



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

**INFORMATION
ON THE MICRO-CREDIT SYSTEM
OF THE FEDERATION OF BOSNIA AND HERZEGOVINA
AS OF 30.06.2011.**

Sarajevo, August 2011.

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1. INTRODUCTION

The law on micro-credit organizations („Official Gazette of the Federation of BiH“, number: 59/06) (Law on MCOs) regulates the establishment, registration, activities, form of organization, business operations, manner of management, termination of operations and supervision of micro-credit organization performance (MCO), that is micro credit foundation (MCF) and micro-credit companies (MCC) in the Federation of BiH. The authorities of the Banking Agency of the Federation of BiH (Agency) over these activities are regulated by the Law on the Banking Agency of Federation of Bosnia and Herzegovina („Official Gazette of the Federation of BiH“, number: 9/96, 27/98, 20/00, 45/00, 58/02, 13/03, 19/03, 47/06, 59/06 and 48/08) and internal acts of the Agency, furthermore all the listed activities are performed within the Department for supervision of micro-credit organizations.

1.1. Agency's regulations regarding business operations of MCOs

The business operations of MCOs are more closely regulated by Agency's regulations, namely the decisions adopted by the Management Board of the Agency, published in the „Official Gazette of the Federation of BiH“ number: 27/07 (the tenth Decision is issued in the “Official Gazette of the Federation of BiH”, Number 32/10) and instructions for business operations of MCOs adopted by the Director of the Agency.

Agency's decisions regarding the business operations of MCOs

1. *Decision on conditions and the procedure for issuing the business operation license to micro-credit foundation established through the change of micro-credit organization form;*
2. *Decision on conditions and the procedure for issuing and revoking the business operation license and other approvals to micro-credit organizations;*
3. *Decision on conditions and procedure for issuing the business operation license and approval for acquisition of ownership participation through investments and transfer of property of the micro-credit foundation;*
4. *Decision on supervision of the business operations of the micro-credit organizations;*
5. *Decision on the form and content of reports that the micro-credit organizations submit to the Banking Agency of Federation of Bosnia and Herzegovina and the reporting deadlines;*
6. *Decision on the amount and manner for allocating and maintaining reserves for covering the loan losses of micro-credit organizations;*
7. *Decision on unified manner of accrual and recording of effective interest rates on loans and deposits,*
8. *Decision on other general conditions for business operations of the macro-credit organizations and*
9. *Decision on fees that the micro-credit organizations pay to the Banking Agency of the Federation of BiH*
10. *Decision on conditions and the manner of micro credit organization's acting on client's complaints*

Agency's instructions for the business operations of MCOs

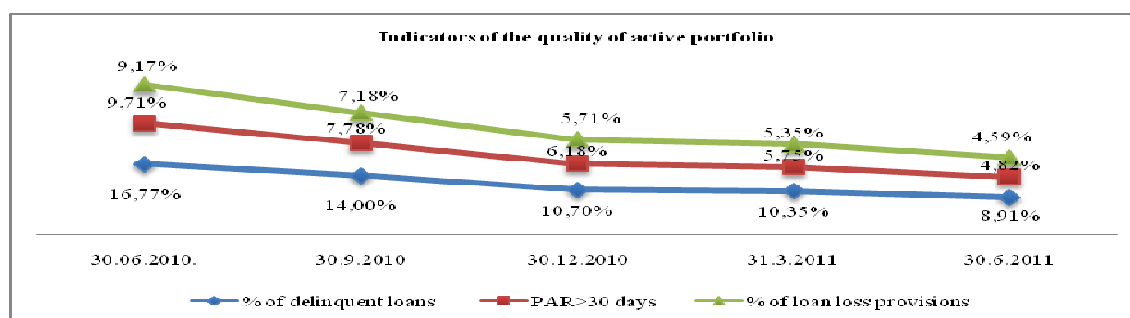
1. *Instructions for implementation of the Decision on unified manner of accrual and recording of effective interest rates on loans and deposits;*
2. *Instruction for accrual of the risk weighed nominal and effective interest rates;*
3. *Instruction for accrual of the adjusted return on assets;*
4. *Instruction for accrual of the operational efficiency indicators and*
5. *Instruction for development of the micro-credit organization reports.*

1.2. Performance trend of MCOs in BiH Federation in the second quarter of 2011.

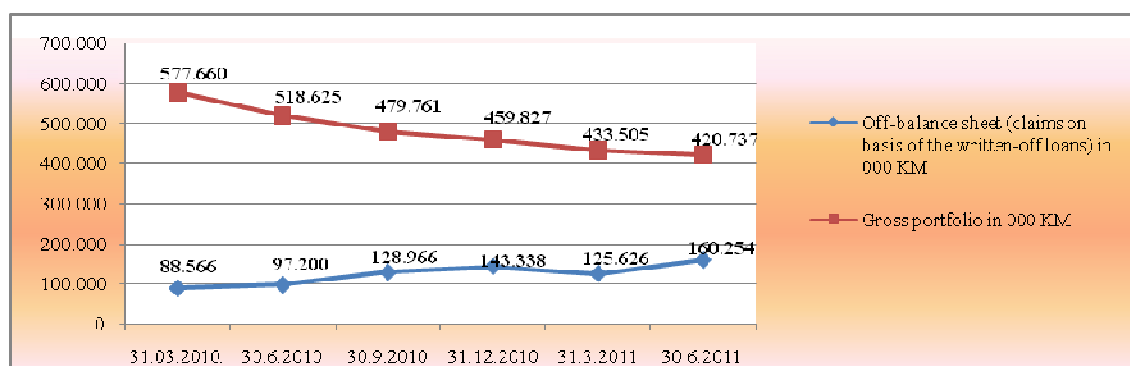
There is a continuation of decline of the gross portfolio of MCCs during the second quarter of 2011. The reason for the decline of the portfolio are the more restrictive lending policies that MCOs introduced as an answer to increased credit risk that occurred due to uncontrolled expansion of the credit activities in the transition period for MCOs from 2008. With the new Law from 2006, the organizations, which operated according to the Law from 2000, and which were obliged to preregister as micro credit foundations which had a lending restriction of 10.000 KM, had largely granted loans in the amounts of 30.000 KM until they received the legal title of the MCF – that ultimately lead to overlapping of the clients and an increased degree of debt. Along with the global crises the MCOs were impacted with the significant decline of the loan portfolio quality, as well as increased provisioning and write offs. With an aim to prevent and overcome the debt problem, the Agency ordered MCOs to fully implement the regulations on obliged exchange of information at the level of sectors and Central registry of loans at CBBiH. During 2011, most of MCOs invested additional efforts in implementing the practices for responsible lending and realizing the micro credit sector's mission and objectives.

Additional reasons for the decline of the portfolio are evident in the decreased demand from the clients, due to an increased competition from the banks which offer more convenient exchange loans to certain categories of clients of micro credit organizations. Also, the MCOs creditors, who experienced losses in the previous period, express a higher degree of caution in lending to MCOs, which leads to questionable future for some micro credit organizations.

In spite the decline of the micro credit portfolio, the results of the larger MCOs according to the reports on reserves record visible improvement of active loan portfolio quality in comparison to the same period last year. The improvement of the active portfolio quality is reported in the decline of the loan loss provisioning from 9,17% to 4,59%. Percent of the past due loans over one day declined from 16,77% to 8,91%. The risk portfolio (over 30 days delinquent) declined from 9,71% to 4,82%, by which the total result of the sector in the portfolio risk achieved the standard prescribed by the Agency.



However, of concern is the increase of the level of restructured loans, which is the situation in certain MCOs which systematically perform restructuring/refinancing of poor loans from the period of 2008/2009, as well as the fact that the off balance sheet records for total written off loans have almost doubled in the period of one year. As of 30.06.2011, 38% of the loan portfolio is in the off balance sheet. There are significant differences in the portfolio quality among different MCOs, which are evident from the data that three MCOs have over 80% of written off loans, which is a direct consequence of the credit expansion in the past, while three MCOs reported write offs under 15%.



The consequences of the loan expansion in the past, current economic atmosphere, joint strategy of investors/creditors, as well as the general opinion of the public about the sector requires urgent consolidation at the level of the microcredit foundations in the Federation, therefore more and more foundations, aware of the existing restrictions, are investing efforts to find partners for the imminent consolidation process.

in 000 KM

Off balance sheet records: receivables from written off principal and interest						
DESCRIPTION	INDIVIDUALS		LEGAL ENTITIES		TOTAL	
	Principal written off	Interest written off	Principal written off	Interest written off	Principal written off	Interest written off
1	2	3	4	5	6	7
Initial balance as of 01.01.2011.	126.188	22.356	2.531	414	128.719	22.770
Changes in 2011.:						
New write off (in the current year)	12.532	2.933	241	28	12.773	2.961
Collected in the current year	4.333	1.892	87	21	4.420	1.913
Permanent write off	19	3	0	0	19	3
Balance as of 30.06.201.	134.368	23.394	2.685	421	137.053	23.815

1.3. Measures necessary on the level of MCOs sector to eradicate the adverse effects of business operations

The consolidation on the level of micro-credit organizations is still an imperative for healing of the sector in the coming period which would stabilize the micro-credit sector, decrease the consequences of the excessive competition, increase the MCOs management and personnel competence, strengthen the capital base of a smaller number of stronger and more sound MCOs, as well as the possibility to obtain additional support from creditors as well as additional donations and reaching the targets for responsible lending. The consolidation at the level of the micro foundations is important for the potential establishment of micro credit companies by the micro credit foundations, which would lead to decline of the number of microcredit foundations which would not fulfill the purpose of achieving improvement of the material position for users of loans and increase of employment and providing support for development of the entrepreneurship as provisioned by the Law on the MCOs..

The Banking Agency of the Federation of BiH expects that the changes to the Law on micro credit organizations will correct the vagueness of the existing regulations, provide adequate instruments for the supervision of the performance, and provide for a more effective correction of the noted problems in the MCCs performance as well as correcting possible violations. Also, the new legal framework would enable space for additional improvement of the Agency's regulations with an aim to protect donated funds which directly provide for lending to a large number of clients which do not have access to traditional sources of financing.

2. THE STRUCTURE OF MICRO-CREDIT ORGANIZATIONS

As of 30.06.2011., there are 17 MCOs in the Federation of Bosnia and Herzegovina, of that 16 MCF (nonprofit organizations) and 1 MCF's (profit organization), as well as 40 MCCs organization units which head offices are in Republic Srpska. During the second quarter of 2011, the Agency revoked license from one MCF for performing the operations of issuing micro credit loans, while one MCF initiated the performance termination procedure which is in process. All MCFs that received the Agency's operating license performed the registration in compliance with the Law on MCOs, that is they were created through the change of MCOs form established in accordance with the Law on micro-credit organizations („Official Gazette of the Federation of BiH, number: 24/00) (Law on MCOs from 2000.). Therefore, all the MCOs are legal successors of the property, rights and obligations of MCOs established in accordance with the Law on MCOs from 2000. In the Attachment 1., there are basic data on MCFs and MCCs to which the Agency issued the operating license for operations regarding the micro-credit lending.

As a result of rationalization of MCCs expenses, and foremost of MCFs, the trend of closing of the organizational units with head offices in the Federation continued as of 30.06.2011, so in comparison to 31.12.2010., the total number of organizational units with the head offices in the Federation declined by 11%. MCFs with head office in the Federation of BiH have a total of 321 organizational units, of which in the Federation of BiH 208, Republic Srpska 110 and District Brčko 3. A total of 177 organizational units of MCFs with head offices in the Federation of BiH have authorization to grant micro-credits, and as such are registered in the Registry of micro-credit foundations in the Federation of BiH. There are 9 MCFs that have organizational units outside of the Federation of BiH.

The Agency issued a license to organizational units of one MCC with a head office in Republic Srpska, which operates in Federation of BiH through 40 business units and field offices.

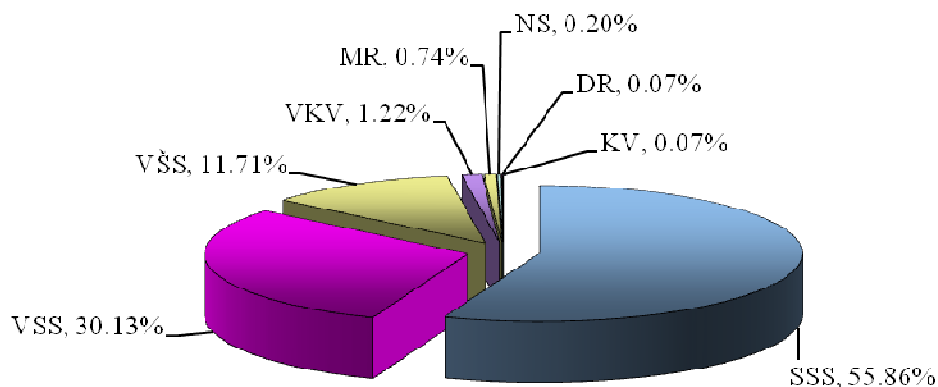
2.1. Personnel

Table 1. Qualification structure of employees

No	Qualification ¹	31.12.2010.		Total	Participation	30.06.2011.		Total	Participation	Index
		MCF	MCC			MCF	MCC			
1	2	3	4	5=(3+4)	6	7	8	9=(7+8)	10	11=9/5
1.	NS	3	0	3	0	3	0	3	0,20	100
2.	KV	2	0	2	0	1	0	1	0,07	50
3.	VKV	21	0	21	1	18	0	18	1,22	86
4.	SSS	876	3	879	58	822	3	825	55,86	94
5.	VŠS	232	0	232	15	173	0	173	11,71	75
6.	VSS	378	3	381	25	442	3	445	30,13	117
7.	MR	10	0	10	1	11	0	11	0,74	110
8.	DR	0	0	0	0	1	0	1	0,07	n/a
TOTAL		1522	6	1528	100	1471	6	1477	100,00	97

As of 30.06.2011., micro-credit sector employed a total of 1.477 employees, which is for 51 employees or 3% less than as of 31.12.2010. MCFs employ 1.471 employees or 99,6%, and MCCs 6 employees or 0,4%. In the structure of employees the largest participation is of SSS of 55,86%, VSS of 30,13% and VŠS of 11,71%. The percentage of employees with higher education is increasing (by 17%) and masters of art (by 10%), while the number of employees with VSS and NS is decreasing in relation to 31.12.2010

Employees qualification structure as of 30.06.2011.



3. ANALISES OF THE FINANCIAL CONDITION AND PERFORMANCE ACHIEVEMENT OF MCOs

The Agency is performing the function of supervision and the examination of the financial condition of MCOs through on-site supervision and off-site (based on the reports that MCOs

¹ NS – elementary education level, KV – vocational qualifications, VKV- higher vocational qualifications, SSS – high school degree, VŠS – two year college degree, VSS – University degree, MR – Master of Arts.

submit to the Agency), in compliance with the Law on MCOs and regulations of the Agency. The reporting base is composed of quarterly reports on balance sheet, capital, loans, reserves for loan losses, performance results and other reports on individual operation segments, as well as the monthly report on interest rates.

3.1. Balance Sheet

Table 2. Balance Sheet of MCCs

in 000 KM

DESCRIPTION	31.12.2010.					30.06.2011.					Index
	For MCF	%	For MCC	%	TOTAL	For MCF	%	For MCC	%	TOTAL	
1	2	3	4	5	6=(2+4)	7	8	9	10	11=(7+9)	12
AKTIVA											
1. Cash	47.527	8	36	3	47.563	44.624	8	186	11	44.810	94
2. Placements to banks	28.751	5	0	0	28.751	24.916	5	0	0	24.916	87
3. Loans	458.551		1.276		459.826	419.330		1.407		420.737	91
4. Less: reserves for loan losses	26.214		36		26.250	19.287		19		19.306	74
5. Net loans	432.337	75	1.240	91	433.576	400.044	76	1.388	83	401.431	93
6. Business premises and other fixed assets	49.115	9	84	6	49.200	47.993	9	79	5	48.072	98
7. Long term investments	3.500	1	0	0	3.500	2.700	1	0	0	2.700	77
8. Other assets	14.319	2	9	1	14.328	9.884	2	14	1	9.899	69
9. Less: reserves for other assets, except loans	701	0	0	0	701	698	0	0	0	698	100
TOTAL ASSETS	574.848	100	1.369	100	576.217	529.464	100	1.667	100	531.131	92
LIABILITIES											
10. Liabilities for loans taken	409.898	71	598	44	410.496	366.426	69	868	52	367.294	89
11. Other liabilities	23.025	4	71	5	23.096	20.427	4	69	4	20.496	89
12. Capital	141.924	25	700	51	142.625	142.612	27	730	44	143.342	101
TOTAL LIABILITIES	574.848	100	1.369	100	576.217	529.464	100	1.667	100	531.131	92
Off balance sheet	144.521		88		144.609	161.486		80		161.566	112

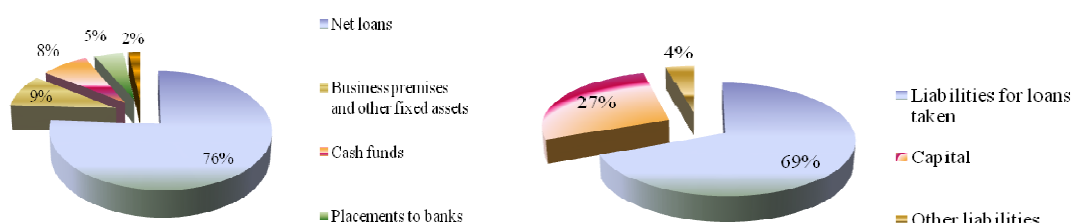
As of 30.06.2011., the MCOs balance sheet amount is 531,1 million KM and it decreased by 93,6 million KM or 15% in relation to the same period last year, and in comparison to the balance as of 31.12.2010, the balance sheet level declined by 45,1 million KM or 8%. The balance sheet growth was recorded by 5 MCF and 1 MCC, the decline by 12 MCFs. The decline of the balance sheet level higher than 10% in relation to the end of 2010 is recorded by 3 MCFs, decline over 20% by 4 MCFs. The highest participation in the total MCOs balance sheet is by six MCFs with assets in the amount of 489,1 million KM or 92%.

In the asset structure of MCOs, the cash funds are 44,8 million KM or 8% with a decline rate of 6% in comparison to 31.12.2010., and mainly relate to cash funds of MCF. Placements to banks are 25 million KM or 5%. Some MCFs can face with the liquidity risk, the investors are generally showing a higher degree of caution due to expressed business results that is the trend shown by the sector, which limit the access that the foundations might have to new loans that could cover for the short term liabilities, and that along with the poor collection of loans can lead to insolvency.

Net loans, that is, the gross loans deducted for the loan loss reserves, are 410,4 million KM or 76% of the total assets and are by 71,2 million KM or 15% in decline in comparison to the same period last year, which are 32,1 million KM or 7% in relation to 31.12.2010. The

decline of net loans in comparison to the previous year as recorded by 12 MCFs, while the growth is reported by 4 MCFs and 1 MCC. In comparison to 31.12.2010, the decline of the net loans higher than 10% is recorded by 3 MCFs, and decline higher than 20% is recorded by 1 MCF.

The business premises and other fixed assets are 48 million KM or 9% of total assets and have declined by 2% in comparison to the end of the previous year. Six MCFs have a percentage of fixed assets in the total assets higher than the prescribed amount. The amount of 11,9 million KM or 2% are long term investment (2,7 million KM) and other assets in the amount of 9,2 million KM (deducted for the provisioning for other items of assets apart from loans), and are composed of accrued interest, advance payments, active time reconciliation assets and other. Long term investments refer to one MCF, while two MCFs have a percent of other assets higher than 10% in relation to the total assets.



In the liability structure of MCOs, the liabilities on acquired loans are the basic source of funds and amount to 367,2 million KM or 69% of total liabilities and decreased by 11% in comparison to 31.12.2010.

Table 3. Maturity structure of loans taken

in 000 KM

DESCRIPTION	31.12.2010.				30.06.2011.				Index
	MCF	MCC	TOTAL	%	MCF	MCC	TOTAL	%	
1					6	7	8=(6+7)	9	10=8/4
1. Liabilities from short term loans taken	88.871	513	89.384	22	75.064	511	75.574	21	85
2. Liabilities from long term loans taken	321.027	86	321.113	78	291.362	357	291.719	79	91
TOTAL	409.898	598	410.496	100	366.426	868	367.294	100	89

Of total liabilities on loans taken 291,7 million KM or 79% are long term loans, with a decline rate of 9% in relation to the end of last year. Of total liabilities on loans taken 75,5 million KM or 21% are short term loans, with a decline rate of 15% in comparison to the end of previous year. The liabilities from taken loans of MCFs amount to 366,4 million KM or 99,8% of total liabilities on loans taken.

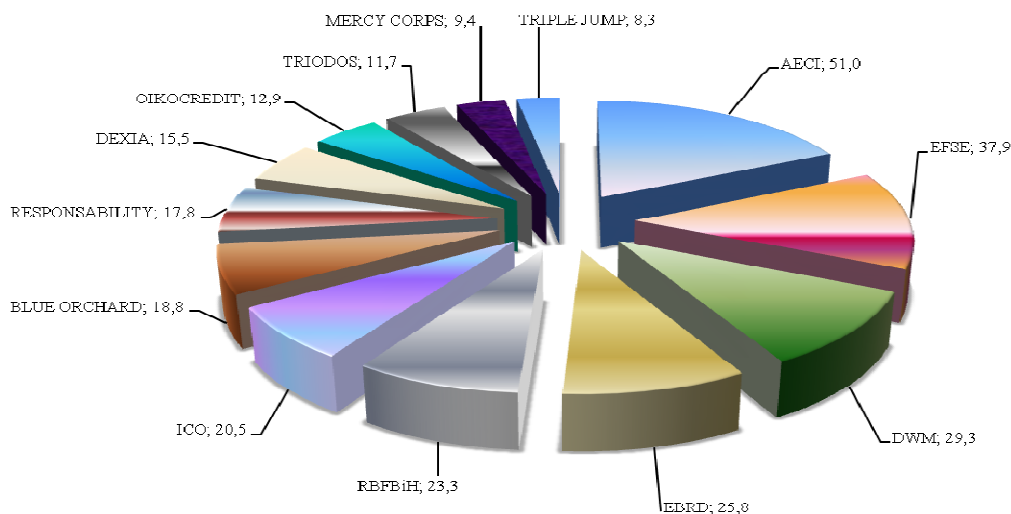
The most significant MCO creditors, with 82% of the credit liabilities, are²:

- 1.) AECE – Agency for international cooperation Kingdom of Spain (51 million KM);
- 2) EFSE – European Fund for the southeast Europe, Luxemburg (37,9 million KM);
- 3.) DWM – Developing World Markets, USA (29,3 million KM);

² Of 44 recorded MCOs creditors, the Information lists only the most significant ones.

- 4.) EBRD – European bank for reconstruction and development, Great Britain (25,8 million KM);
- 5.) Development bank of the Federation of BiH³ (23,3 million KM);
- 6.) ICO – Instituto de Credito Oficial, Spain (20,5 million KM);
- 7.) Blue Orchard Finance S.A., Switzerland (18,8 million KM);
- 8.) Responsibility SICAV, Switzerland (18,8 million KM);
- 9.) Dexia Microcredit, Switzerland (13,6 million KM);
- 10.) Oikokredit, Netherlands (12,9 million KM);
- 11.) Triodos – Doen, Netherlands (11,7 million KM);
- 12.) Mercy Corps, USA (9,4 million KM);
- 12.) Triple Jump, Netherlands (8,3 million KM);

Funding sources for MCCs as of 30.06.2011. in mil. KM



Other liabilities are 20,5 million KM or 4% of total liabilities, and they consist of liabilities towards employees, suppliers, passive time reconcilements and other. A total of 5 MCF have a percentage of other liabilities higher than 10% in relation to the total liabilities.

The off-balance sheet is 161,5 million KM, and it consists of charged off credit receivables (160,2 million KM) and agent contracts (1,3 million KM), and it increased by 12% in comparison to 31.12.2010.

3.2. Capital

The total capital of MCOs as of 30.06.2011., was 143,3 million KM, or 27% of total liabilities and it decreased by 4,2 million KM or 3% in comparison to the same period previous year,

³ The funds are granted under the Project of local initiatives LIP I and LIP II which management by the Decision of the Government of the Federation of BiH („Official Gazette of the Federation of BiH“, number: 78/06 and 34/07) has been transferred to the Development bank of the Federation of BiH.

that is 0,7 million KM or 1% in relation to the end of 2010. Capital of MCFs is 142,6 million MCF or 99,5%, and the capital of one MCC is 0,7 million KM or 0,5%.

Table 4. Capital structure of MCOs

in 000 KM

DESCRIPTION	31.12.2010.					30.06.2011.					Index
	For MCF	%	For MCC	%	TOTAL	For MCF	%	For MCC	%	TOTAL	
1	2	3	4	5	6=2+4	7	8	9	10	11=7+9	12=11/6
Donated capital	42.619	30	0	0	42.619	42.822	30	0	0	42.822	100
Core Capital	9.957	7	600	86	10.557	9.853	7	600	82	10.453	99
Surplus/deficit of income over expenses	84.856	60	0	0	84.856	85.471	60	0	0	85.471	101
Issue premium	0	0	0	0	0	0	0	0	0	0	0
Undistributed income	0	0	3	0	3	0	0	30	4	30	993
Regulatory provisions	0	0	98	14	98	0	0	100	14	100	102
Other reserves	4.493	3	0	0	4.493	4.466	3	0	0	4.466	99
TOTAL CAPITAL	141.924	100	700	100	142.625	142.612	100	730	100	143.342	101

In the capital structure the most significant is the surplus of income over expenses which is 85,5 million KM, and constitutes 60% of total capital of MCFs, and is in incline by 1% in comparison to the end of the last year. The deficit of income over expenses for six months in 2011 is realized by 8 MCF, and surplus of income over expenses 8 MCF, while one MCC realized a net profit. Undivided profit of one MCC is 130 thousand KM or 18% of the total capital of MCC.

The significant source of capital of MCF is the donated capital which is 42,8 million KM or 30% of the total capital, whereas one MCC does not have donated capital. Three MCFs had an increase of donated capital in the amount of 203 thousand KM, that is donated capital has in comparison to the end of the previous year increased by 04%. Core capital of MCOs as of 30.06.2011, was 10,4 million KM or 7% of the total capital. Other reserves are 4,5 million KM, or 3% of total capital and refer to three MCFs.

3.3. Loan portfolio

The core activity of MCOs is the micro-crediting that refers to the amount of 420,7 million KM or 80% of the total assets of the micro credit sector. The level of the total loans of sectors depends on the condition of loans of MCFs referring to 419,3 million KM or 99,7% of total loans, whereas MCCs relate to 1,4 million KM or 0,3% of total loans. Net loans, total loans minus the reserves for loan losses, are presented in the Table 5.

Table 5. Net loans

in 000 KM

No.	DESCRIPTION	31.12.2010.			30.06.2011.			Index
		MCF	MCC	Total	MCF	MCC	Total	
1	2	3	4	5=(3+4)	6	7	8=(6+7)	9=8/5
1.	Loans	458.551	1.276	459.826	419.330	1.407	420.737	91
2.	Loan loss reserves	26.214	36	26.250	19.287	19	19.306	74
3.	Net loans (1.-2.)	432.337	1.240	433.576	400.044	1.388	401.431	93

Net loans are 401,3 million KM and decreased by 15% in comparison to the same period last year, that is 7% in comparison to 31.12.2010. Loans on gross basis decreased by 19% in relation to the end of the previous year, which is by 9% in relation to 31.12.2010. Loan loss reserves are 19,3 million KM and have decreased by 58% in relation to the same period last year, which is 26% in comparison to 31.12.2010. The ratio of the loan loss reserves and the loan portfolio is 4,59%, and has improved by 1,12% in relation to the ratio as of 31.12.2010.

Table 6. Department and maturity structure of micro-credit MCOs as of 30.06.2011.

in 000 KM

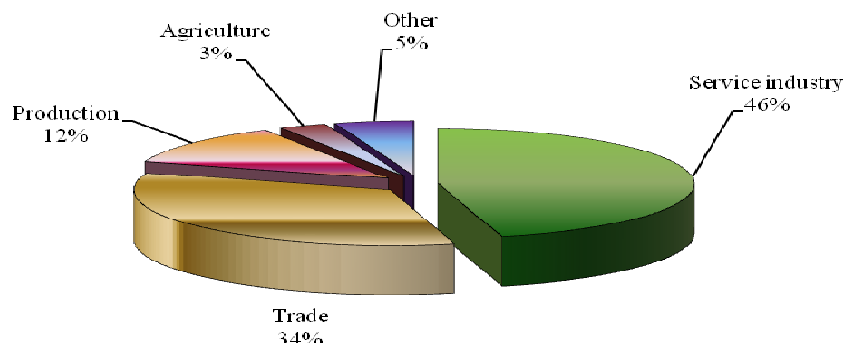
No.	Micro-credits	Short term loans	Long term loans	Past due receivables	TOTAL	%
1	2	3	4	5	6=(3+4+5)	7
1.	Legal entities					
a.)	Service industry	879	3.329	41	4.249	46%
b.)	Trade	914	2.161	41	3.117	34%
c.)	Agriculture	77	174	2	253	3%
d.)	Production	290	820	10	1.120	12%
e.)	Other	60	392	2	454	5%
	TOTAL 1:	2.220	6.877	96	9.193	100%
2.	Individuals					
a.)	Service industry	7.774	80.042	1.567	89.383	21%
b.)	Trade	6.002	50.947	1.241	58.190	14%
c.)	Agriculture	8.434	133.825	2.390	144.649	35%
d.)	Production	2.062	23.295	547	25.904	7%
e.)	Housing needs	2.550	45.349	650	48.549	12%
f.)	Other	12.869	31.077	922	44.868	11%
	TOTAL 2:	39.692	364.535	7.317	411.544	100%
	TOTAL (1+2):	41.912	371.412	7.413	420.737	

According to the department structure of the micro-credits, 411,5 million KM or 98% of total loans are granted to the individuals, and 9,2 million or 2% to legal entities.

In the maturity structure of the micro-credits, short term loans, which include the past due receivables, are 49,3 million KM or 12%, and long term loans are 371,4 million KM or 88%. The total past due receivables are 7,4 million KM or 2% of the total loans and almost entirely refer to loans to individuals. In comparison to the previous quarter, there is a decline of the short term loans by 18%, which was reflected in the increase of the long term loans for the same per cent, which can be a result of the increased restructuring/refinancing of short term loans.

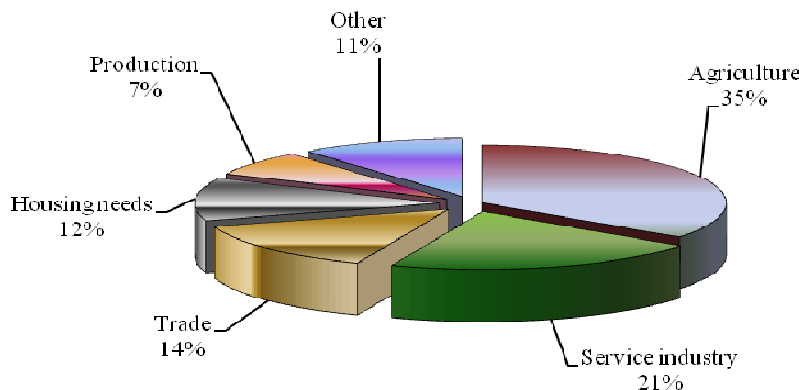
According to the sector structure the largest amount of total amount of micro-credits to **legal entities** has been allocated in the trade and service sector – service industry 4,2 million, or 46%, and trade 3,1 million KM or 34%. For production allocated is 1,1 million KM or 12% of the total amount of micro-credits granted to legal entities, then 0,3 million KM for agriculture or 3%, and 0,5 million or 5% for other purposes.

Sectorial structure of micro-loans to corporates



In regard to loans to **individuals**, 144,6 million KM or 35% was granted to agriculture, then 89,4 million KM or 21% for service industry, whereas 58,2 million KM or 14% was granted to the sector of trade, for housing needs 48,6 million KM or 12%, and for production 25,9 million KM or 7%, and for other 44,8 million KM or 11%.

Sectorial structure of micro-loans to citizens



Based on the analyses of the sector structure it is concluded that the micro-credit lending is in most part directed to lending to agriculture and service industry and mainly relates to long term loans to individuals, which leads to loans being granted to individuals that do not have access to traditional financing sources, partly due to the risk in the business they perform and partly due to the lack of adequate collateral.

According to the Decision on the amount and manner for allocating and maintaining the loan loss reserves of MCOs („Official Gazette of the Federation of BiH“, number: 27/07), MCOs are obliged to allocate all loan funds and other receivables in certain groups by applying the days of default criteria in such a manner that each group is assigned reserves for loan and other losses on the charge of operation expenses.

The base for accrual of the amount of the reserves is the amount of unpaid loans, accrued interest and fees and all other items where MCO is exposed to risk of payment default, which is business failure.

The following table shows the amounts of receivables distributed through the given groups and accrued interests in those groups as of 30.06.2011.,:

Table 7. Report on amount and manner of establishing the reserves for loan losses as of 30.06.2011.

in000 KM

No.	Days of default	Reserve rates	Loan amount	Past due interest		Amount of other assets items	Provisioning			Total Provisioning
				Reserve rates	Amount of interest		For loans	For past due interest	For other items of assets	
1	2	3	4	5	6	7	8=(4x3)/100	9=(5x6)/100	10=(7x3)/100	11=(8+9+10)
1.	0	0%	383.243	0%	69	0	0	0	0	0
2.	1 - 15	2%	7.849	2%	172	378	156	4	8	168
3.	16 - 30	15%	9.372	100%	148	0	1.206	148	0	1.354
4.	31 - 60	50%	5.977	100%	214	0	2.569	215	0	2.784
5.	61 - 90	80%	3.824	100%	213	0	3.059	213	0	3.272
6.	91 - 180	100%	10.473	100%	1.255	0	10.473	1.255	0	11.728
TOTAL			420.737		2.071	378	17.463	1.836	8	19.306

7.	over 180	Write off	9.239	100%	1.926	0	0	0	0	0
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Defaults in payment of longer than one day have loans in the amount of 37,5 million KM. The rate for the loans in default of more than one day in the second quarter of 2011, is 8,91%, and continued declining, it is lower than in relation to the end of previous year by 1,79%.

The total amount of past due interests on active loans that have a default longer than one day is 2 million KM.

Total amount of accrued reserves on all bases is 19,3 million KM.

- Collection of loan from the guarantor--

The negative impact and the consequences of the global economic crises on the financial sector are especially present in the segment of lending and credit portfolio quality of MCOs operations. Due to the trend of increase of delinquent receivables, that is the delay of clients in paying their obligations, there were activated guarantor obligations in a number of delinquent loans, which had such a security, so the repayment obligation passed on to the

guarantors. With an aim to collect, monitor and analyze the data on the loans that are being paid by the guarantors, as of 31.12.2009, the Agency issues a new reporting form OKJ – repayment of loans by the guarantor.

As of 30.06.2011, according to the reports of the MCOs in the Federation of BiH, 9.304 guarantors repaid 4,66 million KM of the total granted amount of loans of 46,4 million KM (8.442 credit units), which is by 11% higher than in relation to the amount paid by the guarantor at the end of the last year (4,21 million KM, paid by 12.734 guarantors, while the amount of the total granted loans was 52,6 million KM – 9.036 credit units). The remaining debt as of 30.06.2011., was 15,5 million KM (31.12.2010.: 18,5 million KM). From the noted data it can be concluded that the MCOs, as of 30.06.2011, in comparison to the last year, recorded an incline of the amount of loans that were being paid by the guarantors by 11%, while the number of guarantors which pay the loans declined by 27%..

3.4. Risk weighted nominal and effective interest rates for micro-credits

Effective interest rate on micro-credit loans is the actual market price of those loans, and is accrued and recorded in compliance with the Decision on the unified manner of accrual and recording of the effective interest rate on loans and deposits („Official Gazette of the Federation of BiH“, number: 27/07 and 46/09). The accrual of the effective interest rate includes the data on the amount of the nominal interest rate on loans, the amount of reimbursements and fees that MCOs calculate for the client in the loan approval process and the amount of reimbursements and fees known on the day of the calculation, that MCOs calculate for the client during the implementation of the loan agreement

Weighted nominal and effective interest rates are calculated on the newly approved loans in the reporting month.

Table 8. Average nominal and effective interest rates for microcredit loans for the 2nd quarter of 2011 – through products

No.	DESCRIPTION	Weighted nominal interest rate (average)	Weighted effective interest rate (average)
1.	Short term loans for:		
1.1.	Service industry	24,70%	31,75%
1.2.	Trade	24,81%	32,42%
1.3.	Agriculture	23,69%	30,30%
1.4.	Production	25,26%	31,15%
1.5.	Housing needs	22,77%	26,89%
1.6.	General purpose – basic needs	31,95%	39,12%
1.7.	Other	19,49%	29,19%
2.	Long term loans for:		
2.1.	Service industry	24,16%	28,97%
2.2.	Trade	24,91%	29,74%
2.3.	Agriculture	21,15%	24,96%
2.4.	Production	22,65%	26,25%
2.5.	Housing needs	21,96%	25,70%
2.6.	General purpose - basic needs	27,68%	33,66%
2.7.	Other	23,49%	28,81%

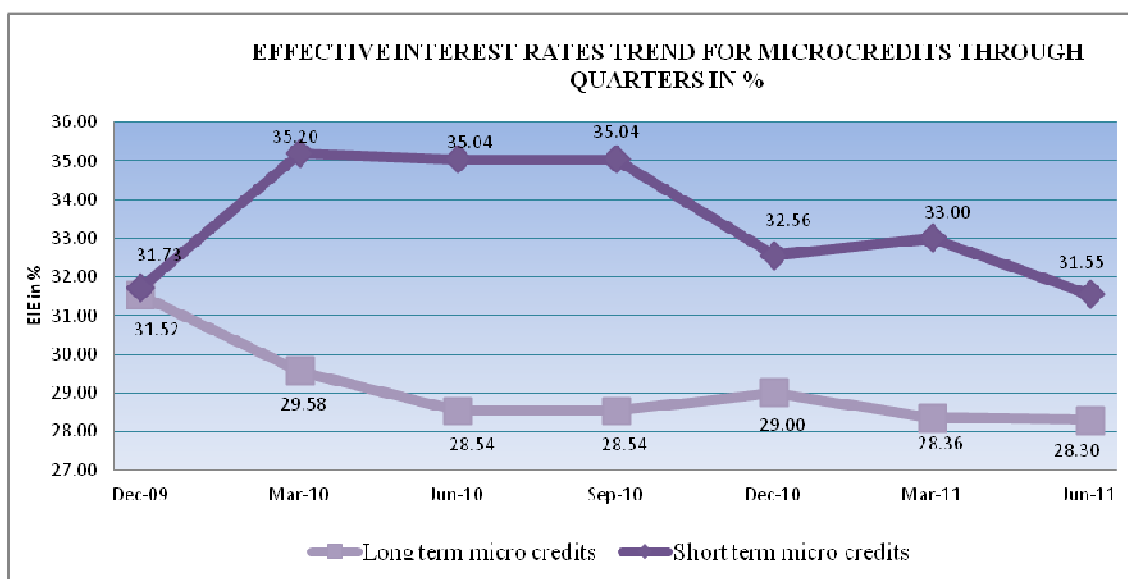
For short term loans, average nominal interest rates are in the range between 19,49% for other to 31,95% for general purpose loans, and for the effective interest rate in the range of 26,89% for housing needs to 39,12% for general purpose loans.

For long term loans, the average nominal interest rates are in the range between 21,15% for agriculture to 27,68% for general purpose loans, and effective interest rate in the range of 25,27% for agriculture to 32,64% for general purpose loans.

The average effective interest rates on short term and long term micro-credits in the Federation of BiH through quarters are presented in the Table 9.

Table 9. Trend of average effective interest rates (EIR) on micro-credit through quarters

AVERAGE EIR in % for	31.12.09.	31.03.10.	30.06.10.	30.09.10.	31.12.10.	31.03.11.	30.06.11.
Short term micro-credits	31,73	35,20	35,04	35,04	32,56	33,00	31,55
Long term micro-credits	31,52	29,58	28,54	28,54	29,00	28,36	28,30



In the second quarter of 2011, the average effective interest rates in the microcredit sector on the long term loans recorded a slight decline (by 0,06%), while the average effective interest rates on the short term loans are slightly increasing (by 1,45%).

With an aim to increase the transparency in lending and protect clients of the micro credit organizations, the Agency prevented the reporting of interest rates on the monthly bases even when reported are effective interest rates on loans, so that MCOs clients are not deceived. The Agency expects that the implementation of the above mentioned regulation will result in additional decline of the interest rates in micro credit organizations, as the clients will be better informed about the unified reporting on interest rates for micro-credit loans in public media, advertising, as well as in the loan contracts.

The most significant item in the establishment of the interest rates for the micro-credits is the high administrative expense of the micro credit organizations. The Agency pays special attention during the examinations of MCOs to the justification of individual expenses in compliance with the Article 38 of the Law on the MCOs, which at the end influence the establishment of the interest rates for the micro credit organizations, sustainability of the organization and protection of the donated funds.

3.5. *Income Statement*

The structure of the income statement of the micro-credit sector in the Federation of BiH is presented in the Table 10.

Table 10. Income Statement MCOs

in 000 KM

No.	DESCRIPTION	For period 01.01. - 30.06.2010.				For period 01.01. - 30.06.2011.				Index
		MCF	MCC	Total	%	MCF	MCC	Total	%	
1	2	1	2	3=(1+2)	4	5	6	7=(5+6)	8	9=(7/3)
1.	INTEREST INCOME AND SIMILAR TYPES OF INCOME									
1.1.	Interest income and similar types of income	62.317	146	62.463	95	46.012	161	46.173	92	74
1.2.	Operating income	3.403	22	3.425	5	3.873	30	3.903	8	114
2.	TOTAL INCOME (1.1.+1.2.)	65.720	168	65.888	100	49.885	191	50.076	100	76
3.	EXPENSES									
3.1.	Income expenses and similar expenses	18.252	26	18.278	22	11.791	32	11.823	23	65
3.2.	Operating expenses	35.314	121	35.435	43	32.627	146	32.773	62	92
3.3.	Expenses for reserves for loan and other losses	28.906	19	28.925	35	7.997	5	8.002	15	28
4.	TOTAL EXPENSES (3.1.+3.2.+3.3.)	82.472	166	82.638	100	52.415	183	52.598	100	64
5.	EXTRAORDINARY INCOME	3.120	0	3.120		7.258	22	7.280		233
6.	EXTRAORDINARY EXPENSES	806	0	806		294	0	294		36
7.	TOTAL INCOME -EXPENSES (2+5-4-6)	-14.438	2	-14.436		4.434	30	4.464		-31
8.	SURPLUS/DEFICIT OF INCOME OVER EXPENSES	-14.438		-14.438		4.434		4.434		-31
9.	INCOME BEFORE TAXES		2	2			30	30		
10.	TAXES		0	0			3	3		
11.	NET INCOME/LOSS		2	2			27	27		
12.	TOTAL FINANCIAL RESULT			-14.436				4.461		

The total income of MCOs for the period of 01.01. - 30.06.2011., is 50 million KM, of which 49,8 million KM or 99,6% refers to income of MCFs, and 0,2 million KM or 0,4% on income of one MCC. In comparison to the same period of last year, total income of MCCs is in decline by 15 million KM, or 24%.

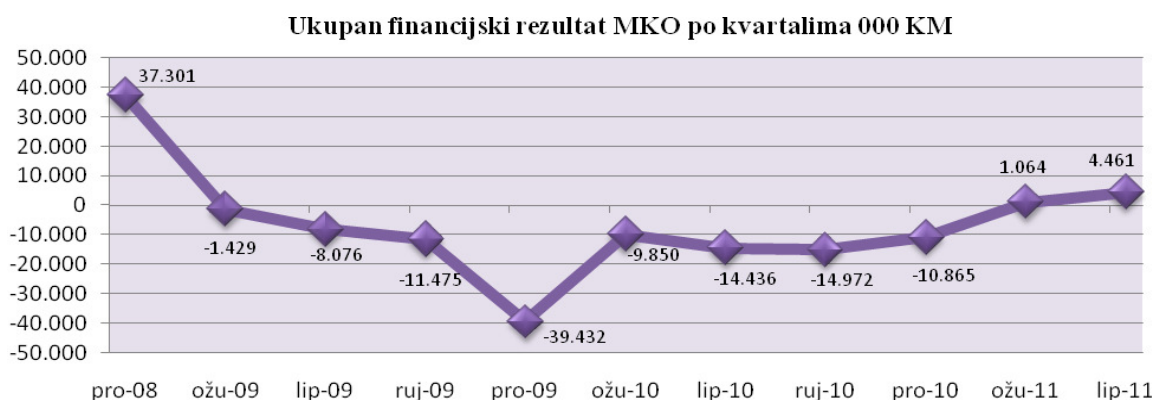
The core income is interest income and it is 46,1 million KM or 92 % of total income and in relation to the same period of previous year the interest income is in decline by 16,3 million KM or 26%.

The total expenses are 52,6 million KM, of which 52,4 million or 99,6% relates to expenses of MCF, and 0,2 million KM or 0,4% to expenses of one MCC. In relation to the same period of last year the total expenses have declined by 30 million KM or 36%.

In the structure of expenses, 11,8 million KM or 23% of total expenses are expenses related to interests on acquired loans and other similar expenses, and have decreased by 6,4 million KM or 35% in regard to the same period of last year. Operational expenses are 32,8 million KM or 62% of total expenses and in relation to the same period of last year decreased by 2,7 million KM or 8%. The operating expenses refer to expenses of salaries and contributions 18,1 million KM (01.01. – 30.06.2010: 18,7 million KM)), expenses related to the business premises, other fixed assets and utilities 9 million KM (01.01.-30.06.2010: 8,4 million KM), and other operating expenses 5,7 million KM. (01.01.-30.06.2010.: 8,3 million KM). The

expenses related to the reserves for loan losses and other losses are 8 million KM or 15% of total expenses, and in comparison to the same period last year decreased by 20,9 million KM or 72%.

For the period of 01.01.-30.06.2011., the net income of one MCC was 27 thousand KM (01.01. – 30.06.2010.: 2 thousand KM). In the same period MCF realized a surplus of income over expenses in a total amount of 4,4 million KM, while in the same period of last year the MCFs realized a deficit of income over expenses in a total amount of 14,4 million KM. In the period from 01.01 to 30.06.2011, of total 16 MCFs, 8 MCFs had a deficit of income over expenses in a total amount of 1 million KM, and 8 MCF realized an income surplus in the total amount of 5,4 million KM).



On the level of the microcredit sector in the Federation of BiH, there is realized a positive financial result in the amount of 4, 4 million KM which indicates to a gradual recovery of the sector, taken that in the first quarter of 2011, for the first time since 2008, the sector recorded a financial result, and the trend continued in the second quarter of this year.

4. CONCLUSION AND RECOMMENDATIONS

Analyzing the reports of MCOs as of 30.06.2011., we can conclude the following:

- Aggregate balance sheet of MCOs as of 30.06.2011. is 531,1 million KM, of which 529,4 million KM refers to MCFs or 99,7%, and 1,7 million KM to MCCs or 0,3% of the total balance sheet of MCOs;
- At the end of the second quarter, the aggregate balance sheet of MCOs decreased by 93,6 million KM or 15% in comparison to the same quarter of the last year, that is it decreased by 45,1 million KM or 8% in comparison to 31.12.2010;
- The total gross loans of MCOs as of 30.06.2011. are 420,7 and are 80% of total assets of MCOs, and net loans are 401,4 million KM;
- The basic source of funds for MCOs are liabilities on acquired loans that, as of 30.06.2011., are 367,2 million KM or 69% of total liabilities of MCOs;

- The total capital of MCOs as of 30.06.2011., is 143,3 million KM, of which the capital of MCF is 142,6 million KM, and capital of one MCC is 730 thousand KM. The most significant items of capital of MCFs are the surplus of income over expenses in the amount of 85,5 million KM, which constitutes 60% of the total capital of MCF. The undivided profit and reserves of one MCC are 130 thousand KM or 18% of total capital of MCCs, while the core capital is 600 thousand KM or 82% of total capital of MCCs.
- In the period from 01.01. to 30.06.2011, the 8 MCFs realized a surplus in income over expenses in the amount of 5,4 million KM, while the deficit of income over expenses was realized by 8 MCFs in the amount of 1 million KM, which means that MCFs as of 30.06.2011., performed with a surplus income over expenses in the total amount of 4,4 million KM. In the second quarter of 2011, one MCC realized a net profit in the amount of 27 thousand KM.

In the following period, the MCOs need to intensely work on:

- Finding partners for consolidation, the MCF which have smaller amounts of capital, and high amounts of written off loans, should adopt clear strategies for merger with larger and stronger MCFs in order to optimize resources, preserving the donated funds, provide for support from foreign creditors, as well as provide future for the employees in the MCOs;
- Further improvement of the internal control system, improvement of the performance efficiency and optimization of the resources of MCOs with an aim to decrease interest rates;
- Adoption and full implementation of the responsible lending principles;
- Full implementation of the Article 2 of the Law on MCOs which implies performance with an aim to improve the material position of the user of microcredit, increase of the employment and providing the support for the entrepreneurship;
- Obligatory exchange of information on the level of department and the Central credit registry;
- Improving the cooperation with the Center for financial consulting with an aim to solve problems of clients and creditors with too much debt;
- Improving the institutional capacity including the improvement of the management function and governance;
- Complete implementation of the regulations that are in effect and increase of the transparency in performance.

ATTACHMENTS

- Attachment 1. Basic Data on MCOs
- Attachment 2. Balance Sheet MCFs
- Attachment 3. Balance Sheet MCCs
- Attachment 4. Income Statement MCFs
- Attachment 5. Income Statement MCCs
- Attachment 6. Review of donated capital of MCFs

Attachment 1

BASIC DATA ON MCOs

No.	Micro-credit organization name	Address and main office	Director	Tel/Fax	E-mail and Web	30.06.2011.	
						Amount of assets in 000 KM	Number of employees
1.	MKD "ADRIA mikro" d.o.o. Mostar	Kneza Višeslava 14 88 000 MOSTAR	Sena-Martina Topić	036/ 348-891, 348-890 fax	adria.mikro@tel.net.ba	1.667	6
2.	MKF "BOSANSKO SELO" Srebrenik	21. Srebreničke brigade bb 75 350 SREBRENİK	Hajrudin Husanović	035/ 644-898 tel/fax	mobossel@bih.net.ba	512	4
3.	MKF "EKI" Sarajevo	Džemala Bijedića bb 71 000 SARAJEVO	Sadina Bina	033/ 754-370, 754-388 fax	sbina@mkoeki.com www.mkoeki.com	117.779	267
4.	MKF "LIDER" Sarajevo	Skenderija 68 71 000 SARAJEVO	Zijad Hasović	033/ 250-580, 250-581 fax	zijadh@lider.ba www.lider.ba	10.981	51
5.	"LOK MKF" Sarajevo	Skenderija 13 71 000 SARAJEVO	Nusret Čaušević	033/ 564-200, 564-201 fax	central.office@lok.ba www.lok.ba	70.235	214
6.	MKF "MELAHA" Sarajevo	Hamdije Kreševljakovića 59 71 000 SARAJEVO	Iso Abinun	033/ 205-737 tel/fax	iso@melaha.ba	996	3
7.	MKF "MIBA" Tuzla	Đorđa Mihajlovića 4/III 75 000 TUZLA	Mirsad Bahić	035/ 277-455 tel/fax	miba@vesta.ba www.miba.ba	456	3
8.	MKF "MI-BOSPO" Tuzla	Bosne srebrene bb 75 000 TUZLA	Nejira Nalić	035/ 270-283, 252-448 fax	mi-bospo@mi-bospo.org www.mi-bospo.org	34.802	132
9.	MKF "MIKRA" Sarajevo	Marka Marulića 2/VI 71 000 SARAJEVO	Sanin Čampara	033/ 616-162, 717-141 fax	mikra@mikra.ba www.mikra.ba	15.935	87
10.	MKF "MIKRO ALDI" Goražde	Panorama bb 73 000 GORAŽDE	Ferida Softić	038/ 226-456, 221-004 fax	mka.aldi@bih.net.ba www.mikroaldi.org	3.393	19
11.	"PARTNER MKF" Tuzla	15. maja bb 75 000 TUZLA	Senad Sinanović	035/ 300-250, 300-269 fax	partner@partner.ba www.partner.ba	110.502	254
12.	MKF "PRIZMA" Sarajevo	Bistrik Medresa 43 71 000 SARAJEVO	Kenan Crnkić	033/ 573-320, 446-583 fax	hq@prizma.ba www.prizma.ba	110.103	207
13.	"PRVA ISLAMSKA MKF" Sarajevo	Jukićeva 75 71 000 SARAJEVO	Edina Hadžimurtezić	033/ 666-224, 268-350 fax	info@islamic-relief.ba	1.558	10
14.	MKF "SANI" Zenica	Mehmedalije Tarabara 10 72 000 ZENICA	Sulejman Haračić	032/ 405-606 tel/fax	mikrosanizenica@yahoo.com	383	3
15.	MKF "SUNRISE" Sarajevo	Hamdije Kreševljakovića 51 71 000 SARAJEVO	Zoran Dučić	033/ 278-020, 278-032 fax	sunrise@microsunrise.ba www.microsunrise.ba	45.753	156
16.	MKF "VORTT-INVEST" Sarajevo	Azize Šaćirbegović 128 71 000 SARAJEVO	Mustafa Kapić	033/720-949, 720-941 fax	vorttdoo@yahoo.com	431	2
17.	MKF "ŽENE ZA ŽENE International" Sarajevo	Džemala Bijedića 130 71 000 SARAJEVO	Seida Sarić	033/ 770-010, 770-012 fax	general@zenezazene.ba www.womenforwomen.org	5.646	59
TOTAL						531.131	1.477

Attachment 2.

BALANCE SHEET OF MCF

in 000 KM

No.	DESCRIPTION	31.12.2010.	%	30.06.2011.	%	Index
1	2	3	4	5	6	7=5/3
AASSETS						
1.	Cash (1a+1b)	47.527	8	44.624	8	94
1a)	Cash and noninterest –bearing deposit accounts	18.252	3	25.556	5	140
1b)	Interest-bearing deposit accounts	29.275	5	19.068	4	65
2.	Placement to banks	28.751	5	24.916	5	87
3.	Loans	458.551		419.330		91
3a)	Reserves for loan losses	26.214		19.287		74
3b)	Net loans (3-3a)	432.337	75	400.044	76	93
4.	Premises and other fixed assets	49.115	9	47.993	9	98
5.	Long term investments	3.500	0	2.700	0	77
6.	Other assets	14.319	2	9.884	2	69
7.	Less: reserves for other items of the assets, except loans	701		698		100
8.	TOTAL ASSETS	574.848	100	529.464	100	92
LIABILITIES						
9.	Liabilities on taken short term loans	88.871	15	75.064	14	84
10.	Liabilities on taken long term loans	321.027	56	291.362	55	91
11.	Other liabilities	23.025	4	20.427	4	89
12.	TOTAL LIABILITIES	432.923	75	386.852	73	89
13.	Donated capital	42.619		42.822		100
14.	Core capital	9.957		9.853		99
15.	Surplus of income over expenses	110.607		110.953		100
15a)	For previous years	109.640		105.468		96
15b)	For current year	967		5.485		567
16.	Deficit of income over expenses	25.751		25.481		99
16a)	For previous years	13.997		24.544		0
16b)	For current year	11.754		937		8
17.	Other reserves	4.493		4.466		99
18.	TOTAL CAPITAL	141.925	25	142.612	27	100
19.	TOTAL LIABILITIES	574.848	100	529.464	100	92
OFF BALANCE SHEET						
	- charged-off loans	79.269		160.174		202
	- agent contracts	1.272		1.312		103

Attachment 3.

BALANCE SHEET OF MCCs

in 000 KM

No.	DESCRIPTION	31.12.2010.	%	30.06.2011.	%	Index
1	2	3	4	5	6	7=5/3
AASSETS						
1.	Cash (1a+1b)	36	3	186	11	516
1a)	Cash and noninterest –bearing deposit accounts	36	3	186	11	516
1b)	Interest-bearing deposit accounts	0	0	0	0	0
2.	Placements to banks	0	0	0	0	0
3.	Loans	1.276		1.407		110
3a)	Reserves for loan losses	36		19		53
3b)	Net loans (3-3a)	1.240	90	1.388	83	112
4.	Premises and other fixed assets	84	6	79	5	94
5.	Long term investments	0	0	0	0	0
6.	Other assets	9	1	14	1	0
7.	Less: reserves for other items of the assets, except loans	0		0		0
8.	TOTAL ASSETS	1.369	100	1.667	100	122
LIABILITIES						
9.	Liabilities on taken short term loans	513	38	511	31	100
10.	Liabilities on taken long term loans	86	6	357	21	
11.	Other liabilities	71	5	69	4	97
12.	TOTAL LIABILITIES	669	49	937	56	140
13.	Donated capital	0		0		0
14.	Core capital	600		600		100
15.	Issue premium	0		0		0
16.	Undistributed profit (16a+16b)	3		30		993
16a)	Previous years	0		0		0
16b)	Current year	3		30		993
17.	Regulatory reserves	98		100		
18.	Other reserves	0		0		0
19.	TOTAL CAPITAL	700	51	730	44	104
20.	TOTAL LIABILITIES	1.369	100	1.667	100	122
OFF BALANCE SHEET						
	- charged-off loans	88		80		91
	- agent contracts	0		0		0

Attachment 4.

BALANCE SHEET MCF

in 000 KM

No.	DESCRIPTION	For the period 01.01. - 30.06.2010.	%	For the period 01.01. - 30.06.2011.	%	Index
1	2	3	4	5	6	7=(5/3)
I	FINANCIAL INCOME AND EXPENSES					
1.	Interest income and similar income					
1.1.	Interest from interest bearing deposit accounts with depositary institutions	673	1	333	1	49
1.2.	Interest from placements to banks	368	1	508	1	138
1.3.	Loan interest	60.650	97	44.765	97	74
1.4.	Other financial income	626	1	406	1	65
1.5.	Total interest income and similar income (1.1. to 1.4.)	62.317	100	46.012	100	74
2.	Interest expenses and similar expenses					
2.1.	Interest on borrowings	16.717	92	11.268	96	67
2.2.	Other financial expenses	1.535	8	523	4	34
2.3.	Total interest expenses and similar expenses (2.1. to 2.2.)	18.252	100	11.791	100	65
3.	Net financial income (1.5. - 2.3.)	44.065		34.221		78
II	OPERATING INCOME AND EXPENSES					
4.	Operating income					
4.1.	Fees for completed services	3.142	92	3.524	91	112
4.2.	Other operating income	261	8	349	9	134
4.3.	Total operating income (4.1. to 4.2.)	3.403	100	3.873	100	114
5.	Operating expenses					
5.1.	Cost of salaries and benefits	18.614	53	18.024	55	97
5.2.	Costs of business premises, other fixed assets and utilities	8.396	24	8.915	27	106
5.3.	Other operating expenses	8.304	24	5.688	17	69
5.4.	Total operating expenses (5.1.to 5.3.)	35.314	100	32.627	100	92
6.	Cost of provisioning for loan and other losses	28.906		7.997		28
7.	Surplus/deficit of income over expenses from direct business operations (3.+4.3.-5.4.-6.)	-16.752		-2.530		15
8.	Extraordinary income	3.120		7.258		233
9.	Extraordinary expenses	806		294		36
10.	Surplus/deficit of income over expenses (7.+8.-9.)	-14.438		4.434		-31

Attachment 5.

INCOME STATEMENT MCC

in 000 KM

No.	DESCRIPTION	For the period 01.01. - 30.06.2010.	%	For the period 01.01. - 30.06.2011.	%	Index
1	2	3	4	5	6	7=(5/3)
I	FINANCIAL INCOME AND EXPENSES					
1.	Interest income and similar income					
1.1.	Interest from interest bearing deposit accounts with depositary institutions	0	0	0	0	n/a
1.2.	Interest from placements to banks	0	0	0	0	n/a
1.3.	Interest from loans	146	100	159	99	109
1.4.	Other financial income	0	0	2	1	n/a
1.5.	Total interest income and similar income (1.1. to 1.4.)	146	100	161	100	110
2.	Interest expenses and similar expenses					
2.1.	Interest on borrowings	22	85	31	98	141
2.2.	Other financial expenses	4	15	1	2	18
2.3.	Total interest expenses and similar expenses (2.1. to 2.2.)	26	100	32	100	122
3.	Net financial income (1.5. - 2.3.)	120		129		107
II	OPERATING INCOME AND EXPENSES					
4.	Operating income					
4.1.	Fees for completed services	16	73	10	34	64
4.2.	Other operating income	6	27	20	66	332
4.3.	Total operating income (4.1. to 4.2.)	22	100	30	100	137
5.	Operating expenses					
5.1.	Costs of salaries and benefits	49	40	52	35	105
5.2.	Costs of business premises, other fixed assets and utilities	49	40	49	33	99
5.3.	Other operating expenses	23	20	46	31	198
5.4.	Total operating expenses (5.1. to 5.3.)	121	100	146	100	120
6.	Cost of provisioning for loan and other losses	19		5		26
7.	PROFIT/LOSS FROM DIRECT BUSINESS OPERATIONS (3.+4.3.-5.4.-6.)	2		8		410
8.	Extraordinary income	0		22		n/a
9.	Extraordinary expenses	0		0		n/a
10.	INCOME/LOSS BEFORE TAXES	2		30		1.490
11.	TAXES	0		3		n/a
12.	NET PROFIT/LOSS	2		27		1.341

Attachment 6.

PREVIEW OF THE DONATED CAPITAL OF MCFs
As of 30.06.2011.

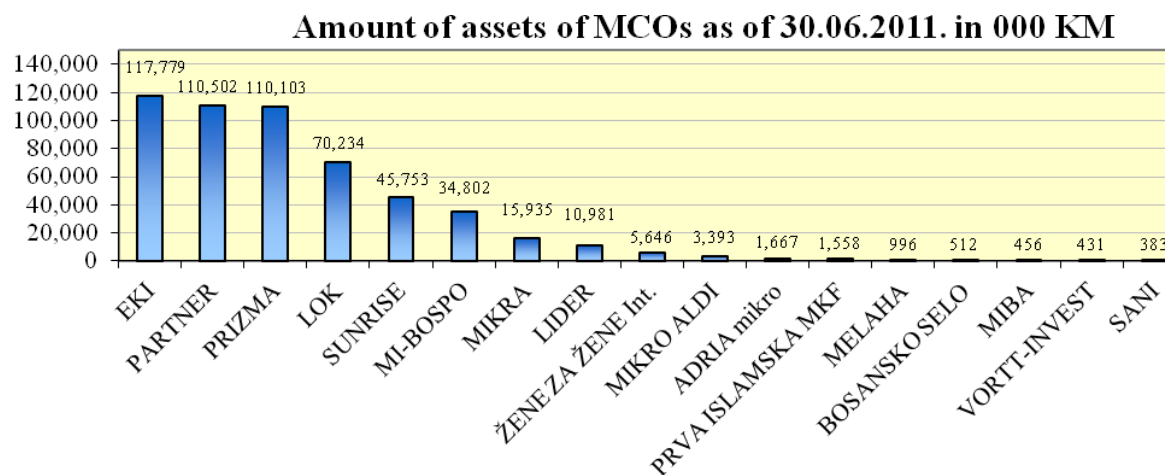
in 000 KM

No	Donator	MCF EKI Sarajevo	MCF LIDER Sarajevo	MCF MIBA Tuzla	MCF MI-BOSPO Tuzla	MCF MIKRA Sarajevo	MCF MIKRO ALDI Goražde	PARTNER MCF Tuzla	MCF PRIZMA Sarajevo	MCF SUNRISE Sarajevo	MCF ŽENE ZA ŽENE Sarajevo	TOTAL
Donations for credit fund		5.246	6.106	624	2.685	3.412	804	6.828	7.264	1.942	2.259	37.170
1.	USAID	3.046						3.046	3.046		543	9.681
2.	CHF-(SIDA, MEDI, HILP)		6.106									6.106
3.	UNHCR				479		200	1.229	992	614	450	3.964
4.	CRS					3.412						3.412
5.	LIP (funds of the government FBiH)				947			675		1.214		2.836
6.	PRM/USA State Department								2.006		577	2.583
7.	UNDP	1.932						59	446			2.437
8.	UMCOR			298	79			316	774		637	2.104
9.	Women's World Banking				1.034							1.034
10.	IRC							805				805
11.	Mercy Corps							697				697
12.	OXSFAM						500					500
13.	Int. NGO NSU - Itineris			326								326
14.	USDA Know-How Project	237										237
15.	Church World Service				146							146
16.	Udruženje građana "ALDI"						104					104
17.	DK spajanje s "LORI" Orašje									98		98
18.	Women for Women Int.										52	52
19.	CRIC	31										31
20.	SOLIDARITES									16		16
Donations for fixed assets		8	0	0	0	65	0	228	61	10	0	373
21.	Mercy Corps							228				228
22.	CRS					65						65
23.	ICMC								53			53
24.	SOLIDARITES									10		10
25.	WORLD Vision Int.	8										8
26.	PHARE								8			8
Donations for operating expenses		2.037	813	0	0	0	0	1.308	3.087	709	0	7.954
27.	SIDA Housing	1.828										6.106
28.	IFC	104										6.106
29.	PRM								2.047			2.047
30.	UNHCR							129	840			969
31.	LIP (funds of the government of FBiH)							201		709		910
32.	CHF		813									813
33.	Mercy Corps							725				725
34.	CGAP							45	150			195
35.	EBRD	105										105
36.	WORLD BANK							60				60
37.	USAID							55				55
38.	MFC							12	34			46
39.	UNDP							45				45
40.	ADA ASBL (RATING)							21				21
41.	Other							16	17			33
TOTAL DONATED CAPITAL		7.291	6.919	624	2.685	3.477	804	8.364	10.413	2.661	2.259	45.497

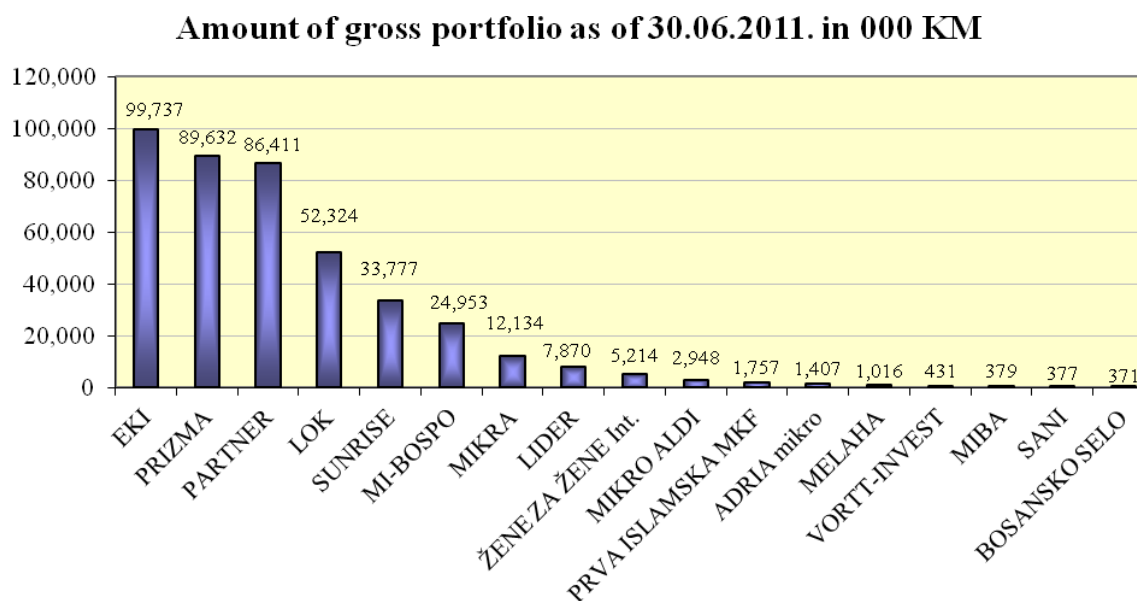
GRAPHS:

- Graph 1. Amount of MCOs assets as of 30.06.2011 in 000 KM.
- Graph 2. Amount of MCOs gross portfolio as of 30.06.2011. in 000 KM
- Graph 3. Amount of MCOs capital as of 30.06.2011.
- Graph 4. Income surplus/deficit over the expenses of MCFs,
that is net profit/loss of MCCs as of 30.06.2011. in 000 KM
- Graph 5. Average risk weighted EIR on short term loans according to reports of MCOs in
the second quarter of 2011.
- Graph 6. Average risk weighted EIR on long term loans according to reports of MCOs in
the second quarter of 2011.
- Graph 7. Number of MCOs employees as of 30.06.2011.
- Graph 8. Total receivables on written off loans in relation to the gross portfolio of MCOs
as of 30.06.2011.
- Graph 9. Risk portfolio over 30 days as of 30.06.2011.
- Graph 10. Fixed assets and capital in relation to the total assets as of 30.03.2011.

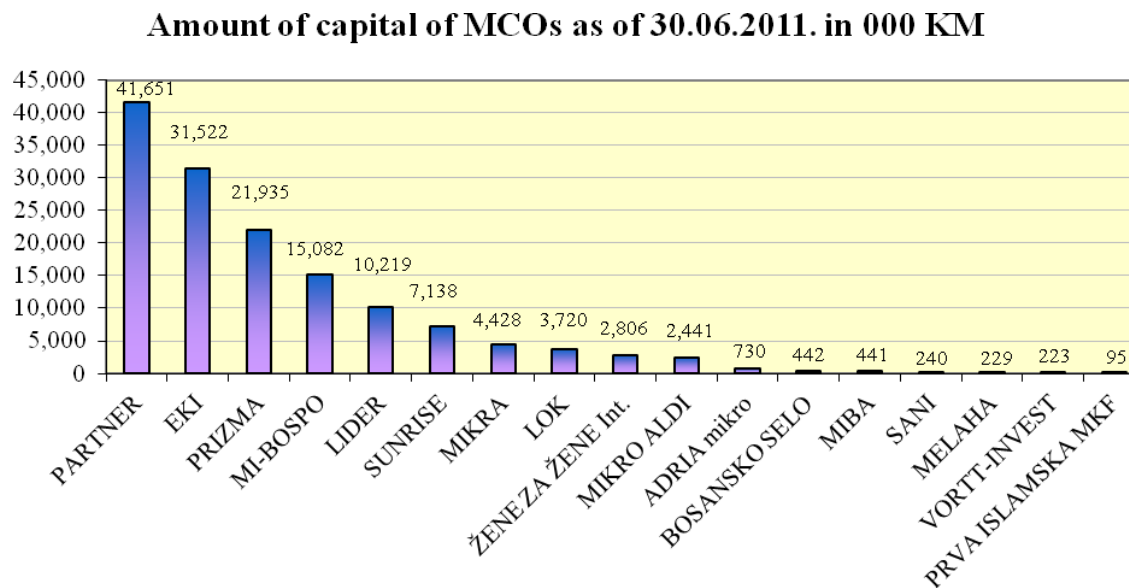
Graph 1.



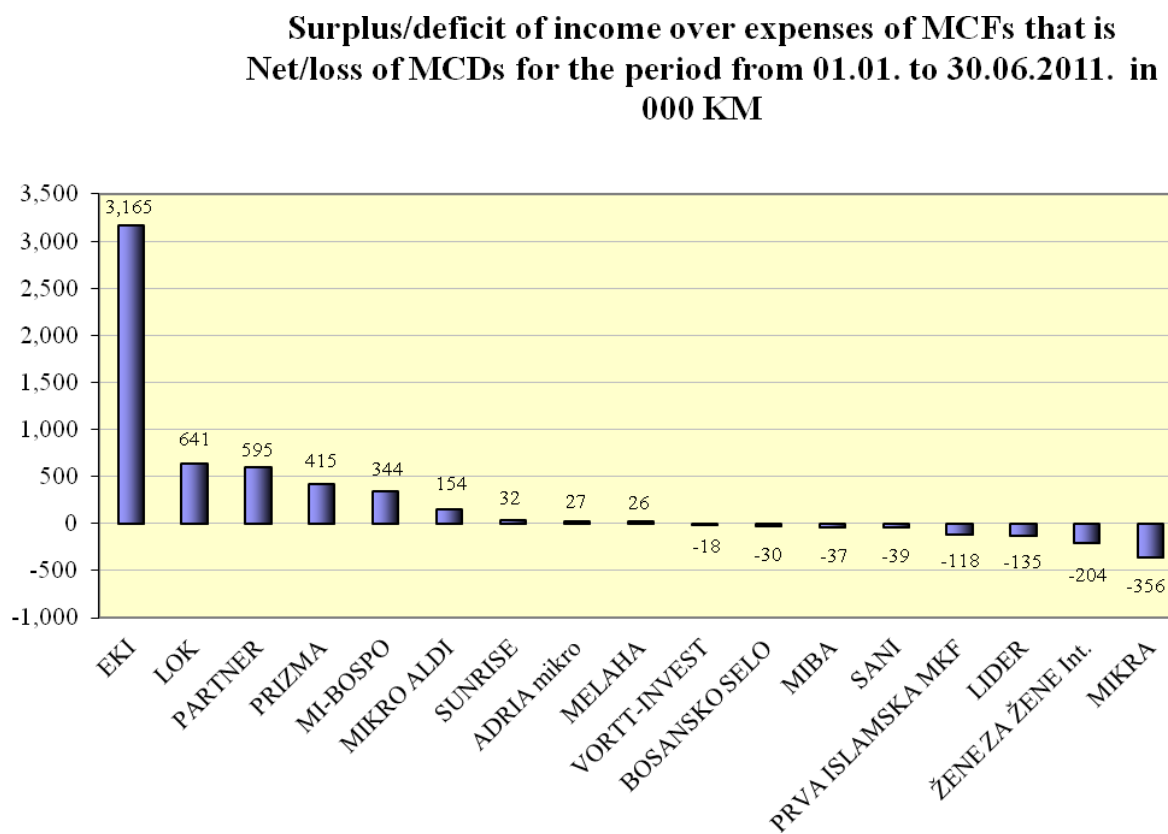
Graph 2.



Graph 3.

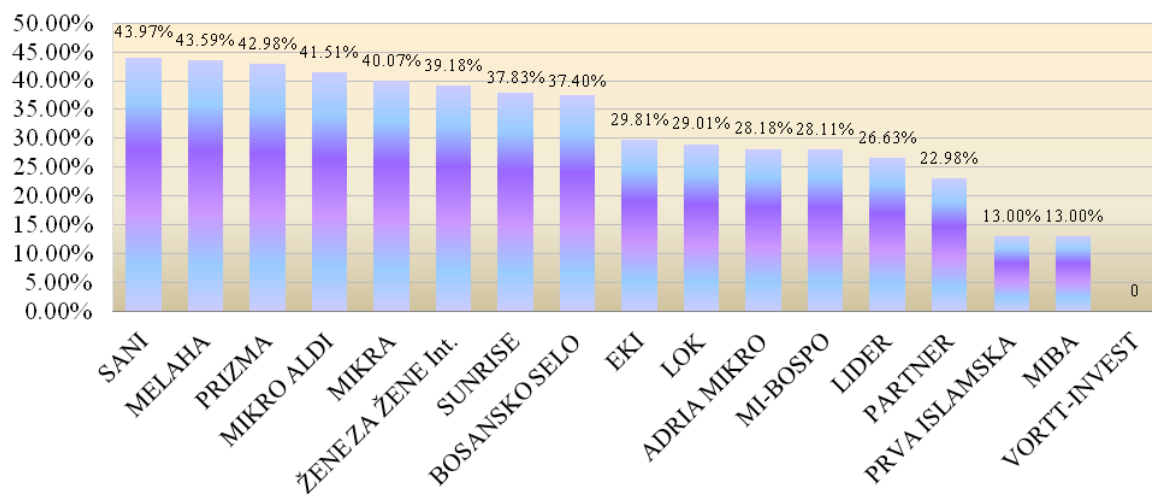


Graph 4.



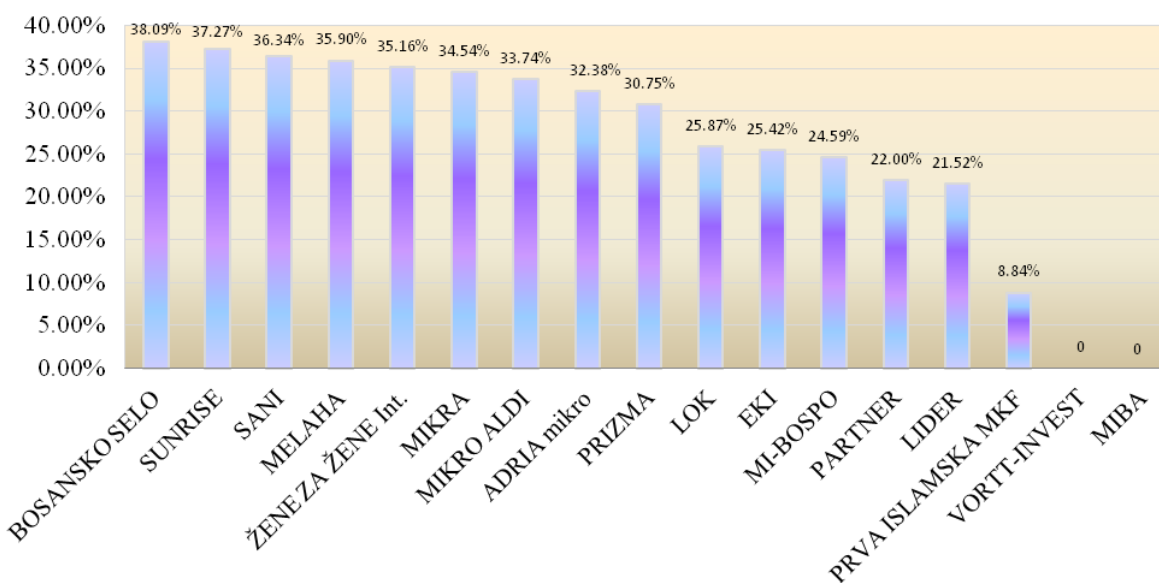
Graph 5.

Average risk weighted EIR on short term loans according to reports of MCOs in the 2nd quarter of 2011.



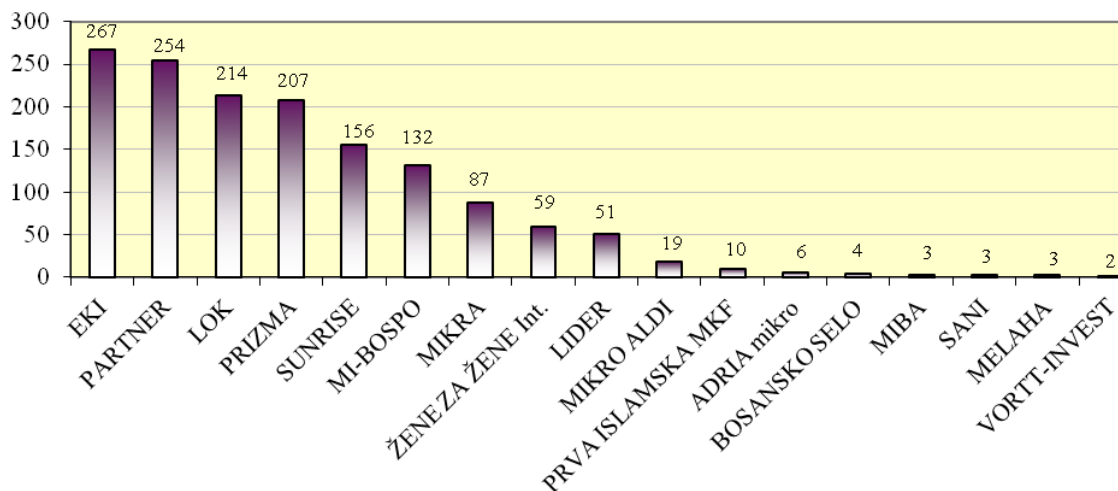
Graph 6.

Average risk weighted EIR on long term loans according to reports of MCOs in the 2nd quarter of 2011.



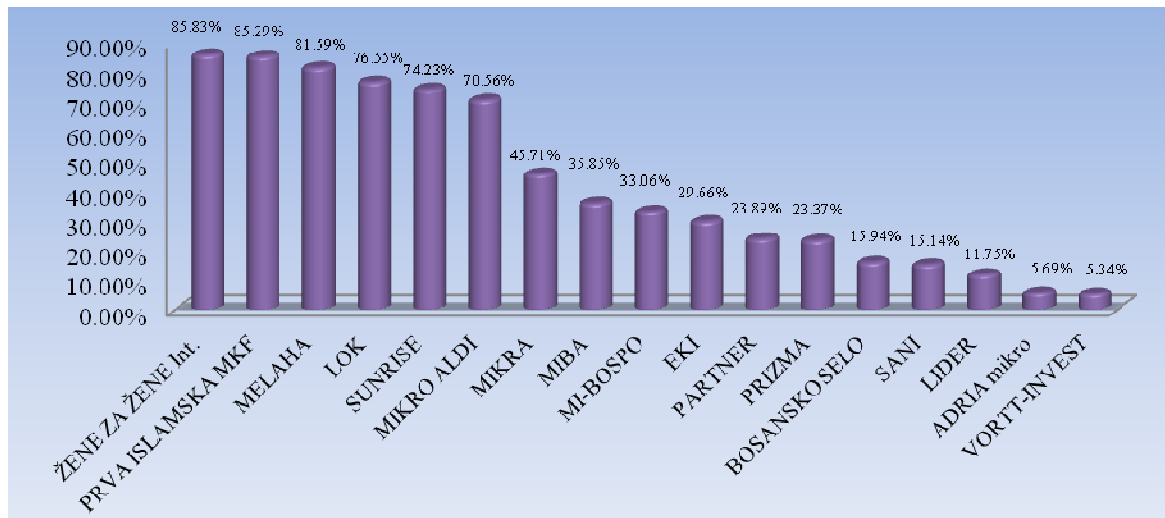
Graph 7.

Number of employees as of 30.06.2011.



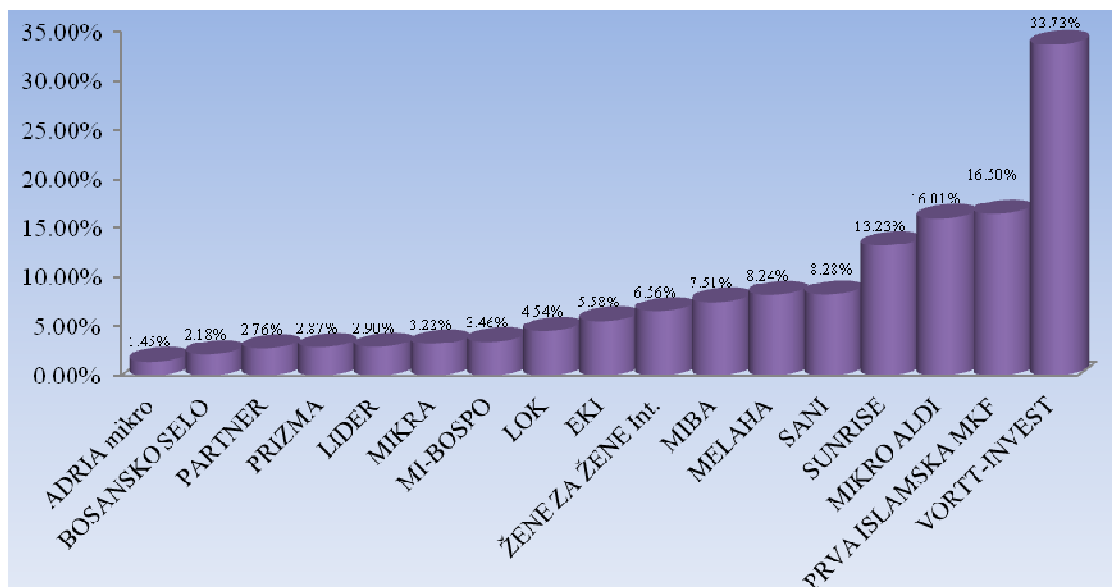
Graph 8.

Total receivables from written off loans in relation to gross portfolio of MCOs as of 30.06.2011.



Graph 9.

Risk Portfolio over 30 day as of 30.06.2011.



Graph 10.

Fixed assets and capital in relation to total assets
as of 30.06.2011.

