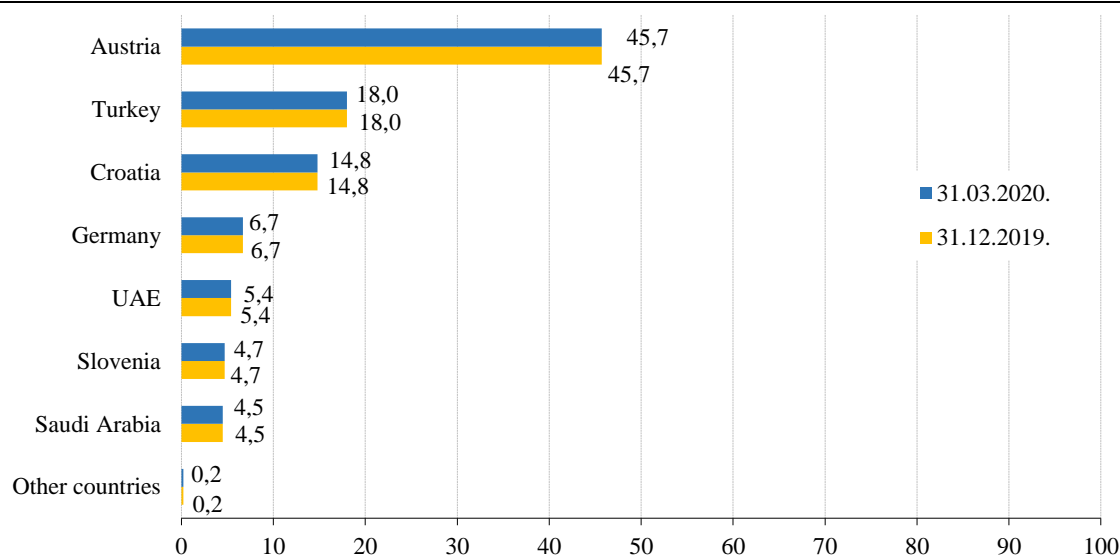
- privately owned and predominantly privately owned - 14 banks,
- state-owned and predominantly state-owned <sup>2</sup> – one bank.

Of 14 predominantly privately owned banks, four banks are majority-owned by domestic legal and natural persons (residents), while ten banks are majority foreign-owned.

If only foreign capital is analyzed, according to the shareholder country of origin criterion, as at 31/03/2020, the situation is unchanged compared to the end of 2019, since the highest share is still held by the shareholders from Austria (45.7% of foreign capital), followed by the shareholders from Turkey (18%) and Croatia (14.8%), while other countries have no major individual shares.

The foreign capital structure by countries is provided in the following chart:

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



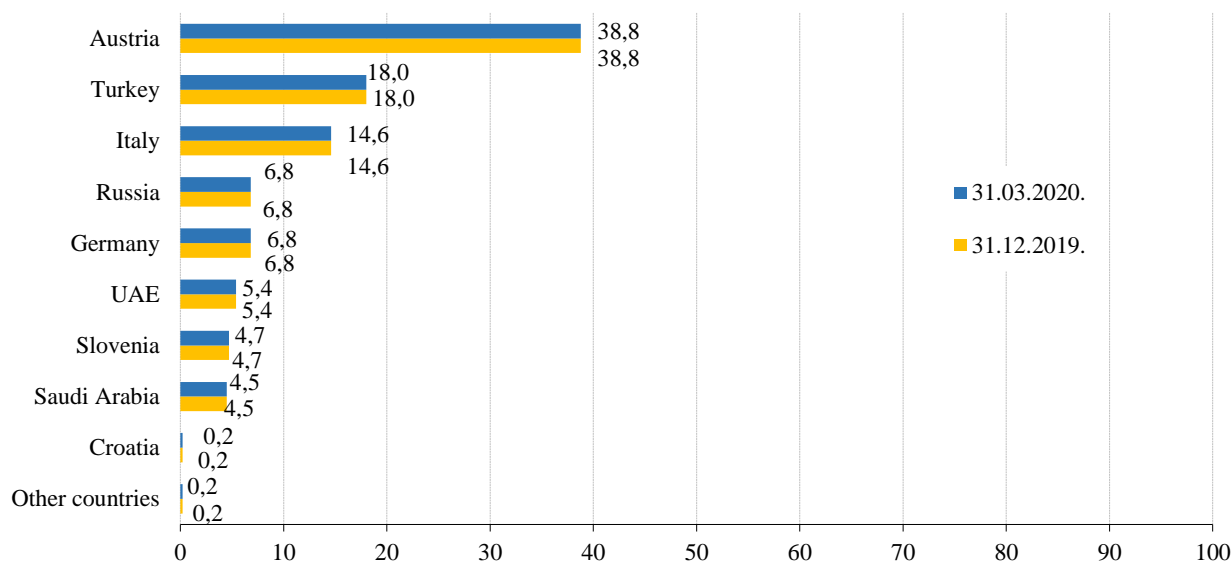
If the capital ties are considered, the foreign capital structure can also be viewed according to the criterion of the country of residence of the parent, i.e. the banking group that majority-owns (directly or indirectly through the members from the banking group) the FB&H banks.

According to this criterion the situation as at 31/03/2020 is unchanged compared to the end of 2019, since the highest share is held by the banking groups and banks from Austria, followed by the banking groups and banks from Turkey and Italy, while the banking groups and banks from other countries have no major individual shares (below 7%).

The foreign capital structure by countries – residence of the group is provided in the following chart:

<sup>1</sup> Criteria here was the ownership over shareholder capital in banks.

<sup>2</sup> State ownership refers to the capital of the FB&H Government.

**Chart 2: Structure of foreign capital by countries – residence of the group<sup>3</sup>, share in %**

The ownership structure according to the value of total capital is provided in the following table:

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

Banks	31.12.2018		31.12.2019		31.03.2020		Index	
	Amount	% share	Amount	% share	Amount	% share	(4/2)	(6/4)
1	2	3	4	5	6	7	8	9
State-owned banks	61,488	2.1	68,881	2.2	68,049	2.3	112	99
Private banks	2,909,598	97.9	3,062,473	97.8	2,872,291	97.7	105	94
<b>Total</b>	<b>2,971,086</b>	<b>100</b>	<b>3,131,354</b>	<b>100</b>	<b>2,940,340</b>	<b>100</b>	<b>105</b>	<b>94</b>

The total capital of the FB&H banking sector with the balance as at 31/03/2020 decreased by 6.1% compared to the end of 2019, amounting to BAM 2.9 billion.

The decrease of total capital by BAM 191 million was realized as a net effect of: increase on the basis of the current financial result of BAM 72 million and a decrease of accumulated other comprehensive income of BAM 17 million, decrease based on initial implementation of the Decision on Credit Risk Management and Determination of Expected Credit Losses of BAM 244 million and decrease based on transfers to the accrued tax liabilities on the transferred loan loss reserves created from the profits in Tier 1 capital of BAM 2 million.

Viewed through the state-owned, private and foreign capital shares in the share capital of the banks, resulting in a more detailed analytical overview on the ownership structure of banks' capital in the FB&H, which is shown in the following table:

- BAM 000 -

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

Share capital	31.12.2018		31.12.2019		31.03.2020		Index	
	Amount	% share	Amount	% share	Amount	% share	(4/2)	(6/4)
1	2	3	4	5	6	7	8	9
State-owned capital	41,619	3.2	41,619	3.2	41,619	3.2	100	100
Private capital (residents)	139,637	10.7	139,355	10.7	139,364	10.7	100	100
Foreign capital (non-residents)	1,118,444	86.1	1,118,725	86.1	1,118,717	86.1	100	100

<sup>3</sup> In addition to the countries of residence of the parent-banking group whose members are the banks from the FBiH, the countries that all other foreign shareholders of the banks from the FBiH come from are also included.

<b>Total</b>	<b>1,299,700</b>	<b>100</b>	<b>1,299,699</b>	<b>100</b>	<b>1,299,700</b>	<b>100</b>	<b>100</b>	<b>100</b>
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The shares of the state-owned capital, private capital (residents) and foreign capital (non-residents) as of 31/03/2020, remained at the same level compared to the end of 2019.

### 1.1.3. Staff Structure

The number of employees across the banking sector as at 31/03/2020 is 6,609, which is lower by 50 employees or 0.8% compared to the end of 2019. A decrease in the number of employees is present in seven banks, while the number of employees increased in six banks and this number remained the same with two banks compared to YE2019.

An overview of the qualification structure of employees across the FB&H banking sector is provided in the following table:

Qualification level	31.12.2018		31.12.2019		31.03.2020		Index	
	Number of employees	% share	Number of employees	% share	Number of employees	% share	(4/2)	(6/4)
1	2	3	4	5	6	7	8	9
University degree	4,102	60.9	4,125	61.9	4,105	62.1	101	100
Two-year post-secondary school degree	520	7.7	485	7.3	472	7.2	93	97
Secondary school degree	2,108	31.3	2,041	30.7	2,024	30.6	97	99
Others	9	0.1	8	0.1	8	0.1	89	100
<b>Total</b>	<b>6,739</b>	<b>100</b>	<b>6,659</b>	<b>100</b>	<b>6,609</b>	<b>100</b>	<b>99</b>	<b>99</b>

A decrease in the number of employees in the FB&H banking sector as of 31/03/2020 compared to the end of 2019 is present with the employees across all qualification levels, except for the category - Others.

One of indicators affecting the assessment of the performance of an individual bank and banking sector is the assets to number of employees ratio, i.e. the amount of assets per an employee, where a higher ratio is an indicator of better operational efficiency of the bank and the overall sector.

The following table provides an overview of total assets per an employee in the FB&H banking sector by periods:

- BAM 000 -

No. of employ.	31.12.2018		No. of employ.	31.12.2019		No. of employ.	31.03.2020	
	Assets	Assets per employee		Assets	Assets per employee		Assets	Assets per employee
1	2	3	4	5	6	7	8	9
6,739	22,094,135	3,279	6,659	24,210,567	3,636	6,609	23,803,353	3,602

## 1.2. FINANCIAL PERFORMANCE INDICATORS

## 1.2.1. Balance Sheet

The presented indicators of the FB&H banks' performance and banking sector analyses include the indicators from the active sub-balance sheet of one bank with a majority of state-owned capital<sup>4</sup>, in accordance with provisions of the FB&H Law on the Opening Balance Sheet of Enterprises and Banks, under which banks with a majority of state-owned capital are required to report to the FBA based on the „total“ balance sheet broken down into: passive, neutral, and active sub-balance sheets.

In that respect, the data are reported in Annex 2 of this Information - Balance Sheet of FB&H Banks According to the FBA Scheme (Active Sub-Balance Sheet). Annex 3 provides an overview of assets, loans, deposits and financial performance of the FB&H banks as at 31/03/2020. The following table provides an overview of the banking sector's balance sheet:

- BAM 000 -

*Table 6: Balance sheet*

Description	31.12.2018		31.12.2019		31.03.2020		Index	
	Amount	% share	Amount	% share	Amount	% share	(4/2)	(6/4)
1	2	3	4	5	6	7	8	9
<b>ASSETS</b>								
Cash	6,591,117	29.8	7,641,570	31.6	7,307,851	30.7	116	96
Securities	1,304,626	5.9	1,456,321	6.0	1,461,558	6.1	112	100
Placements to other banks	270,604	1.2	149,197	0.6	93,320	0.4	55	63
Loans	14,325,634	64.8	15,220,759	62.8	15,256,911	64.1	106	100
Impairments	1,190,760	5.4	1,120,940	4.6	1,138,220	4.8	94	102
Net loans (loans minus impairments)	13,134,874	59.5	14,099,819	58.2	14,118,691	59.3	107	100
Business premises and other fixed assets	531,767	2.4	600,684	2.5	595,358	2.5	113	99
Other assets	261,147	1.2	262,976	1.1	226,575	1.0	101	86
<b>TOTAL ASSETS</b>	<b>22,094,135</b>	<b>100</b>	<b>24,210,567</b>	<b>100</b>	<b>23,803,353</b>	<b>100</b>	<b>110</b>	<b>98</b>
<b>LIABILITIES</b>								
Deposits	17,604,487	79.7	19,414,294	80.2	19,148,082	80.4	110	99
Borrowings from other banks	0	0.0	0	0.0	0	0.0	0	0
Liabilities on loans	862,931	3.9	856,626	3.5	863,901	3.6	99	101
Other liabilities	655,631	3.0	808,293	3.3	851,030	3.6	123	105
<b>CAPITAL</b>								
Capital	2,971,086	13.4	3,131,354	13.0	2,940,340	12.4	105	94
<b>TOTAL LIABILITIES (LIABILITIES AND CAPITAL)</b>	<b>22,094,135</b>	<b>100</b>	<b>24,210,567</b>	<b>100</b>	<b>23,803,353</b>	<b>100</b>	<b>110</b>	<b>98</b>

The total net assets across the FB&H banking sector as of 31/03/2020 are BAM 23.8 billion, which is by BAM 407.2 million or 1.7% lower compared to the end of 2019. The banks' net loans have the highest share (59.3%) within the assets in the banks' balance sheet, followed by cash (30.7%), securities (6.1%), fixed assets (2.5%), other assets (1%), and placements to other banks (0.6%). The deposits (80.4%) have the highest share within the liabilities in the banks' balance sheet, followed by capital (12.4%), liabilities based on loans (3.6%) and other liabilities (3.6%).

As of 31/03/2020, compared to the end of 2019, securities increased by BAM 5.2 million or 0.4% and loans by BAM 36.2 million or 0.2%, while decrease was evident with cash by BAM 333.7 million or 4.4%, placements with other banks by BAM 55.9 million or 37.5%, business premises and other fixed assets by BAM 5.3 million or 0.9%, as well as other assets by BAM

<sup>4</sup> The majority state-owned banks report in the "total" balance sheet passive and neutral items.



36.4 million or 13.8%. Loan obligations as a part of the liabilities in the banks' balance sheet increased by BAM 7.3 million or 0.8% in the reporting period, other liabilities by BAM 42.7 million or 5.3%, while there was a decrease related to deposits by BAM 266.2 million or 1.4% and total capital by BAM 191 million or 6.1%.

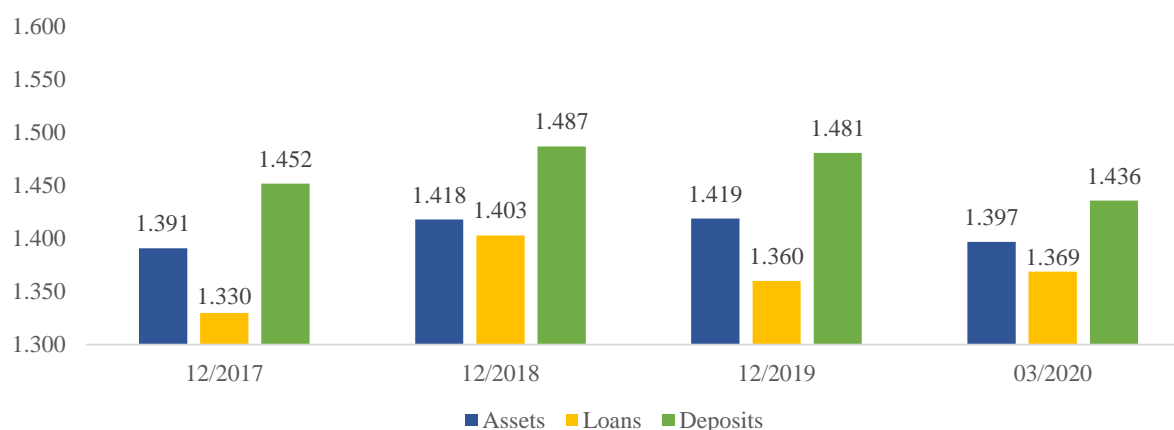
The following table provides an overview of the banks' assets banks according to ownership structure:

- BAM 000 -

Banks	31.12.2018			31.12.2019			31.03.2020			Index	
	Number of banks	Assets (BAM '000s)	% share	Number of banks	Assets (BAM '000s)	% share	Number of banks	Assets (BAM '000s)	% share	(6/3)	(9/6)
1	2	3	4	5	6	7	8	9	10	11	12
State-owned	1	775,490	3.5	1	801,261	3.3	1	867,289	3.6	103	108
Private	14	21,318,645	96.5	14	23,409,306	96.7	14	22,936,064	96.4	110	98
<b>Total</b>	<b>15</b>	<b>22,094,135</b>	<b>100</b>	<b>15</b>	<b>24,210,567</b>	<b>100</b>	<b>15</b>	<b>23,803,353</b>	<b>100</b>	<b>110</b>	<b>98</b>

An indicator of the concentrations in the three most important segments of the banking business: in the assets, loans, and deposits is the value of the Herfindahl index<sup>5</sup>. Its overview by periods is provided in the following chart:

**Chart 3: Herfindahl index of concentration in assets, loans, and deposits**



The Herfindahl index of concentration as of 31/03/2020, compared to the end of 2019, dropped for assets by 22 units and for deposits by 45 units, while this index increased by nine units for loans. The Herfindahl index of concentration for the reporting period shows a moderate concentration<sup>6</sup> in all three relevant categories (assets, loans, and deposits).

Another indicator of the banking sector concentration is the market concentration ratio, i.e. the concentration ratio<sup>7</sup> (hereinafter: CR), showing a total share of the biggest banks in the sector in

<sup>5</sup> It is also called Hirschmann-Herfindahl index or HHI and it is calculated according to the formula  $HI = \sum_{j=1}^n (S_j)^2$ , representing the sum of the squares of the percentage shares of a specific size (e.g. assets, deposits, loans) of all market participants in the system. It should be noted that the index does not increase linearly and that the value of e.g. 3000 does not mean that the concentration in the system is 30%. In a hypothetical case of there being only one bank in the system, the HHI would be maximum 10000.

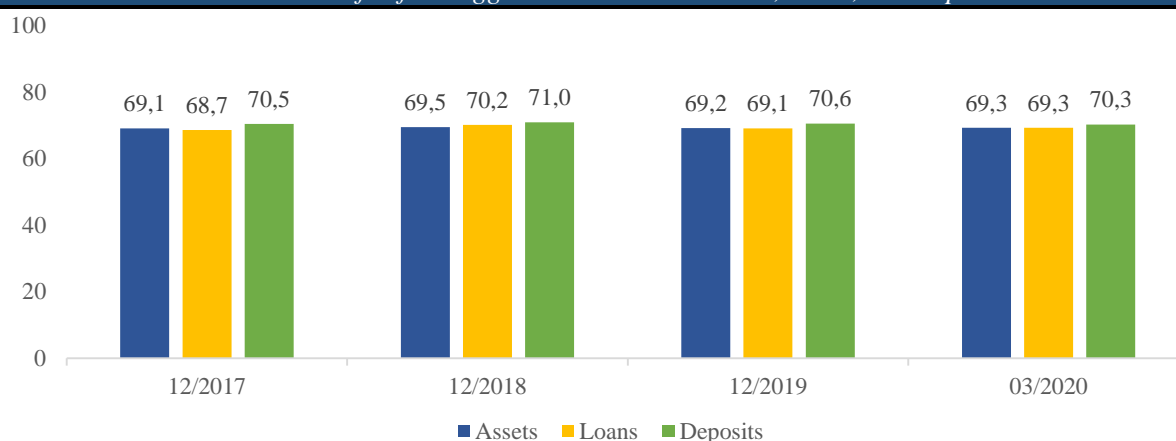
<sup>6</sup> If the HHI value is less than 1000, it is considered that there is no market concentration, for the index value between 1000 and 1800 units there is a moderate market concentration, if the HHI value is above 1800, it is an indicator of there being a high concentration.

<sup>7</sup> Concentration ratio (CR), designated according to the number of banks included in the calculation.

the selected relevant categories: assets, loans, and deposits. If a total share of the five biggest banks in the sector - CR5 as of 31/03/2020 is viewed compared to the end of 2019, there is an increase with the market share by 0.1 percentage point and with loans by 0.2 percentage points, while deposits decreased by 0.3 percentage points. The two biggest banks in the sector account for 46.1% of the market (assets 46.4%, loans 44.6% and deposits 47.4%).

An overview of the concentration ratios for the five biggest banks in the sector is provided in the following chart:

**Chart 4: Concentration ratios for five biggest banks - CR5: assets, loans, and deposits**



The banking sector can also be analyzed according to the criterion of classification to the groups created according to the size of assets<sup>8</sup>. As of 31/03/2020, three banks in the FB&H banking sector with a 56.1% share stand out according to the size of assets, comprising group I of banks with the assets of over BAM 2.0 billion.

The following table provides an overview of the amounts and shares of the groups of banks in the total assets through periods:

- BAM 000 -

**Table 8: Share of groups of banks in total assets through periods**

Amount of assets	31.12.2018			31.12.2019			31.03.2020		
	Amount	% share	Number of banks	Amount	% share	Number of banks	Amount	% share	Number of banks
1	2	3	4	5	6	7	8	9	10
I (over BAM 2 billion)	12,456,111	56.4	3	13,686,527	56.5	3	13,352,838	56.1	3
II (BAM 1-2 billion)	6,075,531	27.5	5	6,645,925	27.5	5	6,582,072	27.7	5
III (BAM 0.5-1 billion)	2,168,293	9.8	3	3,451,044	14.2	5	3,481,995	14.6	5
IV (BAM 0.1-0.5 billion)	1,394,200	6.3	4	427,071	1.8	2	288,300	1.2	1
V (below BAM 0.1 billion)	0	0.0	0	0	0.0	0	98,148	0.4	1
<b>Total</b>	<b>22,094,135</b>	<b>100</b>	<b>15</b>	<b>24,210,567</b>	<b>100</b>	<b>15</b>	<b>23,803,353</b>	<b>100</b>	<b>15</b>

A change in the structure, i.e. share of groups in total assets of the FB&H banking sector as of 31/03/2020 vs. YE2019 occurred with regards to the group V (share increase by 0.4 percentage points) due to a transition of one bank from the group IV to the group V.

Cash across the FB&H banking sector as of 31/03/2020 amounted to BAM 7.3 billion, down by BAM 333.7 million or 4.4% vs. YE2019. Its overview through the periods is provided in the following table:

<sup>8</sup> Banks are divided into five groups depending on the size of assets.

Cash	31.12.2018		31.12.2019		31.03.2020		Index	
	Amount	% share	Amount	% share	Amount	% share	(4/2)	(6/4)
1	2	3	4	5	6	7	8	9
Cash	910,481	13.8	1,004,445	13.1	1,160,749	15.9	110	116
Reserve account with CBB&H	4,002,281	60.7	4,329,659	56.7	4,033,111	55.2	108	93
Accounts with deposit institutions in B&H	38,746	0.6	48,611	0.6	34,047	0.5	125	70
Accounts with deposit institutions abroad	1,639,544	24.9	2,258,758	29.6	2,079,932	28.4	138	92
Cash in process of collection	65	0.0	97	0.0	12	0.0	149	12
<b>Total</b>	<b>6,591,117</b>	<b>100</b>	<b>7,641,570</b>	<b>100</b>	<b>7,307,851</b>	<b>100</b>	<b>116</b>	<b>96</b>

As of 31/03/2020, compared to the end of 2019, there was a decrease of the banks' cash funds across all accounts, except for cash that posted an increase by BAM 156.3 million or 15.6%.

In the currency structure of cash funds as of 31/03/2020 (compared to the end of 2019), the share of local currency dropped from 66.7% to 66.5%, along with a simultaneous increase of the share in foreign currency from 33.3% to 33.5%.

The portfolio of securities as at 31/03/2020 amounted to BAM 1.5 billion, which was higher by BAM 1.5 million or 0.4% compared to the end of 2019, with a 6.1% share in assets. The following tables provide an overview of the portfolio according to the type of instruments and issuer:

Investments in securities	31.12.2018		31.12.2019		31.03.2020		Index	
	Amount	% share	Amount	% share	Amount	% share	(4/2)	(6/4)
1	2	3	4	5	6	7	8	9
Equity securities	5,281	0.4	5,313	0.4	5,525	0.4	101	104
Debt securities:	1,299,345	99.6	1,451,008	99.6	1,456,033	99.6	112	100
- Securities of all levels of governments in B&H	619,536	47.5	747,632	51.3	768,611	52.6	121	103
- Government securities (other countries)	533,666	40.9	549,649	37.7	518,390	35.4	103	94
- Corporate bonds <sup>9</sup>	146,143	11.2	153,727	10.6	169,032	11.6	105	110
<b>Total</b>	<b>1,304,626</b>	<b>100</b>	<b>1,456,321</b>	<b>100</b>	<b>1,461,558</b>	<b>100</b>	<b>112</b>	<b>100</b>

The most significant item within the investments in debt securities are the securities of entity governments, namely the securities issued by the FB&H<sup>10</sup> of the total value of BAM 531.9 million, and the securities of the RS as the issuer of BAM 222.3 million.

Investments in securities	31.12.2018		31.12.2019		31.03.2020		Index	
	Amount	% share	Amount	% share	Amount	% share	(4/2)	(6/4)
1	2	3	4	5	6	7	8	9
Debt securities of FB&H as issuer:	436,164	71.3	532,147	72.6	531,923	70.5	122	100
- Treasury bills	35,179	5.7	18,921	2.6	18,911	2.5	54	100
- Bonds	400,985	65.6	513,226	70.0	513,012	68.0	128	100
Debt securities of RS:	175,395	28.7	201,089	27.4	222,327	29.5	115	111
- Treasury bills	0	0.0	0	0.0	20,000	2.7	-	-
- Bonds	17,395	28.7	201,089	27.4	202,327	26.8	115	101

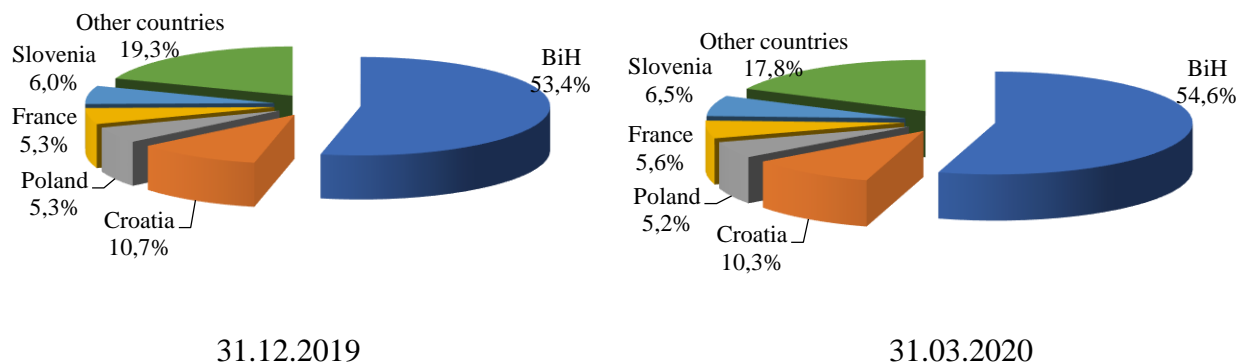
<sup>9</sup> Majority, i.e. app. 75%, relates to the EU and US banks' bonds, while the remainder relates to the EU and B&H companies' bonds.

<sup>10</sup> All types of securities of the FB&H as the issuer.

Total	611,559	100	733,236	100	754,250	100	120	103
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If total investments in securities are analyzed according to the exposures by countries, the highest share of 54.6% is to the issuers from B&H, followed by Croatia with a 10.3% share, Slovenia with 6.5% share, France with a 5.6% share, Poland with 5.2% and other countries with individual shares below 5%.

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



### 1.2.2. Liabilities

As of 31/03/2020, the share of deposits, as the most significant source of the banks' funding, increased to 80.4% (by 0.2 percentage points), as well as the share of loan obligations, amounting to 3.6% (by 0.1 percentage point).

The banks' loan obligations with the amount of BAM 863.9 million have increased by BAM 7.3 million or 0.8% compared to the end of 2019. If subordinated loans of BAM 179.3 million are also added to the loan obligations, total loans have a 4.4% share in the funding sources.

The deposits recorded a decrease of BAM 266.2 million or 1.4% compared to the end of 2019, amounting to BAM 19.1 billion as at 31/03/2020. According to the data reported by banks, out of the total amount of deposits at the end of the reporting period, BAM 1.2 billion or 6.2% relates to deposits collected in the FB&H banks' organizational parts in the RS and BD.

As of 31/03/2020 vs. YE2019, there is a reduction of the banking sector's assets by 1.7%, as well as deposits by 1.4%, while loans posted a rise by 0.2%.

The following charts provide an overview of total deposits and the ratio of loans and deposits by periods:



Chart 6: Total deposits (BAM 000)

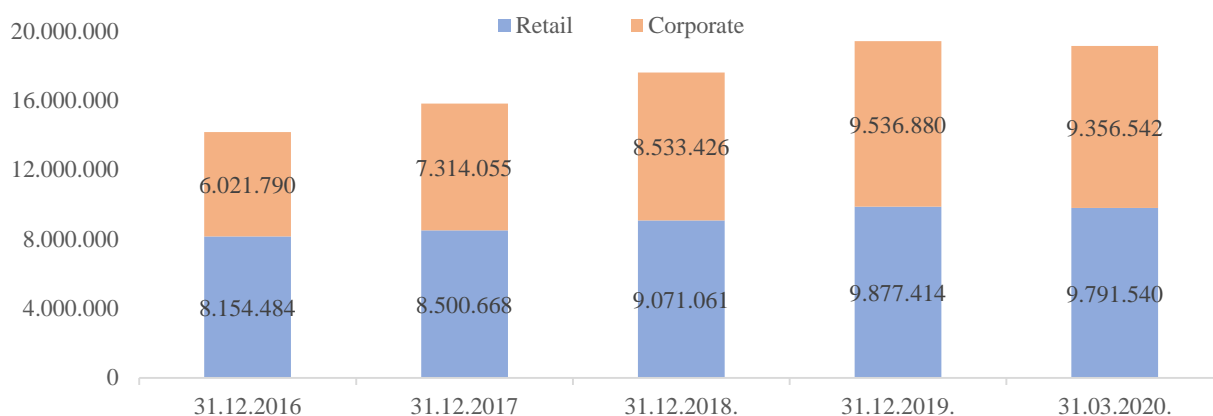
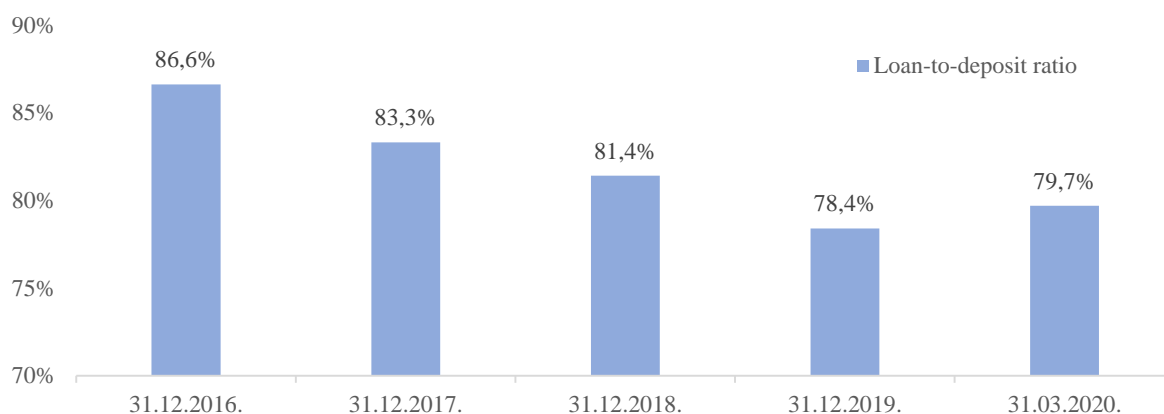


Chart 7: Loan-to-deposit ratio



The following table provides an overview of the sector structure of deposits:

- BAM 000 -

Table 12: Sector structure of deposits

Sectors	31.12.2018		31.12.2019		31.03.2020		Index	
	Amount	% share	Amount	% share	Amount	% share	(4/2)	(6/4)
1	2	3	4	5	6	7	8	9
Government institutions	1,778,835	10.1	2,157,147	11.1	2,345,442	12.3	121	109
Public enterprises	1,538,501	8.7	1,651,976	8.5	1,573,558	8.2	107	95
Priv. enterp. and companies	2,834,717	16.1	3,236,224	16.7	3,201,918	16.7	114	99
Banking institutions	1,215,334	6.9	1,208,613	6.2	967,285	5.1	99	80
Non-bank fin. institutions	746,690	4.3	803,516	4.1	786,157	4.1	108	98
Retail	9,071,061	51.5	9,877,414	50.9	9,791,540	51.1	109	99
Other	419,349	2.4	479,404	2.5	482,182	2.5	114	101
<b>Total</b>	<b>17,604,487</b>	<b>100</b>	<b>19,414,294</b>	<b>100</b>	<b>19,148,082</b>	<b>100</b>	<b>110</b>	<b>99</b>

The largest share in the sector structure of deposits refers to retail loans with 51.1% and this share rose against YE2019 by 0.2 percentage points. As of 31/03/2020, retail deposits stood at BAM 9.8 billion.

An increase in deposits as of 31/03/2020, compared to the end of 2019, was realized in relation to the government institutions' deposits by BAM 188.3 million or 8.7% and other deposits by BAM 2.8 million or 0.6%.

A decrease of deposits as of 31/03/2020, compared to the end of 2019, was recorded in relation to public companies' deposits by BAM 78.4 million or 4.7%, private companies' deposits by BAM 34.3 million or 1.1%, banking institutions' deposits by BAM 241.3 million or 20%, deposits by non-banking financial institutions by BAM 17.4 million or 2.2% and retail deposits by BAM 85.9 million or 0.9%.

The banking group's financial support is present in seven FB&H banks, so 89.8% of the total banking institutions' deposits relate to banking groups' financial support.

The currency structure of deposits as at 31/03/2020 changed compared to the end of 2019. The deposits in BAM decreased by BAM 13.5 million or 0.1% and deposits in foreign currencies decreased by BAM 252.8 million or 3.4%. Compared to the end of 2019, the currency structure of deposits changed, i.e. the share of deposits in domestic currency increased from 61.2% to 62%, while the share of deposits in foreign currency decreased from 38.8% to 38%.

The structure of deposits according to the origin of depositors as of 31/03/2020, compared to the end of 2019, has the following structure: residents' deposits of BAM 17.8 billion have a 92.8% share (+0.9 percentage points), while non-residents' deposits are BAM 1.4 billion, which was 7.2% of total deposits (-0.9 percentage points).

As of 31/03/2020, savings deposits amounted to BAM 9.5 billion, down by BAM 91.1 million or 1% compared to the end of 2019.

The retail savings trend is shown in the following table and chart:

- BAM 000 -

*Table 13: Retail savings*

Bank	Amount			Index	
	31.12.2018	31.12.2019	31.03.2020	(3/2)	(4/3)
1	2	3	4	5	6
State-owned	91,645	96,979	97,709	106	101
Private	8,712,454	9,476,470	9,384,614	109	99
<b>Total</b>	<b>8,804,099</b>	<b>9,573,449</b>	<b>9,482,323</b>	<b>109</b>	<b>99</b>

Chart 8: Retail savings by periods



54.5% of savings are concentrated in two biggest banks, while five banks have the individual shares of less than 2%, amounting to 5.3% of the total savings in the sector. Of the total amount of the savings, 48.4% relate to savings deposits in domestic currency, while 51.6% relate to savings deposits in foreign currency.

As of 31/03/2020 vs. YE2019, short term deposits dropped by BAM 33.1 million or 0.6% (while their share rose by 0.2 percentage points) and long term deposits dropped by BAM 58.1 million or 1.5% (while their share rose by 0.2 percentage points). The maturity structure of savings deposits can be seen in the following table:

- BAM 000 -

Savings deposits	31.12.2018		31.12.2019		31.03.2020		Index	
	Amount	% share	Amount	% share	Amount	% share	(4/2)	(6/4)
1	2	3	4	5	6	7	8	9
Short term savings	4,977,201	56.5	5,634,426	58.9	5,601,358	59.1	113	99
Long term savings deposits	3,826,898	43.5	3,939,023	41.1	3,880,965	40.9	103	99
<b>Total</b>	<b>8,804,099</b>	<b>100</b>	<b>9,573,449</b>	<b>100</b>	<b>9,482,323</b>	<b>100</b>	<b>109</b>	<b>99</b>

Retail loans as of 31/03/2020 amounted to BAM 7.4 billion, down by 0.3% vs. YE2019. At the same time, retail deposits went down by 0.9% to BAM 9.8 billion as of 31/03/2020.

- BAM 000 -

Description	31.12.2018.	31.12.2019.	31.03.2020.	Index	
	Amount	Amount	Amount	(3/2)	(4/3)
1	2	3	4	5	6
1. Retail loans	6,853,979	7,400,278	7,377,614	108	100
2. Retail savings	8,804,099	9,573,449	9,482,323	109	99
2.1. Term deposits	4,126,382	4,280,620	4,224,128	104	99
2.2. Demand deposits	4,677,717	5,292,829	5,258,195	113	99
<b>3. Loans/savings</b>	<b>78%</b>	<b>77%</b>	<b>78%</b>	-	-
4. Retail deposits	9,071,061	9,877,414	9,791,540	109	99
<b>5. Loans/Retail deposits</b>	<b>76%</b>	<b>75%</b>	<b>75%</b>	-	-

### 1.2.3. Capital and Capital Adequacy

In the process of harmonizing the FBA's regulations with the new laws, a new Decision on Capital Calculation in Banks came to effect in late 2017.

Under the new Decision on Capital Calculation in Banks, the contents and form of the regulatory reports changed. The most significant changes relate to the own funds calculation method with the application of a relevant capital requirements calculation methodology for credit, market, and operational risks, new methodology for maintaining capital buffers, and leverage calculation.

In 2019, FBA has issued the Decision on Credit Risk Management and Determination of Expected Credit Losses with the implementation date of 01/01/2020. Accordingly, banks are required to calculate effects of implementation of this new decision as of 31/12/2019, i.e. with the initial balance sheet dd 01/01/2020, post them among capital accounts and recognise them under common equity tier 1.

As of 31/03/2020, total banks' capital was BAM 2.9 billion, decreasing by BAM 191 million or 6.1% compared to the end of 2019 (more details are provided under Subheading 1.1.2 - Ownership Structure and Market Share).

The following table provides a report on the balance, i.e. the structure of the FB&H banks' own funds:

- BAM 000 -

*Table 16: Report on the balance of own funds*

Description		31.12.2018	31.12.2019	31.03.2020	Index	
1	2	3	4	5	(4/3)	(5/4)
<b>1.</b>	<b>Own funds</b>	<b>2,478,985</b>	<b>2,690,298</b>	<b>2,656,119</b>	<b>109</b>	<b>99</b>
<b>1.1.</b>	<b>Tier 1 capital</b>	<b>2,351,425</b>	<b>2,656,534</b>	<b>2,528,934</b>	<b>113</b>	<b>95</b>
<b>1.1.1.</b>	<b>Common Equity Tier 1</b>	<b>2,351,425</b>	<b>2,656,534</b>	<b>2,528,934</b>	<b>113</b>	<b>95</b>
1.1.1.1.	Paid-up capital instruments	1,290,878	1,299,335	1,299,335	101	100
1.1.1.2.	Share premium	137,290	137,290	137,290	100	100
1.1.1.3.	(-) Own Common Equity Tier 1 instruments	-215	-215	-215	100	100
1.1.1.4.	Previous year retained profit	238,344	403,027	301,803	169	75
1.1.1.5.	Recognized gain or loss	-34,743	-36,302	-141,965	104	391
1.1.1.6.	Accumulated other comprehensive income	10,296	26,630	9,917	259	37
1.1.1.7.	Other reserves	876,626	970,088	998,271	111	103
1.1.1.8.	(-) Other intangible assets	-56,116	-57,589	-57,636	103	100
1.1.1.9.	(-) Deferred tax assets that rely on future profitability and of up to not arise from temporary differences less related tax liabilities	-101	-14	-236	14	1686
1.1.1.10.	(-) Deduction from Addition Tier 1 items exceeding Additional Tier 1	0	-1,255	0	-	0
1.1.1.11.	(-) Deferred tax assets that are deductible and rely on future profitability and arise from temporary differences	-1,625	-1,349	-1,376	83	102
1.1.1.12.	(-) Financial sector entities' Common Equity Tier 1 instruments if bank has material investment	-12,118	-15,950	-16,254	132	102
1.1.1.13.	Elements or deductions from Common Equity Tier 1 - other	-97,091	-67,162	0	69	0
<b>1.1.2.</b>	<b>Additional Tier 1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-</b>	<b>-</b>
<b>1.2.</b>	<b>Tier 2 capital</b>	<b>127,560</b>	<b>33,764</b>	<b>127,185</b>	<b>26</b>	<b>377</b>
1.2.1.	Paid-up capital instruments and subordinated debts	105,592	170,158	127,199	161	75
1.2.2.	(-) Own Tier 2 instruments	-14	-14	-14	100	100

1.2.3.	General impairments for credit risk under standardized approach	153,706	163,569	0	106	0
1.2.4.	Deduction from Tier 2 items exceeding Tier 2 capital (deducted from Additional Tier 1 capital)	0	1,255	0	-	0
1.2.5.	Paid-up capital instruments and subordinated debts	-131,724	-301,204	0	229	0

The FB&H banks' own funds as of 31/03/2020 were BAM 2.7 billion and, compared to the end of 2019, it decreased by BAM 34.2 million or 1.3%. The banks' T1 and CET1 capital as at the reporting period is BAM 2.5 billion, with a realized decrease of BAM 127.6 million or 4.8%, while Tier 2 capital is BAM 127.2 million, with a realized increase of BAM 93.4 million or 276.75% compared to the end of 2019.

The own funds' structure of the FB&H banking sector includes a share of Tier 1 capital of 95.2% (12/2019: 98.7%), while Tier 2 capital participates with 4.8% (12/2019: 1.3%). During the reporting period, the own funds' structure has changed via decreased share of Tier 1 capital, as referring to implementation of the Decision on Credit Risk Management and Determination of Expected Credit Losses and posting of its implementation effects under CET1. The increased share of T2 capital is a result of implementation of the same decision, as well as cancellation of a LLP shortfall as a deductible item from T2 capital.

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

- decrease of BAM 244.1 million based on the initial implementation of the Decision on Credit Risk Management and Determination of Expected Credit Losses that came into force on 01/01/2020,
- reduction of accumulated other comprehensive income of BAM 17 million,
- decrease based on a loss figure posted by three banks in the Q1 2020 in an amount of BAM 3.8 million,
- increase based on transfer of LLP formed against profit to T1 capital, as per the decision reached by bank's general meeting of shareholders in an amount of BAM 1.6 million,
- increase based on reduction of deductible items (provisioning shortfall) of BAM 68.3 million related to initial implementation of the Decision on Credit Risk Management and Determination of Expected Credit Losses,
- increase based on included profit from 2019 of BAM 53 million.

The total risk exposure under the Decision on Capital Calculation in Banks is the sum of risk weighted exposures for credit, market, operational risk, settlement/free delivery risk and risk associated with large exposures arising from the trading book items. The FB&H banking sector's total risk exposure with the balance as at 31/03/2020 was BAM 15 billion, whose structure is provided in the following table:

- BAM 000 -

Risk exposure	31.12.2018		31.12.2019		31.03.2020		Index	
	Amount	% share	Amount	% share	Amount	% share	(4/2)	(6/4)
1	2	3	4	5	6	7	8	9
Risk weighted exposures for credit risk	12,296,292	86.7	13,085,560	87.1	13,115,847	87.4	106	100
Settlement/free delivery risk exposures	0	0.0	0	0.0	0	0.0	0	0
Market risk (position and currency risk) exposures	223,778	1.6	228,011	1.5	165,325	1.1	102	73
Risk exposures for operational risk	1,657,561	11.7	1,705,834	11.4	1,724,151	11.5	103	101
<b>Total risk exposure amount</b>	<b>14,177,631</b>	<b>100</b>	<b>15,019,405</b>	<b>100</b>	<b>15,005,323</b>	<b>100</b>	<b>106</b>	<b>100</b>



The total risk exposure amount across the FB&H banking sector decreased in the Q1 2020 by BAM 14.1 million or 0.1%. Over the reporting period, there was an increase of credit risk weighted exposures by BAM 30.3 million or 0.2% and the operational risk weighted exposures by BAM 18.3 million or 1.1%, while market risk weighted exposures posted a drop of BAM 62.7 million or 27.5%. This decrease of the market (current) risk weighted exposures stems from a major reduction of the currency risk exposure with the biggest bank in the sector. There were three banks in the sector that have not posted currency risk exposures since their net open currency position did not exceed 2% of the own funds.

As of 31/03/2020, banks were most exposed to the credit risk (87.4% share), which is dominant in the FB&H banking sector. In the reporting period there were changes in the shares by individual risk types, i.e. the share of the risk weighted credit risk exposure increased by 0.3 percentage points, as well as the share of the operational risk exposure by 0.1 percentage point, while market risk exposure decreased by 0.4 percentage points.

The banking sector's capital adequacy has continuously been maintained above 15% in the last few years, which is satisfactory capitalization across the sector. The Decision on Capital Calculation in Banks provides that banks must at all times meet the capital requirements with respect to Common Equity Tier 1 capital ratio of 6.75%, Tier 1 capital ratio of 9% and own funds ratio of 12%. Also, it sets a requirement for banks to maintain capital buffer in the form of Common Equity Tier 1 capital in the amount of 2.5% of the total risk exposure amount.

The FB&H banking sector capital adequacy indicators are provided in the following table:

- BAM 000 -

	% and amount of regulatory minimum surplus or deficit		
	31.12.2018	31.12.2019	31.03.2020
1	2	3	4
<b>Common Equity Tier 1 capital ratio</b>	<b>16,6%</b>	<b>17,7%</b>	<b>16,9%</b>
Surplus (+) / Deficit (-) of Common Equity Tier 1	1.394.434	1.642.724	1.516.076
<b>Tier 1 capital ratio</b>	<b>16,6%</b>	<b>17,7%</b>	<b>16,9%</b>
Surplus (+) / Deficit (-) of Tier 1 capital	1.075.438	1.304.787	1.178.457
<b>Own funds ratio</b>	<b>17,5%</b>	<b>17,9%</b>	<b>17,7%</b>
Surplus (+) / Deficit (-) of own funds	777.668	887.971	855.481

The own funds rate as at 31/03/2020 is 17.7% and it is considerably higher compared to the statutory minimum of 12%. At the FB&H banking sector level, other capital ratios were also much higher compared to regulatory minimums (Common Equity Tier 1 capital and Tier 1 capital ratios).

Compared to YE2019, own funds ratio dropped by 0.2 percentage points, while T1 ratio decreased by 0.8 percentage points (as a result of initial implementation of the Decision on Credit Risk Management and Determination of Expected Credit Losses).

The Decision on Capital Calculation in Banks also provides for a new calculation methodology and regulatory framework for monitoring of financial leverage levels. Banks are required to ensure and maintain the financial leverage ratio, as Tier 1 capital to total exposure measure ratio of minimum 6%. The following table provides an overview of the FB&H banking sector's financial leverage ratio across periods:

<i>Table 19: Financial leverage ratio</i>			
Exposure values	31.12.2018	31.12.2019	31.03.2020
1	2	3	4
Leverage ratio exposures - under Article 37(4) of Decision on Capital Calculation in Banks	23,162,644	25,201,918	24,831,543
Tier 1 capital - under Article 37(3) of Decision on Capital Calculation in Banks	2,351,425	2,656,534	2,528,934
<b>Leverage ratio - under Article 37(2) of Decision on Capital Calculation in Banks</b>	<b>10.1%</b>	<b>10.5%</b>	<b>10.2%</b>

The leverage ratio across the banking sector as at 31/03/2020 is 10.2% and is lower by 0.3 percentage points compared to the end of 2019. As of 31/03/2020, seven banks had their leverage ratios above the FB&H banking sector average and eight banks had their leverage ratios below this average.

#### 1.2.4. Credit Risk

Starting from 01/01/2018, banks are required to apply a new standard of financial reporting IFRS 9 – financial instruments (thus replacing IAS 39).

For purpose of standardising credit risk management and ECL valuation and ensuring IFRS 9 compliance, in 2019, FBA has adopted the Decision on Credit Risk Management and Determination of Expected Credit Losses (effect date 01/01/2020). Also, it adopted the Instructions for Classification and Valuation of Financial Assets providing detailed definition of individual clauses of the said Decision as to ensure unique accounting and regulatory treatment of financial assets.

Implementation of the said Decision rendered ineffective the Decision on Minimum Standards for Credit Risk Management and Assets Classification in Banks. The most significant changes in this respect refers to the fact that the concept of assets classification into five categories and LLP allocation for such assets was replaced by the concept of allocating exposures to three credit risk grades and determining ECL. Credit risk grade 1 includes exposures with low level of credit risk the debtor is not overdue on a repayment in a material amount (meaning BAM 200 for private individuals and 1% of the total exposure, while for corporates this amount is BAM 1.000 and 1% of the total exposure) for more than 30 days. Credit risk grade 2 refers to items with increased level of credit risk with material amounts being overdue for more than 30 days, while the credit risk grade 3 (exposures in default status) includes items where a debtor is more than 90 days overdue in materially significant amounts. Banks are required to adopt internal methodologies defining manner of classification and valuation of exposures, their allocation to credit risk grades and ECL determination. This needs to be aligned with requirements prescribed by the said Decision and the Instructions. In addition, upon initial implementation of the Decision, banks are required to perform an accounting write-off of balance sheet exposures (i.e. transfer to off-balance sheet records) for two years after they have booked ECL at the level of 100% of gross book value of exposures and declared this fully due.

In accordance with the Decision on Credit Risk Management and Determination of Expected Credit Losses, the contents and form of regulatory reports has changed. During 2019, in parallel with delivery of reports on assets classification, banks were also required to deliver new reporting forms. However, as of implementation date of the said Decision, banks are to deliver only new reporting forms.

The table below provides an overview of balance sheet exposures at the FB&H banking sector level based on key categories of financial assets, off-balance sheet exposures and related ECLs:

- BAM 000 -

*Table 20: Financial assets, off-balance sheet items and ECL*

Description	31.12.2018			31.12.2019			31.03.2020		
	Amount	ECL	% ECL	Amount	ECL	% ECL	Amount	ECL	% ECL
1	2	3	4	5	6	7	8	9	10
1. Cash and cash facilities	6,749,437	10,960	0.2	7,796,241	7,696	0.1	7,341,546	10,627	0.1
2. Financial assets at amortised cost	14,598,680	1,238,638	8.5	15,417,105	1,150,848	7.5	15,443,151	1,148,742	7.4
3. Financial assets at fair value	1,167,107	0	0.0	1,318,635	0	0.0	1,311,109	0	0.0
4. Other financial receivables	154,014	20,060	13.0	224,665	36,030	16.0	180,179	30,373	16.9
<b>I Total balance sheet exposure</b>	<b>22,669,238</b>	<b>1,269,658</b>	<b>5.6%</b>	<b>24,756,646</b>	<b>1,194,574</b>	<b>4.8</b>	<b>24,275,985</b>	<b>1,189,742</b>	<b>4.9</b>
1. Issued guarantees	1,199,603	19,197	1.6	1,350,083	21,488	1.6	1,344,431	27,552	2.0
2. Uncovered letters of credit	55,676	781	1.4	48,255	554	1.1	51,251	942	1.8
3. Irrevocably approved, but undrawn loans	2,058,020	20,741	1.0	2,058,199	19,685	1.0	2,076,691	27,000	1.3
4. Other contingent liabil.	16,707	143	0.9	54,122	310	0.6	14,458	323	2.2
<b>II Total off-bal.sheet items</b>	<b>3,330,006</b>	<b>40,862</b>	<b>1.2</b>	<b>3,510,659</b>	<b>42,037</b>	<b>1.2</b>	<b>3,486,831</b>	<b>55,817</b>	<b>1.6</b>
<b>Total exposure (I+II)</b>	<b>25,999,244</b>	<b>1,310,520</b>	<b>5.0</b>	<b>28,267,305</b>	<b>1,236,611</b>	<b>4.4</b>	<b>27,762,816</b>	<b>1,245,559</b>	<b>4.5</b>

Total exposure of banks as of 31/03/2020 stood at BAM 27.8 billion, thereof BAM 24.3 billion referring to balance sheet exposures and BAM 3.5 billion to off-balance sheet items.

Over the first three months of 2020, there was a decrease of balance sheet exposures compared to the YE2019 by BAM 480.7 million or 1.9%, as caused by reduced cash volume and accounting write off as per the new regulation. Over the same period, there was a decrease of off-balance sheet items by BAM 23.8 billion or 0.7%, as a result of significant reduction of other contingent liabilities of one bank.

The following table shows balance sheet and off-balance sheet exposures at the FB&H banking sector level by credit risk grades and related ECLs:

- BAM 000 -

*Table 21: Exposures by credit risk grades*

Description	31.12.2018			31.12.2019			31.03.2020		
	Amount	ECL	% ECL	Amount	ECL	% ECL	Amount	ECL	% ECL
1	2	3	4	5	6	7	8	9	10
Credit risk grade 1	19,393,493	132,218	0.7	21,787,417	123,558	0.6	21,464,748	160,053	0.7
Credit risk grade 2	1,899,346	115,699	6.1	1,652,439	113,839	6.9	1,706,032	147,245	8.6
Credit risk grade 3	1,376,399	1,021,741	74.2	1,316,790	957,177	72.7	1,105,205	882,444	79.8
<b>I Total balance sheet exposure</b>	<b>22,669,238</b>	<b>1,269,658</b>	<b>5.6</b>	<b>24,756,646</b>	<b>1,194,574</b>	<b>4.8</b>	<b>24,275,985</b>	<b>1,189,742</b>	<b>4.9</b>
Credit risk grade 1	2,908,560	21,387	0.7	3,027,094	20,431	0.7	3,104,236	26,057	0.8
Credit risk grade 2	410,239	12,629	3.1	474,159	15,610	3.3	369,418	25,904	7.0
Credit risk grade 3	11,207	6,846	61.1	9,406	5,996	63.7	13,177	3,856	29.3
<b>II Total off-bal.sheet items</b>	<b>3,330,006</b>	<b>40,862</b>	<b>1.2</b>	<b>3,510,659</b>	<b>42,037</b>	<b>1.2</b>	<b>3,486,831</b>	<b>55,817</b>	<b>1.6</b>

Total exposure (I+II)	25,999,244	1,310,520	5.0	28,267,305	1,236,611	4.4	27,762,816	1,245,559	4,5
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As of 31/03/2020, balance sheet exposures within the credit risk grade 1 amounted to BAM 21.5 billion and make up for 88.4% of the total balance sheet exposures. Compared to YE2019, they have dropped by BAM 322.7 million or 1.5%. The reduction mostly came as a net effect of: decreased cash funds and cash receivables of BAM 456.6 million, decreased other financial receivables of BAM 34.8 million and increased loan portfolio within this credit risk grade of BAM 195.1 million.

As of 31/03/2020, balance sheet exposures within the credit risk grade 2 stood at BAM 1.7 billion, representing 7% of the total balance sheet exposures. Compared to YE2019, they have risen by BAM 53.6 million or 3.2%. The biggest effect to the increase of total balance sheet exposures within this credit risk grade came from an increase of the loan portfolio allocated to credit risk grade 2 of BAM 29.7 million and securities of BAM 20.5 million.

As of 31/03/2020, balance sheet exposures within the credit risk grade 3 equaled BAM 1.1 billion, representing 4.6% of the total balance sheet exposures. If observed against YE2019, they have dropped by BAM 211.6 million or 16.1%, as largely resulting from the accounting write-off.

Over the first three months of 2020, ECLs at the credit risk grades 1 and 2 had a total increase of BAM 69.9 million (ECL for credit risk grade 1 rose by BAM 36.5 million and at the credit risk grade 2 by BAM 33.4 million). ECL at the credit risk grade 3 went down by BAM 74.7 million.

As a result of implementation of the Decision on Credit Risk Management and Determination of Expected Credit Losses, ECL coverage rates have risen against YE2019. Exposure coverage at the credit risk grade 1 rose from 0.6% to 0.7%, at the credit risk grade 2 from 6.9% to 8.6% and at the credit risk grade 3 from 72.7% to 79.8%.

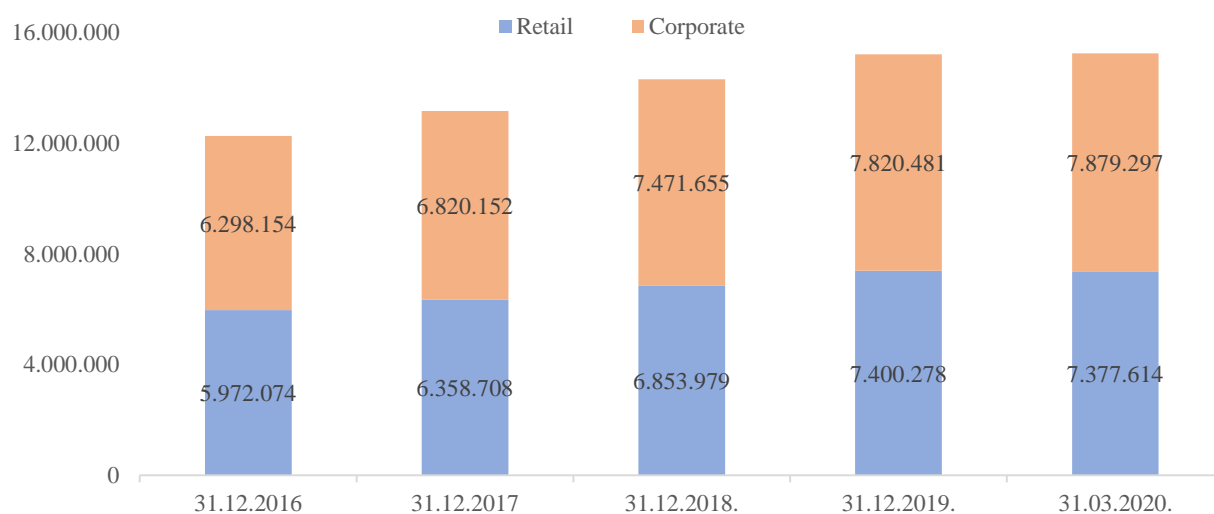
As of 31/03/2020, off-balance sheet exposures at the credit risk grade 1 stood at BAM 3.1 billion, thus representing 89% of the total off-balance sheet exposures. Exposures at the credit risk grade 2 amount to BAM 369.4 million or 10.6% of the total off-balance sheet exposures, while the credit risk grade 3 includes exposures of BAM 13.2 million or 0.4% of the total off-balance sheet exposures.

Total ECL coverage for off-balance sheet exposures rose from 1.2% to 1.6%. The increase of coverage rate was noted with the credit risk grades 1 and 2, while the credit risk grade 34 shows a drop in the coverage rate.

As of 31/03/2020, loans stood at BAM 15.3 billion, up by BAM 36.2 million or 0.2% vs. YE2019. However, the nominal loan growth was higher considering the accounting write-off of the loan portfolio in an amount of BAM 191.2 million was performed at the FB&H banking sector level subject to the effect date of the Decision on Credit Risk Management and Determination of Expected Credit Losses. Retail loans, holding a share in total loans of 48.4%, have declined by 0.3%, while corporate loans (representing 51.6% of total loans) have risen by 0.8%.

The following chart provides an overview of retail and corporate loans at the FB&H banking sector level in the period from 2016 to 31/03/2020:

Chart 9: Loans (BAM 000)



The following table shows a trend and changes of individual sectors of loan users in the total loan structure:

- BAM 000 -

Table 22: Loan structure by sectors

Sectors	31.12.2018		31.12.2019		31.03.2020		Index	
	Amount	% share	Amount	% share	Amount	% share	(4/2)	(6/4)
1	2	3	4	5	6	7	8	9
Government institutions	216,596	1.5	189,360	1.2	180,717	1.2	87	95
Public sector enterprises	321,493	2.3	359,635	2.4	341,611	2.2	112	95
Private companies	6,625,641	46.3	6,922,742	45.5	6,826,860	44.7	104	99
Banking institutions	217,706	1.5	247,501	1.6	440,396	2.9	114	178
Non-banking financial instit.	75,804	0.5	86,902	0.6	77,114	0.5	115	89
Retail	6,853,979	47.8	7,400,278	48.6	7,377,614	48.4	108	100
Other	14,415	0.1	14,341	0.1	12,599	0.1	99	88
<b>Total</b>	<b>14,325,634</b>	<b>100</b>	<b>15,220,759</b>	<b>100</b>	<b>15,256,911</b>	<b>100</b>	<b>106</b>	<b>100</b>

The loan increase as of 31/03/2020 vs. YE2019 relates solely to loans approved to banking institutions (by BAM 192.9 million or 77.9%), while all other segments saw a decrease.

A reduction of loans approved to government institutions equals BAM 8.6 million or 4.6%, to public companies BAM 18 million or 5%, to private companies BAM 95.9 million or 1.4%, to non-banking financial institutions BAM 9.8 million or 11.3%, to retail BAM 22.7 million or 0.3% and to other sectors BAM 1.7 million or 12.1%.

The following table shows the maturity structure of loans by sectors – loan users as of 31/03/2020:

- BAM 000 -

Table 23: Maturity structure of loans

Sectors	31.12.2019			31.03.2020			Index		
	ST loans (up to 1Y)	LT loans (over 1Y)	Receivables due	ST loans (up to 1Y)	LT loans (over 1Y)	Receivables due	(5/2)	(6/3)	(7/4)
1	2	3	4	5	6	7	8	9	10
Government institutions	40	189,215	105	3,490	177,086	141	8,725	94	134
Public companies	39,363	307,603	12,668	44,974	292,179	4,458	114	95	35



Private companies	2,414,723	3,897,580	610,440	2,447,757	3,852,723	526,380	101	99	86
Banking institutions	247,491	0	10	440,393	0	3	178	0	30
Non-bank. financial institutions	26,103	55,779	5,020	20,174	55,928	1,012	77	100	20
Retail	423,373	6,651,895	325,010	412,428	6,709,194	255,992	97	101	79
Other	7,772	5,686	883	7,050	5,269	280	91	93	32
<b>Total</b>	<b>3,158,865</b>	<b>11,107,758</b>	<b>954,136</b>	<b>3,376,266</b>	<b>11,092,379</b>	<b>788,266</b>	<b>107</b>	<b>100</b>	<b>83</b>

As of 31/03/2020, compared to the end of 2019, short term loans in the FB&H banking sector have risen by BAM 217.4 million or 6.9% and long term loans went down by BAM 15.4 million or 0.1%.

Receivables due amount to BAM 788.3 million, down by BAM 165.9 million or 17.4% vs. YE2019. This significant rate of reduction of receivables due stems largely from the performed accounting write-off.

Loans approved in domestic currency have the highest share of 49.7% or BAM 7.6 billion in the loans' currency structure, followed by loans approved with a currency clause with a share of 46.7% or BAM 7.1 billion (EUR: BAM 7.1 billion or 99.8%, CHF: BAM 16.6 million or 0.2%), while loans approved in foreign currency have the lowest share of 3.6% or BAM 541.4 million (of which BAM 540.6 million or 99.9% relates to EUR).

The following table provides an overview of corporate and retail loans by credit risk grades and related ECLs:

- BAM 000 -

<i>Table 24: Loans by credit risk grades</i>									
Description	31.12.2018			31.12.2019			31.03.2020		
	Amount	ECL	% ECL	Amount	ECL	% ECL	Amount	ECL	% ECL
1	2	3	4	5	6	7	8	9	10
<b>I Corporate loans</b>									
Credit risk grade 1	5.624.867	59.945	1,1	6.146.371	51.146	0,8	6.290.480	75.411	1,2
Credit risk grade 2	1.017.975	57.914	5,7	904.039	55.828	6,2	936.539	86.075	9,2
Credit risk grade 3	828.813	572.989	69,1	770.071	516.128	67,0	652.278	501.601	76,9
<b>Total I</b>	<b>7.471.655</b>	<b>690.848</b>	<b>9,2</b>	<b>7.820.481</b>	<b>623.102</b>	<b>8,0</b>	<b>7.879.297</b>	<b>663.087</b>	<b>8,4</b>
<b>II Retail loans</b>									
Credit risk grade 1	5.814.039	59.449	1,0	6.451.878	59.562	0,9	6.502.763	70.783	1,1
Credit risk grade 2	572.455	56.327	9,8	471.019	57.081	12,1	461.549	58.912	12,8
Credit risk grade 3	467.485	384.481	82,2	477.381	381.194	79,9	413.302	345.439	83,6
<b>Total II</b>	<b>6.853.979</b>	<b>500.257</b>	<b>7,3</b>	<b>7.400.278</b>	<b>497.837</b>	<b>6,7</b>	<b>7.377.614</b>	<b>475.134</b>	<b>6,4</b>
<b>Total loans:</b>									
Credit risk grade 1	11.438.906	119.394	1,0	12.598.249	110.708	0,9	12.793.244	146.194	1,1
Credit risk grade 2	1.590.430	114.241	7,2	1.375.058	112.909	8,2	1.398.088	144.987	10,4
Credit risk grade 3	1.296.298	957.470	73,9	1.247.452	897.322	71,9	1.065.580	847.040	79,5
<b>Total loans (I+II)</b>	<b>14.325.634</b>	<b>1.191.105</b>	<b>8,3</b>	<b>15.220.759</b>	<b>1.120.939</b>	<b>7,4</b>	<b>15.256.911</b>	<b>1.138.221</b>	<b>7,5</b>

The loan portfolio allocated to the credit risk grade 1 as of 31/03/2020 stood at BAM 12.8 billion, representing 83.9% of the total loan portfolio. This represents an increase against

YE2019 by BAM 195 million or 1.5%. The ECL coverage rate for the credit risk grade 1 is 1.1% (corporate 1.2% and retail 1.5%), up by 0.2 percentage points vs. 31/12/2019.

The loan portfolio in the credit risk grade 2 as of 31/03/2020 stood at BAM 1.4 billion, thus making up for 9.2% of the total loan portfolio. Compared to YE2019, it is by BAM 23 million or 1.7% higher. The ECL coverage rate for this credit risk grade is 10.4% (corporate 9.2% and retail 12.8%), up by 2.2 percentage points compared to 31/12/2019.

The loan portfolio in the credit risk grade 3 (NPL) as of 31/03/2020 amounted 1.1 billion, thus constituting 7% of the total loan portfolio. It went down by BAM 181.9 million or 14.6% vs. YE2019, as mostly resulting from the accounting write-off performed in line with the Decision on Credit Risk Management and Determination of Expected Credit Losses. The ECL coverage rate for the credit risk grade 3 is 79.5% (corporate 76.9% and retail 83.6%), up by 7.6 percentage points vs. 31/12/2019.

Out of total corporate loans, BAM 652.3 million or 8.3% refers to the corporate segment, down by 1.5 percentage points vs. YE2019. As for the retail segment, NPLS stood at BAM 413.3 million or 5.6%, thus being 0.9 percentage points lower than as at YE2019.

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

*Chart 10: Share of NPLs in loans*



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

As for corporate loans, the biggest share relates to the trade sector (BAM 2.9 billion or 36.8% of corporate loans, i.e. 19% of the total loan portfolio), processing industry (BAM 1.6 billion or 20.9% of corporate loans, i.e. 10.8% of the total loans) and financial industry (BAM 538.8 million or 6.8% of corporate loans, i.e. 3.5% of the total loans). The share of NPLs in loans to the trade sector is 7.6%, to the processing industry 7.4% and to the financial industry 0.8%.

With regards to corporate loans, the biggest share of NPLs as of 31/03/2020 referred to loans approved to education (32.4%), production and supply of electricity and gas (22.2%) and agriculture (19.8%).

As far as retail loans are concerned, the largest share is with general consumption loans (BAM 6 billion or 80.8% of retail loans, i.e. 39.1% of the total loans) and housing loans (BAM 1.3 billion or 18% of retail loans, i.e. 8.7% of the total loans). The share of NPLs in general consumption loans is 5.9% and with housing loans 3.9%. The high share of general consumption loans in the loan portfolio of the FB&H banking sector calls for greater caution in shaping credit policies in banks.

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

Q1 2020 saw a significant improvement of key indicators of credit risk measurement in the FB&H banking sector (share of NPLs, ECL coverage rate and share of loans due). This, among other things, came as a result of implementation of new regulations. A challenge placed before the FB&H banking sector in the forthcoming period is to maintain positive trends considering negative effects for the economy caused by the emergence of COVID-19.

#### 1.2.5. Profitability

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

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

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

Positive financial performance of BAM 72.6 million across the FB&H banking sector was reported for the January 1 – March 31, 2020 period, which was lower by BAM 17.2 million or 19.2% compared to the same period of 2019. Consequences caused by the COVID-19 pandemic did not have significant influence over the financial result of the FB&H banking sector during Q1 2020, as this will only be visible over the following period. The total net profit was BAM 76.4 million (12 banks), with a BAM 3.8 million loss reported by three banks.

Annex 5 shows the FB&H banks' income statement for the January 1 – March 31, 2020 period, according to the FBA's scheme, with the comparative data for the same reporting period of 2019.

The following table provides an overview of the reported financial performance across the FB&H banking sector, through the following reporting periods:

- BAM 000 -

Description	31.03.2018		31.03.2019		31.03.2020	
	Amount	Number of banks	Amount	Number of banks	Amount	Number of banks
1	2	3	4	5	6	7
Profit	86,787	14	89,941	14	76,391	12
Loss	165	1	132	1	3,824	3
<b>Total</b>	<b>86,622</b>	<b>15</b>	<b>89,809</b>	<b>15</b>	<b>72,567</b>	<b>15</b>

Looking into figures from the table above, evidently after profit posted in Q1 2019, there was a major decrease of this item during 2020 (by 19.2%) and three banks have posted an operating loss in Q1 2020.

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

According to the banks' reporting data as of 31/03/2020, the total income across the FB&H banking sector is BAM 292.8 million and, compared to the same period last year, it increased by BAM 5.7 million, which is an increase of 2%.

- BAM 000 -

Structure of total income	31.03.2019		31.03.2020		Index (4/2)
	Amount	%	Amount	%	
1	2	3	4	5	6
I Interest income and similar income					
Interest-bearing deposit accounts with deposit institutions	1,206	0.4	1,091	0.4	90
Loans and leasing operations	160,231	55.8	159,120	54.3	99
Other interest income	18,910	6.6	17,805	6.1	94
<b>Total I</b>	<b>180,347</b>	<b>62.8</b>	<b>178,016</b>	<b>60.8</b>	<b>99</b>
II Operating income					
Service fees	80,581	28.0	85,049	29.1	106
Income from FX operations	12,833	4.5	13,831	4.7	108
Other operating income	13,398	4.7	15,922	5.4	119
<b>Total II</b>	<b>106,812</b>	<b>37.2</b>	<b>114,802</b>	<b>39.2</b>	<b>107</b>
<b>Total income (I+II)</b>	<b>287,159</b>	<b>100</b>	<b>292,818</b>	<b>100</b>	<b>102</b>

In the total income structure, interest income and similar income hold a share of 60.8%, while operating income participate with 39.2%. Compared to the same period the year before, there was a decrease of share of interest and similar income by 2 percentage points, while share of operating income has increased.

Total interest and similar income reported a decrease in the reporting period by BAM 2.3 million or 1.3%. A dominant item among these income categories was income from interest on loans and leasing facilities with a share in total income dropping by 1.5 percentage points. At the same time, the share of loans and leasing type receivables in total assets decreased by 0.8 percentage points (from 64.9% to 64.1%), while average interest receivables related to loans went down from 3.36% to 3.06% (by 0.3 percentage points).

Within other interest income, there was a decrease across all positions of interest income (interest income on securities held to maturity by 9.2%, interest income on facilities to other banks by 32.6% and other interest income by 4%). Out of total interest income on securities in the Q1 2020 (participating in total interest income with a share of 1%), 79.4% refers to one bank. Also, income from interest on facilities to other banks participates in total interest income with 1% and most of this figure (91.4%) refers to two banks.

Looking into the sector structure of interest income, most of this refers to income from the retail segment (62.2%), although retail loans make up for 48.4% of the total loan portfolio of the FB&H banking sector due to higher average NIR of the Retail segment of 5.46% compared to the corporate segment's NIR of 2.38%. Out of total interest income, the part that refers to private companies is 29.1% and 4.1% refers to government institutions and 1.5% to public companies.

The total operating income recorded an increase of BAM 8 million or 7.5% in the reporting period. The largest item in the structure of total operating income is income from service fees which recorded an increase of BAM 4.5 million or 5.5%. There was also an increase in the income from foreign exchange operations by BAM 1 million or 7.8%, while other operating income rose by BAM 2.5 million or 18.8%.

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

According to the banks' reporting data as of 31/03/2020, total expenses across the FB&H banking sector are BAM 219.8 million, which increased by BAM 22.9 million or 11.6% compared to 31/03/2019. The structure of the FB&H banking sector's total expenses in the reporting period is provided in the following table:

- BAM 000 -

*Table 27: Structure of total expenses*

Structure of total expenses	31.03.2019		31.03.2020		Index (4/2)
	Amount	%	Amount	%	
1	2	3	4	5	6
<b>I Interest expenses and similar expenses</b>					
Deposits	23,726	12.1	24,025	10.9	101
Liabilities on loans and other borrowings	2,252	1.1	2,267	1.0	101
Other interest expenses	4,950	2.5	7,585	3.5	153
<b>Total I</b>	<b>30,928</b>	<b>15.7</b>	<b>33,877</b>	<b>15.4</b>	<b>110</b>
<b>II Total non-interest expenses</b>					
Costs of impairments of assets at risk, provisions on contingent liabilities and other value adjustments	10,290	5.2	20,659	9.4	201
Salary and contribution costs	63,335	32.2	64,056	29.1	101
Business premises costs and depreciation	37,656	19.1	38,763	17.6	103
Other operating and direct costs	29,610	15.0	33,859	15.4	114
Other operating costs	25,054	12.7	28,545	13.0	114
<b>Total II</b>	<b>165,945</b>	<b>84.3</b>	<b>185,882</b>	<b>84.6</b>	<b>112</b>
<b>Total expenses (I+II)</b>	<b>196,873</b>	<b>100</b>	<b>219,759</b>	<b>100</b>	<b>112</b>

The total expenses structure is dominated by non-interest expenses with a share of 84.6%, while interest expenses and similar expenses account for 15.4%.

In the reporting period, interest and similar expenses increased by BAM 2.9 million or 9.5%, whereas interest expenses on deposits, which are the FB&H banking sector's dominant funding source, rose by 1.3%, while other interest income rose by 53.2% primarily due to negative interest rate on deposits with foreign banks and negative fee for banks' funds in excess of the legal reserve with CBBH. The increase of interest expenses on deposits is a result of the deposit growth in the reporting period.

The deposit potential at the end of March 2020 stood at BAM 19.1 billion, up by BAM 1.3 million compared to the same period last year. Interest-bearing deposits participate in total deposit potential as of 31/03/2020 with a share of 71.8%, whereas 77.2% of the total deposit growth in the observed period relates to an increase of interest-bearing deposits. At the same time, there was a decrease of average interest payables on deposits from 0.93% to 0.78%.



Over the observed period, interest expenses on loans and other borrowings rose slightly by 0.7%, while the FB&H banking sector's level of indebtedness on loans and other borrowings rose by BAM 19.7 million or 2.3%.

Across the FB&H banking sector, there was an increase by BAM 19.9 million or 12% in the total non-interest expenses in the reporting period, where the most significant structural change relates to an increase in the costs of impairments of risk assets and provisions for contingent liabilities and other value adjustments by BAM 10.4 million or 100.8%.

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

The following table provides an overview of the most important ratios that are used as measures for assessing the FB&H banks' operational profitability, productivity, and efficiency:

- BAM 000 or % -

<i>Table 28: Profitability, productivity, and efficiency ratios by periods</i>				
	31.03.2018	31.03.2019	31.03.2020	
	1	2	3	4
Net profit		86,622	89,809	72,567
Average net assets		20,228,245	22,310,596	23,949,225
Average total capital		2,829,602	3,035,999	2,933,541
Total income		253,422	256,231	258,941
Net interest income		150,371	149,419	144,139
Operating income		103,051	106,812	114,802
Operating expenses		123,866	126,045	131,364
Operating and direct expenses		42,934	39,900	54,518
Other operating and direct expenses		26,631	29,610	33,859
Return on average assets (ROAA)		0.4	0.4	0.3
Return on average equity (ROAE)		3.1	3.0	2.5
Total income/average assets		1.3	1.1	1.1
Net interest income/average assets (NIM)*		0.7	0.7	0.6
Net interest margin (interest income /average interest-bearing assets – interest expenses/average interest-based liabilities)		0.8	0.7	0.6
Operating expenses/total income minus other operating and direct expenses (CIR)**		54.6	55.6	58.4

\* NIM = Net Income Margin

\*\* CIR = Cost-income Ratio

During Q1 2020, all indicators of profitability are showing a downward trend against the same period of the year before.

Looking into the net interest income, there is a decrease vs. the same period in 2019 by BAM 5.3 million or 3.5%. This item constitutes 55.7% of total income, while in the same period in 2019 its share was 58.3%.

#### 1.2.6. Weighted NIR and EIR

In order to increase transparency and facilitate the comparability of the banks' terms for approving loans and receiving deposits, as well as to protect clients through introduction of transparent disclosure of the loan costs, i.e. the deposit income, in accordance with the international standards, criteria, and practices in other countries, the FBA prescribed a uniform method of calculating and disclosing EIR for all banks seated in the FB&H, as well as the organizational parts of the banks seated in the RS, which operate in the FB&H, and mandatory monthly reporting to the FBA on weighted NIR and EIR on approved loans and received deposits in the reporting month, in accordance with the prescribed methodology<sup>11</sup>.

<sup>11</sup> Decision on Uniform Method of Calculating and Disclosing Effective Interest Rates on Loans and Deposits ("Official Gazette of the Federation of B&H", No. 81/17), and Instructions for Calculating Weighted Nominal and Effective Interest Rates

For purposes of loan beneficiaries and when analyzing the interest rate trend, it is relevant to monitor the weighted EIR trend since it includes all costs paid by the client, which are directly related to the loan, i.e. the terms of use of the loan, and are factored in the pricing of the loan (for example, loan processing costs, insurance premium costs for natural persons if insurance is a loan approval requirement, then other costs related to ancillary services paid by the client, which are a requirement for using the loan).

Annex 6 provides weighted average NIR and EIR on loans and deposits as of 31/03/2020, while Annex 6a provides weighted average NIR and EIR on loans and deposits by periods. The total weighted average EIR on loans in the FB&H banking sector as of 31/03/2020 is 3.55% and is lower by 0.31 percentage points compared to the end of 2019, when it was 3.86%.

The downward trend in the weighted average EIR is present across the FB&H banking sector in the reporting period, both in short-term loans (0.18 percentage points, decrease from 2.67% to 2.49%) and in long-term loans (0.02 percentage points, from 5.49% to 5.47). Viewed in the aforementioned period according to the sector structure, EIR on total corporate loans decreased by 0.22 percentage points (from 2.81% to 2.59), while on retail loans it decreased by 0.07 percentage points (from 6.89% to 6.96).

The total weighted average EIR on deposits in the FB&H banking sector as of 31/03/2020 is 0.79% and is higher by 0.04 percentage points compared to the end of 2019, when it was 0.75%. Viewed according to the deposit maturity, the weighted average EIR on short-term deposits recorded an increase of 0.18 percentage points (from 0.33% to 0.51%), while it decreased by 0.24 percentage points (from 1.19% to 0.95%) on long-term deposits.

On the overall level in the reporting period, the decrease in EIR on loans (0.31 percentage points) was more pronounced compared to the increase in EIR on deposits (0.04 percentage points).

### 1.2.7. Liquidity

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

The Decision on Liquidity Risk Management in Banks provides for the minimum qualitative requirements for liquidity risk management in banks, starting from the regulatory standards for risk management in banks, quantitative requirements for banks in respect of LCR (min. 100%) and ensuring stable funding, as well as using additional mechanisms for liquidity risk monitoring and assessment.

The following table provides the trend of LCR performance in the FB&H banking sector:

- BAM 000 -

<i>Table 29: LCR</i>					
Description	31.12.2018	31.12.2019	31.03.2020	Index	
				(3/2)	(4/3)
1	2	3	4	5	6
Liquidity buffer	4,325,281	4,727,454	4,782,441	109	101
Net liquidity outflows	1,392,629	1,628,421	1,678,630	117	103

LCR	311%	290%	285%	93	98
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As of 31/03/2020, LCR across the FB&H banking sector was 285%. All banks in the FB&H banking sector with the balance as at 31/03/2020 meet the requirements in respect of LCR, while the majority of banks are significantly above the regulatory minimum.

In the banking sector's funding structure as at 31/03/2020, deposits have the highest share of 80.4%, followed by the loans taken (including subordinated debts) with a 4.4% share.

The maturity structure of deposits by residual maturity is shown in the following table:

- BAM 000 -

*Table 30: Maturity structure of deposits by residual maturity*

Deposits	31.12.2018		31.12.2019		31.03.2020		Index	
	Amount	% share	Amount	% share	Amount	% share	(4/2)	(6/4)
1	2	3	4	5	6	7	8	9
Savings and sight deposits (up to 7 days)	10,562,608	60.0	11,196,133	57.7	10,961,207	57.3	106	98
7-90 days	1,058,414	6.0	855,191	4.4	1,058,597	5.5	81	124
91 days to one year	2,616,873	14.9	3,175,998	16.4	2,970,794	15.5	121	94
<b>1. Total short term</b>	<b>14,237,895</b>	<b>80.9</b>	<b>15,227,322</b>	<b>78.5</b>	<b>14,990,598</b>	<b>78.3</b>	<b>107</b>	<b>98</b>
Up to 5 years	3,193,809	18.1	3,983,643	20.5	3,957,055	20.7	125	99
Over 5 years	172,783	1.0	203,329	1.0	200,429	1.0	118	99
<b>2. Total long term</b>	<b>3,366,592</b>	<b>19.1</b>	<b>4,186,972</b>	<b>21.5</b>	<b>4,157,484</b>	<b>21.7</b>	<b>124</b>	<b>99</b>
<b>Total (1 + 2)</b>	<b>17,604,487</b>	<b>100</b>	<b>19,414,294</b>	<b>100</b>	<b>19,148,082</b>	<b>100</b>	<b>110</b>	<b>99</b>

As of 31/03/2020, short-term deposits had a 78.3% share, while long-term ones had a 21.7% share, with the share of the short-term deposits decreasing, i.e. the share of the long-term ones increasing by 0.2 percentage points compared to the end of 2019.

In the reporting period, a decrease of BAM 236.7 million or 1.6% was recorded in relation to short-term deposits and a decrease of BAM 29.5 million or 0.7% in relation to long-term deposits. A decrease in long-term deposits was also realized in the deposits of up to 5 years (by BAM 26.6 million or 0.7%) and in deposits of over 5 years (by BAM 2.9 million or 1.4%).

Looking into the structure of long term deposits with residual maturity, evidently they are dominated by deposits with residual maturity of up to 5 years (95.2% of long term deposits and 20.7% of total deposits).

An overview of the core liquidity indicators is shown in the following table:

- % -

*Table 31: Liquidity ratios*

Ratios	31.12.2018	31.12.2019	31.03.2020
1	2	3	4
Liquid assets <sup>12</sup> /net assets	30.8	31.9	30.8
Liquid assets/ short-term financial liabilities	46.3	49.2	47.3
Short-term financial liabilities/ total financial liabilities	77.7	75.4	75.2
Loans/deposits and loans taken <sup>13</sup>	77.6	75.1	76.2
Loans/ deposits, loans taken and subordinated debts <sup>14</sup>	77.1	74.4	75.6

The loans to deposits and loans taken ratio as at 31/03/2020 was 76.2%, which was higher by 1.1 percentage point compared to the end of 2019 (located in the marginally satisfactory zone).

<sup>12</sup> Liquid assets in narrow sense: cash and deposits and other financial assets with residual maturity period of less than three months, excluding interbank deposits.

<sup>13</sup> Empirical standards are: less than 70% - very solid, 71%-75% - satisfactory, 76%-80% - borderline satisfactory, 81%-85% - insufficient, over 85% - critical

<sup>14</sup> Previous ratio is expanded, the funding also includes subordinated debts, which is a more realistic indicator.

In two banks, this ratio is higher than 85%. The share of short-term financial liabilities in total financial liabilities is still high, but the liquid assets to total assets ratio is continuously satisfactory.

An important aspect of the liquidity position monitoring and analysis is matching of residual maturities of financial assets and financial liabilities against the timeline set by the minimum limits and created for a 180-day time horizon<sup>15</sup>.

For purpose of planning the required level of liquid resources, banks should plan the funding and structure of an adequate liquidity potential and also plan a credit policy accordingly. The maturity of placements, i.e. the loan portfolio is determined precisely by the maturity of funding.

Given that the maturity transformation of funds in banks is inherently related to functional characteristics of banking operations, banks continuously control and hold maturity mismatches between the funding and placements in accordance with regulatory limits.

The following table and chart provide an overview of maturity matching of financial assets and liabilities of up to 180 days:

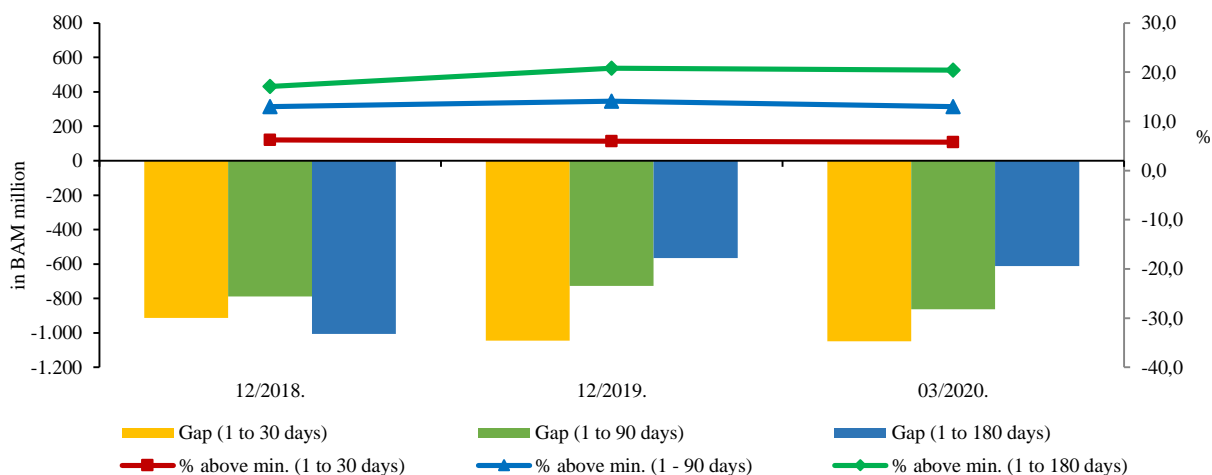
- BAM 000 -

*Table 32: Maturity matching of financial assets and financial liabilities of up to 180 days*

Description	31.12.2018	31.12.2019	31.03.2020	Index	
	Amount	Amount	Amount	(3/2)	(4/3)
1	2	3	4	5	6
<b>I 1-30 days</b>					
1. Amount of financial assets	9,513,412	10,579,834	10,376,713	111	98
2. Amount of financial liabilities	10,425,706	11,624,766	11,425,504	112	98
3. Balance (+ or -) = 1-2	-912,294	-1,044,932	-1,048,791	-	-
<i>Calculation of compliance with regulatory requirements in %</i>					
a) Actual %= no. 1 / no. 2	91.2%	91.0%	90.8%		
b) Regulatory minimum %	85.0%	85.0%	85.0%		
More (+) or less (-) = a - b	6.2%	6.0%	5.8%		
<b>II 1-90 days</b>					
1. Amount of financial assets	10,556,830	11,641,857	11,509,015	110	99
2. Amount of financial liabilities	11,345,741	12,367,913	12,371,381	109	100
3. Balance (+ or -) = 1-2	-788,911	-726,056	-862,366	-	-
<i>Calculation of compliance with regulatory requirements in %</i>					
a) Actual %= no. 1 / no. 2	93.0%	94.1%	93.0%		
b) Regulatory minimum %	80.0%	80.0%	80.0%		
More (+) or less (-) = a - b	13.0%	14.1%	13.0%		
<b>III 1-180 days</b>					
1. Amount of financial assets	11,640,075	12,985,569	12,725,019	112	98
2. Amount of financial liabilities	12,644,902	13,550,664	13,337,010	107	98
3. Balance (+ or -) = 1-2	-1,004,827	-565,095	-611,991	-	-
<i>Calculation of compliance with regulatory requirements in %</i>					
a) Actual %= no. 1 / no. 2	92.1%	95.8%	95.4%		
b) Regulatory minimum %	75.0%	75.0%	75.0%		
More (+) or less (-) = a - b	17.1%	20.8%	20.4%		

<sup>15</sup> Article 41 of the Decision on Liquidity Risk Management in Banks („Official Gazette of the Federation of BiH“ No. 81/17): „Until NSFR from Article 34 hereof is introduced as a mandatory quantitative requirement for banks, the banks shall apply and report on maturity matching of financial assets and financial liabilities and the structure of the largest funding sources, and accordingly Articles 6(3)(1), 6a, 6b, 11(2), and 12 of the Decision on the Minimum Standards for Liquidity Risk Management in Banks („Official Gazette of the Federation of BiH“ Nos. 48/12, 110/12, and 45/14) shall remain effective“. Regulatory percentages for the maturity matching of financial assets and financial liabilities: minimum 85% of the funding with the maturity period of up to 30 days must be engaged in placements with the maturity period of up to 30 days, minimum 80% of the funding with the maturity period of up to 90 days must be engaged in the placements with the maturity period of up to 90 days, and minimum 75% of the funding with the maturity period of up to 180 days must be engaged in the placements with the maturity period of up to 180 days.

Chart 11: Maturity matching of financial assets and financial liabilities of up to 180 days



As of 31/03/2020, financial assets in all three time buckets were lower than financial liabilities, and the actual percentages of maturity matching were above the prescribed minimum: in the first time bucket by 5.8%, in the second one by 13% and in the third time bucket by 20.4%. Compared to the end of 2019, actual percentages of maturity matching were lower in all time buckets: 1-30 days by 0.2 percentage points, 1-90 days by 1.1 percentage point and in the time bucket of 1-180 days by 3.7 percentage points, while in the time bucket of 1-30 days they were lower by 0.5 percentage points.

By observing the key liquidity indicators, qualitative and quantitative requirements, as well as other factors affecting banks' liquidity position, it could be inferred that the FB&H banking sector's liquidity as of 31/03/2020 is satisfactory. Since this business area and liquidity risk exposure level are in correlation with credit risk (lower inflows of liquid assets relate to difficulties in collection of loans), while having regard to other important factors (maturity structure of deposits, repayment of past-due loan obligations, and significantly lower borrowing from international financial institutions, which was the banks' funding source of the highest quality in the previous years from the aspect of maturity), it should be noted that liquidity risk management and monitoring should be in the focus of banks. This is being ensured through establishment and implementation of liquidity policies, which will ensure meeting of all obligations as they come due in a timely fashion, based on ongoing planning of future liquidity needs, thus taking into account changes in operational, 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 arising from potential losses related to on- and off-balance sheet items resulting from changes in market prices. One of those risks is also FX risk, arising as a result of changes in exchange rates and/or mismatches in the levels of assets, liabilities, and off-balance sheet items in the same currency - individual foreign exchange position or all currencies combined with which the bank operates – the bank's total foreign exchange position.

The Decision on Foreign Exchange Risk Management in Banks<sup>16</sup>, provides for how the foreign exchange position is calculated and maximum permitted FX risk exposure, i.e. the limits for

<sup>16</sup> FB&H Official Gazette No. 81/17



open individual and total foreign exchange positions (long or short), calculated by reference to the bank's eligible capital<sup>17</sup>. In order for the FBA to monitor banks' compliance with the regulatory limits and FX risk exposure level, banks are required to report to the FBA on a daily basis. Based on the control, monitoring and analysis of reports, it could be inferred that banks comply with the regulatory limits and perform their FX activities within such limits.

According to the balance as at 31/03/2020, the items in foreign currencies amounted to BAM 3.8 billion, with a 15.9% share (BAM 3.8 billion or 15.7% at the end of 2019) in the currency structure of the banks' assets across the banking sector. The currency structure of liabilities is significantly different, because the share of liabilities in foreign currency is significantly higher and amounts to BAM 8.4 billion or 35.1% (BAM 8.6 billion, with 35.5% share at the end of 2019).

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

- BAM million -

*Table 33: Foreign exchange matching of financial assets and financial liabilities (EUR and total)<sup>18</sup>*

Description	31.12.2019				31.03.2020				Index	
	EUR		Total		EUR		Total		EUR	Total
	Amount	% share	Amount	% share	Amount	% share	Amount	% share	(6/2)	(8/4)
1	2	3	4	5	6	7	8	9	10	11
<b>I Financial assets</b>										
1. Cash	2,065	20,6	2,543	23,8	1,964	19,9	2,447	23,2	95	96
2. Loans	336	3,4	337	3,2	528	5,3	528	5,0	157	157
3. Loans with currency clause	6,651	66,3	6,655	62,2	6,497	65,7	6,500	61,7	98	98
4. Other	727	7,2	911	8,5	648	6,6	819	7,8	89	90
5. Other financial assets with currency clause	251	2,5	251	2,3	249	2,5	249	2,4	99	99
<b>Total I (1+2+3+4+5)</b>	<b>10,030</b>	<b>100</b>	<b>10,697</b>	<b>100</b>	<b>9,886</b>	<b>100</b>	<b>10,543</b>	<b>100</b>	<b>99</b>	<b>99</b>
<b>II Financial liabilities</b>										
1. Deposits	6,841	73,8	7,529	75,6	6,577	72,8	7,271	74,6	96	97
2. Loans	850	9,2	850	8,5	858	9,5	858	8,8	101	101
3. Deposits and loans with currency clause	1,363	14,7	1,364	13,7	1,385	15,3	1,385	14,2	102	102
4. Other	213	2,3	221	2,2	220	2,4	229	2,4	103	104
<b>Total II (1+2+3+4)</b>	<b>9,268</b>	<b>100</b>	<b>9,964</b>	<b>100</b>	<b>9,040</b>	<b>100</b>	<b>9,743</b>	<b>100</b>	<b>98</b>	<b>98</b>
<b>III Off-balance sheet</b>										
1. Assets	37		79		15		66			
2. Liabilities	764		771		907		909			
<b>IV Position</b>										
Long (amount)	35		41							
%	1.3%		1.5%							
Short					46		43			
%					1.7%		1.6%			
Permitted	30.0%		30.0%		30.0%		30.0%			
<b>Less than permitted</b>	<b>28.7%</b>		<b>28.5%</b>		<b>28.3%</b>		<b>28.4%</b>			

Viewed by banks and as the total across the FB&H banking sector, it could be noted that the banks and sector's FX risk exposures as of 31/03/2020 ranged within the regulatory limits. As of 31/03/2020, ten banks had long foreign exchange positions, while five banks had short positions. A short foreign exchange position of 1.6% of the banks' total eligible capital was reported across the sector, which was lower by 28.5 percentage points than the permitted one. The individual foreign exchange position for EUR was 1.7%, which was lower by 28.3 percentage points than

<sup>17</sup> Article 3 of the Decision on Foreign Exchange Risk Management in Banks provides for the limits: maximum of up to 30% for individual foreign exchange position for EUR, up to 20% for other currencies, and maximum of up to 30% of the bank's eligible capital for the bank's foreign exchange position.

<sup>18</sup> Source: Form 5 – Foreign Exchange Position

the permitted one, where the financial asset items were lower than the financial liabilities (short position).

If the structure of foreign currencies in the financial assets is analyzed<sup>19</sup>, the EUR's 82.8% share is dominant (82.5% as at December 31<sup>st</sup>, 2019), with an increase in the nominal amount of BAM 11.3 million or 0.4%. The EUR's share in financial liabilities is 91.6% and, compared to the end of 2019, it decreased by BAM 249.5 million or 3.2%. The calculation basis for EUR's share in financial assets and financial liabilities does not include the items with a currency clause.

### 1.3. BANKING SECTOR RECOMMENDATIONS

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

- monitoring consequences caused by the pandemic and measures taken by Crisis Headquarters on operations of legal entities and on financial capacity of citizens, as well as ensuring timely intervention within the regulatory framework for purpose of enabling support to the banking sector, legal entities and citizens (as customers);
- monitoring effects of FBA's special measures to mitigate adverse consequences caused by COVID-19 and banks' actions regarding these measures;
- implementing SREP for all banks in line with adopted Methodology;
- controls of the dominant risky business areas, examinations of the systemically important banks in terms of the development of credit activities and banks in which large amounts of savings and other deposits are concentrated, and examinations of practices applied in banks in the segment of protection of financial users and guarantors, etc.;
- implementation of capital plans of banks, especially those with a major share of NPLs;
- monitoring implementation of the Decision on Credit Risk Management and Determination of Expected Credit Losses;
- establishing, expanding, and improving cooperation with competent supervisory authorities for the supervision of banking groups from the EU and third countries whose members are seated in the FB&H, with a view to supervising more efficiently and improving supervisory practices and cooperating and sharing information with the ECB and EBA on the issues of supervision and banking regulations, as well as with the international financial institutions;
- improving cooperation by signing new cooperation agreements with relevant institutions in B&H, which are included in the institutional framework for the performance of supervision, crisis and systemic risk management, financial users' protection; and
- continuing cooperation with the BAB&H, with a view to improving banks' operations, compliance of their operations with regulations, international standards, and professional rules, and market requirements, etc.

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

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<sup>19</sup> Source: Report on Bank's Foreign Exchange Position: Part of Financial Assets (in Foreign Currencies Denominated in BAM). Financial assets are reported in net terms, i.e. minus impairments and reserves for contingent liabilities.

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

- consistent implementation of special measures that the FBA adopted for purpose of mitigating negative consequences of the COVID-19 pandemic;
- corporate and retail credit support, with implementation of the regulatory requirements in respect of credit risk management and maintenance of adequate capitalization against banks' risk profiles;
- efficiency of an integrated risk management system and improvement of a system for early increased credit risk identification, i.e. deterioration in the loan portfolio's quality, as well as more efficient NPL management measures;
- bringing operations in compliance with the new regulatory requirements for banks' operations and supervision, including also the requirements related to recovery and resolution planning in banks;
- consistent and full implementation of the IAS/IFRS;
- updating business continuity plans in order to adequately prepare for operations under emergency situations;
- updating recovery plans, thus paying special attention to the following key segments: escalation process, recovery indicators and options;
- improving ICAAP and ILAAP in accordance with the new regulatory requirements;
- consistent implementation of regulations in the segments of payment operations, AML/CTF, protection of financial users and guarantors, security and safety of money in banks and in transport;
- active participation in implementation of reform measures and measures to address the issues of over indebtedness of citizens, and in corporate financial consolidation, etc.

## 2. NON-DEPOSIT FINANCIAL INSTITUTIONS SECTOR

In accordance with the FBA's prescribed supervisory authorities for non-deposit financial institutions in the FB&H (MCOs, leasing companies and factoring business, for which founding, operations, management, supervision and termination of their activities are regulated under special laws and regulations), this section of the Information provides an overview of the structure and financial indicators of operations of the aforementioned non-deposit financial institutions in the FB&H in the Q1 2020. MCO data for 2019 are aligned with the new reporting methodology<sup>20</sup> using forms prescribed by the Decision on Reports Micro Credit Organisations Deliver to the Banking Agency of the Federation of Bosnia and Herzegovina and Reporting Deadlines<sup>21</sup>.

### 2.1. MICROCREDIT SECTOR

#### 2.1.1. MICROCREDIT SECTOR STRUCTURE IN THE FB&H

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

In the FB&H as of 31/03/2020, FBA's operating licenses were held by 14 MCOs that comprise the microcredit sector in the FB&H, of which 11 are MCFs (non-profit organizations) and three are MCCs (profit organizations). Compared to December 31, 2019, there were no changes to the number of MCOs.

The microcredit sector in the FB&H is, as of 31/03/2020, operates through the total of 377 organizational parts of MCOs seated in the FB&H, which, compared to data as of December 31, 2019 represents an increase by 3 organizational parts or 0.8%. As of 31/03/2020, four MCCs with headquarters in the RS operate in the FB&H through 48 organizational units, which is the same as at December 31, 2019.

Annex 7 provides basic information on MCFs and MCCs which, as of 31/03/2020 held the FBA's license for performing the micro lending activity.

##### 2.1.1.2. Ownership Structure

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

##### 2.1.1.3. Staff Structure

The microcredit sector in the FB&H, as of 31/03/2020, had a total of 1,359 employees, which is higher by 16 employees, i.e. 1.2%, compared to December 31, 2019. More precisely, in five MCFs and one MCC there is an evident increase in the number of employees, in three MCFs and two MCCs there is a decrease in the number of employees, while in three MCFs the number of employees remained unchanged. Out of the total number of employees in the microcredit sector

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<sup>20</sup> Manner and methodology of preparing reports of MCOs prescribed in the Reporting Instructions for Micro Credit Organisations No. 01-56/20 of 15.01.2020.

<sup>21</sup> FB&H Official Gazette No. 87/19

in the FB&H, MCFs employ 1,105 persons or 81.3% %, while MCCs employ 254 persons or 18.7%.

An overview of qualification structure of employees in the FB&H microcredit sector is provided in the table below:

No.	Qualification	31.12.2019		31.03.2020		Index (5/3)
		No. of employees	% share	No. of employees	% share	
1	2	3	4	5	6	7
1.	University qualifications	702	52.3	720	53.0	103
2.	Two-year post-secondary school qualifications	102	7.6	102	7.5	100
3.	Secondary school qualifications	529	39.4	527	38.8	100
4.	Other	10	0.7	10	0.7	100
<b>Total</b>		<b>1,343<sup>22</sup></b>	<b>100</b>	<b>1,359</b>	<b>100</b>	<b>101</b>

An analysis of data on staff efficiency in the FB&H microcredit sector as of 31/03/2020 shows that assets per MCO employee amounted BAM 0.5 million, down by 2.4% vs. 31/12/2019.

## 2.1.2. FINANCIAL INDICATORS OF PERFORMANCE

### 2.1.2.1. Balance Sheet

Total assets of the FB&H microcredit sector as of 31/03/2020 amounted to BAM 621.4 million and are lower by BAM 8.2 million, i.e. 1.3% compared to December 31, 2019. The increase in balance sheet total vs. end of the previous year was seen with three MCFs and two MCCs, while a decrease was evident with eight MCFs and one MCO. The biggest share in the total balance sheet of MCOs is with five MCFs and one MCC with assets amounting to BAM 567.4 million or 91.3% of total assets of the microcredit sector.

Annexes 8 and 9 provide a summary overview of balance sheets of MCFs and MCCs.

The aggregate balance sheet of the FB&H microcredit sector as of 31/03/2020 and comparative data with December 31, 2019 are shown in the following table:

- BAM 000 -

No.	Description	31.12.2019				31.03.2020				Index (9/5)
		Balance for MCFs	Balance for MCCs	Total	%	Balance for MCFs	Balance for MCCs	Total	%	
1	2	3	4	5=3+4	6	7	8	9=7+8	10	11
<b>ASSETS</b>										
1.	Cash	35,594	13,281	48,875	7.8	34,190	10,637	44,827	7.2	92
2.	Placements to banks	2,150	0	2,150	0.3	2,140	0	2,140	0.3	100
3.	Microloans	370,298	140,707	511,005	81.2	367,214	142,453	509,667	82.1	100
4.	Loan loss provisions	2,759	1,411	4,170	0.7	3,875	2,837	6,712	1.1	161
5.	Net microloans	367,539	139,296	506,835	80.5	363,339	139,616	502,955	81.0	99
6.	Premises and other fixed assets	28,231	5,747	33,978	5.4	28,094	5,281	33,375	5.4	98
7.	Long-term investments	33,061	0	33,061	5.3	33,061	0	33,061	5.3	100
8.	Other assets	3,415	1,304	4,719	0.7	3,611	1,422	5,033	0.8	107
9.	Reserves on other items in assets, apart from loans	3	0	3	0.0	4	0	4	0.0	133
<b>Total liabilities</b>		<b>469,987</b>	<b>159,628</b>	<b>629,615</b>	<b>100</b>	<b>464,431</b>	<b>156,956</b>	<b>621,387</b>	<b>100</b>	<b>99</b>
<b>LIABILITIES</b>										
10.	Liabilities on loans	196,769	106,797	303,566	48.2	189,724	103,022	292,746	47.1	96
11.	Other liabilities	24,218	7,517	31,735	5.0	22,329	6,704	29,033	4.7	91
12.	Capital	249,000	45,314	294,314	46.8	252,378	47,230	299,608	48.2	102

<sup>22</sup> Correction of data consolidation

<b>Total liabilities</b>	<b>469,987</b>	<b>159,628</b>	<b>629,615</b>	<b>100</b>	<b>464,431</b>	<b>156,956</b>	<b>621,387</b>	<b>100</b>	<b>99</b>
13. Off-bal.sheet records	357,812	62,655	420,467		360,742	62,198	422,940		101

In the structure of assets of the FB&H microcredit sector as of 31/03/2020, the level and the share of cash is reduced, as well as the level of net loans and tangible and intangible assets. Long term investments posted by one MCF remained the same, while other assets positions posted a rise vs. end of the previous year.

The rate of fixed assets compared to total assets (reduced by donated capital across the FB&H microcredit sector) as of 31/03/2020 amounts to 5.8%, which is within the prescribed limit (up to 10.0%). Therein, one MCF and one MCC reported a rate outside the prescribed limit.

The net microloan portfolio, as a dominant assets item in the microcredit sector amounts to BAM 502.9 million with a share of 81% in total assets, hence it recorded a decrease in absolute amount of BAM 3.9 million, i.e. 0.7%, of which BAM 4.2 million, i.e. 1.1% relate to a decrease in net microloans in MCFs, and BAM 0.3 million, i.e. 0.2% relate to a slight increase of net loans in MCCs, compared to December 31, 2019. The level of loan loss provisions (LLP) for the entire microcredit portfolio in the reporting period is higher by BAM 2.5 million, i.e. 60.9%, where BAM 1.1 million relates to an increase with MCFs, with the increase rate of 40.45%, while the amount of BAM 1.4 million BAM, with the increase rate of 101%, relates to MCCs (as largely resulting from negative effects caused by COVID-19).

Total off-balance sheet records as of 31/03/2020 amounted to BAM 422.9 million and compared to December 31, 2019 they are higher by BAM 2.3 million, i.e. 0.6%, where in MCF they were higher by BAM 2.9 million, i.e. 0.8%, while in MCCs they decreased by BAM 0.4 million, i.e. 0.7%.

Of the total amount in off-balance sheet records as of 31/03/2020, the largest item relates to the written off loans of BAM 152.3 million, i.e. 36%.

The total number of written off microloans as of 31/03/2020 was 37,108, down by a total of 164 microloans (0.4%) vs. 31/12/2019. This came as a net effect of permanent write offs and fully collected microloans.

### 2.1.2.2. Capital and Liabilities

The biggest items in liabilities in the FB&H microcredit sector as of 31/03/2020 relate to: liabilities on loans taken, which amount to BAM 292.8 million, i.e. 47.1% of the total liabilities and capital, amounting to BAM 299.6 million and representing 48.2% of total liabilities. The remaining amount of BAM 29 million, i.e. 4.7% relates to other liabilities. Compared to December 31, 2019, in the Q1 2020 there is an evident decrease in liabilities for loans taken by BAM 10.8 million, i.e. 3.5%.

Maturity structure of liabilities for loans taken is presented in the following table:

- BAM 000-

No.	Description	31.12.2019				31.03.2020				Index (9/5)
		MCF	MCC	Total	%	MCF	MCC	Total	%	
1	2	3	4	5=3+4	6	7	8	9=7+8	10	11
1.	Liabilities on short-term loans taken	45,676	56,995	102,671	33.8	52,987	59,201	112,188	38.3	109
2.	Liabilities on long-term loans taken	150,186	48,888	199,074	65.6	135,385	42,948	178,333	60.9	90
3.	Liabilities based on interest due	907	914	1,821	0.6	1,352	873	2,225	0.8	122
	<b>Total</b>	<b>196,769</b>	<b>106,797</b>	<b>303,566</b>	<b>100</b>	<b>189,724</b>	<b>103,022</b>	<b>292,746</b>	<b>100</b>	<b>96</b>



In the structure of total liabilities on loans taken as of 31/03/2020, loan obligations of MCFs represent 64.8%, while loan obligations of MCCs represent 35.2%.

In respect of the maturity structure of loan obligations in Q1 2020 compared to December 31, 2019, there is an increased share of short term liabilities by 9.2% with a decrease of long term liabilities by 10.4%. Liabilities related to interest due have also risen by 22.2%.

The largest creditors of the FB&H microcredit sector, according to their share in total loan obligations of MCOs as of 31/03/2020, are EFSE Luxembourg with 9.2%, Blue Orchard - Switzerland with 5.7% and KfW Germany with 5.4%.

In the reporting period, across the FB&H microcredit sector, the total increase in capital amounted to BAM 5.3 million, i.e. 1.8%, of which the amount of BAM of 3.4 million, i.e. 1.3% relates to the capital increase in MCFs, while the capital of all the MCCs in the reporting period increased by BAM 1.9 million, i.e. 4.2%.

The structure of capital of the FB&H microcredit sector is shown in the following table:

- BAM 000 -

*Table 37: Microcredit sector's capital structure*

No.	Description	31.12.2019				31.03.2020				Index (9/5)
		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=7+8	11	12
1.	Donated capital	48,076	0	48,076	16.3	48,076	0	48,076	16.0	100
2.	Tier 1 capital	3,868	31,600	35,468	12.1	3,868	32,600	36,468	12.2	103
3.	Surplus & deficit of revenue over expenses	196,938	0	196,938	66.9	200,320	0	200,320	66.9	102
4.	Emission premium	0	0	0	0.0	0	0	0	0.0	0
5.	Unallocated profits	0	9,191	9,191	3.1	0	10,825	10,825	3.6	118
6.	Regulatory reserves	0	2,528	2,528	0.9	0	2,528	2,528	0.8	100
7.	Other reserves	118	2,000	2,118	0.7	114	1,277	1,391	0.5	66
<b>Total capital</b>		<b>249,000</b>	<b>45,319</b>	<b>294,319</b>	<b>100</b>	<b>252,378</b>	<b>47,230</b>	<b>299,608</b>	<b>100</b>	<b>102</b>

Of the total capital of the FB&H microcredit sector which, as of 31/03/2020 amounted to BAM 299.6 million, the total capital of MCFs amounted to BAM 252.4 million, i.e. 84.2%, and the biggest items are the surplus of revenues over expenses, amounting to BAM 200.3 million and representing 79.4% of total capital of MCFs, and donated capital, amounting for BAM 48.1 million, i.e. 19%. Out of the total amount of donated capital, donations for credit fund were reported by nine MCFs, where 64.5% relates to three MCFs, of which one MCF is responsible for 39.1% of the total donations for the credit fund. Five largest individual donors in MCFs in the FB&H participate with 69.1% (BAM 33.2 million), where the largest donor participates with BAM 10.1 million, i.e. 21.0% of the total donated capital.

Total capital of MCCs amounts to BAM 47.2 million, comprising 15.8% of the total capital of microcredit sector. Its structure includes these key items: Tier 1 capital of BAM 32.6 million, i.e. 69%, and unallocated profit of BAM 10.8 million, i.e. 22.9%. The remaining BAM 3.8 million, i.e. 8.1% of MCC capital relate to statutory and other reserves.

Looking into the capital rate reduced by donated capital vs. assets, as of 31/03/2020, it amounted 40.48% at the microcredit sector level. Thus, we find that it is in line with the prescribed limit (more than 10%), whereas two MCFs are not aligned with this standard since they posted this rate in a negative value.

Other liabilities across the FB&H microcredit sector as of 31/03/2020 amounted to BAM 29 million, i.e. 4.7% of total liabilities, and compared to December 31, 2019 they have decreased by BAM 2.7 million, i.e. 8.5%.

### 2.1.2.3. Assets and Assets Quality

The microloan portfolio reported in gross amount in the balance sheet total of the FB&H microcredit sector as of 31/03/2020 amounted to BAM 509.6 million, i.e. 82.1% of total assets of the microcredit sector, i.e. with a reduction for the corresponding LLR in the total amount of BAM 6.7 million, the net microloan portfolio amounts to BAM 502.9 million, i.e. 81% of total assets of the FB&H microcredit sector. Compared to December 31, 2019, the gross microloan portfolio decreased slightly by BAM 1.3 million, i.e. by 0.2%, while the net microloan portfolio decreased by the amount of BAM 3.9 million, i.e. 0.7%.

In the same period, the level of LLR increased by BAM 2.5 million, i.e. 60.9%. The LLR to total gross microloan portfolio as of 31/03/2020 amounted to 1.3%, which, compared to the same ratio as of December 31, 2019, when it amounted to 0.8%, represents an increase by 0.5 percentage points.

In the structure of total net portfolio of the microcredit sector in the FB&H as of 31/03/2020, the net microloans of MCFs amounted to BAM 363.3 million and represent 72.2% of the total net microloans across the sector, while the amount of BAM 139.6 million, i.e. 27.8% of the total net microloans across the sector relate to MCCs. Compared to December 31, 2019, net microloans of MCFs decreased by BAM 4.2 million, i.e. 1.1%, while the net microloans of MCCs increased slightly by BAM 0.3 million, i.e. 0.2%.

Net microloans as of 31/03/2020 are shown in the following table:

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No.	Description	31.12.2019			31.03.2020			Index (8/5)
		MCF	MCC	Total	MCF	MCC	Total	
1	2	3	4	5=3+4	6	7	8=6+7	9
1.	Micro loans (gross)	370,298	140,707	511,005	367,214	142,453	509,667	100
2.	LLP	2,759	1,411	4,170	3,875	2,837	6,712	161
<b>3.</b>	<b>Net micro loans (1.-2.)</b>	<b>367,539</b>	<b>139,296</b>	<b>506,835</b>	<b>363,339</b>	<b>139,616</b>	<b>502,955</b>	<b>99</b>

In relative terms, the increase rates of loan loss provisions in the reporting period exceeded the increase rates of total (gross) microloans.

Detailed data on the sector and the maturity structure of the microloan portfolio (reduced by deferred fee income) as of 31/03/2020 are shown in the following table:

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No.	Micro loans	ST micro loans	LT micro loans	Receivables due	Total	%
1	2	3	4	5	6=3+4+5	7
<b>1.</b>	<b>Corporate</b>					
a)	Services	236	7,548	95	7,879	56.0
b)	Trade	192	2,778	22	2,992	21.3
c)	Agriculture	8	941	3	952	6.8
d)	Manufacturing	137	1,967	14	2,118	15.0
e)	Other	24	104	4	132	0.9
	<b>Total 1</b>	<b>597</b>	<b>13,338</b>	<b>138</b>	<b>14,073</b>	<b>100</b>
<b>2.</b>	<b>Retail</b>					
a)	Services	4,029	89,852	364	94,245	19.2
b)	Trade	1,008	13,239	89	14,336	2.9
c)	Agriculture	5,945	155,459	433	161,837	33.0

d) Manufacturing	484	9,911	47	10,442	2.1
e) Housing needs	2,732	108,163	357	111,252	22.7
f) Other	15,493	82,229	852	98,574	20.1
<b>Total 2</b>	<b>29,691</b>	<b>458,853</b>	<b>2,142</b>	<b>490,686</b>	<b>100</b>
<b>Total (1+2)</b>	<b>30,288</b>	<b>472,191</b>	<b>2,280</b>	<b>504,759</b>	<b>-</b>

In the maturity structure of total microloan portfolio as of 31/03/2020 shown in the table above, the highest share is the share of long-term micro loans with 93.5%, while short-term micro loans have a 6% share and receivables due on micro loans have a 0.5% share.

Upon observing the sector structure, the dominant share is the share of retail microloans, with 97.2%, while the remaining 2.8% relate to corporate microloans. Within the retail microloan portfolio, the biggest is the share of microloans approved for agriculture, which amounts to 33% and for housing needs, at 22.7%. By share levels, other sectors follow with 20.1% and services with 19.2%. The share of microloans for trade is 2.9% and for manufacturing 2.1%. In the structure of corporate microloans, the dominant share is the share of microloans for services – 56%.

The following table provides an overview of receivables with related provisions by groups according to the number of days in default, as well as data on outstanding overdue receivables over 180 days (being removed from the balance sheet), as of 31/03/2020:

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*Table 40: LLP*

No.	Days in default	Rate of provisions	Amount of loans	Share (%)	Interest due		Amount of other assets items	Provisions				Total provisions
					Rate of provisions	Amount of interest		By micro loan	By past -due interest	By other items in assets	By micro loan	
1	2	3	4	5	6	7	8	9=4x3	10=7x6	11=8x3	12	13=9+10+11+12
1.	0	0%	482,403	94.6	0%	6	396	0	0	0	45	45
2.	1-15	2%	11,672	2.3	2%	180	0	233	3	0	0	236
3.	16-30	15%	9,874	1.9	100%	141	0	1,480	141	0	67	1,688
4.	31-60	50%	3,015	0.6	100%	86	0	1,507	86	0	1	1,594
5.	61-90	80%	1,140	0.2	100%	57	0	912	57	0	0	969
6.	91-180	100%	2,025	0.4	100%	155	0	2,025	155	0	0	2,180
<b>Total</b>			<b>510,129</b>	<b>100</b>		<b>625</b>	<b>396</b>	<b>6,157</b>	<b>442</b>	<b>0</b>	<b>113</b>	<b>6,712</b>
7.	over 180	Write-off	1,431		-	140	-	-	-	-	-	-

In the total microloan portfolio at the sector level, 94.6% relate to microloans without defaults, while in the remaining 5.4% microloans there are defaults, of which defaults up to 30 days represent 4.2% of micro loans, while 1.2% are defaults of 31 to 180 days. Out of the total amount of due interest (BAM 0.6 million), defaults up to 30 days represent 51.4%, while defaults of 31 to 180 days represent 47.7%. For due interest that has not been collected within the deadline of up to 15 days, MCOs are required to form loan loss provisions in 100% amount of receivables. During Q1 2020, MCOs have written off BAM 1.6 million of principal and interest.

Out of the total amount of provisions under microloans, interest and other asset items as of 31/03/2020 (BAM 6.7 million), the largest item corresponds to provisions formed for microloans in default of 91 to 180 days, which amount to BAM 2.2 million and represent 32.4% of the total amount of provisions.

#### *Key Indicators of Microcredit Portfolio Quality*

The risk portfolio indicator for more than 30 days in default (PAR>30 days) as of 31/03/2020 amounts to 1.21% at the level the microcredit sector and it increased by 0.35 percentage points compared to December 31, 2019. This risk indicator of the microloan portfolio at the sector level

is within the prescribed standard (below 5%), whereas two MCFs (12.42% and 8.18% respectively) and one MCC (23.45%) failed to comply with the prescribed standard.

The NPL rate across the FB&H microcredit sector as of 31/03/2020 amounted to 16.9% and ever since December 31, 2014, when it amounted to 34.8%, it has been posting a decrease. Compared to December 31, 2019, the NPL rate decreased by 0.1 percentage point.

At the microcredit sector level, the rate of write offs of microloans as of 31/03/2020 amounted to 1.12%, which is within FBA standards (below 3%). Compared to 31.12.2019, this rate rose by 0.25 percentage points. Therein, one MCC and one MCF failed to comply with that standard, as their indicator is above 3% (10.13% and 31.08% respectively). Thereof, this MCF does not even meet the standard in respect of risk portfolio for over 30 days of default.

#### *Weighted NIR and EIR on micro loans*

Over the reporting period, MCOs seated in the FB&H had average weighted NIR on total microloans of 19.15% and EIR of 24.85%, whereas NIR on short term microloans was 20.36% and on long term ones 18.96% and EIR on short term microloans was 33.31% and on long term ones 23.51%. Average weighted EIR on total microloans disbursed by MCOs seated in the FB&H posted an increase in Q1 2020 by 1.28 percentage points vs. the same period in 2019, whereas average weighted EIR on short term microloans posted a rise by 3.89 percentage points and on long term microloans a drop by 0.90 percentage points.

Annex 10 provides an overview of average weighted NIR and EIR by maturity and purpose related to microloans disbursed in the period from 01.01.2020 to 31.03.2020 by MCOs seated in the FB&H. In the FB&H MCOs, the position of short term non-purpose loans – basic needs shows a major difference between NIR (20.65%) and EIR (43.29%) resulting from a microcredit product of one MCC that does not arrange NIR, but charges high one-off fee that gets reflected in the EIR calculation.

Annex 10a. Provides a comparative overview of average weighted NIR and EIR on disbursed microloans (short term, long term and total) in the period from 2016 to 2020.

#### *2.1.2.4. Financial Performance of the FB&H Microcredit Sector*

According to reporting data for MCOs, in the period from 01.01.2020 to 31.03.2020, total financial performance at the level of the FB&H microcredit sector was positive and amounted to BAM 3 million, down by BAM 2.1 million or 40.9% compared to the same period in 2019.

The structure of the aggregate income statement at the level of the FB&H microcredit sector is shown in the following table:

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No.	Description	For the period 01.01. - 31.03.2019				For the period 01.01. - 31.03.2020				Index (9/5)
		MCF	MCC	Total	%	MCF	MCC	Total	%	
1	2	3	4	5=(3+4)	6	7	8	9=(7+8)	10	11
<b>1.</b>	<b>INCOME</b>									
1.1.	Interest income and similar income	17,488	6,436	23,924	90.2	19,408	6,956	26,364	92.5	110
1.2.	Operating income	2,541	69	2,610	9.8	1,809	30	1,839	6.4	70
1.3.	Other operating income	0	0	0	0.0	231	76	307	1.1	-
<b>2.</b>	<b>Total income (1.1.+1.2.+1.3.)</b>	<b>20,029</b>	<b>6,505</b>	<b>26,534</b>	<b>100</b>	<b>21,448</b>	<b>7,062</b>	<b>28,510</b>	<b>100</b>	<b>107</b>
<b>3.</b>	<b>EXPENSES</b>									
3.1.	Interest expenses and similar expenses	1,990	1,139	3,129	14.7	1,924	1,358	3,282	13.1	105
3.2.	Operating expenses	13,504	2,998	16,502	77.8	13,669	3,927	17,596	70.1	107
3.3.	Other operating expenses	174	15	189	0.9	86	15	101	0.4	53

3.4.	Costs of provisions for loan and other losses	1,029	365	1,394	6.6	2,089	2,025	4,114	16.4	295
4.	<b>Total expenses (3.1.+3.2.+3.3.+3.4.)</b>	<b>16,697</b>	<b>4,517</b>	<b>21,214</b>	<b>100</b>	<b>17,768</b>	<b>7,325</b>	<b>25,093</b>	<b>100</b>	<b>118</b>
5.	<b>Profit/loss and excess/shortfall of income over expenses before taxation (2.-4.)</b>	<b>3,332</b>	<b>1,988</b>	<b>5,320</b>	<b>-</b>	<b>3,680</b>	<b>-263</b>	<b>3,417</b>	<b>-</b>	<b>64</b>
6.	Income tax and excess income over expenses	0	198	198	-	313	76	389	-	196
7.	<b>Net profit/loss and net excess/shortfall of income over expenses (5.-6.)</b>	<b>3,332</b>	<b>1,790</b>	<b>5,122</b>	<b>-</b>	<b>3,367</b>	<b>-339</b>	<b>3,028</b>	<b>-</b>	<b>59</b>

MCFs reported excess of income over expenses of BAM 3.3 million, which is by BAM 0.03 million, i.e. 1% higher compared to 31/03/2019. In the reporting period, total income of MCFs rose by BAM 1.4 million or 7.1%, whereas interest and similar income (as dominant item of total income of MCFs) went up by BAM 1.9 million or 10.9%. Operating expenses of MCFs make up for 76.9% of total expenses of MCFs and they have climbed by BAM 0.1 million or by 1.2%, while costs of reserves for loan and other losses of MCFs rose by BAM 1.1 million or 103%. In analytical terms, as of 31/03/2020, four MCFs posted a shortfall of income of BAM 0.1 million, while other MCFs posted excess income over expenses of BAM 3.4 million.

MCCs At the level of MCCs, total net loss was reported in an amount of BAM 0.3 million, which, compared to 31.12.2019 represents a decrease by BAM 2.1 million, i.e. 118.9%. Therein, during the reporting period, one MCC posted a net profit of BAM 0.7 million, while two MCCs posted a net loss of BAM 1.0 million. As of 31/03/2020, interest and similar income of MCCs, as a dominant item of total income, have risen by BAM 0.5 million or 8.1% compared to the same period in 2019. Operating expenses of MCCs make up for 53.6% of total expenses of MCCs and they have climbed by BAM 0.9 million or 31%. They are dominated by costs of salaries and wages of BAM 2.3 million with a share of 57.9% in total operating expenses. Costs of reserves for loans and other losses of MCCs rose by BAM 1.6 million.

Annexes 11 and 12 provide an aggregate income statement for MCFs and MCCs respectively.

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

Operational efficacy of business operations of the FB&H microcredit sector as of 31/03/2020 amounted to 19.70%, which is within the prescribed range for the indicator of up to 45%, whereas two MCFs and one MCC deviate from the prescribed indicator.

According to reporting data at the FB&H microcredit sector as of 31/03/2020, the return on assets adjusted for inflation, market price of capital and donations (AROA) was positive at 1.65%. Therein, six MCFs and two MCCs showed negative values, which is not in line with the prescribed limits. The indicator of operational sustainability of the FB&H microcredit sector (which is used as a general standard and which represents a ratio of total income from regular operations (without extraordinary income) and total expenses) amounts to 113.62%. Therein, five MCFs and two MCCs were not operationally sustainable on the reporting date.

### 2.1.3. MICROCREDIT SECTOR RECOMMENDATIONS

The FBA will, within its prescribed supervisory authorities for the FB&H microcredit sector continue with planned supervisory activities, which shall be focused on the supervision of:

- compliance of MCOs' business operations with laws and regulations, with the aim of full implementation of the Law on MCOs and applicable regulations in respect of achievement of the prescribed objectives of micro lending in terms of improving the financial position of microloan users, contributing to increase of employment, supporting entrepreneurship development, increasing transparency of operations, protecting rights of financial service



users, especially in the context of approval of temporary measures to micro loan users whose credit standing has worsened due to the COVID-19 pandemic;

- timely and adequate undertaking of activities in MCOs according to the corrective measures imposed to eliminate irregularities and weaknesses in business operations.

In exercising competencies for supervision and maintenance of stability in the FB&H microcredit sector, FBA will continue to cooperate with the RSBA to enhance efficient supervision of MCOs, as well as to meet the goals of microloans in compliance with laws and regulations, and to protect the rights of financial service users.

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

- performance of micro lending activities to improve the financial position of users, increase employment and support entrepreneurial development, starting from legally prescribed micro lending goals with consistent application of legal provisions for the protection of financial service users, including aligning interest rates policies on microloans with the prescribed micro lending goals, thus contributing to stability and sustainability of the FB&H microcredit sector;
- maintaining and enhancing sound risk management practices for risks to which MCOs are or might be exposed, efficiency of internal control systems and independent internal audit function;
- resource optimizing and applying the principles of responsible micro lending, i.e. sound practices in business operations with MCF assets;
- harmonization, i.e. improvement of operational efficiency and operational sustainability indicators;
- regular, up-to-date and accurate submission of data to CBB&H for the CLR management purposes;
- improving business transparency, etc.

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

## 2.2. LEASING SECTOR

### 2.2.1. FB&H LEASING SECTOR STRUCTURE

#### 2.2.1.1. Number of Leasing Companies

The FBA license for leasing operations was, as of 31/03/2020, held by five leasing companies in the FB&H and there were no changes compared to 31/12/2019. Annex 13 provides basic information on leasing companies with an overview of basic indicators, which, as of 31/03/2020, represented the leasing sector in the FB&H.



### 2.2.1.2. Ownership Structure

The ownership structure of leasing companies in the FB&H, according to data as of 31/03/2020, is as follows: two leasing companies are in 100% ownership of nonresident legal persons, one leasing company is majority-owned by a nonresident legal person, while one leasing company is in 100% ownership of resident legal person.

### 2.2.1.3. Staff Structure

As at 31/03/2020, there was a total of 115 employees in the leasing sector in the FB&H, which is by 3 employees or 2.7% more vs. 31/12/2019.

An overview of qualification structure of FTEs at the FB&H leasing sector level is provided in the table below:

*Table 42: Qualification structure of full-time employees in leasing companies in the FB&H*

No.	Qualifications	31.12.2019		31.03.2020		Index (5/3)
		No. of employees	% share	No. of employees	% share	
1	2	3	4	5	6	7
1.	University qualifications	78	69.6	82	71.3	105
2.	Two-year post-secondary school qualifications	5	4.5	4	3.5	80
3.	Secondary school qualifications	20	17.9	19	16.5	95
4.	Other	9	8.0	10	8.7	111
<b>Total</b>		<b>112</b>	<b>100</b>	<b>115</b>	<b>100</b>	<b>103</b>

Efficiency of employees in the course of performance assessment of leasing companies is based on the ratio of assets and number of employees (assets per employee). According to indicators as at 31/03/2020, at the level of the leasing sector in the FB&H, each employee corresponded to BAM 2.9 million in assets. This indicator is nearly the same as at 31/12/2019.

## 2.2.2. FINANCIAL INDICATORS OF PERFORMANCE

### 2.2.2.1. Balance Sheet

Total assets of the FB&H leasing sector as at 31/03/2020 amounted to BAM 335.4 million and are higher by BAM 11.8 million, i.e. 3.6% compared to December 31, 2019. Two leasing companies, viewed on the basis of asset size, are responsible for 75.3% of total assets of the FB&H leasing sector.

Upon comparing the amount of assets of individual leasing companies as of 31/03/2020 with data as of December 31, 2019, it could be inferred that in three leasing companies an increase was reported of the balance sheet sum of BAM 13.7 million, while two leasing companies reported a decrease in balance sheet sum in the total amount of BAM 1.9 million.

Annex 14 provides an aggregate balance sheet of leasing companies in the FB&H as per reporting data of 31/03/2020.

In the structure of total assets of the FB&H leasing sector, the most significant share is the share of net receivables under financial leasing, which amount to BAM 239.9 million, i.e. 71.5% of total assets. Compared to December 31, 2019, net receivables under financial leasing are lower by BAM 1.1 million, i.e. 0.5%, while gross receivables under financial leasing are lower by BAM 2.5 million, i.e. 0.9%. As of 31/03/2020, one bank that performs also financial leasing deals posted net receivables under financial leasing of altogether BAM 57.1 million, thus

indicating that net receivables under financial leasing at the leasing system level were equal to BAM 297 million and were by BAM 8 million or 2.6% lower than end of the previous year. Over the same period, reserves for losses based on financial leasing receivables went up by BAM 0.1 million or 4.7%.

In the structure of receivables under financial leasing at the level of the leasing sector in the FB&H, contracts which are approved for financing of passenger vehicles and vehicles for performing business activities participate with 84.4%, contracts for equipment financing participate with 14.7%, while 0.9% relates to contracts under which real estate is financed. If viewed by lessees, 87.4% refers to contracts with legal entities, while the increase of financial leasing receivables was noted in the segment of entrepreneurs (by 2.4%).

The following tables provide the structure of receivables under financial leasing at the level of the FB&H leasing sector (receivables before reduction for loss provisions) as of 31/03/2020 and a comparative overview of the structure of receivables as of December 31, 2019 and as of March 31, 2020:

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No.	Description	Short-term receivables	Long-term receivables	Due receivables	Total receivables	Share in total receivables
1	2	3	4	5	6	7
<b>1.</b>	<b>By leasing object</b>					
1.1.	Passenger vehicles	36,308	76,897	2,879	116,084	47.8
1.2.	Vehicles for performing business activity (cargo and passenger vehicles)	34,980	52,368	1,576	88,924	36.6
1.3.	Machines and equipment	11,428	23,825	324	35,577	14.7
1.4.	Real estate	267	1,827	4	2,098	0.9
1.5.	Other	11	22	0	33	0.0
	<b>Total</b>	<b>82,994</b>	<b>154,939</b>	<b>4,783</b>	<b>242,716</b>	<b>100</b>
<b>2.</b>	<b>By lessee</b>					
2.1.	Corporate	74,301	135,156	2,713	212,170	87.4
2.2.	Entrepreneurs	2,250	4,045	41	6,336	2.6
2.3.	Retail	4,560	13,137	2,006	19,703	8.1
2.4.	Other	1,883	2,601	23	4,507	1.9
	<b>Total</b>	<b>82,994</b>	<b>154,939</b>	<b>4,783</b>	<b>242,716</b>	<b>100</b>

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No.	Description	31.12.2019	31.03.2020	Index (4/3)
1	2	3	4	5
<b>1.</b>	<b>By leasing object</b>			
1.1.	Passenger vehicles	111,444	116,084	104
1.2.	Vehicles for performing business activity (cargo and passenger vehicles)	93,450	88,924	95
1.3.	Machines and equipment	36,588	35,577	97
1.4.	Real estate	2,240	2,098	94
1.5.	Other	21	33	157
	<b>Total</b>	<b>243,743</b>	<b>242,716</b>	<b>100</b>
<b>2.</b>	<b>By lessee</b>			
2.1.	Corporate	212,667	212,170	100
2.2.	Entrepreneurs	6,184	6,336	102
2.3.	Retail	20,057	19,703	98
2.4.	Other	4,835	4,507	93
	<b>Total</b>	<b>243,743</b>	<b>242,716</b>	<b>100</b>

Net receivables under loans as of 31/03/2020 amount to BAM 5.2 million, i.e. 1.6% of total assets of the FB&H leasing sector. Compared to December 31, 2019, net receivables under loans decreased by BAM 0.1 million, i.e. 1.6%. Receivables under loans in the composition of total assets of leasing companies decreased due to the continuous decrease in receivables under loans, as the provisions of the LoL prohibit the leasing companies to conclude new loan agreements, that would remain recorded in the balance sheets of leasing companies in the FB&H until the contractual terms for which they were approved expire. The reported amount of net receivables under loans relates to receivables of one leasing company, holding in its portfolio significant amounts of receivables under loans of subsidiaries, through which real estate construction projects had been financed prior to entry into effect of the LoL.

The balance sheet position of cash and cash equivalents as of 31/03/2020 amounted to BAM 6.3 million (constituting 1.9% of total assets), which was by BAM 0.7 million, i.e. 13.7% higher compared to December 31, 2019. Placements to banks (posted by two leasing companies) as of 31/03/2020 amounted to BAM 24 million, comprising 7.2% of total assets the FB&H leasing sector, which was by BAM 10.4 million, i.e. 77% more compared to December 31, 2019. Out of the total amount of these placements, 91.7% relates to term deposits held by one leasing company with commercial banks.

Net value of fixed assets financed through operational leasing as of 31/03/2020 amounts to BAM 50.8 million and has increased by BAM 1.6 million, i.e. 3.2% compared to December 31, 2019. Individually viewed, one leasing company reported an increase of net value of fixed assets financed through operational leasing of BAM 2.3 million, while two leasing companies reported a decrease of BAM 0.7 million.

The structure of net balance sheet assets positions of the leasing sector in the FB&H can be analyzed in the table below:

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*Table 45: Structure of net balance sheet assets positions*

No.	Description	31.12.2019	% share	31.03.2020	% share	Index (5/3)
1	2	3	4	5	6	7
1.	Financial leasing	241,078	74.5	239,925	71.5	100
2.	Operational leasing	49,166	15.2	50,772	15.1	103
3.	Loan	5,331	1.6	5,245	1.6	98
4.	Other assets	28,119	8.7	39,522	11.8	141
	<b>Total</b>	<b>323,694</b>	<b>100</b>	<b>335,464</b>	<b>100</b>	<b>104</b>

#### 2.2.2.2. Capital and Liabilities

Total capital of the FB&H leasing sector as of 31/03/2020 amounted to BAM 30.3 million, thus constituting 9% of total liabilities of the FB&H leasing sector. Compared to December 31, 2019, the aforementioned position increased by BAM 0.8 million, i.e. 2.8%. Observed individually, three leasing companies saw an increase of total capital compared to 31/12/2019 of BAM 1.1 million, while two leasing companies saw a decrease of total capital BAM 0.3 million.

Total liabilities of the leasing sector in the FB&H amounted to BAM 305.1 million as at 31/03/2020, thus representing 91% of total liabilities of leasing companies in the FB&H. Compared to December 31, 2019, total liabilities at the sector level rose by BAM 10.9 million or 3.7%. Liabilities of leasing companies in the FB&H under loans taken as of 31/03/2020 stood at BAM 297.3 million, thus posing a dominant source in the structure of total liabilities of the FB&H leasing sector since they account for 88.6% of total liabilities. Compared to 31/12/2019, the position of loan obligations is higher by BAM 11 million, i.e. 3.8%. if observed by

contractual maturity, liabilities based on long term loans amount to BAM 181.8 million or 61.1% of total liabilities and liabilities based on short term loans equal BAM 115.7 million or 38.9% (and refer to one leasing company).

### 2.2.2.3. Assets and Asset Quality

According to reporting data at the level of the FB&H leasing sector, reported reserves for losses under financial leasing as of 31/03/2020 amount to BAM 2.8 million and are higher compared to December 31, 2019 by BAM 0.1 million, i.e. 4.7%. An increase of loss reserves for financial leasing was posted in the category of 60 to 90 days past due (32%) and the category of over 180 days past due (16.6%). Out of the total amount of posted loss reserves, 77.4% relates to one leasing company that had the biggest loss figure in the Q1 2020.

In the structure of receivables under financial leasing as of 31/03/2020, the total of BAM 4.7 million of overdue receivables was reported, which is by BAM 1.7 million, i.e. 57.3% higher compared to December 31, 2019. One leasing company accounts for 40.5% of the total overdue receivables. This continued increase of overdue receivables and increase of loss reserves in Q1 2020 indicate to changes in quality of the portfolio of financial leasing receivables requiring improvements with respect to credit risk management, timely recognition of collection difficulties regarding financial leasing and their efficient resolution.

The table below provides a detailed overview of financial leasing reserves as of 31/03/2020:

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*Table 46: Overview of financial leasing reserves*

No.	Days past due	Rate of reserv. for finan. leasing (movables)	Rate of reserv. for finan. leasing (immovables)	Amount of receivables for movables	Amount of receivables for immovables	Basis - movables	Basis - immovables	Reserves			Total reserves
								For movables	For immovables	Excess calculated and allocated reserves	
1	2	3	4	5	6	7	8	9=7*3	10=8*4	11	12=9+10+11
1.	0-60	0.50%	0.50%	235,261	2,101	38,306	888	192	4	603	799
2.	60-90	10%	10%	2,808	0	471	0	47	0	89	136
3.	90-180	50%	50%	934	27	279	9	139	5	165	309
4.	over 180	100%	75%	1,585	0	1,547	0	1,547	0	0	1,547
5.	over 360	100%	100%	0	0	0	0	0	0	0	0
<b>Total</b>				<b>240,588</b>	<b>2,128</b>	<b>40,603</b>	<b>897</b>	<b>1,925</b>	<b>9</b>	<b>857</b>	<b>2,791</b>

The total amount of written off receivables under financial leasing and loans as of 31/03/2020 amounted to BAM 23.6 million BAM and is slightly higher compared to December 31, 2019, by BAM 0.1 million, i.e. 0.5%.

The market value of foreclosed leasing objects, due to termination of leasing contracts with lessees as of 31/03/2020 at the level of the FB&H leasing sector, amounted to BAM 1 million, down by BAM 0.4 million or 27.9% compared to 31.12.2019. There was a total of 65 foreclosed objects, with a posted decrease of the number of foreclosed objects by 13 objects or 16.7%. Of the total reported amount of appraised market value of foreclosed items in the FB&H leasing sector as of 31/03/2020, 48.1% refers to passenger vehicles and business vehicles. In addition, 51.9% relates to real estate (commercial facilities) for which leasing companies assumed possession for reasons of non-compliance with contractual liabilities on the part of lessees. The total amount of the above position relates to one leasing company.

Viewed from the level of the FB&H leasing system as of 31/03/2020, the market value of foreclosed leasing items amounted to BAM 7.3 million and it decreased by BAM 0.5 million or 6.4% compared to December 31, 2019. Out of the above amount of foreclosed leasing items, items foreclosed by the bank that is performing leasing activities correspond to BAM 6.3 million, i.e. 85.5% of the total market value of foreclosed items reported at the level of the leasing system.

#### 2.2.2.4. Profitability

According to the reporting data of leasing companies, across the FB&H leasing sector in the period from January 1 – March 31, 2020, a profit of BAM 0.8 million was reported, which represents an increase by BAM 0.5 million compared to the same period the year before. Viewed individually, three leasing companies reported positive financial performance of BAM 1.1 million, while two leasing companies posted negative financial performance of BAM 0.3 million, of which one leasing company accounts for 75.1% of the total reported negative financial performance.

The aggregate income statement for leasing companies in the FB&H for the period 01/01/2020 to 31/03/2020 is provided in the Annex 15.

Total income of the FB&H leasing sector for the period 01/01/2020 to 31/03/2020 amounted to BAM 8.9 million. The level and structure of total income with the comparative data for the same period of the preceding financial year are shown in the following table:

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*Table 47: Structure of total income*

No.	Structure of total income	01.01.-31.03.2019		01.01.-31.03.2020		Index (5/3)
		Amount	% share	Amount	% share	
1	2	3	4	5	6	7
<b>1.</b>	<b>Interest income and similar income</b>					
1.1	Interest under financial leasing	2,632	37.8	2,934	32.8	111
1.2	Interest on placements to banks	68	1.0	96	1.1	141
1.3	Other interest income	358	5.1	355	4.0	99
	<b>Total</b>	<b>3,058</b>	<b>43.9</b>	<b>3,385</b>	<b>37.9</b>	<b>111</b>
<b>2.</b>	<b>Operating income</b>					
2.1.	Operating lease charges	3,224	46.2	4,088	45.7	127
2.2.	Service fees	1	0.0	0	0.0	0
2.3.	Other operating income	688	9.9	1,469	16.4	214
	<b>Total</b>	<b>3,913</b>	<b>56.1</b>	<b>5,557</b>	<b>62.1</b>	<b>142</b>
<b>3.</b>	<b>Income from release of reserves for losses</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0.0</b>	<b>-</b>
	<b>Total income (1+2+3)</b>	<b>6,971</b>	<b>100</b>	<b>8,942</b>	<b>100</b>	<b>128</b>

The FB&H leasing sector's interest income in the January 1 – March 31, 2020 period amounted to BAM 3.4 million and it increased by BAM 0.3 million, i.e. 10.7%, compared to the same period last year. The most significant position in interest income is interest income from financial leasing in the total amount of BAM 2.9 million and it is by BAM 0.3 million, i.e. 11.5%, higher compared to the same period of the preceding financial year.

Operating income amounted to BAM 5.5 million and compared to the same period last year it is higher by BAM 1.6 million, i.e. 42%, due to major increase of the category of other operating income. Also, there was an increase of operational leasing fee income by 26.8%.

Total expenses for the period 01/01/2020 to 31/03/2020 amounted to BAM 8.1 million, and the level and structure of total expenses compared to the same period of the preceding financial year are shown in the following table:

- BAM 000 -

*Table 48: Structure of total expenses*

No.	Structure of total expenses	01.01.-31.03.2019		01.01.-31.03.2020		Index (5/3)
		Amount	% share	Amount	% share	
1	2	3	4	5	6	7
<b>1.</b>	<b>Interest expenses and similar income</b>					
1.1.	Interest on borrowed funds	917	13.8	1,054	13.0	115
1.2.	Fees for processing loans	26	0.4	28	0.4	108
1.3.	Other interest expenses	0	0.0	0	0.0	-
	<b>Total</b>	<b>943</b>	<b>14.2</b>	<b>1,082</b>	<b>13.4</b>	<b>115</b>
<b>2.</b>	<b>Operating expenses</b>					
2.1.	Salary and contribution costs	1,408	21.2	1,258	15.5	89
2.2.	Business premises costs	2,203	33.2	2,825	34.9	128
2.3.	Other costs	2,058	31.0	2,707	33.4	132
	<b>Total</b>	<b>5,669</b>	<b>85.4</b>	<b>6,790</b>	<b>83.8</b>	<b>120</b>
<b>3.</b>	<b>Costs of reserves</b>	<b>23</b>	<b>0.4</b>	<b>223</b>	<b>2.8</b>	<b>970</b>
	<b>Total expenses (1+2+3)</b>	<b>6,635</b>	<b>100</b>	<b>8,095</b>	<b>100</b>	<b>122</b>

In the period from 01/01/2020 to 31/03/2020, interest expenses of the leasing sector amounted to BAM 1.1 million, up by BAM 0.1 million or 14.7% vs. the same period of the previous financial year. Interest expenses under loans taken have risen by BAM 0.1 million or 14.9%.

Over the observed period, total operating expenses of the leasing sector stood at BAM 6.8 million, up by BAM 1.1 million or 19.8% compared to the same period of the year before, whereas their structure reflects reduced costs of salaries and contributions by 10.6%, increased costs of business premises by 28.2%, while other costs posted a rise by 31.5%. Total costs of loss reserves saw an increase by BAM 0.2 million and they are nearly ten times higher than in the same period the year before due to an increase of such costs of loss reserves posted by one leasing company where this item accounts for 68.1% of total loss reserves costs at the leasing sector's level.

#### 2.2.2.5. Structure of Placements According to Subject and Type of Leasing

The value of newly concluded contracts for financial and operational leasing executed at the level of the leasing system in January 1 – March 31, 2020, amounts to BAM 39 million and is lower by BAM 3.9 million, i.e. 9.2%, compared to the same period of the preceding financial year. Thereof, BAM 37.5 million or 96.2% of the total value of newly concluded contracts at the leasing system level refers to the leasing sector (consisting of five leasing companies). The number of newly concluded leasing contracts at the leasing system level in the same period was 878, which was by 465 contracts or 34.6% lower compared to the same period last year. Thereof, 845 contracts or 96.2% of the total number of newly concluded contracts at the leasing system level refers to the leasing sector. The average value of contracts at the level of the leasing system concluded in 2019 amounted to BAM 44.4 ths and it is higher compared to the same period last year, when it amounted to BAM 32 ths.

Out of the total generated value of newly concluded contracts in 2020, the amount of BAM 28.9 million, i.e. 74.1% relates to financial leasing contracts and BAM 10.1 million or 25.9% to operational leasing contracts.



The following table shows a comparative overview of the realized volume of newly concluded contracts in the period from 01/01/2020 to 31/03/2020 and in the same period of the preceding financial year, as well as the comparative overview of the number of concluded contracts in the same period.

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*Table 49: Structure of financing amount of the leasing system*

No.	Descrip.	01.01.-31.03.2019						01.01.-31.03.2020					
		Financial leasing		Operational leasing		Total		Financial leasing		Operational leasing		Total	
		Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
1	2	3	4	5	6	7=3+5	8=4+6	9	10	11	12	13=9+11	14=10+12
1.	Vehicles	1,105	31,495	203	7,393	1,308	38,888	564	25,426	288	10,099	852	35,525
2.	Equipment	35	4,081	0	0	35	4,081	26	3,487	0	0	26	3,487
3.	Real estate	0	0	0	0	0	0	0	0	0	0	0	0
4.	Other	0	0	0	0	0	0	0	0	0	0	0	0
	<b>Total</b>	<b>1,140</b>	<b>35,576</b>	<b>203</b>	<b>7,393</b>	<b>1,343</b>	<b>42,969</b>	<b>590</b>	<b>28,913</b>	<b>288</b>	<b>10,099</b>	<b>878</b>	<b>39,012</b>

The total amount of new financing in 2020 was achieved by three leasing companies and one bank, which performs a significant volume of financial leasing activities (the legal successor of a leasing company that merged with that bank), while two leasing companies have suspended concluding new contracts.

The structure of new placements is, according to type of lessee, dominated by placements to legal persons, which represent 92.6% of the total amount of financing in the Q1 2020. One of key reasons for this rests with the fact that financing through leasing for natural persons is less favorable compared to loans because of liability to pay VAT on interest, which is an additional cost for clients that are not VAT taxpayers.

#### *Weighted NIR and EIR*

Total average NIR for financial leasing contracts concluded in the Q1 2020 was 3.94.% for short term contracts and 4.18% for long term contracts, while EIR for short term contracts was 8.07% and 7.25% for long term contracts during the same period. Total weighted NIR was 4.18% and EIR was 7.26%. Compared to the same period in 2019 when total weighted NIR was 7.22% and EIR 11.37%, there is an evident decrease of NIR by 3.04 percentage points and EIR by 4.11 percentage points.

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

Annex 16 provides an overview of average weighted NIR and EIR on financial leasing contracts concluded in the Q1 2020 (by maturity, leasing object and lessee).

Annex 16a provides a comparative overview of average weighted NIR and EIR for financial leasing contracts concluded over the past five years (by maturity and lessee). Major difference between NIR and EIR is a result of VAT on interest being a mandatory part of the financial leasing contract and being paid by a lessee in advance, as well as creation of a financial leasing contract with surrender value plus additional costs of leasing arrangement being included in the EIR calculation.

### 2.2.3. LEASING SECTOR RECOMMENDATIONS

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

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

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

- compliance of business operations with the prescribed regulatory requirements, especially in the context of approval of temporary measures to lessees whose credit standing has worsened due to the COVID-19 pandemic;
- promoting safe, stable and sustainable leasing business;
- capital strengthening and defining the parameters of capital protection and capital adequacy, strengthening the internal control system and internal audit function;
- improving the risk management system arising from the leasing business and the environment, identifying risks in a timely manner and taking measures to control and mitigate those risks;
- ensuring reliability and integrity of data and information provided to the FBA, the CBB&H and other supervisory institutions and bodies, ensuring accuracy, validity and comprehensiveness of accounting and non-accounting records, compliance with business policies, activity programs and plans, laws and other regulations and documents, as well as protection of property of companies and preventive action and prevention of fraud and errors;
- consistent implementation of regulations defining protection of financial service users, etc.

## 2.3. FACTORING BUSINESS

### 2.3.1. Participants in the FB&H Factoring Market

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

As of 31/03/2020, factoring deals were performed by four commercial banks, of which three banks are members of international banking groups seated in EU-member countries and one bank in majority domestic ownership.

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

In the period from 01/01/2020 to 31/03/2020, entities providing factoring services in the FB&H have concluded 131 factoring contracts, all of which referring to domestic factoring with a right of recourse. Compared to reporting data for the same period last year, the number of factoring contracts has risen by 79 contracts or 151.9%. During Q1 2020, there were no concluded contracts on factoring without recourse right, contracts on reverse (supplier) factoring or contracts on foreign factoring.

In the period from 01/01/2020 to 31/03/2020, the total redeemed monetary claims and settled payables of buyers towards suppliers was BAM 30.6 million, thus entirely referring to domestic factoring. Compared to the same period of the previous year, this represents a decrease by BAM 4.7 million or 13.3%.

The values of redeemed monetary claims and settled payables of buyers to towards suppliers in the FB&H (with comparative data and trends in reporting periods) are shown in the following table.

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**Table 50: Redeemed monetary claims and settled payables of buyers to suppliers in the FB&H - by type of factoring and domicile status**

Type of factoring/ domicile status	Volume of redeemed monetary claims and settled payables of buyers towards suppliers												Index (12/10)
	Factoring companies				Banks				Total				
	01.01. - 31.03.2019		01.01. - 31.03.2020		01.01. - 31.03.2019		01.01. - 31.03.2020		01.01. - 31.03.2019		01.01. - 31.03.2020		
	Amount	Share (in %)	Amount	Share (in %)	Amount	Share (in %)	Amount	Share (in %)	Amount	Share (in %)	Amount	Share (in %)	
1	2	3	4	5	6	7	8	9	10	11	12	13	14
Factoring with right to recourse	0	0.0	0	0	16,186	46.3	15,368	50.1	16,186	45.8	15,368	50.1	95
Factoring without right to recourse	355	100	0	0	17,895	51.1	15,277	49.9	18,250	51.6	15,277	49.9	84
Reversed (supplier) factoring	0	0.0	0	0	922	2.6	0	0.0	922	2.6	0	0.0	0
	<b>355</b>	<b>100</b>	<b>0</b>	<b>0</b>	<b>35,003</b>	<b>100</b>	<b>30,645</b>	<b>100</b>	<b>35,358</b>	<b>100</b>	<b>30,645</b>	<b>100</b>	<b>87</b>
Domestic factoring	355	100	0	0	35,003	100	30,645	100	35,358	100	30,645	100	87
Foreign factoring	0	0	0	0	0	0.0	0	0.0	0	0.0	0	0.0	0
<b>Total</b>	<b>355</b>	<b>100</b>	<b>0</b>	<b>0</b>	<b>35,003</b>	<b>100</b>	<b>30,645</b>	<b>100</b>	<b>35,358</b>	<b>100</b>	<b>30,645</b>	<b>100</b>	<b>87</b>

Total value of redeemed monetary claims and settled payables of buyers towards suppliers refers entirely to domestic factoring. According to factoring types, BAM15.4 million or 50.1% refers to the factoring with recourse right and BAM 15.3 million or 49.9% to the factoring without recourse right.

According to contractual maturity, the highest share in the total volume (amount) of redeemed monetary claims and settled payables to suppliers in the Q1 2020 of BAM 24.8 million or 81% corresponds to redeemed monetary claims with contractual maturity of 60 days, followed by the share of BAM 4 million or 13.2% with contractual maturity of up to 91-180 days. Looking into the sector structure of buyers in the Q1 2020, a total of BAM 17.2 million of monetary claims was redeemed from public companies, thus constituting 56.1% of total turnover of the factoring business, while BAM 12.9 million or 42.3% was redeemed from private companies and enterprises, while BAM 0.5 million or 1.6% of monetary claims was redeemed from government

institutions. During Q1 2020, none of the banks provided the reverse (supplier) factoring, while in the same period last year the turnover in this segment was BAM 0.9 million.

In the Q1 2020, total advances paid to suppliers equaled BAM 29.8 million; thereof BAM 15.2 million or 51.2% refers to factoring without recourse right and BAM 14.6 million or 48.8% to factoring with recourse right. In the segment of private enterprises and companies (sellers of claims), the suppliers received an amount of BAM 29.2 million or 97.9% of total paid advances.

On the basis of redeemed monetary claims as of 31/03/2020, banks claimed the total of BAM 18.9 million, fully in domestic factoring, of which BAM 10.6 million or 56.1% relates to factoring with right to recourse, while BAM 8.3 million or 43.9% relate to factoring without right to recourse. There were no claims regarding reverse (supplier) recourse. The structure of the mentioned amount of redeemed claims by contractual maturities is the following: with contractual maturity of up to 60 days – 59.9%, of 61 to 90 days – 9.3%, of 91 to 180 days – 30.8%, while there were no redeemed receivables with contractual maturity over 180 days in this reporting period.

Total income of the factoring service providers in the FB&H for January 1 – March 31, 2020 amounted to BAM 0.3 million (income from interest, fees and administrative fees), down by BAM 0.1 million or 22.5% compared to the same period the year before. In the structure of the reported total income from interest, fees and administrative fees, equivalent amount refers to both, factoring without right to recourse and factoring with right to recourse.

According to reporting data as of 31/03/2020, the biggest interest rate on paid advances in the FB&H factoring market (i.e. the rate effective as of the last day of the reporting period of the 1<sup>st</sup> quarter of 2020) was 6%, while discount interest rate was 4% and both rates have been calculated in relation to domestic factoring. Banks performing factoring deals have been calculating factoring charges, while only one bank also collected administrative fee for factoring services.

### **2.3.3. RECOMMENDATIONS FOR THE FACTORING BUSINESS**

Factoring business in the Q1 2020 was conducted exclusively through the function of financing. There was neither any recorded provision of services of securing collection and receivables management service, nor performance of activities related to factoring, which confirms that this activity is still beginning to develop in the FB&H market within the legislative and institutional frameworks defined under the LoF and the FBA regulations governing factoring operations in more detail. Considering that the need for short term financing and management of cash receivables, as well as securing receivables, are all becoming increasingly significant in the real sector, it can be expected in the coming period that factoring, as one of the reliable tools for solving liquidity problems in the FB&H, will certainly be in use as an effective instrument for accelerating cash flows in much larger volume than insofar.

In order to eliminate liquidity problems more efficiently, thereby raising the volume of short-term financing of current operations of small and medium-sized enterprises to a higher level, in the coming period more significant affirmation of factoring, as an instrument not only of financing, but also of cash flow management, will be necessary, both on the part of service providers and on the part of other participants in the FB&H financial market. A part of significant activities in this segment will surely be reform of relevant laws and regulations.

Within the FBA's mandated responsibilities, supervision over factoring operations is guided by the principles of transparency, confidence building of the factoring service providers, with the aim of conducting factoring operations at the FB&H level in compliance with relevant regulations.

## CONCLUSION

In order to preserve and strengthen stability of the banking system, protect depositors, and ensure lawful, safe and quality operations of all BSEs in the FB&H falling within its area of supervision competency, FBA continuously supervises their operations, carrying out planned activities and taking measures in accordance with its legal authorities. This entails adopting general and individual regulations governing the work of the BSEs, all in compliance with laws, Basel principles and standards for effective supervision of banks and applicable EU directives based on those principles and standards.

During first three months of 2020, effects were noted regarding the initial implementation of the Decision on Credit Risk Management and Determination of Expected Credit Losses that were aimed towards strengthening the risk management quality and standardizing credit risk management in line with IFRS 9. Accordingly, there is an evident reduction of balance sheet exposures at the FB&H banking sector level. Also, the first effects caused by the COVID-19 pandemic also became evident via reduction of cash, deposit growth slowdown and lowering of lending activities. Although the pandemic may also cause an effect of subsequent worsening of the asset quality, Q1 2020 saw an improvement of asset quality indicators.

Based on the reported key business indicators of the FB&H banking sector as of 31/03/2020, it could be inferred that it is stable, adequately capitalized and liquid. Crucially important is the quality of the overall management system in banks, adequate and efficient functioning of the risk management system and adequate capital coverage of risk in business operations through meeting the prescribed requirements for calculating regulatory capital. Further measures to be taken by the regulator will be aimed towards efficient management of capital, liquidity and risk management support.

Analyzing the MCO reporting data in the FB&H as of 31/03/2020 and the comparative trends of business indicators, it can be concluded that the FB&H microcredit sector business operations are characterized by a decrease in total assets, microloan portfolio, loan obligations, while total capital posted a rise. Business operations have continued with a positive financial performance, being much lower than the one presented in the same period last year.

As of 31/03/2020, at the level of the leasing system in the FB&H, an increase was reported in the volume of assets, loan obligations and capital compared to 31/12/2019, while net receivables based on financial leasing and number and value of newly concluded contracts posted a decrease. Over the reporting period, FB&H leasing sector posted an operating profit.

Factoring business as possible instrument of short term financing and cash flow management was performed in the Q1 2020 solely via its financing function, whereas no collection service and receivables management service was posted or any deals related to factoring. This area is still beginning to develop in the FB&H. Its faster development calls for a legal reform being a limiting factor in its certain elements.



## ANNEXES – BANKING SECTOR

## Annex 1 - Basic information on FB&amp;H banks as at 31/03/2020

No.	Bank	Web address	Number of employees	Management Chairperson
1.	ADDIKO BANK DD SARAJEVO	www.addiko.ba	373	Sanela Pašić
2.	ASA BANKA DD SARAJEVO	www.asabanka.ba	211	Samir Mustafić
3.	BOSNA BANK INTERNATIONAL DD SARAJEVO	www.bbi.ba	458	Amer Bukvić
4.	INTESA SANPAOLO BANKA DD BOSNA I HERCEGOVINA SARAJEVO	www.intesasanpaolobanka.ba	560	Almir Krkalić
5.	KOMERCIJALNO-INVESTICIONA BANKA DD V. KLADUŠA	www.kib-banka.com.ba	82	Hasan Porčić
6.	NLB BANKA DD SARAJEVO	www.nlb.ba	443	Lidija Žigić
7.	PRIVREDNA BANKA SARAJEVO DD SARAJEVO	www.pbs.ba	166	Hamid Pršeš
8.	PROCREDIT BANK DD SARAJEVO	www.procreditbank.ba	147	Almir Salkanović
9.	RAIFFEISEN BANK DD BiH SARAJEVO	www.raiffeisenbank.ba	1,307	Karlheinz Dobnigg
10.	SBERBANK BH DD SARAJEVO	www.sberbank.ba	436	Jasmin Spahić
11.	SPARKASSE BANK DD BOSNA I HERCEGOVINA SARAJEVO	www.sparkasse.ba	524	Sanel Kusturica
12.	UNICREDIT BANK DD MOSTAR	www.unicreditbank.ba	1,252	Amina Mahmutović
13.	UNION BANKA DD SARAJEVO	www.unionbank.ba	201	Vedran Hadžiahmetović
14.	VAKUFСКА BANKA DD SARAJEVO	www.vakuba.ba	145	v.d. Edina Vuk
15.	ZIRAATBANK BH DD SARAJEVO	www.ziraatbosnia.com	304	Yusuf Dilaver
<b>TOTAL</b>			<b>6,609</b>	

## Annex 2 – FB&amp;H banks' balance sheet according to FBA scheme (active sub-balance sheet)

- BAM 000 -

No.	Description	Iznos na dan 31.12.2019	%	Iznos na dan 31.03.2020	%	Index (5/3)
1	2	3	4	5	6	7
<b>ASSETS</b>						
1.	Cash and deposit accounts with deposit institutions	7,641,570	31.6	7,307,851	30.7	96
	1.a. Cash and non-interest bearing deposit accounts	3,321,750	13.7	3,453,170	14.5	104
	1.b. Interest bearing deposit accounts	4,319,820	17.9	3,854,681	16.2	89
2.	Securities at fair value through profit or loss and at fair value in other comprehensive income	1,297,075	5.4	1,297,836	5.5	100
3.	Placements to other banks	149,197	0.6	93,320	0.4	63
4.	Loans, leasing type receivables and past-due receivables	15,220,759	62.8	15,256,911	64.1	100
	4.a. Loans	14,198,216	58.6	14,407,097	60.5	101
	4.b. Leasing type receivables	68,407	0.3	61,528	0.3	90
	4.c. Due receivables on loans and leasing type receivables	954,136	3.9	788,286	3.3	83
5.	Securities at amortized cost	159,246	0.7	163,722	0.7	103
6.	Business premises and other fixed assets	550,887	2.3	546,276	2.3	99
7.	Other real-estate	49,797	0.2	49,082	0.2	99
8.	Investments in subsidiaries and affiliates	15,944	0.1	15,944	0.1	100
9.	Other assets	321,220	1.3	262,798	1.0	82
10.	MINUS: Impairments	1,195,128	4.9	1,190,387	5.0	100
	10.a. Impairments of items in position 4 of Assets	1,120,940	4.6	1,138,220	4.8	102
	10.b. Impairments of assets items, except for position 4 of Assets	74,188	0.3	52,167	0.2	70
<b>11.</b>	<b>TOTAL ASSETS</b>	<b>24,210,567</b>	<b>100</b>	<b>23,803,353</b>	<b>100</b>	<b>98</b>
<b>LIABILITIES</b>						
12.	Deposits	19,414,294	80.2	19,148,082	80.4	99
	12.a. Interest-bearing deposits	14,181,299	58.6	13,756,000	57.8	97
	12.b. Non interest-bearing deposits	5,232,995	21.6	5,392,082	22.6	103
13.	Borrowings –due liabilities	150	0.0	150	0.0	100
	13.a. Balance of overdue liabilities	0	0.0	0	0.0	-
	13.b. Balance of not settled, called for payment off-balance sheet liabilities	150	0.0	150	0.0	100
14.	Borrowings from other banks	0	0.0	0	0.0	-
15.	Liabilities to government	0	0.0	0	0.0	-
16.	Liabilities on loans and other borrowings	856,626	3.5	863,901	3.6	101
	16.a. with residual maturity up to one year	199,989	0.8	184,322	0.8	92
	16.b. with residual maturity over one year	656,637	2.7	679,579	2.8	103
17.	Subordinated debts and subordinated bonds	189,055	0.8	179,276	0.8	95
18.	Other liabilities	619,088	2.6	671,604	2.8	108
<b>19.</b>	<b>TOTAL LIABILITIES</b>	<b>21,079,213</b>	<b>87.1</b>	<b>20,863,013</b>	<b>87.6</b>	<b>99</b>
<b>CAPITAL</b>						
20.	Permanent priority shares	365	0.0	365	0.0	100
21.	Common shares	1,299,335	5.4	1,299,335	5.5	100
22.	Issue premiums	137,290	0.6	137,290	0.6	100
	22.a. on permanent priority shares	88	0.0	88	0.0	100
	22.b. on common shares	137,202	0.6	137,202	0.6	100
23.	Undistributed profit and capital reserves	1,393,271	5.8	1,410,101	5.9	101
24.	Exchange rate differences	0	0.0	0	0.0	-
25.	Other capital	262,125	1.1	72,567	0.3	28
26.	Loan loss reserves created from profits	38,968	0.2	20,682	0.1	53
<b>27.</b>	<b>TOTAL CAPITAL: (20 to 25)</b>	<b>3,131,354</b>	<b>12.9</b>	<b>2,940,340</b>	<b>12.4</b>	<b>94</b>
<b>28.</b>	<b>TOTAL LIABILITIES AND CAPITAL: (19 + 27)</b>	<b>24,210,567</b>	<b>100</b>	<b>23,803,353</b>	<b>100</b>	<b>98</b>
<b>PASSIVE AND NEUTRAL SUB-BALANCE SHEET</b>		<b>712,764</b>		<b>715,546</b>		<b>100</b>
<b>TOTAL</b>		<b>24,923,331</b>		<b>24,518,899</b>		<b>98</b>

## Annex 3 - Overview of assets, loans, deposits and financial performance of FB&amp;H banks – 31/03/2020

- BAM 000 -

No.	Bank	Assets		Loans		Deposits	
		Amount	%	Amount	%	Amount	%
1.	ADDIKO BANK DD SARAJEVO	992,703	4.2	621,400	4.1	759,433	4.0
2.	ASA BANKA DD SARAJEVO	553,719	2.3	364,312	2.4	480,319	2.5
3.	BOSNA BANK INTERNATIONAL DD SARAJEVO	1,197,272	5.0	815,402	5.3	926,773	4.8
4.	INTESA SANPAOLO BANKA DD BOSNA I HERCEGOVINA SARAJEVO	2,303,154	9.7	1,620,526	10.6	1,757,271	9.2
5.	KOMERCIJALNO-INVESTICIONA BANKA DD V. KLADUŠA	98,148	0.4	54,366	0.4	66,457	0.3
6.	NLB BANKA DD SARAJEVO	1,237,179	5.2	825,311	5.4	1,007,868	5.3
7.	PRIVREDNA BANKA SARAJEVO DD SARAJEVO	523,662	2.2	295,876	2.0	439,012	2.3
8.	PROCREDIT BANK DD SARAJEVO	544,622	2.3	416,495	2.7	263,871	1.4
9.	RAIFFEISEN BANK DD BiH SARAJEVO	4,763,560	20.0	2,760,309	18.1	3,887,469	20.3
10.	SBERBANK BH DD SARAJEVO	1,538,276	6.5	1,028,154	6.7	1,318,437	6.9
11.	SPARKASSE BANK DD BOSNA I HERCEGOVINA SARAJEVO	1,602,969	6.8	1,120,236	7.4	1,310,890	6.8
12.	UNICREDIT BANK DD MOSTAR	6,286,124	26.4	4,047,002	26.5	5,183,078	27.1
13.	UNION BANKA DD SARAJEVO	867,289	3.6	271,107	1.8	769,170	4.0
14.	VAKUFСКА BANKA DD SARAJEVO	288,300	1.2	185,077	1.2	254,961	1.3
15.	ZIRAATBANK BH DD SARAJEVO	1,006,376	4.2	831,338	5.4	723,073	3.8
	<b>TOTAL</b>	<b>23,803,353</b>	<b>100</b>	<b>15,256,911</b>	<b>100</b>	<b>19,148,082</b>	<b>100</b>

## Annex 4 – Sector structure of loans in the FB&amp;H and ECL – 31/03/2020

- BAM 000 -

Description	Credit risk grade 1	Credit risk grade 2	Credit risk grade 3	Total gross exposure by all credit risk grades	ECL for the credit risk grade 1	ECL for the credit risk grade 2	ECL for the credit risk grade 3
1	2	3	4	5	6	7	8
<b>1. Total corporate loans (1.1. to 1.21.)</b>	<b>6,290,480</b>	<b>936,539</b>	<b>652,278</b>	<b>7,879,297</b>	<b>75,411</b>	<b>86,075</b>	<b>501,601</b>
1.1. A Agriculture, forestry and fishing	80,975	30,512	27,471	138,959	1,065	3,848	19,437
1.2. B Mining and quarrying	75,307	35,300	1,750	112,356	930	2,785	1,417
1.3. C Processing industry	1,258,439	267,797	121,669	1,647,907	13,719	25,033	106,472
1.4. D Production and supply of electricity, gas, fumes and air conditioning	345,339	7,692	100,568	453,598	10,950	782	72,475
1.5. E Water supply, waste water drainage, commercial waste disposal and environmental recovery	25,857	5,738	1,150	32,745	375	333	1,040
1.6. F Construction	381,841	50,556	54,165	486,560	5,563	4,839	45,403
1.7. G Wholesale and retail trade; repair of motor vehicles and motorcycles	2,383,877	295,329	221,312	2,900,518	25,907	23,070	169,085
1.8. H Transport and warehousing	230,577	46,322	12,635	289,535	2,388	2,322	10,735
1.9. I Accommodation and catering (hotels and hospitalist business)	149,915	53,577	33,992	237,483	1,488	7,162	17,493
1.10. J Information and communication	124,892	12,027	18,602	155,521	1,515	1,358	11,125
1.11. K Financial and insurance business	531,065	3,663	4,061	538,789	2,743	394	4,016
1.12. L Real estate business	148,743	53,019	31,766	233,528	2,833	5,405	25,716
1.13. M Professional, scientific and technical activities	104,927	49,880	9,894	164,700	1,209	5,908	9,080
1.14. N Administrat. and auxiliary services	18,448	3,585	1,731	23,766	234	163	1,594
1.15. O Public administration and defence; social insurance	249,937	13,671	1,193	264,801	2,871	1,759	979
1.16. P Education	9,193	118	4,460	13,770	134	8	958
1.17. Q Health care and social welfare	74,396	3,242	611	78,249	633	528	487
1.18. R Art, entertainment and recreation	4,525	1,899	1,084	7,508	36	140	1,079
1.19. S Other services	84,379	2,509	2,913	89,800	782	229	1,759
1.20. T Activities of households as employers; activities of households manufacturing different goods and rendering different services for their own needs	0	0	1,251	1,251	0	0	1,251
1.21. U activities of extraterritorial organisations and bodies	7,848	103	0	7,952	36	9	0
<b>2. Total Retail (2.1 + 2.2 + 2.3)</b>	<b>6,502,763</b>	<b>461,549</b>	<b>413,302</b>	<b>7,377,614</b>	<b>70,783</b>	<b>58,912</b>	<b>345,439</b>
2.1. General consumption	5,216,299	390,953	353,615	5,960,867	61,049	52,080	296,164
2.2. Housing construction	1,214,306	59,209	51,502	1,325,018	8,871	5,968	41,922
2.3. Entrepreneurs	72,158	11,386	8,185	91,731	863	864	7,353
<b>3. Total loans (1. + 2.)</b>	<b>12,793,243</b>	<b>1,398,087</b>	<b>1,065,580</b>	<b>15,256,911</b>	<b>146,194</b>	<b>144,987</b>	<b>847,040</b>

## Annex 5 - FB&amp;H banks' income statement according to FBA's scheme – 31/03/2020

- BAM 000 -

No.	Description	31.03.2019	%	31.03.2020	%	Index (5/3)
1	2	3	4	5	6	7
<b>1.</b>	<b>INTEREST INCOME AND EXPENSES</b>					
a)	<b>Interest income and similar income</b>					
1)	Interest-bearing deposit accounts with deposit institutions	1,206	0.5	1,091	0.4	90
2)	Placements to other banks	1,049	0.4	707	0.3	67
3)	Loans and leasing operations	160,231	62.5	159,120	61.5	99
4)	Securities held to maturity	1,071	0.4	973	0.4	91
5)	Equity securities	0	0	0	0	-
6)	Receivables on paid off-balance sheet liabilities	0	0	0	0	-
7)	Other interest income and similar income	16,790	6.6	16,125	6.2	96
8)	<b>TOTAL INTEREST INCOME AND SIMILAR INCOME</b>	<b>180,347</b>	<b>70.4</b>	<b>178,016</b>	<b>68.8</b>	<b>99</b>
b)	<b>Interest expenses and similar expenses</b>					
1)	Deposits	23,726	9.3	24,025	9.3	101
2)	Borrowings from other banks	0	0	0	0	-
3)	Borrowings taken – past-due liabilities	0	0	0	0	-
4)	Liabilities on loans and other borrowings taken	2,252	0.9	2,267	0.9	101
5)	Subordinated debts and subordinated bonds	1,819	0.7	1,641	0.6	90
6)	Other interest expenses and similar expenses	3,131	1.2	5,944	2.3	190
7)	<b>TOTAL INTEREST EXPENSES AND SIMILAR EXPENSES</b>	<b>30,928</b>	<b>12.1</b>	<b>33,877</b>	<b>13.1</b>	<b>110</b>
c)	<b>NET INTEREST AND SIMILAR INCOME</b>	<b>149,419</b>	<b>58.3</b>	<b>144,139</b>	<b>55.7</b>	<b>96</b>
<b>2.</b>	<b>OPERATING INCOME</b>					
a)	Income from foreign exchange operations	12,833	5.0	13,831	5.3	108
b)	Loan fees	2,492	1.0	2,549	1.0	102
c)	Off-balance sheet operation fees	5,601	2.2	5,909	2.2	105
d)	Service fees	72,488	28.3	76,591	29.6	106
e)	Income from trading operations	1,198	0.4	1,492	0.6	125
f)	Other operating income	12,200	4.8	14,430	5.6	118
g)	<b>TOTAL OPERATING INCOME a) through f)</b>	<b>106,812</b>	<b>41.7</b>	<b>114,802</b>	<b>44.3</b>	<b>107</b>
	<b>TOTAL INCOME(1c + 2g)</b>	<b>256,231</b>	<b>100</b>	<b>258,941</b>	<b>100</b>	<b>101</b>
<b>3.</b>	<b>NON-INTEREST EXPENSES</b>					
a)	<b>Operating and direct expenses</b>					
1)	Risk asset impairment costs, provisions for contingent liabilities and other value adjustments	10,290	4.0	20,659	8.0	201
2)	Other operating and direct costs	29,610	11.6	33,859	13.1	114
3)	<b>TOTAL OPERATING AND DIRECT EXPENSES 1) + 2)</b>	<b>39,900</b>	<b>15.6</b>	<b>54,518</b>	<b>21.0</b>	<b>137</b>
b)	<b>Operating expenses</b>					
1)	Salary and contribution costs	63,335	24.7	64,056	24.7	101
2)	Business premises costs, other fixed assets and overheads	37,656	14.7	38,763	15.0	103
3)	Other operating costs	25,054	9.8	28,545	11.0	114
4)	<b>TOTAL OPERATING EXPENSES 1) through 3)</b>	<b>126,045</b>	<b>49.2</b>	<b>131,364</b>	<b>50.7</b>	<b>104</b>
c)	<b>TOTAL NON-INTEREST EXPENSES</b>	<b>165,945</b>	<b>64.8</b>	<b>185,882</b>	<b>71.8</b>	<b>112</b>
	<b>TOTAL EXPENSES (1b7+3c)</b>	<b>196,873</b>		<b>219,759</b>		<b>112</b>
4.	PROFIT BEFORE TAXATION	90,418	35.2	76,883	29.7	85
5.	LOSS	132	0.0	3,824	1.5	2897
6.	TAXES	549	0.2	527	0.2	96
7.	PROFIT ON INCREASE IN DEFERRED TAX ASSETS AND DECREASE IN DEFERRED TAX LIABILITIES	251	0.1	49	0.0	20
8.	LOSS ON DECREASE IN DEFERRED TAX ASSETS AND INCREASE IN DEFERRED TAX LIABILITIES	179	0.1	14	0.0	8
<b>9.</b>	<b>NET PROFIT (4-6+7-8 or 7-5-6-8)</b>	<b>89,941</b>	<b>35.1</b>	<b>76,391</b>	<b>29.5</b>	<b>85</b>
<b>10.</b>	<b>NET LOSS (4-6-7+8 or 6+8-4-7)</b>	<b>132</b>	<b>0.0</b>	<b>3,824</b>	<b>1.5</b>	<b>2897</b>
<b>11.</b>	<b>FINANCIAL PERFORMANCE (9-10)</b>	<b>89,809</b>	<b>-</b>	<b>72,567</b>	<b>-</b>	<b>80</b>

## Annex 6 - Weighted average NIR and EIR on loans and deposits as of 31/03/2020

## Weighted average NIR and EIR on loans

- % -

No.	Description	31.12.2019		31.03.2020	
		NIR	EIR	NIR	EIR
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>
<b>1.</b>	<b>Weighted interest rates on short-term loans</b>	<b>2.32</b>	<b>2.67</b>	<b>2.25</b>	<b>2.49</b>
1.1.	Corporate	2.27	2.55	2.21	2.41
1.2.	Retail	7.48	14.02	8.36	15.04
<b>2.</b>	<b>Weighted interest rates on long-term loans</b>	<b>4.58</b>	<b>5.49</b>	<b>4.53</b>	<b>5.47</b>
2.1.	Corporate	3.41	3.67	3.16	3.41
2.2.	Retail	5.38	6.74	5.41	6.81
<b>3.</b>	<b>Total weighted interest rates</b>	<b>3.27</b>	<b>3.86</b>	<b>3.06</b>	<b>3.55</b>
3.1.	Corporate	2.53	2.81	2.38	2.59
3.2.	Retail	5.42	6.89	5.46	6.96

## Average Weighted NIR and EIR on deposits

- % -

No.	Description	31.12.2019		31.03.2020	
		NIR	EIR	NIR	EIR
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>
<b>1.</b>	<b>Weighted interest rates on short-term deposits</b>	<b>0.34</b>	<b>0.33</b>	<b>0.51</b>	<b>0.51</b>
1.1.	Up to three months	0.36	0.35	0.44	0.44
1.2.	Up to one year	0.32	0.32	0.54	0.54
<b>2.</b>	<b>Weighted interest rates on long-term deposits</b>	<b>1.24</b>	<b>1.19</b>	<b>0.94</b>	<b>0.95</b>
2.1.	Up to three years	1.12	1.05	0.72	0.72
2.2.	Over three years	1.54	1.55	1.26	1.28
<b>3.</b>	<b>Total weighted interest rates on deposits</b>	<b>0.78</b>	<b>0.75</b>	<b>0.78</b>	<b>0.79</b>



## Annex 6a - Weighted average NIR and EIR on loans and deposits by periods

## Weighted average NIR and EIR on loans by periods

- % -

No.	Description	31.03.2016		31.03.2017		31.03.2018		31.03.2019		31.03.2020	
		NIR	EIR	NIR	EIR	NIR	EIR	NIR	EIR	NIR	EIR
1	2	3	4	5	6	7	8	9	10	11	12
<b>1.</b>	<b>Weighted interest rates on short-term loans</b>	<b>4.48</b>	<b>5.06</b>	<b>3.32</b>	<b>3.58</b>	<b>2.77</b>	<b>3.04</b>	<b>2.36</b>	<b>2.65</b>	<b>2.25</b>	<b>2.49</b>
1.1.	Corporate	4.43	4.94	3.26	3.46	2.71	2.92	2.31	2.53	2.21	2.41
1.2.	Retail	7.44	11.56	8.37	15.46	8.40	16.44	7.82	15.28	8.36	15.04
<b>2.</b>	<b>Weighted interest rates on long-term loans</b>	<b>6.44</b>	<b>7.57</b>	<b>5.81</b>	<b>6.90</b>	<b>5.02</b>	<b>6.12</b>	<b>4.67</b>	<b>5.65</b>	<b>4.53</b>	<b>5.47</b>
2.1.	Corporate	5.11	5.44	4.55	4.86	3.83	4.19	3.44	3.68	3.16	3.41
2.2.	Retail	7.39	9.07	6.65	8.21	5.86	7.49	5.42	6.83	5.41	6.81
<b>3.</b>	<b>Total weighted interest rates</b>	<b>5.34</b>	<b>6.16</b>	<b>4.36</b>	<b>4.96</b>	<b>3.69</b>	<b>4.30</b>	<b>3.36</b>	<b>3.94</b>	<b>3.06</b>	<b>3.55</b>
3.1.	Corporate	4.60	5.07	3.55	3.77	2.97	3.21	2.57	2.79	2.38	2.59
3.2.	Retail	7.39	9.17	6.68	8.35	5.90	7.65	5.46	6.97	5.46	6.96

## Weighted average NIR and EIR on deposits by periods

- % -

No.	Description	31.03.2016		31.03.2017		31.03.2018		31.03.2019		31.03.2020	
		NIR	EIR	NIR	EIR	NIR	EIR	NIR	EIR	NIR	EIR
1	2	3	4	5	6	7	8	9	10	11	12
<b>1.</b>	<b>Weighted interest rates on short-term deposits</b>	<b>0.40</b>	<b>0.40</b>	<b>0.36</b>	<b>0.36</b>	<b>0.34</b>	<b>0.35</b>	<b>0.26</b>	<b>0.26</b>	<b>0.51</b>	<b>0.51</b>
1.1.	Up to three months	0.27	0.27	0.34	0.34	0.40	0.40	0.17	0.16	0.44	0.44
1.2.	Up to one year	0.85	0.88	0.53	0.54	0.23	0.24	0.43	0.43	0.54	0.54
<b>2.</b>	<b>Weighted interest rates on long-term deposits</b>	<b>1.99</b>	<b>2.02</b>	<b>1.48</b>	<b>1.50</b>	<b>1.10</b>	<b>1.11</b>	<b>1.49</b>	<b>1.29</b>	<b>0.94</b>	<b>0.95</b>
2.1.	Up to three years	1.80	1.83	1.36	1.38	0.92	0.92	1.44	1.17	0.72	0.72
2.2.	Over three years	2.49	2.50	1.93	1.96	1.47	1.48	1.62	1.63	1.26	1.28
<b>3.</b>	<b>Total weighted interest rates on deposits</b>	<b>1.05</b>	<b>1.06</b>	<b>0.67</b>	<b>0.68</b>	<b>0.66</b>	<b>0.66</b>	<b>0.93</b>	<b>0.82</b>	<b>0.78</b>	<b>0.79</b>

## ANNEXES - MICROCREDIT SECTOR

## Annex 7 - Basic information on FB&amp;H MCOs with an overview of key indicators – 31/03/2020

No.	MCO name	Director	License issuance date	Web address	Number of employees	- BAM 000 -			
						Assets amount	Gross portfolio amount	Capital amount	Placements in the period 1.1.-31.03. 2020.
1.	MKD „CREDO CENTAR“ d.o.o. Mostar	Mirko Ljubić	12.09.2019	-	6	1,496	746	1,471	366
2.	MKD "EKI" d.o.o. Sarajevo	Almir Sultanović	04.02.2008	<a href="http://www.eki.ba">www.eki.ba</a>	223	149,758	137,871	44,990	24,601
3.	MKF "EKI" Sarajevo	Esad Uzunić	20.08.2007	<a href="http://www.eki.ba">www.eki.ba</a>	103	88,099	40,282	69,518	10,280
4.	MKD „IUTECREDIT BH“ d.o.o. Sarajevo	Vilma Tunjić Juzbašić	28.02.2019	<a href="http://www.iutecredit.ba">www.iutecredit.ba</a>	25	5,702	3,702	769	2,278
5.	MKF "LIDER" Sarajevo	Džavid Sejfović	04.02.2008	<a href="http://www.lider.ba">www.lider.ba</a>	76	24,630	24,181	11,752	5,560
6.	"LOK MKF" Sarajevo	Elma Čardaklija - Bašić	04.02.2008	<a href="http://www.lok.ba">www.lok.ba</a>	73	9,750	6,768	3,275	1,662
7.	MKF "MELAHA" Sarajevo	Jakob Finci	09.10.2007	<a href="http://www.melaha.ba">www.melaha.ba</a>	6	1,203	789	512	154
8.	MKF "MI-BOSPO" Tuzla	Safet Husić	09.07.2007	<a href="http://www.mi-bospo.org">www.mi-bospo.org</a>	191	73,051	66,189	26,642	15,004
9.	MKF "MIKRA" Sarajevo	Sanin Čampara	19.03.2008	<a href="http://www.mikra.ba">www.mikra.ba</a>	148	43,089	35,921	10,540	8,636
10.	MKF "MIKRO ALDI" Goražde	Ferida Softić	20.08.2007	<a href="http://www.mikroaldi.org">www.mikroaldi.org</a>	36	8,516	7,903	5,173	1,676
11.	"PARTNER MKF" Tuzla	Senad Sinanović	20.08.2007	<a href="http://www.partner.ba">www.partner.ba</a>	290	156,020	138,490	93,930	24,834
12.	"PRVA ISLAMSKA MKF" Sarajevo	Edina Hadžimurtezić	10.12.2007	<a href="http://www.mfi.ba">www.mfi.ba</a>	8	2,245	1,577	2,062	443
13.	MKF "SANI" Zenica	Sulejman Haračić	09.10.2007	-	4	379	322	153	59
14.	MKF "SUNRISE" Sarajevo	Samir Bajrović	20.08.2007	<a href="http://www.microsunrise.ba">www.microsunrise.ba</a>	170	57,449	45,388	28,821	12,652
<b>Total</b>					<b>1,359</b>	<b>621,387</b>	<b>510,129</b>	<b>299,608</b>	<b>108,205</b>

## Annex 8 - MCFs' aggregate balance sheet – 31/03/2020

- BAM 000 -

No.	DESCRIPTION	Amount as of 31.12.2019	%	Amount as of 31.03.2020	%	Index (5/3)
1	2	3	4	5	6	7
<b>ASSETS</b>						
<b>1.</b>	<b>Cash (1a+1b)</b>	<b>35,594</b>	7.6	<b>34,190</b>	7.4	<b>96</b>
1a)	Cash and non-interest bearing deposit accounts	22,842	4.9	26,291	5.7	115
1b)	Interest-bearing deposit accounts	12,752	2.7	7,899	1.7	62
2.	Placements to banks	2,150	0.5	2,140	0.5	100
3.	Loans	370,298		367,214		99
3a)	Loan loss reserves	2,759		3,875		140
<b>3b)</b>	<b>Net loans (3-3a)</b>	<b>367,539</b>	78.2	<b>363,339</b>	78.2	<b>99</b>
4.	Business premises and other fixed assets	28,231	6.0	28,094	6.0	100
5.	Long-term investments	33,061	7.0	33,061	7.1	100
6.	Other assets	3,415	0.7	3,611	0.8	106
7.	Minus: reserves on other asset items, except for loans	3		4		133
<b>8.</b>	<b>TOTAL ASSETS</b>	<b>469,987</b>	<b>100</b>	<b>464,431</b>	<b>100</b>	<b>99</b>
<b>LIABILITIES</b>						
9.a)	Liabilities on short-term loans taken out	45,676	9.7	52,987	11.4	116
9.b)	Liabilities on long-term loans taken out	150,186	32.0	135,385	29.2	90
9.c)	Liabilities based on interest due	907	0.2	1,352	0.3	
10.	Other liabilities	24,218	5.1	22,329	4.8	92
<b>11.</b>	<b>Total liabilities</b>	<b>220,987</b>	47.0	<b>212,053</b>	45.7	<b>96</b>
12.	Donated capital	48,076		48,076		100
13.	Tier 1 capital	3,868		3,868		100
<b>14.</b>	<b>Surplus of income over expenses</b>	<b>252,273</b>		<b>255,746</b>		<b>101</b>
14a)	for previous years	237,483		252,276		106
14b)	for current year	14,790		3,470		23
<b>15.</b>	<b>Shortfall of income over expenses</b>	<b>55,335</b>		<b>55,426</b>		<b>100</b>
15a)	for previous years	55,236		55,335		100
15b)	for current year	99		91		92
16.	Other reserves	118		114		97
<b>17.</b>	<b>TOTAL CAPITAL</b>	<b>249,000</b>	53.0	<b>252,378</b>	54.3	<b>101</b>
<b>18.</b>	<b>TOTAL LIABILITIES</b>	<b>469,987</b>	<b>100</b>	<b>464,431</b>	<b>100</b>	<b>99</b>
<b>OFF-BALANCE SHEET RECORDS</b>						
19.	Written-off loans	149,854		148,947		99
20.	Approved, but undrawn loan funds of creditors	11,649		11,939		102
21.	Commission operations	222		222		100
22..	Court disputes, orders by competent authorities posing contingent liability for MCO, but that have not yet been posted in balance sheet records, etc.	396		396		100
23.	Other (all other off-balance sheet items not covered above)	195,691		199,238		102

## Annex 9 - MCCs' aggregate balance sheet – 31/03/2020

- BAM 000 -

No.	DESCRIPTION	Amount as of 31.12.2019	%	Amount as of 31.03.2020	%	Index (5/3)
1	2	3	4	5	6	7
<b>ASSETS</b>						
<b>1.</b>	<b>Cash (1a+1b)</b>	<b>13,281</b>	8.3	<b>10,637</b>	6.8	<b>80</b>
1a)	Cash and non-interest bearing deposit accounts	12,781	8.0	10,387	6.6	81
1b)	Interest-bearing deposit accounts	500	0.3	250	0.2	50
2.	Placements to banks	0	0.0	0	0.0	
3.	Loans	140,707		142,453		101
3a)	Loan loss reserves	1,411		2,837		201
<b>3b)</b>	<b>Net loans (3-3a)</b>	<b>139,296</b>	87.3	<b>139,616</b>	88.9	<b>100</b>
4.	Business premises and other fixed assets	5,747	3.6	5,281	3.4	92
5.	Long-term investments	0	0.0	0	0.0	
6.	Other assets	1,304	0.8	1,422	0.9	109
7.	Minus: reserves on other asset items, except for loans	0		0		
<b>8.</b>	<b>TOTAL ASSETS</b>	<b>159,628</b>	<b>100</b>	<b>156,956</b>	<b>100</b>	<b>98</b>
<b>LIABILITIES</b>						
9.a.)	Liabilities on short-term loans taken out	56,995	35.7	59,201	37.7	104
9.b.)	Liabilities on long-term loans taken out	48,888	30.6	42,948	27.3	88
9.c.)	Liabilities based on interest due	914	0.6	873	0.6	96
10.	Other liabilities	7,517	4.7	6,704	4.3	89
<b>11.</b>	<b>TOTAL LIABILITIES</b>	<b>114,314</b>	71.6	<b>109,726</b>	69.9	<b>96</b>
12.	Donated capital	0		0		
13.	Tier 1 capital	31,600		32,600		103
14.	Issue premium	0		0		
<b>15.</b>	<b>Unallocated profit (15a+15b)</b>	<b>9,186</b>		<b>10,825</b>		<b>118</b>
15a)	Previous year	5,976		11,164		187
15b)	Current year	3,210		-339		-11
16.	Legal reserves	2,528		2,528		100
17.	Other reserves	2,000		1,277		64
<b>18.</b>	<b>TOTAL CAPITAL</b>	<b>45,314</b>	28.4	<b>47,230</b>	30.1	<b>104</b>
<b>19.</b>	<b>TOTAL LIABILITIES</b>	<b>159,628</b>	<b>100</b>	<b>156,956</b>	<b>100</b>	<b>98</b>
<b>OFF-BALANCE SHEET RECORDS</b>						
20.	Written-off loans	2,738		3,325		121
21.	Approved, but undrawn loan funds of creditors	38,649		39,258		102
22.	Commission operations	0		0		
23.	Court disputes, orders by competent authorities posing contingent liability for MCO, but that have not yet been posted in balance sheet records, etc.	0		0		
24.	Other (all other off-balance sheet items not covered above)	21,268		19,615		92

Annex 10 - Overview of average weighted NIR and EIR for MCOs seated in the FB&H related to microloans disbursed in the period from 01.01.-31.03.2020

No.	Description	MCOs seated in the FB&H		
		Microloans disbursement (in BAM 000)	Weighted NIR (average)	Weighted EIR (average) %
<b>1.</b>	<b>Short term microloans for:</b>	<b>14,775</b>	<b>20.36</b>	<b>33.31</b>
1.1.	service activities	1,854	20.74	27.57
1.2.	trade	612	20.54	27.80
1.3.	agriculture	2,835	20.10	26.83
1.4.	manufacturing	304	20.18	26.77
1.5.	housing needs	1,191	20.83	28.02
1.6.	general-basic needs	6,046	20.65	43.29
1.7.	other	1,933	19.15	23.17
<b>2.</b>	<b>Long term microloans for:</b>	<b>93,430</b>	<b>18.96</b>	<b>23.51</b>
2.1.	service activities	18,978	18.64	21.64
2.2.	trade	3,356	19.18	22.64
2.3.	agriculture	29,369	17.86	20.88
2.4.	manufacturing	3,292	18.00	20.65
2.5.	housing needs	18,502	19.34	22.86
2.6.	general-basic needs	13,793	22.86	28.12
2.7.	other	6,140	15.76	35.49
<b>3.</b>	<b>Total microloans</b>	<b>108,205</b>	<b>19.15</b>	<b>24.85</b>

Annex 10a - Comparative overview of average weighted EIR for MCOs seated in the FB&H for disbursed microloans

- % -

Average weighted NIR on:	01.01.-31.03. 2016	01.01.-31.03. 2017	01.01.-31.03. 2018	01.01.-31.03. 2019	01.01.-31.03. 2020
Short-term microloans	16.00	18.20	20.06	21.64	20.36
Long-term microloans	20.51	20.64	19.58	19.22	18.96
<b>Total microloans</b>	<b>19.61</b>	<b>20.19</b>	<b>19.65</b>	<b>19.56</b>	<b>19.15</b>
Average weighted EIR on:	01.01.-31.03. 2016	01.01.-31.03. 2017	01.01.-31.03. 2018	01.01.-31.03. 2019	01.01.-31.03. 2020
Short-term microloans	25.17	26.56	26.78	29.42	33.31
Long-term microloans	24.30	24.52	23.26	22.61	23.51
<b>Total microloans</b>	<b>24.47</b>	<b>24.90</b>	<b>23.79</b>	<b>23.57</b>	<b>24.85</b>



## Annex 11 - MCFs aggregate income statement – 31/03/2020

- BAM 000 –

No.	DESCRIPTION	For the period 01.01. - 31.03.2019	Share	For the period 01.01. - 31.03.2020	Share	Index (5/3)
1	2	3	4	5	6	7
	<b>INTEREST INCOME AND EXPENSES</b>					
1.	Interest and similar income	17,488	87.3	19,408	90.5	111
2.	Interest and similar expenses	1,990	11.9	1,924	10.8	97
<b>3.</b>	<b>Net interest and similar income (1. - 2.)</b>	<b>15,498</b>		<b>17,484</b>		<b>113</b>
	<b>OPERATING INCOME AND EXPENSES</b>					
4.	Operating income	2,541	12.7	1,809	8,4	71
5.	Operating expenses	13,504	80.9	13,669	76,9	101
	<b>OTHER OPERATING INCOME AND EXPENSES</b>					
6.	Other operating income	0	0.0	231	1,1	-
7.	Other operating expenses	174	1.0	86	0,5	49
8.	Costs of provisions for loan and other losses	1,029	6.2	2,089	11,8	203
<b>9.</b>	<b>Surplus/shortfall of income over expenses before taxes (3.+4.-5.+6.-7.-8.)</b>	<b>3,332</b>		<b>3,680</b>		<b>110</b>
10.	Tax on surplus income over expenses	0		313		-
<b>11.</b>	<b>Net surplus/shortfall of income over expenses (9.-10.)</b>	<b>3,332</b>		<b>3,367</b>		<b>101</b>

## Annex 12 – MCCs aggregate income statement – 31/03/2020

- BAM 000 -

No.	DESCRIPTION	For the period 01.01. - 31.03.2019	%	For the period 01.01. - 31.03.2020	%	Index (5/3)
1	2	3	4	5	6	7
	<b>INTEREST INCOME AND EXPENSES</b>					
1.	Interest and similar income	6,436	98.9	6.956	98.5	108
2.	Interest and similar expenses	1,139	25.2	1.358	18.5	119
<b>3.</b>	<b>Net interest and similar income (1. - 2.)</b>	<b>5,297</b>		<b>5.598</b>		<b>106</b>
	<b>OPERATING INCOME AND EXPENSES</b>					
4.	Operating income	69	1.1	30	0.4	43
5.	Operating expenses	2,998	66.4	3.927	53.6	131
	<b>OTHER OPERATING INCOME AND EXPENSES</b>					
6.	Other operating income	0	0.0	76	1.1	-
7.	Other operating expenses	15	0.3	15	0.2	100
8.	Costs of provisions for loan and other losses	365	8.1	2.025	27.7	555
<b>9.</b>	<b>Profit/loss before taxes (3.+4.-5.+6.-7.-8.)</b>	<b>1,988</b>		<b>-263</b>		<b>-13</b>
10.	Income tax	198		76		38
<b>11.</b>	<b>Net profit/loss (9.-10.)</b>	<b>1,790</b>		<b>-339</b>		<b>-19</b>

## ANNEXES - LEASING SECTOR

## Annex 13 - Basic information on leasing companies in the FB&amp;H with an overview of key indicators - 31/03/2020

No.	Leasing company name	Web address	Director	License issuance date	No. of employees	- BAM 000 -				
						Balance sheet total	Finan. leasing receiv.	Net balance of funds granted undr operat. leasing	Total capital	Placements in the period 1.1.-31.03.2020
1.	MOGO d.o.o. Sarajevo	<a href="http://www.mogo.ba">www.mogo.ba</a>	Sanja Štefatić Jovorić	01.06.2018	17	5,237	2,993	0	803	0
2.	PORSCHE LEASING d.o.o.	<a href="http://www.porscheleasing.ba">www.porscheleasing.ba</a>	Dejan Stupar	28.05.2015	20	121,339	79,884	36,534	4,087	17,981
3.	RAIFFEISEN LEASING d.o.o. Sarajevo	<a href="http://www.rlbh.ba">www.rlbh.ba</a>	Maja Jurčević	19.01.2010	40	131,427	89,109	11,285	14,502	10,321
4.	SPARKASSE LEASING d.o.o. Sarajevo	<a href="http://www.s-leasing.ba">www.s-leasing.ba</a>	Elma Hošo	11.02.2010	24	73,884	67,441	2,953	7,600	9,226
5.	VANTAGE LEASING d.o.o. Sarajevo	<a href="http://www.vbleasing.ba">www.vbleasing.ba</a>	Aleksandar Milašinović	12.01.2010	14	3,577	498	0	3,331	0
<b>Total</b>					<b>115</b>	<b>335,464</b>	<b>239,925</b>	<b>50,772</b>	<b>30,323</b>	<b>37,528</b>

## Annex 14 - Leasing companies' aggregate balance sheet - 31.03.2020

- BAM 000 -

No.	Description	31.12.2019	% share	31.03.2020	% share	Index (5/3)
1	2	3	4	5	6	7
	<b>ASSETS</b>					
1.	Cash and cash equivalents	5,530	1.7	6,287	1.9	114
2.	Placements to banks	13,572	4.2	24,019	7.2	177
3.	Financial leasing type receivables, net (3a-3b-3c-3d)	241,078	74.5	239,925	71.5	100
3a)	Financial leasing type receivables, gross	269,053	83.1	266,498	79.4	99
3b)	Loss reserves	2,665	0.8	2,791	0.8	105
3c)	Deferred interest income	25,095	7.8	23,566	7.0	94
3d)	Deferred fee income	215	0.1	216	0.1	100
4.	Receivables from subsidiaries	2	0.0	2	0.0	100
5.	Tangible and intangible assets, net (5a+5b-5c-5d)	50,371	15.6	52,182	15.5	104
5a)	Tangible and intangible assets –own funds	4,810	1.5	4,849	1.4	101
5b)	Tangible and intangible assets –of operational leasing	65,083	20.1	66,462	19.8	102
5c)	Impairment -own resources	3,605	1.1	3,439	1.0	95
5d)	Impairment-operating leasing	15,917	4.9	15,690	4.7	99
6.	Long-term investments	248	0.1	248	0.1	100
7.	Other assets (7a+7b)	12,893	3.9	12,801	3.8	99
7a)	Loans, net (7a1-7a2)	5,331	1.6	5,245	1.6	98
7a1)	Loans (past-due receivables+outstanding principal)	5,334	1.6	5,248	1.6	98
7a2)	Loan reserves	3	0.0	3	0.0	100
7b)	Inventory	1,474	0.5	1,063	0.3	72
7c)	Other assets	6,088	1.9	6,493	1.9	107
	<b>TOTAL ASSETS</b>	<b>323,694</b>	<b>100</b>	<b>335,464</b>	<b>100</b>	<b>104</b>
	<b>LIABILITIES</b>					
8.	Liabilities on loans, net	286,281	88.4	297,314	88.6	104
8a)	Liabilities on short-term loans	0	0.0	115,774	34.5	-
8b)	Liabilities on long-term loans	286,526	88.5	181,779	54.2	63
8c)	Advanced costs and fees	245	0.1	239	0.1	98
9.	Other liabilities	7,936	2.5	7,827	2.4	99
	<b>TOTAL LIABILITIES</b>	<b>294,217</b>	<b>90.9</b>	<b>305,141</b>	<b>91.0</b>	<b>104</b>
10.	Tier 1 capital	23,472	7.3	23,472	7.0	100
11.	Reserves	7,950	2.5	5,994	1.8	75
12.	Accumulated profit/loss	-1,945	-0.6	857	0.3	-44
	<b>TOTAL CAPITAL</b>	<b>29,477</b>	<b>9.1</b>	<b>30,323</b>	<b>9.0</b>	<b>103</b>
	<b>TOTAL LIABILITIES</b>	<b>323,694</b>	<b>100</b>	<b>335,464</b>	<b>100</b>	<b>104</b>
	Written off receivables (opening balance)	21,749		23,468		108
	New write off (+)	6,471		148		2
	Recovery (-)	1,039		16		2
	Permanent write off (-)	3,713		0		0
	Written off receivables (closing balance)	23,468		23,600		101

## Annex 15 - Leasing companies' aggregate income statement for the period 01.01.-31.03.2020

- BAM 000 -

No.	Description	01.01.- 31.03.2019	% share	01.01.- 31.03.2020	% share	Index (7/3)
1	2	3	4	5	6	7
	<b>Financial income and expenses</b>					
<b>1.</b>	<b>Interest income</b>	<b>3,058</b>	<b>43.9</b>	<b>3,385</b>	<b>37.9</b>	<b>111</b>
1a)	Interest on financial leasing	2,632	37.8	2,934	32.8	111
1b)	Interest on placements to banks	68	1.0	96	1.1	141
1c)	Fees (for leasing application processing, etc.)	175	2.5	218	2.5	125
1d)	Other interest income	183	2.6	137	1.5	75
<b>2.</b>	<b>Interest expenses</b>	<b>943</b>	<b>14.2</b>	<b>1,082</b>	<b>13.4</b>	<b>115</b>
2a)	Interest on borrowed funds	917	13.8	1,054	13.0	115
2b)	Loan processing fees	26	0.4	28	0.4	108
2c)	Other interest expenses	0	0.0	0	0.0	-
<b>3.</b>	<b>Net interest income</b>	<b>2,115</b>	<b>30.3</b>	<b>2,303</b>	<b>25.8</b>	<b>109</b>
<b>4.</b>	<b>Operating income and expenses</b>	<b>3,913</b>	<b>56.1</b>	<b>5,557</b>	<b>62.1</b>	<b>142</b>
4a)	Operating income	1	0.0	0	0.0	0
4b)	Service fees	3,224	46.2	4,088	45.7	127
4c)	Operating lease fee	0	0.0	0	0.0	-
4d)	Income from sale of leasing object	688	9.9	1,469	16.4	214
4d)1	Other operating income	85	1.2	3	0.0	4
4d)2	Income from recovered written off receivables	13	0.2	4	0.0	31
4d)3	Income from collection letters	590	8.5	1,462	16.4	248
<b>5.</b>	<b>Other</b>	<b>5,669</b>	<b>85.4</b>	<b>6,790</b>	<b>83.8</b>	<b>120</b>
5a)	Operating expenses	1,408	21.2	1,258	15.5	89
5b)	Salary and contribution costs	2,203	33.2	2,825	34.9	128
5c)	Business premises costs	2,058	31.0	2,707	33.4	132
<b>6.</b>	<b>Other costs</b>	<b>23</b>	<b>0.4</b>	<b>223</b>	<b>2.8</b>	<b>970</b>
<b>7.</b>	<b>Costs of loss reserves</b>	<b>336</b>	<b>-</b>	<b>847</b>	<b>-</b>	<b>252</b>
8.	Profit before tax	0	0.0	0	0.0	-
<b>9.</b>	<b>Corporate income tax</b>	<b>336</b>	<b>-</b>	<b>847</b>	<b>-</b>	<b>252</b>

## Annex 16 - Overview of weighted NIR and EIR for financial leasing contracts for the period - 01.01.- 31.03.2020 - by leasing object and lessee

Average NIR and EIR for financial leasing contracts concluded in the period 01.01.-31.03.2020					
No.	Description	Number of contracts	Financing amount (BAM 000)	Weighted NIR %	Weighted EIR %
1	2	3	4	5	6
<b>1.</b>	<b>Short-term leasing contract by leasing objects:</b>	<b>7</b>	<b>313</b>	<b>3.94</b>	<b>8.07</b>
a.	Passenger vehicles	3	59	3.44	6.38
b.	Vehicles for performing business activity (cargo and passenger vehicles)	4	254	4.05	8.47
c.	Machines and equipment	0	0	0.00	0.00
d.	Real estate	0	0	0.00	0.00
e.	Other	0	0	0.00	0.00
<b>1.1.</b>	<b>Short-term leasing contract by lessees:</b>	<b>7</b>	<b>313</b>	<b>3.93</b>	<b>8.07</b>
a.	Corporate	7	313	3.93	8.07
b.	Entrepreneurs	0	0	0.00	0.00
c.	Retail	0	0	0.00	0.00
<b>2.</b>	<b>Long-term leasing contract by leasing objects:</b>	<b>583</b>	<b>28,600</b>	<b>4.18</b>	<b>7.25</b>
a.	Passenger vehicles	378	16,747	4.30	7.35
b.	Vehicles for performing business activity (cargo and passenger vehicles)	179	8,366	4.16	8.03
c.	Machines and equipment	26	3,487	3.62	4.89
d.	Real estate	0	0	0.00	0.00
e.	Other	0	0	0.00	0.00
<b>2.1.</b>	<b>Long-term leasing contract by lessees:</b>	<b>583</b>	<b>28,600</b>	<b>4.18</b>	<b>7.25</b>
a.	Corporate	506	25,774	4.08	6.41
b.	Entrepreneurs	23	978	5.21	8.84
c.	Retail	54	1,848	4.91	18.18
	<b>Total (1+2)</b>	<b>590</b>	<b>28,913</b>	<b>4.18</b>	<b>7.26</b>

## Annex 16a - Overview of weighted NIR and EIR for financial leasing contracts by periods – by lessees (%)

No.	Description	31.03.2016		31.03.2017		31.03.2018		31.03.2019		31.03.2020	
		NIR	EIR	NIR	EIR	NIR	EIR	NIR	EIR	NIR	EIR
1	2	3	4	5	6	7	8	9	10	11	12
<b>1.</b>	<b>Short-term leasing contracts:</b>	<b>3.29</b>	<b>7.31</b>	<b>5.02</b>	<b>7.68</b>	<b>5.24</b>	<b>9.65</b>	<b>8.64</b>	<b>17.65</b>	<b>3.93</b>	<b>8.07</b>
1.1.	Corporate	3.07	4.83	5.02	7.59	5.24	9.65	2.99	5.23	3.93	8.07
1.2.	Entrepreneurs	5.95	12.45	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1.3.	Retail	6.00	86.34	4.99	11.36	0.00	0.00	32.08	69.21	0.00	0.00
<b>2.</b>	<b>Long-term leasing contracts:</b>	<b>5.24</b>	<b>8.52</b>	<b>4.80</b>	<b>7.31</b>	<b>4.47</b>	<b>7.24</b>	<b>7.20</b>	<b>11.29</b>	<b>4.18</b>	<b>7.25</b>
2.1.	Corporate	5.24	7.80	4.81	6.68	4.43	6.58	4.13	6.19	4.08	6.41
2.2.	Entrepreneurs	6.56	9.12	5.99	8.41	4.99	7.06	5.05	6.84	5.21	8.84
2.3.	Retail	4.82	17.63	4.41	15.53	4.97	18.44	26.15	42.82	4.91	18.18
	<b>Total</b>	<b>5.19</b>	<b>8.48</b>	<b>4.80</b>	<b>7.31</b>	<b>4.47</b>	<b>7.25</b>	<b>7.22</b>	<b>11.37</b>	<b>4.18</b>	<b>7.26</b>





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