



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

INFORMATION

**ON THE FEDERATION OF BOSNIA AND HERZEGOVINA BANKING SYSTEM
ENTITIES WITH BALANCE AS OF 30.06.2023**

Sarajevo, September 2023

Abbreviations and terms

AMFI	Association of Micro Finance Institutions in BiH
AOD	Deposit Insurance Agency of Bosnia and Herzegovina
ASF	Available Stable Funding
BD	Brčko District
BiH	Bosnia and Herzegovina
CBBiH	Central Bank of Bosnia and Herzegovina
CLR	Central Loan Register in B&H (for legal entities and private individuals)
FXP	Foreign Exchange Payments
EBA	European Banking Authority
EBRD	European Bank for Reconstruction and Development
ECB	European Central Bank
ECL	Expected credit loss
EFSE	European Fund for Southeast Europe
EIR	Effective Interest Rate
EU	European Union
FBA	Federation of Bosnia and Herzegovina Banking Agency
FBiH	Federation of Bosnia and Herzegovina
FED	The Federal Reserve
FID	Financial Intelligence Department
FSAP	Financial Sector Assessment Program
FX risk	Foreign Exchange Risk
ICAAP	Internal Capital Adequacy Assessment Process
ILAAP	Internal Liquidity Adequacy Assessment Process
LCR	Liquidity Coverage Ratio
MCC	Micro credit company
MCF	Micro credit foundation
MCO	Micro credit organisation
IMF	International Monetary Fund
NFI	Non-deposit Financial Institutions
NIR	Nominal Interest Rate
NPL	Non-performing loans
NSFR	Net Stable Funding Ratio
DBFBiH	Development Bank of the Federation of Bosnia and Herzegovina
LLP	Loan Loss Provisions
RS	Republika Srpska
RSF	Required Stable Funding
USA	United States of America
WB	World Bank
BSE	FBiH Banking System Entities: banks, banking groups, development banks, MCOs, leasing companies, factoring companies, exchange offices, and other financial organisations whose operations are supervised by the FBA
AML&CTF	Anti-Money Laundering and Counter Terrorism Financing
SREP	Supervisory Review and Evaluation Process

BABiH	Banks Association of Bosnia and Herzegovina
BiHALC	BiH Association of Leasing Companies
DP	Domestic Payments
FBA MB	Management Board of the FBiH Banking Agency
LoA	Law on the Banking Agency of the Federation of Bosnia and Herzegovina
LoB	Law on Banks
LoF	Law on Factoring
LoL	Law on Leasing
LoMCO	Law on Micro Credit Organisations

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Summary of Regulatory Requirements and Operating Standards of BSEs

Minimum amount of paid in shareholder capital – BAM 15 million	Article 24, Paragraph (2) of the LoB / ZoB ¹
Common Equity Tier 1 capital ratio – 6.75%	Article 34, Paragraph (1), Item a) of the Decision on Capital Calculation in Banks / Odluke o izračunavanju kapitala banke ²
Tier 1 capital ratio - 9%	Article 34, Paragraph (1), Item b) of the Decision on Capital Calculation in Banks
Own funds ratio - 12%	Article 34, Paragraph (1), Item c) of the Decision on Capital Calculation in Banks
Capital buffer in form of Tier 1 Capital – 2.5% of the total risk exposure	Article 39, Paragraph (1) of the Decision on Capital Calculation in Banks
Financial leverage ratio - 6%	Article 37, Paragraph (2) of the Decision on Capital Calculation in Banks
Liquidity Coverage Ratio - LCR ≥ 100%	Article 17, Paragraph (2) of the Decision on Liquidity Risk Management in Banks / Odluke o upravljanju rizikom likvidnosti banke ³
Net Stable Funding Ratio - NSFR ≥ 100%	Article 33, Paragraphs (2) and (3) of the Decision on Liquidity Risk Management in Banks
Limitation regarding individual overnight foreign exchange position of the bank, except in EUR - up to 20% of the bank's eligible capital	Article 3, Paragraph (2), Item a) of the Decision on Foreign Exchange Risk Management in Banks / Odluke o upravljanju deviznim rizikom banke ⁴
Limitation regarding individual overnight foreign exchange position of the bank in EUR - up to 40% of the bank's eligible capital	Article 3, Paragraph (2), Item b) of the Decision on Foreign Exchange Risk Management in Banks

POVEZNICA 1



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POVEZNICA 3



POVEZNICA 4



Limitation regarding aggregate foreign exchange position – up to 40% of the bank's eligible capital	Article 3, Paragraph (2), Item c) of the Decision on Foreign Exchange Risk Management in Banks
Ratio of change in economic value of the banking book and own funds \leq 20%	Article 7 of the Decision on Interest Rate Risk Management in the Banking Book / Odluke o upravljanju kamatnim rizikom u bankarskoj knjizi ⁵
Herfindahl-Hirschman Index - HHI	It represents the most frequently used measure of concentration in European and U.S. economic systems. HHI is calculated by summing up the squares of percentage shares of specific items (e.g. assets, deposits, loans) of all market participants in a particular system. If HHI value is below 1,000, it indicates to absence of market concentration, while its value ranging from 1,000 to 1,800 units shows moderate concentration in the market and HHI above 1,800 means high market concentration.
Concentration rate - CR	CR is an indicator of concentrations in the banking sector. It represents a total share of the largest banks in the sector in selected relevant categories: in assets, loans and deposits. It is being designated by the number of banks included in the calculation, e.g. CR 5. There is no unique and commonly accepted opinion on interpretation of results of CR. With higher the value, comes higher market concentration.
Ratio of loans/deposits and loans taken	This is a ratio between the most important bank products - loans, on the assets side, and deposits and loans taken on the liabilities side. With higher rate comes weaker liquidity position of the bank. Empirical standards are: below 70% - very sound, 71%-75% - satisfactory, 76%-80% - marginally satisfactory, 81%-85% - insufficient, over 85% - critical.
Minimum amount of core capital of MCCs - BAM 500,000	Article 26, Paragraph (1) of LoMCO / ZoMKO ⁶
Minimum amount of core capital of MCFs - BAM 50,000	Article 36, Paragraph (1) of LoMCO
Ratio of fixed assets to total assets minus donated capital – up to 10% for MCFs and MCCs where MCF holds majority ownership	Article 11, Paragraph (2) of the Decision on Conditions and Other Standards of Operations and Limitations in Micro Credit Organisations / Odluke o uslovima i ostalim standardima poslovanja i ograničenjima u mikrokreditnoj organizaciji ⁷

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Ratio of equity (minus donated capital) and total assets of MCOs - over 10%	Article 11, Paragraph (1) of the Decision on Business Conditions and Other Standards and Limitations of Micro Credit Organisations
Portfolio at risk of MCOs over 30 days (PAR) – up to 5%	Article 12, Paragraph (1) Item c) of the Decision on Business Conditions and Other Standards and Limitations of Micro Credit Organisations
Annual write off in MCOs – up to 3%	Article 12, Paragraph (1) Item d) of the Decision on Business Conditions and Other Standards and Limitations of Micro Credit Organisations
Operating efficiency of MCOs – up to 45%	Article 12, Paragraph (1) Item b) of the Decision on Business Conditions and Other Standards and Limitations of Micro Credit Organisations
Return on Assets of MCOs adjusted by inflation, market price of capital and donations (AROA) – positive	Article 12, Paragraph (1) Item a) of the Decision on Business Conditions and Other Standards and Limitations of Micro Credit Organisations
Minimum amount of core capital of leasing companies – BAM 250,000	Article 8, Paragraph (1) of LoL / ZoL ⁸
Minimum amount of core capital of factoring companies – BAM 750,000	Article 27, Paragraph (1) of LoF / ZoF ⁹

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EXECUTIVE SUMMARY

**FBIH banking sector's
key performance indicators**


Operating licence | 13 commercial banks, 500 organisational parts and 6,531 employees, which is 1.9% more than at the end of the previous year.



Balance sheet exposures according to the credit risk grades | BAM 26.1 billion (92.2% of total balance sheet exposures) within the credit risk grade 1 and within the credit risk grade 2 – **BAM 1.4 billion** (5.1% of total balance sheet exposures), while **BAM 0.8 billion** (2.7% of total balance sheet exposures) is within the credit risk grade 3



Assets | Net assets amount to BAM 27.9 billion, loans **BAM 17.1 billion**, cash **BAM 8.5 billion**, investment in securities **BAM 2.0 billion**



Off-balance sheet exposures according to the credit risk grades | BAM 4.3 billion within the credit risk grade 1 (92.4% of total off-balance sheet exposures), within the credit risk grade 2 – **BAM 0.3 billion** (7.5% of total off-balance sheet exposures) and **BAM 3.5 million** within the credit risk grade 3 (0.1% of total off-balance sheet exposures)



Capital | Total capital BAM 3.4 billion (12.2% of liabilities), of which shareholders capital is **BAM 1.6 billion**, own funds **BAM 3.0 billion**, common equity Tier 1 capital and Tier 1 capital **BAM 2.9 billion**, Tier 2 capital **BAM 146.2 million**.



ECL coverage rate for balance sheet exposures | 3.5% total coverage rate: credit risk grade 1 – **0.8%**, credit risk grade 2 – **12.1%** and credit risk grade 3 – **83.9%**



Capital ratios | 19.2% own funds ratio, **18.3%** Common Equity Tier 1 capital ratio and Tier 1 capital ratio, **9.9%** financial leverage ratio



ECL coverage rate for off-balance sheet exposures | 1.4% total coverage rate: credit risk grade 1 – **0.6%**, credit risk grade 2 – **10.3%**, credit risk grade 3 – **64.4%**



Loan portfolio | Retail loans amount to **BAM 8.4 billion** (up by BAM 371.9 million or 4.6%) and corporate loans equal **BAM 8.7 billion** (up by BAM 197.2 million or 2.3%; if we exclude decrease of ST low-risk exposures, there is an increase by 3%)



Loan portfolio within the credit risk grade 3 (NPL) | **BAM 720.7 million**, it represents 4.2% of the total loan portfolio (decrease by 0.6 percentage points vs. end of the previous year). NPL rate for the corporate portfolio and for the retail portfolio is **4.2%**. **NPL ECL coverage rate** | **83.5%** (corporate 83%, retail 84%), thus being the same as at the end of the previous year.



Deposits | **BAM 23.1 billion** (82.7% of total liabilities), of which **savings deposits amount to BAM 10.8 billion**.



Liabilities based on loans taken | **BAM 475.1 million** (1.7% of total liabilities)



Trend | An **increase** was noted with net assets (2.7%), cash (2.9%), loan portfolio (3.4%), other assets (7.5%), capital (5%) and deposits (2.9%), while a **decrease** was evident with investments in securities (0.8%), placements with other banks (27%), liabilities based on loans taken (8.7%) and other liabilities (3.5%).



FBIH banking sector liquidity | **Satisfactory**, considering basic indicators of liquidity, qualitative and quantitative requirements, as well as other factors impacting the liquidity position in banks



Profitability | **BAM 268.1 million** of net profit, all banks have posted a positive financial result

Key performance indicators of the FBIH Microcredit Sector



Operating licence | 14 MCOs (10 MCFs and 4 MCCs), **361 organisational parts and 1,418 employees**, which is higher by 0.4%



Capital | BAM 372.7 million (49.1% of liabilities), up by BAM 19.5 million or 5.5% (capital increase rate of MCCs is 2.3% and 6.2% for MCFs)



MCOs assets | BAM 759 million, up by BAM 30.1 million or 4.1%. Assets increase rate for MCCs is 5.2%, while assets increase rate for MCFs is 3.8%



Liabilities based on loans taken | BAM 351.2 million (46.3% of liabilities), up by BAM 12.9 million or 3.8% (growth rate of loan obligations of MCCs is 9.2%, while this rate for MCFs grew by 1.2%)



Net micro loans | BAM 629.4 million (82.9% of assets), up by BAM 31 million or 5.2% (rise by 4.6% for MCCs and rise by 5.4% for MCFs)



Trend | An increase was noted regarding placements with banks (2.2%), gross micro loans (5%), net micro loans (5.2%), long term investments (27.6%), capital (5.5%) and liabilities based on loans taken (3.8%), while a **decrease** was seen with cash (14%), LLPs (6%), tangible and intangible assets (0.8%), other assets (21.7%) and other liabilities (6.4%).



PAR over 30 days | 1.07%
Annual rate of write offs | 1.44%

Portfolio quality indicators are within the prescribed limits with a PAR decrease by 0.16 percentage points and an increase of the write off rate by 0.03 percentage points



Operating efficiency | 17.83%, which is in line with the prescribed standard. **Return on assets, adjusted by inflation, market price of capital and donations is negative | -3.41%**



70,399 concluded contracts (2.8% less) and **BAM 298.7 million of micro loans disbursed** (10.1% more)



Positive financial result | BAM 19.2 million, up by BAM 12.1 million. **Net profit of MCCs | BAM 1.0 million**, and **excess income over expenses of MCFs | BAM 18.2 million**

Key performance indicators of the FBIH leasing sector



Operating licence | 4 leasing companies, 4 branches in the RS and 102 employees, which is 2% more



Liabilities based on loans taken | BAM 443.2 million (89.4% of liabilities), up by BAM 52.9 million, with a dominant share of long term loans



Assets of the leasing sector | BAM 495.7 million, up by BAM 58.7 million or 13.4%



Capital | BAM 38.6 million (7.8% of liabilities), up by BAM 2.0 million or 5.4%



Net receivables based on financial leasing | BAM 390.9 million (78.8% of assets), up by BAM 48.3 million or 14.1%



Trend | An **increase** was noted with gross receivables based on financial leasing (15.4%), net receivables based on financial leasing (14.1%), net value of fixed assets financed via operational leasing (14.4%), tangible and intangible assets (14.1%), liabilities based on loans taken (13.6%), capital (5.4%) and other liabilities (37.4%), while a **decrease** was seen with cash and cash equivalents (15.2%), placements with banks (9.7%), loss reserves (0.1%), other assets (2.3%) and written off receivables (14.7%)



Overdue receivables | BAM 3.3 million, up by 3.4%. **Loss reserves for financial leasing** | BAM 4.8 million



Positive financial result | BAM 4.1 million, down by BAM 0.6 million



Number and value of newly concluded contracts for financial and operational leasing at the leasing system level – increase by 11.6% and 43% respectively



Key indicators of the factoring business in the FBIH



FBIH factoring business | 3 commercial banks (two are members of international banking groups seated in the EU countries and one is in mostly local ownership)



81 newly concluded factoring contracts (less by 50 contracts or 38.2%) **with nominal value of redeemed monetary claims of BAM 77.7 million** (down by BAM 12.5 million or 13.9%)



Total income of the factoring service providers in the FBIH | BAM 374 ths, which is less by BAM 181 ths or 32.6%.

INTRODUCTION

FBA was established in 1996 as an independent and self-standing institution which exercises its competences in accordance with the prescribed provisions of the LoA, international standards, supervision principles and professional rules. The FBA MB performs general supervision of the FBA's operations, taking measures for efficient performance of the functions from the FBA's purview in accordance with its statutory competences and reporting to the FBIH Parliament.

As a part of regular execution of its statutory competences, the FBA draws up and discloses quarterly updates on BSEs. Accordingly, this Information on the BSEs, with balance as of 30/06/2023 was drawn up using reporting data and other information provided by the BSEs to the FBA and used in regular supervision of the BSEs.

Content-wise, this Information is divided into four sections. The first section refers to the macroeconomic environment within which credit institutions operate on a global level. The second section covers a detailed analysis of the FBIH banking sector, its structure, financial performance indicators and FBA's recommendations for the FBIH

banking sector. The third section relates to a detailed analysis of operations of NFIs, as well as compliance of their operations with the laws and regulations within which microcredit and leasing sectors, as well as factoring business, in the FBIH were addressed as separate segments, with the related specific FBA's recommendations. The fourth section presents bank operations in the segment of payments, thus including electronic banking and card operations and AML&CTF.

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

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

1. MACROECONOMIC FRAMEWORK OF OPERATIONS OF CREDIT INSTITUTIONS

Looking into the banking system indicators in BiH and in the economic environment, the challenges and risks for the banking system in BiH largely refer to the macroeconomic opportunities. Banks in BiH, in most part, have ties with the international banking groups, majority of which are seated in the Eurozone countries. Also, any monitoring of the macroeconomic indicators and their impact on the BiH banking sector also needs to account for specifics related to CBBH operations, as well as the Currency Board arrangement. According to information of the Agency for Statistics of Bosnia and Herzegovina, the inflation rate in June 2023 vs. the same month of the previous year was 4.9%

Global Economic Challenges

IMF projections dd April 2023 foresee the global economy's readiness to a gradual recovery from the powerful consequences caused by the pandemic and the war in Ukraine. China is rebounding following the reopening of its economy. Supply-chain disruptions are unwinding, while the dislocations to energy and food markets caused by the war are receding. The tightening of the monetary policy by central banks should start to bear fruit, with inflation moving back toward its targets. According to the said IMF projection, the current year will see a global growth posting level of 2.8%, while rising modestly in 2024 to 3%. Based on the updated IMF forecasts, global growth will go down from the projected 3.0% in 2022 to 2.8% in 2023 and in 2024.

Table 1 below provides selected macroeconomic indicators across periods:

No.	Area/interest rates	2019	2020	2021	2022	2023 ¹
1	2	3	4	5	6	7
GDP growth in %						
1.	U.S.	2.3	-2.8	5.9	2.1	1.6
2.	Eurozone	1.6	-6.1	5.4	3.5	0.8
3.	EU	2.0	-5.6	5.6	3.7	0.7
4.	Slovenia	3.5	-4.3	8.2	5.4	1.6
5.	Croatia	3.4	-8.6	13.1	6.3	1.7
6.	Serbia	4.3	-0.9	7.5	2.3	2.0
7.	BiH	2.9	-3.0	7.4	3.8	2.0
Consumer Price Index (CPI), annual average in %						
1.	U.S.	1.8	1.3	4.7	8.0	4.5
2.	Eurozone	1.2	0.3	2.6	8.4	5.3
3.	BiH	0.6	-1.1	2.0	14.0	6.0
Key interest rates						
1.	6-month Euribor ²	-0.35	-0.51	-0.54	2.41	3.72
2.	Yield on 10-year German government bonds ³	-0.30	-0.62	-0.38	2.09	2.38
3.	Yield on 10-year Italian government bonds	1.37	0.58	1.05	4.26	4.07

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

As the world's largest economy, the U.S. have posted the GDP increase of 2.1%, while 2023 projections indicated its decrease to 1.6%, i.e. 1.8% according to the updated forecasts. The EU economy, thus experiencing greater impact over the previous years than the United States and

¹ Projected values for 2023 (IMF, World Economic Outlook, April 2023); for interest rates, data for June 2023.

² Data for the relevant period refers to [EURIBOR](#) Euribor as of the first business day in the last month of the reporting period

³ [Eurostat](#) for EU-member states, 10-year yield used for calculating the criteria from Maastricht: data for the last month of the reporting period

also greater decline in 2020, has seen the GDP increase in 2022 of 3.7%, while it is projected to reach 0.7% in 2023 on an annual level, i.e. 1% according to the updated forecasts.

According to IMF forecasts from April 2023, global inflation, due to lower commodity prices, is projected to fall from 8.7% in 2022 to 7.0% in 2023 and 4.9% in 2024. According to updated IMF forecasts, global headline inflation is expected to fall to 6.8% in 2023 and 5.2% in 2024. The return of inflation to the target level is unlikely to occur before 2025, followed by a reduction in interest rates. Disinflation is expected in all major groups of countries, and 76% of countries are expected to see lower inflation rates in 2023 due to declining fuel and commodity prices, as well as the expected effects of the implemented monetary tightening.

According to Eurostat data, the annual inflation rate in the Eurozone, as measured by the Harmonized Index of Consumer Prices (HICP), in June 2023 was 5.5%, slightly below expectations of 5.6%, while in June of the previous year the inflation rate was 8.6%. This is the lowest inflation rate recorded since January 2022, but it is still well above the ECB's target of 2%. In addition, the base inflation rate, which excludes volatile items such as food and energy, has risen to 5.4%, which is likely to lead policymakers to continue raising interest rates in the coming period. Annual inflation in the EU in June 2023 was 6.4%, compared to 9.6% in June of the previous year. Looking at the main components of inflation in the Eurozone, the food, alcohol and tobacco segments had the highest annual rate in June 2023 (11.6%), followed by non-energy industrial products (5.5%), services (5.4%) and energy (-5.6%). Of the 20 countries that belong to the Eurozone as of June 30, 2023, only one country recorded an annual inflation rate of over 10% in June 2023, and eight below 5%, of which three countries recorded an annual inflation rate below 2% in June 2023.

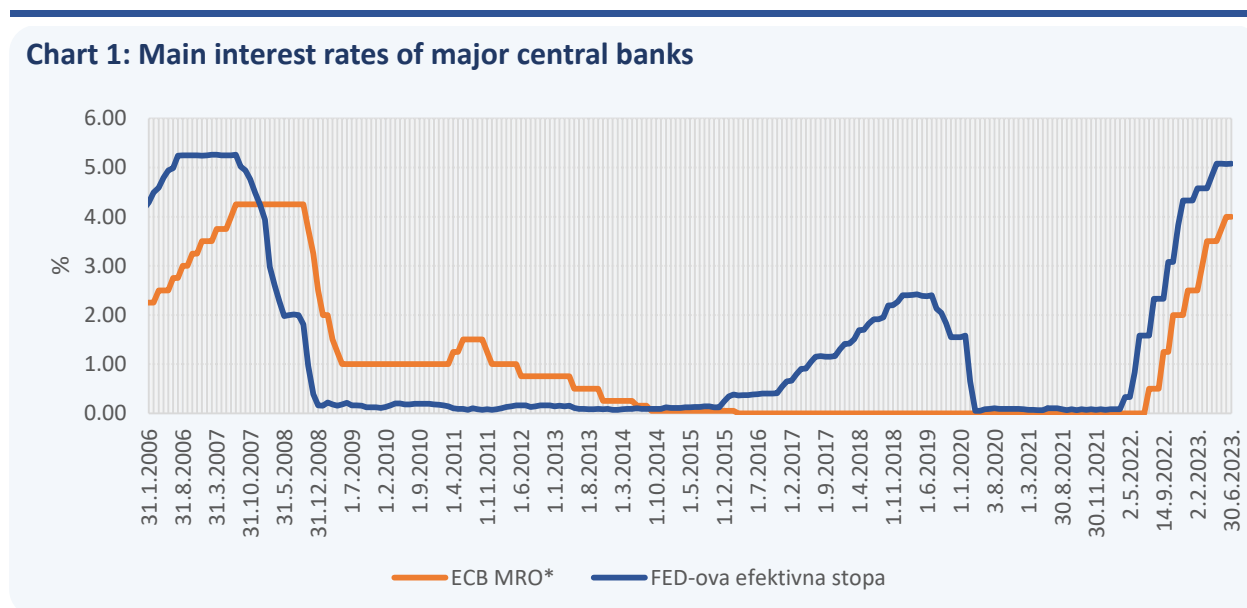
The annual U.S. inflation rate, as measured by the Consumer Price Index (CPI), slowed to 3% in June 2023, the lowest level since March 2021, slightly below expectations of 3.1%. While this inflation rate is still above the Fed's 2% target, this drop is an indication that frequent FED interest rate hikes have slowed price growth. The slowdown is partly due to a year-on-year base performance, when annual inflation in the U.S. stood at a record 9.1% in June, mainly due to high energy costs, the highest inflation rate recorded since November 1981. However, while inflation data is better than expected, the FED is projected to continue to raise its reference rate. The U.S. Consumer Price Index in June 2023 for the energy segment was -16.7% and for food 5.7%.

Three years after the outbreak of the pandemic, fiscal policy at the global level is normalizing. Public finances have undergone major changes, enduring government measures and unprecedented shocks. After a historic rise in public debt to nearly 100% of GDP in 2020, as a result of a decline in economic activity and significant government stimulus, the end of emergency measures has led to a reduction in fiscal deficits. With strong nominal GDP growth in 2021-2022, global debt has seen its steepest decline in 70 years and is at around 92% of GDP at the end of 2022, still about eight percentage points above the level recorded at the end of 2019. In most countries, primary deficits are rapidly shrinking and moving closer to pre-pandemic levels, but overall deficits are shrinking more slowly due to increased interest payments.

Monetary Policies and Interest Rate Policies

In the area of monetary policy, the ECB Governing Council is taking action to bring inflation back to the medium-term target of 2% as soon as possible, and at its meeting held on 15 June 2023 decided to raise the Key ECB interest rates by 25 basis points. After the increases in February, March and May, this is the fourth increase in interest rates in the first half of 2023. At the end of the first half of 2023, the deposit interest rate is 3.5%, and the main rate for refinancing operations is 4%. In 2023, the FED slowed down with an increase in the EFFR (Effective Federal Funds Rate). After four increases by 75 basis points in the second half of 2022 and one increase of 50 basis points in December 2022, in the first half of 2023, the FED made three-fold increases to the EFFR by 25 basis points: in February, March and May. The EFFR is 5.08% at the end of June 2023.

Chart No. 1 below provides an overview of main interest rates of major central banks:



* MRO - Marginal Refinancing Operations; FED-ova efektivna stopa - FED effective rate.

Source: ECB, FED

The increase in the ECB's key interest rates has fully carried over to the rise in interest rates in the EU money market. In the European interbank market, the value of the reference interest rate EURIBOR (Euro Interbank Offered Rate) has been steadily increasing since the beginning of the year, with the exception of mid-March, when a short-term decrease was recorded due to the expectation of a moderate intensity of rising ECB interest rates. At the end of June 2023, EURIBOR 6M reached a value of 3.9%, while EURIBOR 12M was 4.13%.

Bond market yield trends in the first half of 2023 were stable amid uncertainty following the failure of three regional banks in the U.S. and one bank in Switzerland. Given the regulatory measures taken that prevented the spillover effects of the US and Swiss banks' failure on the wider banking and financial system, developments in euro area financial markets stabilized rapidly, and yields at the end of the first half of the year were at a similar level to the beginning of the year.

Bank profitability in the EU has continued to increase, while the ratios of capital, financing and liquidity remain good. The increase in interest rates had a positive impact on the profitability of banks, high returns on equity and assets were achieved. Banks are still well capitalised, although the trend of financing conditions, interest rate risk and asset quality will increasingly

adversely affect their credit capacity. Macroeconomic uncertainty about economic growth, inflation and interest rate increases in countries outside BiH, in the coming period, may affect loan demand, tightening of bank lending standards, rising borrowing costs, and therefore slower lending growth rates. Higher interest rates could increase credit risks arising from banks' exposure to vulnerable sectors, especially related to the real estate market. Banks in the EU also have operational risk related to ICT⁴ and "cyber" risks, and the necessity of investing in cyber security and infrastructure.

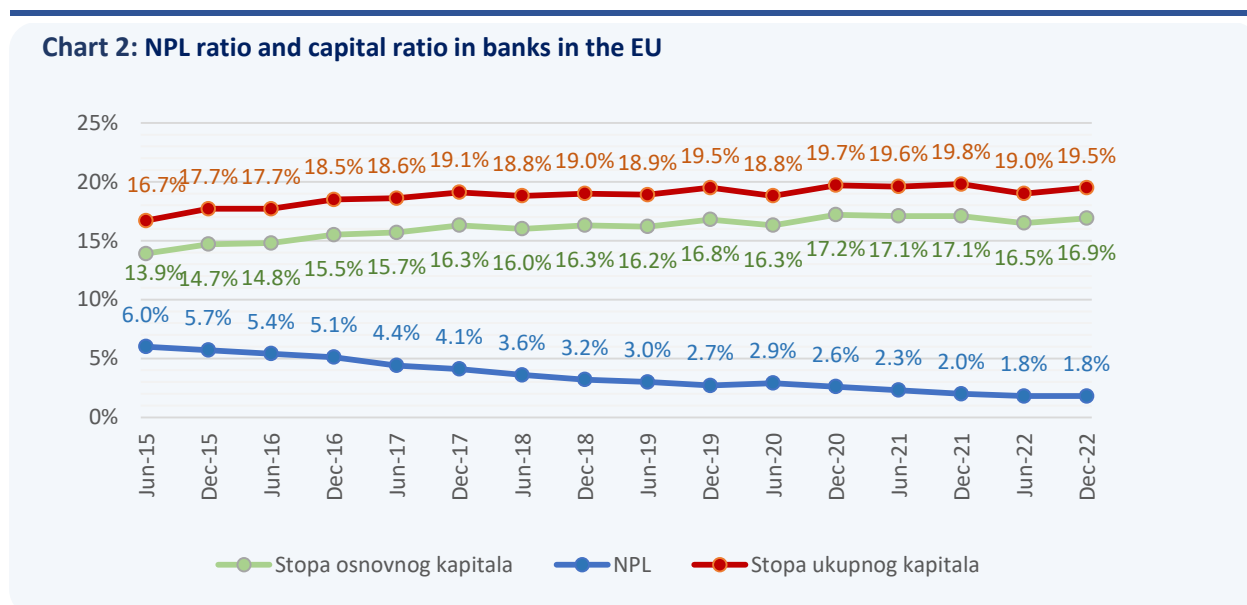
Other Risks, Profitability and Resilience of Banks in the EU

At the beginning of March 2023, global financial market volatility increased sharply due to the crisis of confidence related to the crisis at Silicon Valley Bank in the US⁵ and Credit Suisse in Switzerland⁶. These developments in the banking sector have led to a decline in stock prices and a rise in the risk of yield on more risky bank bonds.

Climate change is a clear future risk to financial stability in the EU. Banks must manage the consequences of the transition to renewable energy sources, including concentration risks related to climate change-related exposures.

In response to the risks present in the banking sector, with the aim of further strengthening the resilience of the financial sector, a significant number of regulators from countries participating in the European banking supervision have tightened capital-based macroprudential measures, through an increase in the countercyclical capital buffer or an increase in the systemic risk buffer.

Chart No. 2 provides an overview of NPL ratio and capital ratio in banks in the EU:



*Stopa osnovnog kapitala – Tier 1 ratio; NPL ratio; Stopa ukupnog kapitala – Total capital ratio

Source: EBA, Risk Dashboard

⁴ Information and communication technology

⁵ Silicon Valley Bank was the 16th largest bank in the U.S., closed by regulators in March 2023 due to risky business, falling investment value and withdrawal of a large amount of deposits by savers. First Citizens Bank concluded a contract with a FDIC about purchase of deposits and loans of this failed bank.

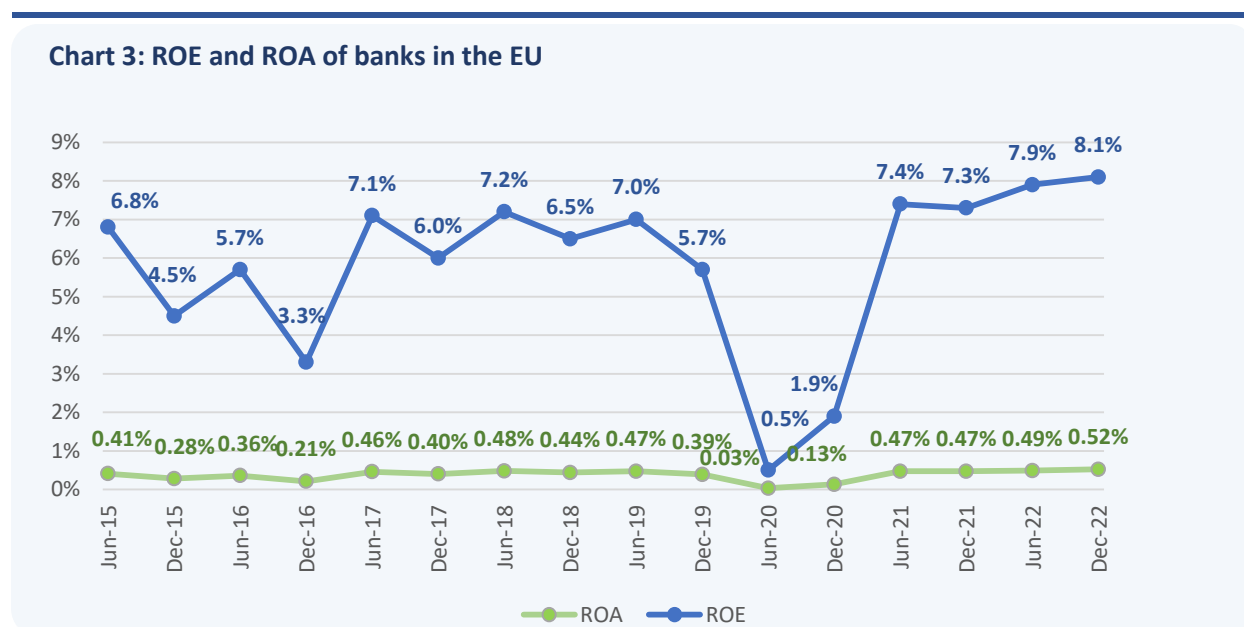
⁶ After series of scandals, dismissal of the bank management and significant losses, this Swiss bank - Credit Suisse (the second largest bank in the Switzerland), was not able to meet its obligations and was taken over by UBS.

The equity tier 1 capital ratio of banks in the EU, according to available data at the end of 2022, is 16.9% and is 0.2 percentage points lower than at the end of 2021. The same trend has a total capital ratio of 19.5% and is 0.3 percentage points lower than at the end of 2021. According to preliminary data for the first quarter of 2023, there was an increase in the share capital ratio and the total capital ratio by 0.3 percentage points compared to the previous quarter. The NPL at the end of 2022 is 1.8% and remained at the same level compared to the end of 2021.

The LCR at the end of 2022 is 164.6% and decreased by 10.1 percentage points compared to the end of 2021. The downward trend of LCR continued with the first quarter of 2023, where according to preliminary data it is 163.7% (a decrease of 0.9 percentage points compared to the previous quarter), which is still well above the regulatory minimums.

The profitability of banks in the EU in 2022 is at a stable level. At the end of 2022, compared to the same period in 2021, the average return on assets recorded an increase of 0.05 percentage points, and the average return on equity increased by 0.8 percentage points. The growth of these indicators continued in the first quarter of 2023 compared to the same period in 2022, with an average return on assets of 0.25 percentage points, and an average return on equity by 3.7 percentage points. Interest income remains the most significant item in banks' total income. The increase in net interest margin was due to rising interest rates and low interest rates on deposits. In the coming period, banks in the EU expect a decrease in net interest income due to a change in the price of deposits.

Chart No. 3 provides an overview of return on assets and return on equity in banks in the EU:



Source: EBA, Risk Dashboard

Every two years, the EBA, in cooperation with the ECB, the European Systemic Risk Board and the national supervisory authorities, conducts an EU-wide stress test. The EBA's methodology and templates are used to conduct stress tests, and scenarios and key assumptions are jointly developed by the EBA, the European Systemic Risk Board, the ECB and the European Commission. The EU-wide stress test represents a significant input for assessing the resilience

of the European banking sector to a common scenario of adverse economic developments, in order to identify potential risks, provide information for supervisory decisions and increase market discipline.

In November 2022, the EBA published a stress test methodology for banks in the EU, and in early 2023 launched a stress test and the publication of macroeconomic scenarios (baseline and adverse), for a period of three years, i.e. from 2023 to 2025. The adverse scenario assumes a worsening of geopolitical tensions that will lead to a serious decline in GDP, in addition to high inflation and high interest rates. It is designed to ensure the severity of various macroeconomic and financial shocks in EU countries and is implemented on a much larger sample compared to the previous one, covering 75% of the total assets of banks in the EU.

The results of the resilience test of 70 banks from 16 EU member states and European Economic Area countries⁷, published by the EBA at the end of July 2023, show that the EU banking sector remains resilient to an adverse scenario that combines a severe EU recession and a global recession, rising interest rates and higher credit spreads. In the case of stress resistance at EU level, the Common Equity Tier 1 ratio (CET 1) would decrease by 4.6 percentage points to 10.4%, if sampled banks in the EU were exposed to a three-year stress period. Higher earnings and better quality of banks' assets at the beginning of 2023 have a favourable impact on a moderate capital reduction in the adverse scenario. Banks in the EU are still capitalised enough to support the economy even in times of severe stress. The high level of macroeconomic uncertainty shows that supervisory authorities and banks should be prepared for possible deterioration of economic conditions.

Conducting stress tests is a significant tool in terms of financial stability, i.e. assessing how successfully banks can cope with financial and economic shocks and is an important source of information to supervisory authorities to detect bank weaknesses with the aim of adequate risk-based supervision.

⁷ EEA - European Economic Area

2. BANKARSKI SEKTOR

2.1. FBIH BANKING SECTOR'S STRUCTURE

2.1.1. Status, Number and Business Network

As of 30/06/2023, 13 commercial banks had a banking license in the FBIH and all banks are members of the DIA. Compared to the YE2022, the number of banks remained the same.

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

Annex 1 provides basic information about the FBIH banks as at 30/06/2023.

The FBIH banks had, as of 30/06/2023, a total of 500 organisational units, which is fewer by 9 organisational parts or 1.8% compared to YE2022. In the territory of the FBIH, there are 440 organisational units of banks. Seven banks from the FBIH have 50 organisational units in the RS, while 9 banks have 10 organisational units in the BD. Three banks from the RS have 27 organisational parts in the FBIH, which is one organisational unit less vs. YE2022.

Table No. 2 below shows a comparative overview of organisational parts and network of ATMs and POS devices of banks in the FBIH:

No.	Description	Business unit/higher org.parts	Other organisat. parts	POS devices	ATMs
31.12.2022					
1.	Banks seated in the FBIH (in the territory of B&H)	398	111	27,036	1,249
2.	Organisational parts of banks from the RS doing business in the FBIH	9	19	424	35
Total		407	130	27,460	1,284
30.06.2023.					
1.	Banks seated in the FBIH (in the territory of B&H)	392	108	26,318	1,269
2.	Organisational parts of banks from the RS doing business in the FBIH	16	11	448	37
Total		408	119	26,766	1,306

2.1.2. Ownership Structure and Market Share

Ownership structure of the FBIH banks⁸ as of 30.06.2023 is as follows:

- privately owned and predominantly privately owned - 12 banks,
- state-owned and predominantly state-owned⁹ – one bank.

Of 12 private and predominantly privately owned banks, three banks are majority-owned by domestic legal and natural persons (residents), while nine banks are majority foreign-owned.

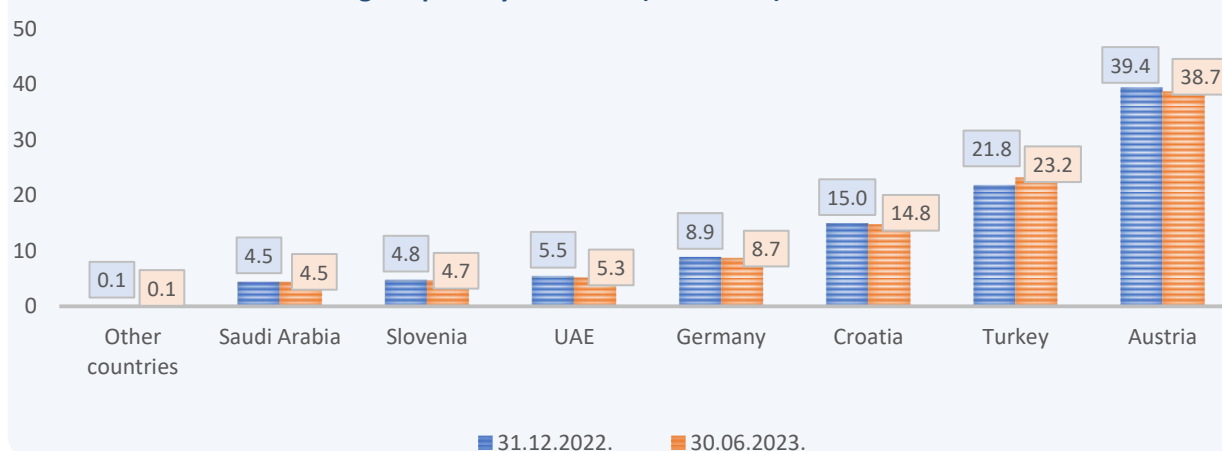
Looking into home countries of the shareholders, the biggest share as of 30/06/2023 (Chart No. 4) was still held by shareholders from Austria (38.7% of foreign capital), followed by Turkey

⁸ Criteria here was the ownership over shareholder capital in banks

⁹ State ownership refers to the capital of the FBIH Government

(23.2%), Croatia (14.8%) and Germany (8.7%), while individual shares of other countries are deemed as insignificant.

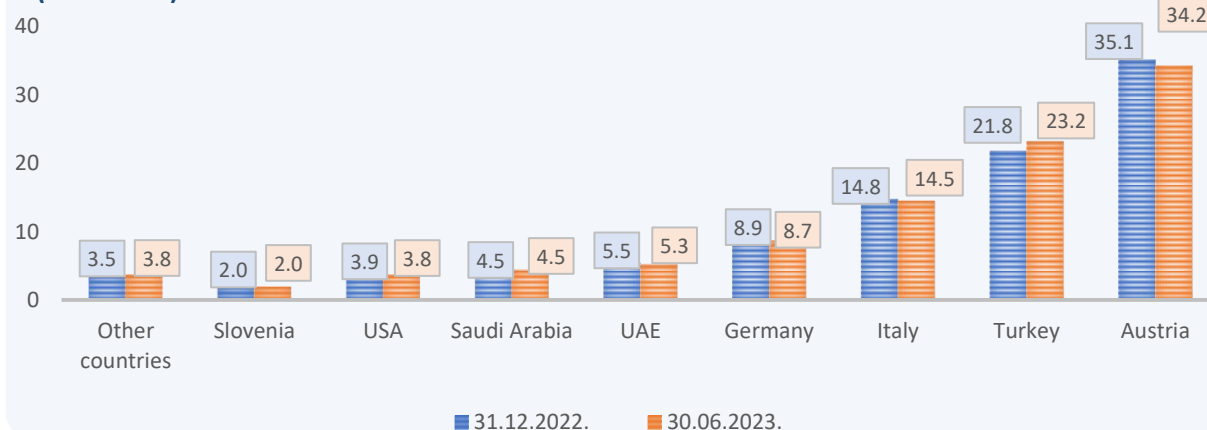
Chart 4: Structure of foreign capital by countries (share in %)



The foreign capital structure can also be viewed according to the criterion of the country of residence of the parent, i.e. the banking group that majority-owns (directly or indirectly through the members from the banking group) the FBiH banks (Chart No. 5).

According to this criterion, the highest share as of 30/06/2023 is held by the banking groups and banks from Austria (34.2%), followed by the banking groups and banks from Turkey (23.2%), Italy (14.5%) and Germany (8.7%), while the banking groups and banks from other countries have no major individual shares (below 7%).

Chart 5: Structure of foreign capital by countries – residence of the group (share in %)



The total capital of the FBiH banking sector with the balance as at 30/06/2023 increased by BAM 162.1 million or 5% compared to the end of 2022, amounting to BAM 3.4 billion (Table No. 3). The increase of total capital was realised as a net effect of: an increase on the basis of the current financial result for 1H2023 of BAM 268.1 million, an increase related to a capital increase of BAM 20 million, increase based on fair valuation of assets of BAM 12.7 million, increase based on fair value of real estate of BAM 1.6 million, and decrease related to dividends disbursement of BAM 140.3 million.

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Table 3: Ownership structure according to total capital

No.	Banks	31.12.2021		31.12.2022		30.06.2023		Index	
		Amount	% share	Amount	% share	Amount	% share	(5/3)	(7/5)
1	2	3	4	5	6	7	8	9	10
1.	State-owned banks	95,412	3.1	119,681	3.7	121,856	3.6	125	102
2.	Private banks	3,012,735	96.9	3,117,650	96.3	3,277,623	96.4	103	105
	Total	3,108,147	100	3,237,331	100	3,399,479	100	104	105

If viewed through the state-owned, private and foreign capital shares in the share capital of the banks, this results in a more detailed overview on the ownership structure of banks' capital in the FBH (Table No. 4):

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

No	Share capital	31.12.2021		31.12.2022		30.06.2023		Index	
		Amount	% share	Amount	% share	Amount	% share	(5/3)	(7/5)
1	2	3	4	5	6	7	8	9	10
1.	State-owned capital	66,556	4.8	96,556	6.2	96,556	6.1	145	100
2.	Private capital (residents)	137,373	9.9	363,207	23.2	363,092	22.9	264	100
3.	Foreign capital (non-residents)	1,178,936	85.3	1,102,626	70.6	1,122,741	71.0	94	102
	Total	1,382,865	100	1,562,389	100	1,582,389	100	113	101

As of 30/06/2023, the share of foreign capital has risen against the end of 2022 by 0.4 percentage points. This came as a result of a capital increase with one bank.

Table No. 5 provides an overview of market shares of banks by ownership type (majority capital) across periods:

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

No	Banks	Number of banks	31.12.2021		31.12.2022			Number of banks	30.06.2023	
			Share in total capit. %	Share in total assets %	Share in total capit. %	Share in total assets %	Share in total capit. %		Share in total assets %	
1	2	3	4	5	6	7	8	9	10	11
1.	Banks with majority state-owned capital	1	3.1	4.1	1	3.7	3.9	1	3.6	3.9
2.	Banks with majority private capital - residents	3	5.7	6.8	3	13.1	13.3	3	12.8	13.6
3.	Banks with majority foreign capital	10	91.2	89.1	9	83.2	82.8	9	83.6	82.5
	Total	14	100	100	13	100	100	13	100	100

2.1.3. Staff Structure

The number of employees across the banking sector as at 30/06/2023 is 6,531, which is higher by 121 employees or 1.9% compared to the end of 2022 (Table 6).

Table 6: Qualification structure of employees in FBH banks

No	Qualification level	31.12.2021		31.12.2022		30.06.2023		Index	
		No. of employees	% share	No. of employees	% share	No. of employees	% share	(5/3)	(7/5)
1	2	3	4	5	6	7	8	9	10
1.	University degree	4,090	63.6	4,101	64.0	4,174	64	100	102

2.	Two-year post-secondary school degree	413	6.4	408	6.4	400	6.1	99	98
3.	Secondary school degree	1,924	29.9	1,897	29.6	1,955	29.9	99	103
4.	Others	5	0.1	4	0.1	2	0.0	80	50
Total		6,432	100	6,410	100	6,531	100	100	102

One of indicators affecting the assessment of the performance of an individual bank and banking sector is the assets to number of employees ratio, i.e. the amount of assets per an employee (Table No. 7), where a higher ratio is an indicator of better operational efficiency of the bank and the overall sector.

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Table 7: Total assets per employee

No. of employ.	31.12.2021			31.12.2022			30.06.2023		
	Assets	Assets per employee	No. of employ.	Assets	Assets per employee	No. of employ.	Assets	Assets per employee	
1	2	3	4	5	6	7	8	9	
6,432	25,890,829	4,025	6,410	27,199,283	4,243	6,531	27,925,462	4,276	

2.2. FINANCIAL PERFORMANCE INDICATORS

2.2.1. Balance Sheet

The presented indicators of the FBIH banks' performance and banking sector analyses include the indicators from the active sub-balance sheet of one bank with a majority of state-owned capital¹⁰, in accordance with provisions of the FBIH Law on the Opening Balance Sheet of Enterprises and Banks, under which banks with a majority of state-owned capital are required to report to the FBA based on the „total“ balance sheet broken down into: passive, neutral, and active sub-balance sheets.

In that respect, the data are reported in Annex 2 of this Information - Balance Sheet of FBIH Banks According to the FBA Scheme (Active Sub-Balance Sheet). Annex 3 provides an overview of assets, loans, deposits and financial performance of the FBIH banks as at 30/06/2023.

The following Table No. 8 provides an overview of the banking sector's balance sheet:

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Table 8: Balance sheet of banks

No.	Description	31.12.2021		31.12.2022*		30.06.2023		Index	
		Amount	% share	Amount	% share	Amount	% share	(5/3)	(7/5)
1	2	3	4	5	6	7	8	9	10
ASSETS									
1.	Cash	7,989,239	30.9	8,240,642	30.3	8,481,101	30.4	103	103
2.	Securities	1,966,008	7.6	2,028,824	7.5	2,012,075	7.2	103	99
3.	Placements to other banks	350,452	1.3	530,298	1.9	387,096	1.4	151	73
4.	Loans	15,890,822	61.4	16,513,007	60.7	17,082,105	61.2	104	103
5.	Impairments	1,099,948	4.3	995,285	3.6	944,261	3.4	90	95
6.	Net loans (loans minus impairments)	14,790,874	57.1	15,517,722	57.1	16,137,844	57.8	105	104
7.	Business premises and other fixed assets	516,921	2.0	548,157	2.0	548,610	2.0	106	100
8.	Other assets	277,335	1.1	333,640	1.2	358,736	1.2	120	108
TOTAL ASSETS		25,890,829	100	27,199,283	100	27,925,462	100	105	103
LIABILITIES									
9.	Deposits	21,184,952	81.8	22,443,589	82.5	23,087,321	82.7	106	103
10.	Borrowings from other banks	0	0.0	0	0.0	0	0.0	-	-

¹⁰ The majority state-owned banks report in the "total" balance sheet passive and neutral items

11.	Liabilities on loans	779,075	3.0	520,335	1.9	475,114	1.7	67	91
12.	Other liabilities	818,655	3.2	998,028	3.7	963,548	3.4	122	97
	CAPITAL								
13.	Capital	3,108,147	12.0	3,237,331	11.9	3,399,479	12.2	104	105
	TOTAL LIABILITIES (LIABILITIES AND CAPITAL)	25,890,829	100	27,199,283	100	27,925,462	100	105	103

* As instructed by the FBA, one bank has corrected its statement as of 31/12/2022. which caused an increase of the balance sheet total of the FBH banking sector by BAM 11.1 million

The total net assets across the FBH banking sector as of 30/06/2023 are BAM 27.9 billion, which is by BAM 726.2 million or 2.7% higher compared to the end of 2022. Net loans have the highest share (57.8%) within the assets in the banks' balance sheet, followed by cash (30.4%), and securities (7.2%). The deposits (82.7%) have the highest share within the liabilities in the banks' balance sheet, followed by capital (12.2%).

As of 30/06/2023, compared to the end of 2022, an increase was evident with cash, loans, business premises and other fixed assets, other assets, deposits and total capital, while a decrease was evident with investments in securities, placements with other banks, liabilities on loans taken and other liabilities.

The following Table No. 9 provides an overview of the banks' assets according to ownership structure:

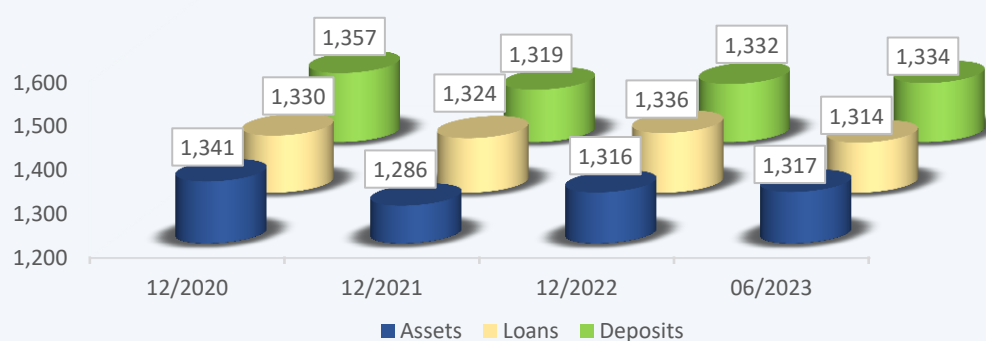
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Table 9: Banks' assets according to ownership structure

No	Banks	Number of banks	31.12.2021		31.12.2022			30.06.2023		Index		
			Assets (BAM '000s)	% share	Number of banks	Assets (BAM '000s)	% share	Number of banks	Assets (BAM '000s)	% share	(7/4)	(10/7)
1	2	3	4	5	6	7	8	9	10	11	12	13
1.	State-owned	1	1,054,365	4.1	1	1,048,095	3.9	1	1,096,413	3.9	99	105
2.	Private	13	24,836,464	95.9	12	26,151,188	96.1	12	26,829,049	96.1	105	103
	Total	14	25,890,829	100	13	27,199,283	100	13	27,925,462	100	105	103

The Herfindahl index of concentration (Chart No. 6) as of 30/06/2023, compared to the end of 2022, rose in relation to assets by one unit and for deposits by two units, while it decreased for loans by 22 units. The Herfindahl index of concentration for the reporting period shows a moderate concentration in all three relevant categories.

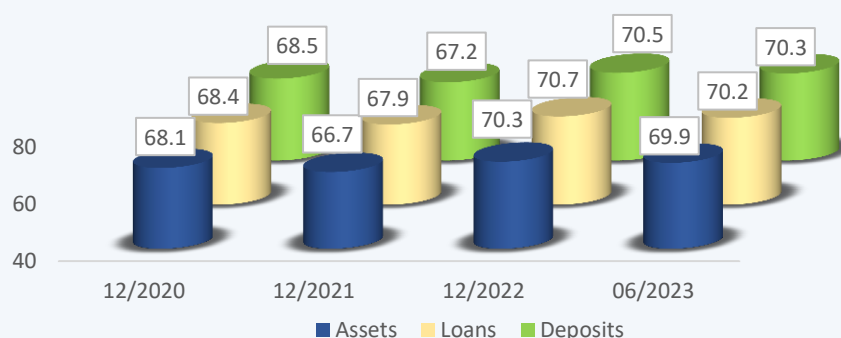
Chart 6: Herfindahl index of concentration in assets, loans, and deposits



Looking into the concentration ratio, i.e. total share of the five biggest banks in the sector - CR5 as of 30/06/2023 is viewed compared to the end of 2022 (Chart No. 7), there is a CR decrease with all categories - market share by 0.4 percentage points, loans by 0.5 percentage points and deposits by 0.3 percentage points.

Two biggest banks in the sector account for 42.4% of the market (assets 42.7%, loans 41.3% and deposits 43.1%).

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



The banking sector can also be presented according to the criterion of classification to the groups created according to the size of assets¹¹ (Table 10). As of 30/06/2023, two banks in the FBiH banking sector with a 42.7% share stand out according to the size of assets, comprising group I of banks with the assets of over BAM 4.0 billion. as of 30/06/2023 vs. YE2022, there were no changes to the structure of the group of banks in the total assets of the FBiH banking sector.

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Table 10: Share of groups of banks in total assets

No	Assets amount	31.12.2021		31.12.2022			30.06.2023			
		Amount	% share	Amount	% share	Amount	% share	Amount	% share	
1	2	3	4	5	6	7	8	9	10	11
1.	I (over BAM 4 billion)	11,216,540	43.3	2	11,614,886	42.7	2	11,915,260	42.7	2
2.	II (BAM 2-4 billion)	2,496,815	9.7	1	7,499,085	27.6	3	7,615,224	27.3	3
3.	III (BAM 1-2 billion)	10,748,335	41.5	8	6,406,910	23.5	5	6,683,394	23.9	5
4.	IV (below BAM 1 billion)	1,429,139	5.5	3	1,678,402	6.2	3	1,711,584	6.1	3
Total		25,890,829	100	14	27,199,283	100	13	27,925,462	100	13

Cash across the FBiH banking sector as of 30/06/2023 (Table No. 11) amounted to BAM 8.5 billion, up by BAM 240.5 million or 2.9% vs. YE2022. Banks still hold major amount of cash in excess of the mandatory reserves.

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Table 11: Banks' cash

No	Cash	31.12.2021		31.12.2022		30.06.2023		Index	
		Amount	% share	Amount	% share	Amount	% share	(5/3)	(7/5)
1	2	3	4	5	6	7	8	9	10
1.	Cash	1,526,329	19.1	1,543,794	18.7	1,396,192	16.5	101	90
2.	Reserve account with CBB&H	5,270,323	66.0	5,365,342	65.1	4,880,305	57.5	102	91
3.	Accounts with deposit	10,345	0.1	7,662	0.1	6,099	0.1	74	80

¹¹ Banks are divided into four groups depending on the size of assets.

4.	institutions in B&H Accounts with deposit institutions abroad	1,182,240	14.8	1,323,842	16.1	2,198,503	25.9	112	166
5.	Cash in the collection process	2	0.0	2	0.0	2	0.0	100	100
	Total	7,989,239	100	8,240,642	100	8,481,101	100	103	103

As of 30/06/2023, compared to the end of 2022, there was an increase of the banks' cash funds related to deposit accounts with deposit institutions abroad, while a decrease was noted with cash, reserve account with CBBH and deposit accounts with deposit institutions in BiH. In the currency structure of cash funds as of 30/06/2023 (compared to the end of 2022), the share of local currency dropped from 72.1% to 70.4%.

The portfolio of securities as at 30/06/2023 (Table No. 12) amounted to BAM 2.0 billion, which was lower by BAM 16.7 million or 0.8% compared to the end of 2022.

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Table 12: Securities according to type of instrument

No.	Investments in securities	31.12.2021		31.12.2022		30.06.2023		Index	
		Amount	% share	Amount	% share	Amount	% share	(5/3)	(7/5)
1	2	3	4	5	6	7	8	9	10
1.	Equity securities	7,374	0.4	18,113	0.9	30,219	1.5	246	167
2.	Debt securities:	„958,634	99.6	2,010,711	99.1	1,981,856	98.5	103	99
2.1.	- Securities of all levels of governments in B&H	„014,120	51.6	1,045,523	51.5	994,504	49.4	103	95
2.2.	- Government securities (other countries)	756,726	38.4	790,617	39.0	821,644	40.8	104	104
2.3.	- Corporate bonds ¹²	187,788	9.6	174,571	8.6	165,708	8.3	93	95
	Total	1,966,008	100	2,028,824	100	2,012,075	100	103	99

As of 30/06/2023, the most significant item within the investments in debt securities are the securities of entity governments (Table No. 13), namely the securities issued by the FBIH, of altogether BAM 689.7 million and the securities of the RS as the issuer of BAM 304.3 million.

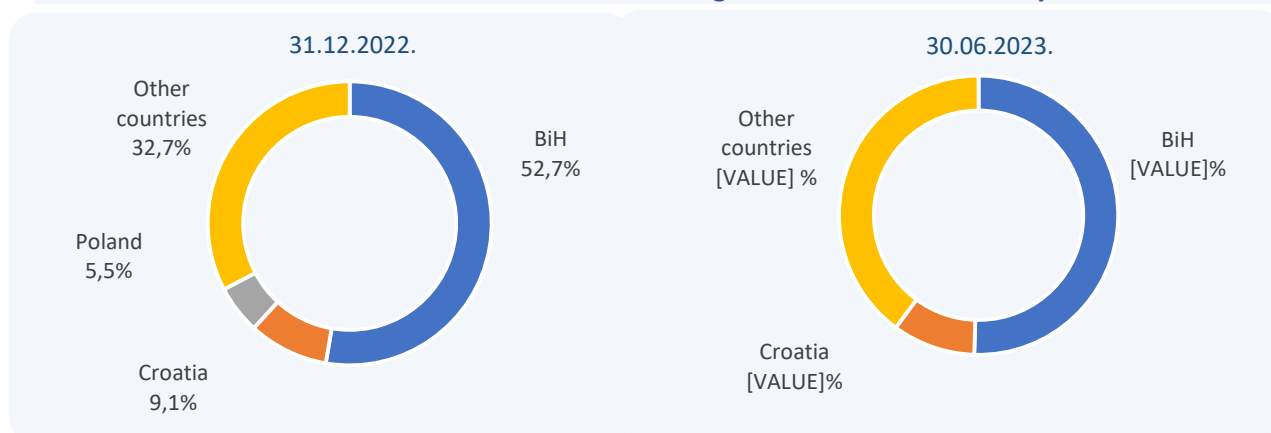
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Table 13: Securities of BiH entity governments

No.	Investments in securities	31.12.2021		31.12.2022		30.06.2023		Index	
		Amount	% share	Amount	% share	Amount	% share	(5/3)	(7/5)
1	2	3	4	5	6	7	8	9	10
1.	Debt securities of FBIH as issuer:	625,252	64.4	587,897	60.7	689,659	69.4	94	117
1.1.	- Treasury bills	34,986	3.6	29,988	3.1	69,654	7.0	86	232
1.2.	- Bonds	590,266	60.8	557,909	57.6	620,005	62.4	95	111
2.	Debt securities of RS:	346,095	35.6	379,994	39.3	304,284	30.6	110	80
2.1.	- Treasury bills	0	0.0	27,437	2.8	35,686	3.6	-	130
2.2.	- Bonds	346,095	35.6	352,557	36.5	268,598	27.0	102	76
	Total	971,347	100	967,891	100	993,943	100	100	103

If total investments in securities are analysed according to the exposures by countries (Chart No. 8), as of 30/06/2023, the highest share of 50.5% is to the issuers from B&H, followed by Croatia with a 9.6% share and other countries with individual shares below 5%.

¹² Majority, app. 96%, relates to the bonds of banks from EU, Great Britain, USA and Turkey.

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


2.2.2. Liabilities

As of 30/06/2023, deposits amounted to BAM 23.1 billion, up by BAM 643.7 million or 2.9% compared to the end of 2022. Out of the total amount of deposits at the end of the observed period, BAM 1.5 billion or 6.6% refers to deposits collected in organisational parts of FBiH-seated banks that operated in the RS and the BD.

As of 30/06/2023, the share of deposits, as the most significant source of the banks' funding, increased by 0.2 percentage points (82.7%) compared to YE2022, while the share of loan obligations decreased by 0.2 percentage points (1.7%).

The banks' loan obligations with the amount of BAM 475.1 million have decreased by BAM 45.2 million or 8.7% compared to the end of 2022. If subordinated loans of BAM 260.3 million are also added to the loan obligations, total loans have a 2.6% share in the funding sources.

The following Charts 9 and 10 provide an overview of total deposits and the ratio of loans and deposits by periods:

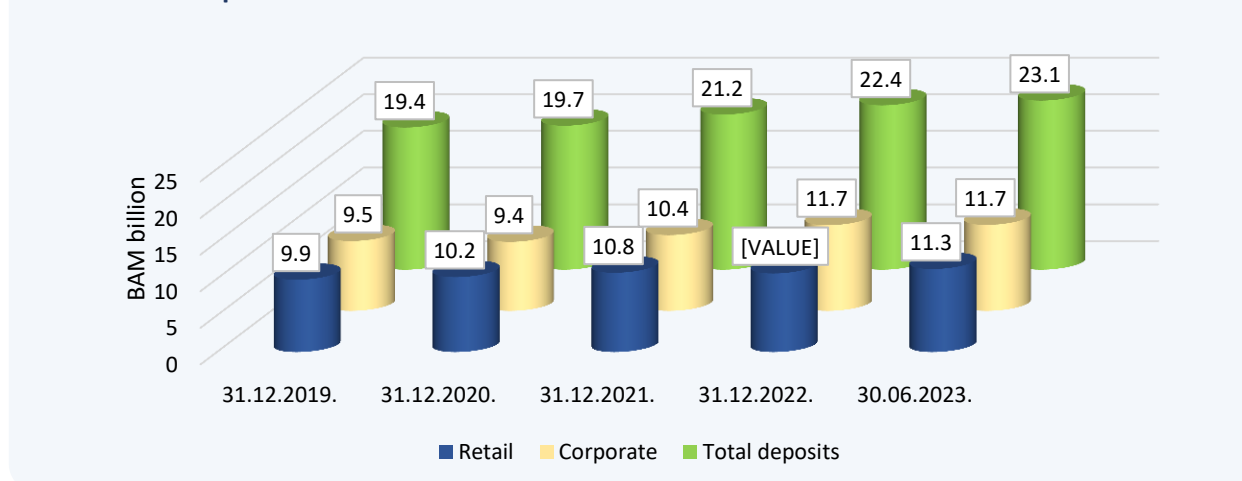
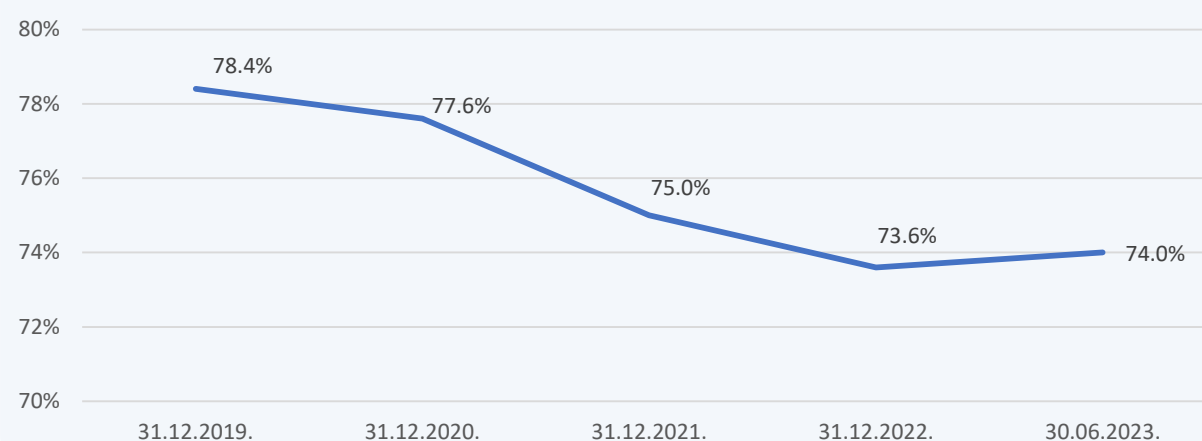
Chart 9: Total deposits


Chart 10: Loan- to-deposit ratio

The following Table No. 14 provides an overview of the sector structure of deposits:

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Table 14: Sector structure of deposits

No	Sectors	31.12.2021		31.12.2022		30.06.2023		Index	
		Amount	% share	Amount	% share	Amount	% share	(5/3)	(7/5)
1	2	3	4	5	6	7	8	9	10
1.	Government institutions	2,600,382	12.3	3,227,149	14.4	3,355,821	14.5	124	104
2.	Public enterprises	1,618,685	7.6	1,723,548	7.7	1,712,197	7.4	106	99
3.	Priv. enterp. and companies	4,393,701	20.8	4,997,582	22.2	5,168,257	22.4	114	103
4.	Banking institutions	348,047	1.6	362,688	1.6	129,556	0.6	104	36
5.	Non-bank fin. institutions	829,534	3.9	829,765	3.7	789,156	3.4	100	95
6.	Retail	10,832,483	51.1	10,742,142	47.9	11,341,036	49.1	99	106
7.	Other	562,120	2.7	560,715	2.5	591,298	2.6	100	105
	Total	21,184,952	100	22,443,589	100	23,087,321	100	106	103

The largest share in the sector structure of deposits refers to retail deposits with BAM 11.3 billion or 49.1% and this share has risen by 1.2 percentage points compared to YE2022.

An increase in deposits as of 30/06/2023, compared to the end of 2022, was realised in relation to the government institutions' deposits by BAM 128.7 million or 4%, deposits of private companies by BAM 170.7 million or 3.4%, retail deposits by BAM 598.9 million or 5.6% and with other deposits by BAM 30.5 million or 5.5%. The deposit decrease as of 30/06/2023 vs YE2022 was seen with deposits of public companies by BAM 11.4 million or 0.7%, deposits of banking institutions by BAM 233.1 million or 64.3% and with deposits of non-banking financial institutions by BAM 40.6 million or 4.9%.

Financing in form of deposits of banking groups is present in six banks in the FBiH, so that 57.9% of total deposits of banking institutions refer to deposits of these groups.

The currency structure of deposits as at 30/06/2023 has changed compared to the end of 2022, i.e. the share of deposits in domestic currency increased from 69.3% to 70.2% and the share of deposits in foreign currency decreased from 30.7% to 29.8%. Deposits in domestic currency amounted to BAM 16.2 billion (up by BAM 640.1 million or 4.1% vs. YE2022), while deposits in foreign currencies stood at BAM 6.9 billion (up by BAM 3.7 million or 3.7% vs. YE2022).

The structure of deposits according to the origin of depositors as of 30/06/2023, compared to the end of 2022, has the following structure: residents' deposits of BAM 22.6 billion have a 97.8% share (up by 0.9 percentage points), while non-residents' deposits are BAM 0.5 billion, which was 2.2% of total deposits (down by 0.9 percentage points).

There is a continuous trend of increase of savings deposits by periods, except for the Y2022. Changes related to the deposit increase trend in 2022 refer to external events and predominantly refer to one bank that underwent a successful resolution process during 2Q 2022. In 2023, the trend of increase of savings deposits has continued. As of 30/06/2023, savings deposits stood at BAM 10.8 billion, up by BAM 510.2 million or 4.9% vs. YE2022.

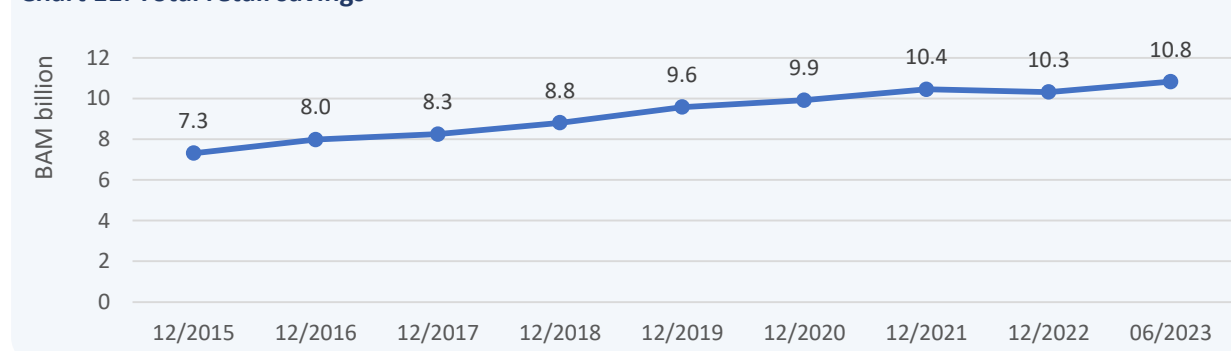
The savings trend is shown in the Table 15 and the Chart 11 below.

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Table 15: Retail savings

No	Banks	Amount			Index	
		31.12.2021	31.12.2022	30.06.2023	(4/3)	(5/4)
1	2	3	4	5	6	7
1.	State-owned	124,474	124,725	130,879	100	105
2.	Private	10,324,468	10,187,746	10,691,808	99	105
	Total	10,448,942	10,312,471	10,822,687	99	105

Chart 11: Total retail savings



53.3% of savings are concentrated in two biggest banks, while five banks have the individual shares of less than 10%, amounting to 34.5% of the total savings in the sector, while the remaining part of savings of 12.2% refers to savings of six banks with individual share below 5% of total savings of the banking sector. Of the total amount of the savings, 58.3% relate to savings deposits in domestic currency, while 41.7% relate to savings deposits in foreign currency.

As of 30/06/2023 vs. YE2022, short term retail savings deposits rose by BAM 618.9 million or 8.6% (their share rose by 2.4 percentage points), while long term retail savings deposits dropped by BAM 108.7 million or 3.5% (their share went down by 2.4 percentage points). Maturity structure of savings deposits is provided in the Table 16:

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Table 16: Maturity structure of retail savings deposits

No	Savings deposits	31.12.2021		31.12.2022		30.06.2023		Index	
		Amount	% share	Amount	% share	Amount	% share	(5/3)	(7/5)
1	2	3	4	5	6	7	8	9	10
1.	ST savings deposits	6,755,829	64.7	7,232,406	70.1	7,851,342	72.5	107	109
2.	LT savings deposits	3,693,113	35.3	3,080,065	29.9	2,971,345	27.5	83	96

Total	10,448,942	100	10,312,471	100	10,822,687	100	99	105
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The table No. 17 below provides an overview of retail loans, savings and deposits by periods:

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Table 17: Retail loans, savings and deposits

No.	Description	31.12.2021	31.12.2022	30.06.2023	Index	
1	2	3	Amount 4	5	(4/3) 6	(5/4) 7
1.	Retail loans	7,613,327	8,022,374	8,394,301	105	105
2.	Retail savings	10,448,942	10,312,471	10,822,687	99	105
2.1.	Term deposits	3,976,925	3,347,737	3,245,493	84	97
2.2.	Demand deposits	6,472,017	6,964,734	7,577,194	108	109
3.	Loans/savings	73%	78%	78%		
4.	Retail deposits	10,832,483	10,742,142	11,341,036	99	106
5.	Loans/Retail deposits	70%	75%	74%		

As of 30/06/2023, retail loans amounted to BAM 8.4 billion, up by 4.6% vs. YE2022. Retail deposits grew by 5.6% to BAM 11.3 billion as of 30/06/2023. The ratios of loans to savings remained the same, while the ratio of loans to deposits in the retail segment went down by 1 percentage point vs. end of 2022.

2.2.3. Capital and Capital Adequacy

As of 30/06/2023, total banks' capital was BAM 3.4 billion, increasing by BAM 162.1 million or 5% compared to the end of 2022 (more details are provided under Subheading 2.1.2 - Ownership Structure and Market Share).

The following Table No. 18 provides a report on the balance, i.e. the structure of the FBIH banks' own funds:

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Table 18: Report on the balance of own funds

No.	Description	31.12.2021	31.12.2022	30.06.2023	Index	
1	2	3	4	5	(4/3) 6	(5/4) 7
1.	Own funds	2,852,902	2,926,563	3,040,127	103	104
1.1.	Tier 1 capital	2,733,978	2,782,658	2,893,948	102	104
1.1.1.	Common Equity Tier 1	2,733,978	2,782,658	2,893,948	102	104
1.1.1.1.	Paid-up capital instruments	1,384,714	1,562,046	1,582,046	113	101
1.1.1.2.	Share premium	137,290	137,327	118,164	100	86
1.1.1.3.	(-)Own Common Equity Tier 1 instruments	-214	0	0	0	-
1.1.1.4.	(-) Actual or contingent obligations of purchase of own common equity Tier 1 instruments	-2,192	0	0	0	-
1.1.1.5.	Previous year retained profit	393,494	466,815	518,911	119	111
1.1.1.6.	Recognized gain or loss	-118,241	-113,355	-124,214	96	110
1.1.1.7.	Accumulated other comprehensive income	10,368	-66,916	-54,170	-645	81
1.1.1.8.	Other reserves	1,014,269	897,338	953,148	88	106
1.1.1.9.	(-)Other intangible assets	-61,626	-68,789	-68,927	112	100
1.1.1.10.	(-) Deferred tax assets that rely on future profitability and do not arise from temporary differences less related tax liabilities	-1,081	-4,306	-3,275	398	76
1.1.1.11.	(-)Deferred tax assets that are deductible and rely on future profitability and arise from temporary differences	-8,621	-13,470	-13,694	156	102
1.1.1.12.	(-)Financial sector entities' Common Equity Tier 1	-14,182	-14,032	-14,041	99	100

	instruments if bank has material investment					
1.1.1.13.	Elements or deductions from Common Equity Tier 1 – other	0	0	0	-	-
1.1.2.	Additional Tier 1	0	0	0	-	-
1.2.	Tier 2 capital	118,924	143,905	146,179	121	102
1.2.1.	Paid-up capital instruments and subordinated debts	118,938	143,905	146,179	121	102
1.2.2.	(–) Own Tier 2 instruments	-14	0	0	0	-
1.2.3.	General impairments for credit risk under standardized approach	0	0	0	-	-
1.2.4.	Deduction from Tier 2 items exceeding Tier 2 capital (deducted from Additional Tier 1 capital)	0	0	0	-	-
1.2.5.	Elements or deductions from Tier 2 capital – other	0	0	0	-	-

The FBIH banks' own funds as of 30/06/2023 were BAM 3.0 billion and, compared to the end of 2022, it increased by BAM 113.6 million or 3.9%. At the same time, the banks' T1 and CET1 capital equal BAM 2.9 billion, with a realised increase of BAM 111.3 million or 4%, while Tier 2 capital is BAM 146.2 million, with a realised increase of BAM 2.3 million or 1.6% compared to the end of 2022.

The own funds' structure of the FBIH banking sector includes a share of Tier 1 capital of 95.2% (12/2022: 95.1%), while Tier 2 capital participates with 4.8% (12/2022: 4.9%).

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

- increase based on included profit in an amount of BAM 77.8 million,
- increase based on the capital increase of BAM 20 million,
- increase of accumulated other comprehensive income based on fair valuation of assets of BAM 12.7 million, and
- increase based on reduction of an off-set item – deferred tax assets of BAM 0.8 million.

According to the Decision on Capital Calculation in Banks, total amount of risk exposure is a sum of exposures weighted by credit risk, market risk, operational risk, settlement risk/free deliveries risk and risk related to large exposures resulting from the trading book items. The FBIH banking sector's total risk exposure as at 30/06/2023 was BAM 15.8 billion (Table No. 19).

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Table 19: Risk exposure structure

No	Risk exposure	31.12.2021		31.12.2022		30.06.2023		Index	
		Amount	% share	Amount	% share	Amount	% share	(5/3)	(7/5)
1	2	3	4	5	6	7	8	9	10
1.	Risk weighted exposures for credit risk	13,167,335	91.0	13,870,013	91.9	14,507,109	91.6	105	105
2.	Settlement/free delivery risk exposures	0	0.0	0	0.0	0	0.0	-	-
3.	Market risk (position and currency risk) exposures	152,789	1.1	80,840	0.5	124,623	0.8	53	154
4.	Risk exposures for operational risk	1,147,271	7.9	1,144,473	7.6	1,200,266	7.6	100	105
	Total risk exposure amount	14,467,395	100	15,095,326	100	15,831,998	100	104	105

The total risk exposure amount across the FBIH banking sector increased by BAM 736.7 million or 4.9% against the end of the previous year. Over the reporting period, there was an increase of credit risk weighted exposures by BAM 637.1 million or 4.6%, the market risk weighted exposures went up by BAM 43.8 million or 54.2%, while the operational risk weighted exposures rose by BAM 55.8 million or 4.9%.

At the end of 1H 2023, there were six banks in the sector that have not posted currency risk exposures since their net open currency position did not exceed 2% of the own funds, which is the same as at the end of 2022. This major increase of the market risk exposure at the FBIH banking sector level mostly came as a result of increased net open position for EUR with one bank.

As of 30/06/2023, banks were most exposed to the credit risk (91.6% share), which is dominant in the FBIH banking sector. Compared to the end of the previous year, the share of credit risk in total exposure went down by 0.3 percentage points, while the market risk exposure share went up by 0.3 percentage points and the share of the operational risk exposure remained unchanged. Within the credit risk weighted exposures, the biggest share is with retail exposures (BAM 5.1 billion or 35.1%), followed by corporate exposures (BAM 4.0 billion or 27.3%) and real estate-secured exposures (BAM 3.6 billion or 24.5%).

The banking sector's capital adequacy has continuously been maintained above 15% in the last few years, which is satisfactory capitalisation across the sector. The FBIH banking sector capital adequacy ratios are provided in the following Table No. 20:

- BAM 000 -

Table 20: Capital adequacy ratios

No.	Capital ratios	% and amount of regulatory minimum surplus or deficit		
		31.12.2021	31.12.2022	30.06.2023
1	2	3	4	5
1.	Common Equity Tier 1 capital ratio	18.9%	18.4%	18.3%
2.	Surplus (+) / Deficit (-) of Common Equity Tier 1	1,757,430	1,763,723	1,825,287
3.	Tier 1 capital ratio	18.9%	18.4%	18.3%
4.	Surplus (+) / Deficit (-) of Tier 1 capital	1,431,916	1,424,078	1,469,069
5.	Own funds ratio	19.7%	19.4%	19.2%
6.	Surplus (+) / Deficit (-) of own funds	1,116,816	1,115,126	1,140,286

The own funds rate as at 30/06/2023 is 19.2% and it is considerably higher compared to the statutory minimum and the same stands for other capital ratios (Common Equity Tier 1 capital and Tier 1 capital ratios). Compared to YE2022, own funds ratio dropped by 0.2 percentage points, while CET1 and T1 ratios also decreased by 0.1 percentage point.

The following Table No. 21 provides an overview of the FBIH banking sector's financial leverage ratio (i.e. the ratio of T1 capital and total exposure of a bank) across periods:

- BAM 000 -

Table 21: Financial leverage ratio

No.	Exposure values	31.12.2021	31.12.2022	30.06.2023
1	2	3	4	5
1.	Fin.leverage ratio exposures	27,111,043	28,527,370	29,247,166
2.	Tier 1 capital	2,733,978	2,782,658	2,893,948
	Financial leverage ratio	10.1%	9.8%	9.9%

The financial leverage ratio across the banking sector as at 30/06/2023 is 9.9%, which is higher by 0.1 percentage point compared to the end of 2022. It is much higher than the regulatory minimum.

2.2.4. Credit Risk

Odlukom o upravljanju kreditnim rizikom i utvrđivanju očekivanih kreditnih gubitaka¹⁰ / Decision on Credit Risk Management and Determination of Expected Credit Losses defines rules of credit risk management, manner of exposure allocation to credit risk grades and ECL determination, types of eligible collateral, etc. It is in effect since 01/01/2020. All exposures are being allocated to one of the following credit risk grades: credit risk grade 1 – low level of credit risk, credit risk grade 2 – increased level of credit risk and credit risk grade 3 – exposures in default status.

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Table No. 22 below provides an overview of balance sheet exposures at the FBiH banking sector level based on key categories of financial assets, off-balance sheet exposures and related ECLs:

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No	Description	31.12.2021			31.12.2022			30.06.2023		
		Amount	ECL	% ECL	Amount	ECL	% ECL	Amount	ECL	% ECL
1	2	3	4	5	6	7	8	9	10	11
1.	Cash and cash equivalents	8,343,998	11,218	0.1	8,772,777	10,310	0.1	6,125,708	7,164	0.1
2.	Financial assets at amortised cost	16,160,753	1,119,190	6.9	17,224,054	1,022,126	5.9	20,842,896	991,330	4.8
3.	Financial assets at fair value	1,781,852	0	0.0	1,431,688	0	0.0	1,275,007	952	0.1
4.	Other financial receivables	187,605	21,971	11.7	187,816	15,507	8.2	50,855	4,596	9.0
I Total balance sheet exposure		26,474,208	1,152,379	4.4	27,616,335	1,047,943	3.8	28,294,466	1,004,042	3.5
5.	Issued guarantees	1,428,082	24,875	1.7	1,680,091	43,900	2.6	1,745,434	36,103	2.1
6.	Uncovered letters of credit	40,601	1,172	2.9	43,263	1,255	2.9	30,712	1,025	3.3
7.	Irrevocably approved, but undrawn loans	2,188,232	21,071	1.0	2,270,434	22,194	1.0	2,322,481	23,141	1.0
8.	Other contingent liabil.	263,064	2,563	1.0	411,127	5,342	1.3	559,236	3,992	0.7
II Total off-bal.sheet items		3,919,979	49,681	1.3	4,404,915	72,691	1.7	4,657,863	64,261	1.4
Total exposure (I+II)		30,394,187	1,202,060	4.0	32,021,250	1,120,634	3.5	32,952,329	1,068,303	3.2

Total exposure of banks as of 30/06/2023 stood at BAM 33 billion, thereof BAM 28.3 billion referring to balance sheet exposures and BAM 4.7 billion to off-balance sheet items. In 1H 2023, there was an increase of balance sheet exposures compared to the YE2022 by BAM 678.1 million or 2.5%, as caused by a net effect of an increase of financial assets measured at amortised cost by BAM 3.6 billion (21%), as well as by a decrease of cash and cash equivalents by BAM 2.6 billion (30.2%), financial assets measured at fair value by BAM 156.7 million (10.9%) and other financial assets by BAM 137 million (72.9%).

Large structural changes in financial assets in 2023 occurred due to changes in the regulatory reporting framework in March 2023 and due to different positioning of certain financial assets items.

Over the same period, there was also an increase of off-balance sheet items by BAM 252.9 million or 5.7% as a net effect of higher amount of issued guarantees (BAM 65.3 million or 3.9%), irrevocably approved, but undrawn loans (BAM 52 million or 2.3%) and other contingent liabilities of banks (BAM 148.1 million or 36% due to major increase with one bank), while decrease was noted in relation to uncovered letters of credit by BAM 12.6 million or 29% (68.4% reduction referring to one bank).

The following Table No. 23 shows balance sheet and off-balance sheet exposures at the FBiH banking sector level by credit risk grades and related ECLs:

- BAM 000 -

No.	Description	31.12.2021			31.12.2022			30.06.2023		
		Amount	ECL	% ECL	Amount	ECL	% ECL	Amount	ECL	% ECL
1	2	3	4	5	6	7	8	9	10	11
1.	Credit risk grade 1	24,029,210	166,312	0.7	25,235,277	174,910	0.7	26,093,965	196,634	0.8
2.	Credit risk grade 2	1,387,627	160,138	11.5	1,550,660	176,699	11.4	1,446,483	174,414	12.1
3.	Credit risk grade 3	1,057,371	825,929	78.1	830,398	696,334	83.9	754,018	632,994	83.9
I Total bal.sheet exposure		26,474,208	1,152,379	4.4	27,616,335	1,047,943	3.8	28,294,466	1,004,042	3.5
4.	Credit risk grade 1	3,603,792	20,660	0.6	4,035,724	26,448	0.7	4,305,506	26,046	0.6
5.	Credit risk grade 2	309,101	25,536	8.3	358,721	38,984	10.9	348,844	35,953	10.3
6.	Credit risk grade 3	7,086	3,485	49.2	10,470	7,259	69.3	3,513	2,262	64.4
II Total off-bal. sheet exposure		3,919,979	49,681	1.3	4,404,915	72,691	1.7	4,657,863	64,261	1.4
Total exposure (I+II)		30,394,187	1,202,060	4.0	32,021,250	1,120,634	3.5	32,952,329	1,068,303	3.2

As of 30/06/2023, balance sheet exposures within the credit risk grade 1 amounted to BAM 26.1 billion and make up for 92.2% of the total balance sheet exposures. Compared to YE2022, they have risen by BAM 858.7 million or 3.4%. The increase mostly came as a net effect of increased loan portfolio within this credit risk grade by BAM 762.5 million, cash and deposits with banks by BAM 735.1 million, debt securities measured at amortised cost by BAM 151.5 million and decrease of funds with CBBH by BAM 485 million, cash by BAM 147.6 million, debt securities valued at fair value by BAM 156 million and other financial assets items by BAM 10.2 million.

As of 30/06/2023, balance sheet exposures within the credit risk grade 2 stood at BAM 1.4 billion, representing 5.1% of the total balance sheet exposures. Compared to YE2022, they have dropped by BAM 104.2 million or 6.7%. The decrease of total balance sheet exposures within this credit risk grade came mostly as a result of a decrease of the loan portfolio within the credit risk grade 2 by BAM 72.6 million, debt securities measured at amortised cost by BAM 25.6 million and other financial assets BAM 6.1 million.

As of 30/06/2023, balance sheet exposures within the credit risk grade 3 equaled BAM 754 million, representing 2.7% of the total balance sheet exposures. If observed against YE2022, they have dropped by BAM 76.4 million or 9.2%. This largely came as a result of a decrease of the loan portfolio within this credit risk grade.

At the end of 1H 2023, ECLs at the credit risk grade 1 for the balance sheet exposures increased by BAM 21.7 million, while going down for the credit risk grade 2 by BAM 2.3 million and for the credit risk grade 3 it went down by BAM 63.3 million (related to YE2022). Over the observed

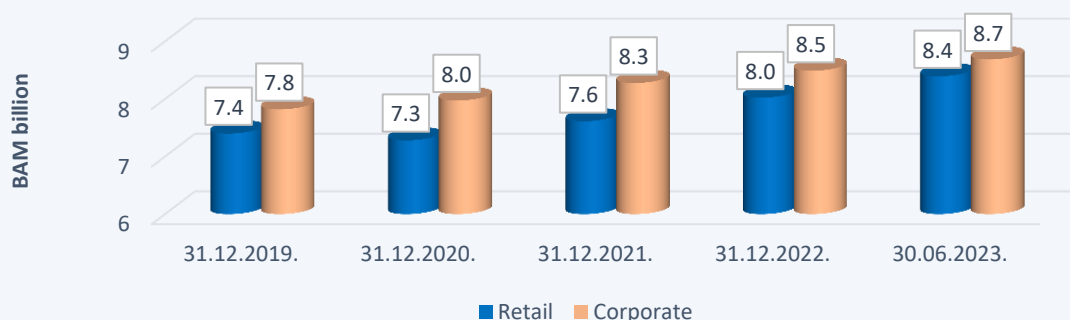
period, ECL coverage rate at the credit risk grade 1 rose by 0.1 percentage point (from 0.7% to 0.8%), while this rate climbed at the credit risk grade 2 by 0.7 percentage points (from 11.4% to 12.1%) and it remained the same at the credit risk grade 3 (83.9%). Total ECL coverage rate for balance sheet exposures is 3.5%, whereas at the end of 2022 it was 3.8%.

As of 30/06/2023, off-balance sheet exposures at the credit risk grade 1 stood at BAM 4.3 billion, thus representing 92.4% of the total off-balance sheet exposures. Exposures at the credit risk grade 2 amounted to BAM 348.8 million or 7.5% of the total off-balance sheet exposures, while the credit risk grade 3 includes exposures of BAM 3.5 million or 0.1% of the total off-balance sheet. Total ECL coverage for off-balance sheet exposures is 1.4%, which is by 0.3 percentage points lower than at the end of the previous year. Compared to the end of the year before, the ECL coverage rate decreased by 0.1 percentage point for the credit risk grade 1 (from 0.7% to 0.6%), by 0.6 percentage points for the credit risk grade 2 (from 10.9% to 10.3%) and by 4.9 percentage points for the credit risk grade 3 (from 69.3% to 64.4%).

As of 30/06/2023, loans stood at BAM 17.1 billion, up by BAM 569.1 million or 3.4% vs. YE2022. The loan portfolio of one bank included also short term low-risk exposures that dropped against the end of the previous year by BAM 59.7 million or 10.2%. If the said reduction of short term low-risk exposures would be excluded, the observed period would show the loan portfolio increase by 3.8%.

Retail loans amount to BAM 8.4 billion and hold a share in total loans of 49.1% (up by BAM 371.9 million or 4.6% compared to YE2022). Corporate loans (amounting to BAM 8.7 billion and representing 50.9% of total loans) have risen by BAM 197.2 million or 2.3% against end of 2022 (Chart No. 12). If the decrease of short term low-risk exposures with one bank would be excluded, the corporate loan portfolio would show a growth of 3% during the observed period.

Chart 12: Loans



The following Table No. 24 shows a trend and changes of individual sectors' share in the total loan structure:

- BAM 000 -

Table 24: Sector structure of loans

No.	Sectors	31.12.2021		31.12.2022		30.06.2023		Index	
		Amount	% share	Amount	% share	Amount	% share	(5/3)	(7/5)
1	2	3	4	5	6	7	8	9	10
1.	Government institutions	223,252	1.4	244,803	1.5	241,318	1.4	110	99
2.	Public sector enterprises	406,525	2.6	452,504	2.7	412,499	2.4	111	91

3.	Private companies	6,616,261	41.6	7,028,386	42.6	7,269,405	42.6	106	103
4.	Banking institutions	917,784	5.8	660,333	4.0	639,752	3.8	72	97
5.	Non-banking financial instit.	91,038	0.6	86,148	0.5	105,820	0.6	95	123
6.	Retail	7,613,327	47.9	8,022,374	48.6	8,394,301	49.1	105	105
7.	Other	22,635	0.1	18,459	0.1	19,010	0.1	82	103
	Total	15,890,822	100	16,513,007	100	17,082,105	100	104	103

Looking at the sector structure of loans, the biggest growth rate was seen with loans to non-banking financial institutions (22.8%), as largely resulting from an increase with one bank.

The following Table No. 25 provides maturity structure of loans by sectors:

- BAM 000 -

No.	Sectors	31.12.2022			30.06.2023			Index		
		ST loans	LT loans	Receiv. due	ST loans	LT loans	Receiv. due	(6/3)	(7/4)	(8/5)
1	2	3	4	5	6	7	8	9	10	11
1.	Government institutions	5,388	239,362	53	8,145	233,144	29	151	97	55
2.	Public sector enterprises	83,815	365,781	2,908	62,070	348,947	1,482	74	95	51
3.	Private companies	2,541,376	4,127,079	359,931	2,699,193	4,257,627	312,585	106	103	87
4.	Banking institutions	660,331	0	2	639,751	0	1	97	-	50
5.	Non-banking financial instit.	16,614	69,479	55	18,767	87,033	20	113	125	36
6.	Retail	389,574	7,411,302	221,498	420,065	7,766,638	207,598	108	105	94
7.	Other	5,957	11,534	968	9,335	9,236	439	157	80	45
	Total	3,703,055	12,224,537	585,415	3,857,326	12,702,625	522,154	104	104	89

As of 30/06/2023, compared to the end of 2022, short term loans in the FBiH banking sector have risen by BAM 154.3 million or 4.2%, while long term loans have risen by BAM 478.1 million or 3.9%. Loan receivables due amount to BAM 522.2 million (or 3.1% of the total loan portfolio) and are lower by BAM 63.3 million or 10.8% vs. YE2022.

In the currency structure of loans, loans approved in domestic currency have the highest share of 64.7% or BAM 11 billion, followed by loans approved with a currency clause with a share of 31.4% or BAM 5.4 billion (EUR: BAM 5.4 billion or 99.99%, CHF: BAM 0.4 million or 0.01%), while loans approved in foreign currency have the lowest share of 3.9% or BAM 0.7 million (of which 99.96% relates to EUR).

The following Table No. 26 provides an overview of corporate and retail loans by credit risk grades and related ECLs:

- BAM 000 -

No.	Description	31.12.2021			31.12.2022			30.06.2023		
		Amount	ECL	% ECL	Amount	ECL	% ECL	Amount	ECL	% ECL
1	2	3	4	5	6	7	8	9	10	11
I Corporate loans										
1.	Credit risk grade 1	6,770,321	66,945	1.0	7,169,779	76,991	1.1	7,431,494	88,670	1.2
2.	Credit risk grade 2	925,089	114,323	12.4	892,521	102,569	11.5	887,730	104,790	11.8
3.	Credit risk grade 3	582,085	437,552	75.2	428,333	355,323	83.0	368,580	305,836	83.0
	Total I	8,277,495	618,820	7.5	8,490,633	534,883	6.3	8,687,804	499,296	5.7
II Retail loans										
4.	Credit risk grade 1	6,748,669	82,526	1.2	7,044,253	77,844	1.1	7,540,351	84,424	1.1
5.	Credit risk grade 2	425,538	43,166	10.1	607,597	70,735	11.6	501,826	64,582	12.9
6.	Credit risk grade 3	439,120	355,436	80.9	370,524	311,823	84.2	352,124	295,959	84.0

Total II	7,613,327	481,128	6.3	8,022,374	460,402	5.7	8,394,301	444,965	5.3
Total loans									
7. Credit risk grade 1	13,518,990	149,471	1.1	14,214,032	154,835	1.1	14,971,845	173,094	1.2
8. Credit risk grade 2	1,350,627	157,489	11.7	1,500,118	173,304	11.6	1,389,556	169,372	12.2
9. Credit risk grade 3	1,021,205	792,988	77.7	798,857	667,146	83.5	720,704	601,795	83.5
Total loans (I+II)	15,890,822	1,099,948	6.9	16,513,007	995,285	6.0	17,082,105	944,261	5.5

The loan portfolio allocated to the credit risk grade 1 as of 30/06/2023 stood at BAM 15 billion, representing 87.7% of the total loan portfolio. This represents an increase against YE2022 by BAM 757.8 million or 5.3%. The ECL coverage rate for the credit risk grade 1 is 1.2% (for corporate 1.2% and for retail 1.1%), thus being higher vs. the end of 2022 by 0.1 percentage point.

The loan portfolio in the credit risk grade 2 as of 30/06/2023 stood at BAM 1.4 billion, thus making up for 8.1% of the total loan portfolio. Compared to YE2022, it is by BAM 110.6 million or 7.4% lower. The ECL coverage rate for this credit risk grade is 12.2% (corporate 11.8% and retail 12.9%), up by 0.6 percentage point compared to the end of the previous year.

The loan portfolio in the credit risk grade 3 (NPL) as of 30/06/2023 amounted 720.7 million, thus constituting 4.2% of the total loan portfolio, while the NPL rate stood at 4.8% at the end of the previous year. Its reduction by BAM 78.2 million or 9.8% vs. YE2022 was resulting from the net effect of: new NPLs of BAM 74.6 million, recoveries of BAM 18.5 million, collection of BAM 57.5 million, accounting and permanent write offs of BAM 64.2 million and other items of BAM 12.6 million. The ECL coverage rate for the credit risk grade 3 is 83.5% (corporate 83% and retail 84%), thus remaining the same against end of last year.

Out of total corporate loans, BAM 368.6 million or 4.2% refers to the NPL segment, down by 0.8 percentage points vs. YE2022. As for the retail segment, NPLs stood at BAM 352.1 million or 4.2% of the retail loan portfolio, thus being lower by 0.4 percentage points than at YE2022.

An overview of NPLs (loan portfolio allocated to the credit risk grade 3) is provided in the following Chart No. 13:

Chart 13: Share of NPLs in loans



Sector analysis of the loan portfolio of the FBiH banking sector is provided in the Annex 4 of this Information. It rests on data of sector-level concentration of loans within corporate (by NACE¹³) and retail segments (by purpose).

As for corporate loans, the biggest share relates to loans approved to the following sectors: trade sector (BAM 3.1 billion or 35.3% of corporate loans, i.e. 18% of the total loan portfolio), processing industry (BAM 2.0 billion or 23.2% of corporate loans, i.e. 11.8 % of total loans) and financial industry (BAM 0.8 billion or 9.7% of corporate loans, i.e. 4.9% of total loans).

The share of NPLs in loans to the trade sector is 3.8% (ECL coverage rate for NPLs is 84.7%), to the processing industry 5.7% (ECL coverage rate for NPLs is 86.8%) and to the financial industry 0.01% (ECL coverage rate for NPLs is 100%). With regards to other corporate loans, the biggest share of NPLs as of 30/06/2023 referred to loans approved to agriculture (21.8%) and hotel and hospitality business (13.9%).

As far as retail loans are concerned, the largest share is with general consumption loans (BAM 6.6 billion or 79% of retail loans, i.e. 38.8% of the total loan portfolio) and housing loans (BAM 1.7 billion or 19.9% of retail loans, i.e. 9.8% of the total loan portfolio). The share of NPLs in general consumption loans is 4.9% (ECL coverage rate is 84.6%) and with housing loans 1.2% (ECL coverage rate is 74.7%).

In the conditions of the global economic crisis and rising inflation, accompanied by rising interest rates on the international market, FBA adopted in September 2022 the Decision on Temporary Measures to Mitigate the Risk of Rising Interest Rates / [Odluku o privremenim mjerama za ublažavanje rizika rasta kamatnih stopa](#)¹¹ and in April 2023 the Decision on Amendments to the Decision on Temporary Measures to Mitigate the Risk of Rising Interest Rates / [Odluku o dopuni Odluke o privremenim mjerama za ublažavanje rizika rasta kamatnih stopa](#)¹² with the aim of timely management of credit risk, protecting users of financial services, the stability of the banking system in terms of the impact of the decision on the quality of banks' loan portfolio, and achieving macroeconomic balance. The Decision provides for an increase in the minimum rates that banks are obliged to apply for ECL in the event of a significant increase in interest rates. The provisions of the decision particularly affect the protection of financial service users, which implies that the bank will not raise the interest rate above the level that is considered significant, if it assesses that the said interest rate increase will have an impact on the creditworthiness of the financial service user, and would also bring the financial service user into the status of default. In accordance with the above, the bank may offer such a financial service user the possibility of modifying the loan exposure. Also, the decision aims to further stimulate banks to find a way to keep interest rates at reasonable levels, in order to avoid adverse effects on the economy and the population, which directly affects the avoidance of the risk of loss due to the inability to settle liabilities towards banks.

POVEZNICA 11



POVEZNICA 12



¹³ NACE - Statistical Classification of Economic Activities in the European Community

When looking at the total loan portfolio at the level of the banking sector of the FBIH from the perspective of the method of the arranged interest rate as of 30/06/2023, BAM 3.8 billion or 22.2% of the total portfolio was arranged with a variable interest rate, while BAM 13.3 billion or 77.8% were arranged with a fixed interest rate. According to the reporting data of banks, a significant increase in the interest rate as of 30/06/2023 in relation to the reference date was posted in relation to the loan portfolio in the amount of BAM 370.3 million, which makes 2.2% of the total loan portfolio. In the corporate loan portfolio, a significant increase in the interest rate was posted in the amount of BAM 332.9 million or 3.8% of the corporate loan portfolio, while for the retail loan portfolio it was BAM 37.4 million or 0.4% of the retail portfolio. In accordance with the provisions of the Decision on Temporary Measures to Mitigate the Risk of Rising Interest Rates, one bank has modified the loan exposure of BAM 54 ths.

Table No. 27 provides an overview of key ratios used in credit risk assessments in FBIH banks:

- % -

Table 27: Credit risk indicators

No. 1	Description 2	31.12.2021 3	31.12.2022 4	30.06.2023 5
1.	Rate of non-performing exposures	3.5	2.6	2.3
2.	ECL coverage rate for non-performing exposures	77.9	83.7	83.9
3.	ECL coverage rate for total exposures	4.0	3.5	3.2
4.	NPL rate	6.4	4.8	4.2
5.	ECL coverage rate for NPLs	77.7	83.5	83.5
6.	ECL coverage rate for total loans	6.9	6.0	5.5
7.	New NPLs*/Total performing loans	0.8	-0.4	-0.1
8.	NPLs/Total capital and ECL for NPL	26.2	20.5	18.0
9.	Net NPLs/Tier 1 capital	8.4	4.7	4.1
10.	Loans due/Total loans	4.6	3.5	3.1

* NPL increase/decrease amount at the reporting period vs. at the comparable period

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

2.2.5. Profitability

Sustainable profitability of banks is affected the most by asset quality. Also, the profitability of banks may be impacted by other risks, structure, diversification and funding costs, cost efficiency, FBIH banking, i.e. financial sector specific external factors (financial system development, regulatory features, industry concentration, etc.) and external macroeconomic factors (economic growth, global market interest rates, employment and unemployment rates, salary trend, inflation, etc.).

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

FBIH Banking Sector's Earnings Level, Quality and Trend

Positive financial performance of BAM 268.1 million across the FBIH banking sector was reported for the January 1 – June 30, 2023 period, which was higher by BAM 93.1 million compared to the previous year (Table No. 28). Positive financial result was posted by all banks seated in the FBIH.

- BAM 000 -

Table 28: Actual financial performance of banks

No.	Description	01.01. - 30.06.2021		01.01. - 30.06.2022		01.01. - 30.06.2023	
		Amount	No. of banks	Amount	No. of banks	Amount	No. of banks
1	2	3	4	5	6	7	8
1.	Profit	150,657	15	175,070	14	268,129	13
2.	Loss	0	0	0	0	0	0
	Total	150,657	15	175,070	14	268,129	13

Annex 5 shows an aggregate income statement of banks in the FBIH for the period from 01/01/2023 to 30/06/2023 (as per the FBA schedule) with comparable data for the same reporting period in 2022.

FBIH Banking Sector's Total Income

According to the banks' reporting data as of 30/06/2023, the total income across the FBIH banking sector is BAM 739.4 million and, compared to the same period last year, it increased by BAM 93.3 million or 14.4% (Table No. 29).

- BAM 000 -

Table 29: Structure of total income of banks

No.	Structure of total income	01.01. - 30.06.2022		01.01. - 30.06.2023		Index (5/3)
		Amount	%	Amount	%	
1	2	3	4	5	6	7
I Interest income and similar income						
1.	Interest-bearing deposit accounts with deposit institutions	755	0.1	28,052	3.8	3715
2.	Loans and leasing operations	305,817	47.3	343,399	46.4	112
3.	Other interest income	37,272	5.8	56,569	7.7	152
	Total I	343,844	53.2	428,020	57.9	124
II Operating income						
4.	Service fees	197,147	30.5	207,191	28.0	105
5.	Income from FX operations	45,225	7.0	41,954	5.7	93
6.	Other operating income	59,928	9.3	62,263	8.4	104
	Total II	302,300	46.8	311,408	42.1	103
	Total income (I+II)	646,144	100	739,428	100	114

In the total income structure, interest income and similar income hold a share of 57.9%, while operating income participate with 42.1%. Compared to the first six months of the year before, there was an increase of share of interest and similar income by 4.7 percentage points, while share of operating income decreased by the same percentage point. Total interest and similar income went up in the reporting period by BAM 84.2 million or 24.5%. A dominant item among this income category was income from interest on loans and leasing facilities with a share in total income dropping by 0.9 percentage points. At the same time, the share of loans and leasing type receivables in total assets decreased by 0.2 percentage points (from 61.4% to 61.2%), while average weighted NIR related to loans went up from 3.07% to 3.13% (up by 0.06 percentage points).

During 1H 2023, interest income under interest-bearing deposit accounts with deposit institutions have risen by BAM 27.3 million compared to the same period last year (due to higher interbank interest rates in the EU money market), whereas 65.4% of the increase refers to three banks. Over the same period, the share of interest-bearing deposit accounts with deposit institutions in total assets of the FBH banking sector has decreased from 16.6% to 16.4% (i.e. by 0.2 percentage points). As for other interest income, there was an increase of interest income positions related to held-to-maturity securities by 98.6% (70.6% of this increase refers to two banks), interest income from placements to other banks by 975.1% (whereas 65.7% of this increase refers to one bank) and other interest income by 13.1% (90.5% of this increase refers to three banks).

Looking into the sector structure of interest income, most of this refers to income from the retail segment (52.5%), although retail loans make up for 49.1% of the total loan portfolio of the FBH banking sector due to higher average NIR of the Retail segment of 5.08% compared to the corporate segment's NIR of 2.32%. Out of total interest income, the part that refers to private companies is 25.5%, while 11.2% refers to banking institutions, 7.3% to government institutions, 2.3% to public companies and 1.2% to other sectors.

Total operating income during 1H 2023 recorded an increase of BAM 9.1 million or 3% against the same period last year. The largest item in the structure of total operating income is income from service fees which recorded increase of BAM 10 million or 5.1%. Income from foreign exchange operations went down by BAM 3.3 million or 7.2% vs. the same period the year before, while other operating income posted a rise by BAM 2.3 million or 3.9%.

FBH Banking Sector's Total Expenses

According to the banks' reporting data as of 30/06/2023, total expenses across the FBH banking sector are BAM 462.9 million, which decreased by BAM 6.6 million or 1.4% compared to the same period last year (Table No. 30).

- BAM 000 -

Table 30: Structure of total expenses of banks

No.	Structure of total expenses of banks	01.01. - 30.06.2022		01.01. - 30.06.2023		Index (5/3)
		Amount	%	Amount	%	
1	2	3	4	5	6	7
I Interest expenses and similar expenses						
1.	Deposits	30,714	6.5	29,836	6.5	97
2.	Liabilities on loans and other borrowings	2,678	0.6	4,373	0.9	163
3.	Other interest expenses	24,415	5.2	8,366	1.8	34
Total I		57,807	12.3	42,575	9.2	74
II Non-interest expenses						
4.	Costs of impairments of assets at risk, provisions on contingent liabilities and other value adjustments	56,505	12.0	22,423	4.8	40
5.	Salary and contribution costs	133,933	28.5	143,741	31.1	107
6.	Business premises costs and depreciation	84,136	17.9	87,109	18.8	104
7.	Other operating and direct costs	83,823	17.9	95,288	20.6	114
8.	Other operating costs	53,314	11.4	71,789	15.5	135
Total II		411,711	87.7	420,350	90.8	102
Total expenses (I+II)		469,518	100	462,925	100	99

The total expenses structure is dominated by non-interest expenses with a share of 90.8%, while interest expenses and similar expenses account for 9.2%. Compared to the same period

last year, the share of non-interest expenses rose by 3.1 percentage points, while the share of interest expenses dropped by equivalent percentage points. In the reporting period, interest and similar expenses decreased by BAM 15.2 million or 26.3%, whereas interest expenses on deposits went down by BAM 0.9 million or 2.9%, despite them being the FBIH banking sector's dominant funding source. This reduction of interest expenses on deposits came as a result of reduced share of interest-bearing deposits in the total deposit potential from 66.1% as of 30/06/2022 to 61.9% as of 30/06/2023.

Over the observed period, interest expenses on loans and other borrowings rose by BAM 1.7 million or 63.3% due to the interest rate climb (therein, 94.3% of the increase referring to three banks), while the FBIH banking sector's level of indebtedness on loans and other borrowings went down by BAM 88.4 million or 15.7%.

Other interest expenses decreased during the observed period by BAM 16 million or 65.7%. This mostly referred to cancelation of the negative fee on banks' funds in excess of the mandatory reserve and to mandatory reserve funds based on principal posted in foreign currencies and in local currency with the currency clause held with CBBH.

Across the FBIH banking sector, there was an increase by BAM 8.6 million or 2.1% of total non-interest expenses in the 1H2023 vs. the same period in 2022. Thereof, the decrease of 60.3% or BAM 34.1 million refers to costs of value adjustments, provisions for contingent liabilities and other value adjustments (68.4% of this decrease referring to one bank). Based on the net effect, seven banks had higher costs of value adjustments over the first six months of this year, while six banks posted a decrease here vs. the same period last year. As for non-interest expenses, an increase was seen with costs of salaries and contributions (7.3%), costs of business premises (3.5%), other operating and direct costs (13.7%, there of 73.1% referring to one bank), while other operating costs posted the highest increase rate of 34.7% or BAM 18.5 million (whereas 35.8% of this increase referring to two banks).

FBIH Banking Sector's Operational Profitability, Productivity and Efficiency Ratios

The following Table No. 31 provides an overview of the most important ratios that are used as measures for assessing the FBIH banks' operational profitability, productivity, and efficiency:

- BAM 000 or % -

Table 31: Profitability, productivity and efficiency ratios

No. 1	Description 2	30.06.2021 3	30.06.2022 4	30.06.2023 5
1.	Net profit	150,657	175,070	268,129
2.	Average net assets	24,558,433	25,852,885	27,517,653
3.	Average total capital	3,146,082	3,147,779	3,363,681
4.	Total income	539,271	588,337	696,853
5.	Net interest income	285,664	286,037	385,445
6.	Operating income	253,607	302,300	311,408
7.	Operating expenses	265,262	271,383	302,639
8.	Operating and direct expenses	122,340	140,328	117,711
9.	Other operating and direct expenses	72,009	83,823	95,288
10.	Return on average assets (ROAA)	0.6	0.7	1.0
11.	Return on average equity (ROAE)	4.8	5.6	8.0
12.	Total income/average assets	2.2	2.3	2.5
13.	Net interest income/average assets (NIM)*	1.2	1.1	1.4
14.	Net interest margin (interest income /average interest-bearing assets – interest expenses/average interest-based liabilities)	1.2	1.2	1.5
15.	Operating expenses/total income minus other operating and direct	56.8	53.8	50.3

expenses (CIR)**

* NIM - Net Income Margin

** CIR - Cost-income Ratio

Looking into the net interest income, there is an increase vs. the same period of the previous year by BAM 99.4 million or 34.8%, along with a rise of its share in total income from 48.6% to 55.3%.

2.2.6. Weighted NIR and EIR

In order to increase transparency and facilitate the comparability of the banks' terms for approving loans and receiving deposits, as well as to protect customers through introduction of transparent disclosure of the loan costs, i.e. the deposit income, in accordance with the international standards, criteria, and practices in other countries, the FBA prescribed a uniform method of calculating and disclosing EIR for all banks seated in the FBiH, as well as the organisational parts of the banks seated in the RS, which operate in the FBiH. Banks are required to submit monthly reports to the FBA on average weighted NIR and EIR on approved loans and received deposits in the reporting month, in accordance with the prescribed the Decision on Uniform Method of Calculating and Disclosing Effective Interest Rates on Loans and Deposits ([Odlukom o jedinstvenom načinu obračuna iskazivanja efektivne kamatne stope na kredite i depozite](#)¹³) and the Instructions for Calculating Weighted Nominal and Effective Interest Rates ([Uputstvom za izračunavanje ponderisane nominalne i efektivne kamatne stope](#))¹⁴

Based on delivered data and in line with the defined methodology, FBA calculates average weighted NIR and EIR for the banking sector. In addition to the interest rate levels with individual banks, this also depends on the volume and structure of newly approved loans, i.e. newly arranged deposits.

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

Annex 6 provides an overview of weighted average NIR and EIR on loans and deposits by periods.

Total average weighted EIR on newly approved loans in the FBiH banking sector during first six months of 2023 was 3.65%, thus being higher by 0.04 percentage points compared to the previous year when it stood at 3.61%.

Looking into the maturity structure of newly approved loans in the 1H 2023 vs. the same period of the previous year, the average weighted EIR on long term loans has risen by 0.47 percentage points (i.e. from 4.94% to 5.41%), while EIR on short term loans went up by 0.03 percentage points (i.e. from 2.28% to 2.31%). If observed by the sector structure, average weighted EIR on total newly approved corporate loans decreased by 0.04 percentage points (i.e. from 2.57% to 2.53%), while average weighted EIR on total newly approved retail loans rose by 0.44 percentage points (i.e. from 6.04% to 6.48%), while average weighted EIR on total newly approved loans to other sectors rose by 2.35 percentage points (i.e. from 2.62% to 4.97%).



Total average weighted EIR on deposits in the FBiH banking sector that were collected in the 1H 2023 was 0.78%, thus being higher by 0.47 percentage points compared to the same period in 2022 when it was 0.31%. If observed by maturity of deposits, average weighted EIR on short term deposits is higher by 0.78 percentage points (i.e. from 0.17% to 0.95%), while EIR on long term deposits went up by 0.26 percentage points (i.e. from 0.47% to 0.73%). From the perspective of the sector structure of collected deposits, average weighted EIR on corporate deposits got increased by 0.74 percentage points (i.e. from 0.39% to 1.13%), average weighted EIR on retail deposits went up by 0.21 percentage points (i.e. from 0.39% to 0.60%), while going up by 0.95 percentage points for deposits of other sectors (i.e. from 0.22% to 1.17%).

2.2.7. Liquidity

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

Table No. 32 provides the trend of LCR performance in the FBiH banking sector, as well as short term buffers of banks related to the liquidity risk (at the FBiH banking sector level):

- BAM 000 -

Table 32: LCR

No.	Description	31.12.2021	31.12.2022	30.06.2023	Index	
					(4/3)	(5/4)
1	2	3	4	5	6	7
1.	Liquidity buffer	7,064,703	6,928,631	6,145,939	98	89
2.	Net liquidity outflows	3,176,830	3,280,801	2,690,284	103	82
	LCR	222%	211%	228%		

As of 30/06/2023, LCR across the FBiH banking sector was 228% and is significantly higher compared to the regulatory minimum. All banks in the FBiH banking sector meet the requirements in respect of LCR.

The liquidity buffer structure by market value (after corrective factor) is shown in Table No. 33:

- BAM 000 -

Table 33: Liquidity buffer

No.	Description	31.12.2021	31.12.2022	30.06.2023	Index	
					(4/3)	(5/4)
1	2	3	4	5	6	7
1.	Level 1 liquid assets	7,059,357	6,928,631	6,145,939	98	89
1.1.	Cash	1,526,321	1,543,788	1,396,199	101	90
1.2.	Withdrawable central bank reserves	3,095,846	3,076,604	2,520,716	99	82
1.3.	Central government assets	1,401,508	1,238,867	1,211,205	88	98
1.4.	Assets of regional governments and local authorities	1,011,738	1,045,296	993,924	103	95
1.5.	Assets of multilateral development bank and international organisations	23,944	24,076	23,895	101	99

2.	Level 2 liquid assets	5,346	0	0	0	-
2.1.	Level 2a liquid assets	0	0	0	-	-
2.2.	Level 2b liquid assets	5,346	0	0	0	-
	Total (1+2)	7,064,703	6,928,631	6,145,939	98	89

Liquidity buffer amounts to BAM 6.1 billion and posted a decrease by BAM 0.8 billion or 11.3% compared to the end of the previous year. The biggest decrease of BAM 555.9 million or 18.1% refers to withdrawable central bank reserves. Liquidity buffer consists only of level 1 liquid assets and the largest share in the level 1 liquid assets refers to excess legal reserves banks held with CBBH (41%), followed by cash (22.7%), central government assets (19.7%) and assets of regional governments (16.2%).

Calculation of net liquidity outflows can be seen from the Table No. 34 below:

- BAM 000 -

Table 34: Net liquidity outflows

No.	Description	31.12.2021	31.12.2022	30.06.2023	Index	
					(4/3)	(5/4)
1	2	3	4	5	6	7
1.	Total outflows	5,579,174	5,690,905	5,917,243	102	104
2.	Total inflows	2,402,345	2,469,853	3,349,103	103	136
3.	Inflows subject to cap of 75% of outflows	2,402,344	2,410,104	3,226,959	100	134
	Net liquidity outflows (1-3)	3,176,830	3,280,801	2,690,284	103	82

When it comes to the net liquidity outflows calculation as of 30/06/2023, ten banks had their outflows reduced by the total inflows amount, while three banks have capped their liquidity inflows to 75% of total liquidity outflows.

Outflows amounted to BAM 26 billion as of 30/06/2023 (prior to application of the outflow rate) and the largest share is with outflows from retail deposits (BAM 10.5 billion or 40.4% of total outflows, of which BAM 5.6 billion refers to stable deposits or 53.4% of outflows of retail deposits), followed by deposits of other customers (BAM 8.8 billion or 33.7% of total outflows) and other products and services (BAM 4.0 billion or 15.6% of total outflows).

Total inflows amounted to BAM 3.3 billion, as largely relating to cash receivables from financial customers (BAM 2.4 billion or 71.2% of total inflows), thus being subject to the inflow rate of 100%, followed by inflows from financial derivatives (BAM 0.5 billion or 16.2% of total inflows) – also being subject to the inflow rate of 100%, and receivables from non-financial customers of BAM 0.4 billion or 10.7% of total inflows (being subject to the inflow rate of 50%).

In order to reduce the risk of financing over a longer period of time, the Decision on Liquidity Management in Banks stipulates that banks are required to continuously maintain the minimum NSFR starting from 31 December 2022 onwards. NSFR encourages banks to finance their activities with more stable sources of funding on an ongoing basis. NSFR is calculated as the ratio of ASF and RSF, where ASF represents part of the bank's capital and liabilities whose reliability is expected during the time period included in the NSFR (period up to one year), and RSF represents the result of the multiplication of assets and off-balance sheet exposures of the bank by appropriate factors reflecting their liquidity characteristics and remaining maturities until the one-year period of the NSFR.

Table No. 35 provides an overview of NSFR fulfillment in the FBiH banking sector:

- BAM 000 -

Table 35: NSFR

No.	Description	31.12.2022	30.06.2023	Index
1	2	3	4	5=4/3
1.	Available stable funding (ASF)	19,770,563	20,376,902	103
2.	Required stable funding (RSF)	12,189,130	12,800,783	105
	NSFR	162%	159%	

As of 30/06/2023, NSFR at the level of the banking sector of the FBiH is 159% and is significantly higher compared to the regulatory minimum, and all banks meet the requirements regarding the NSFR.

Table 36 provides the structure of ASF, and Table 37 the structure of RSF at the level of the banking sector of the FBiH:

- BAM 000 -

Table 36: ASF structure

No.	Description	31.12.2022		30.06.2023		Index	
		Amount of liabilities and capital	ASF	Amount of liabilities and capital	ASF	(5/3)	(6/4)
1	2	3	4	5	6	7	8
	ASF from:						
1.	Capital items and instruments	3,066,853	3,065,720	3,142,516	3,142,516	102	103
2.	Retail deposits	11,338,559	10,579,940	11,921,770	11,104,401	105	105
3.	Other non-financial customers (except central banks)	10,433,312	5,533,246	10,734,823	5,687,180	103	103
4.	Operational deposits	154,674	68,473	58,922	21,457	38	31
5.	Financial customers and central banks	1,190,180	401,687	994,438	298,407	84	74
6.	Other liabilities	608,113	121,497	606,549	122,941	100	101
	Total ASF	26,791,691	19,770,563	27,459,018	20,376,902	102	103

- BAM 000 -

Table 37: RSF structure

No.	Description	31.12.2022		30.06.2023		Index	
		Assets amount	RSF	Assets amount	RSF	(5/3)	(6/4)
1	2	3	4	5	6	7	8
	RSF from:						
1.	Central Bank funds	6,042,185	0	6,271,288	0	104	-
2.	Liquid assets	1,981,702	19,978	1,738,655	17,867	88	89
3.	Securities that are not liquid assets	276,376	230,870	285,706	238,345	103	103
4.	Loans	17,319,096	10,834,011	18,644,748	11,395,956	108	105
5.	Other assets	917,542	812,216	912,306	807,758	99	99
6.	Off-bal.sheet items	6,065,926	292,055	6,511,442	340,857	107	117
	Total RSF	32,602,827	12,189,130	34,364,145	12,800,783	105	105

In considering the liquidity position, a significant role is played by the maturity structure of deposits, as the dominant source of financing. The maturity structure of deposits by residual maturity is shown in the following Table No. 38:

- BAM 000 -

Table 38: Maturity structure of deposits by residual maturity

No.	Deposits	31.12.2021		31.12.2022		30.06.2023		Index	
		Amount	% share	Amount	% share	Amount	% share	(5/3)	(7/5)
1	2	3	4	5	6	7	8	9	10
1.	Savings and sight deposits (up to 7 days)	14,755,459	69.6	16,444,582	73.3	17,265,319	74.8	111	105
2.	7-90 days	986,253	4.7	856,555	3.8	760,441	3.3	87	89
3.	91 days to one year	2,157,949	10.2	2,252,657	10.0	2,123,560	9.2	104	94
I Total short-term		17,899,661	84.5	19,553,794	87.1	20,149,320	87.3	109	103
4.	Up to 5 years	3,174,184	15.0	2,813,539	12.6	2,847,303	12.3	89	101
5.	Over 5 years	111,107	0.5	76,256	0.3	90,698	0.4	69	119
II Total long term		3,285,291	15.5	2,889,795	12.9	2,938,001	12.7	88	102
Total (I + II)		21,184,952	100	22,443,589	100	23,087,321	100	106	103

As of 30/06/2023, short-term deposits had an 87.3% share in total deposits, while long-term ones had a 12.7% share, with the share of the short-term deposits increasing, i.e. the share of the long-term ones decreasing by 0.2 percentage points compared to the end of 2022.

In the reporting period, an increase of BAM 595.5 million or 3% was recorded in relation to short-term deposits and also an increase of BAM 48.2 million or 1.7% in relation to long-term deposits. The increase of long-term deposits was also realised in relation to deposits of up to 5 years (by BAM 33.8 million or 1.2%), as well as with deposits of over 5 years (by BAM 14.4 million or 18.9%). Looking into the structure of long term deposits by residual maturity, evidently they are dominated by deposits with residual maturity of up to 5 years (96.9%).

For purpose of planning the required level of liquid resources, banks need to plan for sources and structure of an adequate liquidity potential and, therein, also plan their credit policy. Maturity of placements, i.e. loan portfolio, is in fact determined by maturity of funding sources. An important aspect of liquidity monitoring and analysis is maturity matching of remaining maturities of financial assets and financial liabilities according to the time scale which, according to the prescribed minimum limits, has been set to a time horizon of 180 days. Although the effectiveness of the banks' requirement to continuously maintain minimum NSFR meant that the requirement was cancelled to meet the maturity matching of remaining terms to contractual maturities of financial assets and financial liabilities, banks need to continuously control the maturity matching of their funding sources and placements, since the maturity transformation of assets with banks is inherently related to functional features of the very banking operations.

Table No. 39 provides an overview of maturity matching of financial assets and liabilities of up to 180 days:

- BAM 000 -

Table 39: Maturity matching of financial assets and financial liabilities of up to 180 days

No.	Description	31.12.2021	31.12.2022	30.06.2023	Index	
		Amount	Amount	Amount	(4/3)	(5/4)
1	2	3	4	5	6	7
I 1-30 days						
1.	Amount of financial assets	11.876.368	12.036.634	12.177.132	101	101
2.	Amount of financial liabilities	15.288.271	16.950.559	17.802.578	111	105
3.	Difference (+ or -) = 1-2	-3.411.903	-4.913.925	-5.625.446	-	-

Calculation of compliance with regulatory requirements in %					
a)	Actual %= no. 1 / no. 2	77,7%	71,0%	68,4%	
b)	Regulatory minimum %	65,0%	65,0%		
More (+) or less (-) = a – b		12,7%	6,0%		
II 1-90 days					
1.	Amount of financial assets	13.050.584	13.303.221	13.351.514	102
2.	Amount of financial liabilities	16.112.291	17.663.350	18.367.310	110
3.	Difference (+ or -) = 1-2	-3.061.707	-4.360.129	-5.015.796	-
Calculation of compliance with regulatory requirements in %					
a)	Actual %= no. 1 / no. 2	81,0%	75,3%	72,7%	
b)	Regulatory minimum %	60,0%	60,0%		
More (+) or less (-) = a – b		21,0%	15,3%		
III 1-180 days					
1.	Amount of financial assets	14.327.268	14.669.888	14.802.877	102
2.	Amount of financial liabilities	16.976.401	18.494.275	19.079.857	109
3.	Difference (+ or -) = 1-2	-2.649.133	-3.824.387	-4.276.980	-
Calculation of compliance with regulatory requirements in %					
a)	Actual %= no. 1 / no. 2	84,4%	79,3%	77,6%	
b)	Regulatory minimum %	55,0%	55,0%		
More (+) or less (-) = a – b		29,4%	24,3%		

As of 30/06/2023, financial assets in all three time buckets were lower than financial liabilities.

An overview of the core liquidity ratios is shown in the following Table No. 40:

- % -

Table 40: Liquidity ratios

No	Ratio	31.12.2021	31.12.2022	30.06.2023
1	2	3	4	5
1.	Liquid assets ¹⁴ /net assets	31.9	32.1	31.6
2.	Liquid assets/ short-term financial liabilities	44.6	43.5	42.7
3.	Short-term financial liabilities/ total financial liabilities	82.3	84.6	85.1
4.	Loans/deposits and loans taken	72.3	71.9	72.5
5.	Loans/deposits, loans take and subord. debts ¹⁵	71.8	71.0	71.7

Compared to the end of 2022, the share of liquid assets in net assets and the share of liquid assets and short term financial liabilities has decreased, while the ratio of short term financial liabilities and total financial liabilities has increased. The ratios of loans/deposits and loans taken and loans/deposits, loans taken and subordinated debts have risen, but are still within the acceptable grids.

By observing the key liquidity ratios, qualitative and quantitative requirements, as well as other factors affecting banks' liquidity position, it could be inferred that the FBIF banking sector's liquidity at the end of 1H 2023 is satisfactory.

2.2.8. Foreign Exchange (FX) Risk

In their operations, banks are exposed to risks arising from potential losses related to on- and off-balance sheet items resulting from changes in market prices. One of those risks is also FX risk, arising as a result of changes in exchange rates and/or mismatches in the levels of assets, liabilities, and off-balance sheet items in the same currency - individual foreign exchange

¹⁴ Liquid assets in narrow sense: cash and deposits and other financial assets with residual maturity period of less than three months, excluding interbank deposits.

¹⁵ The previous ratio was expanded, the funding also includes subordinated debts, which is a more realistic indicator.

position or all currencies combined with which the bank operates – the bank’s total foreign exchange position. The Decision on Foreign Exchange Risk Management in Banks provides for how the foreign exchange position is calculated and maximum permitted FX risk exposure, i.e. the limits for open individual and total foreign exchange positions (long or short), calculated by reference to the bank’s eligible capital.

According to the balance as at 30/06/2023, the items in foreign currencies amounted to BAM 4.8 billion, with a 17% share (BAM 4.2 billion or 15.5% at the end of 2022) in the currency structure of the banks’ assets across the banking sector. The currency structure of liabilities is significantly different, because the share of liabilities in foreign currency is significantly higher and amounts to BAM 7.7 billion or 27.5% (BAM 7.8 billion, with 28.5% share at the end of 2022).

Table 41 provides the structure of assets and liabilities and foreign exchange position for EUR, as well as the most important currencies total foreign exchange position across the banking sector:

- BAM million -

Table 41: Foreign exchange position (EUR and total)

No.	Description	31.12.2022				30.06.2023				Index	
		EUR		Total		EUR		Total		EUR	Total
1	2	Amount	% share	Amount	% share	Amount	% share	Amount	% share	(7/3)	(9/5)
3	4	5	6	7	8	9	10	11	12		
I Balance sheet assets											
1.	Cash and cash equivalents	1,145	13.0	1,787	18.5	2,041	22.6	2,747	28.0	178	154
2.	Loans	677	7.7	679	7.0	655	7.3	655	6.7	97	96
3.	Loans with currency clause	5,332	60.4	5,333	55.2	4,927	54.7	4,927	50.2	92	92
4.	Other	1,548	17.5	1,742	18.0	1,264	14.0	1,360	13.8	82	78
5.	Other fin. assets with curr.clause	126	1.4	126	1.3	126	1.4	126	1.3	100	100
Total I (1+2+3+4+5)		8,828	100	9,667	100	9,013	100	9,815	100	102	102
II Balance sheet liabilities											
6.	Deposits	6,075	72.2	6,886	74.6	6,090	71.6	6,890	73.9	100	100
7.	Loans taken	520	6.2	520	5.6	475	5.6	475	5.1	91	91
8.	Dep. and loans with curr.clause	1,473	17.5	1,473	16.0	1,630	19.2	1,630	17.5	111	111
9.	Other	344	4.1	354	3.8	308	3.6	326	3.5	90	92
Total II (6+7+8+9)		8,412	100	9,233	100	8,503	100	9,321	100	101	101
III Off-balance sheet position net (+) or (-)											
10.	Assets	9		9		0		20		0	222
11.	Liabilities	354		372		412		413		116	111
Long (amount)		71		71		98		101		138	142
%		2.4%		2.4%		3.2%		3.3%			
Short (amount)											
%											
Permitted		40.0%		40.0%		40%		40%			
Less than permitted		37.6%		37.6%		36.8%		36.7%			

Viewed by banks and as the total across the FBH banking sector, it could be noted that the banks and sector’s FX risk exposures as of 30/06/2023 ranged within the regulatory limits. At the sector level, there was a long FX position of 3.3% of the total eligible capital of banks, which is by 36.7 percentage points lower than permitted. Individual FX position for EUR stood at 3.2%, which is 36.8 percentage points lower than permitted. Therein, assets items were higher than liabilities (long position).

Looking into foreign currencies' structure, assets¹⁶ show a dominant share of EUR of 83.2% (31/12/2022: 80.1%) along with an increase of the nominal amount by BAM 590.7 million or 17.5% vs. YE2022. The share of EUR in liabilities was 89.4% (as of 31/12/2022: 89.4%), which is lower by BAM 66.1 million or 1% compared to the end of 2022. The calculation basis for the EUR share in assets and liabilities does not include items with a currency clause.

2.2.9. Interest Rate Risk in the Banking Book

Interest rate risk in the banking book is a risk of possible occurrence of adverse effects to the financial result and capital of banks related to the banking book positions due to interest rate changes. Interest rate changes causing this risk type usually appear as a result of maturity mismatches, interest rate changes related to assets and liabilities positions or off-balance sheet short or long position.

In its Decision on Interest Rate Risk Management in the Banking Book, FBA prescribed minimum standards for establishing a system of interest rate risk management in the banking book, method of calculating changes in economic value resulting from the banking book positions, as well as quarterly reporting to the FBA. Banks are required to establish a comprehensive and efficient system of interest rate risk management in the banking book that is proportionate to the type, volume and complexity of the bank's operations and its risk profile. For purposes of FBA reporting on interest rate risk exposures in the banking book, banks shall use a unique calculation when estimating changes to the economic value of the banking book, applying therein a standard interest rate shock of 200 basis points related to banking book positions across all major currencies respectively, as well as for other currencies aggregately, thus encompassing all banking book positions sensitive to interest rate changes.

Table 42 shows the currency structure of changes to the economic value of the banking book and ratio between changes to the economic value of the banking book and own funds at the FBiH banking sector level:

-BAM 000 -

No.	Description	31.12.2021	31.12.2022	30.06.2023	Index	
					(4/3)	(5/4)
1	2	3	4	5	6	7
1.	Net weighted position - KM	78,394	162,878	222,066	208	136
2.	Net weighted position - EUR	26,564	44,378	36,935	167	83
3.	Net weighted position - USD	339	329	-217	97	-66
4.	Net weighted position – other	-3,804	-6,633	-8,268	174	125
5.	Change of economic value (1+2+3+4)	101,493	200,952	250,516	198	125
6.	Own funds	2,852,902	2,926,563	3,040,127	103	104
7.	Change of economic value/own funds	3.6%	6.9%	8.2%		

The ratio of changes to the economic value of the banking book positions and owns funds as of 30/06/2023 stands at 8.2%. This is within the regulatory limits and is higher by 1.3 percentage points compared to the end of the previous year.

¹⁶ Source: Report on Bank's Foreign Exchange Position: Part of Assets (in Foreign Currencies Denominated in BAM). Balance sheet assets items and off-balance sheet items are reported in net terms, i.e. minus ECL

2.3. BANKING SECTOR RECOMMENDATIONS

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

- implementing SREP for banks according to the dynamics defined in the Decision on the Supervisory Review and Evaluation Process in Banks / [Odlukom o postupku supervizorskog pregleda i procjene banke](#)¹⁵ and in line with the adopted SREP Methodology, as well as subject to a continuous monitoring of SREP indicators for all banks;
- monitoring the risk profile and capital position of all banks, to include also fulfillment of capital requirements as a result of the SREP process;

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- implementing supervisory evaluation of ICAAP and ILAAP, as well as of recovery plans, for all banks;
- examining dominant risk segments of operations, examining banks holding systemic relevance over development of lending activities and sustainability of long term funding sources of banks with concentrations of large savings and other deposits, as well as examining banks' actions in the segment of protection of financial service users and guarantors, etc.;
- control of implementation of the Decision on Credit Risk Management and Determination of Expected Credit Losses, including also an analysis of internal models for credit risk parameters assessment;
- monitoring implementation of strategies related to handling non-performing exposures and annual business plans of banks having NPL share in total loans above 5%;
- monitoring the interest rate changes and their impact on the banking sector and taking measures to mitigate the effects and monitoring implementation by banks of the Decision on Temporary Measures to Mitigate the Risk of Interest Rate Increase (through onsite and off-site examinations);
- performing the stress testing of banks in line with the defined 2-year implementation dynamics, all for purpose of monitoring operations of individual banks, assessing risks and taking timely and appropriate actions;
- continued cooperation with competent supervisory authorities for the supervision of banking groups from the EU and third countries whose members are seated in the FBiH, with a view to supervising more efficiently and improving supervisory practices and cooperating and sharing information with the ECB and EBA on the issues of supervision and banking regulations, as well as with the international financial institutions;
- improving cooperation by signing new cooperation agreements with relevant institutions in B&H, which are included in the institutional framework for the performance of supervision, crisis and systemic risk management, financial service users' protection;
- activities related to environmental, social and governance risks (ESG risks);
- further activities to ensure alignment with CRR 2¹⁶ and CRD V¹⁷ and

- continuing cooperation with the BAB&H, with a view to improving banks' operations, compliance of their operations with regulations, international standards, and professional rules, and market requirements.

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

Due to a special role and responsibilities that banks have in the financial system and the overall economic system, achieved level of development of the FBiH banking sector, and the fact that retail deposits are a dominant funding source for banks, as well as considering current macroeconomic disruptions, the banks are expected to focus their activities in the coming period on:

- prudential and responsible management of risks in line with effective accounting and regulatory framework, local and international standards of sound practice;
- support the economy and stimulate the credit growth through continuous financing of customers and sustainable loan arrangements;
- analysing, measuring and planning activities related to reduction of the interest-induced credit risk;

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- further strengthening of the internal controls system in all business segments based on the Decision on Internal Governance System in Banks / [Odlukom o sistemu internog upravljanja u banci](#)¹⁸;
- alignment of operations with new regulatory requirements regarding bank operations and supervision, thus including also requirements related to bank recovery and resolution planning;
- updating recovery plans, thus paying special attention to the following key segments: escalation process, recovery indicators and options;
- improving ICAAP and ILAAP in accordance with the regulatory requirements;
- planning fulfillment of MREL for banks that hold this requirement;
- consistent implementation of regulations in the segments of payment operations, AML/CTF, protection of financial users and guarantors, security and safety of money in banks and in transport;
- further monitoring of increased risks related to information system security and implementation of new technologies, especially in the retail business segment;
- reasonable ascertainment of fees for banking services resting on actual costs, thus considering pronounced needs for financial inclusion and adjustment to the needs of the financial service users, as well as development of products that are adjusted to socially sensitive categories of the population;
- intensified monitoring of risks and effects being conveyed to markets outside BiH, thus potentially augmenting the impact of credit risk and other risks; and

- assessing the effects of macroeconomic disturbances and other impacts with possible sudden effect on operating capacities and liquidity.

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3. SECTOR OF NON-DEPOSIT FINANCIAL INSTITUTIONS

3.1. MICROCREDIT SECTOR

3.1.1. MICROCREDIT SECTOR STRUCTURE IN THE FB&H

3.1.1.1. Status, Number and Business Network

In the FBIH as of 30/06/2023, FBA's operating licenses were held by 14 MCOs that comprise the microcredit sector in the FBIH, of which 10 are MCFs (non-profit organisations) and 4 are MCCs (profit organisations). This is one MCO more compared to December 31, 2022.

The microcredit sector in the FBIH, as of 30/06/2023, operates through the total of 361 organisational parts of MCOs seated in the FBIH, while 6 MCCs with headquarters in the RS operate in the FBIH through 67 organisational units.

Annex 8 provides basic information on MCFs and MCCs which, as of 30/06/2023 held the FBA's license for performing the micro lending activity.

3.1.1.2. Ownership structure

MCO is a legal person that, in accordance with regulations, can be established and be doing business as MCF or MCC. MCFs in the FBIH were founded by non-governmental, mostly humanitarian organisations, citizens' associations and natural persons being registered founders of MCFs, but having no ownership right over capital. Out of four MCCs, two MCCs are in 100% ownership of two MCFs, one MCC is in full ownership of one non-resident legal entity and one MCC is in 100% ownership of one resident legal entity.

3.1.1.3. Staff structure

The microcredit sector in the FBIH, as of 30/06/2023, had a total of 1,418 employees, which is higher by 6 employees compared to December 31, 2022 (Table No. 43). Out of the total number of employees in the microcredit sector in the FBIH, MCFs employ 1,212 persons or 85.5%, while MCCs employ 206 persons or 14.5%.

Table 43: Qualification structure of employees in MCOs in the FBIH

No	Qualification	31.12.2022		30.06.2023		Index (5/3)
		No. of employees	% share	No. of employees	% share	
1	2	3	4	5	6	7
1.	University qualifications	718	50.8	719	50.7	100
2.	Two-year post-secondary school qualifications	118	8.4	117	8.3	99
3.	Secondary school qualifications	566	40.1	570	40.2	101
4.	Other	10	0.7	12	0.8	120
	Total	1,412	100	1,418	100	100

An analysis of data on staff efficiency in the FBIH microcredit sector as of 30/06/2023 shows that assets per MCO employee amounted BAM 535.3 ths, which is higher by 3.7% vs. 31/12/2022.

3.1.2. FINANCIAL INDICATORS OF PERFORMANCE

3.1.2.1. Balance Sheet

Total assets of the FBIH microcredit sector as of 30/06/2023 amounted to BAM 759 million and are higher by BAM 30.1 million or 4.1% compared to December 31, 2022. The assets growth rate for MCFs is 3.8%, while the assets growth rate for MCCs is 5.2%.

Annexes 8 and 9 provide a summary overview of balance sheets of MCFs and MCCs, while Annex 10 shows basic financial indicators of MCOs based on reporting data as of 30/06/2023.

The aggregate balance sheet of the FBIH microcredit sector as of 30/06/2023 and comparative data with December 31, 2022 are shown in the following Table No. 44:

- BAM 000 -

No	Description	31.12.2022				30.06.2023				Index (9/5)
		Balance for MCFs	Balance for MCCs	Total	Bala nce for MCF s	Balance for MCCs	Total	Balance for MCFs	%	
1	2	3	4	5=3+4	6	7	8	9=7+8	10	11
ASSETS										
1.	Cash	43,803	10,602	54,405	7.5	34,564	12,238	46,802	6.2	86
2.	Placements to banks	182	0	182	0.0	186	0	186	0.0	102
3.	Microloans	440,182	165,440	605,622	83.1	464,152	171,993	636,145	83.8	105
4.	LLP	2,954	4,213	7,167	1.0	3,340	3,395	6,735	0.9	94
5.	Net microloans	437,228	161,227	598,455	82.1	460,812	168,598	629,410	82.9	105
6.	Tangible and intangible assets, net	24,706	5,026	29,732	4.1	24,142	5,354	29,496	3.9	99
7.	Long-term investments	34,388	0	34,388	4.7	43,888	0	43,888	5.8	128
8.	Other assets	10,250	1,498	11,748	1.6	7,739	1,462	9,201	1.2	78
9.	Reserves on other items in assets, apart from loans	0	0	0	0.0	0	0	0	0.0	-
Total assets		550,557	178,353	728,910	100	571,331	187,652	758,983	100	104
LIABILITIES										
10.	Liabilities on loans	228,663	109,602	338,265	46.4	231,493	119,697	351,190	46.3	104
11.	Other liabilities	26,719	10,805	37,524	5.2	26,479	8,650	35,129	4.6	94
12.	Capital	295,175	57,946	353,121	48.4	313,359	59,305	372,664	49.1	106
Total liabilities		550,557	178,353	728,910	100	571,331	187,652	758,983	100	104
13.	Off-balance sheet records	181,648	36,139	217,787		177,931	45,970	223,901		103

In the structure of assets and liabilities of the FBIH microcredit sector as of 30/06/2023, there was an increase vs. end of the previous year with these balance sheet items: placements to banks (2.2%), gross microloans (5%), net microloans (5.2%), long term investments (27.6%), liabilities on loans (3.8%) and capital 5.5%). The following balance sheet items have decreased: cash (14%), LLP (6%), tangible and intangible assets (0.8%), other assets (21.7%) and other liabilities (6.4%).

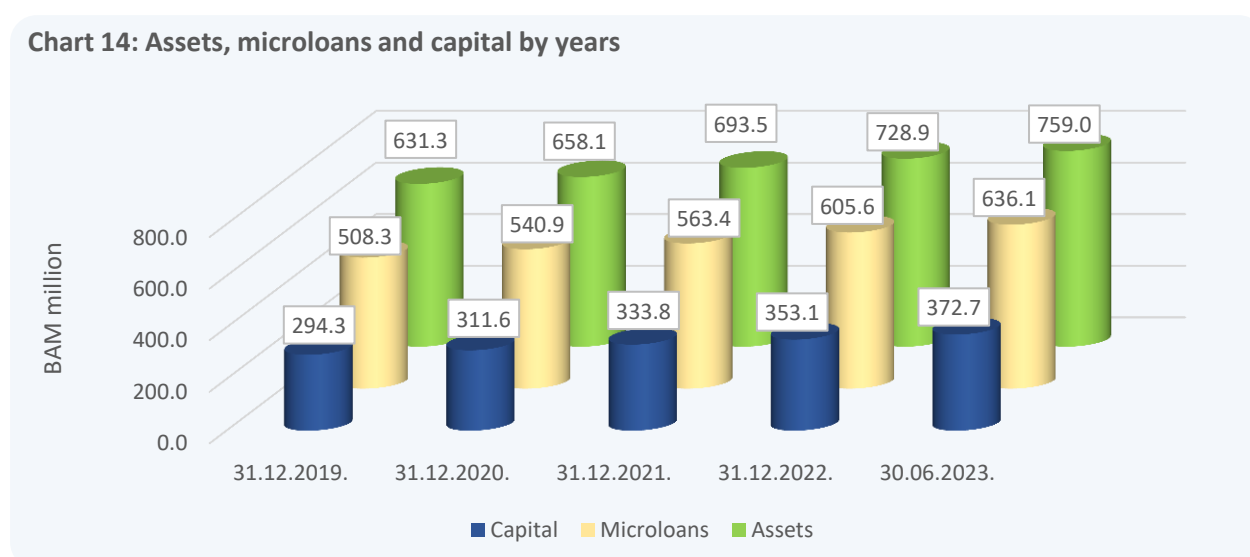
The rate of fixed assets compared to total assets (reduced by donated capital across the FBIH microcredit sector) as of 30/06/2023 amounts to 4.15%, which is within the prescribed limit.

The net microloan portfolio amounts to BAM 629.4 million with a share of 82.9% in total assets of the microcredit sector, hence it recorded an increase in absolute amount of BAM 31 million, i.e. 5.2%, of which net micro loans with MCFs rose by BAM 23.6 million or 5.4%, while net loans with MCCs rose by BAM 7.4 million, i.e. 4.6% compared to 31/12/2022. The level of LLPs for the entire microcredit portfolio in the reporting period is lower by BAM 0.4 million, i.e. 6%. LLP for

MCFs went up by BAM 0.4 million or 13.1% and with MCCs this amount is lower by BAM 0.8 million or 19.4%.

The total off-balance sheet records as of 30/06/2023 stood at BAM 223.9 million, thus being higher by BAM 6.1 million or 2.8% vs. 31/12/2022, whereas with MCFs it went down by BAM 3.7 million or 2.1% and with MCCs it went up by BAM 9.8 million or 27.2%. The biggest increase of the off-balance sheet records (22%) refers to one MCC holding 64.1% share in this item, where written off loans (as a dominant item of the off-balance sheet records) have risen by 24.1% vs. end of the previous year. Out of the said total amount within the off-balance sheet records, written off loans (including principal and regular interest and default interest and court expenses) make up for BAM 149.5 million or 66.8% of off-balance sheet items, i.e. they are higher by BAM 0.8 million or 0.5% compared to the end of 2022. The total number of written off microloans as of 30/06/2023 was 36,822, down by a total of 61 microloans (0.2%) vs. 31/12/2022. This came as a net effect of new write offs, permanent write offs and fully collected microloans.

Chart No. 14 shows the largest assets and liabilities items in the balance sheet by years.



3.1.2.2. Capital and liabilities

The biggest items in liabilities in the FBIH microcredit sector as of 30/06/2023 relate to: capital, amounting to BAM 372.7 million and representing 49.1% of total liabilities and liabilities on loans taken, which amount to BAM 351.2 million, i.e. 46.3% of total liabilities. The remaining amount of BAM 35.1 million, i.e. 4.6% of total liabilities relates to other liabilities that have dropped by BAM 2.4 million or 6.4% vs. 31/12/2022.

Compared to the end of the previous year, total increase of capital at the FBIH microcredit sector level as of 30/06/2023 was BAM 19.5 million or 5.5%, of which MCF capital rose by BAM 18.2 million or 6.2% and capital of MCCs by BAM 1.4 million or 2.3% during the reporting period.

The FBH microcredit sector's structure of capital is shown in the Table No. 45:

- BAM 000 -

No.	Description	31.12.2022.				30.06.2023				Index (9/5)
		MCF balance	MCC balance	Total	%	MCF balance	MCC balance	Total	%	
1	2	3	4	5=3+4	6	7	8	9=7+8	10	11
1.	Donated capital	48,098	0	48,098	13.6	48,098	0	48,098	12.9	100
2.	Core capital	3,696	34,177	37,873	10.7	3,696	44,177	47,873	12.8	126
3.	Surplus & deficit of revenue over expenses	242,416	0	242,416	68.7	260,661	0	260,661	69.9	108
4.	Issue premium	0	0	0	0.0	0	0	0	0.0	-
5.	Unallocated profits	0	10,191	10,191	2.9	0	233	233	0.1	2
6.	Regulatory reserves	0	5,569	5,569	1.6	0	6,586	6,586	1.8	118
7.	Other reserves	965	8,009	8,974	2.5	904	8,309	9,213	2.5	103
	Total capital	295,175	57,946	353,121	100	313,359	59,305	372,664	100	106

Total capital of MCFs amounted to BAM 313.4 million, i.e. 84.1% of the total capital of the microcredit sector, and the biggest items are the surplus of revenues over expenses, amounting to BAM 260.7 million and representing 83.2% of total capital of MCFs (being higher by BAM 18.2 million or 7.5%) and donated capital, amounting to BAM 48.1 million, i.e. 15.3% (thus remaining the same against the end of the previous year). Out of the total amount of donated capital, donations for the credit fund were reported by nine MCFs, where 64.5% relates to three MCFs, of which one MCF is responsible for 39.1% of the total donations for the credit fund. Five largest individual donors in MCFs in the FBH participate with 69.1% (BAM 33.2 million), where the largest donor participates with BAM 10.1 million or 21% of the total donated capital in one MCF. Remaining items in the MCF capital relate to core capital of MCFs and other reserves of altogether BAM 4.6 million or 1.5%.

Total capital of MCCs amounts to BAM 59.3 million, thus comprising 15.9% of the total capital of the microcredit sector. Its structure is dominated by core capital of BAM 44.2 million, i.e. 74.5%. Unallocated profit of BAM 0.2 million, i.e. 0.4%, thus this balance sheet position posted a major decrease by BAM 10 million or 97.7% due to reduction of this item with one MCC by 49% and due to the fact that the newly established MCC (that has just initiated its operations in the reporting year) has posted a loss. The remaining BAM 14.9 million, i.e. 25.1% of MCC capital relates to statutory and other reserves.

Looking into the capital rate reduced by donated capital vs. assets, as of 30/06/2023, it amounted 42.76% at the microcredit sector level. Thus, we find that it is in line with the prescribed limit.

Maturity structure of liabilities for loans taken is presented in the following Table No. 46:

- BAM 000 -

No.	Description	31.12.2022				30.06.2023				Index (9/5)
		MCF	MCC	Total	%	MCF	MCC	Total	%	
1	2	3	4	5=3+4	6	7	8	9=7+8	10	11
1.	Liabilities on short-term loans taken	12,292	7,856	20,148	5.9	12,738	4,200	16,938	4.8	84

2.	Liabilities on long-term loans taken	215,159	100,616	315,775	93.4	217,551	114,321	331,872	94.5	105
3.	Liabilities based on interest due	1,212	1,130	2,342	0.7	1,204	1,176	2,380	0.7	102
	Total	228,663	109,602	338,265	100	231,493	119,697	351,190	100	104

As of 30/06/2023, liabilities based on loans taken rose by BAM 12.9 million or 3.8% compared to 31/12/2022. The growth rate of loan obligations of MCFs was 1.2% and this growth rate with MCCs is 9.2%. In the structure of total liabilities on loans taken as of 30/06/2023, loan obligations of MCFs represent 65.9%, while loan obligations of MCCs represent 34.1%. With respect to the maturity structure of loan obligations compared to December 31, 2022, there is a decreased share of short term liabilities by 15.9% while long term liabilities have risen by 5.1% as of 30/06/2023. Liabilities related to interest due have risen by 1.6%. The largest two creditors of the FBH microcredit sector as of 30/06/2023, are EFSE Luxembourg with BAM 23.2 million and KfW Germany with BAM 18.2 million.

3.1.2.3. Assets and Assets Quality

The microloan portfolio reported in gross amount in the balance sheet total of the FBH microcredit sector as of 30/06/2023 amounted to BAM 636.1 million, thus representing 83.8% of total assets of the microcredit sector. If reduced for the corresponding LLP in the total amount of BAM 6.7 million, the net microloan portfolio amounts to BAM 629.4 million, i.e. 82.9% of total assets of the FBH microcredit sector (Table No. 47). Compared to December 31, 2022, gross microloan portfolio went up by BAM 30.5 million, i.e. by 5%, while the net microloan portfolio rose by the amount of BAM 31 million, i.e. 5.2%. Over the same period, LLPs dropped by BAM 0.4 million or 6%.

In the structure of total net portfolio of the microcredit sector in the FBH as of 30/06/2023, net microloans of MCFs amounted to BAM 460.8 million and represent 73.2% of the total net microloans across the sector, while the amount of BAM 168.6 million, i.e. 26.8% of the total net microloans across the sector relate to MCCs.

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Table 47: Net microloans

No.	Description	31.12.2022			30.06.2023			Index (8/5)
		MCF	MCC	Total	MCF	MCC	Total	
1	2	3	4	5=3+4	6	7	8=6+7	9
1.	Microloans (gross)	440,182	165,440	605,622	464,152	171,993	636,145	105
2.	LLP	2,954	4,213	7,167	3,340	3,395	6,735	94
3.	Net microloans (1.-2.)	437,228	161,227	598,455	460,812	168,598	629,410	105

Detailed data on the sector and the maturity structure of the microloan portfolio (reduced by deferred fee income) as of 30/06/2023 are shown in the following Table No. 48:

- BAM 000 -

Table 48: Sector and maturity structure of microloans

No.	Microloans	Short-term microloans	Long-term microloans	Receivables due	Total	%
1	2	3	4	5	6=3+4+5	7
1.	Corporate					
a)	Services	432	10,080	73	10,585	56.0
b)	Trade	170	3,339	10	3,519	18.6
c)	Agriculture	38	1,376	0	1,414	7.5
d)	Manufacturing	86	3,123	14	3,223	17.1
e)	Other	73	81	1	155	0.8
	Total 1	799	17,999	98	18,896	100

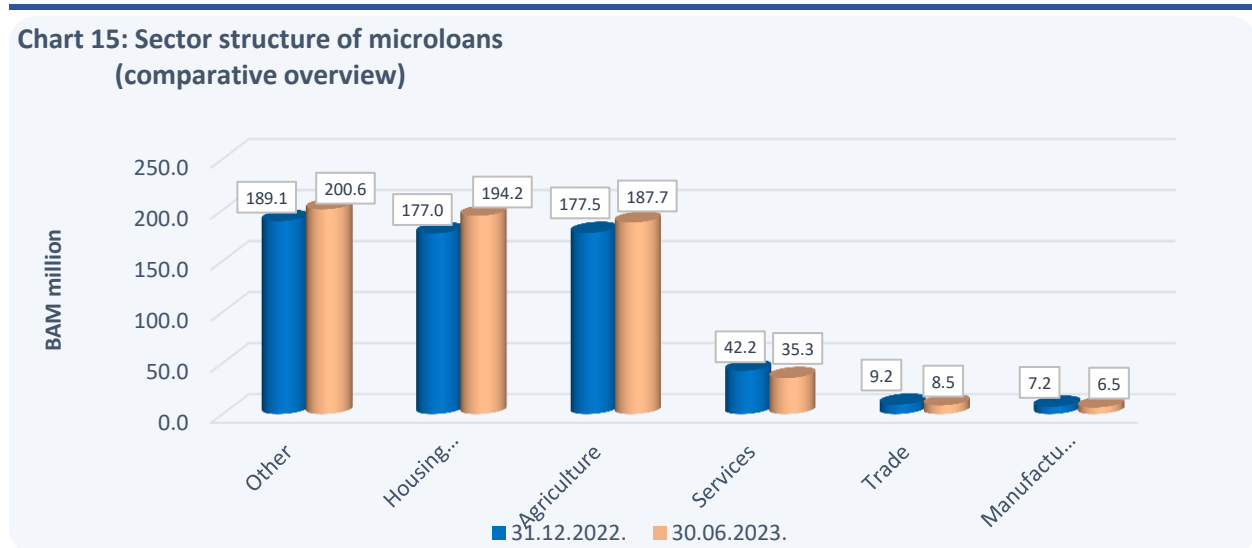
2.	Retail					
a)	Services	375	24,172	136	24,683	4.0
b)	Trade	196	4,714	30	4,940	0.8
c)	Agriculture	5,950	179,861	471	186,282	30.4
d)	Manufacturing	75	3,195	18	3,288	0.5
e)	Housing needs	3,099	190,763	388	194,250	31.6
f)	Other	14,260	185,479	760	200,499	32.7
	Total 2	23,955	588,184	1,803	613,942	100
	Total (1+2)	24,754	606,183	1,901	632,838	-

In the maturity structure of the total microloan portfolio as of 30/06/2023, the highest share is the share of long-term micro loans with 95.8%, while short-term micro loans have a 3.9% share and receivables due on micro loans have a 0.3% share.

Upon observing the sector structure, the dominant share is the share of retail microloans, with 97%, while the remaining 3% relates to corporate microloans. Within the retail microloan portfolio, the biggest is the share of microloans approved to other sectors, which amounts to 32.7% and for housing needs at 31.6%. By share levels, agricultural sector follows with 30.4% and services with 4%. The share of microloans for trade is 0.8% and for manufacturing 0.5%. In the structure of corporate microloans, the dominant share is the share of microloans for services – 56%.

The following Chart No. 15 presents the sector structure of microloans with comparative overview vs. end of the previous year.

Chart 15: Sector structure of microloans (comparative overview)



The following Table No. 49 provides an overview of receivables with relevant provisions by groups according to the number of days in default, as well as data on outstanding overdue receivables over 180 days (being removed from the balance sheet), as of 30/06/2023:

-BAM 000 -

Table 49: LLP

No.	Days in default	Rate of provisions	Amount of loans	Share (%)	Interest due			Provisions			Excess allocated provisions	Total provisions
					Rate of provisions	Amount of interest	Amount of other assets items	By micro loans	By past-due interest	By other items in assets		
1	2	3	4	5	6	7	8	9=4x3	10=7x6	11=8x3	12	13=9+10+11+12
1.	0	0%	618,180	97.7	0%	256	436	0	0	0	187	187
2.	1–15	2%	4,247	0.7	2%	78	0	85	2	0	15	102
3.	16–30	15%	3,655	0.6	100%	68	0	548	68	0	38	654
4.	31–60	50%	2,172	0.3	100%	75	0	1,086	75	0	37	1,198
5.	61–90	80%	1,400	0.2	100%	61	0	1,120	61	0	26	1,207

6.	91-180	100%	3,184	0.5	100%	203	0	3,184	203	0	0	3,387
	Total		632,838	100		741	436	6,023	409	0	303	6,735
7.	over 180	Write off	2,442	-		179	-	-	-	-	-	-

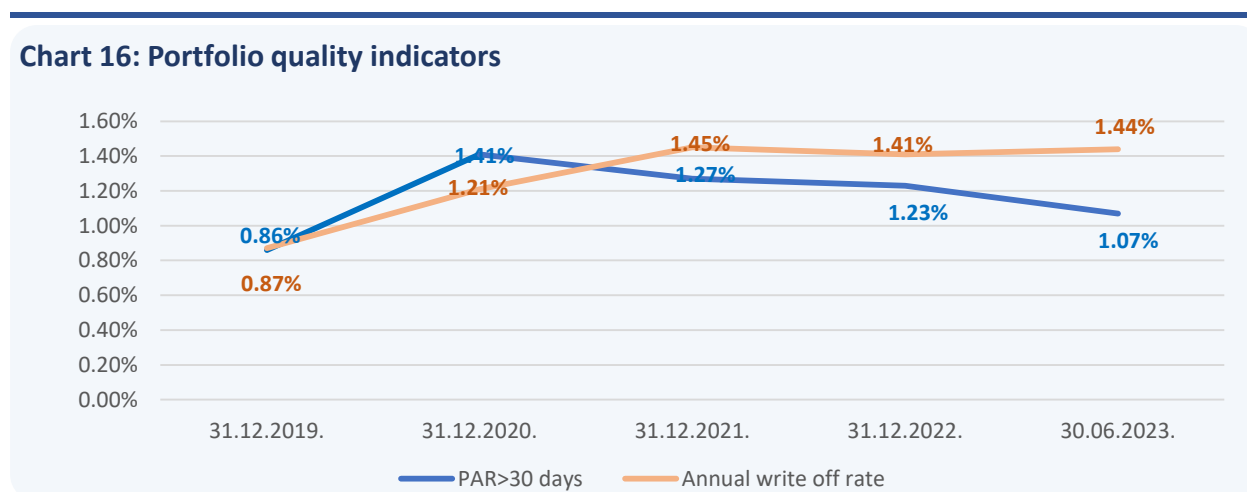
In the microloan portfolio at the sector level, 97.7% relate to microloans without defaults, while in the remaining 2.3% of microloans there are defaults, of which defaults up to 30 days represent 1.3% of micro loans, while 1% are defaults of 31 to 180 days. Out of the total amount of due interest (BAM 0.7 million), defaults up to 30 days represent 19.7%, while defaults of 31 to 180 days represent 45.7%. Total amount of provisions under microloans, interest and other asset items as of 30/06/2023 equals BAM 6.7 million. Therein, the largest item corresponds to provisions formed for microloans in default of 91 to 180 days (BAM 3.4 million), thus representing 50.3% of total provisions. LLP ratio as of 30/06/2023 equals 0.95%, which, comparing to the ratio as of 31/12/2022 (1.05%), represents a decrease by 0.1 percentage point.

Key Indicators of the Microcredit Portfolio Quality

The risk portfolio indicator for more than 30 days in default (PAR>30 days) as of 30/06/2023 amounts to 1.07% at the level the microcredit sector and it decreased by 0.16 percentage points compared to December 31, 2022. This risk indicator of the microloan portfolio at the sector level is within the prescribed standard.

At the microcredit sector level, the annual rate of write offs of microloans as of 30/06/2023 amounted to 1.44%, which is within the prescribed standard. This rate has increased by 0.03 percentage points compared to the end of the previous year.

Chart No. 16 below shows the portfolio quality indicators across years.



Weighted NIR and EIR on micro loans

Over the period from 01/01/2023 to 30/06/2023, MCOs seated in the FBIH concluded a total of 70,399 agreements and disbursed a total of BAM 298.7 million of microloans. This is by 1,998 agreements or 2.8% lower than in the same period last year, i.e. higher by BAM 27.3 million or 10.1% of disbursements compared to the observed period. MCOs seated in the FBIH had an average weighted NIR on total microloans of 19.02% and EIR of 22.59%, whereas NIR on short term microloans was 20.89% and on long term ones 18.83% and EIR on short term microloans

was 27.95% and on long term ones 22.06%. Average weighted EIR on total microloans disbursed by MCOs seated in the FBIH posted a decrease in the period from 01/01/2023 to 30/06/2023 by 0.54 percentage points vs. the same period in 2022, whereas average weighted EIR on short term microloans posted a drop by 0.8 percentage points and on long term microloans a drop by 0.41 percentage points.

Annex 11 provides an overview of average weighted NIR and EIR by maturity and purpose related to microloans disbursed in the period from 01/01/2023 to 30/06/2023 by MCOs seated in the FBIH.

Annex 11a provides a comparative overview of average weighted NIR and EIR on disbursed microloans (short term, long term and total) in the period from 2019 to 2023.

3.1.2.4. Financial Performance of the FBIH Microcredit Sector

At the FBIH microcredit sector, positive financial result was posted in the period from 01/01/2023 to 30/06/2023 in an amount of BAM 19.2 million (Table No. 50), up by BAM 12.1 million against the same period in 2022. As of the reporting date, MCOs posted a total of BAM 21.2 million of excess income over expenses, i.e. profit, and BAM 2 million of shortfall of income over expenses, i.e. loss.

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Table 50: Actual financial result of MCOs

No.	Description	01.01. - 30.06.2022						01.01. - 30.06.2023					
		Amount			Number of MCOs			Amount			Number of MCOs		
		MCF	MCC	Total	MCF	MCF	MCC	Total	MCF	MCF	MCC	Total	MCF
1.	Excess income over expenses/Profit	6,790	3,169	9,959	7	2	9	18,302	2,938	21,240	7	2	9
2.	Shortfall of income over expenses/Loss	303	2,517	2,820	3	1	4	117	1,880	1,997	3	2	5
	Total	6,487	652	7,139	10	3	13	18,185	1,058	19,243	10	4	14

MCFs posted excess income over expenses of BAM 18.2 million, thus being by BAM 11.7 million more than in the same period the year before. MCCs reported net profit of BAM 1.0 million (thus being higher by BAM 0.4 million). The presented overall excess income over expenses of MCFs was BAM 18.3 million (seven MCFs), while shortfall of income over expenses was posted by three MCFs in an amount of BAM 0.1 million. Profit was posted by two MCCs in an amount of BAM 2.9 million, while two MCCs posted a loss of BAM 1.9 million. Annexes 12 and 13 provide aggregate income statements for MCFs and MCCs.

Total Income of the FBIH Microcredit Sector

According to reporting data for MCOs, in the period from 01/01/2023 to 30/06/2023, total income at the level of the FBIH microcredit sector amounted to BAM 75.5 million, up by BAM 13.6 million or 22% compared to the same period last year (Table No. 51).

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Table 51: Structure of total income of MCOs

No.	Structure of total income	01.01. - 30.06.2022				01.01. - 30.06.2023				Index (9/5)
		MCF	MCC	Total	% share	MCF	MCC	Total	% share	
		3	4	5=3+4	6	7	8	9=7+8	10	11
1.	Interest income and similar income									
1.1.	Interest on interest-bearing deposit accounts with deposit institutions	1	1	2	0.0	0	1	1	0.0	50
1.2.	Interest on placements to banks	9	0	9	0.0	0	0	0	0.0	0

1.3.	Interest on loans	37,421	15,470	52,891	85.4	41,826	14,148	55,974	74.1	106
1.4.	Management fee	2,454	797	3,251	5.2	2,849	627	3,476	4.6	107
1.5.	Prepayment fee	287	142	429	0.7	351	120	471	0.6	110
1.6.	Other interest income and similar income	547	130	677	1.1	542	59	601	0.8	89
	Total	40,719	16,540	57,259	92.4	45,568	14,955	60,523	80.1	106
2.	Operating income									
2.1.	Service fees	113	0	113	0.2	116	0	116	0.2	103
2.2.	Income from collected written off receivables	3,413	375	3,788	6.1	3,415	527	3,942	5.2	104
2.3.	Other operating income	7	8	15	0.0	4	4	8	0.0	53
	Total	3,533	383	3,916	6.3	3,535	531	4,066	5.4	104
3.	Other operating income	666	103	769	1.3	10,707	253	10,960	14.5	1.425
	Total income (1+2+3)	44,918	17,026	61,944	100	59,810	15,739	75,549	100	122

Within the structure of total income of MCOs, interest income and similar income hold a share of 80.1%, operating income 5.4% share and other operating income 14.5%. Compared to the same period last year, interest and similar income have risen by BAM 3.3 million or 5.7%. Income from interest on loans, being the key item within the category of interest and similar income, climbed by BAM 3.1 million or 5.8%.

Operating income of MCOs during the observed period saw an increase by BAM 0.2 million or 3.8%, whereas income from collected written off receivables (being a dominant item therein) went up by BAM 0.2 million or 4.1%. Other operating income posted a major rise by BAM 10.2 million since one MCF posted a value of BAM 10 million within the item of income from dividends and shares (investments).

Total Expenses of the FBH Microcredit Sector

According to the reporting data of MCOs for the period from 01/01/2023 to 30/06/2023, total expenses of the FBH microcredit sector stood at BAM 56.3 million, up by BAM 1.5 million or 2.7% vs. the same period the year before (Table No. 52).

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Table 52: Structure of total expenses of MCOs

No.	Structure of total expenses	01.01. - 30.06.2022				01.01. - 30.06.2023				Index (9/5)
		MCF	MCC	Total	% share	MCF	MCC	Total	% share	
1	2	3	4	5=3+4	6	7	8	9=7+8	10	11
1.	Interest expenses and similar expenses									
1.1.	Interest on borrowed funds	3,109	2,233	5,342	9.8	3,954	2,204	6,158	10.9	115
1.2.	Fee for received loans	343	285	628	1.1	335	240	575	1.0	92
1.3.	Prepayment fee	0	0	0	0.0	19	0	19	0.0	-
1.4.	Other interest expenses and similar expenses	218	1,100	1,318	2.4	201	105	306	0.6	23
	Total	3,670	3,618	7,288	13.3	4,509	2,549	7,058	12.5	97
2.	Operating expenses									
2.1.	Costs of salaries and contributions	19,707	5,011	24,718	45.1	2,472	5,211	26,683	47.4	108
2.2.	Amortisation costs	2,265	722	2,987	5.5	2,387	649	3,036	5.4	102
2.3.	Material expenses	1,129	301	1,430	2.6	1,188	267	1,455	2.6	102
2.4.	Service costs	6,944	3,143	10,087	18.4	7,550	2,731	10,281	18.2	102
2.5.	Other operating expenses	1,327	309	1,636	3.0	1,438	640	2,078	3.7	127
	Total	31,372	9,486	40,858	74.6	34,035	9,498	43,533	77.3	107
3.	Other operating expenses	411	125	536	1.0	260	127	387	0.7	72
4.	Costs of reserves for loan and other losses	2,377	2,793	5,170	9.4	2,137	2,180	4,317	7.7	84
5.	Tax on excess income over expenses (income tax)	601	352	953	1.7	684	327	1,011	1.8	106
	Total expenses (1+2+3+4+5)	38,431	16,374	54,805	100	41,625	14,681	56,306	100	103

MCOs' total expense structure is dominated by operating expenses with a share of 77.3%, while interest and similar expenses participate with 12.5% and costs of reserves for loan and other losses with 7.7%. Other operating expenses and tax on excess income over expenses (i.e. income tax) hold a share of 2.5% in total expenses of MCOs.

Against the same period last year, interest and similar expenses are lower by BAM 0.2 million or 3.2%, whereas interest on borrowed funds rose by 15.3%. Fees for received loans dropped by 8.4%, while other interest expenses and similar expenses dropped by 76.8% due to significant reduction of this item with one MCC (down by 95.4%).

Operating expenses of MCFs, as a dominant item among total expenses, saw a rise by BAM 2.7 million or 6.5%, whereas costs of salaries and contributions (as their key item) increased by BAM 2.0 million or 7.9%. Costs of services went up by BAM 0.2 million or 1.9%, while material expenses rose by BAM 25 ths or 1.7%. Other operating expenses rose by 0.4 million or 27%. Amortisation costs have risen by BAM 49 ths or 1.6%.

Other operating expenses decreased by BAM 149 ths or 27.8%, while costs of reserves for loan and other losses decreased by BAM 0.9 million or 16.5%. Cost of tax on excess income over expenses (i.e. income tax) climbed by BAM 58 ths or 6.1%.

Efficiency and Sustainability Indicators for the FBIH Microcredit Sector

Operational efficiency of the FBIH microcredit sector as of 30/06/2023 stood at 17.83%, which is within the prescribed range for the indicator.

According to reporting data at the FBIH microcredit sector as of 30/06/2023, the return on assets adjusted for inflation, market price of capital and donations (AROA) was negative at -3.41% due to higher inflation rate used in the cost adjustment in the calculation of this parameter. The said indicator is not within the prescribed standard. The indicator of operational sustainability of the FBIH microcredit sector (which is used as a general standard and which represents a ratio of total income (minus collection of written off receivables and other operating income) and total expenses) equals 136.63%.

3.1.3. MICROCREDIT SECTOR RECOMMENDATIONS

The FBA will, within its prescribed supervisory authorities for the FBIH microcredit sector, continue with the planned supervisory activities, which shall be focused on the following:

- monitoring compliance of MCOs' business operations with the regulatory framework in respect of achievement of the prescribed objectives of micro lending, in terms of improving the financial position of microloan users, contribution to the increase of employment, support to entrepreneurship development, increase of transparency of operations and protection of the rights of financial service users;
- timely and adequate undertaking of activities in MCOs according to the corrective measures imposed to eliminate irregularities and weaknesses in business operations;
- monitoring macroeconomic situation and its impact to the MCO sector, as well as monitoring activities of management functions of MCOs regarding alignment of operations with the prescribed parameters (primarily in the context of management and optimisation of operating expenses), and mitigating adverse effects to end users of loans.

The competent governance bodies of the MCOs need to ensure compliance of their business with the regulatory framework and the prescribed standards, especially in respect of:

- performance of micro lending activities to improve the financial position of users, increase employment and support entrepreneurial development, starting from legally prescribed micro lending goals with consistent implementation of the Law on Protection of Financial Service Users / *Zakona o zaštiti korisnika finansijskih usluga*¹⁹, including aligning interest rates policies on microloans with the prescribed micro lending goals, thus contributing to stability and sustainability of the FBiH microcredit sector;
- maintaining and enhancing sound risk management practices for risks to which MCOs are or might be exposed, efficiency of internal control systems and independent internal audit function;

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- resource optimising and applying the principles of responsible micro lending;
- harmonisation, i.e. improvement of operational efficiency and operational sustainability indicators;
- continued and improved cooperation with AMFI in sense of providing expert assistance in implementing laws and regulations concerning MCOs;
- regular, up-to-date and accurate submission of data to CBB&H for the CLR management purposes; and
- improving business transparency.

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

3.2. LEASING SECTOR

3.2.1. FBiH LEASING SECTOR STRUCTURE

3.2.1.1. Number of Leasing Companies and Branches

The FBA license for leasing operations was, as of 30/06/2023, held by four leasing companies in the FBiH, where the number of leasing companies remained the same compared to the end of the previous year. Four leasing companies have one branch each operating in the RS.

Annex 14 provides basic information on leasing companies which, as of 30/06/2023, represented the leasing sector in the FBiH.

3.2.1.2. Ownership Structure

The ownership structure of leasing companies in the FBIH, according to data as of 30/06/2023, is as follows: two leasing companies are in 100% ownership of non-resident legal entities, one leasing company is majority-owned by a non-resident legal entity, while one leasing company is in 100% ownership of a resident legal entity.

3.2.1.3. Staff Structure

As at 30/06/2023, there were a total of 102 employees in the leasing sector in the FBIH, which are two employees more than at the end of the previous year (Table No. 53).

Table 53: Qualification structure of employees in the leasing companies in the FBIH

No.	Qualification	31.12.2022		30.06.2023		Index (5/3)
		No. of employees	% share	No. of employees	% share	
1	2	3	4	5	6	7
1.	University qualifications	77	77.0	72	70.6	94
2.	Two-year post-secondary school qualifications	2	2.0	1	1.0	50
3.	Secondary school qualifications	16	16.0	23	22.5	144
4.	Other	5	5.0	6	5.9	120
	Total	100	100	102	100	102

Efficiency of employees in the course of the performance assessment of leasing companies is based on the ratio of assets and number of employees. According to indicators as at 30/06/2023, at the level of the leasing sector in the FBIH, each employee corresponded to BAM 4.9 million in assets. This is by BAM 0.5 million or 11.2% more than as at 31/12/2022.

3.2.2. FINANCIAL INDICATORS OF PERFORMANCE

3.2.2.1. Balance Sheet

Total assets of the FBIH leasing sector as at 30/06/2023 amounted to BAM 495.7 million and are higher by BAM 58.7 million, i.e. 13.4% compared to December 31, 2022. Two leasing companies, viewed on the basis of asset size, account for 67.4% of total assets of the FBIH leasing sector.

Annex 15 provides an aggregate balance sheet of leasing companies in the FBIH, while Annex 16 provides an overview of basic indicators of leasing companies in the FBIH as of 30/06/2023. The following table No. 54 provides summary of the leasing sector's balance sheet.

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Table 54: Leasing sector's balance sheet

No	Description	31.12.2022	% share	30.06.2023	% share	Index (5/3)
1	2	3	4	5	6	7
	ASSETS					
1.	Cash and cash equivalents	4,384	1.0	3,717	0.8	85
2.	Placements with banks	6,167	1.4	5,569	1.1	90
3.	Financial leasing receivables, net	342,550	78.4	390,872	78.8	114
3a)	Financial leasing receivables, gross	383,834	87.8	442,774	89.3	115
3b)	Loss reserves	4,837	1.1	4,831	1.0	100
3c)	Deferred interest income	36,075	8.2	46,690	9.4	129
3d)	Deferred fee income	372	0.1	381	0.1	102
4.	Receivables from subsidiaries	0	0.0	0	0.0	-
5.	Tangible and intangible assets, net	76,012	17.4	86,762	17.5	114
5a)	Tangible and intangible assets – own funds, net	1,222	0.3	1,189	0.2	97

5b)	Tangible and intangible assets – operational leasing, net	74,790	17.1	85,573	17.3	114
6.	Long term investments	408	0.1	407	0.1	100
7.	Other assets	7,519	1.7	8,391	1.7	112
Total assets		437,040	100	495,718	100	113
LIABILITIES						
8.	Obligations under loans taken	390,310	89.3	443,202	89.4	114
9.	Other liabilities	10,158	2.3	13,953	2.8	137
10.	Capital	36,572	8.4	38,563	7.8	105
Total liabilities		437,040	100	495,718	100	113
11.	Off-balance sheet records	60,984		139,493		229

In the structure of total assets of the FBIH leasing sector, the most significant share is the share of net receivables under financial leasing, which amount to BAM 390.9 million, i.e. 78.8% of total assets. Compared to December 31, 2022, net receivables under financial leasing are higher by BAM 48.3 million, i.e. 14.1%, while gross receivables under financial leasing are higher by BAM 58.9 million, i.e. 15.4%. As of 30/06/2023, one bank that performs also financial leasing deals posted net receivables under financial leasing agreements of altogether BAM 34.7 million, thus indicating that net receivables under financial leasing at the leasing system level were equal to BAM 425.6 million and were by BAM 46.9 million or 12.4% higher than at the end of the previous year.

The balance sheet position of cash and cash equivalents as of 30/06/2023 amounted to BAM 3.7 million (constituting 0.7% of total assets) and being lower by BAM 0.7 million or 15.2% compared to December 31, 2022. Placements with banks (posted by one leasing company) as of 30/06/2023 amounted to BAM 5.6 million, comprising 1.1% of total assets of the FBIH leasing sector, which was by BAM 0.6 million or 9.7% less compared to December 31, 2022. Net value of fixed assets financed through operational leasing as of 30/06/2023 amounted to BAM 85.6 million and has increased by BAM 10.8 million, i.e. 14.4% compared to December 31, 2022.

In the structure of receivables under financial leasing at the level of the leasing sector in the FBIH (if observed by the leasing objects), contracts approved for financing of passenger vehicles and vehicles for performing business activities participate with 87.2%, contracts for equipment and machinery financing participate with 12.7%, while 0.1% relates to contracts under which real estate is financed. If viewed by lessees, majority (91.2%) refers to contracts with legal entities and 5% to contracts with private individuals.

The following table No. 55 provides the structure of receivables under financial leasing at the level of the FBIH leasing sector (gross receivables minus deferred interest and fee income) as of 30/06/2023.

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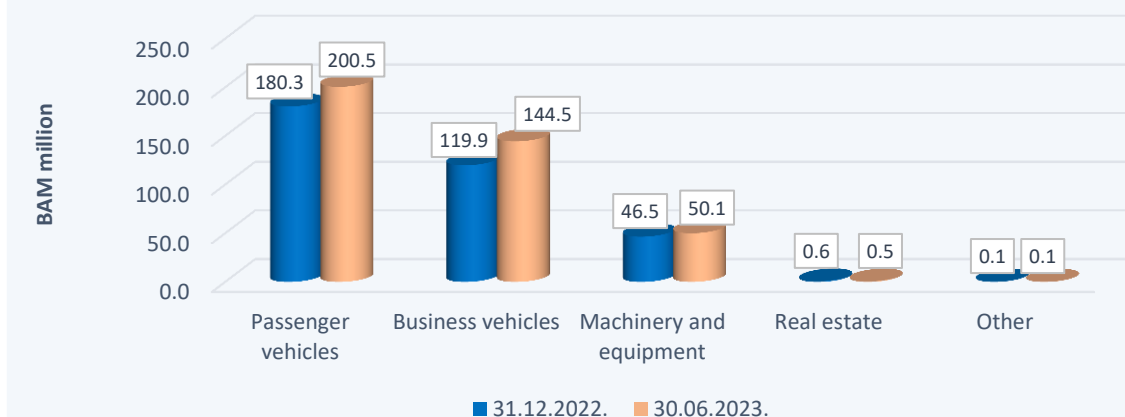
Table 55: Structure of financial leasing receivables

No.	Description	Short term receivables	Long term receivables	Receivables due	Total receivables	% share
1	2	3	4	5	6	7
1.	By leasing object					
1.1.	Passenger vehicles	62,984	135,697	1,805	200,486	50.7
1.2.	Vehicles for performing business activity (cargo and passenger vehicles)	47,151	96,233	1,140	144,524	36.5
1.3.	Machines and equipment	18,862	30,889	404	50,155	12.7
1.4.	Real estate	81	382	2	465	0.1
1.5.	Other	31	41	1	73	0.0
	Total	129,109	263,242	3,352	395,703	100
2.	By lessee					
2.1.	Corporate	118,070	239,900	2,985	360,955	91.2
2.2.	Entrepreneurs	4,438	8,308	156	12,902	3.3

2.3.	Retail	5,828	13,982	144	19,954	5.0
2.4.	Other	773	1,052	67	1,892	0.5
	Total	129,109	263,242	3,352	395,703	100

Chart No. 17 shows the structure of financial leasing receivables with a comparative overview by years.

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



3.2.2.2. Capital and Liabilities

Total capital of the FBIH leasing sector as of 30/06/2023 amounted to BAM 38.6 million, thus constituting 7.8% of total liabilities of the FBIH leasing sector. Compared to December 31, 2022, the aforementioned position increased by BAM 2.0 million or 5.4%.

Total liabilities of the leasing sector in the FBIH amounted to BAM 457.2 million as at 30/06/2023, thus representing a dominant source in the total liabilities structure of the FBIH leasing sector as they constitute 92.2% of total liabilities of leasing companies. Compared to December 31, 2022, total liabilities at the sector level rose by BAM 56.7 million or 14.2%.

Liabilities of leasing companies in the FBIH under loans taken as of 30/06/2023 stood at BAM 443.2 million, thus accounting for 89.4% of total liabilities. Compared to 31/12/2022, the position of loan obligations is higher by BAM 52.9 million, i.e. 13.6%. If observed by contractual maturity, dominant portion of liabilities based on loans refers to long term loans.

3.2.2.3. Assets and Assets Quality

According to the reporting data at the level of the FBIH leasing sector, reported reserves for losses under financial leasing as of 30/06/2023 (Table No. 56) amounted to BAM 4.8 million and are slightly lower compared to December 31, 2022 by BAM 6 ths or 0.1%.

In the structure of receivables under financial leasing as of 30/06/2023, the total of BAM 3.3 million of overdue receivables was reported, which is by BAM 0.1 million or 3.4% more compared to December 31, 2022.

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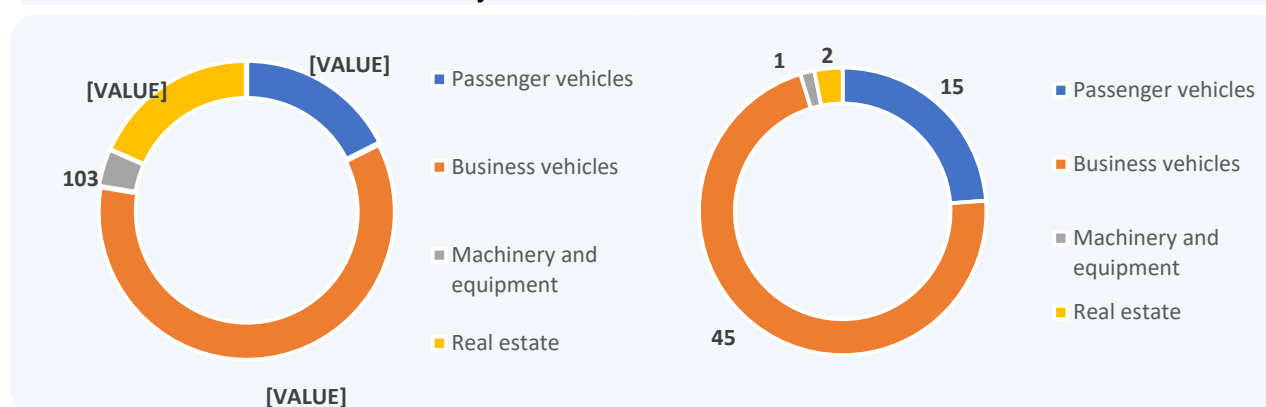
Table 56: Overview of financial leasing reserves

No.	Days past due	Rate of reserv. for finan. leasing (movables)	Rate of reserv. for finan. leasing (immovables)	Amount of receivables for movables	Amount of receivables for immovables	Basis - movables	Basis - immovables	For movables	For immovables	Reserves Excess calculated and allocated reserves	Total reserves
1	2	3	4	5	6	7	8	9=7x3	10=8x4	11	12=9+10+11
1.	0-60	0.5%	0.5%	390,821	535	70,126	252	351	1	4,168	4,520
2.	60-90	10%	10%	3,903	0	801	0	80	0	23	103
3.	90-180	50%	50%	325	0	31	0	16	0	73	89
4.	over 180	100%	75%	119	0	119	0	119	0	0	119
5.	over 360	100%	100%	0	0	0	0	0	0	0	0
Total				395,168	535	71,077	252	566	1	4,264	4,831

The total amount of written off receivables as of 30/06/2023 amounted to BAM 3.5 million BAM and is lower compared to December 31, 2022, by BAM 0.6 million or 14.7%.

The appraised market value of foreclosed leasing objects, due to termination of leasing contracts with lessees as of 30/06/2023 at the level of the FBIH leasing sector, amounted to BAM 2.6 million, up by BAM 1.0 million compared to 31.12.2022. There was a total of 63 foreclosed objects, with a posted decrease of the number of foreclosed objects by 2 objects (Chart No. 18).

Out of the total reported amount of appraised market value of foreclosed items in the FBIH leasing sector as of 30/06/2023, 77.6% refers to passenger vehicles and business vehicles. In addition, 4% relates to machines and equipment. The share of 18.4% of the total appraised value of foreclosed objects refers to real estate (commercial facilities) for which leasing companies assumed possession for reasons of non-compliance with contractual obligations by lessees. The total amount of the above position relates to one leasing company.

Chart 18: Structure of the appraised value of foreclosed leasing objects (in BAM 000) and number of foreclosed object

Viewed at the level of the FBIH leasing system as of 30/06/2023, the market value of foreclosed leasing items amounted to BAM 2.6 million and it increased by BAM 1.0 million compared to December 31, 2022. Out of the above amount of foreclosed leasing items, items foreclosed by the bank that is performing leasing activities correspond to BAM 2.0 ths, i.e. 0.1% of the total market value of foreclosed items reported at the level of the leasing system. The significant

decrease of this item was caused by the reduced value of the real estate position posted by a bank that is performing leasing activities. The real estate items foreclosed due to non-payment of lease receivables were measured by this bank in line with the Decision on Credit Risk Management and Determination of Expected Credit Losses, i.e. it reduced these items to BAM 1.0.

3.2.2.4. Profitability

According to the reporting data of four leasing companies, across the FBIH leasing sector in the period from January 1 – June 30, 2023, a positive financial result of BAM 4.1 million was reported, which represents a decrease by BAM 0.6 million compared to the same period in 2022 (Table No. 57). Total net profit was posted in an amount of BAM 4.6 million (three leasing companies), while loss was recognised by one leasing company in an amount of BAM 0.5 million.

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Table 57: Actual financial result of leasing companies

No.	Description	01.01. - 30.06.2022		01.01. - 30.06.2023	
		Amount	Number of leasing companies	Amount	Number of leasing companies
1	2	3	4	5	6
1.	Profit	5,104	3	4,626	3
2.	Loss	366	2	526	1
	Total	4,738	5	4,100	4

Annex 17 provides an aggregate balance sheet of leasing companies in the FBIH in the period from 01/01/2023 to 30/06/2023.

Total Income of the FBIH Leasing Sector

Total income of the FBIH leasing sector for the period 01/01/2023 to 30/06/2023 amounted to BAM 28.1 million, up by BAM 7.4 million compared to the same period of the previous year (Table No. 58).

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Table 58: Structure of total income of leasing companies

No.	Structure of total income	01.01. - 30.06.2022		01.01. - 30.06.2023		Index (5/3)
		Amount	% share	Amount	% share	
1	2	3	4	5	6	7
1.	Interest income and similar income					
1.1.	Interest under financial leasing	64	0.3	50	0.2	78
1.2.	Interest on placements to banks	6,105	29.5	11.229	40.0	184
1.3.	Other interest income	1,022	5.0	1.504	5.4	147
	Total 1	7,191	34.8	12.783	45.6	178
2.	Operating income					
2.1.	Operating lease charges	10,944	52.9	12.432	44.3	114
2.2.	Service fees	0	0.0	1	0.0	-
2.3.	Other operating income	2,348	11.4	2.838	10.1	121
	Total 2	13,292	64.3	15.271	54.4	115
3.	Income from release of reserves for losses	190	0.9	0	0.0	0
	Total income (1+2+3)	20,673	100	28.054	100	136

The FBIH leasing sector's interest and similar income amounted to BAM 12.8 million, thus constituting 45.6% of total income of the leasing sector. It increased by BAM 5.6 million

compared to the same period last year. The most significant position in interest income is interest income from financial leasing in the total amount of BAM 11.2 million and it is by BAM 5.1 million higher compared to the same period of the preceding year.

Operating income amounted to BAM 15.3 million with a share of 54.4% in total income of the leasing sector. Compared to the same period last year, it is higher by BAM 2.0 million, i.e. 14.9%. Operating lease charges, as dominant item of operating income, rose by BAM 1.5 million or 13.6%, while other operating income rose by BAM 0.5 million or 20.9%.

Compared to the same period the year before, an increase was noted with the share of interest and similar income of leasing sector in total income, along with a simultaneous decrease of the share of operating income in total income of the leasing sector. Due to the increase of 6M and 3M EURIBOR (because of the changed monetary policy at the EU level and implementation of security mechanisms aimed at stabilisation of the inflation growth), funding sources of leasing companies, i.e. fund prices, have risen in line with the Euribor increase trend. Therefore, the increase of income over the 6-month period of 2023 vs. the same period last year is mostly attributable to the adjustment of interest rate to 6M and 3M Euribor, considering that 90% of the leasing companies' portfolio refers to contracts linked with these rates.

Total expenses of the FBIH Leasing Sector

Total expenses for the period 01/01/2023 to 30/06/2023 amounted to BAM 24 million and are higher by BAM 8.0 million compared to the same period of the preceding year (Table No. 59).

- BAM 000 -

Table 59: Structure of total expenses of leasing companies

No.	Structure of total expenses	01.01. - 30.06.2022		01.01. - 30.06.2023		Index (5/3)
		Amount	% share	Amount	% share	
1	2	3	4	5	6	7
1.	Interest expenses and similar expenses					
1.1.	Interest on borrowed funds	2,297	14.4	8,371	35.0	364
1.2.	Fees for processing loans	61	0.4	95	0.4	156
1.3.	Other interest expenses	1	0.0	2	0.0	200
	Total 1	2,359	14.8	8,468	35.4	359
2.	Operating expenses					
2.1.	Salary and contribution costs	2,611	16.4	2,669	11.1	102
2.2.	Business premises costs	6,928	43.5	7,826	32.7	113
2.3.	Other costs	4,037	25.3	4,935	20.6	122
	Total 2	13,576	85.2	15,430	64.4	114
3.	Costs of reserves	0	0.0	56	0.2	-
4.	Profit tax	0	0.0	0	0.0	-
	Total expenses (1+2+3+4)	15,935	100	23,954	100	150

Interest and similar expenses of the leasing sector amounted to BAM 8.5 million and represented 35.4% of total expenses of the leasing sector. This is higher by BAM 6.1 million vs. the same period of the previous year. This was mostly contributed by the increase of this item by 268.5% with one leasing company that holds 44.2% share in this balance sheet position. The fact is that other leasing companies also posted a major increase of this item. Interest expenses under loans taken (as their dominant item) posted a rise by BAM 6.1 million.

Over the observed period, total operating expenses of the leasing sector stood at BAM 15.4 million with a share in total expenses of the leasing sector of 64.4%. This is higher by BAM 1.9

million or 13.7% compared to the same period of the year before. Therein, their structure reflects increased costs of salaries and contributions by 2.2%, costs of business premises by 13%, while other costs climbed by 22.2%. Cost of reserves for losses equal BAM 0.1 million with a share of 0.2% in total expenses.

Compared to the same period last year, there was an increase of the share of interest and similar expenses of the leasing sector in total expenses, along with a simultaneous decrease of the share of operating expenses in total expenses of the leasing sector due to the fact that debts of leasing companies are mostly linked to 6M and 3M Euribor (from 90% - 95% of the funding sources), which led to the major increase of expenses related to loans taken. Also, one leasing company performed refinancing in a major amount - from the loan with variable interest rate into the fixed interest rate loan. This also impacted the expense structure over the observed reporting period.

3.2.2.5. Structure of Placements according to Subject and Type of Leasing

The value of newly concluded contracts for financial and operational leasing executed at the level of the leasing system in January 1 2023 – June 30, 2023, amounts to BAM 180.6 million and is higher by BAM 54.3 million or 43%, compared to the same period of the preceding year. Thereof, BAM 171 million or 94.7% of the total value of newly concluded contracts at the leasing system level refers to the leasing sector consisting of four leasing companies.

The number of newly concluded leasing contracts at the leasing system level in the same period was 2,777, which was by 289 contracts or 11.6% higher compared to the same period last year. Thereof, 2,696 contracts or 97.1% of the total number of concluded contracts at the leasing system level refers to the leasing sector. The average value of contracts at the level of the leasing system concluded in the period from 01/01/2023 – 30/06/2023 amounted to BAM 65 ths and it is higher by 28.1% compared to the same period last year, when it amounted to BAM 50.8 ths. Therein, the average value of contracts at the leasing sector level was BAM 63.4 ths, which is 28.3% more than in the same period in 2022 when it stood at BAM 49.4 ths.

Out of the total generated value of newly concluded contracts in the period from 01/01/2023 to 30/06/2023, BAM 150 million or 83% relates to financial leasing contracts (99,8% referring to the value of long term lease contracts) and BAM 30.6 million or 17% relating to operational leasing contracts (where 73% are long term lease contracts).

The following Table No. 60 shows a comparative overview of the number of concluded contracts in the period from 01/01/2023 to 30/06/2023 and in the same period of the preceding financial year, as well as the comparative overview of the realised volume of newly concluded contracts in the same period:

- BAM 000 -

Table 60: Structure of the number of concluded contracts and financing amount of the leasing system

No	Description	01.01. - 30.06.2022						01.01. - 30.06.2023					
		Financial leasing		Operational leasing		Total		Financial leasing		Operational leasing		Total	
		Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
1	2	3	4	5	6	7=3+5	8=4+6	9	10	11	12	13=9+11	14=10+12
1.	Vehicles	1,826	90,147	526	23,881	2,352	114,028	2,048	127,500	609	30,631	2,657	158,131
2.	Equipment	132	12,129	0	0	132	12,129	120	22,470	0	0	120	22,470
3.	Real estate	2	96	0	0	2	96	0	0	0	0	0	0
4.	Other	2	23	0	0	2	23	0	0	0	0	0	0

Total	1,962	102,395	526	23,881	2,488	126,276	2,168	149,970	609	30,631	2,777	180,601
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The total amount of new financing in the reporting period was achieved by four leasing companies and one bank, which performs financial leasing activities (the legal successor of a leasing company that merged with that bank).

The structure of new placements is, according to type of lessee, dominated by placements to legal persons, which represent 93.9% of the total amount of financing in the period from 01/01/2023 to 30/06/2023. One of key reasons for this rests with the fact that financing through leasing for natural persons is less favorable compared to loans because of liability to pay VAT on interest, which is an additional cost for clients that are not VAT taxpayers.

Weighted NIR and EIR

Total average weighted NIR for financial leasing contracts concluded in the period from 01/01/2023 to 30/06/2023 was 4.32% for short term contracts and 5.76% for long term contracts, while EIR for short term contracts was 6.55% and 8.77% for long term contracts during the same period. Total average weighted NIR was 5.76% and EIR was 8.77%. Compared to the same period in 2022 when total average weighted NIR was 3.75% and EIR 6.45%, there is an evident increase of NIR by 2.01 percentage points and of EIR by 2.32 percentage points.

Annex 18 provides an overview of average weighted NIR and EIR on financial leasing contracts concluded in the period from 01/01/2023 to 30/06/2023 (by maturity, leasing object and lessee).

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

Annex 18a provides a comparative overview of average weighted NIR and EIR on financial leasing contracts concluded in the past five years (by maturity and lessee).

Differences between posted NIR and EIR are a result of VAT on interest being a mandatory part of the financial leasing contract and being paid by a lessee in advance, as well as creation of a financial leasing contract with surrender value plus additional costs of leasing arrangement being included in the EIR calculation.

3.2.3. LEASING SECTOR RECOMMENDATIONS

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

- ongoing supervision of business operations of the leasing sector through offsite and onsite examinations;
- preservation of capital adequacy of the FBIH leasing sector and strengthening of internal processes for defining the parameters of capital protection in the entities of the FBIH leasing sector;

- monitoring macroeconomic situation and reference interest rate trends, as well as their impact on the leasing sector and taking measures to mitigate any adverse effects to the leasing sector and the financial service users;
- monitoring and evaluating efficiency of the established risk management systems in the leasing sector, i.e. system, in the FBIH and quality of overall governance;
- further cooperation with BiHALC, in terms of providing professional assistance in the application of laws and regulations for leasing companies, as well as cooperation with other supervisory and controlling institutions, and with the CBB&H in respect of data structures and quality related to exposures under financial leasing in CLR;
- support to improvement of the business environment for operations of the FBIH leasing sector.

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

- promoting safe, stable and sustainable leasing business;
- capital strengthening and defining the parameters of capital protection and capital adequacy, strengthening the internal control system and internal audit function;
- improving the risk management system arising from the leasing business and the environment, identifying risks in a timely manner and taking measures to control and mitigate those risks;
- ensuring reliability and integrity of data and information provided to the FBA, the CBB&H and other supervisory institutions and bodies, ensuring accuracy, validity and comprehensiveness of overall accounting and other records, compliance with business policies, activity programs and plans, laws and other regulations and documents, as well as protection of property of companies and preventive action;
- consistent implementation of regulations defining protection of financial service users.

3.3. FACTORING BUSINESS

3.3.1. Participants in the FBIH Factoring Market

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

As of 30/06/2023, factoring system consisted of three commercial banks, of which two banks are members of international banking groups seated in EU-member countries and one bank in majority domestic ownership.

3.3.2. Scope, Structure and Trend of Factoring Business in the FBIH

As of 30/06/2023, entities providing factoring services in the FBIH have concluded a total of 81 new factoring contracts, all of which referring to domestic factoring. Compared to reporting

data for the same period last year, the number of newly concluded factoring contracts is lower by 50 contracts or 38.2%. All newly concluded contracts have been made with a recourse right.

Over the observed period, the factoring service providers have not been performing redemption of monetary claims in foreign factoring nor businesses related to factoring.

As of 30/06/2023, the total redeemed nominal amount of monetary claims and nominal amount of settled payables of buyers towards suppliers at the FBIH factoring level was BAM 77.7 million. Compared to the same period of the previous year, this represents a decrease by BAM 12.5 million or 13.9%.

The values of redeemed monetary claims and settled payables of buyers to towards suppliers in the FBIH by type of factoring and domicile status (with comparative data and trends in reporting periods) are shown in the following Table No. 61:

- BAM 000 -

Table 61: Redeemed monetary claims and settled payables of buyers to suppliers in the FBIH - by type of factoring and domicile status

No.	Type of factoring/ domicile status	Volume of redeemed monetary claims and settled payables of buyers towards suppliers				Index (5/3)
		01.01. - 30.06.2022		01.01. - 30.06.2023		
1	2	Amount 3	% share 4	Amount 5	% share 6	7
1.	Factoring with right to recourse	41,446	45.9	77,550	99.8	187
2.	Factoring without right to recourse	48,767	54.1	119	0.2	-
3.	Reversed (supplier) factoring	0	0	0	0	-
	Total	90,213	100	77,669	100	86
4.	Domestic factoring	90,213	100	77,669	100	86
5.	Foreign factoring	0	0	0	0	-
	Total	90,213	100	77,669	100	86

As of 30/06/2023, the structure of redeemed monetary claims by factoring types referred to the factoring with and without recourse right, while reverse (supplier) factoring was not effected. The structure according to the domicile status remained unchanged.

Looking into the factoring contracts according to contractual maturity, the highest share in the total volume as of 30/06/2023 of 96.8% corresponds to redeemed monetary claims with contractual maturity of 60 days, followed by the share of 3.2% with contractual maturity of 61-90 days. Over the same period of the year before, the highest share in total volume was also with redeemed monetary claims with maturity of up to 60 days (95.2%).

Looking into the sector structure of buyers (with respect to the recourse right), the highest share was with public companies since the value of redeemed claims as of 30/06/2023 was BAM 49 million, thus constituting 63.1% of total value at the FBIH factoring system level. This is followed by the share of private companies and enterprises of BAM 28.7 million or 36.9% of the total value of factoring deals in the FBIH.

Total advances paid to suppliers (sellers of receivables) equaled BAM 76.2 million. Out of the total amount of advances paid, an amount of BAM 76.1 million or 99.8% relates to factoring with recourse right and BAM 119 ths or 0.2% to factoring without recourse right.

On the basis of factoring contracts as of 30/06/2023, banks claimed the total of BAM 13 million, fully in domestic factoring, of which 99.8% relates to factoring with right to recourse, while 0.2% relates to factoring without right to recourse. The structure of the mentioned amount of redeemed claims by contractual maturities is the following: with contractual maturity of up to 60 days – 88.8% and with maturity from 61 to 90 days – 11.2%.

Total income of the factoring service providers in the FBiH as of 30/06/2023 amounted to BAM 374 ths (income from interest, fees and administrative fees). Compared to the same period last year, it is lower by BAM 181 ths or 32.6%. In the structure of the reported total income, 99.5% refers to the factoring with right to recourse.

3.3.3. RECOMMENDATIONS FOR THE FACTORING BUSINESS

Within the FBA's prescribed competences regarding supervision over factoring companies in the FBiH and banks performing factoring operations, it will continue with the planned activities, thus focusing on the following aspects over the forthcoming period:

- supporting improvements to the business environment in the context of the FBiH factoring operations;
- providing technical assistance in implementation of laws and regulations by entities performing factoring operations, as well as cooperation with supervisory and control institutions, to include also cooperation with other supervisory institutions and CBB&H regarding the structure and quality of data in CLR referring to factoring exposures; and
- continued supervision of the factoring business in the FBiH via off-site and on-site examinations.

Within its competences for supervision, FBA expects from the factoring system entities to improve activities and measures aimed at ensuring lawful, stable, efficient and transparent rendering of factoring services, thus focusing on the following:

- compliance with regulatory requirements;
- improvement of safe, stable and sustainable factoring business;
- improvement of the risk management system, strengthening of internal controls system and internal audit function;
- ensuring reliability and integrity of data and information provided to the FBA, CBB&H and other supervisory institutions and bodies;
- ensuring accuracy, validity and comprehensiveness of accounting and other records, preventive action and prevention of fraud and errors; and
- transparent, comprehensive and complete information to customers on factoring services.

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4. BANKS' PAYMENT OPERATIONS AND AML&CTF

4.1. BANKS' PAYMENT OPERATIONS

Total value of payments in banks seated in the FBIH and in banks seated in the RS and doing business in the FBIH as of 30/06/2023, based on DP and FXP transactions, is BAM 140.9 billion (transactions performed in all currencies, BAM equivalent). Comparative overview of the volume of DP and FXP is shown in the Table No. 62 below:

Table 62: Volume of DP and FXP

No	Effected payment transactions	01.01. - 30.06.2022		01.01. - 30.06.2023		Index	
		Number	Value (BAM 000)	Number	Value (BAM 000)	(5/3)	(6/4)
1	2	3	4	5	6	7	8
1.	FXP	1,417,008	23,851,846	1,433,891	24,611,954	101	103
2.	DP	42,622,168	109,561,914	44,113,366	116,244,373	103	106
	Total	44,039,176	133,413,760	45,547,257	140,856,327	103	106

An analysis of banks' reports on effected FXP transactions (collection/inflows and payments/outflows to and from abroad) in the period from 01/01/2023 to 30/06/2023 has shown that the FBIH banks and the RS banks doing business in the FBIH have registered the following FXP volume by currencies (EUR, USD, other currencies) – with a comparative overview with the same period the year before (Table No. 63):

Table 63: FXP volume

No.	01.01. - 30.06.2022				01.01. - 30.06.2023				Curren cy
	Inflow		Outflow		Inflow		Outflow		
	Number	Value (BAM 000)	Number	Value (BAM 000)	Number	Value (BAM 000)	Number	Value (BAM 000)	
1	2	3	4	5	6	7	8	9	10
1.	783,192	8,945,642	419,619	10,161,595	784,268	10,333,405	428,813	10,319,641	EUR
2.	26,724	1,262,834	19,647	1,272,394	27,600	870,488	20,927	913,549	USD
3.	108,447	608,246	59,379	1,601,135	113,608	561,404	58,675	1,613,467	Other curren cies
Total	918,363	10,816,722	498,645	13,035,124	925,476	11,765,297	508,415	12,846,657	

Within the structure of FXP transactions, the share of inflows from abroad in the total number of FXP transactions is 64.5%, while outflows to abroad hold a share of 35.5%. Observing the value of FXP transactions, the share of inflows from abroad is 47.8%, while outflows to abroad take on a share of 52.2%. Out of total value of performed FXP transactions, 83.9% was effected in EUR.

Table No. 64 provides a comparative overview of DP volume in banks doing business in the FBIH (by transaction types):

Table 64: FXP volume

No	Transaction type	01.01. - 30.06.2022		01.01. - 30.06.2023		Index	
		Number	Value (BAM 000)	Number	Value (BAM 000)	(5/3)	(6/4)
1	2	3	4	5	6	7	8
1.	Cash	4,831,586	8,096,520	5,097,127	9,131,280	105	113
2.	Non-cash ¹⁷	37,790,582	101,465,394	39,016,239	107,113,093	103	106
	Total	42,622,168	109,561,914	44,113,366	116,244,373	103	106

An analysis of data as of 30/06/2023 in the Registry of Foreign Exchange Deals of Banks has shown that 74 authorised exchange offices with 476 locations hold foreign exchange contracts with banks seated in the FBiH and in banks seated in the RS, but doing business in the FBiH.

The following Table No. 65 provides a comparative overview of the volume of foreign exchange deals of banks in the FBiH by currencies (EUR, USD, other currencies):

Table 65: Foreign exchange deals in banks

No.	01.01. - 30.06.2022				01.01. - 30.06.2023				Currency
	Buy		Sell		Buy		Sell		
	Number	Value (BAM 000)	Number	Value (BAM 000)	Number	Value (BAM 000)	Number	Value (BAM 000)	
1	2	3	4	5	6	7	8	9	10
1.	475,179	467,696	66,602	173,859	504,514	583,773	60,428	108,745	EUR
2.	38,878	41,656	2,606	4,523	37,197	38,918	2,232	3,088	USD
3.	89,792	71,450	18,773	11,957	52,210	48,399	3,320	2,607	Other currencies
Total	603,849	580,802	87,981	190,339	593,921	671,090	65,980	114,440	

Out of the total number of exchange office transactions of banks, buy transactions hold a share of 90% and sell transactions a share of 10%, while 85.4% of buy transactions is included in the total value of exchange office deals and 14.6% refers to sell transactions. Out of the total value of effected exchange office transactions in banks, 88.2% of buy and sell transactions was effected in EUR.

Table No. 66 below provides information on the volume of deals effected by authorised exchange offices in the period from 01/01/2023 to 30/06/2023 by currencies (EUR, USD, other currencies):

Table 66: Deals effected by authorised exchange offices

No.	01.01. - 30.06.2022				01.01. - 30.06.2023				Currency
	Buy		Sell		Buy		Sell		
	Number	Value (BAM 000)	Number	Value (BAM 000)	Number	Value (BAM 000)	Number	Value (BAM 000)	
1	2	3	4	5	6	7	8	9	10
1.	1,150,006	478,630	70,904	63,716	1,470,316	753,893	82,345	55,309	EUR
2.	50,332	32,065	2,266	1,554	64,412	42,031	2,202	1,648	USD
3.	140,270	47,975	19,240	3,626	86,280	38,153	5,487	1,382	Other currencies
Total	1,340,608	558,670	92,410	68,896	1,621,008	834,077	90,034	58,339	

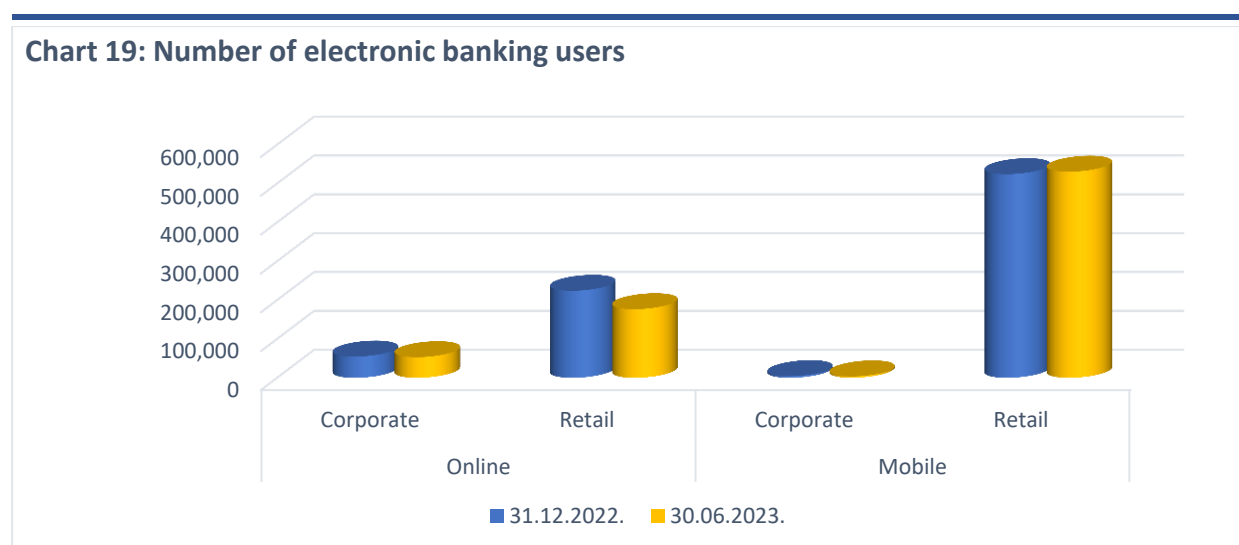
¹⁷ Non-cash transactions include cashless intra-bank payment transactions/internal orders, inter-bank transactions of gyro clearing and RTGS.

4.2. ELECTRONIC BANKING AND CARD OPERATIONS

Electronic banking

According to information delivered by banks as of 30/06/2023, all banks in the FBIH provide to their corporate customers the online banking services, while one bank does not have this service for private individuals. Mobile banking services for private individuals are being provided by all banks, except one, while mobile banking services for corporate customers are being provided by five banks.

Chart 19 provides information on the number of users of online and mobile banking services:



In the retail segment, the biggest share is with mobile banking services vs. online banking, while the biggest share in the corporate segment refers to online banking vs. mobile banking.

Table 67 below provides an overview of e-banking volume in 1H 2023:

No.	Description	Corporate		Retail		Total	
		No. of transactions	Transaction value (BAM 000)	No. of transactions	Transaction value (BAM 000)	No. of transactions	Transaction value (BAM 000)
1	2	3	4	5	6	7=3+5	8=4+6
1.	Online ban.	6,684,848	35,209,385	336,512	110,347	7,021,360	35,319,732
1.1.	DP	6,545,931	29,178,719	334,675	95,005	6,880,606	29,273,724
1.2.	FXP	138,917	6,030,666	1,837	15,342	140,754	6,046,008
2.	Mobile ban.	88,733	86,806	2,874,280	716,374	2,963,013	803,180
2.1.	DP	88,654	86,516	2,867,561	689,772	2,956,215	776,288
2.2.	FXP	79	290	6,719	26,602	6,798	26,892
Total:		6,773,581	35,296,191	3,210,792	826,721	9,984,373	36,122,912

In 1H 2023, corporate customers – online and mobile banking users, have effected 6,773,581 transactions worth altogether BAM 35.3 billion. Therein, 98.7% of the total number of effected transactions, i.e. 99.8% of the total transaction value, refers to online banking transactions.

In the first six months of 2023, retail customers – online and mobile banking users, have effected 3,210,792 transactions worth BAM 826.7 million. In the total number of effected transactions, 89.5% refers to mobile banking transactions. In terms of their value, 86.7% of transactions refers to those effected via mobile banking.

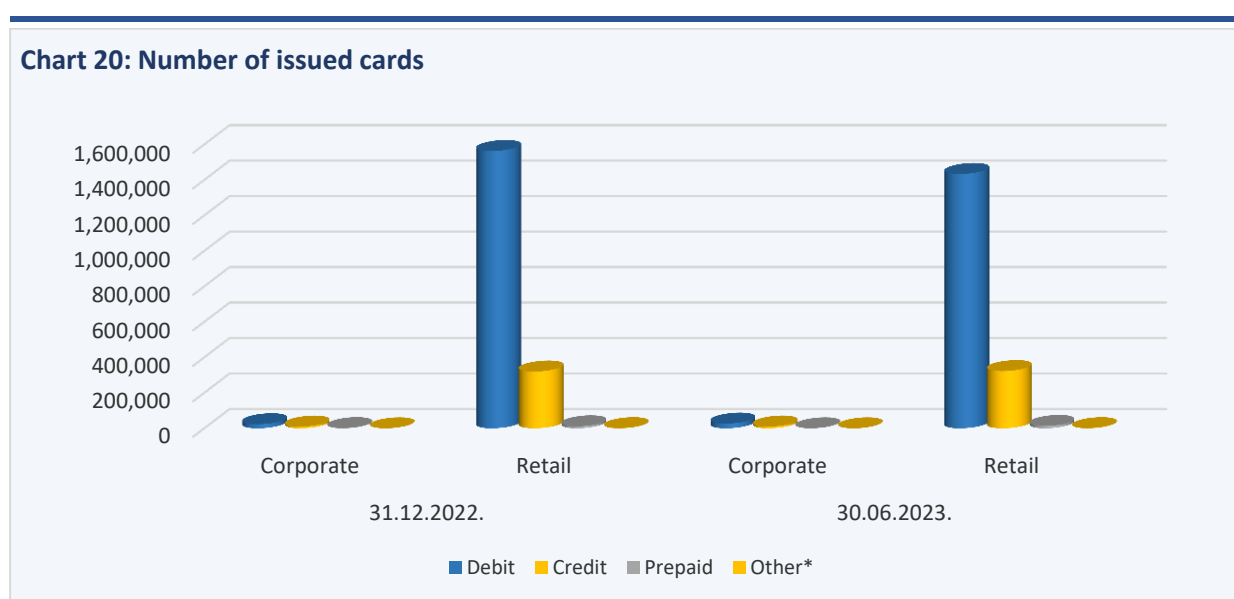
If observed in relation to the total number of corporate customers at the FBIH banking sector level as of 30/06/2023, 34.2% of corporate customers uses online banking, while 2.4% of them use mobile banking. As for retail customers at the FBIH banking sector level, 10.5% of the total number of customers uses online banking, while 31.7% of them use mobile banking.

Card Operations

In global cash flows, card and electronic payments show an increasing importance and a significant upward trend of their share vs. cash payments. It is because they are simple to use, save time and enable easier access to the account funds that the payment cards are getting increasingly present as means of payment. Payment cards are: debit, credit and prepaid cards. With debit cards, an account is debited immediately upon effected payment, while with prepaid cards, required funds need to be deposited in advance to relevant account. Therein, credit cards entail a deferred payment of effected transactions.

All banks in the FBIH offer payment cards, whereas they have ensured relevant acquiring network in form of 26,318 POS terminals and 1,269 ATMs throughout the entire territory of B&H.

Chart 20 provides an overview of issued cards and Table 68 shows the volume of card operations (by card types) in the first half of 2023:



* Card without information on their actual type

Table 68: Volume of card operations by card types

No.	Card type	Corporate		Retail		Total	
		No. of transac.	Value of transact. (BAM 000)	No. of transac.	Value of transact. (BAM 000)	No. of transac.	Value of transact. (BAM 000)
1	2	3	4	5	6	7=3+5	8=4+6
1.	Debit	224,100	65,941	30,058,076	3,088,810	30,282,176	3,154,751
2.	Credit	117,668	18,592	1,635,375	141,441	1,753,043	160,033
3.	Prepaid	8	0	67,484	3,933	67,492	3,933
4.	Other*	0	0	7,439	152	7,439	152
	Total	341,776	84,533	31,768,374	3,234,336	32,110,150	3,318,869

* Card without information on their actual type

As of 30/06/2023, banks in the FBIH had 1,808,036 of issued cards whose holders have effected 32.1 million card transactions in 1H 2023 in total value of BAM 3.3 billion. Out of the total number of cards issued by banks in the FBIH, 98% refers to cards issued to private individuals and 2% to cards issued to legal entities. Out of the total number of cards, majority refers to debit cards with a share of 80.8%. Over the observed period, debit cards were used to effect 94.3% of the total number of transactions, i.e. 95.1% of the total value of card transactions.

Table 69 provides an overview of the volume of card transactions by acquiring devices:

Table 69: Volume of card operations by acquiring devices

No.	Acquiring device	Corporate		Retail		Total	
		No. of transactions	Value of transactions (BAM 000)	No. of transactions	Value of transactions (BAM 000)	No. of transactions	Value of transactions (BAM 000)
1	2	3	4	5	6	7=3+5	8=4+6
1.	POS	292,243	36,524	23,651,703	1,150,366	23,943,946	1,186,890
2.	ATM	49,676	41,182	10,790,086	2,644,449	10,839,762	2,685,631
3.	Internet	42,021	13,191	1,717,857	77,239	1,759,878	90,430
4.	Other	0	0	0	0	0	0
	Total	383,940	90,897	36,159,646	3,872,054	36,543,586	3,962,951

The biggest number of transactions was effected via POS devices (65.5%), while in terms of their value, 67.8% of the total value of transactions was effected via ATMs.

Information contained in the table above includes also card transactions effected via foreign cards at acquiring devices of banks in the FBIH. The total number of transactions effected via foreign cards is 4,433,436 and their total value is BAM 644.1 million. Out of the total number of transactions on POS devices in 1H 2023, 14.2% refers to transactions effected with foreign-issued cards and 85.8% are transactions effected with cards issued by banks from the FBIH. If observing the value of transactions at POS devices, 22.2% refers to foreign cards and 77.8% refers to cards issued by banks seated in the FBIH. Out of the total number of transactions at ATMs effected in 1H 2023, 8.6% were transactions with foreign-issued cards and 91.4% were transactions that referred to cards issued by banks from the FBIH. When observing value of transactions effected at ATMs, 14.3% refers to foreign cards and 85.7% refers to cards issued by banks seated in the FBIH.

4.3. AML&CTF

According to the Report on Cash Transactions of BAM 30 ths or above and the Report on Connected and Suspicious Transactions (being submitted to the FBA), in the period from 01/01/2023 to 30/06/2023, banks have reported to FID a total of 175,209 transactions, which is by 24% more than in the same period the year before. The total value of the said transactions is BAM 9.1 billion, which is by 26% more than in the same period of the previous year (Table 70).

Table 70: Reported transactions by number and value - banks

No.	Description	01.01. - 30.06.2022		01.01. - 30.06.2023		Index	
		Number	Value (BAM 000)	Number	Value (BAM 000)	(5/3)	(6/4)
1	2	3	4	5	6	7	8
1.	Transactions reported before their realisation	6	2,045	6	1,349	100	66
2.	Transactions reported within 3 days	140,986	7,177,894	173,896	8,985,536	123	125
3.	Transactions reported after 3-day period	270	32,889	1,307	114,197	484	347
Total		141,262	7,212,828	175,209	9,101,082	124	126

Tables No 71 and No. 72 show the number and value of total reported transactions and reported suspicious transactions in banks and MCOs.

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

No.	Description	01.01. - 30.06.2022		01.01. - 30.06.2023		Index	
		Number	Value (BAM 000)	Number	Value (BAM 000)	(5/3)	(6/4)
1	2	3	4	5	6	7	8
1.	Transactions reported before their realisation	6	2,045	6	1,349	100	66
2.	Transactions reported within 3 days	97	8,410	1,376	69,802	1,419	830
3.	Transactions reported after 3-day period	268	32,829	827	73,477	309	224
Total		371	43,284	2,209	144,628	595	334

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

No.	Description	01.01. - 30.06.2022.		01.01. - 30.06.2023.		Index	
		Number	Value (BAM 000)	Number	Value (BAM 000)	(5/3)	(6/4)
1	2	3	4	5	6	7	8
1.	Transactions for which FID requested information	0	0	0	0	-	-
2.	Transactions for which FID did not request information	70	126	1,515	1,019	2,164	809
Total		70	126	1,515	1,019	2,164	809

According to the Report on Cash Transactions of BAM 30 ths or above and the Report on Connected and Suspicious Transactions (being submitted to the FBA), in the period from 01/01/2022 – 30/06/2023, leasing companies have reported to FID one suspicious transaction.

CONCLUSION

Supervision of BSEs is being performed continuously with the aim of preserving and strengthening the stability of the banking system and the protection of depositors, as well as the lawful, safe and sound operations of all BSEs in the FBIH. The activities carried out by the FBA include planned and extraordinary activities and measures in accordance with the competences of the FBA.

Based on the stated basic performance indicators of the banking sector of the FBIH as of 30/06/2023, it can be concluded that it is adequately capitalised, liquid and profitable. Compared to the end of the previous year, there was an increase in net assets, cash, loan portfolio, deposits, savings and total capital. The share of non-performing loans in total loans, as a key indicator of asset quality, recorded a decrease compared to the end of the previous year. In the coming period, FBA will pay special attention to the potential effects of macroeconomic disruptions and rising interest rate levels on the increase of credit risk, strengthening of financial inclusion and sustainable operations of banks, protection of financial service users and other customers of banks, as well as implementation of environmental and social factors related to decision-making process and in regular business activities of banks.

The operations of the microcredit sector in the FBIH as of 30/06/2023, compared to the end of the previous year, is characterised by the growth of assets, growth of the gross microcredit portfolio as the most important item of assets and total capital, as the dominant liability item, and the growth of liabilities on loans taken. Compared to the same period last year, the number of contracts concluded has recorded a decrease, while the number of micro loan disbursed saw an increase. At the level of the microcredit sector in the FBIH, a positive financial result was expressed.

At the level of leasing system in the FBIH, as of 30/06/2023, an increase in assets, gross and net receivables based on financial leasing, loan obligations and capital was reported compared

to the end of the previous year. The number and value of newly concluded leasing contracts also recorded an increase compared to the same period of the previous year. In the observed period, at the level of leasing sector in the FBIH, profit in operations of leasing companies was posted, thus showing a decrease vs. the same period of the year before.

Factoring business, as a possible instrument of short-term financing and cash flow management, as of 30/06/2023, took place exclusively through the performance of the financing function, whereas no collection service and receivables management service was posted or any deals related to factoring. Compared to the same period of the previous year, there was a decrease in the value of the redeemed nominal amount of monetary claims and the amount of settled payables towards suppliers of factoring services, and the number of concluded factoring contracts also decreased.

The current environment in which BSE operate is characterised by uncertainties related to the future global macroeconomic trends. The results of the banking system indicate the achieved stability, sustainability and resilience of the banking system. The capacities of the banking system, within the existing regulatory framework, are sufficient to continue supporting the economy and citizens, while adapting to the circumstances that may arise. FBA will continue to actively oversee operations of BSEs in line with effective documents and plans and to take special actions in case of additional need under circumstances at hand. In the coming period, special attention will be paid to the management of credit risk, portfolio characteristics and growth that is correlated with the actual strengthening of the economy.



ANNEXES – BANKING SECTOR

Annex 1 - Basic information on FBiH banks - 30.06.2023

No.	Bank	Web address	Management Chairperson	Number of employees
1.	Addiko Bank d.d. Sarajevo	www.addiko.ba	Jasmin Spahić	344
2.	ASA BANKA DIONIČKO DRUŠTVO SARAJEVO	www.asabanka.ba	Samir Mustafić	682
3.	"BOSNA BANK INTERNATIONAL" - d.d. Sarajevo	www.bbi.ba	Alek Bakalović	399
4.	INTESA SANPAOLO BANKA d.d. BOSNA I HERCEGOVINA	www.intesasanpaolobanka.ba	Marco Trevisan	567
5.	KOMERCIJALNO-INVESTICIONA BANKA D.D. VELIKA KLADUŠA	www.kib-banka.com.ba	Hasan Porčić	83
6.	NLB Banka d.d., Sarajevo	www.nlb.ba	Lidija Žigić	477
7.	PRIVREDNA BANKA SARAJEVO d.d. SARAJEVO	www.pbs.ba	Hamid Pršeš	188
8.	ProCredit Bank d.d. Sarajevo	www.procreditbank.ba	Amir Salkanović	197
9.	RAIFFEISEN BANK DIONIČARSKO DRUŠTVO BOSNA I HERCEGOVINA	www.raiffeisenbank.ba	Rainer Schnabl	1,372
10.	Sparkasse Bank dd Bosna i Hercegovina	www.sparkasse.ba	Amir Softić	500
11.	UniCredit Bank d.d.	www.unicreditbank.ba	Amina Mahmutović	1,181
12.	UNION BANKA DD SARAJEVO	www.unionbank.ba	Vedran Hadžiahmetović	203
13.	ZiraatBank BH d.d.	www.ziraatbank.ba	Bülent Suer	338
TOTAL				6,531

Note: bank names as listed in the decision on court registration

Annex 2 - FBIH banks' balance sheet according to the FBA scheme (active sub-balance sheet) -
30.06.2023

- BAM 000 -

No	Description	31.12.2022	%	30.06.2023	%	Index (5/3)
1	2	3	4	5	6	7
ASSETS						
1.	Cash and deposit accounts with deposit institutions	8,240,642	30.3	8,481,101	30.4	103
	1.a. Cash and non-interest bearing deposit accounts	4,033,051	14.8	3,914,386	14.0	97
	1.b. Interest bearing deposit accounts	4,207,591	15.5	4,566,715	16.4	109
2.	Securities at fair value through profit or loss and at fair value in other comprehensive income	1,395,556	5.2	1,253,210	4.5	90
3.	Placements to other banks	530,298	2.0	387,096	1.4	73
4.	Loans, leasing type receivables and past-due receivables	16,513,007	60.7	17,082,105	61.2	103
	4.a. Loans	15,888,358	58.4	16,559,951	59.3	104
	4.b. Leasing type receivables	39,234	0.1	0	0.0	0
	4.c. Due receivables on loans and leasing type receivables	585,415	2.2	522,154	1.9	89
5.	Securities at amortised cost	633,268	2.3	758,865	2.7	120
6.	Business premises and other fixed assets	524,828	1.9	527,339	1.9	100
7.	Other real-estate	23,329	0.1	21,271	0.1	91
8.	Investments in subsidiaries and affiliates	11,659	0.0	11,659	0.0	100
9.	Other assets	376,559	1.4	407,772	1.4	108
10.	MINUS: Impairments	1,049,863	3.9	1,004,956	3.6	96
	10.a. Impairments of items in position 4 of Assets	995,285	3.7	944,261	3.4	95
	10.b. Impairments of assets items, except for position 4 of Assets	54,578	0.2	60,695	0.2	111
11.	TOTAL ASSETS	27,199,283	100	27,925,462	100	103
LIABILITIES						
12.	Deposits	22,443,589	82.5	23,087,321	82.7	103
	12.a. Interest-bearing deposits	14,021,071	51.5	14,282,893	51.2	102
	12.b. Non interest-bearing deposits	8,422,518	31.0	8,804,428	31.5	105
13.	Borrowings – due liabilities	150	0.0	150	0.0	100
	13.a. Balance of overdue liabilities	0	0.0	0	0.0	-
	13.b. Balance of not settled, called for payment off-balance sheet liabilities	150	0.0	150	0.0	100
14.	Borrowings from other banks	0	0.0	0	0.0	-
15.	Liabilities to government	0	0.0	0	0.0	-
16.	Liabilities on loans and other borrowings	520,335	1.9	475,114	1.7	91
	16.a. with residual maturity up to one year	128,356	0.5	132,786	0.5	103
	16.b. with residual maturity over one year	391,979	1.4	342,328	1.2	87
17.	Subordinated debts and subordinated bonds	303,155	1.1	260,263	0.9	86
18.	Other liabilities	694,723	2.6	703,135	2.5	101
19.	TOTAL LIABILITIES	23,961,952	88.1	24,525,983	87.8	102
CAPITAL						
20.	Permanent priority shares	343	0.0	343	0.0	100
21.	Common shares	1,562,046	5.7	1,582,046	5.7	101
22.	Issue premiums	137,327	0.5	109,554	0.4	80
	22.a. on permanent priority shares	88	0.0	88	0.0	100
	22.b. on common shares	137,239	0.5	109,466	0.4	80
23.	Undistributed profit and capital reserves	1,190,912	4.4	1,439,407	5.2	121
24.	Exchange rate differences	0	0.0	0	0.0	-
25.	Other capital	346,703	1.3	268,129	1.0	77
26.	Loan loss reserves created from profits	0	0.0	0	0.0	-
27.	TOTAL CAPITAL: (20 to 25)	3,237,331	11.9	3,399,479	12.2	105
28.	TOTAL LIABILITIES AND CAPITAL: (19 + 27)	27,199,283	100	27,925,462	100	103
PASSIVE AND NEUTRAL SUB-BALANCE SHEET		717,415		712,274		99
TOTAL		27,916,698		28,637,736		103

Annex 3 - Overview of assets, loans, deposits and financial result of FBiH banks - 30.06.2023

- BAM 000 -

No.	Bank	Assets		Loans		Deposits		Financial result
		Amount	%	Amount	%	Amount	%	Amount
1.	Addiko Bank d.d. Sarajevo	1,058,619	3.8	577,042	3.4	861,764	3.7	7,922
2.	ASA BANKA DIONIČKO DRUŠTVO SARAJEVO	2,937,121	10.5	1,773,514	10.4	2,550,102	11.0	25,391
3.	"BOSNA BANK INTERNATIONAL" - d.d. Sarajevo	1,515,000	5.4	953,904	5.6	1,300,941	5.6	14,444
4.	INTESA SANPAOLO BANKA d.d. BOSNA I HERCEGOVINA	2,542,091	9.1	1,673,037	9.8	1,950,377	8.4	18,720
5.	KOMERCIJALNO-INVESTICIONA BANKA D.D. VELIKA KLADUŠA	127,094	0.5	55,348	0.3	94,894	0.4	372
6.	NLB Banka d.d., Sarajevo	1,702,691	6.1	1,122,259	6.6	1,404,557	6.1	12,084
7.	PRIVREDNA BANKA SARAJEVO d.d. SARAJEVO	728,678	2.6	369,074	2.2	623,333	2.7	5,552
8.	ProCredit Bank d.d. Sarajevo	855,812	3.1	574,579	3.4	655,536	2.8	5,719
9.	RAIFFEISEN BANK DIONIČARSKO DRUŠTVO BOSNA I HERCEGOVINA	5,082,329	18.2	2,754,482	16.1	4,248,579	18.4	59,701
10.	Sparkasse Bank dd Bosna i Hercegovina	2,136,012	7.6	1,490,629	8.7	1,776,101	7.7	18,690
11.	UniCredit Bank d.d.	6,832,931	24.5	4,297,687	25.2	5,700,871	24.7	88,271
12.	UNION BANKA DD SARAJEVO	1,096,413	3.9	473,136	2.8	937,546	4.1	2,107
13.	ZiraatBank BH d.d.	1,310,671	4.7	967,414	5.7	982,720	4.3	9,156
TOTAL		27,925,462	100	17,082,105	100	23,087,321	100	268,129

Annex 4 - Sector Structure of Loans in the FBH and ECL - 30.06.2023

- BAM 000 -

Description	Credit risk grade 1	Credit risk grade 2	Credit risk grade 3	Total gross exposure by all credit risk grades	ECL for the credit risk grade 1	ECL for the credit risk grade 2	ECL for the credit risk grade 3	Total ECL
1	2	3	4	5	6	7	8	9
1. Total corporate loans (1.1. to 1.21.)	7,431,494	887,730	368,580	8,687,804	88,670	104,790	305,836	499,296
1.1. A Agriculture, forestry and fishing	86,279	15,833	28,479	130,591	1,033	1,400	20,061	22,494
1.2. B Mining and quarrying	40,095	43,434	237	83,766	531	4,580	134	5,245
1.3. C Processing industry	1,649,620	251,516	114,785	2,015,921	21,512	30,886	99,592	151,990
1.4. D Production and supply of electricity, gas, fumes and air conditioning	199,801	27,816	5,106	232,723	2,542	2,999	4,255	9,796
1.5. E Water supply, waste water drainage, commercial waste disposal and environmental recovery	50,794	5,277	849	56,920	501	466	289	1,256
1.6. F Construction	531,719	53,745	16,000	601,464	5,863	4,760	14,461	25,084
1.7. G Wholesale and retail trade; repair of motor vehicles and motorcycles	2,701,986	251,479	115,986	3,069,451	26,424	28,617	98,267	153,308
1.8. H Transport and warehousing	307,871	40,747	15,551	364,169	5,761	3,746	12,291	21,798
1.9. I Accommodation and catering (hotels and hospitalist business)	118,468	81,360	32,273	232,101	1,625	9,071	28,793	39,489
1.10. J Information and communication	128,769	11,870	6,105	146,744	1,625	1,201	3,847	6,673
1.11. K Financial and insurance business	836,646	8,212	100	844,958	12,369	306	100	12,775
1.12. L Real estate business	122,478	47,100	7,770	177,348	1,247	12,980	4,967	19,194
1.13. M Professional, scientific and technical activities	187,927	26,611	18,296	232,834	2,573	2,122	14,105	18,800
1.14. N Administrat. and auxiliary services	48,875	5,792	2,337	57,004	554	397	1,804	2,755
1.15. O Public administration and defence; social insurance	281,562	9,414	0	290,976	2,940	472	0	3,412
1.16. P Education	14,310	851	1,190	16,351	131	74	421	626
1.17. Q Health care and social welfare	68,787	2,476	1,959	73,222	650	324	980	1,954
1.18. R Art, entertainment and recreation	31,909	3,166	307	35,382	478	288	281	1,047
1.19. S Other services	23,594	1,031	1,250	25,875	311	101	1,188	1,600
1.20. T Activities of households as employers; activities of households manufacturing different goods and rendering different services for their own needs	0	0	0	0	0	0	0	0
1.21. U activities of extraterritorial organisations and bodies	4	0	0	4	0	0	0	0
2. Total Retail (2.1 + 2.2 + 2.3)	7,540,351	501,826	352,124	8,394,301	84,424	64,582	295,959	444,965
2.1. General consumption	5,859,299	446,474	326,546	6,632,319	70,086	59,047	276,327	405,460
2.2. Housing construction	1,600,497	49,439	20,600	1,670,536	12,915	5,016	15,382	33,313
2.3. Entrepreneurs	80,555	5,913	4,978	91,446	1,423	519	4,250	6,192
3. Total loans (1. + 2.)	14,971,845	1,389,556	720,704	17,082,105	173,094	169,372	601,795	944,261

Annex 5 - FBIH banks' income statement according to FBA's scheme - 30.06.2023

- BAM 000 -

No.	Description	01.01. - 30.06.2022	%	01.01. - 30.06.2023	%	Index (5/3)
1	2	3	4	5	6	7
1.	INTEREST INCOME AND EXPENSES					
a)	Interest income and similar income					
1)	Interest-bearing deposit accounts with deposit institutions	755	0.1	28,052	4.0	3715
2)	Placements to other banks	1,264	0.2	13,589	2.0	1075
3)	Loans and leasing operations	305,817	52.0	343,399	49.3	112
4)	Securities held to maturity	2,633	0.4	5,228	0.7	199
5)	Equity securities	0	0.0	0	0.0	-
6)	Receivables on paid off-balance sheet liabilities	3	0.0	1	0.0	33
7)	Other interest income and similar income	33,372	5.7	37,751	5.4	113
8)	TOTAL INTEREST INCOME AND SIMILAR INCOME	343,844	58.4	428,020	61.4	124
b)	Interest expenses and similar expenses					
1)	Deposits	30,714	5.2	29,836	4.3	97
2)	Borrowings from other banks	0	0.0	0	0.0	-
3)	Borrowings taken – past-due liabilities	0	0.0	0	0.0	-
4)	Liabilities on loans and other borrowings taken	2,678	0.5	4,373	0.6	163
5)	Subordinated debts and subordinated bonds	3,185	0.5	4,868	0.7	153
6)	Other interest expenses and similar expenses	21,230	3.6	3,498	0.5	16
7)	TOTAL INTEREST EXPENSES AND SIMILAR EXPENSES	57,807	9.8	42,575	6.1	74
c)	NET INTEREST AND SIMILAR INCOME	286,037	48.6	385,445	55.3	135
2.	OPERATING INCOME					
a)	Income from foreign exchange operations	45,225	7.7	41,954	6.0	93
b)	Loan fees	6,219	1.1	6,900	1.0	111
c)	Off-balance sheet operation fees	12,127	2.1	13,421	1.9	111
d)	Service fees	197,147	33.5	207,191	29.8	105
e)	Income from trading operations	151	0.0	24	0.0	16
f)	Other operating income	41,431	7.0	41,918	6.0	101
g)	TOTAL OPERATING INCOME a) through f)	302,300	51.4	311,408	44.7	103
	TOTAL INCOME (1c + 2g)	588,337	100	696,853	100	118
3.	NON-INTEREST EXPENSES					
a)	Operating and direct expenses					
1)	Risk asset impairment costs, provisions for contingent liabilities and other value adjustments	56,505	9.6	22,423	3.2	40
2)	Other operating and direct costs	83,823	14.2	95,288	13.7	114
3)	TOTAL OPERATING AND DIRECT EXPENSES 1) + 2)	140,328	23.9	117,711	16.9	84
b)	Operating expenses					
1)	Salary and contribution costs	133,933	22.8	143,741	20.6	107
2)	Business premises costs, other fixed assets and overheads	84,136	14.3	87,109	12.5	104
3)	Other operating costs	53,314	9.1	71,789	10.3	135
4)	TOTAL OPERATING EXPENSES 1) through 3)	271,383	46.1	302,639	43.4	112
c)	TOTAL NON-INTEREST EXPENSES	411,711	70.0	420,350	60.3	102
	TOTAL EXPENSES (1b7+3c)	469,518		462,925		99
4.	PROFIT BEFORE TAXATION	176,626	30.0	276,503	39.7	157
5.	LOSS	0	0.0	0	0.0	-
6.	TAXES	1,234	0.2	8,441	1.2	684
7.	PROFIT ON INCREASE IN DEFERRED TAX ASSETS AND DECREASE IN DEFERRED TAX LIABILITIES	57	0.0	388	0.1	681
8.	LOSS ON DECREASE IN DEFERRED TAX ASSETS AND INCREASE IN DEFERRED TAX LIABILITIES	379	0.1	321	0.0	85
9.	NET PROFIT	175,070	29.8	268,129	38.5	153
10.	NET LOSS	0	0.0	0	0.0	-
11.	FINANCIAL PERFORMANCE (9-10)	175,070		268,129		153

Annex 6 - Average weighted NIR and EIR on loans and deposits by periods

Average weighted NIR and EIR on loans by periods

- % -

No.	Description	30.06.2019		30.06.2020		30.06.2021		30.06.2022		30.06.2023	
		NIR	EIR	NIR	EIR	NIR	EIR	NIR	EIR	NIR	EIR
1	2	3	4	5	6	7	8	9	10	11	12
1.	Weighted interest rates on short-term loans	2,36	2,77	2,23	2,50	2,12	2,42	2,00	2,28	2,09	2,31
1.1.	Corporate	2,32	2,66	2,19	2,40	2,07	2,29	1,96	2,20	1,93	2,11
1.2.	Retail	7,21	13,60	8,43	15,31	8,41	14,53	7,67	13,31	7,81	12,84
1.3.	Other	2,43	3,10	2,14	3,17	2,08	3,09	2,17	2,45	4,70	5,20
2.	Weighted interest rates on long-term loans	4,63	5,57	4,52	5,39	4,58	5,46	4,14	4,94	4,49	5,41
2.1.	Corporate	3,46	3,73	3,55	3,83	3,45	3,70	3,22	3,48	3,64	3,92
2.2.	Retail	5,37	6,74	5,43	6,84	5,34	6,65	4,77	5,96	5,05	6,41
2.3.	Other	3,16	3,32	3,11	3,33	3,94	4,51	2,82	2,95	3,99	4,60
3.	Total weighted interest rates	3,34	3,98	3,09	3,59	3,29	3,86	3,07	3,61	3,13	3,65
3.1.	Corporate	2,58	2,90	2,49	2,71	2,45	2,68	2,32	2,57	2,32	2,53
3.2.	Retail	5,40	6,87	5,49	7,00	5,38	6,76	4,81	6,04	5,08	6,48
3.3.	Other	2,57	3,14	2,47	3,22	2,34	3,29	2,39	2,62	4,43	4,97

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

Average Weighted NIR and EIR on deposits by periods

- % -

No.	Description	30.06.2019		30.06.2020		30.06.2021		30.06.2022		30.06.2023	
		NIR	EIR	NIR	EIR	NIR	EIR	NIR	EIR	NIR	EIR
1	2	3	4	5	6	7	8	9	10	11	12
1.	Weighted interest rates on short-term deposits	0,33	0,32	0,35	0,35	0,20	0,20	0,16	0,17	0,95	0,95
1.1.	Corporate	0,67	0,67	0,41	0,41	0,45	0,45	0,19	0,19	0,64	0,65
1.2.	Retail	0,25	0,25	0,45	0,45	0,20	0,20	0,06	0,06	0,33	0,33
1.3.	Other	0,31	0,30	0,32	0,32	0,16	0,16	0,18	0,18	1,22	1,23
2.	Weighted interest rates on long-term deposits	1,31	1,22	0,96	0,97	0,86	0,88	0,46	0,47	0,73	0,73
2.1.	Corporate	1,40	1,40	1,08	1,09	1,04	1,04	0,49	0,49	1,45	1,45
2.2.	Retail	1,34	1,17	0,98	0,99	0,82	0,84	0,50	0,51	0,61	0,61
2.3.	Other	1,09	1,09	0,82	0,83	0,73	0,78	0,35	0,37	1,04	1,06
3.	Total weighted interest rates	0,82	0,77	0,67	0,67	0,54	0,55	0,31	0,31	0,77	0,78
3.1.	Corporate	1,25	1,25	0,79	0,79	0,87	0,87	0,39	0,39	1,12	1,13
3.2.	Retail	1,16	1,02	0,89	0,90	0,70	0,71	0,38	0,39	0,60	0,60
3.3.	Other	0,45	0,44	0,43	0,43	0,27	0,27	0,22	0,22	1,16	1,17

Note: Items 1.3., 2.3. and 3.3. - Other, include deposits of the government and government institutions, deposits of banks and other financial institutions and other deposits.

ANNEXES - MICROCREDIT SECTOR

Annex 7 - Basic information on FBiH MCOs - 30.06.2023

No.	MCO Name	Web address	Director	Number of employees
1.	MCC - Mikrokreditno društvo CREDO CENTAR društvo sa ograničenom odgovornošću Mostar	www.credo-centar.ba	Bernard Stojanović	17
2.	MCC - Mikrokreditno društvo EKI d.o.o. Sarajevo	www.eki.ba	Mirsad Simičić	172
3.	Mikrokreditna fondacija "EKI"	www.eki.ba	Esad Uzunić	207
4.	MCF - Mikrokreditno društvo IuteCredit BH d.o.o. Sarajevo	www.iutecredit.ba	Melika Hadžijamaković - Salihović	17
5.	MCF - Mikrokreditna fondacija "LIDER"	www.lider.ba	Džavid Sejfović	69
6.	MCF - Mikrokreditna fondacija "LOK" Sarajevo	www.lok.ba	Elma Čardaklija - Bašić	54
7.	MCF - Mikrokreditna fondacija "MELAHA" Sarajevo	www.melaha.ba	Jakob Finci	4
8.	MCF - Mikrokreditna fondacija "MI-BOSPO" Tuzla	www.mi-bospo.org	Safet Husić	210
9.	MCF - Mikrokreditna fondacija "MIKRA"	www.mikra.ba	Sanin Čampara	167
10.	MCF - Mikrokreditna fondacija "MIKRO ALDI"	www.mikroaldi.org	Omar Softić	34
11.	MCF - „PARTNER MIKROKREDITNA FONDACIJA“	www.partner.ba	Senad Sinanović	244
12.	MCF - "PRVA ISLAMSKA MIKROKREDITNA FONDACIJA"	www.mfi.ba	Edina Hadžimurtezić	8
13.	MCF - Mikrokreditna fondacija "SUNRISE"	www.microsunrise.ba	Samir Bajrović	163
14.	MCC - Mikrokreditno društvo „PARTNER“ društvo sa ograničenom odgovornošću Tuzla	www.partner.ba	Fuad Šehović	52
TOTAL				1,418

Note: MCF names as listed in the Decision on registration with the FBiH Ministry of Justice and MCC names as listed in the Decision on Court Registration

Annex 8 - MCFs' aggregate balance sheet - 30.06.2023

- BAM 000 -

No.	Description	31.12.2022	%	30.06.2023	%	Index (5/3)
1	2	3	4	5	6	7
ASSETS						
1.	Cash (1a+1b)	43,803	8.0	34,564	6.0	79
1a)	Cash and non-interest bearing deposit accounts	33,342	6.1	27,958	4.9	84
1b)	Interest-bearing deposit accounts	10,461	1.9	6,606	1.1	63
2.	Placements to banks	182	0.0	186	0.0	102
3.	Loans	440,182	79.9	464,152	81.2	105
3a)	Loan loss reserves	2,954	0.5	3,340	0.5	113
3b)	Net loans (3-3a)	437,228	79.4	460,812	80.7	105
4.	Tangible and intangible assets, net	24,706	4.5	24,142	4.2	98
5.	Long-term investments	34,388	6.2	43,888	7.7	128
6.	Other assets	10,250	1.9	7,739	1.4	76
7.	Minus: reserves on other asset items, except for loans	0	0.0	0	0.0	-
8.	TOTAL ASSETS	550,557	100	571,331	100	104
LIABILITIES						
9a)	Liabilities on short-term loans taken	12,292	2.2	12,738	2.2	104
9b)	Liabilities on long-term loans taken	215,159	39.1	217,551	38.1	101
9c)	Liabilities based on interest due	1,212	0.2	1,204	0.2	99
10.	Other liabilities	26,719	4.9	26,479	4.6	99
11.	TOTAL LIABILITIES	255,382	46.4	257,972	45.1	101
12.	Donated capital	48,098	8.7	48,098	8.4	100
13.	Core capital	3,696	0.6	3,696	0.6	100
14.	Surplus of income over expenses	297,890	54.1	316,362	55.4	106
14a)	for previous years	283,948	51.6	298,000	52.2	105
14b)	for current year	13,942	2.5	18,362	3.2	132
15.	Shortfall of income over expenses	55,474	10.1	55,701	9.7	100
15a)	for previous years	55,078	10.0	55,584	9.7	101
15b)	for current year	396	0.1	117	0.0	30
16.	Other reserves	965	0.2	904	0.2	94
17.	TOTAL CAPITAL	295,175	53.6	313,359	54.9	106
18.	TOTAL LIABILITIES	550,557	100	571,331	100	104
OFF-BALANCE SHEET RECORDS						
19.	Written-off loans	135,466		133,588		99
20.	Approved, but undrawn loan funds of creditors	9,970		7,723		77
21.	Commission operations	209		207		99
22.	Court disputes, orders by competent authorities posing contingent liability for MCO, but that have not yet been posted in balance sheet records, etc.	400		203		51
23.	Other (all other off-balance sheet items not covered above)	35,603		36,210		102

Annex 9 - MCCs' aggregate balance sheet - 30.06.2023

- BAM 000 -

No.	Description	31.12.2022	%	30.06.2023	%	Index (5/3)
1	2	3	4	5	6	
ASSETS						
1.	Cash (1a+1b)	10,602	5.9	12,238	6.5	115
1a)	Cash and non-interest bearing deposit accounts	10,352	5.8	11,988	6.4	116
1b)	Interest-bearing deposit accounts	250	0.1	250	0.1	100
2.	Placements to banks	0	0.0	0	0.0	-
3.	Loans	165,440	92.8	171,993	91.6	104
3a)	Loan loss reserves	4,213	2.4	3,395	1.8	81
3b)	Net loans (3-3a)	161,227	90.4	168,598	89.8	105
4.	Tangible and intangible assets	5,026	2.8	5,354	2.9	107
5.	Long-term investments	0	0.0	0	0.0	-
6.	Other assets	1,498	0.9	1,462	0.8	98
7.	Minus: reserves on other asset items, except for loans	0	0.0	0	0.0	-
8.	TOTAL ASSETS	178,353	100	187,652	100	105
LIABILITIES						
9a)	Liabilities on short-term loans taken	7,856	4.4	4,200	2.2	53
9b)	Liabilities on long-term loans taken	100,616	56.4	114,321	61.0	114
9c)	Liabilities based on interest due	1,130	0.6	1,176	0.6	104
10.	Other liabilities	10,805	6.1	8,650	4.6	80
11.	TOTAL LIABILITIES	120,407	67.5	128,347	68.4	107
12.	Donated capital	0	0.0	0	0.0	
13.	Core capital	34,177	19.2	44,177	23.6	129
14.	Issue premium	0	0.0	0	0.0	-
15.	Unallocated profit (15a+15b)	10,191	5.7	233	0.1	2
15a)	Previous year	10,348	5.8	-825	-0.4	-8
15b)	Current year	-157	-0.1	1,058	0.5	-674
16.	Legal reserves	5,569	3.1	6,586	3.5	118
17.	Other reserves	8,009	4.5	8,309	4.4	104
18.	TOTAL CAPITAL	57,946	32.5	59,305	31.6	102
19.	TOTAL LIABILITIES	178,353	100	187,652	100	105
OFF-BALANCE SHEET RECORDS						
20.	Written-off loans	13,282		15,932		120
21.	Approved, but undrawn loan funds of creditors	7,367		10,519		143
22.	Commission operations	0		0		-
23.	Court disputes, orders by competent authorities posing contingent liability for MCO, but that have not yet been posted in balance sheet records, etc.	0		0		-
24.	Other (all other off-balance sheet items not covered above)	15,490		19,519		126

Annex 10 - Overview of key indicators of MCOs in the FBiH - 30.06.2023

- BAM 000 -

No.	Name of MCO	Assets	Gross portfolio minus deferred fee income	Financial result	Placements
1.	MCC - Mikrokreditno društvo CREDO CENTAR društvo sa ograničenom odgovornošću Mostar	4,519	4,483	265	2,354
2.	MCC - Mikrokreditno društvo EKI d.o.o. Sarajevo	164,468	151,323	2,673	52,313
3.	MCF - Mikrokreditna fondacija "EKI"	122,230	74,010	11,221	42,772
4.	MCC - Mikrokreditno društvo luteCredit BH d.o.o. Sarajevo	5,917	5,612	-695	8
5.	MCF - Mikrokreditna fondacija "LIDER"	30,522	27,695	166	12,437
6.	MCF - Mikrokreditna fondacija "LOK" Sarajevo	6,572	5,065	-30	2,730
7.	MCF - Mikrokreditna fondacija "MELAHA" Sarajevo	151	173	-32	0
8.	MCF - Mikrokreditna fondacija "MI-BOSPO" Tuzla	94,844	85,363	1,376	45,157
9.	MCF - Mikrokreditna fondacija "MIKRA"	65,219	57,212	654	30,261
10.	MCF - Mikrokreditna fondacija "MIKRO ALDI"	9,268	8,235	127	4,161
11.	MCF - „PARTNER MIKROKREDITNA FONDACIJA“	179,238	151,138	3,658	64,255
12.	MCF - "PRVA ISLAMSKA MIKROKREDITNA FONDACIJA"	2,287	1,986	-55	1,351
13.	MCF - Mikrokreditna fondacija "SUNRISE"	61,000	51,625	1,100	31,747
14.	MCC - Mikrokreditno društvo „PARTNER“ društvo sa ograničenom odgovornošću Tuzla	12,748	8,918	-1,185	9,152
TOTAL		758,983	632,838	19,243	298,698

Annex 11 - Overview of average weighted NIR and EIR for MCOs - 30.06.2023

No.	Description	MCOs seated in the FBIH period 01.01. - 30.06.2023			
		Number of concluded contracts	Microloan disbursement (in BAM 000)	NIR %	EIR %
1	2	3		4	5
1.	Short term microloans for:	18,819	26,925	20.89	27.95
1.1.	service activities	124	706	13.20	15.40
1.2.	trade	47	314	13.72	18.41
1.3.	agriculture	4,270	6,455	20.54	26.29
1.4.	manufacturing	20	122	12.09	16.99
1.5.	housing needs	1,592	3,191	20.03	26.38
1.6.	general-basic needs	7,946	10,435	22.88	30.48
1.7.	other	4,820	5,702	19.40	27.69
2.	Long term microloans for:	51,580	271,773	18.83	22.06
2.1.	service activities	946	9,793	11.82	13.95
2.2.	trade	249	2,798	13.28	15.47
2.3.	agriculture	14,231	76,960	18.05	20.60
2.4.	manufacturing	136	2,023	12.32	14.15
2.5.	housing needs	12,467	84,368	17.94	20.87
2.6.	general-basic needs	12,075	48,723	21.66	26.36
2.7.	other	11,476	47,108	19.27	22.82
3.	Total microloans	70,399	298,698	19.02	22.59

Annex 11a - Comparative overview of average weighted NIR and EIR for MCOs

- % -

NIR on:	01.01.-30.06.2019	01.01.-30.06.2020	01.01.-30.06.2021	01.01.-30.06.2022	01.01.-30.06.2023
Short-term microloans	21.26	20.62	20.28	20.22	20.89
Long-term microloans	19.29	19.02	19.45	18.71	18.83
Total microloans	19.58	19.22	19.56	18.86	19.02
EIR on:	01.01.-30.06.2019	01.01.-30.06.2020	01.01.-30.06.2021	01.01.-30.06.2022	01.01.-30.06.2023
Short-term microloans	29.83	31.87	30.60	28.75	27.95
Long-term microloans	22.98	23.13	23.63	22.47	22.06
Total microloans	23.99	24.23	24.52	23.13	22.59

Annex 12 - MCFs aggregate income statement - 30.06.2023

- BAM 000 -

No	Description	For the period 01.01. - 30.06.2022	%	For the period 01.01. - 30.06.2023	%	Index (5/3)
1	2	3	4	5	6	7
	INTEREST INCOME AND EXPENSES					
1.	Interest and similar income	40,719	90.6	45,568	76.2	112
2.	Interest and similar expenses	3,670	9.5	4,509	10.8	123
3.	Net interest and similar income (1. - 2.)	37,049	82.5	41,059	68.6	111
	OPERATING INCOME AND EXPENSES					
4.	Operating income	3,533	7.9	3,535	5.9	100
5.	Operating expenses	31,372	81.6	34,035	81.8	108
	OTHER OPERATING INCOME AND EXPENSES					
6.	Other operating income	666	1.5	10,707	17.9	1.608
7.	Other operating expenses	411	1.1	260	0.6	63
8.	Costs of provisions for loan and other losses	2,377	6.2	2,137	5.2	90
9.	Surplus/shortfall of income over expenses before taxes (3.+4.-5.+6.-7.-8.)	7,088		18,869		266
10.	Tax on surplus income over expenses	601	1.6	684	1.6	114
11.	Net surplus/shortfall of income over expenses (9.-10.)	6,487		18,185		280

Annex 13 - MCCs aggregate income statement - 30.06.2023

- BAM 000 -

No.	Description	For the period 01.01. - 30.06.2022	%	For the period 01.01. - 30.06.2023	%	Index (5/3)
1	2	3	4	5	6	7
	INTEREST INCOME AND EXPENSES					
1.	Interest and similar income	16,540	97.1	14,955	95.0	90
2.	Interest and similar expenses	3,618	22.1	2,549	17.4	70
3.	Net interest and similar income (1. - 2.)	12,922	75.9	12,406	78.8	96
	OPERATING INCOME AND EXPENSES					
4.	Operating income	383	2.3	531	3.4	139
5.	Operating expenses	9,486	57.9	9,498	64.7	100
	OTHER OPERATING INCOME AND EXPENSES					
6.	Other operating income	103	0.6	253	1.6	246
7.	Other operating expenses	125	0.8	127	0.9	102
8.	Costs of provisions for loan and other losses	2,793	17.1	2,180	14.8	78
9.	Profit/loss before taxes (3.+4.-5.+6.-7.-8.)	1,004		1,385		138
10.	Income tax	352	2.1	327	2.2	93
11.	Net profit/loss (9.-10.)	652		1,058		162

ANNEXES – LEASING SECTOR

Annex 14 - Basic information on leasing companies in the FBiH - 30.06.2023

No.	Leasing company name	Web address	Director	Number of employees
1.	PORSCHE LEASING d.o.o. Sarajevo	www.porscheleasing.ba	Dejan Stupar	25
2.	RAIFFEISEN LEASING d.o.o. Sarajevo	www.rlbh.ba	Nedim Milišić	44
3.	„SCANIA LEASING BH“ društvo sa ograničenom odgovornošću	www.scania.com/ba	Damir Slipičević	8
4.	SPARKASSE LEASING d.o.o. Sarajevo	www.s-leasing.ba	Elma Hošo	25
TOTAL				102

Note: names of leasing companies – as listed in the Decision on Court Registration

Annex 15 - Leasing companies' aggregate balance sheet - 30.06.2023

- BAM 000 -

No.	Description	31.12.2022	%	30.06.2023	%	Index (5/3)
1	2	3	4	5	6	7
	ASSETS					
1.	Cash and cash equivalents	4,384	1.0	3,717	0.8	85
2.	Placements to banks	6,167	1.4	5,569	1.1	90
3.	Financial leasing type receivables, net (3a-3b-3c-3d)	342,550	78.4	390,872	78.8	114
3a)	Financial leasing type receivables, gross	383,834	87.8	442,774	89.3	115
3b)	Loss reserves	4,837	1.1	4,831	1.0	100
3c)	Deferred interest income	36,075	8.2	46,690	9.4	129
3d)	Deferred fee income	372	0.1	381	0.1	102
4.	Receivables from subsidiaries	0	0.0	0	0.0	-
5.	Tangible and intangible assets, net (5a+5b-5c-5d)	76,012	17.4	86,762	17.5	114
5a)	Tangible and intangible assets –own funds	3,660	0.8	3,811	0.7	104
5b)	Tangible and intangible assets –of operational leasing	102,437	23.4	113,452	22.9	111
5c)	Impairment -own resources	2,438	0.5	2,622	0.5	108
5d)	Impairment-operating leasing	27,647	6.3	27,879	5.6	101
6.	Long-term investments	408	0.1	407	0.1	100
7.	Other assets (7a+7b)	7,519	1.7	8,391	1.7	112
7a)	Loans, net (7a1-7a2)	0	0.0	0	0.0	-
7a1)	Loans (past-due receivables+outstanding principal)	0	0.0	0	0.0	-
7a2)	Loan reserves	0	0.0	0	0.0	-
7b)	Inventories	1,554	0.3	2,564	0.5	165
7c)	Other assets	5,965	1.4	5,827	1.2	98
	TOTAL ASSETS	437,040	100	495,718	100	113
	LIABILITIES					
8.	Liabilities on loans, net (8a+8b-8c)	390,310	89.3	443,202	89.4	114
8a)	Liabilities on short-term loans	11,035	2.5	25,582	5.2	232
8b)	Liabilities on long-term loans	379,548	86.8	417,878	84.3	110
8c)	Advanced costs and fees	273	0.0	258	0.1	95
9.	Other liabilities	10,158	2.3	13,953	2.8	137
	TOTAL LIABILITIES	400,468	91.6	457,155	92.2	114
10.	Core capital	15,916	3.7	16,719	3.4	105
11.	Reserves	11,776	2.7	18,204	3.7	155
12.	Accumulated profit/loss	8,880	2.0	3,640	0.7	41
	TOTAL CAPITAL	36,572	8.4	38,563	7.8	105
	TOTAL LIABILITIES	437,040	100	495,718	100	113
	Written off receivables (opening balance)	4,621		4,113		89
	New write off (+)	386		53		14
	Recovery (-)	425		30		7
	Permanent write off (-)	469		627		134
	Written off receivables (closing balance)	4,113		3,509		85
	Other off-balance sheet records	56,871		135,984		239

Annex 16 - Basic indicators of leasing companies in the FBiH - 30.06.2023

- BAM 000 -

No.	Name	Balance sheet total	Financial leasing receivables	Net balance of funds granted under operational leasing	Financial result	Placements
1.	PORSCHE LEASING d.o.o. Sarajevo	199,409	127,601	67,961	1,801	67,466
2.	RAIFFEISEN LEASING d.o.o. Sarajevo	130,691	113,613	8,317	1,491	41,745
3.	„SCANIA LEASING BH“ društvo sa ograničenom odgovornošću	31,033	27,728	32	-526	21,437
4.	SPARKASSE LEASING d.o.o. Sarajevo	134,585	121,930	9,263	1,334	40,351
TOTAL		495,718	390,872	85,573	4,100	170,999

Annex 17 - Leasing companies' aggregate income statement - 30.06.2023

- BAM 000 -

No.	Description	01.01. - 30.06.2022	%	01.01. - 30.06.2023	%	Index (5/3)
1	2	3	4	5	6	7
	Financial income and expenses					
1.	Interest income	7,191	35.1	12,783	45.6	178
1a)	Interest on placements to banks	64	0.3	50	0.2	78
1b)	Interest on financial leasing	6,105	29.8	11,229	40.0	184
1c)	Fees (for leasing application processing, etc.)	501	2.4	629	2.3	126
1d)	Other interest income	521	2.5	875	3.1	168
2.	Interest expenses	2,359	15.0	8,468	35.4	359
2a)	Interest on borrowed funds	2,297	14.6	8,371	35.0	364
2b)	Loan processing fees	61	0.4	95	0.4	156
2c)	Other interest expenses	1	0.0	2	0.0	200
3.	Net interest income	4,832	23.6	4,315	15.4	89
	Operating income and expenses					
4.	Operating income	13,292	64.9	15,271	54.4	115
4a)	Service fees	0	0.0	1	0.0	-
4b)	Operating lease fee	10,944	53.4	12,432	44.3	114
4c)	Income from sale of leasing object	0	0.0	0	0.0	-
4d)	Other operating income	2,348	11.5	2,838	10.1	121
4d)1	Income from recovered written off receivables	384	1.9	31	0.1	8
4d)2	Income from collection letters	9	0.0	11	0.0	122
4d)3	Other	1,955	9.5	2,796	10.0	143
5.	Operating expenses	13,576	86.2	15,430	64.4	114
5a)	Salary and contribution costs	2,611	16.6	2,669	11.1	102
5b)	Business premises costs	6,928	44.0	7,826	32.7	113
5c)	Other costs	4,037	25.6	4,935	20.6	122
6.	Costs of loss reserves	-190	-1.2	56	0.2	-29
7.	Profit before tax	4,738		4,100		87
8.	Income tax	0	0.0	0	0.0	-
9.	Net profit/loss	4,738		4,100		87

Annex 18 – Overview of average weighted NIR and EIR on financial leasing contracts -
30.06.2023

No.	Description	For the period 01.01. - 30.06.2023			
		Number of contracts	Amount of financing (BAM 000)	NIR %	EIR %
1	2	3	4	5	6
1.	Short-term leasing contract by leasing objects:	7	303	4.32	6.55
a.	Passenger vehicles	4	54	6.25	8.10
b.	Vehicles for performing business activity (cargo and passenger vehicles)	2	154	2.30	3.72
c.	Machines and equipment	1	95	6.50	10.27
d.	Real estate	0	0	0.00	0.00
e.	Other	0	0	0.00	0.00
1.1.	Short-term leasing contract by lessees:	7	303	4.32	6.55
a.	Corporate	7	303	4.32	6.55
b.	Entrepreneurs	0	0	0.00	0.00
c.	Retail	0	0	0.00	0.00
2.	Long-term leasing contract by leasing objects:	2,161	149,667	5.76	8.77
a.	Passenger vehicles	1,354	70,107	5.92	9.08
b.	Vehicles for performing business activity (cargo and passenger vehicles)	688	57,185	5.91	8.32
c.	Machines and equipment	119	22,375	4.85	8.97
d.	Real estate	0	0	0.00	0.00
e.	Other	0	0	0.00	0.00
2.1.	Long-term leasing contract by lessees:	2,161	149,667	5.76	8.77
a.	Corporate	1,967	140,516	5.75	8.38
b.	Entrepreneurs	71	3,393	5.68	7.83
c.	Retail	123	5,758	5.87	18.99
	Total (1+2)	2,168	149,970	5.76	8.77

Annex 18a - Comparative overview of average weighted NIR and EIR for fin. leasing contracts

- % -

No.	Description	30.06.2019		30.06.2020		30.06.2021		30.06.2022		30.06.2023	
		NIR	EIR	NIR	EIR	NIR	EIR	NIR	EIR	NIR	EIR
1	2	3	4	5	6	7	8	9	10	11	12
1.	Short-term leasing contracts:	8,93	17,98	4,12	8,34	3,80	6,37	3,89	8,74	4,32	6,55
1.1.	Corporate	3,13	5,53	4,12	8,34	3,80	6,37	3,76	5,87	4,32	6,55
1.2.	Entrepreneurs	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
1.3.	Retail	33,04	69,75	0,00	0,00	0,00	0,00	4,50	21,22	0,00	0,00
2.	Long-term leasing contracts:	6,47	9,96	4,05	7,01	3,91	7,14	3,75	6,44	5,76	8,77
2.1.	Corporate	4,05	5,88	3,97	6,21	3,84	6,31	3,71	5,71	5,75	8,38
2.2.	Entrepreneurs	4,90	6,91	4,80	7,76	3,93	5,74	3,87	6,63	5,68	7,83
2.3.	Retail	25,74	42,68	4,84	18,00	4,79	18,47	4,44	17,91	5,87	18,99
	Total	6,48	10,01	4,05	7,02	3,91	7,14	3,75	6,45	5,76	8,77



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