



**BOSNIA AND HERZEGOVINA
FEDERATION OF BOSNIA AND HERZEGOVINA
BANKING AGENCY OF THE FEDERATION OF BOSNIA AND HERZEGOVINA**

**INFORMATION ON THE MICROCREDIT SYSTEM
OF THE FEDERATION OF BOSNIA AND HERZEGOVINA
AS OF 31.12.2016**

Sarajevo, March 2017

The Banking Agency of the Federation of B&H (the Agency), as a regulatory institution conducting supervision of microcredit organizations, prepared the Information on the Microcredit System of the Federation of Bosnia and Herzegovina as of 31.12.2016 based on the analysis of monthly and quarterly reports on business operations, information and data submitted to the Agency by microcredit organisations (*off-site* supervision) and data obtained during on-site examinations (*on-site* supervision). The Information was drafted on the basis of final data from reports submitted to the Agency by MCOs on 31.12.2016.

CONTENTS

I	INTRODUCTION	3
II	BUSINESS PERFORMANCE OF MCOs IN THE FEDERATION OF B&H.....	5
1.	MICROCREDIT SECTOR STRUCTURE.....	5
1.1.	Number of Microcredit Organisations	5
1.2.	Organisational Units	5
1.3.	Human Resources	5
2.	FINANCIAL INDICATORS OF MCO BUSINESS OPERATIONS	7
2.1.	Balance Sheet.....	7
2.2.	Capital.....	11
2.3.	Loan Portfolio.....	12
2.4.	Weighted Nominal and Effective Interest Rates on Microloans.....	20
2.5.	Income Statement.....	21
3.	TRANSACTIONS WITH RELATED ENTITIES	25
III	COMPLIANCE OF MCO BUSINESS OPERATIONS WITH AML AND CTF STANDARDS.....	27
IV	CONCLUSIONS AND RECOMMENDATIONS	28
V	ANNEXES.....	30

I INTRODUCTION

The Law on Microcredit Organisations („Official Gazette of the Federation of B&H“, No. 59/06) (LoMCO) regulates the establishment, registration, activity, organisational form, business operations, management form, cessation and supervision of business operations of microcredit organisations (MCOs), microcredit foundations (MCFs) and microcredit companies (MCCs) in the Federation of B&H. The Agency's regulatory and supervisory competences regarding this Sector are stipulated by the Law on the Banking Agency of the Federation of Bosnia and Herzegovina („Official Gazette of the Federation of B&H“, No. 9/96, 27/98, 20/00, 45/00 58/02, 13/03, 19/03, 47/06 59/06, 48/08, 34/12 and 77/12) and the Agency's internal regulations, and all aforementioned operations are carried out within the Division for Supervision of Microcredit Organisations. The Agency conducts the supervision of MCOs directly (*on-site*) and indirectly, i.e. by analysing statements/reports submitted to the Agency by MCOs (*off-site*) in accordance with the Law on Microcredit Organisations and by-laws of the Agency listed in Annex 1 to this Information. The reporting basis are quarterly reports on the balance sheet, capital, loans, loan loss provisions, results of business operations, employees, costs of salaries and other benefits of MCO employees, write-offs, liquidity and other reports on individual business segments as well as a monthly interest rate report.

As of 31.12.2016, 12 MCOs, 11 of which are MCFs (non-profit organisations) and 1 of which is an MCC (profit organisation), had the Agency's licence for business operations in the Federation of B&H. They operated through 279 organisational units. As of 31.12.2016, the total headcount of the microcredit sector was 1 251, which is up by 51 employees or 4% compared to 31.12.2015.

As of 31.12.2016, the balance sheet total of MCOs amounted to KM 440.1 million, KM 407.2 million or 92.5% of which relate to MCFs and KM 32.9 million or 7.5% to the MCC. The balance sheet total at the end of 2016 was up by KM 16.8 million or 4% compared to the balance as of 31.12.2015.

As of 31.12.2016, total MCO gross loans, as the most significant item of MCO assets, amounted to KM 377.9 million and make up 86% of total assets of MCOs, and are therefore up by 6% compared to the balance at the end of the previous year, while net loans amounted to KM 374.5 million and are up by 6% compared to the balance as of 31.12.2015. Microlending is largely directed toward agriculture (34%), housing needs (20%), and service activities (19%), and is mostly related to long-term loans to natural persons.

Average weighted effective interest rates on total loans in the microcredit sector amounted to 25.64% in the fourth quarter of 2016, up by 0.94 percentage points compared to the fourth quarter of 2015. In order to reduce interest rates on microloans in the context of protecting consumers-clients of microcredit organisations, and fulfilling the mission of microlending, during examinations, the Agency particularly values and controls all types of operating costs of MCOs that have a significant impact on the setting of interest rates and assesses their necessity, pursuant to which it issues appropriate orders. The focus of the Agency's examinations in the period to come, along with the constant monitoring of asset quality, will be to control MCO costs, their justification and effectiveness, with the aim of reducing interest rates on microloans placed by MCOs in the Federation of B&H.

Compared to the end of the previous year, as of 31.12.2016, the microcredit portfolio saw an increase of 6% (KM 22.5 million) and also recorded an improvement of quality indicators of the active loan portfolio. The improvement of the quality indicators of the active loan portfolio was recorded by decreasing the loan loss provisioning rate from 0.95%, which is

what it amounted to as of 31.12.2015, to 0.89%. The portfolio at risk exceeding 30 days past due amounted to 1.00% and is down by 0.06 percentage points compared to the end of the previous year. The total sector result with respect to the portfolio at risk is within the framework of the prescribed standard (below 5%). The portfolio at risk exceeding more than one day past due recorded a slight improvement, thus being down from 2.27%, which is what it amounted to at the end of the previous year, to 2.23%. At sector level, the percentage of write-offs amounted to 1.11% as of 31.12.2016 and this indicator was lower by 0.05 percentage points compared to the end of the previous year and is within the framework of the prescribed standard.

The main source of funding of MCOs are loan commitments, which amounted to KM 207.9 million or 47% of total MCO liabilities as of 31.12.2016 and are at approximately the same level compared to the balance as of 31.12.2015. Total MCO capital as of 31.12.2016 amounted to KM 207.6 million or 47% of total MCO liabilities, which is up by KM 14.3 million or 7% compared to the end of the previous year, with the capital of MCFs amounting to KM 204.1 million or 98.3% and the capital of one MCC amounting to KM 3.5 million or 1.7%. The most significant MCF capital items are excess income over expenses in the amount of KM 152.6 million, which constitutes 75% of total MCF capital, followed by donated capital, which amounted to KM 45.9 million or 22% of total MCF capital. Core capital and other MCF reserves amounted to KM 5.7 million, i.e. 3% of total MCF capital. The core capital of one MCD amounts to KM 600 thousand, and unallocated profit and current profit to KM 1 016 thousand.

In the period from 01.01. to 31.12.2016, out of a total of 11 MCFs, 10 MCFs had excess income over expenses in the total amount of KM 15 770 thousand, while 1 MCF recorded less income over expenses in the total amount of KM 40 thousand. In the period from 01.01. to 31.12.2016, one MCC recorded net profit in the amount of KM 685 thousand (01.01. to 31.12.2015: KM 331 thousand net profit).

At the level of the microcredit sector in the Federation of B&H, a positive financial result in the amount of KM 16 415 thousand was recorded, which is up by KM 106 thousand or 1% compared to the same period of the previous year.

With respect to operational sustainability, out of 12 MCOs, 6 MCFs and 1 MCC can cover expenses with regular income.

II BUSINESS PERFORMANCE OF MCOs IN THE FEDERATION OF B&H

1. MICROCREDIT SECTOR STRUCTURE

1.1. Number of Microcredit Organisations

As of 31.12.2016, 12 MCOs have operating licences of the Agency, 11 of which are MCFs (non-profit organisations) and 1 of which is an MCC (profit organisation), as well as 37 organisational units of the MCC seated in Republika Srpska.

All MCFs that have obtained the operating licence from the Agency have performed a re-registration in accordance with the LoMCO, i.e. they came to be as a result of the change in the form of MCOs established in accordance with the Law on Microcredit Organisations („Official Gazette of the Federation of B&H, No.: 24/00). Therefore, all MCFs are legal successors of the property, rights and obligations of MCOs established in accordance with the Law on Microcredit Organisations from 2000. Annex 2 includes the main data on MCFs and MCC, which have the Agency's operating licence for microcrediting business operations as of 31.12.2016.

1.2. Organisational Units

As of 31.12.2016, there was a total of 279 organisational units of MCOs seated in the Federation of B&H according to the Registry of Microcredit Organisations and their organisational units, which is maintained by the Agency in line with Article 13 of the LoMCO. Out of this number, a total of 182 organisational units of microcredit organisations are seated in the Federation of B&H, 93 in Republika Srpska and 4 in Brčko District. The total number of organisational units of MCOs seated in the Federation of B&H is up by 15 organisational units or 6% compared to the end of the previous year. A total of 145 organisational units of MCOs seated in the Federation of B&H have the authority to assign microloans and are therefore registered in the competent registry.

8 MCOs have organisational units outside of the Federation of B&H, and 3 MCOs operate exclusively from their seat, i.e. they have no open organisational units in either the Federation of B&H or in Republika Srpska. The Agency has issued operating licences for the business operations of the organisational units of one MCC, which is seated in Republika Srpska and operates in the Federation of B&H through 37 branches and field offices.

1.3. Human Resources

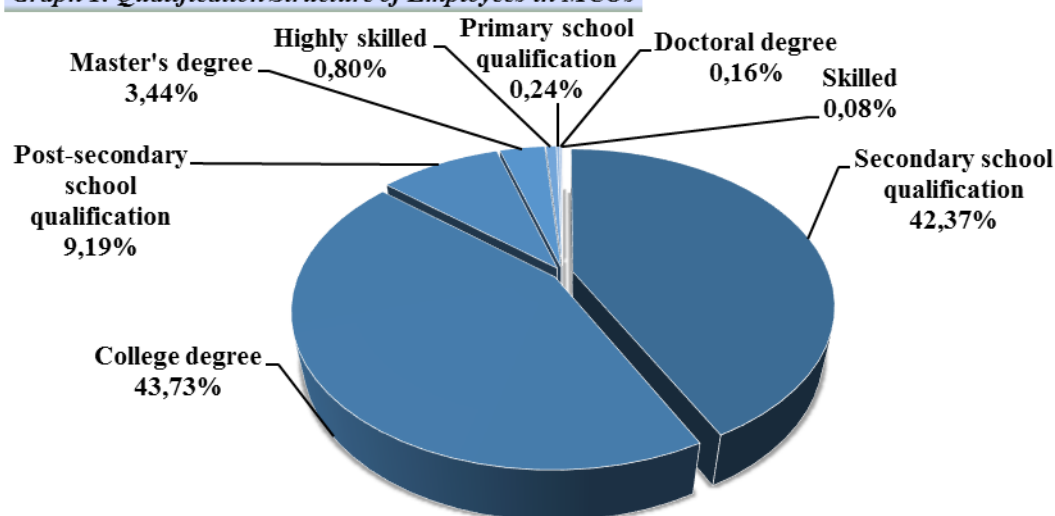
As of 31.12.2016, the total headcount of the microcredit sector was 1 251, which is up by 51 employees or 4% compared to 31.12.2015. MCFs employ 1 194 employees or 95.4% and the MCC 57 employees or 4.6%.

Table 1. Qualification Structure of Employees										
No.	Quali- fication	31.12.2015		Total	Share (%)	31.12.2016		Total	Share (%)	Index
		MCF	MCC			MCF	MCC			
1	2	3	4	5=(3+4)	6	7	8	9=(7+8)	10	11=9/5
1.	PSQ	3	0	3	0.25	3	0	3	0.24	100
2.	S	1	0	1	0.08	1	0	1	0.08	100
3.	HS	13	0	13	1.08	10	0	10	0.80	77

4.	SSQ	509	10	519	43.25	509	21	530	42.37	102
5.	PSSQ	110	1	111	9.25	110	5	115	9.19	104
6.	CD	511	9	520	43.33	518	29	547	43.73	105
7.	MR	30	1	31	2.58	41	2	43	3.44	139
8.	DR	2	0	2	0.17	2	0	2	0.16	100
UKUPNO		1 179	21	1 200	100.00	1 194	57	1 251	100.00	104

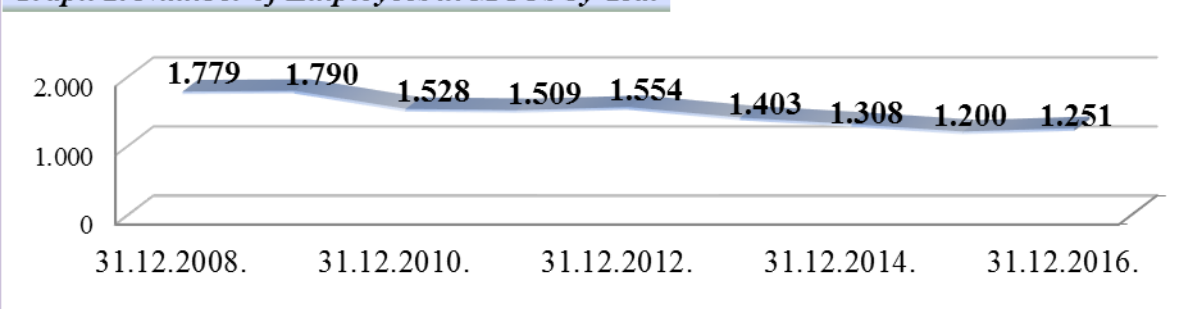
The employees structure is dominated by university degrees with 43.73%, secondary school qualification with 42.37%, and two-year post-secondary school qualification with 9.19%. The share percentage of employees with secondary school qualification is up by 2%, with two-year post-secondary school qualification by 4%, with university degrees by 5%, while the share percentage of employees with Master's degrees is increasing by 39%

Graph 1. Qualification Structure of Employees in MCOs



An overview of the number of MCO employees throughout the years reveals that the biggest number of employees was recorded at the end of 2009, when the total headcount of MCOs was 1 790. As of 31.12.2016, MCOs had 1 251 employees, down by 30% compared to the end of 2009. A comparison of these two periods in the case of individual MCOs reveals that two MCFs recorded the largest drop in the number of employees by even 66% and 33%, respectively.

Graph 2. Number of Employees in MCOs by Year



2. FINANCIAL INDICATORS OF MCO BUSINESS OPERATIONS

2.1. Balance Sheet

As of 31.12.2016, the balance sheet volume of MCOs amounts to KM 440.1 million, which is up by KM 16.8 million or 4% compared to the balance as of 31.12.2015. The balance sheet volume increased with 7 MCFs and 1 MCC compared to the end of the previous year, 3 MCFs recorded a drop, while 1 MCF retained approximately the same balance sheet volume level compared to the reporting period.

A drop in the balance sheet total of up to 10% was recorded with 2 MCFs compared to 31.12.2015, while one MCF reduced its assets by KM 5.9 million in 2016 and recorded a drop of even 22% compared to the end of the previous year.

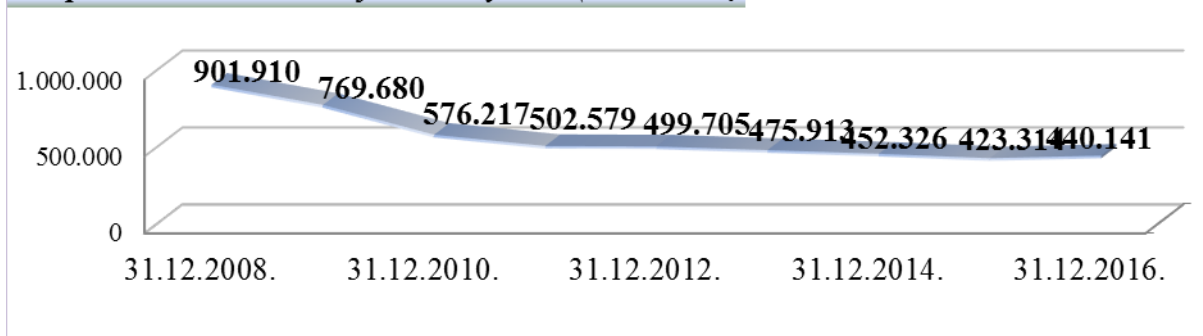
Five MCFs and one MCC with assets in the amount of KM 393 million or 89% have the largest share in the total MCO balance.

- KM 000 -

Table 2. Balance Sheet MCOs									
DESCRIPTION	31.12.2015			31.12.2016					Ind.
	Balance for MCFs	Balance for MCCs	TOTAL	Balance for MCFs	%	Balance for MCCs	%	TOTAL	
1	2	4	6=(2+4)	7	8	9	10	11=(7+9)	12
ASSETS									
1. Cash	29 442	3 452	32 894	22 227	6	4 496	14	26 723	81
2. Facilities to banks	733	0	733	733	0	0	0	733	100
3. Loans	338 599	16 772	355 371	349 791		28 081		377 872	106
4. Loan loss provisions	3 359	29	3 388	3 193		176		3 369	99
5. Net loans	335 240	16 743	351 983	346 598	85	27 905	85	374 503	106
6. Business premises and other fixed assets	28 025	7	28 032	28 734	7	115	0	28 849	103
7. Long-term investments	3 061	0	3 061	3 061	1	0	0	3 061	100
8. Other assets	6 593	205	6 798	6 008	1	455	1	6 463	95
9. Provisions for other assets items, except loans	186	1	187	182		9		191	102
TOTAL ASSETS	402 908	20 406	423 314	407 179	100	32 962	100	440 141	104
LIABILITIES									
10. Loan commitments	191 618	16 737	208 355	179 808	44	28 100	85	207 908	100
11. Other liabilities	20 835	830	21 665	23 258	6	1 337	4	24 595	114
12. Capital	190 455	2 839	193 294	204 113	50	3 525	11	207 638	107
TOTAL LIABILITIES	402 908	20 406	423 314	407 179	100	32 962	100	440 141	104
Off-balance records	122 138	57	122 195	115 630		220		115 850	95

An overview of the balance sheet total of MCOs throughout the years reveals that the largest amount of the aforementioned was recorded at the end of 2008, when it amounted to KM 901.9 million. The balance sheet total of MCOs as of 31.12.2016 amounted to KM 440.1 million and it is lower by even 51% compared to the end of 2008. A comparison of these two periods in the case of individual MCOs shows that two MCFs recorded the largest drop in the balance sheet total, with even 85% and 62%, respectively.

Graph 3. Assets Amount of MCOs by Year (in KM 000)

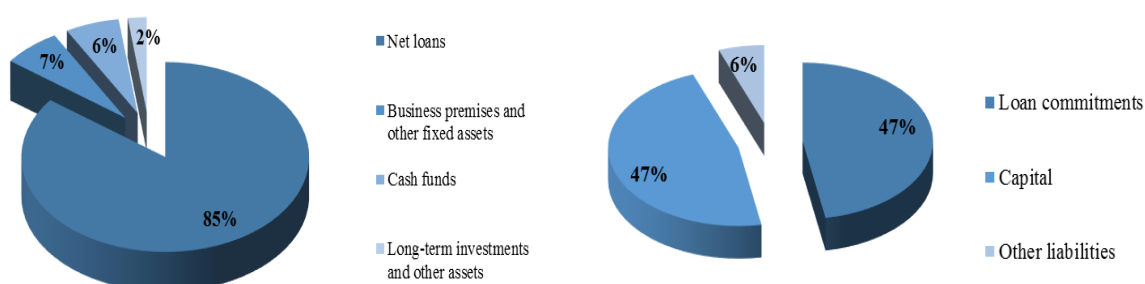


In the assets structure of MCOs, cash funds amount to KM 26.7 million or 6% with a rate of decrease of 19% compared to 31.12.2015 and largely related to cash funds of MCFs. Facilities to banks amount to KM 0.7 million and are at approximately the same level compared to the end of the previous year.

Net loans, i.e. gross loans net of loan loss provisions amount to KM 374.5 million or 85% of total assets and are up by KM 22.5 million or 6% compared to 31.12.2015. Net loan growth compared to the end of the previous year was recorded by 8 MCFs and 1 MCC, a drop was recorded by 1 MCF, while 2 MCFs retained approximately the same level of net loans in the reporting period. Compared to 31.12.2015, one MCF recorded a net loan drop of 23%.

Business premises and other fixed assets amount to KM 28.8 million or 7% of total assets and this balance sheet item is up by KM 0.8 million or 3% compared to the end of the previous year. The fixed assets percentage compared to total assets (net of donated capital) is 7.32%, at sector level, which is within the framework of the allowed amount (up to 10%). Individually, two MCFs violate this standard. Only one MCF recorded long-term investments in the amount of KM 3.1 million, while other assets (net of provisions for other assets items except loans) amount to KM 6.3 million, which include calculated interest, advances, accrued and deferred items, etc. These two balance sheet items make up 2% of total assets of the microcredit sector. Other assets percentage at sector level compared to total assets is 1.47% and individually, this item is above 10% in the case of no MCF.

Graph 4. Assets and Liabilities Structure of MCOs



Loan commitments in the MCO liabilities structure are the main source of funding, amounting to KM 207.9 million or 47% of total liabilities and they are at approximately the same level compared to 31.12.2015.

- KM 000 -

Table 3. Maturity Structure of Taken Loans

DESCRIPTION	31.12.2015				31.12.2016				Index
	MCFs	MCCs	TOTAL	%	MCFs	MCCs	TOTAL	%	

Banking Agency of the Federation of B&H

Division for Supervision of Business Operations of Microcredit Organisations

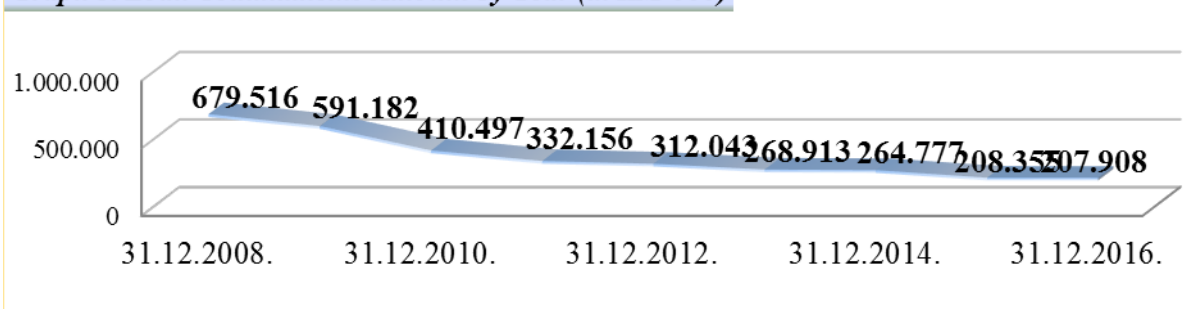
1	2	3	4=(2+3)	5	6	7	8=(6+7)	9	10=8/4
1. Liabilities on short-term loans	78 023	768	78 791	38	73 903	5 549	79 452	38	101
2. Liabilities on long-term loans	113 595	15 969	129 564	62	105 905	22 551	128 456	62	99
TOTAL	191 618	16 737	208 355	100	179 808	28 100	207 908	100	100

Out of total loan commitments, long-term loans (of which there is no record in the case of 2 MCFs) amount to KM 128.5 million or 62% and are down by 1% compared to the end of the previous year. Out of total loan commitments, short-term loans (of which there is no record in the case of 2 MCFs) amount to KM 79.4 million or 38% and are up by 1% compared to the end of the previous year. As of 31.12.2016, one MCF did not have loan commitments.

Creditors, local commercial banks and various international socially-oriented commercial funds still abstain from lending to a large number of MCOs, due to which many MCOs are deprived of more favourable financial assets with which they would finance their activity. According to submitted reports on the liquidity of MCOs as of 31.12.2016, one MCF has significant problems with maintaining liquidity. The aforementioned will, according to information provided in the report, record a decrease in the active loan portfolio in the next reporting period.

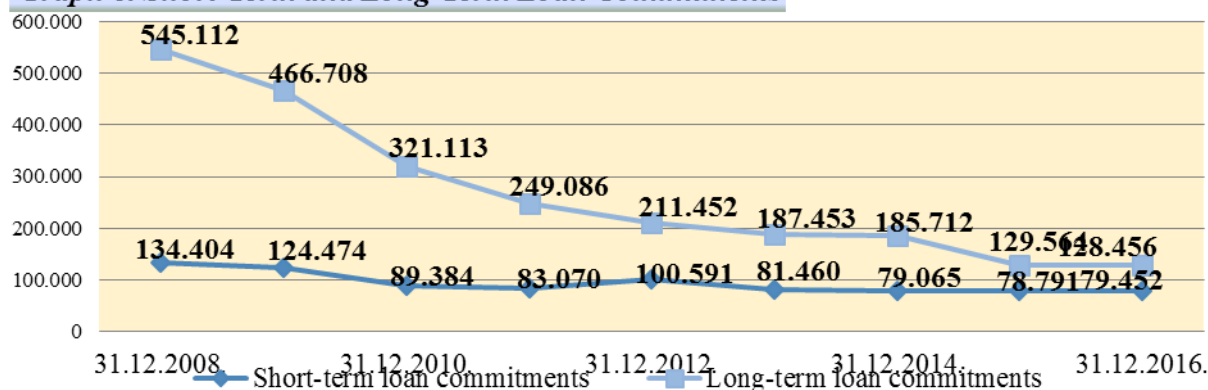
Looking at the total liabilities amount of MCOs by taken loans throughout the years of MCO operations, the biggest amount was recorded at the end of 2008 when they amounted to KM 679.5 million. Total liabilities of MCOs by taken loans as of 31.12.2016 amounted to KM 207.9 million, and are lower by even 69% compared to the end of 2008. A comparison of these two periods in the case of individual MCOs shows that two MCFs recorded the biggest drop in total liabilities by taken loans by even 86% and 82%, respectively.

Graph 5. Loan Commitments Amount by Year (in KM 000)



In addition to the fact that loan commitments are lower by 69% compared to 2008 and at approximately the same level compared to the end of the previous year, looking at the liabilities on taken loans by maturity, long-term loans have dropped by even 76% compared to 2008 and are down by 1% compared to the end of 2015, while short-term loans are lower by 41% compared to 2008, but recorded an increase in the amount of 1% compared to the end of 2015.

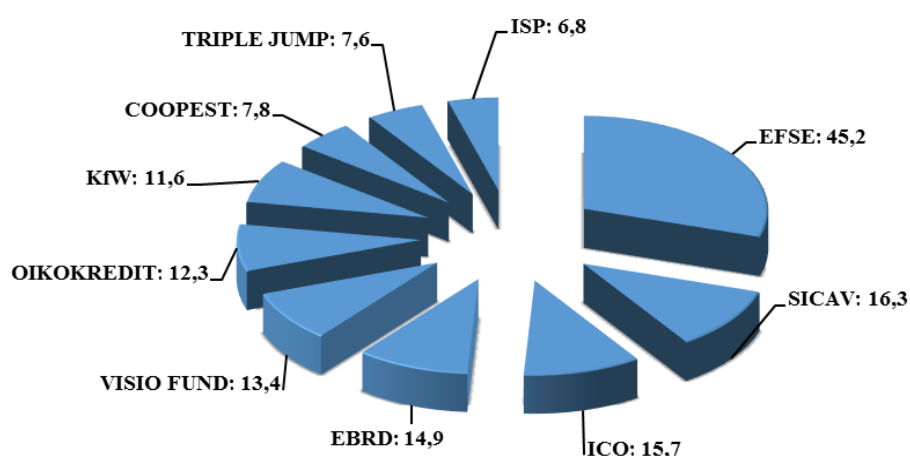
Graph 6. Short-Term and Long-Term Loan Commitments



The ten most significant creditors of MCOs are:

- 1.) EFSE – European Fund for Southeast Europe, Luxembourg (KM 45.2 million);
- 2.) Responsibility SICAV, Switzerland (KM 16.3 million);
- 3.) ICO – Instituto de Credito Oficial, Spain (KM 15.7 million);
- 4.) EBRD – European Bank for Reconstruction and Development, Great Britain (KM 14.9 million);
- 5.) Vision Fund, USA (KM 13.4 million);
- 6.) Oikokredit, Netherlands (KM 12.3 million);
- 7.) KfW – Kreditanstalt für Wiederaufbau, Germany (KM 11.6 million);
- 8.) Coopest, Netherlands (KM 7.8 million);
- 9.) Triple Jump B.V., Netherlands (KM 7.6 million).
- 10.) Intesa Sanpaolo Bank (KM 6.8 million);

Graph 7. Most Significant Sources of Funding of MCOs (in KM million)



Other liabilities amount to KM 24.6 million or 6% of total liabilities. These include income tax liabilities, liabilities to employees, suppliers, accrued expenses and others. The percentage of other liabilities at sector level compared to total liabilities is 10.58%, and individually, a total of 7 MCFs recorded more than 10% of other liabilities compared to total liabilities.

Off-balance records as of 31.12.2016 amount to KM 115.9 million and are down by 5% compared to the end of the previous year.

2.2. Capital

The total capital of MCOs as of 31.12.2016 amounts to KM 207.6 million or 47% of total liabilities, which is up by KM 14.3 million or 7% compared to the end of 2015. The capital of MCFs amounts to KM 204.1 million or 98.3%, and the capital of one MCC to KM 3.5 million or 1.7%.

The total capital of the microcredit sector (net of donated capital) amounts to 36.76% of total assets, with 2 MCFs having a percentage of capital amount (net of donated capital) compared to total assets that is lower than allowed, i.e. less than 10% of total assets.

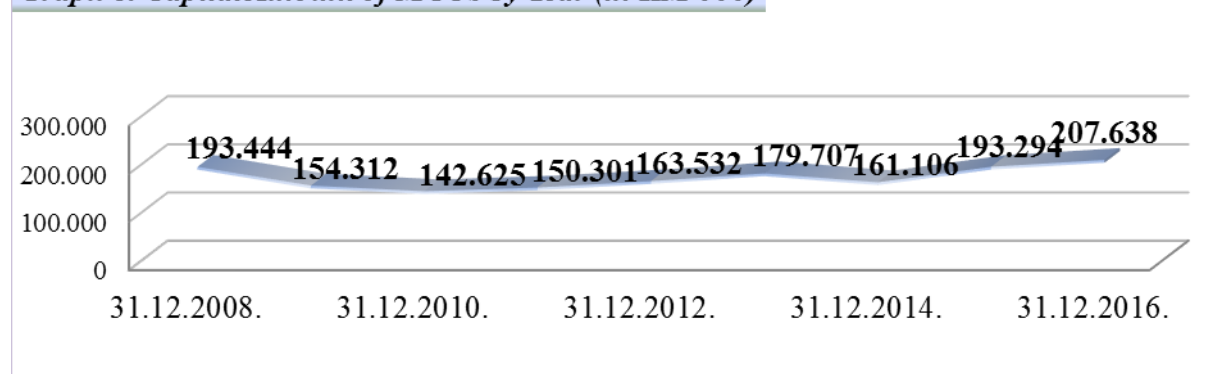
- KM 000 -

Table 4. Capital Structure of MCOs

DESCRIPTION	31.12.2015					31.12.2016					Index
	Balance for MCFs	%	Balance for MCCs	%	TOTAL	Balance for MCFs	%	Balance for MCCs	%	TOTAL	
1	2	3	4	5	6=2+4	7	8	9	10	11=7+9	12=11/6
Donated capital	56 096	30	0	0	56 096	45 851	22	0	0	45 851	82
Core capital	3 821	2	600	21	4 421	3 820	2	600	17	4 420	100
Surplus/deficit of income over expenses	128 432	67	0	0	128 432	152 598	75	0	0	152 598	119
Issue premiums	0	0	0	0	0	0	0	0	0	0	0
Unallocated profit	0	0	331	12	331	0	0	1 016	29	1 016	307
Legal reserves	0	0	1 908	67	1 908	0	0	1 909	54	1 909	100
Other reserves	2 106	1	0	0	2 106	1 844	1	0	0	1 844	88
TOTAL CAPITAL	190 455	100	2 839	100	193 294	204 113	100	3 525	100	207 638	107

An overview of the capital amount of MCOs throughout the years reveals that the biggest amount was recorded at the end of 2008, when it amounted to KM 193.4 million. The capital of MCOs as of 31.12.2016 amounted to KM 207.6 million and is up by KM 14.2 million or 7% compared to the end of 2008.

Graph 8. Capital Amount of MCOs by Year (in KM 000)



In the capital structure of MCFs, the excess of income over expenses is the most important, and it amounts to KM 152.6 million and makes up 75% of total MCF capital, which is up by KM 24.2 million or 19% compared to the end of the previous year. A deficit of income over expenses for the period from 01.01. to 31.12.2016 was recorded by 1 MCF, while 10 MCFs recorded an excess of income over expenses and one MCC recorded a net profit. As of

31.12.2016, an excess of income over expenses, i.e. a profit from regular operations was recorded by 6 MCFs and 1 MCC, while 5 MCFs recorded a deficit of income over expenses from regular operations. Out of those 5 MCFs, 4 MCFs recorded a positive result at the end of 2016 due to extraordinary income. Extraordinary income is a direct result of the increased collection of receivables for written-off loans.

A significant source of MCF capital is donated capital, which amounts to KM 45.9 million or 22% of total MCF capital. The amount of donated capital, as reported by MCOs, is down by KM 10.2 million or 18% compared to the end of the previous year. In accordance with Article 11 of the Decision on General Conditions for Operations of Microcredit Organisations, MCOs shall keep records on donated funds and treat them as donated capital on which they have to report to the Agency. As per official quarterly reports, being submitted to the Agency, 10 MCFs include the amount of donated capital in their reports and keep records on their balance.

A decrease in donated capital and an increase in the accumulated excess of income over expenses of MCFs is the result of the Agency's instruction to record only credit fund donations in the balance sheet position Donated Capital, while donations for operating expenses and fixed assets are recorded in the accumulated excess of income over expenses.

The core capital of MCFs as of 31.12.2016 amounts to KM 3.8 million or 2% of total MCF capital. Other reserves, which relate to 2 MCFs, amount to KM 1.8 million or 1% of total MCF capital. The core capital of one MCC amounts to KM 600 thousand and its unallocated and current profit to KM 1 016 thousand.

2.3. Loan Portfolio

The main activity of MCOs is microlending, to which the amount of KM 377.9 million or 86% of total assets of the microcredit sector is related. The level of total sector loans depends on loans of MCFs, which account for KM 349.8 million or 92.6% of total loans, while the MCC accounts for KM 28.1 million or 7.4% of total loans. Net loans, which make up total loans net of loan loss provisions are presented in Table 5.

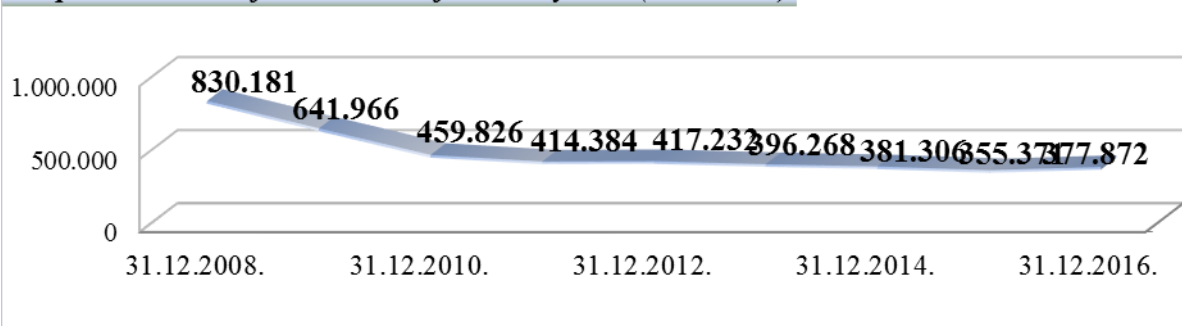
- KM 000 -

Table 5. Net Loans								
No.	DESCRIPTION	31.12.2015			31.12.2016			Index
		MCFs	MCCs	Total	MCFs	MCCs	Total	
1	2	3	4	5=(3+4)	6	7	8=(6+7)	9=8/5
1.	Loans	338 599	16 772	355 371	349 791	28 081	377 872	106
2.	Loan loss provisions	3 359	29	3 388	3 193	176	3 369	99
3.	Net loans (1.-2.)	335 240	16 743	351 983	346 598	27 905	374 503	106

Net loans amount to KM 374.5 million and are up by 6% compared to 31.12.2015, while gross loans are also up by 6% compared to the end of the previous year.

Loan loss provisions amount to KM 3.4 million and are down by 1% compared to 31.12.2015. The loan loss provisions to total loan portfolio ratio amounts to 0.89% and recorded an improvement of 0.06% compared to 31.12.2015.

Graph 9. Gross Portfolio Amount of MCOs by Year (in KM 000)



An overview of the gross portfolio of MCOs throughout the years of MCO operations shows that the largest amount was recorded at the end of 2008, when it amounted to KM 830.2 million. The total gross portfolio as of 31.12.2016 amounted to KM 377.9 million and dropped by 54% compared to the end of 2008. A comparison of these two periods in the case of individual MCOs reveals that two MCFs recorded the biggest gross portfolio drop, by even 89% and 68%, respectively.

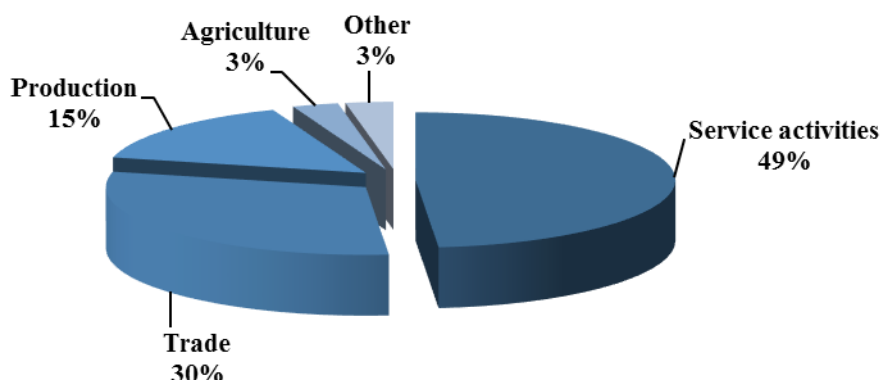
- KM 000 -

Table 6. Sector and Maturity Structure of Microloans as of 31.12.2016

No.	Microloans	Short-term loans	Long-term loans	Receivables due	TOTAL	%
1	2	3	4	5	6=(3+4+5)	7
1.	Legal entities					
a.)	Service activities	225	4 274	10	4 509	49%
b.)	Trade	203	2 577	13	2 793	30%
c.)	Agriculture	14	252	0	266	3%
d.)	Production	120	1 323	4	1 447	15%
e.)	Other	46	228	1	275	3%
TOTAL 1:		608	8 654	28	9 290	100%
2.	Natural persons					
a.)	Service activities	5 806	62 739	279	68 824	19%
b.)	Trade	2 003	17 563	82	19 648	5%
c.)	Agriculture	9 236	116 499	351	126 086	34%
d.)	Production	651	7 643	26	8 320	2%
e.)	Housing needs	3 418	73 088	137	76 643	21%
f.)	Other	11 528	57 219	314	69 061	19%
TOTAL 2:		32 642	334 751	1 189	368 582	100%
TOTAL (1+2):		33 250	343 405	1 217	377 872	

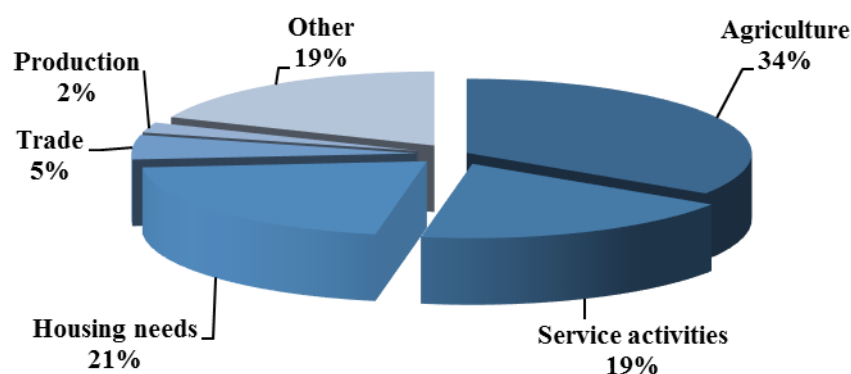
Out of the total number of microloans, KM 9.3 million or 2% were granted to legal entities and KM 368.6 million or 98% were granted to natural persons. In the maturity structure of microloans, short-term loans with receivables due account for KM 34.5 million or 9% and long-term loans for KM 343.4 million or 91%. Receivables due total KM 1.2 million and are almost completely related to loans granted to natural persons.

Graph 10. Sector Structure of Microloans to Legal Entities



The largest amount of total microloans to **legal entities** was placed for service activities and trade – KM 4.5 million or 49% for service activities and KM 2.8 million or 30% for trade. Out of the total microloan amount to legal entities, KM 1.4 million or 15% were granted for production, while KM 0.3 million or 3% were granted for agriculture and KM 0.3 million or 3% for other purposes.

Graph 11. Sector Structure of Microloans to Natural Persons



As for loans to **natural persons**, KM 126.1 million or 34% was placed for agriculture, followed by KM 76.7 million or 21% for housing needs, KM 68.8 million or 19% for service activities, KM 19.6 million or 5% for trade, KM 8.3 million or 2% for production, and KM 69.1 million or 19% for other purposes.

- KM 000 -

Table 7. Sector Structure of Microloans				
Microloans for:	31.12.2015	31.12.2016	Share	Index
Agriculture	122 622	126 352	34%	103
Housing	64 657	76 643	20%	119
Services	76 481	73 333	19%	96
Other	56 979	69 336	18%	122

Trade	25 588	22 441	6%	88
Production	9 044	9 767	3%	108
Total	355 371	377 872	100%	106

Based on the analysis of the industry, it can be concluded that microlending is largely directed toward lending of agriculture (34%), housing needs (20%), and service activities (19%), and that it mostly includes long-term loans for natural persons. This means that loans are, in the majority of cases, approved to persons who do not have an access to traditional sources of funding due to both the riskiness of the business operations they perform and due to the lack of proper collaterals.

Compared to the end of the previous year, the total loan percentage for all loan products shows an increase between 3% and 22%, with the exception of loans for services and trade activities, which decreased by 4% and 12%, respectively, in the reporting period. In terms of microloan maturity, long-term microloans are up by 9% compared to the end of the previous year, while short-term microloans (including receivables due) are down by 12% in the reporting period.

- KM 000 -

<i>Table 8. Maturity Structure of Microloans</i>				
DESCRIPTION	31.12.2015	31.12.2016	Share	Index
Long-term microloans	316 294	343 405	91%	109
Short-term microloans with receivables due	39 077	34 467	9%	88
TOTAL	355 371	377 872	100%	106

According to reports that microcredit organisations submitted to the Agency in relation to the amount of risk portfolio as a result of the May 2014 natural disasters, as of 31.12.2016, the active loan portfolio, which was not past due as of 30.04.2014 and which was at risk as a result of the natural disasters, amounted to KM 1.1 million. The loan portfolio that was past due as of 30.04.2014 and was additionally at risk as a result of the natural disasters, amounted to KM 33 thousand as of 31.12.2016. The loan portfolio that was renegotiated – rescheduled as a result of the natural disasters amounted to KM 0.4 million as of 31.12.2016. Loans for agriculture (34%) and loans for housing needs (30%) have the largest share in the amount of rescheduled loans as a result of the natural disasters.

According to the Decision on the Amount and Manner of Creating and Maintaining Reserves for Covering Loan Losses of Microcredit Organisations („Official Gazette of the Federation of B&H“, No.: 27/07), MCOs shall allocate all loan proceeds and other receivables to certain groups by applying the days past due criterion in a way that funds for loan loss provisions and other losses are allocated to each group debiting operating expenses. The basis for the calculation of the reserves is the amount of outstanding loan, due interest and fee and any other items in which the MCO is exposed to the risk of impossible collection, i.e. business failure. Receivables amounts divided into the set groups and calculated reserves by these groups with the balance as of 31.12.2016 can be seen in Table 9.

- KM 000 -

<i>Table 9. Loan Loss Provisions with the Balance as of 31.12.2016</i>											
No.	Days past due	Provisioning rates	Loan amount	Share (%)	Interest due		Amount of other assets items	Provisions			Total provisions
					Provisioning rate	Interest amount		By loans	By interest due	By other assets items	
1	2	3	4	5	6	7	8	9=(4x3)/100	10=(7x6)/100	11=(8x3)/100	12=(9+10+11)

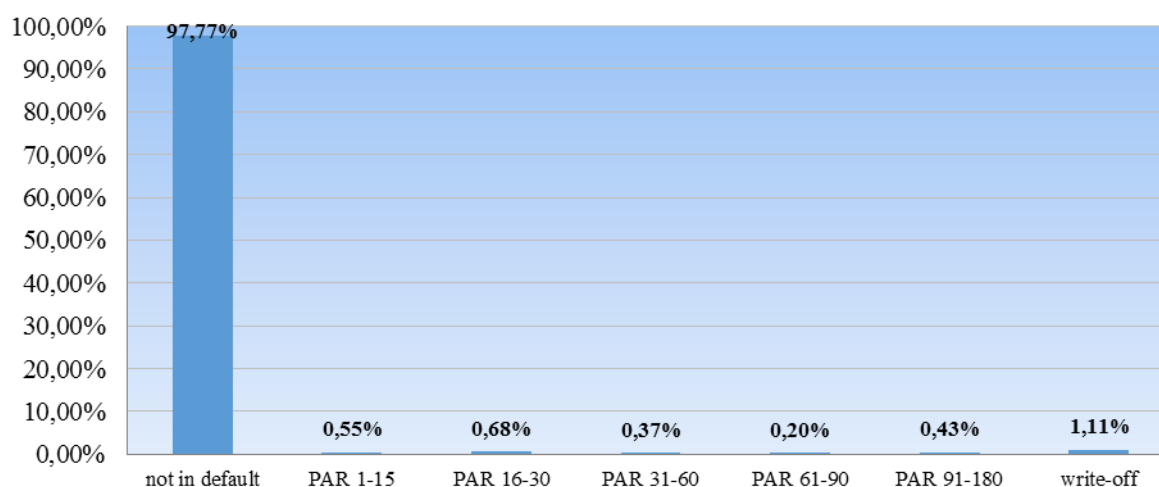
1.	0	0%	369 450	97.77	0%	265	303	0	0	0	0
2.	1 – 15	2%	2 088	0.55	2%	30	0	42	1	0	43
3.	16 – 30	15%	2 559	0.68	100%	46	0	384	46	0	430
4.	31 – 60	50%	1 391	0.37	100%	41	0	695	41	0	736
5.	61 – 90	80%	752	0.20	100%	30	0	601	30	0	631
6.	91 – 180	100%	1 632	0.43	100%	74	0	1 646	74	0	1 720
UKUPNO			377 872	100.00		486	303	3 368	192	0	3 560
7.	More than 180	Write-off	1 192		100%	100					

*Column 9, days past due category (91-180) includes additional provisions of one MCF for rescheduled loans and additional provisions in line with harmonising the manner of calculating provisions according to the Agency's instructions.

The amount of defaulted loans for more than one day is KM 8.4 million or 2.23%, while 97.77% of loans are not defaulted. The total amount of interest due by current loans which are defaulted for more than one day is KM 0.2 million. The total amount of calculated reserves on all bases is KM 3.6 million and is at approximately the same level compared to 31.12.2015.

In 2016, the MCO write-off amounted to KM 4.1 million of principal and KM 0.3 million of interest.

Graph 12. Portfolio Quality of MCOs



2.3.1. Key Indicators of Loan Portfolio Quality

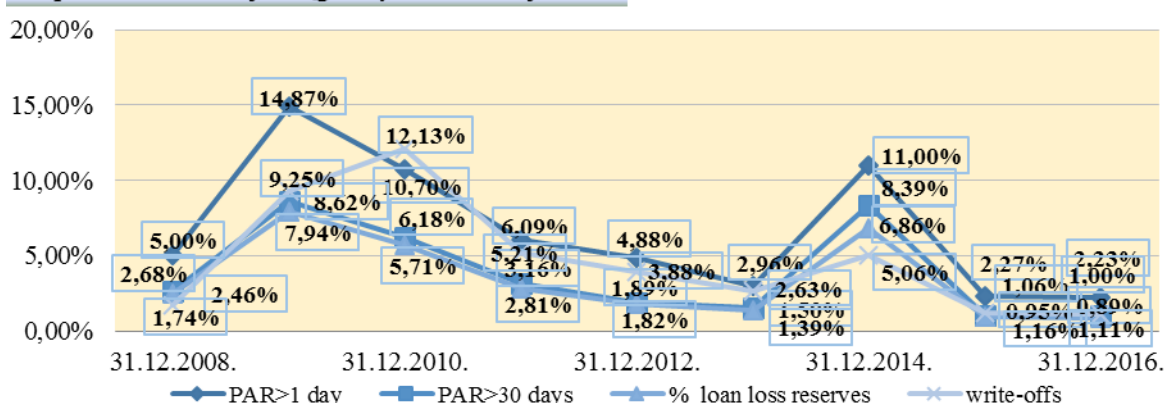
U poređenju s krajem prethodne godine, sa 31.12.2016. godine, mikrokreditni portfolio bilježi rast od 6% (22,5 miliona KM), te iskazuje poboljšanje pokazatelja kvaliteta aktivnog kreditnog portfolija. Većina MKO izložena je pritisku konkurencije kako od većih MKO tako i od banaka, te se mnoge MKO i dalje suočavaju s nedostatkom sredstava za finansiranje kreditnog portfolija.

Compared to the end of the previous year, as of 31.12.2016, the microcredit portfolio saw an increase of 6% (KM 22.5 million) and recorded an improvement of quality indicators of the active loan portfolio. The majority of MCOs is exposed to the pressure of competition both

from larger MCOs and from banks. Many smaller MCOs are thus faced with a lack of funds for financing the loan portfolio.

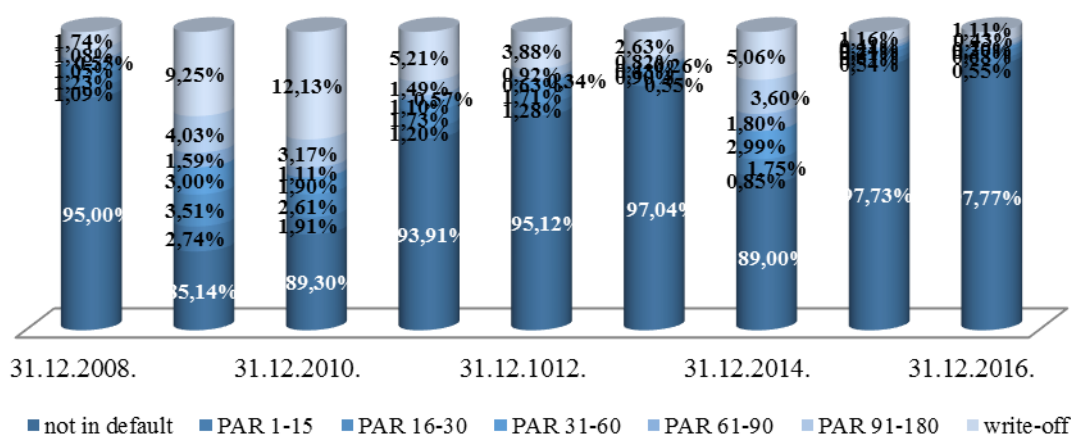
The improvement of active loan portfolio quality indicators was rendered by a decrease of the loan loss provisioning rate from 0.95%, which is what it amounted as of 31.12.2015, to 0.89%. Similarly, the portfolio at risk exceeding 30 days past due recorded an improvement, thus being down from 1.06%, to which it amounted at the end of the previous year, to 1.00%. The total sector result based on the portfolio at risk is within the framework of the prescribed standard (below 5%), with three MCFs violating the prescribed standard if observed individually. The portfolio at risk for more than one day past due recorded a slight improvement, thus being down from 2.27%, to which it amounted at the end of the previous year, to 2.23%.

Graph 13. Active Portfolio Quality Indicators of MCOs



In 2016, MCOs wrote off 2 320 loan accounts (2 287 write-offs relate to natural persons and 33 to legal entities) in the total amount of KM 4.4 million, KM 4.1 million of which relate to the written-off principal.

Graph 14. Gross Portfolio Classification of MCOs by Year



As of 31.12.2016, the percentage of write-offs at sector level amounted to 1.11%, with this indicator being down by 0.05 percentage points compared to the end of the previous year and thus being within the framework of the prescribed standard. Two MCFs do not meet the Agency's standard in terms of the write-off percentage, which must be below 3%.

Table 10. Receivables by Written off Principal and Interest						
DESCRIPTION	NATURAL PERSONS		LEGAL ENTITIES		TOTAL	
	Written-off principal	Written-off interest	Written-off principal	Written-off interest	Written-off principal	Written-off interest
1	2	3	4	5	6	7
Initial balance as of 01.01.2016.	105 851	11 280	2 798	296	108 649	11 576
Changes in 2016:						
New write-off in the current year	3 929	334	128	11	4 057	345
<i>Write-off in the period 01.01.-31.03.</i>	887	76	17	2	904	78
<i>Write-off in the period 01.04.-30.06.</i>	975	85	32	2	1 007	87
<i>Write-off in the period 01.07.-30.09.</i>	938	79	16	1	954	80
<i>Write-off in the period 01.10.-31.12.</i>	1 129	94	63	6	1 192	100
Collected in the current year	9 086	806	116	9	9 202	815
<i>Collection of write-offs in the period 01.01.-31.03.</i>	2 107	205	22	2	2 129	207
<i>Collection of write-offs in the period 01.04.-30.06.</i>	2 374	206	50	3	2 424	209
<i>Collection of write-offs in the period 01.07.-30.09.</i>	2 194	193	29	2	2 223	195
<i>Collection of write-offs in the period 01.10.-31.12.</i>	2 411	202	15	2	2 426	204
Permanent write-off in the current year	548	78	3	0	551	78
<i>Permanent write-off in the period 01.01.-31.03.</i>	467	65	0	0	467	65
<i>Permanent write-off in the period 01.04.-30.06.</i>	26	3	0	0	26	3
<i>Permanent write-off in the period 01.07.-30.09.</i>	25	6	0	0	25	6
<i>Permanent write-off in the period 01.10.-31.12.</i>	30	4	3	0	33	4
Balance as of 31.12.2016	100 146	10 730	2 807	298	102 953	11 028

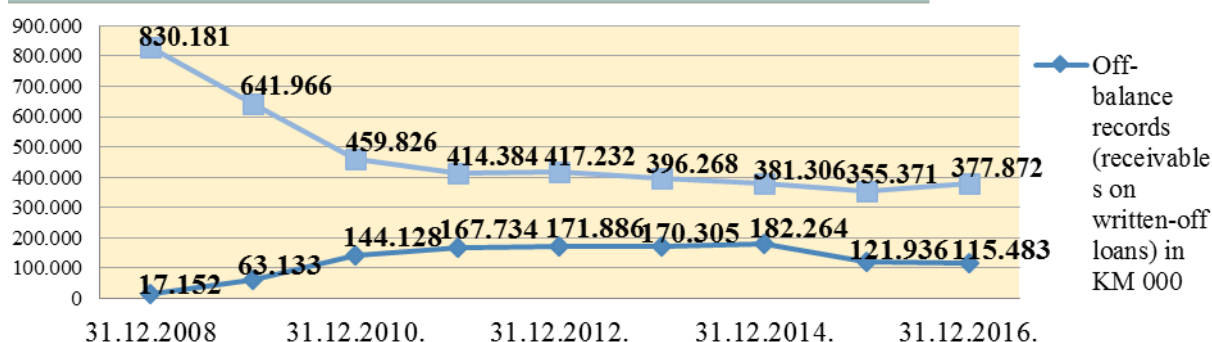
*Note: The data in Table 10 differs from total receivables by write-offs shown in the off-balance records in the amount of KM 1.5 million, which includes court expenses, penalty and process interest as a portion of off-court settlements in the case of three MCFs.

Microcredit organisations continued with their efforts to collect receivables by write-offs and managed to collect KM 9.2 million of written-off principal and KM 0.8 million of written-off interest in 2016, while the permanent write-off in the same reporting period amounted to KM 0.6 million of principal and KM 0.1 million of interest. Regarding the efficiency of the collection of write-offs in 2016, 4 MCFs had a collection efficiency percentage ranging from 10% to 13% compared to the total amount of receivables by write-offs, while 7 MCFs and 1 MCC had a collection efficiency percentage ranging from 6% to 9%.

As of 31.12.2016, total receivables by write-offs, which are in the off-balance records, amount to as KM 115.5 million, down by 5% compared to the end of the previous year.

Compared to 2008, the gross portfolio of MCOs is lower by 54%, while receivables by write-offs are almost 7 times higher and make up 31% of the total loan portfolio as of 31.12.2016. There are significant deviations in the quality of the portfolio between different MCOs, which are evident from the data that three MCFs have over 60% of total write-offs compared to the total gross portfolio (total receivables by write-offs, which are in the off-balance records, are higher than total gross loans by 119% in the case of one MCF), which is a direct consequence of past loan expansion and the improper management of assets by MCFs. One MCF and one MCC showed total write-offs below 10% of the total gross portfolio.

Graph 15. Receivables on Written-Off Loans and Gross Portfolio of MCOs



MCOs are obligated to start court disputes for the collection of write-offs which fell due and have not been collected for more than 180 days.

2.3.2. Loan Repayment with Guarantorship as Security Instrument and Clients' Complaints

The consequences of global economic crisis on the financial sector, improper credit policies and weaknesses of internal controls of MCOs as well as general overindebtedness of microloan beneficiaries have affected the lending process and loan portfolio quality. The activation of security instruments in the case of loan insurance under guarantorship happens as a result of uncollectable receivables from earlier periods or due to the clients' inability to repay matured loan commitments. In the interest of collecting, monitoring and data analysis of loans being repaid through guarantors, the Agency has prescribed a new OKJ reporting form as of 31.12.2009.

According to the loan repayment reports of MCOs with guarantorship as a security instrument, as of 31.12.2016 in the Federation of B&H, the total number of loan accounts in the active loan portfolio of MCOs was 153 274, 1.23% of which were being repaid by guarantors, which is down by 0.35 percentage points compared to the percentage of loans being paid off by guarantors out of the total number of loans as of 31.12.2015 (2015: 1.58%). According to quarterly reports, the total gross loan portfolio in the MCO sector as of 31.12.2016 amounted to KM 377 872 thousand KM, with the share of the outstanding loan debt being paid off by guarantors amounting to 1.29%, down by 0.41 percentage points compared to the share of outstanding loan debt being paid off by guarantors out of the total gross loan portfolio at the end of 2015 (2015: 1.70%).

According to MCO reports and pursuant to the Decision on Manner of Customer Complaint Management of Banks, MCOs and Leasing Companies („Official Gazette of the Federation of B&H“, No. 23/14 and 62/14), in the period from 01.10. to 31.12.2016, a total of 62 complaints was filed against MCOs. In the case of 7 MCFs and one MCC, there is no evidence of complaints.

Co-debtors/guarantors have filed 17 complaints, debtors 26 complaints, while other stakeholders filed 19 complaints. The MCOs resolved 8 complaints positively, 43 complaints negatively, while 11 complaints are in the process of being handled and commented on.

2.4. Weighted Nominal and Effective Interest Rates on Microloans

The effective interest rate on microloans is the total price of those loans and is calculated and shown in accordance with the Decision on Uniform Manner of Calculation and Disclosure of Interest Rate on Loans and Deposits – Consolidated Text („Official Gazette of the Federation of B&H“, No.: 48/12). The calculation of the effective interest rate includes data on the amount of the nominal interest rate on loans, the compensation and fee amount, which MCOs calculate for the client during the loan approval process, and the compensation and fee amount as of the calculation date, which MCOs calculate for the client during the loan agreement execution. Weighted nominal and effective interest rates on newly-approved loans are calculated in the reporting month.

Table 11. Average Weighted Nominal and Effective Interest Rates on Microloans for Q4 2016 – by Product				
No.	DESCRIPTION	Total amount of microloan payment in Q4 2016 (in KM 000)	Weighted nominal interest rate (average)	Weighted effective interest rate (average)
1.	Short-term microloans for:	16 653	18.08%	28.49%
1.1.	Service activities	2 832	15.54%	27.14%
1.2.	Trade	1 055	17.33%	27.40%
1.3.	Agriculture	4 112	13.27%	24.42%
1.4.	Production	398	13.89%	22.28%
1.5.	Housing needs	1 791	20.64%	28.05%
1.6.	Non-purpose – basic needs	1 047	25.00%	36.24%
1.7.	Other	5 418	20.98%	31.13%
2.	Long-term microloans for:	77 245	21.01%	25.03%
2.1.	Service activities	13 609	20.90%	25.12%
2.2.	Trade	3 613	20.47%	24.65%
2.3.	Agriculture	23 876	19.79%	23.37%
2.4.	Production	1 486	20.01%	24.21%
2.5.	Housing needs	16 172	20.78%	24.30%
2.6.	Non-purpose – basic needs	1 045	25.14%	32.09%
2.7.	Other	17 444	22.85%	27.53%
TOTAL		93 898	20.49%	25.64%

In accordance with monthly statements on weighted nominal and effective interest rates by loan, in the fourth quarter of 2016, MCOs placed microloans in the total amount of KM 93.9 million, which is up by KM 3.6 million or 4% compared to the microloan amount placed in the same period of the previous year. As of 31.12.2016, MCOs had 153 274 active loan accounts, which is up by 3 655 loan accounts or 2% compared to the end of the previous year. As of 31.12.2016, the average amount of microloans at sector level was KM 2 465, the average amount of microloans in MCFs was KM 2 339, while the average amount of microloans in the MCC was KM 7 594.

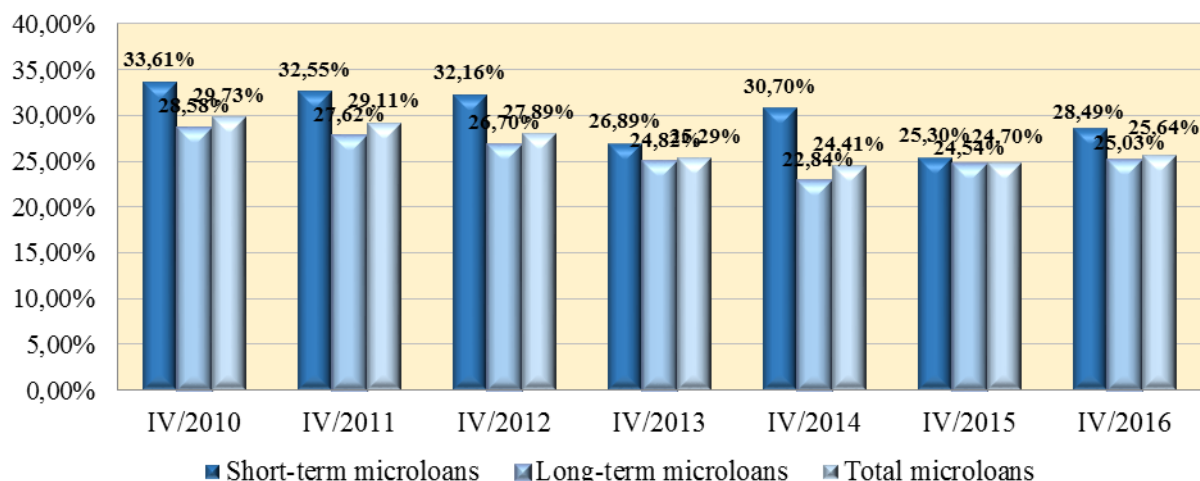
The average weighted nominal interest rate on short-term loans ranges from 13.27% for agriculture up to 25.00% for non-purpose loans, and the effective interest rate ranges from 22.28% for production up to 36.24% for non-purpose loans. The average weighted nominal interest rate on long-term loans ranges from 19.79% for agriculture up to 25.14% for non-purpose loans, and the effective interest rate ranges from 23.37% for agriculture up to 32.09% for non-purpose loans. By analysing the effective interest rates of MCOs by loan product, it can be concluded that the most favourable loans are placed for agriculture and production, while the most expensive loans are non-purpose and other loans.

The average weighted effective interest rates on short-term, long-term and total microloans in the Federation of B&H by quarter are shown in the following table.

Table 12. Average Weighted Effective Interest Rates on Microloans by Quarter

AVERAGE WEIGHTED EFFECTIVE INTEREST RATE on:	IV/2010	IV/2011	IV/2012	IV/2013	IV/2014	IV/2015	IV/2016
Short-term microloans	33.61%	32.55%	32.16%	26.89%	30.70%	25.30%	28.49%
Long-term microloans	28.58%	27.62%	26.70%	24.82%	22.84%	24.54%	25.03%
Total microloans	29.73%	29.11%	27.89%	25.29%	24.41%	24.70%	25.64%

Graph 16. Average Weighted EIRs on Microloans (in %)



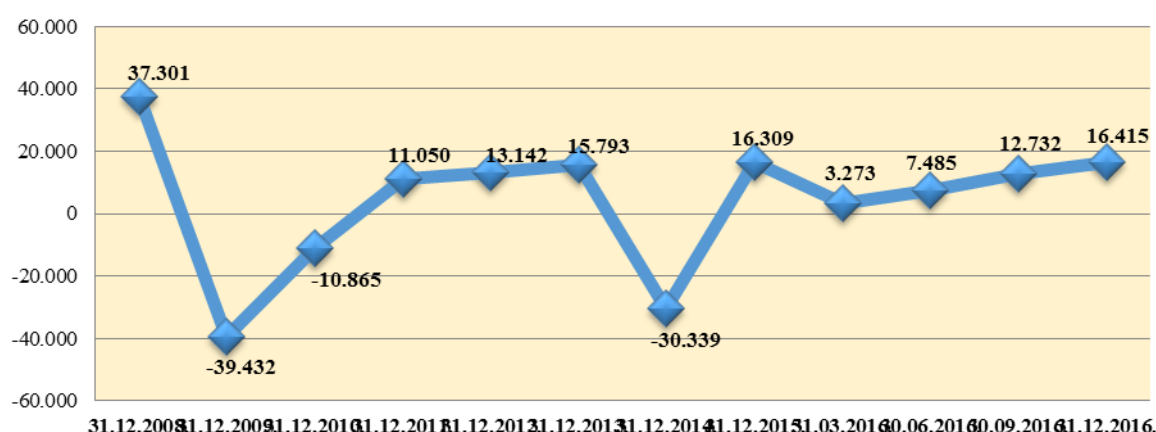
Microcredit organisations increased effective interest rates on total microloans, so that, at the end of the fourth quarter of 2016, average weighted effective interest rates on total loans in the microcredit sector amounted to 25.64% and recorded an increase of 0.94 percentage points compared to the fourth quarter of 2015. Compared to the same period, average weighted effective interest rates on short-term loans amounted to 28.49% and recorded an increase of 3.19 percentage points. Average weighted effective interest rates on long-term loans amounted to 25.03% at the end of the fourth quarter of 2016 and are up by 0.49 percentage points compared to the fourth quarter of the previous year.

2.5. Income Statement

In the period from 01.01. to 31.12.2016, one MCC recorded a net profit in the amount of KM 685 thousand (01.01. to 31.12.2015: KM 331 thousand net profit). In that period, MCFs recorded more income over expenses in the total amount of KM 15 730 thousand, while they recorded more income over expenses in the total amount of KM 15 978 thousand in the same period of the previous year.

In the period from 01.01. to 31.12.2016, out of a total of 11 MCFs, 10 MCFs had more income over expenses in the total amount of KM 15 770 thousand, while 1 MCF recorded less income over expenses in the total amount of KM 40 thousand. 10 MCFs calculated an income tax in the amount of KM 1 756 thousand on the excess of income over expenses, in accordance with the new Law on Income Tax ("Official Gazette of the Federation of B&H", No. 15/16) and the opinion of the Ministry of Finance of the FB&H, No. 05-14-2-5143/16-1 from 27.07.2016.

Graph 17. Total Financial Result of MCOs by Year (in KM 000)



At the level of the microcredit sector in the Federation of B&H, a positive financial result in the amount of KM 16 415 thousand has been recorded, which is up by KM 106 thousand or 1% compared to the same period of the previous year.

The structure of the income statement of the microcredit sector of the Federation of B&H is shown in Table 13.

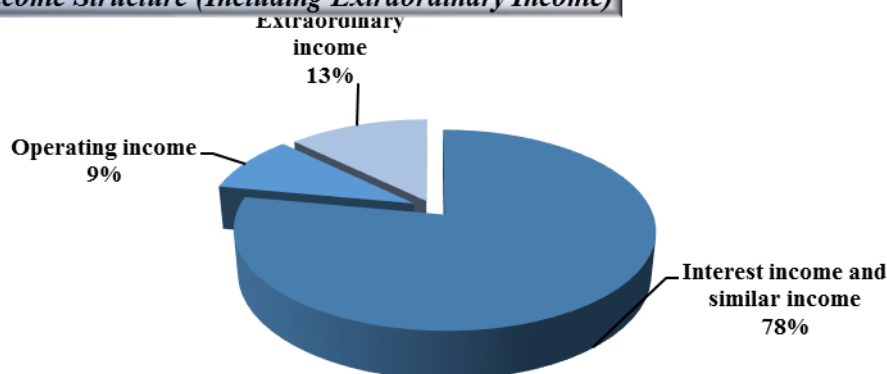
- KM 000 -

Table 13. Income Statement MCOs										
No.	OPIS	For the period 01.01. - 31.12.2015				For the period 01.01. - 31.12.2016				Index
		MCFs	MCCs	Total	%	MCFs	MCCs	Total	%	
1	2	1	2	3=(1+2)	4	5	6	7=(5+6)	8	9=(7/3)
1.	INCOME									
1.1.	Interest-based income and similar income	65 067	1 850	66 917	88	67 361	3 713	71 074	89	106
1.2.	Operating income	8 778	139	8 917	12	8 204	278	8 482	11	95
2.	TOTAL INCOME (1.1.+1.2.)	73 845	1 989	75 834	100	75 565	3 991	79 556	100	105
3.	EXPENSES									
3.1.	Interest-based expenses and similar expenses	10 211	633	10 844	15	9 800	1 355	11 155	15	103
3.2.	Operating expenses	55 076	959	56 035	79	56 747	1 553	58 300	79	104
3.3.	Expenses for loan loss provisions and other losses	4 417	68	4 485	6	4 006	346	4 352	6	97
4.	TOTAL EXPENSES (3.1.+3.2.+3.3.)	69 704	1 660	71 364	100	70 553	3 254	73 807	100	103
5.	EXTRAORDINARY INCOME	13 846	17	13 863		11 600	15	11 615		84
6.	EXTRAORDINARY EXPENSES	2 009	15	2 024		882	6	888		44
7.	TOTAL INCOME - EXPENSES (2+5-4-6)	15 978	331	16 309		15 730	746	16 476		101
8.	SURPLUS/DEFICIT OF INCOME OVER EXPENSES	15 978		15 978		15 730		15 730		98
9.	PROFIT BEFORE TAXES		331	331			746	746		
10.	TAXES		0	0			61	61		
11.	NET PROFIT/LOSS		331	331			685	685		
12.	TOTAL FIN.			16 309				16 415		

RESULT										
---------------	--	--	--	--	--	--	--	--	--	--

The total income of MCOs in the period from 01.01. to 31.12.2016 amounts to KM 79.6 million, which mainly account for MCF income. The total income is up by KM 3.7 million or 5% compared to the same period of the previous year. The biggest income portion is contributed by interest income, which amounts to KM 71.1 million or 89% of total income and is up by KM 4.2 million or 6% compared to the same period of the previous year, while operating income amounts to KM 8.5 million or 11% of total income and is down by KM 0.4 million or 5% compared to the same period of the previous year.

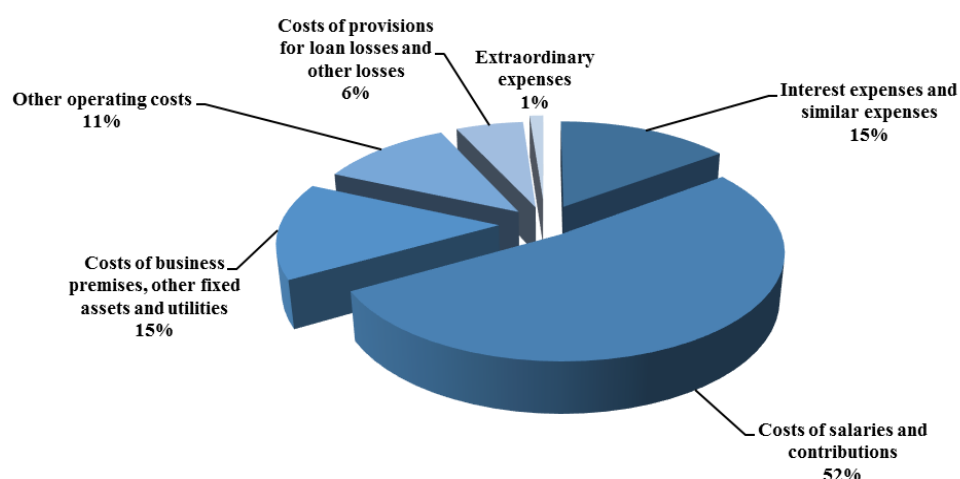
Graph 18. Income Structure (Including Extraordinary Income)



Extraordinary income of MCOs generated in the period from 01.01. to 31.12.2016 amounts to KM 11.6 million, which is down by KM 2.2 million or 16% compared to the same period of the previous year. Extraordinary income is dominated by the collection of receivables from write-offs. Extraordinary income of MCOs generated in 2016 amounts to KM 0.9 million and is down by KM 1.1 million or 56% compared to the same period of the previous year.

Total expenses amount to KM 73.8 million, 70.5 million or 96% of which account for the expenses of MCFs, and KM 3.3 million or 4% for the expenses of one MCC. Compared to the same period of the previous year, total expenses are up by KM 2.4 million or 3%. In the expenses structure, KM 11.2 million or 15% of total expenses account for interest expenses on taken loans and other similar expenses and are up by KM 0.3 million or 3% compared to the same period of the previous year. Operating expenses amount to KM 58.3 million or 79% of total expenses and are up by KM 2.3 million or 4% compared to the same period of the previous year. Operating expenses include salary and contributions' expenses in the amount of KM 38.8 million (01.01. to 31.12.2015: KM 37 million), costs of business premises, other fixed assets and utilities in the amount of KM 11 million (01.01. to 31.12.2015: KM 10.5 million) and other operating expenses in the amount of KM 8.5 million (01.01. to 31.12.2015: KM 8.5 million). Expenses for loan loss provisions and other losses amount to KM 4.4 million or 6% of total expenses and are down by KM 0.1 million or 3% compared to the same period of the previous year.

Graph 19. Expenses Structure (Including Extraordinary Expenses)

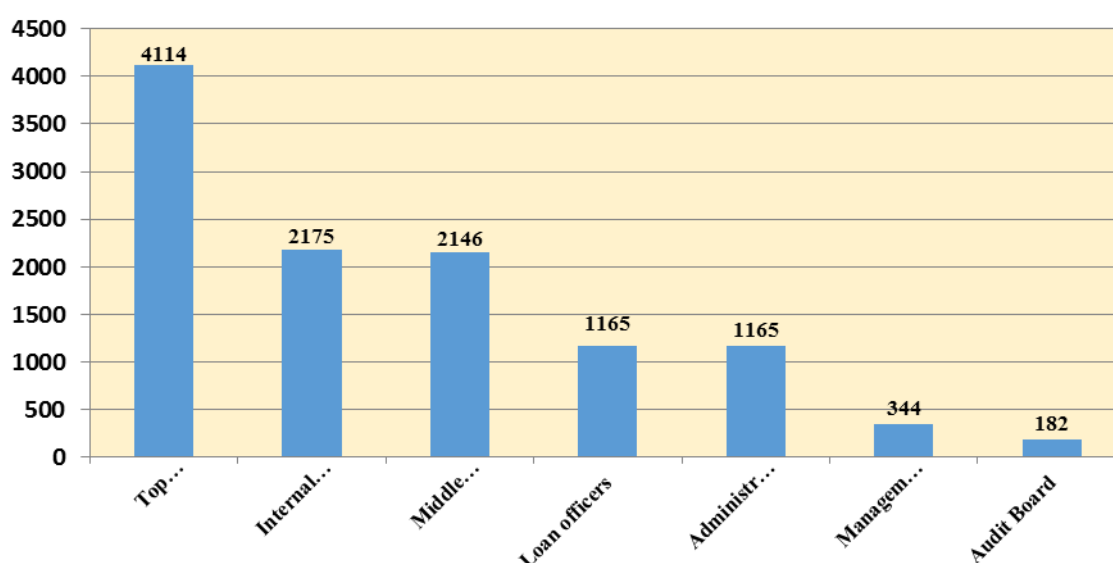


2.5.1. Standard Monthly Income in Microcredit Activities

The standard of reasonable market value is the value achieved on the labour market and the average salary of the Federation of B&H is observed as relevant data. However, since each industry has its own peculiarities, the microcredit industry, too, has its peculiarities and standards that apply to microcredit activity are used for comparison purposes. The standard of the microcredit market is the approximate or equal value paid for the same service on the microcredit market industry in an approximate or equal amount with the average of the relevant group, i.e. the average of the overall microcredit industry. In order to determine the average, MCO values, the business operations of which are in line with the business standards prescribed by the decision on other general terms and conditions of microcredit organisations, are used because wages in these organisations are market-based considering that prescribed measurable standards ensure that the MCOs operate in accordance with the business principles of due diligence, which they are obligated to do in accordance with Art. 40 of the Law on Associations and Foundations.

Salary and contributions' expenses generated in the period 01.01. to 31.12.2016 are up by 5% compared to the same period of the previous year. According to MCO reports, as of 31.12.2016, the average monthly net salary of MCO employees was KM 1 226 and the average monthly net amount of incentives, stimulations and bonuses was KM 93. This means that the average monthly net salary with bonuses was KM 1 319 in the microcredit sector. As of 31.12.2016, the average monthly net salary of a senior management member in the microcredit sector was KM 4 114 including bonuses, while average monthly net compensations paid to management board members in MCOs were KM 344 and to audit board members KM 182. As of the reporting date, the average monthly net salaries of internal auditors in MCOs were KM 2 175 including bonuses, of middle and lower management KM 2 146, of loan officers KM 1 165 and of administration and other staff KM 1 165.

Graph 20. Average Monthly Salary/Compensation in MCOs, Including Bonuses (in KM)



Article 39 of the Law on MCOs stipulates that the microcredit foundations shall invest the excess income over expenses in performing microcredit activities and that the direct or indirect allocation of the excess of income over expenses to founders, members of bodies, responsible persons and employees in the microcredit foundation is not allowed.

In the case of one MCF, the average monthly net salary of the senior management is almost 2 times higher compared to the sector average.

3. TRANSACTIONS WITH RELATED ENTITIES

The provisions of the Decision on Other General Conditions for Operations of Microcredit Organisation („Official Gazette of the Federation of B&H“, No.: 27/07) prescribe minimum standards for a business relation of MCOs with the entities considered its related entities under Article 4 of the Law on Microcredit Organisations. Article 6 of the Agency's Decision prescribes that an MCO may conduct business transactions with an entity considered its related entity only in compliance with the Law on Microcredit Organisations, the Agency's decision and special policies of MCOs for business relations with related entities, which are adopted and the implementation of which is monitored by the MCOs' managing bodies. A transaction with a related entity is also any transaction with a third party if the funds that were employed in the transaction were transferred to a related entity or were used so that a related entity would profit. With reference to this, all MCOs must establish a register of related entities, which is to be regularly updated.

Also, when conducting transactions with related entities, MCOs must act in accordance with the adopted policies that, among other things, prescribe the following:

- All transactions with related entities must be approved by an MCO's managing body,
- An entity related to an MCO that is a member of the managing body of such MCO must not participate in voting during the decision-making process on business transactions between an MCO and them or any other entity related to them,
- The managing body must sign a written statement that any transaction between them and a related entity is fair and in the best interest of the MCO,
- MCOs shall establish and maintain regular records, documentation and files on approvals of the managing bodies for transactions with related entities, etc.

When conducting transactions with related entities of an MCO, no such conditions may be offered that would be more favourable to any other entities, and MCOs shall report to the Agency through quarterly reports on all transactions conducted by the MCO with its related entities in the reporting quarter. In 2016, out of 12 MCOs, 10 MCFs and 1 MCC submitted reports, in the prescribed form, to the Agency on transactions conducted with related entities in the total amount of KM 596 020 million. One MCF and MCC have a 61% share in the total amount of transactions with related entities.

- in KM -

Table 14. Transactions with Related Entities			
No.	Description of transaction	Transaction amount in the period 01.01.-31.12.2016	Share (%)
1.	Transactions with the founder and founder-related entities	187 362	31.44%
2.	Payment of joint expenses of a related person	179 462	30.11%
3.	Payment by invoices for delivered goods/services	122 198	20.50%
4.	Refunding of expenses	63 158	10.60%
5.	Borrowings from legal entities and natural persons	34 240	5.74%
6.	Lease of business premises	9 600	1.61%
7.	Loan annuities	0	0.00%
8.	Short-term loans from banks	0	0.00%
9.	Regular and penalty interest, management fees	0	0.00%
10.	Legal services	0	0.00%
11.	Short-term deposits to banks	0	0.00%
12.	Receivables based on lease	0	0.00%
TOTAL		596 020	100.00%

Table 14 provides a breakdown of transactions with related entities in the period from 01.01. to 31.12.2016, which shows that the largest share in transactions with related entities belongs to transactions with the MCOs' founders and their related entities (31.44%), followed by payments of joint expenses of a related person (30.11%) and payments by invoices for delivered goods/services (20.50%). In addition to the aforementioned transactions, MCOs also reported transactions with related entities based on the lease of business premises, borrowings from legal entities and natural persons and other transactions.

The reported transactions of MCOs with related entities refer to transactions conducted with entities related to the MCOs' founders and their related entities (79%), members of the audit board (12%), and members of the management board (9%). During the examinations in the period to come, the Agency will focus on the compliance with business policies for the MCOs' transactions with related entities, and it will evaluate the benefits the MCOs have when performing such transactions and order adequate measures to be taken in the interest of eliminating irregularities found in the MCOs' business operations with related entities.

III COMPLIANCE OF MCO BUSINESS OPERATIONS WITH AML AND CTF STANDARDS

In the Information on the Compliance of Business Operations of Banks, Microcredit Organisations and Leasing Companies with Anti-Money Laundering and Counter-Terrorism Financing Standards for the year that ended on 31.12.2016, it is stated: „taking into account the assessment of MCOs' compliance for 2015, the individual assessments of MCOs' compliance made in examinations of the execution of orders, as well as the analysis of submitted reports, it can be concluded that the level of the money laundering risk remains moderate, that the quality of the management of this risk has continued its upward trend and has reached a satisfactory level, and that there are no reasons for supervisory concern.“

From the aspect of the compliance assessment and related to the analysis of submitted reports, it should be noted that MCOs reported 357 suspicious transactions in 2016 in the amount of KM 995 494.00 as well as 141 suspicious clients.

From the aspect of the compliance assessment related to the conducted examinations, it should be noted that MCOs had a total of 43 instances of non-compliance, for which the same number of orders was issued.

<i>Table 15. Overview of Issued Orders</i>				
No.	Policy name	Number of orders	%	Average per MCO
1.	Client eligibility policy	10	23.25	0.90
2.	Policy on identification and monitoring client activity	14	32.55	1.27
3.	Risk management policy	19	44.20	1.72
TOTAL		43	100.00	3.90

The largest number of orders was related to the instances of non-compliance with respect to the risk management policy (44.20%), the policy on identification and monitoring client activities (32.55%), and the client eligibility policy (23.25%).

In the Information on the Compliance of Business Operations of Banks, Microcredit Organisations and Leasing Companies with Anti-Money Laundering and Counter-Terrorism Financing Standards for the year that ended on 31.12.2016, it is also stated: „When observing the compliance of the microcredit sector with the Law on Prevention of Money Laundering and Financing of Terrorist Activities, the Law on Microcredit Organisations, the Decision on Minimum Standards for Activities of Microcredit Organisations to Prevent Money Laundering and Financing Terrorist Activities, as well as other laws and regulations that regulate the obligations of microcredit organisations in terms of the prevention of money laundering and financing of terrorist activities, it can be concluded that the microcredit sector of the FB&H is largely compliant with the norms prescribed by these laws and implementing regulations.“

IV CONCLUSIONS AND RECOMMENDATIONS

By analysing MCO reports as of 31.12.2016, it can be concluded that the business operations of microcredit organisations in the Federation of B&H show an improvement compared to the end of the previous year. The balance sheet volume recorded an increase in the amount of 4% and the loan portfolio is up by 6%, with an improvement of quality indicators. The number of employees is also up (by 4%) and there is an increase in capital (by 7%), while loan commitments remained at approximately the same level during the reporting period.

For MCOs with a continuous loan portfolio drop, loss of their market segment and that have been denied the trust of creditors because of a negative business trend and inability to reach set standards, it is important to, for the purpose of retaining the substance of business operations, and especially donated funds, negotiate on mergers and acquisitions, which is an important step to preserve this sector. Consolidation at the level of MCOs, especially medium-sized ones, is necessary for the stabilisation of the microcredit sector for the purpose of increasing the economy of scope, improving efficiency of business operations of MCOs through important cost savings, as well as increasing the competence of the management boards, management and other MCO staff. Consolidation would ensure the strengthening of the capital base of a small number of stronger and healthier MCOs. Since a significant amount of loans in liabilities of microcredit organisations will fall due by the end of this year, the organisations may have problems with liquidity, and for that reason all MCOs that are not operationally sustainable should consider mergers or acquisitions in order to protect the assets of MCFs, which would be in line with the business principle of due diligence.

In the period to come, the imperative of MCOs is complying with the principles of operating with the care of a good businessman and focusing on full transparency, the optimisation of operating costs and their full justification, proper credit risk management, which should finally result in falling interest rates on microloans and achieving the objectives stated in the Law on Microcredit Organisations.

Within its responsibilities under the Law, the Agency takes all available supervision measures and initiates necessary procedures before the competent authorities for the purpose of sanctioning MCOs and leading their business operations into the legal framework in order to fulfill the basic role of microlending.

In the period to come, MCOs should work intensively on the following:

- Fully implementing Article 2 of the LoMCO, which prescribes performing activities for the purpose of improving the material status of beneficiaries of microloans, increasing employment and providing support to the development of entrepreneurship;
- Reducing interest rates on microloans;
- Controlling interest rates and achieving objectives from the LoMCO through the active involvement of managing bodies in the process of approving policies on establishing prices of microloans;
- Cutting operating costs, the full implementation of the principles of due care for the assets of the foundation and the implementation of principles of good corporate practices, which should influence the reduction of interest rates;
- Establishing mechanisms to check the justification of projects and materially significant costs of operations, including salaries and bonuses of the management, and all other benefits of the management and members of the boards of directors, which the

aforementioned exercise at the expense of the assets of MCOs and which are directly compensated by high interest rates;

- Increasing the responsibilities of management boards, ensuring independence from the management and control of the management by management boards;
- Improving the system of internal controls, improving efficiency of business operations and optimising MCO resources as well as implementing the principles of responsible credit financing;
- Establishing an internal audit that is fully independent from the MCO management and will also supervise the management segment and regularly report to the management board;
- The mandatory exchange of information at the level of the sector and the Central Loan Registry;
- Taking all required actions in the interest of solving the problems of overindebted customers and guarantors;
- Improving institutional capacities,
- Fully implementing valid regulations and increasing the transparency of business operations; and

Finding partners for mergers and acquisitions; MCOs with smaller amounts of capital and a high degree of written-off loans should adopt a clear strategy for merging with bigger and stronger MCOs to optimise resources, preserve donated funds, ensure support of foreign creditors and secure the future of MCO employees.

No.: U.O. -02-03/17

Sarajevo, 27.03.2017

V ANNEXES

Annex 1. Regulations of the Banking Agency for Business Operations of MCOs

Annex 2. Main Data on MCOs

Annex 3. Balance Sheet of MCFs

Annex 4. Balance Sheet of MCCs

Annex 5. Income Statement of MCFs

Annex 6. Income Statement of MCCs

Annex 7. Overview of Donated Funds of MCFs

Annex 1.

REGULATIONS OF THE BANKING AGENCY FOR THE BUSINESS OPERATIONS OF MCOs AS OF 31.12.2016

Decisions of the Banking Agency related to MCO operations	Official Gazette of the Federation of B&H
1. Decision on Conditions and Process of Issuance of Operating License for Microcredit Foundation Resulting from Changed Organisational Form of a Microcredit Organisation	27/07
2. Decision on Conditions and Process of Issuance and Revocation of Operating License and Other Approvals to/from Microcredit Organisations	27/07 and 46/11
3. Decision on Supervision of Microcredit Organisations	27/07
4. Decision on Form and Contents of Reports Microcredit Organisations Submit to the Banking Agency of the Federation of B&H and on Reporting Deadlines	27/07, 110/12 and 15/13
5. Decision on Level and Manner of Forming and Maintaining Reserves for Loan Losses of Microcredit Organisations	27/07
6. Decision on Other General Conditions for Operations of Microcredit Organisations	27/07
7. Decision on Uniform Manner of Calculation and Disclosure of Effective Interest Rate on Loans and Deposits (Consolidated text)	48/12
8. Decision on Conditions and Process of Issuance of Operating License and Approval for Acquiring Ownership Share by Investing and Transferring Assets of the Microcredit Foundation	27/07
9. Decision on Fees Microcredit Organisations Pay to the Banking Agency of the Federation of B&H	46/11
10. Decision on Minimum Standards for Activities of Microcredit Organisation to Prevent Money Laundering and Financing Terrorist Activities	48/12
11. Decision on Conditions and Manner of Customer Complaint Management by Banks, Microcredit Organisations and Leasing Companies	23/14, 26/14 and 62/14
12. Decision on Minimum Standards for Documenting Lending Activities of Microcredit Organisations and Assessing Creditworthiness	23/14
13. Decision on Conditions and Manner for Handling Guarantors' Requests for Release from the Guarantor's Obligation	23/14 and 62/14
14. Decision on Minimum Requirements in Terms of Content, Comprehensibility and Availability of General and Special Business Conditions of Providers of Financial Services	62/14

Instructions of the Banking Agency related to MCO Operations

1. Instructions for Implementation of the Decision on Uniform Manner of Calculation and Disclosure of Effective Interest Rate on Loans and Deposits;
2. Instructions for Calculation of Weighted Nominal and Effective Interest Rate;
3. Instructions for Calculation of Adjusted Return on Assets;
4. Instructions for Calculation of Efficiency Ratios and
5. Instructions for MCO Reporting.

Annex 2.

MAIN DATA ON MCOs

No	Name of microcredit organisation	Address and seat	Director	Tel/Fax	E-mail and Web	31.12.2016			
						Assets amount in KM 000	Capital amount in KM 000	No. of employees	No. of org. units
1.	MKD "EKI" d.o.o. Sarajevo	ul. Džemala Bijedića bb 71 000 SARAJEVO	Sead Mucić	033/ 754-380, 754-388 fax	sead.mucic@eki.ba www.eki.ba	32 962	3 525	57	10
2.	MKF "EKI" Sarajevo	ul. Džemala Bijedića bb 71 000 SARAJEVO	Sadina Bina	033/ 754-380, 754-388 fax	sadina.bina@eki.ba www.eki.ba	112 891	63 214	263	69
3.	MKF "LIDER" Sarajevo	ul. Turhanija 2 71 000 SARAJEVO	Džavid Sejfović	033/ 250-580, 250-581 fax	dzavids@lider.ba www.lider.ba	17 112	10 763	62	14
4.	"LOK MKF" Sarajevo	ul. Skenderija 13 71 000 SARAJEVO	Elma Čardaklija - Bašić	033/ 564-200, 564-201 fax	central.office@lok.ba www.lok.ba	20 789	2 239	103	22
5.	MKF "MELAHA" Sarajevo	ul. Hamdije Kreševljakovića 59 71 000 SARAJEVO	Jakob Finci	033/ 205-737 tel/fax	info@melaha.ba www.melaha.ba	1 275	462	6	0
6.	MKF "MI-BOSPO" Tuzla	ul. Bosne srebrene bb 75 000 TUZLA	Nejira Nalić	035/ 270-283, 252-448 fax	mi-bospo@mi-bospo.org www.mi-bospo.org	53 248	20 421	161	31
7.	MKF "MIKRA" Sarajevo	ul. Marka Marulića 2/VI 71 000 SARAJEVO	Sanin Čampara	033/ 616-162, 717-141 fax	mikra@mikra.ba www.mikra.ba	25 253	6 820	114	25
8.	MKF "MIKRO ALDI" Goražde	ul. Panorama bb 73 000 GORAŽDE	Ferida Softić	038/ 226-456, 221-004 fax	info@mikroaldi.org www.mikroaldi.org	5 785	4 533	27	7
9.	"PARTNER MKF" Tuzla	ul. 15. maja bb 75 000 TUZLA	Senad Sinanović	035/ 300-250, 300-269 fax	partner@partner.ba www.partner.ba	128 301	70 698	290	60
10.	"PRVA ISLAMSKA MKF" Sarajevo	ul. Jukićeva 75 71 000 SARAJEVO	Edina Hadžimurtezić	033/ 666-233, 666-224 fax	info@mfi.ba	1 767	1 610	8	0
11.	MKF "SANI" Zenica	ul. Mehmedalije Tarabara 10 72 000 ZENICA	Sulejman Haračić	032/ 405-606 tel/fax	mikrosanizenica@yahoo.com	368	222	5	0
12.	MKF "SUNRISE" Sarajevo	ul. Zagrebačka 50 71 000 SARAJEVO	Samir Bajrović	033/ 727-350, 812-231 fax	sunrise@microsunrise.ba www.microsunrise.ba	40 390	23 131	155	41
TOTAL						440 141	207 638	1 251	279

Annex 3.

BALANCE SHEET OF MCFs

in KM 000

No.	DESCRIPTION	31.12.2015	%	31.12.2016	%	Index
1	2	3	4	5	6	7=5/3
ASSETS						
1.	Cash (1a+1b)	29 442	7	22 227	6	75
1a)	Cash and non-interest bearing deposit accounts	20 636	5	11 698	3	57
1b)	Interest-bearing deposit accounts	8 806	2	10 529	3	120
2.	Facilities to banks	733	0	733	0	100
3.	Loans	338 599		349 791		103
3a)	Loan loss reserves	3 359		3 193		95
3b)	Net loans (3-3a)	335 240	83	346 598	85	103
4.	Business premises and other fixed assets	28 025	7	28 734	7	103
5.	Long-term investments	3 061	1	3 061	1	100
6.	Other assets	6 593	2	6 008	1	91
7.	Minus: provisions for other assets items, except loans	186		182		98
8.	TOTAL ASSETS	402 908	100	407 179	100	101
LIABILITIES						
9.	Short-term loan commitments	78 023	20	73 903	18	95
10.	Long-term loan commitments	113 595	28	105 905	26	93
11.	Other liabilities	20 835	5	23 258	6	112
12.	TOTAL LIABILITIES	212 453	53	203 066	50	96
13.	Donated capital	56 096		45 851		82
14.	Core capital	3 821		3 820		100
15.	Surplus of income over expenses	190 637		213 906		112
15a)	For previous years	174 100		199 850		115
15b)	For current year	16 537		14 056		85
16.	Deficit of income over expenses	62 205		61 308		99
16a)	For previous years	61 562		61 268		100
16b)	For current year	643		40		6
17.	Other reserves	2 106		1 844		88
18.	TOTAL CAPITAL	190 455	47	204 113	50	107
19.	TOTAL LIABILITIES	402 908	100	407 179	100	101
OFF-BALANCE RECORDS						
	- written-off loans	121 879		115 263		95
	- agent business	259		367		142

Annex 4.

BALANCE SHEET OF MCCs

in KM 000

No.	DESCRIPTION	31.12.2015	%	31.12.2016	%	Index
1	2	3	4	5	6	7=5/3
ASSETS						
1.	Cash (1a+1b)	3 452	17	4 496	14	130
1a)	Cash and non-interest bearing deposit accounts	3 452	17	4 496	14	130
1b)	Interest-bearing deposit accounts	0	0	0	0	n/a
2.	Facilities to banks	0	0	0	0	n/a
3.	Loans	16 772		28 081		167
3a)	Loan loss reserves	29		176		607
3b)	Net loans (3-3a)	16 743	82	27 905	85	167
4.	Business premises and other fixed assets	7	0	115	0	1643
5.	Long-term investments	0	0	0	0	n/a
6.	Other assets	205	1	455	1	222
7.	Minus: provisions for other assets items, except loans	1		9		900
8.	TOTAL ASSETS	20 406	100	32 962	100	162
LIABILITIES						
9.	Short-term loan commitments	768	4	5 549	17	723
10.	Long-term loan commitments	15 969	78	22 551	68	141
11.	Other liabilities	830	4	1 337	4	161
12.	TOTAL LIABILITIES	17 567	86	29 437	89	168
13.	Donated capital	0		0		n/a
14.	Core capital	600		600		100
15.	Issue premiums	0		0		n/a
16.	Unallocated profit (16a+16b)	331		1 016		307
16a)	Of previous years	0		331		n/a
16b)	Of current year	331		685		207
17.	Legal reserves	1 908		1 909		100
18.	Other reserves	0		0		n/a
19.	TOTAL CAPITAL	2 839	14	3 525	11	124
20.	TOTAL LIABILITIES	20 406	100	32 962	100	162
OFF-BALANCE RECORDS						
	- written-off loans	57		220		386
	- agent business	0		0		n/a

Annex 5.

INCOME STATEMENT OF MCFs

in KM 000

No.	DESCRIPTION	For the period 01.01. - 31.12.2015	%	For the period 01.01. - 31.12.2016	%	Index
1	2	3	4	5	6	7=(5/3)
I FINANCIAL INCOME AND EXPENSES						
1.	Interest income and similar income					
1.1.	Interest by interest-bearing deposit accounts with deposit institutions	79	0	63	0	80
1.2.	Interest on facilities to banks	6	0	2	0	33
1.3.	Loan interest	63 945	98	66 092	98	103
1.4.	Other financial income	1 037	2	1 204	2	116
1.5.	Total interest income and similar income (1.1. to 1.4.)	65 067	100	67 361	100	104
2.	Interest expenses and similar expenses					
2.1.	Interest on borrowed funds	9 356	92	8 987	92	96
2.2.	Other financial expenses	855	8	813	8	95
2.3.	Total interest expenses and similar expenses (2.1. to 2.2.)	10 211	100	9 800	100	96
3.	Net financial income (1.5. - 2.3.)	54 856		57 561		105
II OPERATING INCOME AND EXPENSES						
4.	Operating income					
4.1.	Fees for services performed	6 632	76	7 543	92	114
4.2.	Other operating income	2 146	24	661	8	31
4.3.	Total operating income (4.1. do 4.2.)	8 778	100	8 204	100	93
5.	Operating expenses					
5.1.	Salary and contributions costs	36 234	66	37 612	66	104
5.2.	Costs of business premises, other fixed assets and utility costs	10 456	19	10 839	19	104
5.3.	Other operating expenses	8 386	15	8 296	15	99
5.4.	Total operating expenses (5.1. to 5.3.)	55 076	100	56 747	100	103
6.	Loan loss provisions and provisions for other losses	4 417		4 006		91
7.	Surplus/deficit of income over expenses from regular operations (3.+4.3.-5.4.-6.)	4 141		5 012		121
8.	Extraordinary income	13 846		11 600		84
9.	Extraordinary expenses	2 009		882		44
10.	Surplus/deficit of income over expenses (7.+8.-9.)	15 978		15 730		98

Annex 6.

INCOME STATEMENT OF MCCs

in KM 000

No.	DESCRIPTION	For the period 01.01. - 31.12.2015	%	For the period 01.01. - 31.12.2016	%	Index
1	2	3	4	5	6	7=(5/3)
I FINANCIAL INCOME AND EXPENSES						
1.	Interest income and similar income					
1.1.	Interest by interest-bearing deposit accounts with deposit institutions	1	0	1	0	100
1.2.	Interest on facilities to banks	0	0	0	0	n/a
1.3.	Loan interest	1 846	100	3 709	100	201
1.4.	Other financial income	3	0	3	0	100
1.5.	Total interest income and similar income (1.1. to 1.4.)	1 850	100	3 713	100	201
2.	Interest expenses and similar expenses					
2.1.	Interest on borrowed funds	597	94	1 295	96	217
2.2.	Other financial expenses	36	6	60	4	167
2.3.	Total interest expenses and similar expenses (2.1. to 2.2.)	633	100	1 355	100	214
3.	Net financial income (1.5. - 2.3.)	1 217		2 358		194
II OPERATING INCOME AND EXPENSES						
4.	Operating income					
4.1.	Fees for services performed	129	93	254	91	197
4.2.	Other operating income	10	7	24	9	240
4.3.	Total operating income (4.1. to 4.2.)	139	100	278	100	200
5.	Operating expenses					
5.1.	Salary and contributions costs	776	81	1 185	76	153
5.2.	Costs of business premises, other fixed assets and utility costs	51	5	135	9	265
5.3.	Other operating expenses	132	14	233	15	177
5.4.	Total operating expenses (5.1. to 5.3.)	959	100	1 553	100	162
6.	Loan loss provisions and provisions for other losses	68		346		509
7.	PROFIT/LOSS FROM REGULAR BUSINESS OPERATIONS (3.+4.3.-5.4.-6.)	329		737		224
8.	Extraordinary income	17		15		88
9.	Extraordinary expenses	15		6		40
10.	PROFIT/LOSS BEFORE TAXES	331		746		225
11.	TAXES	0		61		n/a
12.	NET PROFIT/LOSS	331		685		207

Annex 7.

**OVERVIEW OF DONATED FUNDS OF MCFs
as of 31.12.2016**

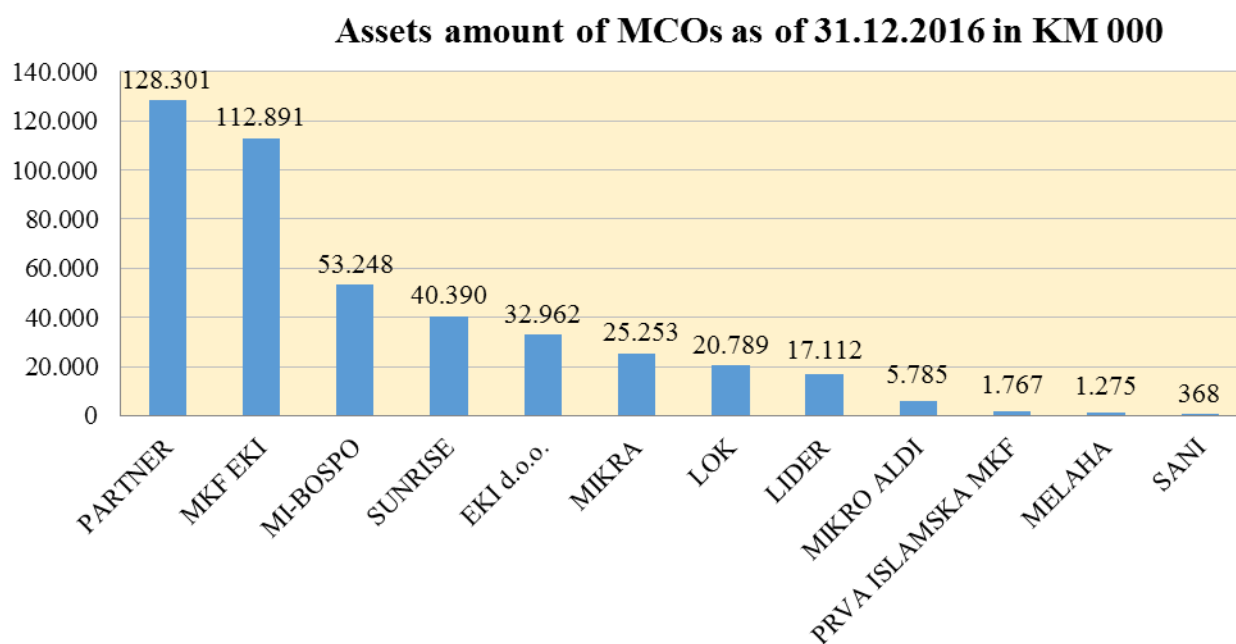
KM 000

No.	Donor	MKF EKI Sarajevo	MKF LIDER Sarajevo	LOK MKF Sarajevo	MKF MELAHA Sarajevo	MKF MI-BOSPO Tuzla	MKF MIKRA Sarajevo	MKF MIKRO ALDI Goražde	PARTNER MKF Tuzla	PRVA ISLAMSKA MKF	MKF SUNRISE Sarajevo	TOTAL
Credit fund donations		6 326	5 891	4 639	0	3 354	4 070	804	16 561	2 265	1 940	45 850
1.	Mercy Corps								10 091			10 091
2.	USAID	3 046		543					3 046			6 635
3.	CHF-(SIDA, MEDI, HILP)		5 891									5 891
4.	LIP			1 479		947			675		1 214	4 315
5.	CRS						4 070					4 070
6.	UNHCR			1 198		479		200	1 229		613	3 719
7.	Islamic Relief WW, Representative Office Sarajevo									2 265		2 265
8.	UNDP	1 932		153					59			2 144
9.	UMCOR			637		377			317			1 331
10.	IRC					371			805			1 176
11.	SIDA Housing	1 080										1 080
12.	Women's World Banking					1 034						1 034
13.	PRM/USA State Department			577								577
14.	OXFAM							500				500
15.	EZE, Njemačka								339			339
16.	USDA Know-How Project	237										237
17.	Church World Service					146						146
18.	Other	31		52				104			113	300
Fixed assets donations		8	0	286	0	12	235	80	229	0	85	935
19.	Unipromet						235					235
20.	Mercy Corps								229			229
21.	Nedžad Beglerović			102								102
22.	NOVIB							80				80
23.	EBRD										75	75
24.	Other	8		184		12					10	214
Operating expenses donations		1 019	874	2 810	500	1 344	17	146	2 051	0	711	9 472
25.	LIP			1 515					201		711	2 427
26.	USAID					1 344			591			1 935
27.	CHF		874									874
28.	Mercy Corps								808			808
29.	SIDA Housing	748										748
30.	PM			556								556
31.	BCT			519								519
32.	JKPHD La Benevolencija				500							500
33.	NBR			220								220
34.	UNHCR								176			176
35.	EFSE	26						1	91			118
36.	NOVIB							110				110
37.	EBRD	105							1			106
38.	IFC	104										104
39.	Other	36					17	35	183			271
TOTAL DONATED CAPITAL		7 353	6 765	7 735	500	4 710	4 322	1 030	18 841	2 265	2 736	56 257

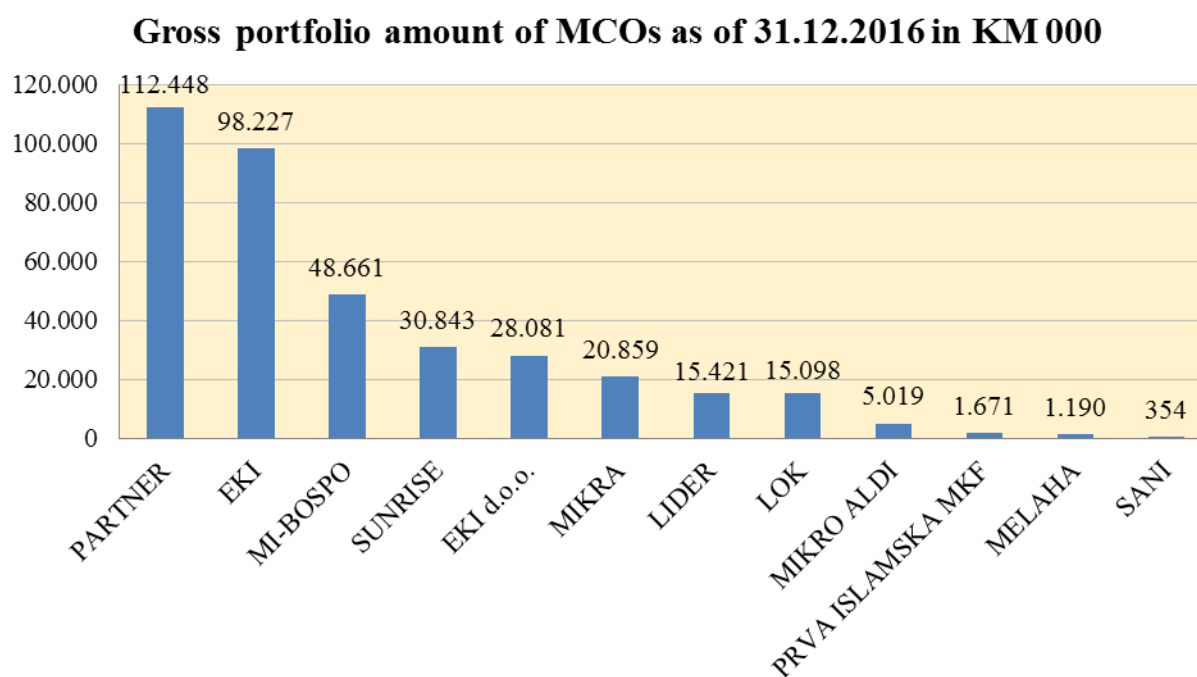
GRAPHS

- Graph 1. Assets amount of MCOs as of 31.12.2016 in KM 000
- Graph 2. Gross portfolio amount of MCOs as of 31.12.2016 in KM 000
- Graph 3. Loan commitments amount of MCOs as of 31.12.2016 in KM 000
- Graph 4. Capital amount of MCOs as of 31.12.2016 in KM 000
- Graph 5. Donated capital amount (by reports) of MCOs as of 31.12.2016 in KM 000
- Graph 6. Surplus/deficit of income over expenses of MCFs, i.e. net profit/loss of MCCs for the period 01.01.- 31.12.2016 in KM 000
- Graph 7. Operational sustainability of MCOs in the period 01.01.- 31.12.2016
- Graph 8. Number of employees of MCOs as of 31.12.2016
- Graph 9. Number of organisational units of MCOs seated in the Federation of B&H as of 31.12.2016
- Graph 10. Number of active loan accounts of MCOs with the balance as of 31.12.2016
- Graph 11. Number of written-off loans in the off-balance records as of 31.12.2016
- Graph 12. Loan amount in KM 000 written-off in the period 01.01.- 31.12.2016
- Graph 13. Collection amount by written-off loans in KM 000 in the period 01.01.- 31.12.2016
- Graph 14. Total receivables amount by written-off loans of MCOs in KM 000 with balance as of 31.12.2016
- Graph 15. Total receivables by written-off loans vs. total gross portfolio of MCOs as of 31.12.2016
- Graph 16. Risk portfolio over 30 days past due as of 31.12.2016
- Graph 17. Fixed assets and capital vs. total assets as of 31.12.2016
- Graph 18. Average monthly compensations to members of management/supervisory board of MCOs for the period 01.01.- 31.12.2016
- Graph 19. Average monthly income of senior management in MCOs for the period 01.01.- 31.12.2016
- Graph 20. Average monthly income of loan officers of MCOs for the period 01.01.- 31.12.2016
- Graph 21. Total microloans disbursed in Q4 2016 in KM 000
- Graph 22. Average weighted EIR on total loans as per MCO reports of in Q4 2016
- Graph 23. Average weighted EIR on short-term loans as per MCO reports in Q4 2016
- Graph 24. Average weighted EIR on long-term loans as per MCO reports in Q4 2016

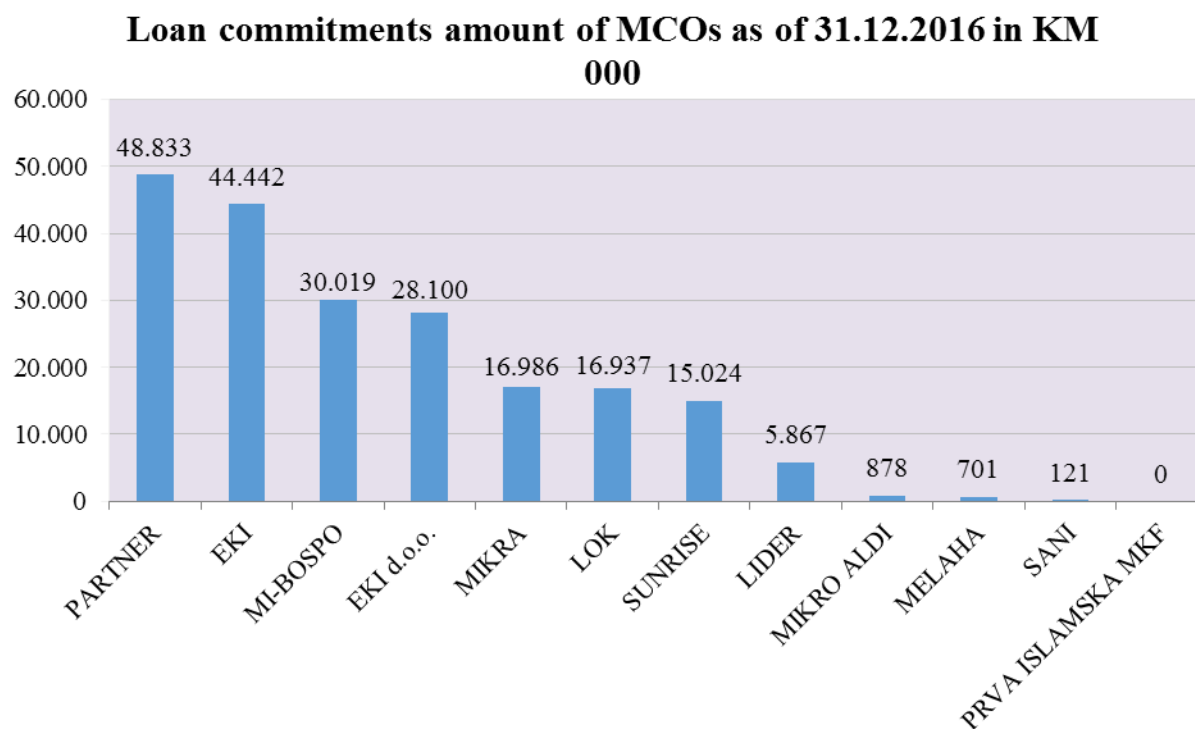
Graph 1.



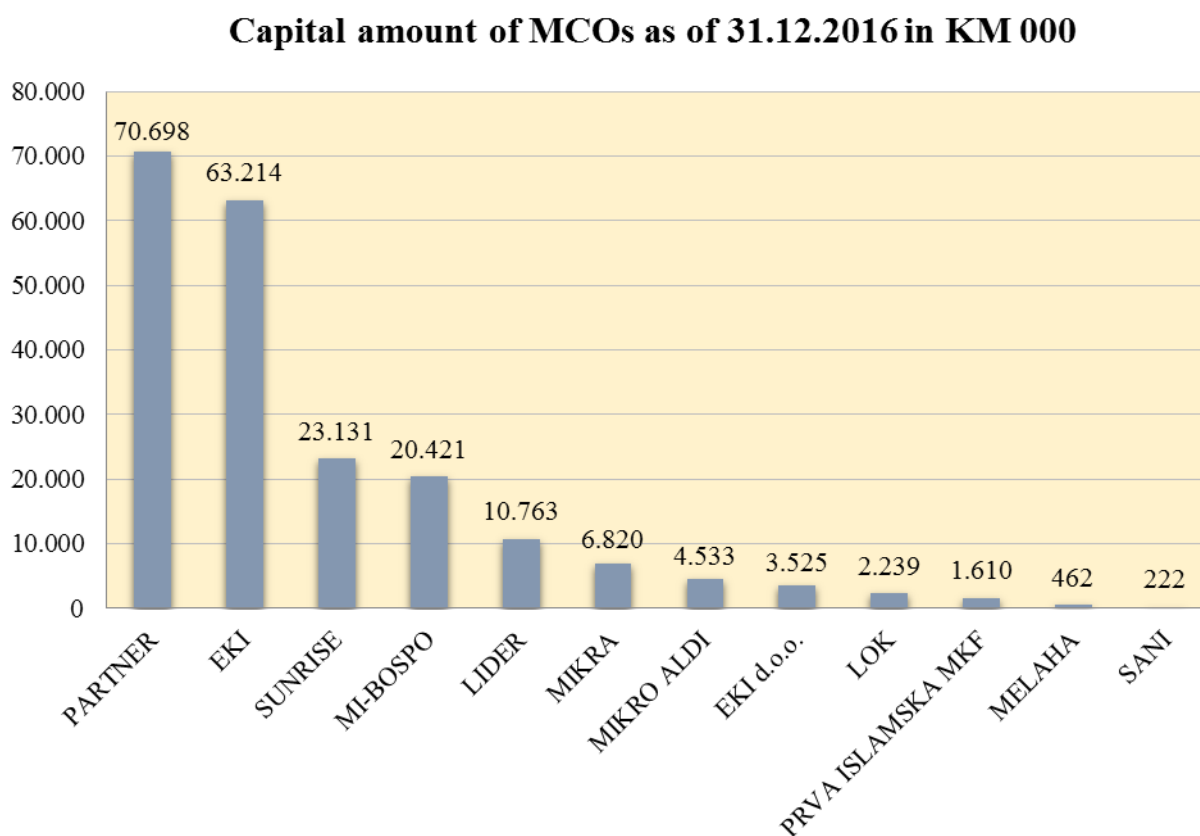
Graph 2.



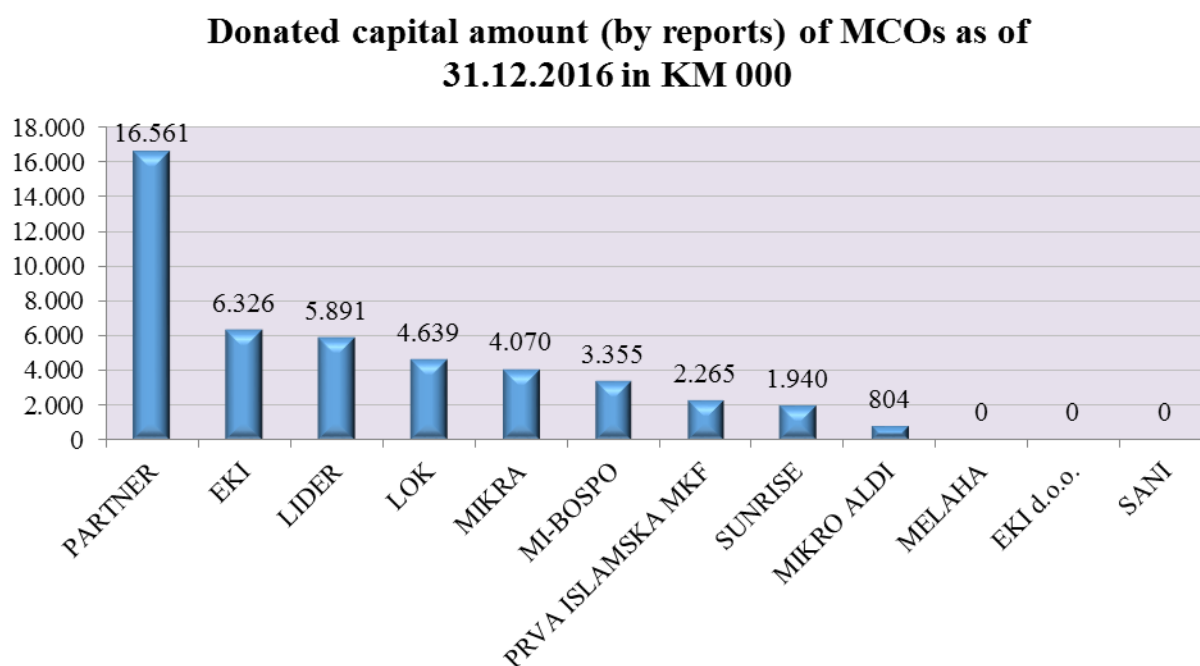
Graph 3.



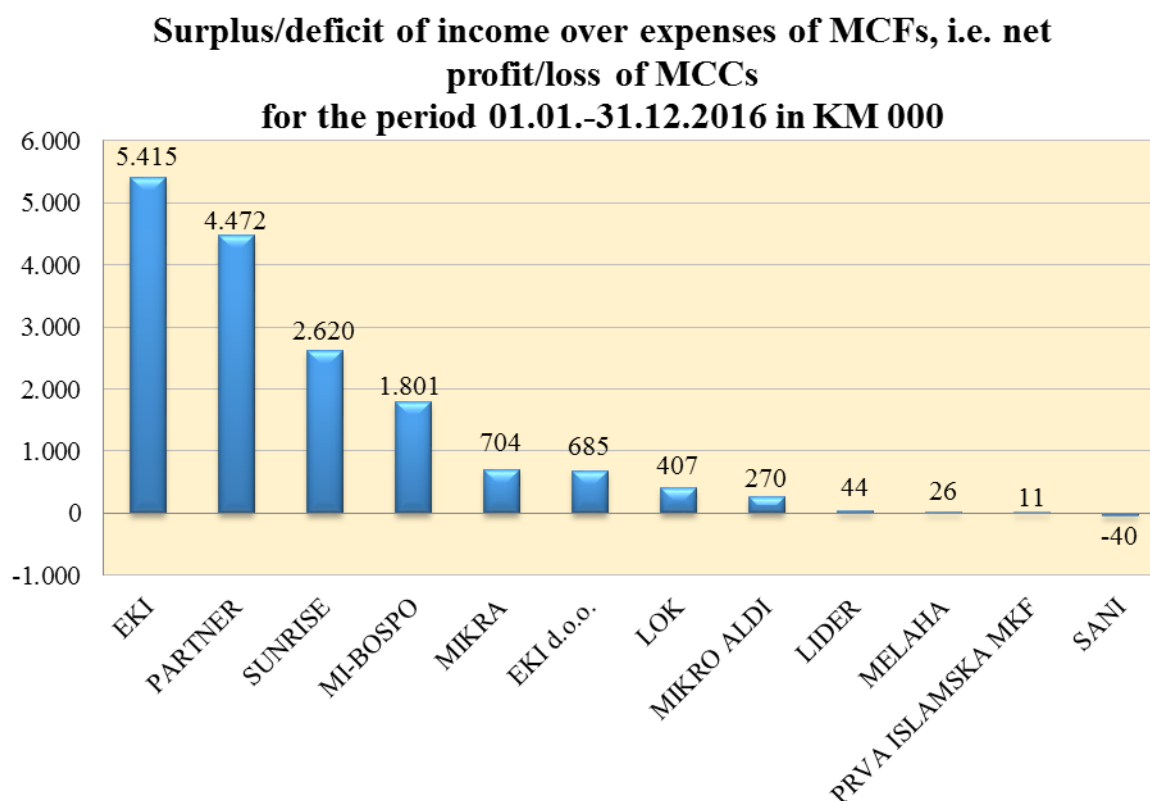
Graph 4.



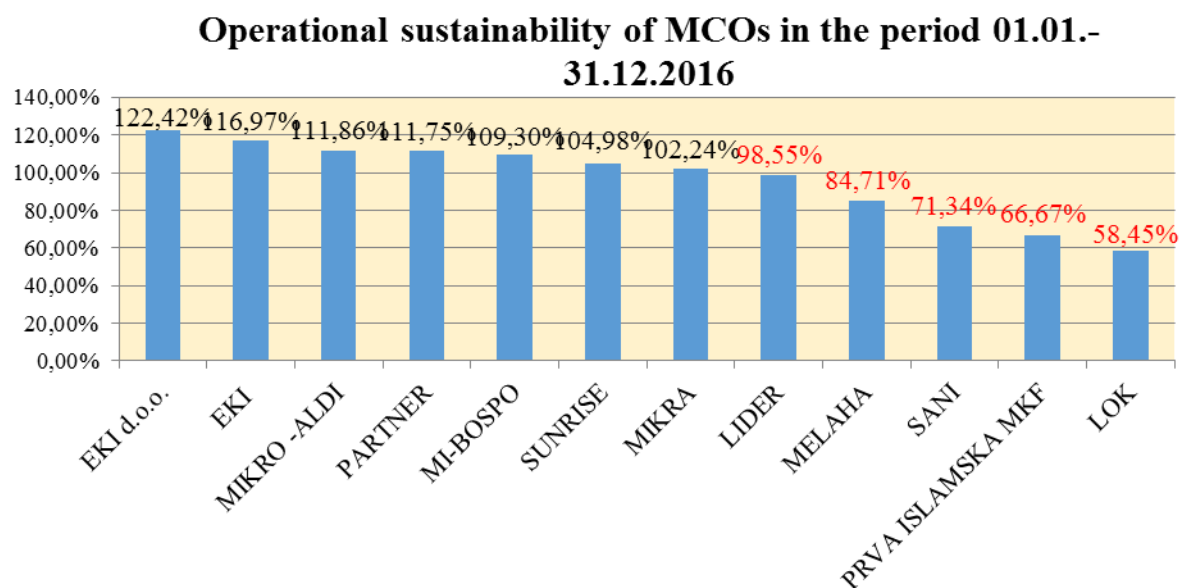
Graph 5.



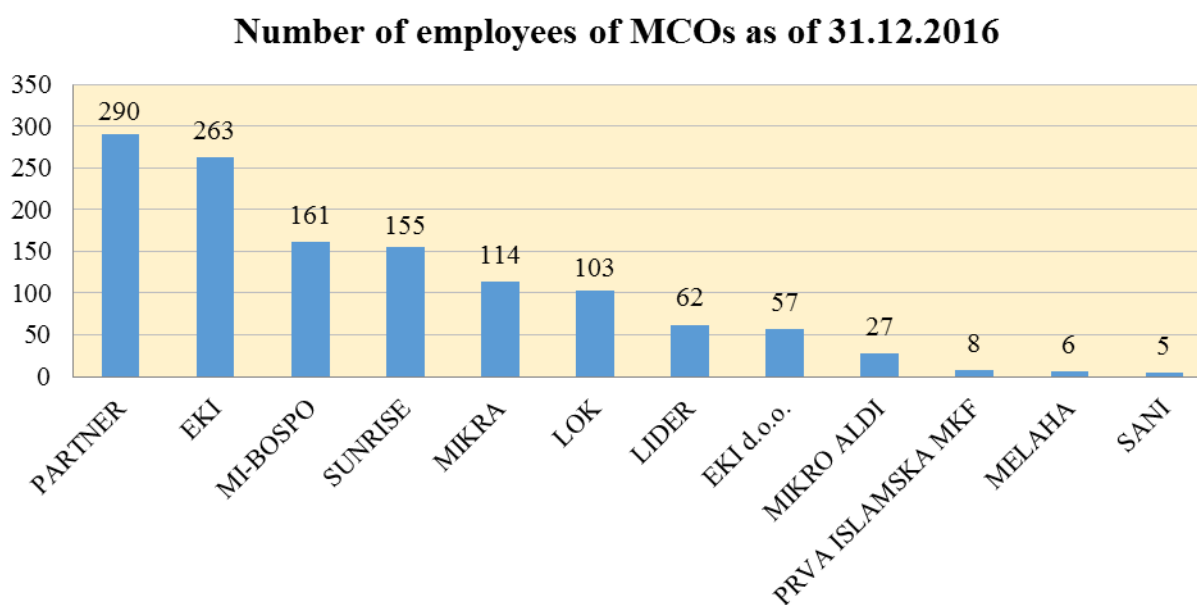
Graph 6.



Graph 7.

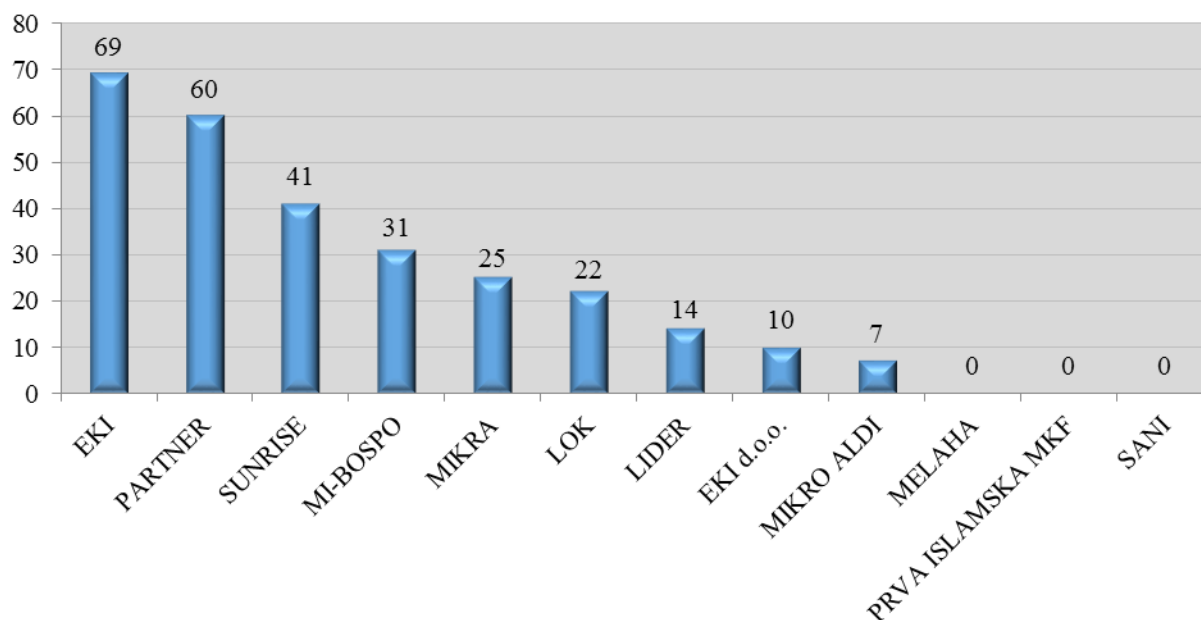


Graph 8.



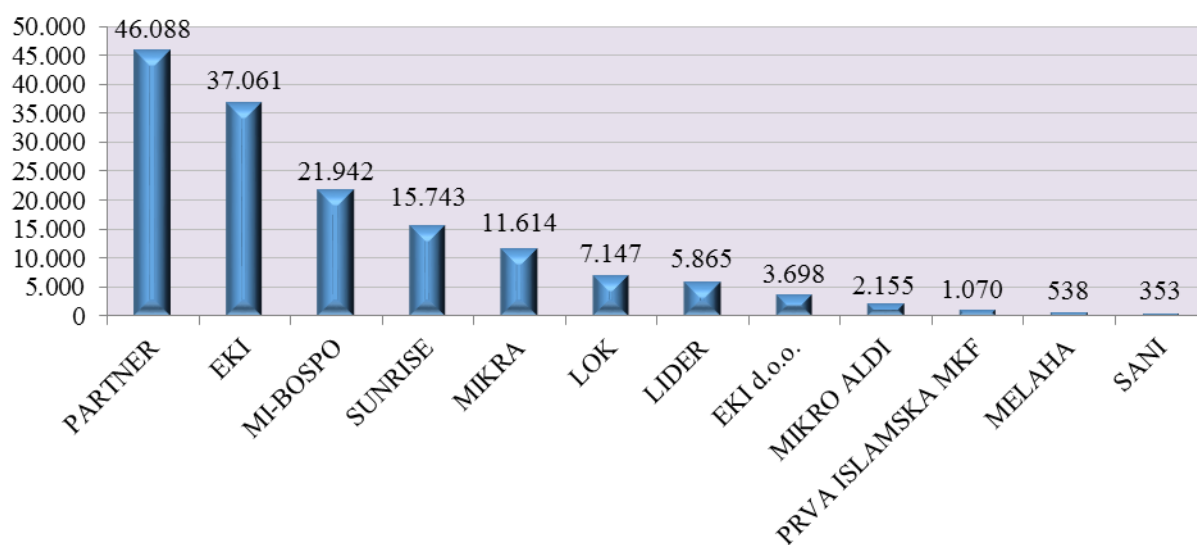
Graph 9.

Number of organisational units of MCOs seated in the Federation of B&H as of 31.12.2016

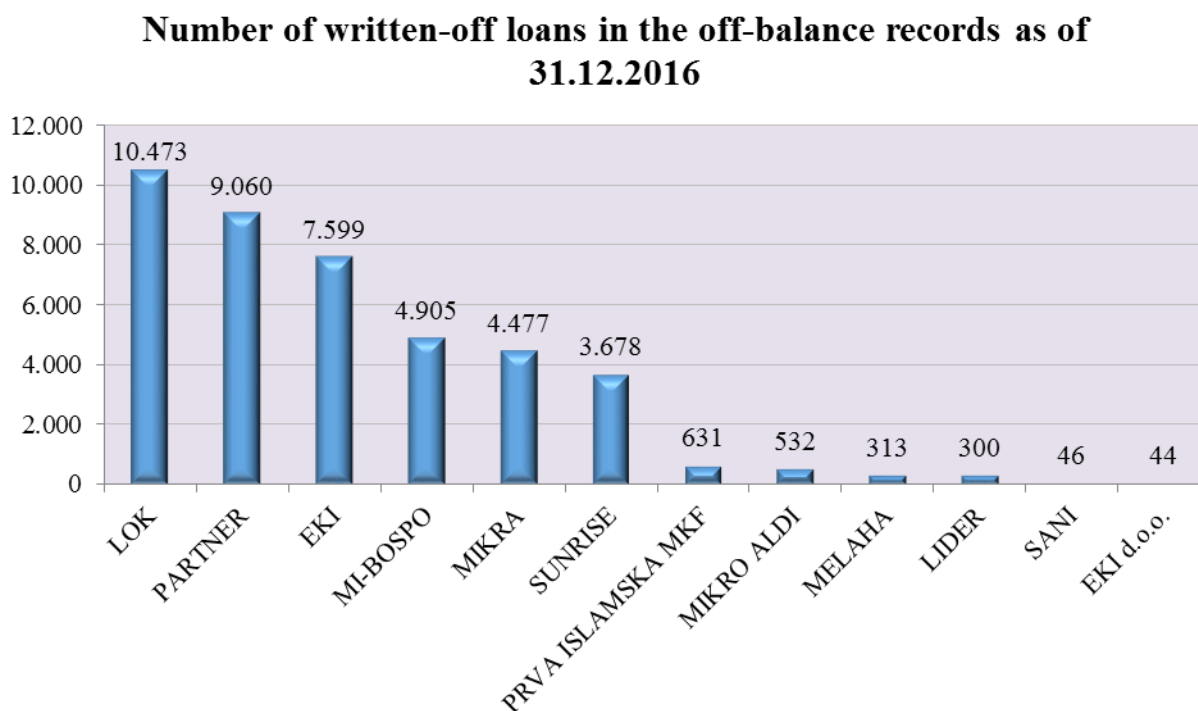


Graph 10.

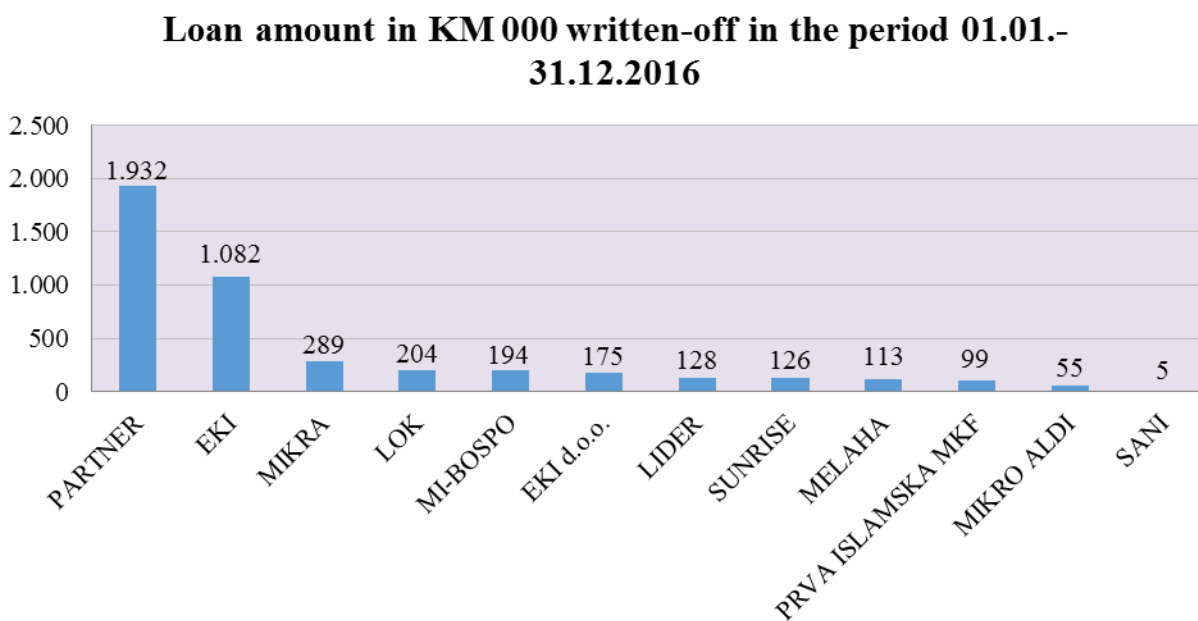
Number of active loan accounts of MCOs with the balance as of 31.12.2016



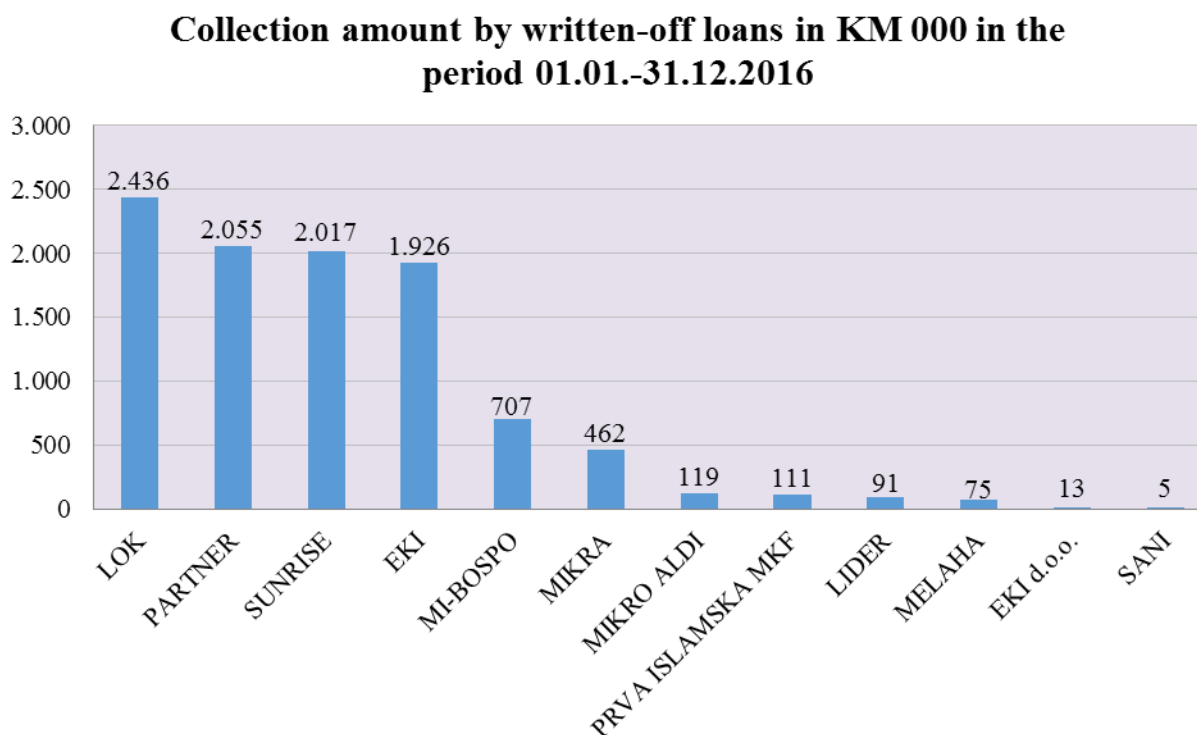
Graph 11.



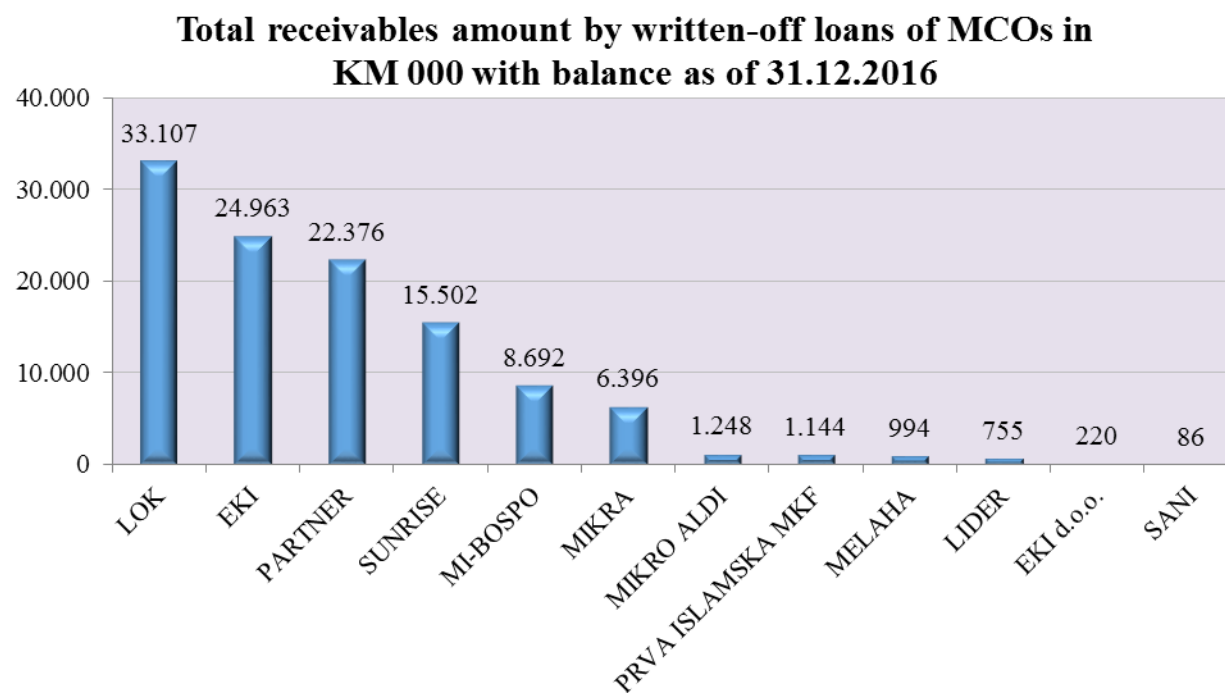
Graph 12.



Graph 13.

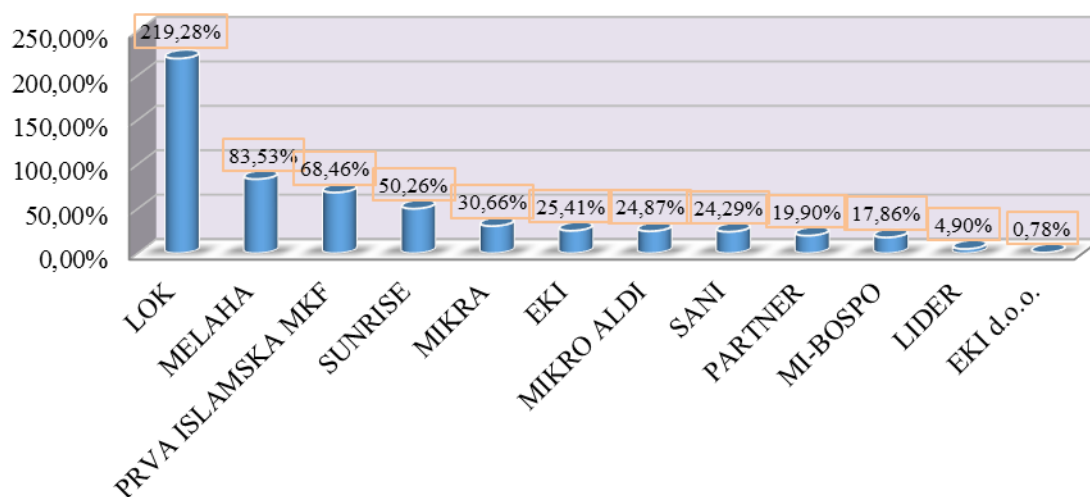


Graph 14.



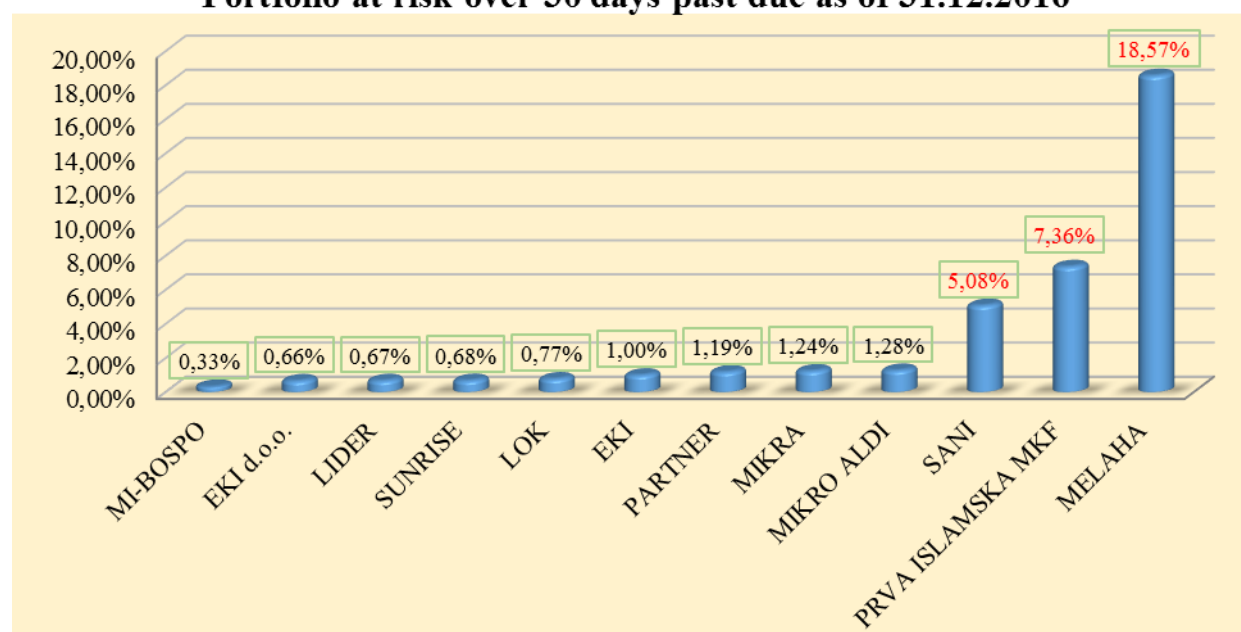
Graph 15.

Total receivables by written-off loans vs. total gross portfolio of MCOs as of 31.12.2016

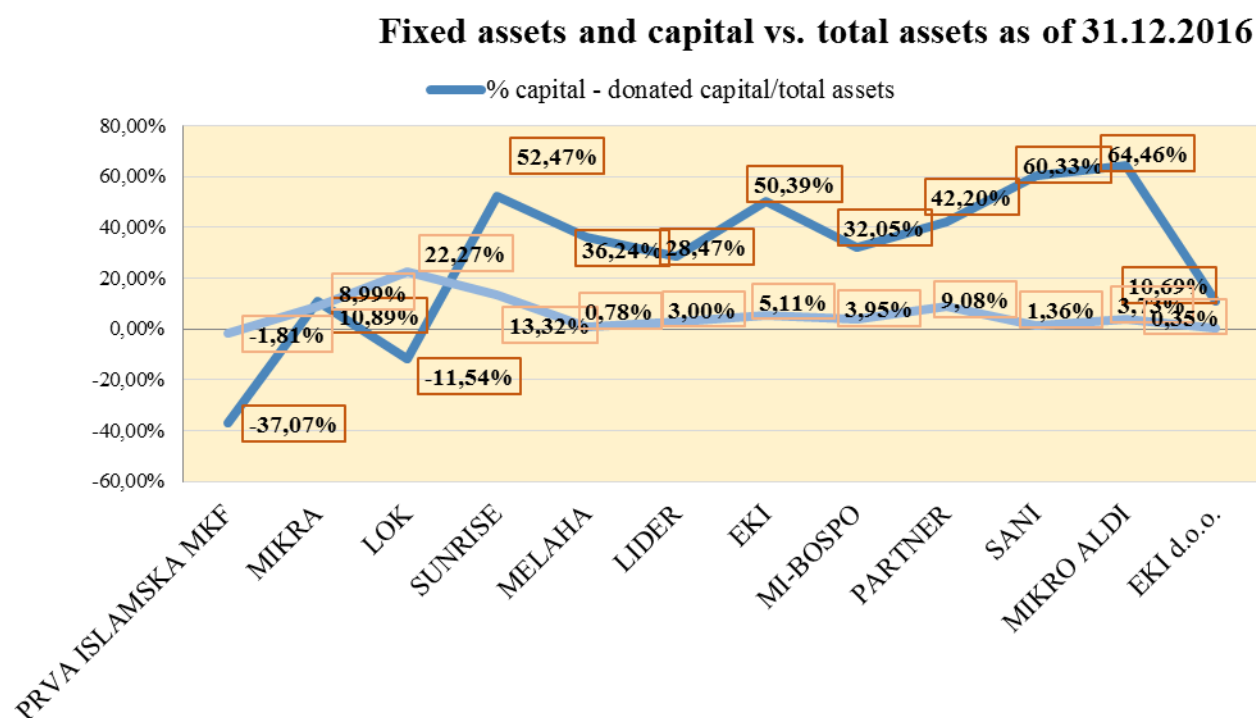


Graph 16.

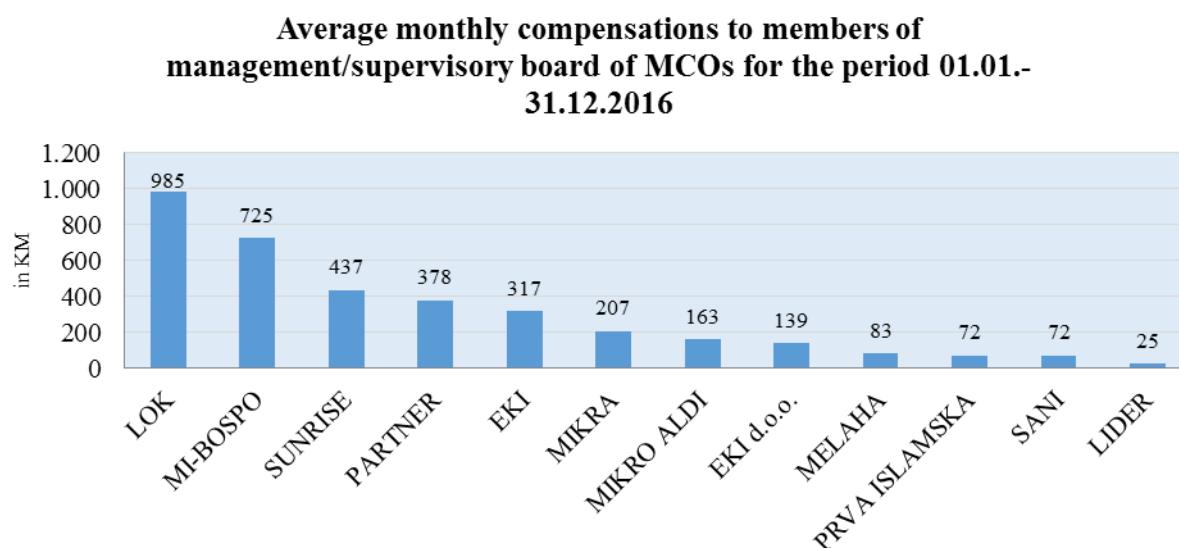
Portfolio at risk over 30 days past due as of 31.12.2016



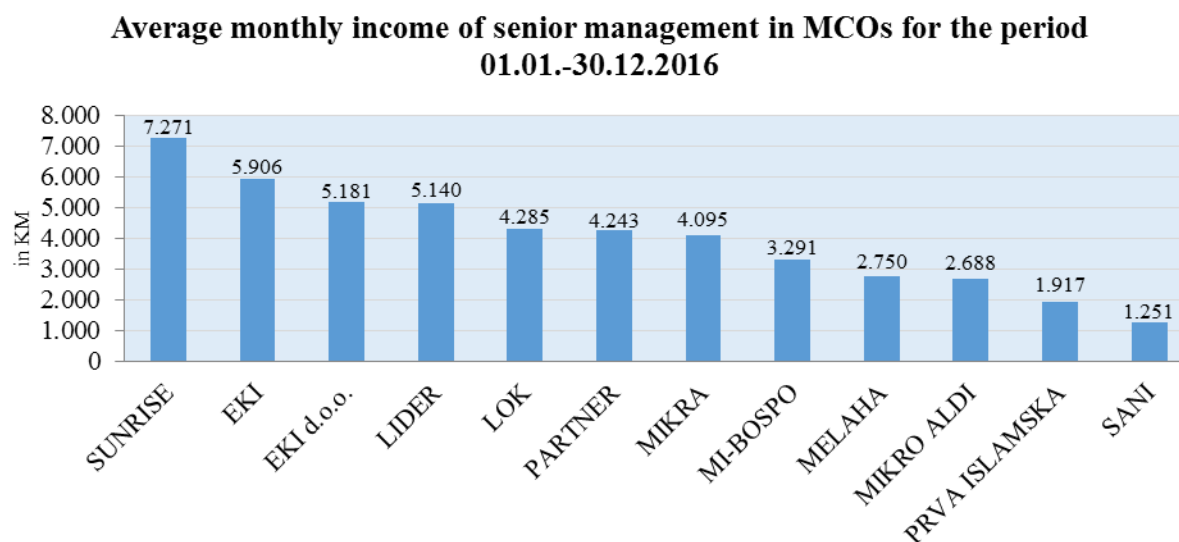
Graph 17.



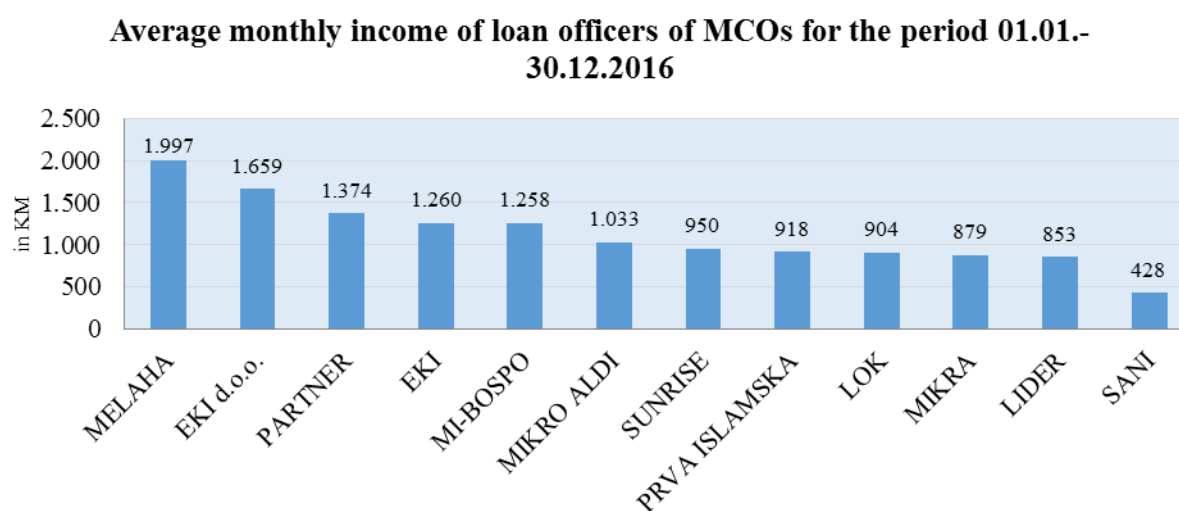
Graph 18.



Graph 19.

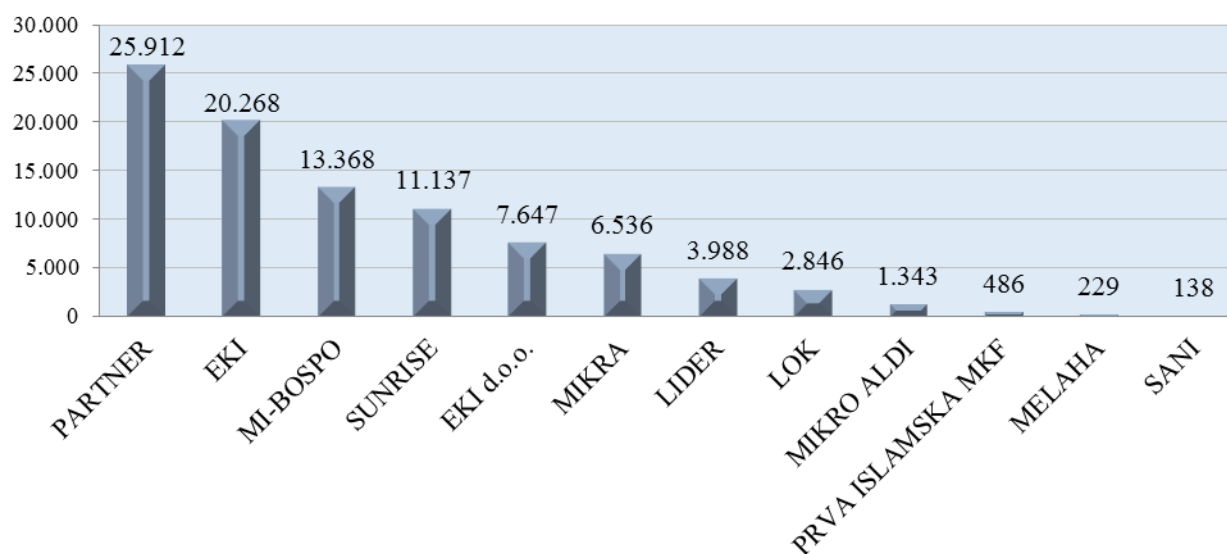


Graph 20.



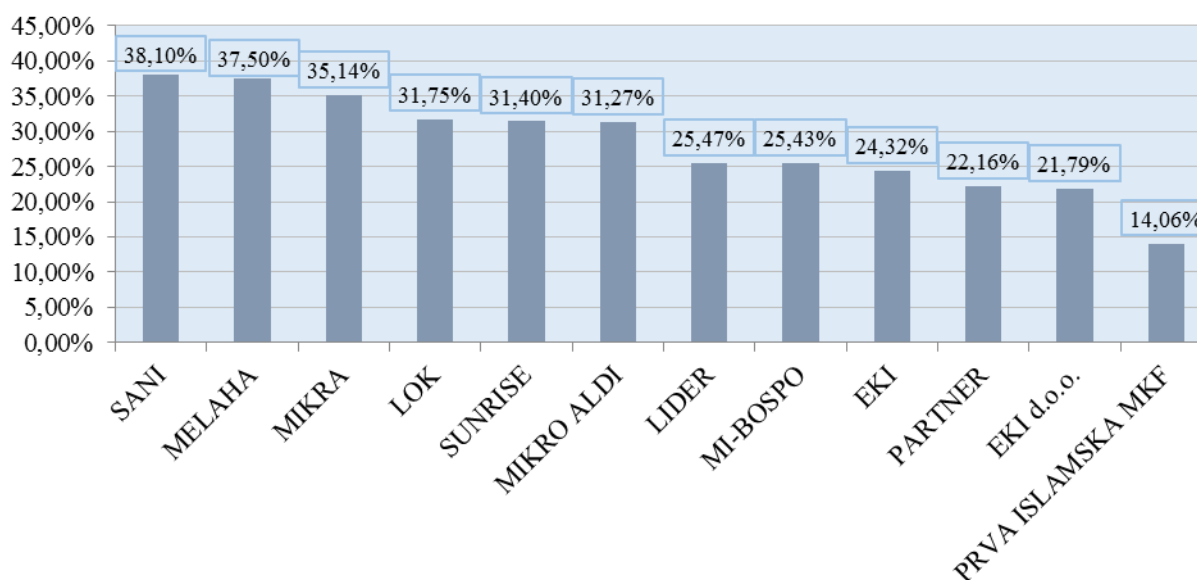
Graph 21.

Total microloans disbursed in Q4 2016 in KM 000

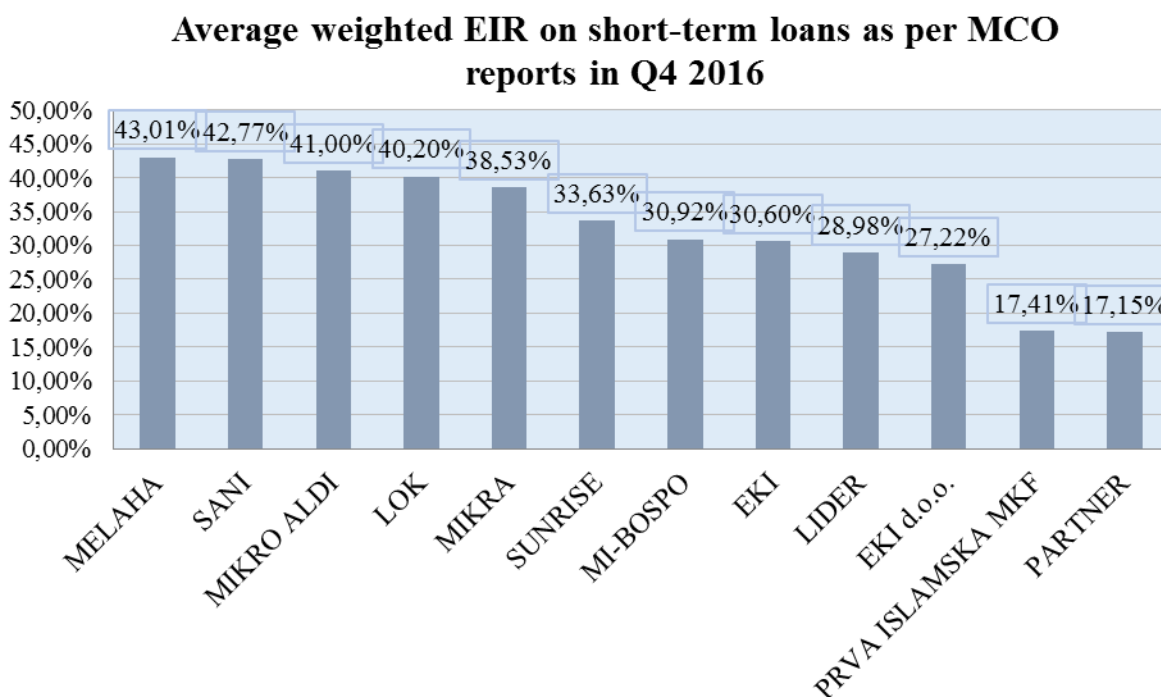


Graph 22.

Average weighted EIR on total loans as per MCO reports of in Q4 2016



Graph 23.



Graph 24.

