



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 THE BALANCE AS OF 30/09/2022**

Sarajevo, December 2022

Abbreviations and Terms

AMFI	Association of Micro Finance Institutions in BiH
DIA	Deposit Insurance Agency
BD	Brčko District
BiH	Bosnia and Herzegovina
CBBiH	Central Bank of Bosnia and Herzegovina
CLR	Central Loan Register in BiH (for legal entities and private individuals)
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
FSAP	Financial Sector Assessment Program
FX risk	Foreign Exchange Risk
ICAAP	Internal Capital Adequacy Assessment Process
ICT	Information and Communications Technology
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
Pandemic	COVID - 19 virus disease
DBFBiH	Development Bank of the Federation of Bosnia and Herzegovina
LLP	Loan Loss Provisions
RS	Republika Srpska
USA	United States of America
WB	World Bank
BSEs	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	Bank Association of Bosnia and Herzegovina
BiHALC	BiH Association of Leasing Companies
MB FBA	Management Board of the Federation of Bosnia and Herzegovina 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

TABLE OF CONTENTS:

ABBREVIATIONS AND TERMS.....	ERROR! BOOKMARK NOT DEFINED.
LIST OF TABLES:.....	6
LIST OF CHARTS:.....	8
SUMMARY OF REGULATORY REQUIREMENTS AND OPERATING STANDARDS OF BSES.....	ERROR! BOOKMARK NOT DEFINED.
EXECUTIVE SUMMARY	12
INTRODUCTION.....	ERROR! BOOKMARK NOT DEFINED.
1. BANKING SECTOR.....	19
1.1. FBIH BANKING SECTOR'S STRUCTURE	19
1.1.1. Status, Number and Business Network	19
1.1.2. Ownership Structure and Market Share.....	19
1.1.3. Staff Structure.....	21
1.2. FINANCIAL PERFORMANCE INDICATORS	22
1.2.1. Balance Sheet	22
1.2.2. Liabilities	26
1.2.3. Capital and Capital Adequacy	30
1.2.4. Credit Risk.....	33
1.2.5. Profitability	39
1.2.6. Weighted NIR and EIR.....	43
1.2.7. Liquidity	44
1.2.8. Foreign Exchange (FX) Risk	48
1.2.9. Interest Rate Risk in Banking Book	49
1.3. BANKING SECTOR RECOMMENDATIONS	50
2. SECTOR OF NON-DEPOSIT FINANCIAL INSTITUTIONS.....	54
2.1. MICROCREDIT SECTOR	54
2.1.1. MICROCREDIT SECTOR STRUCTURE IN THE FBIH	54
2.1.1.1. Status, Number and Business Network	54
2.1.1.2. Ownership Structure	54
2.1.1.3. Staff Structure	54
2.1.2. FINANCIAL PERFORMANCE INDICATORS.....	55
2.1.2.1. Balance Sheet	55
2.1.2.2. Capital and Liabilities.....	57
2.1.2.3. Assets and Asset Quality	58
2.1.2.4. Financial Performance of FBIH Microcredit Sector	61
2.1.3. MICROCREDIT SECTOR RECOMMENDATIONS	64
2.2. LEASING SECTOR.....	65
2.2.1. FBIH LEASING SECTOR STRUCTURE	65
2.2.1.1. Number of Leasing Companies and Branches	65
2.2.1.2. Ownership Structure	65
2.2.1.3. Staff Structure	65
2.2.2. FINANCIAL PERFORMANCE INDICATORS.....	66
2.2.2.1. Balance Sheet	66
2.2.2.2. Capital and Liabilities.....	68
2.2.2.3. Assets and Asset Quality	68
2.2.2.4. Profitability.....	70
2.2.2.5. Structure of Placements According to Object and Type of Leasing	72
2.2.3. LEASING SECTOR RECOMMENDATIONS	73
2.3. FACTORING BUSINESS	74
2.3.1. Participants in FBIH Factoring Market	74

2.3.2. Scope, Structure and Trend of Factoring Business in FBiH.....	74
2.3.3. FACTORING BUSINESS RECOMMENDATIONS.....	76
CONCLUSION.....	77
ANNEXES - BANKING SECTOR.....	79
Annex 1 - Basic data on FBiH Banks - 30/09/2022.....	79
Annex 2 - FBiH banks' balance sheet according to FBA's scheme (active sub-balance sheet) - 30/09/2022	80
Annex 3 - Overview of assets, loans, deposits and financial results of FBiH banks - 30/09/2022 ..	81
Annex 4 - Sector Structure of Loans in FBiH and ECL - 30/09/2022	82
Annex 5 - FBiH banks' income statement according to FBA's scheme - 30/09/2022	83
Annex 6 - Average weighted NIR and EIR on loans and deposits across periods	84
ANNEXES - MICROCREDIT SECTOR	85
Annex 7 - Basic data on FBiH MCOs - 30/09/2022.....	85
Annex 8 - MCFs' aggregate balance sheet - 30/09/2022.....	86
Annex 9 - MCCs' aggregate balance sheet - 30/09/2022	87
Annex 10 - Overview of key indicators of MCOs in FBiH - 30/09/2022	88
Annex 11 - Overview of average weighted NIR and EIR for MCOs - 30/09/2022	89
Annex 11a - Comparative overview of average weighted NIR and EIR for MCOs	89
Annex 12 - MCFs' aggregate income statement - 30/09/2022.....	90
Annex 13 - MCCs' aggregate income statement - 30/09/2022	91
ANNEXES - LEASING SECTOR	92
Annex 14 - Basic data on FBiH leasing companies - 30/09/2022	92
Annex 15 - Leasing companies' aggregate balance sheet - 30/09/2022	93
Annex 16 - Overview of basic indicators of FBiH leasing companies - 30/09/2022	94
Annex 17 - Leasing companies' aggregate income statement - 30.09.2022.....	95
Annex 18 - Overview of average weighted NIR and EIR for financial leasing contracts - 30/09/2022	96
Annex 18a - Comparative overview of average weighted NIR and EIR for fin. leasing contracts ...	96

List of Tables:

Table 1:	Org. parts, network of ATMs and POS devices of banks operating in FBiH	19
Table 2:	Ownership structure according to total capital	21
Table 3:	Ownership structure according to state-owned, private and foreign capital share	21
Table 4:	Market shares of banks by ownership type (majority capital)	21
Table 5:	Qualification structure of employees in FBiH banks	22
Table 6:	Total assets per employee	22
Table 7:	Banks' balance sheet	22
Table 8:	Banks' assets according to ownership structure	23
Table 9:	Share of groups of banks in total assets	25
Table 10:	Banks' cash	25
Table 11:	Securities according to instrument type	25
Table 12:	Securities of BiH entity governments	26
Table 13:	Sector structure of deposits	27
Table 14:	Retail savings	29
Table 15:	Maturity structure of retail savings deposits	29
Table 16:	Retail loans, savings and deposits	29
Table 17:	Report on the balance of own funds	30
Table 18:	Risk exposure structure	31
Table 19:	Capital adequacy indicators	32
Table 20:	Financial leverage ratio	32
Table 21:	Financial assets, off-balance sheet items and ECL	33
Table 22:	Exposures by credit risk grades	34
Table 23:	Loan structure by sectors	36
Table 24:	Maturity structure of loans	36
Table 25:	Loans by credit risk grades	37
Table 26:	Credit risk indicators	39
Table 27:	Actual financial performance of banks	40
Table 28:	Structure of total income of banks	40
Table 29:	Structure of total expenses of banks	41
Table 30:	Profitability, productivity, and efficiency ratios	42
Table 31:	LCR.....	44
Table 32:	Liquidity buffer	45
Table 33:	Net liquidity outflows	45
Table 34:	Maturity structure of deposits by residual maturity	46
Table 35:	Maturity matching of financial assets and financial liabilities of up to 180 days	47
Table 36:	Liquidity ratios	47
Table 37:	Foreign exchange position (EUR and total)	48
Table 38:	Total weighted position of banking book	50
Table 39:	Qualification structure of employees in MCOs in FBiH	55
Table 40:	Microcredit sector's balance sheet	55
Table 41:	Structure of the microcredit sector's capital	57
Table 42:	Maturity structure of loans taken	58
Table 43:	Net microloans	59
Table 44:	Sector and maturity structure of microloans	59
Table 45:	LLP	60
Table 46:	Actual financial result of MCOs	62
Table 47:	Structure of total income of MCOs	62
Table 48:	Structure of total expenses of MCOs	63
Table 49:	Qualification structure of employees in leasing companies in FBiH	66
Table 50:	Leasing sector's balance sheet	66

Table 51:	Structure of financial leasing receivables	67
Table 52:	Overview of financial leasing reserves	69
Table 53:	Actual financial result of leasing companies	70
Table 54:	Structure of total income of leasing companies	70
Table 55:	Structure of total expenses of leasing companies	71
Table 56:	Structure of number of concluded contracts and financing amount of leasing system.....	72
	
Table 57:	Nominal amount of redeemed monetary claims and settled payables of buyers towards suppliers in FBiH, by the type of factoring and domicile status.....	75

List of Charts:

Chart 1:	Structure of foreign capital by countries (share in %)	20
Chart 2:	Structure of foreign capital by countries - group residence (share in %)	20
Chart 3:	Herfindahl index of concentration in assets, loans and deposits	24
Chart 4:	Concentration ratios for five biggest banks - CR5: assets, loans and deposits	24
Chart 5:	Structure of investments in securities according to issuer country criterion	26
Chart 6:	Total deposits	27
Chart 7:	Loan-to-deposit ratio	27
Chart 8:	Total retail savings	29
Chart 9:	Loans	36
Chart 10:	Share of NPLs in loans	38
Chart 11:	Assets, microloans and capital by years	56
Chart 12:	Sector structure of microloans (comparative overview)	60
Chart 13:	Portfolio quality indicators	61
Chart 14:	Structure of financial leasing receivables (comparative overview)	68
Chart 15:	Structure of appraised market value of foreclosed leasing objects (in BAM 000) and number of foreclosed objects	69

Summary of Regulatory Requirements and Operating Standards of BSEs

The minimum amount of the paid-in shareholder capital - BAM 15 million	Article 24, paragraph (2) of the LoB ¹
The Common Equity Tier 1 capital ratio - 6.75%	Article 34, paragraph (1), item a) of the Decision on Capital Calculation in Banks ²
The Tier 1 capital ratio - 9%	Article 34, paragraph (1), item b) of the Decision on Capital Calculation in Banks
The own funds ratio - 12%	Article 34, paragraph (1), item c) of the Decision on Capital Calculation in Banks
The capital buffer in the form of the Common Equity Tier 1 capital - 2.5% of the total risk exposure amount	Article 39, paragraph (1) of the Decision on Capital Calculation in Banks
The financial leverage ratio - 6%	Article 37, paragraph (2) of the Decision on Capital Calculation in Banks
The Liquidity Coverage Ratio - LCR \geq 100%	Article 17, paragraph (2) of the Decision on Liquidity Risk Management in Banks ³
The maturity matching of the financial assets and the financial liabilities	<p>The maturity matching of the remaining terms to contractual maturities of the assets and liabilities instruments:</p> <ul style="list-style-type: none"> - The minimum 65% of the funding sources with the maturity up to 30 days shall be used for the purpose of the facilities (assets instruments) with the maturity up to 30 days, Article 43, paragraph (8), item a) of the Decision on Liquidity Risk Management in Banks; - The minimum 60% of the funding sources with the maturity up to 90 days shall be used for the purpose of the facilities (assets instruments) with the maturity up to 90 days, Article 43, paragraph (8), item b) of the Decision on Liquidity Risk Management in Banks; - The minimum 55% of the funding sources with the maturity up to 180 days shall be used for the purpose of the facilities (assets instruments) with the maturity up to 180 days, Article 43, paragraph (8), item c) of the Decision on Liquidity Risk Management in Banks.
The limitation regarding the 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 ⁴
The limitation regarding the individual overnight foreign exchange position of the bank in EUR - up to 40% of the bank's	Article 3, paragraph (2), item b) of the Decision on Foreign Exchange Risk Management in Banks

¹ FBiH Official Gazette, No. 27/17

² FBiH Official Gazette, No. 81/17, 50/19, 37/20 and 81/20

³ FBiH Official Gazette, No. 39/21

⁴ FBiH Official Gazette, No. 81/17 and 37/20

eligible capital.

The limitation regarding the total 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

The ratio of the change in the economic value of the banking book and the own funds $\leq 20\%$

Article 7 of the Decision on Interest Rate Risk Management in the Banking Book⁵

The Herfindahl-Hirschman Index - HHI

It represents the most frequently used concentration measure in the European and U.S. economic systems. The HHI is calculated by summing the squares of the percentage shares of specific items (e.g. assets, deposits, loans) of all market participants in a system. If the HHI value is below 1.000, it indicates the absence of market concentration, while its value ranging from 1.000 to 1.800 units shows a moderate concentration in the market and the HHI above 1.800 means a high concentration.

The Concentration Ratio - CR

The CR is a concentration indicator in the banking sector. It represents a total share of the largest banks in the sector in the following relevant categories: assets, loans and deposits. It is being designated by the number of banks included in the calculation, e.g. the CR 5. There is no unique and commonly accepted opinion on the interpretation of the CR results. The higher the value, the higher the market concentration is.

The ratio of the loans/deposits and loans taken

This is a ratio between the most important bank aggregates, loans, on the assets side, and deposits and loans taken on the liabilities side. The higher the rate, the weaker the liquidity position of the bank is. Common standards are: below 70% - very sound, 71%-75% - satisfactory, 76%-80% - marginally satisfactory, 81%-85% - insufficient, over 85% - critical.

The minimum amount of the Tier 1 capital of the MCCs - BAM 500.000

Article 26, paragraph (1) of the LoMCO⁶

The minimum amount of the Tier 1 capital of the MCFs - BAM 50.000

Article 36, paragraph (1) of the LoMCO

The ratio of the fixed assets to the total assets minus the donated capital - up to 10% for the MCFs and the MCCs where the MCF holds a majority ownership

Article 11, paragraph (2) of the Decision on Business Conditions and Other Standards and Limitations of Micro Credit Organisations⁷

The ratio of the equity (minus the donated capital) and the total assets of the MCOs -

Article 11, paragraph (1) of the Decision on Business Conditions and Other Standards and Limitations of Micro

⁵ FBiH Official Gazette, No. 41/20

⁶ FBiH Official Gazette, No. 59/06

⁷ FBiH Official Gazette, No. 103/18

over 10%	Credit Organisations
The portfolio at risk of the 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
The annual write off in the 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
The operating efficiency of the 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
The return on the assets of the MCOs adjusted for 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
The minimal amount of the Tier 1 capital of the leasing companies - BAM 250.000	Article 8, paragraph (1) of the LoL ⁸
The minimal amount of the Tier 1 capital of the factoring companies - BAM 750.000	Article 27, paragraph (1) of the LoF ⁹

⁸ FBiH Official Gazette, No. 85/08, 39/09, 65/13 and 104/16

⁹ FBiH Official Gazette, No. 14/16 and 74/20

EXECUTIVE SUMMARY

Key performance indicators of FBiH banking sector



Operating license | 14 commercial banks, 516 organisational parts and 6.390 employees, down by 0.7% compared to the end of the previous year



Assets | Net assets - **BAM 27 billion**, loans - **BAM 16.2 billion**, cash - **BAM 8.8 billion**, investments in securities - **BAM 2 billion**



Capital | The total capital is **BAM 3.3 billion** (12.2% of the liabilities), of which the shareholders capital is **BAM 1.4 billion**, the own funds **BAM 2.8 billion**, the Tier 1 capital and the Common Equity Tier 1 capital **BAM 2.7 billion**, the Tier 2 capital **BAM 111.3 million**



Capital ratios | **19%** - own funds ratio, **18.3%** - Common Equity Tier 1 capital ratio and Tier 1 capital ratio, **9.6%** - financial leverage ratio



Balance sheet exposures according to credit risk grades | **BAM 24.9 billion** (90.7% of the total balance sheet exposures) within the credit risk grade 1, within the credit risk grade 2 - **BAM 1.6 billion** (6% of the total balance sheet exposures) and **BAM 0.9 billion** (3.3% of the total balance sheet exposures) within the credit risk grade 3

Off-balance sheet exposures according to credit risk grades | **BAM 3.7 billion** within the credit risk grade 1 (88.9% of the total off-balance sheet exposures), within the credit risk grade 2 - **BAM 448.1 million** (10.9% of the total off-balance sheet exposures) and **BAM 10 million** within the credit risk grade 3 (0.2% of the total off-balance sheet exposures)

ECL coverage rate for balance sheet exposures | **4%** total coverage rate: credit risk grade 1 - **0.7%**, credit risk grade 2 - **9.9%** and credit risk grade 3 - **81.2%**

ECL coverage rate for off-balance sheet exposures | **1.7%** total coverage rate: credit risk grade 1 - **0.7%**, credit risk grade 2 - **7.9%**, and credit risk grade 3 - **87.4%**





Loan portfolio | Retail loans - **BAM 7.9 billion** (up by BAM 337.6 million or 4.4%), corporate loans - **BAM 8.3 billion** (down by BAM 1.4 million or 0.01%; if a decrease of ST low-risk exposures is excluded, there has been an increase by 4.7%)



Loan portfolio within the credit risk grade 3 (NPL) | **BAM 880.7 million**, accounting for 5.4% of the total loan portfolio (down by one percentage point compared to the end of the previous year). The NPL rate for the corporate portfolio is **5.8%**, and for the retail sector **5%**. **ECL coverage rate for NPL** | **80.8%** (corporate 79%, and retail 83%), posting an increase by 3.3 percentage points



Deposits | **BAM 22.2 billion** (82.3% of the total liabilities), of which the **savings deposits** amount to **BAM 10.1 billion** and have a decrease rate of 3.4%



Liabilities on loans taken | **BAM 523.2 million** (1.9% of the total liabilities)

Trend | An **increase** has been noted with the net assets (4.1%), cash (9.8%), loan portfolio (2.1%), security investments (1.6%), fixed assets (1.3%), other assets (4.5%), capital (5.5%), deposits (4.7%) and other liabilities (19.1%), while a **decrease** has been noted with the placements to other banks (46.9%) and the liabilities on loans taken (32.8%)



FBiH banking sector liquidity | **Satisfactory**, considering the basic liquidity indicators, qualitative and quantitative requirements, as well as other factors having an impact on the liquidity position in banks



Profitability | **BAM 295.1 million** - net profit, all banks have posted a positive financial result

Key performance indicators of FBiH microcredit sector



Operating license | 13 MCOs (10 MCFs and 3 MCCs), **357 organisational parts** and **1.412 employees**, up by 1%



Assets of MCOs | **BAM 711.3 million**, up by BAM 17.9 million or 2.6%. The assets rise rate for the MCCs is 0.3%, while the assets rise rate for the MCFs is 3.4%



Net micro loans | **BAM 590 million** (82.9% of the assets), up by BAM 33.2 million or 6% (a rise by 2.9% for the MCCs and by 7.2% for the MCFs)



PAR over 30 days | **1.17% annual write-off rate** | **1.46%**

The portfolio quality indicators are within the regulatory limits with a PAR decrease by 0.10 percentage points and a slight increase of the write-off rate by 0.01 percentage point



110.647 concluded contracts (4.6% more and **BAM 412.9 million micro loans disbursed** (12.4% more)



Capital | **BAM 349.4 million** (49.1% of the liabilities), up by BAM 15.5 million or 4.6% (the capital rise rate of the MCCs is 8.6% and 3.9% for the MCFs)



Liabilities on loans taken | **BAM 328.6 million** (46.2% of the liabilities), up by BAM 2.7 million or 0.8% (the drop rate of the loan liabilities is 2.9% for the MCCs, the rise rate of the loan liabilities is 3.1% for the MCFs)



Trend | An **increase** has been noted regarding the placements to banks (95.1%), gross micro loans (6%), net micro loans (6%), LLPs (5.9%), LT investments (1.5%), other assets (54.3%), capital (4.6%) and liabilities on loans taken (0.8%), while a **decrease** has been seen with the cash (28.7%), tangible and intangible assets (5.7%) and other liabilities (1.1%)



Operating efficiency | **18.53%**. **Return on assets, adjusted for inflation, market price of capital and donations** | **2.28%**, being in line with the regulatory standards



Positive financial result | **BAM 11.8 million**, down by BAM 1 million. **Net profit of MCCs** | BAM 0.8 million, and **excess income over expenses of MCFs** | BAM 11 million

Key performance indicators of FBiH leasing sector



Operating license | 5 leasing companies, 3 branches in the RS and **104 employees**, up by 3%



Assets of the leasing sector | BAM 444.8 million, up by BAM 71.1 million or 19%



Net receivables based on financial leasing | BAM 339.1 million (76.2% of the assets), up by BAM 48.4 million or 16.7 %



Overdue receivables | BAM 2.7 million, up by 13.1%. **Loss reserves for financial leasing | BAM 5 million**



Number and value of newly concluded contracts for financial and operational leasing at the leasing system level, up by 9.6% and 21.8% respectively



Liabilities on loans taken | BAM 397.5 million (89.4% of the liabilities), up by BAM 61.2 million, with a dominant share of LT loans



Capital | BAM 36.5 million (8.2% of the liabilities), up by BAM 7 million or 23.9%



Trend | An increase has been noted with the cash and cash equivalents (81%), placements to banks (65.7%), gross receivables based on financial leasing (16.4%), net receivables based on financial leasing (16.7%), net value of fixed assets financed via operational leasing (22.4%), liabilities on loans taken (18.2%), capital (23.9%) and other liabilities (35.5%), while a **decrease** has been seen with the loss reserves (12.3%), other assets (1%) and written off receivables (2.5%)



Positive financial result | BAM 7.8 million, up by BAM 4.3 million

Key indicators of FBiH factoring business



FBiH factoring business | 4 commercial banks (2 are members of international banking groups headquartered in the EU countries and 2 are mostly in local ownership)



178 newly concluded factoring contracts (less by 85 contracts or 32.3%) **with the nominal value of the redeemed monetary claims of BAM 123.5 million** (down by BAM 11.4 million or 8.4%)



Total income of the FBiH factoring service providers | BAM 629 ths, down by BAM 172 ths or 21.5%

INTRODUCTION

The FBA was established in 1996 as an independent and self-standing institution exercising its competences in accordance with the provisions of the LoA, international standards, supervision principles and professional rules. The FBA's MB performs the 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 part of its regular execution of its statutory competences, the FBA draws up and discloses publicly on its website quarterly updates on the BSEs, approved by the FBA's MB. Accordingly, this Information on the BSEs, with the balance as of 30/09/2022, was drawn up by using the reporting data and information submitted to the FBA by the BSEs and used in the regular supervision of the BSEs.

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

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

The 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 the BSEs and other data wherein this is relevant.

BANKING SECTOR

FBIH BANKING SECTOR STRUCTURE

19

FINANCIAL PERFORMANCE INDICATORS

22

BANKING SECTOR RECOMMENDATIONS

50

1. BANKING SECTOR

1.1. FBiH BANKING SECTOR STRUCTURE

1.1.1. Status, Number and Business Network

As at 30/09/2022, 14 commercial banks have held a banking license in the FBiH, with all the banks being members of the DIA. The number of the banks has remained the same compared to the end of 2021.

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

The Annex 1 provides the basic data on the FBiH banks as at 30/09/2022.

The FBiH banks have had, as at 30/09/2022, a total of 516 organisational parts, being less by 11 organisational parts or 2.1% compared to the end of 2021. In the FBiH territory, there have been 453 organisational parts of the banks. The seven banks from the FBiH have had 52 organisational parts in the RS, while the nine banks have had 11 organisational parts in the BD. The three banks from the RS have had 28 organisational parts in the FBiH, being at the same level compared to the end of 2021.

The following Table 1 provides a comparative overview of organisational parts and network of ATMs and POS devices of the FBiH banks:

No.	Description	Business unit/higher org. parts	Other organisat. parts	POS devices	ATMs
31/12/2021					
1.	Banks headquartered in the FBiH (in the BiH territory)	409	118	24.295	1.232
2.	Organisational parts of the banks from the RS operating in the FBiH	10	18	370	38
Total		419	136	24.665	1.270
30/09/2022					
1.	Banks headquartered in the FBiH (in the BiH territory)	403	113	25.620	1.225
2.	Organisational parts of the banks from the RS operating in the FBiH	9	19	432	35
Total		412	132	26.052	1.260

1.1.2. Ownership Structure and Market Share

The ownership structure of the FBiH banks¹⁰, as at 30/09/2022, has been the following:

- privately owned and predominantly privately owned - 13 banks,
- state-owned and predominantly state-owned¹¹ - one bank.

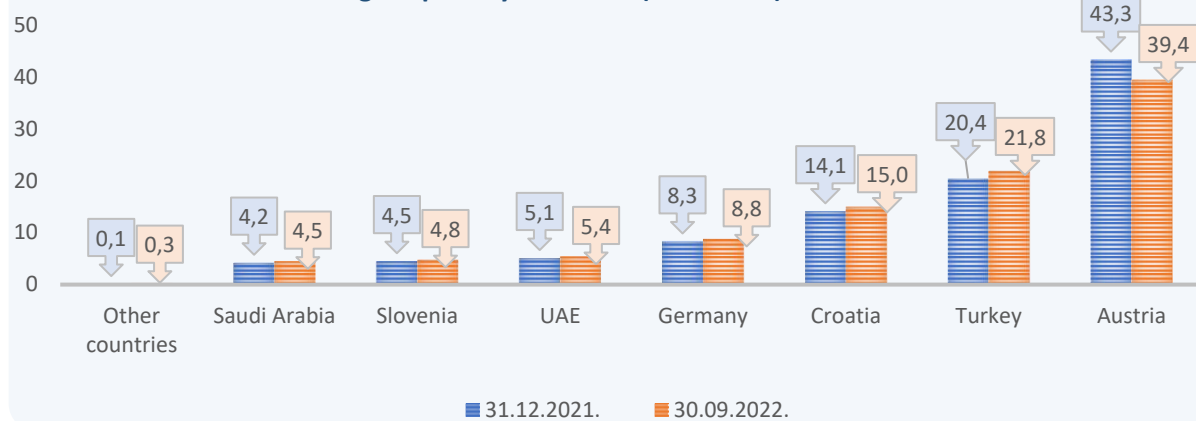
¹⁰ The bank classification criterion is the ownership of the share capital of the banks

¹¹ The state ownership refers to the capital of the FBiH Government

Out of the 13 private and predominantly privately owned banks, the four banks are majority-owned by domestic legal and natural persons (residents), while the nine banks are majority foreign-owned.

By analyzing the home countries of the shareholders, the highest share, as at 30/09/2022 (Chart 1), has still been held by the shareholders from Austria (39.4% of the foreign capital), followed by the shareholders from Turkey (21.8%), Croatia (15%) and Germany (8.8%), while other countries have no major individual shares.

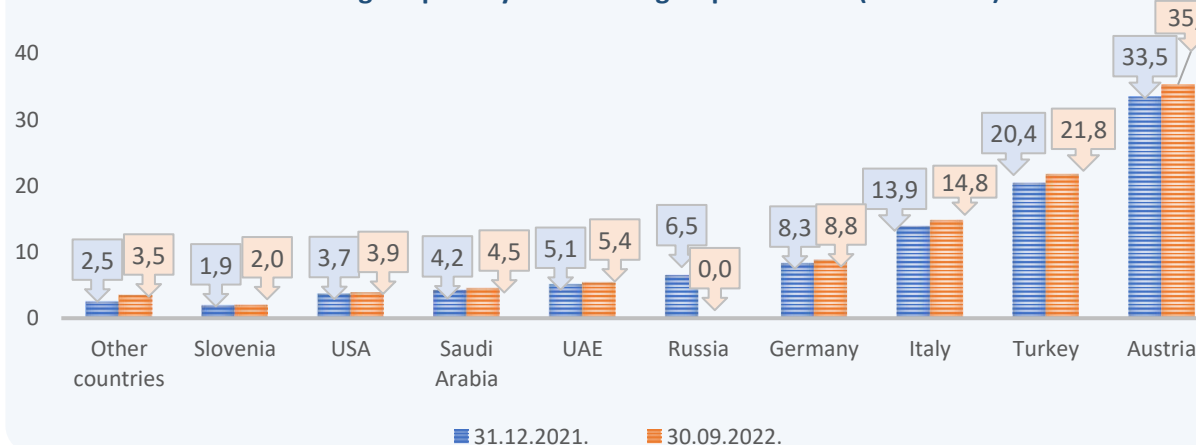
Chart 1: Structure of foreign capital by countries (share in %)



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 2).

According to this criterion, the highest share, as of 30/09/2022, has been held by the banking groups and banks from Austria (35.3%), followed by the banking groups and banks from Turkey (21.8%), Italy (14.8%) and Germany (8.8%), while the banking groups and banks from other countries have no major individual shares (below 7%).

Chart 2: Structure of foreign capital by countries - group residence (share in %)



The total capital of the FBiH banking sector, as at 30/09/2022, has been increased by BAM 172.3 million or 5.5% compared to the end of 2021, amounting to BAM 3.3 billion (Table 2). An

increase in the total capital has been made as a net effect of: an increase based on the actual current financial result for nine months of 2022 in the amount of BAM 295.1 million, an increase based on the sale of own shares in the amount of BAM 2.1 million, a decrease based on the dividend disbursement in the amount of BAM 42.7 million, a decrease based on the sale of the fair-valued securities in the amount of BAM 1.7 million and a decrease based on the changes to the fair value of the securities in the amount of BAM 80.5 million.

- BAM 000 -

Table 2: Ownership structure according to total capital

No.	Banks	31/12/2020		31/12/2021		30/09/2022		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	63.642	2,1	95.412	3,1	96.128	2,9	150	101
2.	Private banks	3.002.440	97,9	3.012.735	96,9	3.184.290	97,1	100	106
	Total	3.066.082	100	3.108.147	100	3.280.418	100	101	106

If viewed through the state-owned, private and foreign capital shares in the share capital of the banks, a more detailed overview is being provided on the ownership structure of the FBiH banks' capital (Table 3):

- BAM 000 -

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

No.	Share capital	31/12/2020		31/12/2021		30/09/2022		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	41.619	3,2	66.556	4,8	66.556	4,8	160	100
2.	Private capital (residents)	140.547	10,8	137.373	9,9	215.975	15,6	98	157
3.	Foreign capital (non-residents)	1.117.534	86,0	1.178.936	85,3	1.102.526	79,6	105	94
	Total	1.299.700	100	1.382.865	100	1.385.057	100	106	100

As of 30/09/2022, compared the end of 2021, the share of the private capital (residents) has increased by 5.7 percentage points compared to the foreign capital (non-residents). This came as a result of the completed bank resolution process over one bank.

The following Table 4 provides an overview of the market shares of the banks by ownership type (majority capital) across periods:

Table 4: Market shares of banks by ownership type (majority capital)

No.	Banks	31/12/2020			31/12/2021			30/09/2022		
		Number of banks	Share in total capit	Share in total assets %	Number of banks	Share in total capit. %	Share in total assets %	Number of banks	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	2,1	3,6	1	3,1	4,1	1	2,9	4,0
2.	Banks with majority private capital - residents	4	5,3	6,7	3	5,7	6,8	4	12,8	13,9
3.	Banks with majority foreign capital	10	92,6	89,7	10	91,2	89,1	9	84,3	82,1
	Total	15	100	100	14	100	100	14	100	100

1.1.3. Staff Structure

Across the banking sector, as at 30/09/2022, the number of employees has been 6.390, being less by 42 employees or 0.7% compared to the end of 2021 (Table 5).

Table 5: Qualification structure of employees in FBiH banks

No.	Qualification level	31/12/2020		31/12/2021		30/09/2022		Index	
		Number of employees	% share	Number of employees	% share	Number of employees	% share	(5/3)	(7/5)
1	2	3	4	5	6	7	8	9	10
1.	University degree	4.088	62,7	4.090	63,6	4.078	63,8	100	100
2.	Two-year post-secondary school degree	453	6,9	413	6,4	414	6,5	91	100
3.	Secondary school degree	1.975	30,3	1.924	29,9	1.894	29,6	97	98
4.	Other	6	0,1	5	0,1	4	0,1	83	80
Total		6.522	100	6.432	100	6.390	100	99	99

One of the indicators affecting the assessment of the performance of an individual bank and the banking sector is the assets to number of employees ratio, i.e. the amount of the assets per an employee (Table 6), where a higher ratio is an indicator of a better operational efficiency of a bank and the overall sector.

- BAM 000 -

Table 6: Total assets per employee

No. of employ.	31/12/2020		No. of employ.	31/12/2021		No. of employ.	30/09/2022	
	Assets	Assets per employee		Assets	Assets per employee.		Assets	Assets per employee
1	2	3	4	5	6	7	8	9
6.522	24.396.438	3.741	6.432	25.890.828	4.025	6.390	26.953.633	4.218

1.2. FINANCIAL PERFORMANCE INDICATORS

1.2.1. 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 capital¹², in accordance with the provisions of the FBiH Law on the Opening Balance Sheet of Enterprises and Banks, under which the 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 this respect, the data are reported in the Annex 2 of this Information - Balance Sheet of FBiH Banks According to FBA Scheme (Active Sub-Balance Sheet). The Annex 3 provides an overview of assets, loans, deposits and financial performance of the FBiH banks as at 30/09/2022.

The following Table 7 provides a summary of the banking sector's balance sheet:

- BAM 000 -

Table 7: Banks' balance sheet

No.	Description	31/12/2020		31/12/2021		30/09/2022		Index	
		Amount	% share	Amount	% share	Amount	% share	(5/3)	(7/5)
1	2	3	4	5	6	7	8	9	10
ASSETS									
1.	Cash	7.414.615	30,4	7.989.239	30,9	8.769.507	32,5	108	110
2.	Securities	1.687.459	6,9	1.966.008	7,6	1.996.855	7,4	117	102

¹² In the "total" balance sheet, the majority state-owned banks report passive and neutral items.

3.	Placements to other banks	275.941	1,1	350.452	1,3	186.057	0,7	127	53	
4.	Loans	15.254.651	62,5	15.890.821	61,4	16.226.992	60,2	104	102	
5.	Impairments	1.127.176	4,6	1.099.948	4,3	1.039.067	3,9	98	94	
6.	Net loans (loans minus impairments)	14.127.475	57,9	14.790.873	57,1	15.187.925	56,3	105	103	
7.	Business premises and other fixed assets	553.475	2,3	516.921	2,0	523.464	1,9	93	101	
8.	Other assets	337.473	1,4	277.335	1,1	289.825	1,2	82	105	
	TOTAL ASSETS	24.396.438	100	25.890.828	100	26.953.633	100	106	104	
	LIABILITIES									
9.	Deposits	19.660.862	80,6	21.184.952	81,8	22.175.304	82,3	108	105	
10.	Borrowings from other banks	0	0,0	0	0,0	0	0,0	0	-	
11.	Liabilities on loans taken	811.878	3,3	779.075	3,0	523.189	1,9	96	67	
12.	Other liabilities	857.616	3,5	818.654	3,2	974.722	3,6	95	119	
	CAPITAL									
13.	Capital	3.066.082	12,6	3.108.147	12,0	3.280.418	12,2	101	106	
	TOTAL LIABILITIES (LIABILITIES AND CAPITAL)	24.396.438	100	25.890.828	100	26.953.633	100	106	104	

The total net assets at the FBiH banking sector level, as of 30/09/2022, have been BAM 27 billion, being higher by BAM 1.1 billion or 4.1% compared to the end of 2021. The net loans have the highest share (56.3%) within the assets in the banks' balance sheet, followed by the cash (32.5%) and the securities (7.4%). The deposits (82.3%) have the highest share within the liabilities in the banks' balance sheet, followed by the capital (12.2%).

As of 30/09/2022, compared to the end of 2021, there has been an increase in the cash, investments in securities, loans, business premises and other fixed assets, other assets, deposits, other liabilities and the total capital, while, the placements to other banks and the liabilities on loans taken have decreased.

The following Table 8 provides an overview of the banks' assets according to the ownership structure:

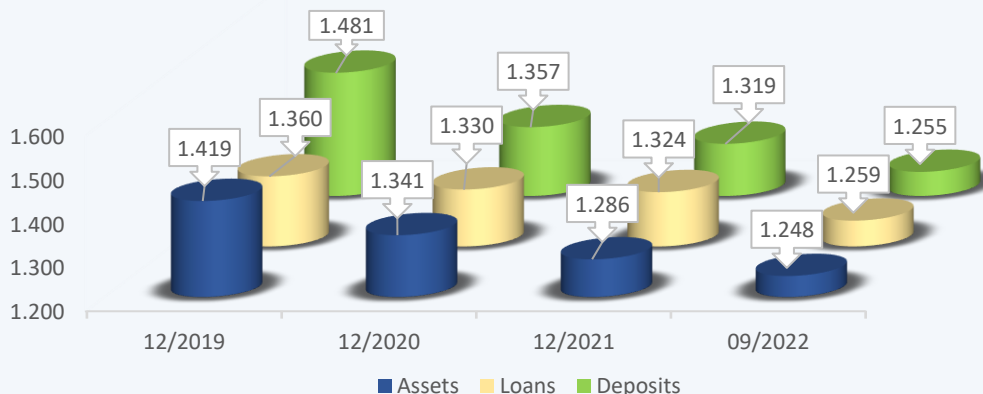
- BAM 000 -

Table 8: Banks' assets according to ownership structure

N o.	Banks	31.12.2020.			31.12.2021.			30.09.2022.			Indeks	
		Number of banks	Assets (BAM 000)	% share	Number of banks	Assets (BAM 000)	% share	Number of banks	Assets (BAM 000)	% share	(7/4)	(10/7)
1	2	3	4	5	6	7	8	9	10	11	12	13
1.	State-owned	1	879.736	3,6	1	1.054.365	4.1	1	1.083.412	4.0	120	103
2.	Private	14	23.516.702	96,4	13	24.836.463	95,9	13	25.870.221	96,0	106	104
	Total	15	24.396.438	100	14	25.890.828	100	14	26.953.633	100	106	104

The Herfindahl index of concentration (Chart 3), as of 30/09/2022, compared to the end of 2021, has decreased for the assets by 38 units, for the loans by 65 units and for the deposits by 64 units. The Herfindahl index of concentration, for the reporting period, has showed a moderate concentration in all the three relevant categories.

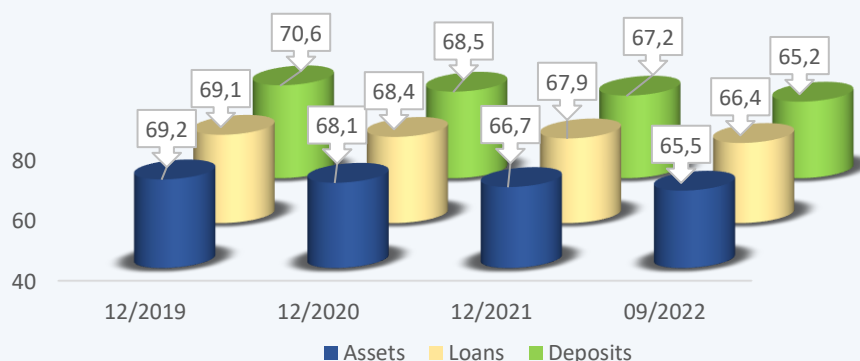
Chart 3: Herfindahl index of concentration in assets, loans and deposits



By looking into the concentration ratio, i.e. the total share of the five biggest banks in the sector - CR5, as of 30/09/2022, compared to the end of 2021 (Chart 4), there has been a decrease in all the categories, i.e. in the market share by 1.2 percentage points, in the loans by 1.5 percentage points and in the deposits by two percentage points.

The two biggest banks in the sector account for 42.1% of the market (assets 42.3%, loans 41.5% and deposits 42.6%).

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



The banking sector can also be analysed according to the criterion of the classification to the groups created according to the size of the assets¹³ (Table 9). As of 30/09/2022, the four banks in the FBiH banking sector, with a 59.1% share, stand out according to the size of the assets, comprising the Group I of the banks with the assets of over BAM 2.0 billion.

¹³ The banks are divided into the four groups depending on the size of the assets.

- BAM 000 -

Table 9: Share of groups of banks in total assets

No.	Assets amount	31/12/2020			31/12/2021			30/09/2022		
		Amount	% share	Number of banks	Amount	% share	Number of banks	Amount	% share	Number of banks
1	2	3	4	5	6	7	8	9	10	11
1.	I (over BAM 2 billion)	13.375.256	54,8	3	13.713.355	53,0	3	15.939.968	59,1	4
2.	II (BAM 1-2 billion)	7.906.422	32,4	6	10.748.334	41,5	8	8.424.746	31,3	6
3.	III (BAM 0.5-1 billion)	2.708.664	11,1	4	1.301.209	5,0	2	2.461.030	9,1	3
4.	IV (BAM 0.1-0.5 billion)	406.096	1,7	2	127.930	0,5	1	127.889	0,5	1
	Total	24.396.438	100	15	25.890.828	100	14	26.953.633	100	14

As of 30/09/2022, compared to the end of 2021, there has been a change in the structure of the group of banks in the total assets of the FBiH banking sector, i.e. one bank moved from the Group II to the Group III of the banks.

The cash across the FBiH banking sector, as of 30/09/2022 (Table 10), has amounted to BAM 8.8 billion and has increased by BAM 780.3 million or 9.8% compared to the end of 2021. A major amount of the cash has still been held by the banks in excess of the mandatory reserves.

- BAM 000 -

Table 10: Banks' cash

No.	Cash	31/12/2020		31/12/2021		30/09/2022		Index	
		Amount	% share	Amount	% share	Amount	% share	(5/3)	(7/5)
1	2	3	4	5	6	7	8	9	10
1.	Cash	1.267.712	17,1	1.526.329	19,1	1.562.521	17,8	120	102
2.	Reserve account with CBBiH	4.478.515	60,4	5.270.323	66,0	5.507.151	62,8	118	104
3.	Accounts with deposit institutions in BiH	30.194	0,4	10.345	0,1	4.326	0,1	34	42
4.	Accounts with deposit institutions abroad	1.638.190	22,1	1.182.240	14,8	1.695.507	19,3	72	143
5.	Cash in collection process	4	0,0	2	0,0	2	0,0	50	100
	Total	7.414.615	100	7.989.239	100	8.769.507	100	108	110

As of 30/09/2022, compared to the end of 2021, there has been an increase in the cash funds related to the cash, the reserve account with the CBBiH and the deposit accounts with the deposit institutions abroad; a decrease has been recorded in the cash related to the deposit accounts with the deposit institutions in BiH, while the cash in the collection process has remained the same vs. the comparable period. In the currency structure of the cash funds, as of 30/09/2022, compared to the end of 2021, the share of the domestic currency has dropped from 81.1% to 76%.

The portfolio of the securities, as at 30/09/2022 (Table 11), has amounted to BAM 2.0 billion, increasing by BAM 30.8 million or 1.6% compared to the end of 2021.

- BAM 000 -

Table 11: Securities according to instrument type

No.	Investments in securities	31/12/2020		31/12/2021		30/09/2022		Index	
		Amount	% share	Amount	% share	Amount	% share	(5/3)	(7/5)
1	2	3	4	5	6	7	8	9	10
1.	Equity securities	11.844	0,7	7.374	0,4	16.112	0,8	62	218
2.	Debt securities::	1.675.615	99,3	1.958.634	99,6	1.980.743	99,2	117	101
2.1.	- Securities of all levels of governments in BiH	992.337	58,8	1.014.120	51,6	1.120.889	56,1	102	111
2.2.	- Government securities	544.646	32,3	756.726	38,4	690.535	34,6	139	91

	(other countries)								
2.3.	- Corporate bonds ¹⁴	138.632	8,2	187.788	9,6	169.319	8,5	135	90
	Total	1.687.459	100	1.966.008	100	1.996.855	100	117	102

As of 30/09/2022, the most significant item within the investments in the debt securities has been the securities of the entity governments (Table 12), namely the securities issued by the FBiH¹⁵ of altogether BAM 697.3 million and the securities of the RS as the issuer of BAM 374.3 million.

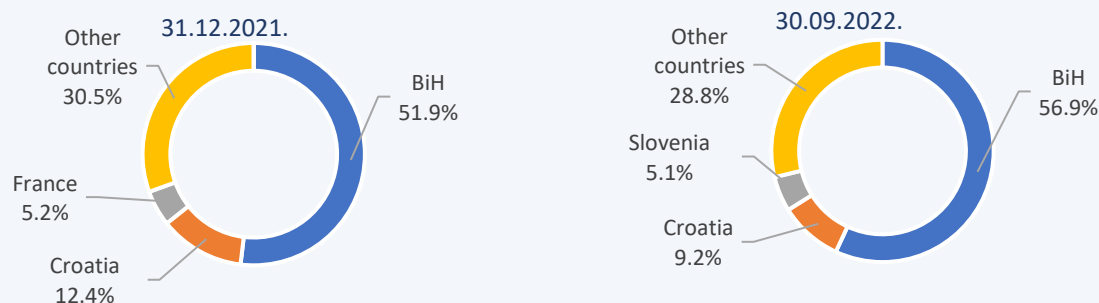
- BAM 000 -

Table 12: Securities of BiH entity governments

No.	Investments in securities	31/12/2020		31/12/2021		30/09/2022		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:	699.554	71,5	625.252	64,4	697.343	65,1	89	112
1.1.	- Treasury bills	100.007	10,2	34.986	3,6	29.984	2,8	35	86
1.2.	- Bonds	599.547	61,3	590.266	60,8	667.359	62,3	98	113
2.	Debt securities of RS as issuer:	278.325	28,5	346.095	35,6	374.333	34,9	124	108
2.1.	- Treasury bills	41.759	4,3	0	0,0	9.974	0,9	0	-
2.2.	- Bonds	236.566	24,2	346.095	35,6	364.359	34,0	146	105
	Total	977.879	100	971.347	100	1.071.676	100	99	110

If the investments in the securities are analysed according to the exposures by the countries (Chart 5), the highest share of 56.9% has been to the issuers from BiH, followed by Croatia with a 9.2% share, Slovenia with a 5.1% share and other countries with individual shares below 5%.

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



1.2.2. Liabilities

As at 30/09/2022, the deposits have amounted to BAM 22.2 billion, increasing by BAM 990.4 million or 4.7% compared to the end of 2021. Out of the total amount of the deposits at the end of the observed period, BAM 1.4 billion or 6.7% refers to the deposits collected in the organisational parts of the FBiH banks operating in the RS and the BD.

As of 30/09/2022, the share of the deposits, as the most significant source of the banks' funding, compared to the end of 2021, has increased by 0.5 percentage points (82.3%), while the share of the loan liabilities has decreased by 1.1 percentage points (1.9%).

The banks' loan liabilities with the amount of BAM 523.2 million have decreased by BAM 255.9

¹⁴ Relate to the banks' bonds from Europe, the USA and Turkey

¹⁵ All the types of the securities of the FBiH as the issuer

million or 32.8% compared to the end of 2021. If the subordinated loans of BAM 280.3 million are also added to the loan liabilities, the total loans have had a 3% share in the funding sources.

The following Charts 6 and 7 provide an overview of the total deposits and the loan-to-deposit ratio by periods:

Chart 6: Total deposits

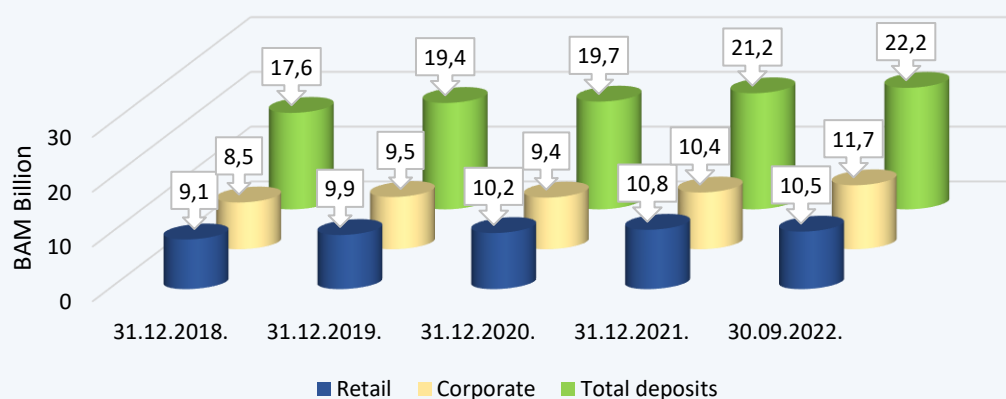
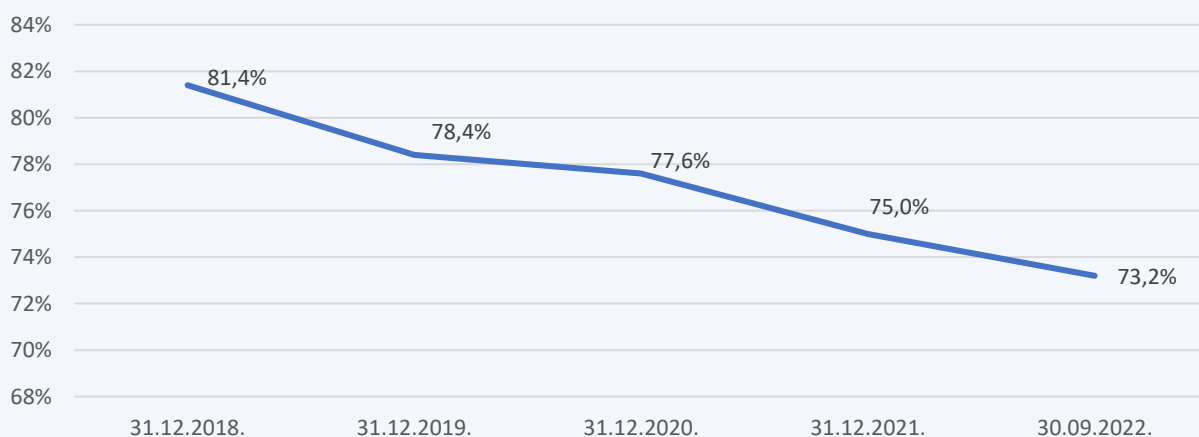


Chart 7: Loan-to-deposit ratio



The following Table 13 provides an overview of the sector structure of the deposits:

- BAM 000 -

Table 13: Sector structure of deposits

No.	Sectors	31/12/2020		31/12/2021		30/09/2022		Index	
		Amount	% share	Amount	% share	Amount	% share	(5/3)	(7/5)
1	2	3	4	5	6	7	8	9	10
1.	Government institutions	2.236.845	11,4	2.600.382	12,3	3.358.007	15,1	116	129
2.	Public enterprises	1.453.080	7,4	1.618.685	7,6	1.710.136	7,7	111	106
3.	Priv. enterp. and companies	3.783.548	19,2	4.393.701	20,8	4.806.120	21,7	116	109
4.	Banking institutions	568.484	2,9	348.047	1,6	366.626	1,7	61	105
5.	Non-bank. fin. institutions	848.319	4,3	829.534	3,9	814.096	3,7	98	98
6.	Retail	10.236.559	52,1	10.832.483	51,1	10.498.904	47,3	106	97
7.	Other	534.027	2,7	562.120	2,7	621.415	2,8	105	111

Total	19.660.862	100	21.184.952	100	22.175.304	100	108	105
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The highest share in the sector structure of the deposits refers to the retail deposits with a 47.3% share and this share has dropped by 3.8 percentage points compared to the end of 2021. As at 30/09/2022, the retail deposits have amounted to BAM 10.5 billion.

An increase in the deposits, as of 30/09/2022, compared to the end of 2021, has been made in relation to the government institutions' deposits by BAM 757.6 million or 29.1%, the deposits of the public enterprises by BAM 91.5 million or 5.6%, the deposits of the private enterprises by BAM 412.4 million or 9.4%, the deposits of the banking institutions by BAM 18.6 million or 5.3% and other deposits by BAM 59.3 million or 10.5%.

A decrease in the deposits, as of 30/09/2022, compared to the end of 2021, has been recorded in relation to the deposits of the non-banking financial institutions by BAM 15.4 million or 1.9% and the retail deposits by BAM 333.6 million or 3.1%. When looking into the retail deposits, compared to 30/06/2022, an increase in the amount of BAM 220.4 million or 2.1% has been recorded.

The funding in the form of the deposits of the banking groups has been present in eight banks in the FBiH, so that 82.1% of the total deposits of the banking institutions refer to the deposits of the banking groups.

The currency structure of the deposits, as at 30/09/2022, has been changed compared to the end of 2021, i.e. the share of the deposits in the domestic currency has increased from 67.6% to 69.5% and the share of the deposits in foreign currencies has decreased from 32.4% to 30.5%. The deposits in the domestic currency have amounted to BAM 15.4 billion, increasing by BAM 1.1 billion or 7.7% compared to the end of 2021, while the deposits in foreign currencies have amounted to BAM 6.8 billion, decreasing by BAM 111.3 million or 1.6% compared to the end of 2021.

The structure of the deposits, according to the origin of depositors, as of 30/09/2022, compared to the end of 2021, is the following: the residents' deposits of BAM 21.5 billion have had a 97% share (up by 0.4 percentage points), while the non-residents' deposits have amounted to BAM 0.7 billion, comprising 3% of the total deposits (down by 0.4 percentage points).

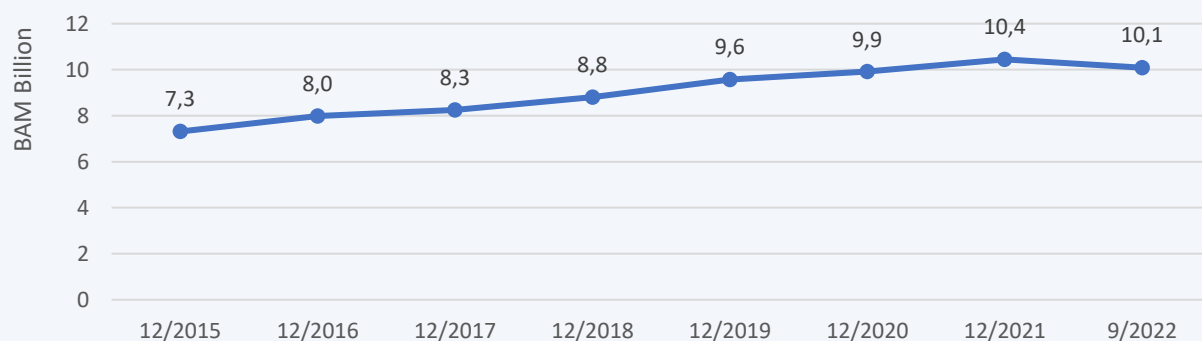
The upward trend of the savings deposits has been a continuous one, except for the second quarter of 2022. The changes in the upward deposit trend are related to the external events and are dominantly related to one bank in resolution process being successfully completed in the second quarter of 2022. The savings deposits as at 30/09/2022 have amounted to BAM 10.1 billion, decreasing by BAM 355.3 million or 3.4% compared to the end of 2021. Considering the current macroeconomic circumstances and high inflation rate with low interest rates on deposits, a part of the population decides on other investing forms and managing money, being currently the dominant reason for the lack of the savings upward trend.

The retail saving trend is shown in the Table 14 and the Chart 8 below.

- BAM 000 -

Table 14: Retail savings

No.	Banks	Amount			Index	
		31/12/2020	31/12/2021	30/09/2022	(4/3)	(5/4)
1	2		4	5	6	
1.	State-owned	105.980	124.474	122.581	117	98
2.	Private	9.809.340	10.324.468	9.971.092	105	97
	Total	9.915.320	10.448.942	10.093.673	105	97

Chart 8: Total retail savings

53.9% of the savings have been concentrated in the two biggest banks, while the four banks have had the individual shares of less than 2%, amounting to 4.4% of the total savings in the sector. Out of the total amount of the savings, 55.2% have been related to the savings deposits in the domestic currency, while 44.8% to the savings deposits in foreign currencies.

As of 30/09/2022, compared to 2021, the short term retail savings deposits have increased by BAM 184.1 million or 2.7% (an increase in the share by 4.1 percentage points), while the long term retail savings deposits have decreased by BAM 539.4 million or 14.6% (a decrease in the share by 4.1 percentage points). The maturity structure of the savings deposits can be seen in the following Table 15:

- BAM 000 -

Table 15: Maturity structure of retail savings deposits

No.	Savings deposits	31/12/2020		31/12/2021		30/09/2022		Index	
		Amount	% share	Amount	% share	Amount	% share	(5/3)	(7/5)
1	2	3	4	5	6	7	8	9	10
1.	Short term savings deposits	6.142.454	61,9	6.755.829	64,7	6.939.931	68,8	110	103
2.	Long term savings deposits	3.772.866	38,1	3.693.113	35,3	3.153.742	31,2	98	85
	Total	9.915.320	100	10.448.94	100	10.093.673	100	105	97

The following Table 16 provides an overview of retail loans, savings and deposits by periods:

- BAM 000 -

Table 16: Retail loans, savings and deposits

No.	Description	Amount			Index	
		31/12/2020	31/12/2021	30/09/2022	(4/3)	(5/4)
1	2	3	4	5	6	7
1.	Retail loans	7.281.540	7.613.327	7.950.885	105	104
2.	Retail savings	9.915.320	10.448.942	10.093.673	105	97
2.1.	Term savings	4.089.390	3.976.925	3.417.892	97	86

2.2.	Demand savings	5.825.930	6.472.017	6.675.781	111	103
3.	Loans/Savings	73%	73%	79%	-	-
4.	Retail deposits	10.236.559	10.832.483	10.498.904	106	97
5.	Loans/Retail deposits	71%	70%	76%	-	-

As of 30/09/2022, the retail loans have amounted to BAM 7.9 billion, increasing by 4.4% vs. YE2021, while the retail deposits have recorded a decrease by 3.1%, amounting to BAM 10.5 billion as of 30/09/2022. The ratios of the retail loans to the retail savings and the retail loans to the retail deposits have risen by 6 percentage points vs. end of 2021 due to a decrease in the deposits, i.e. savings and increased retail loans in the observed period.

1.2.3. Capital and Capital Adequacy

As at 30/09/2022, the total banks' capital has amounted to BAM 3.3 billion, increasing by BAM 172.3 million or 5.5% compared to the end of 2021 (more details are provided under the Subheading 1.1.2 - Ownership Structure and Market Share).

The following Table 17 provides a report on the balance, i.e. the structure of the FBiH banks' own funds:

- BAM 000 -

No.	Description				Index	
		31/12/2020	31/12/2021	30/09/2022	(4/3)	(5/4)
1	2	3	4	5	6	7
1.	Own funds	2.698.561	2.852.902	2.833.360	106	99
1.1.	Tier 1 capital	2.581.508	2.733.978	2.722.099	106	100
1.1.1.	Common Equity Tier 1 capital	2.581.508	2.733.978	2.722.099	106	100
1.1.1.1.	Paid-up capital instruments	1.299.335	1.384.714	1.384.714	107	100
1.1.1.2.	Share premium	137.290	137.290	137.327	100	100
1.1.1.3.	(-) Own Common Equity Tier 1 capital instruments	-214	-214	0	100	0
1.1.1.4.	(-) Actual or contingent liabilities to purchase own Common Equity Tier 1 capital instruments	0	-2.192	0	-	0
1.1.1.5.	Previous year retained profit	343.453	393.494	443.467	115	113
1.1.1.6.	Recognized gain or loss	-145.228	-118.241	-125.734	81	106
1.1.1.7.	Accumulated other comprehensive income	29.151	10.368	-70.176	36	-677
1.1.1.8.	Other reserves	1.000.959	1.014.269	1.042.353	101	103
1.1.1.9.	(-) Other intangible assets	-58.638	-61.626	-60.596	105	98
1.1.1.10.	(-) Deferred tax assets that rely on future profitability and do not arise from temporary differences minus the associated tax liabilities	-34	-1.081	-4.889	3.179	452
1.1.1.11.	(-) Qualifying holdings outside the financial sector which the risk weight of 1250% can be applied to as an alternative	0	0	-1.375	-	-
1.1.1.12.	(-) Deferred tax assets deductible and relying on future profitability and arising from temporary differences	-8.300	-8.621	-10.205	104	118
1.1.1.13.	(-) Financial sector entities' Common Equity Tier 1 capital instruments if bank has material investment Elements or deductions from Common Equity Tier 1 capital - other	-16.266	-14.182	-12.787	87	90
1.1.1.14.		0	0	0	-	-
1.1.2.	Additional Tier 1 capital	0	0	0	-	-
1.2.	Tier 2 capital	117.053	118.924	111.261	102	94

1.2.1.	Paid-up capital instruments and subordinated debts	117.067	118.938	111.261	102	94
1.2.2.	(-)Own Tier 2 capital instruments	-14	-14	0	100	0
1.2.3.	General impairments for credit risk under standardized approach	0	0	0	-	-
1.2.4.	Deduction from Tier 2 capital 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 30/09/2022 have amounted to BAM 2.8 billion, decreasing by BAM 19.5 million or 0.7% compared to the end of 2021. At the same time, the banks' T1 and CET1 capitals have amounted to BAM 2.7 billion, with an actual decrease of BAM 11.9 million or 0.4%, while the Tier 2 capital has amounted to BAM 111.3 million, with an actual decrease of BAM 7.7 million or 6.4% compared to the end of 2021. The own funds' structure of the FBiH banking sector has included a share of the Tier 1 capital of 96.1% (12/2021: 95.8%), while the Tier 2 capital has participated with 3.9% (12/2021: 4.2%).

A detailed analysis has shown that the following items had the greatest effect on the T1 capital change:

- an increase based on the included profit amounting to BAM 63.6 million,
- an increase based on the reduction of an off-set item - own capital instruments (own shares' sale) amounting to BAM 2.4 million,
- an increase based on the reduction of an off-set item – intangible assets amounting to BAM 1 million,
- an increase based on the securities' sale of BAM 6.9 million,
- a decrease based on an increase in an off-set item - deferred tax assets amounting to BAM 5.3 million, and
- effects of the changes in the securities' fair value, being recorded through the changes in the accumulated other comprehensive income amounting to BAM 80.5 million.

According to the Decision on Capital Calculation in Banks, the total amount of the risk exposure is a sum of the exposures weighted by the credit risk, market risk, operational risk, settlement risk/free delivery risk and risk related to the large exposures resulting from the trading book items. The FBiH banking sector's total risk exposure as at 30/09/2022 has amounted to BAM 14.9 billion (Table 18).

- BAM 000 -

Table 18: Risk exposure structure

No.	Risk exposure	31/12/2020		31/12/2021		30/09/2022		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	12.843.833	91,0	13.167.335	91,0	13.654.434	91,7	103	104
2.	Settlement/free delivery risk exposures	0	0,0	0	0,0	0	0,0	-	-
3.	Market risk (position and currency risk) exposures	119.065	0,8	152.789	1,1	88.819	0,6	128	58
4.	Risk exposures for operational risk	1.150.236	8,2	1.147.271	7,9	1.144.474	7,7	100	100
Total risk exposure amount		14.113.134	100	14.467.395	100	14.887.727	100	103	103

The total risk exposure amount at the FBiH banking sector level has increased in the first nine months of the current year by BAM 420.3 million or 2.9% compared to the end of the previous year. Over the observed period, there has been an increase of the risk weighted exposures for

the credit risk by BAM 487.1 million or 3.7% and the market risk exposures have decreased by BAM 64 million or 41.9% and the risk exposure for the operational risk by BAM 2.8 million or 0.2%. At the end of September 2022, five banks in the sector have not posted the currency risk exposure since their net open currency position does not exceed 2% of the own funds, and this number of the banks has not changed at the end of 2021. The major decrease in the market risk exposure at the FBiH banking sector level has mostly been a result of the decreased net open position for EUR with one bank.

As of 30/09/2022, the banks have mostly been exposed to the credit risk (91.7% share) being dominant in the FBiH banking sector. Compared to the end of the previous year, the share of the credit risk in the total exposure has increased by 0.7 percentage points, while the market risk exposure share has decreased by 0.5 percentage points and the share of the operational risk exposure by 0.2 percentage points. Within the risk weighted exposure for the credit risk, the highest share is with the retail exposure (BAM 4.8 billion or 35.3%), followed by the corporate exposure (BAM 3.7 billion or 26.9%) and the real estate-secured exposure (BAM 3.4 billion or 24.8%).

The banking sector's capital adequacy has continuously been maintained above 15% in the last few years, being a satisfactory capitalisation at the sector level. The FBiH banking sector capital adequacy indicators are provided in the following Table 19:

- BAM 000 -

Table 19: Capital adequacy indicators

No.	Capital rates	% and amount of regulatory minimum surplus or deficit		
		31/12/2020	31/12/2021	30/09/2022
1	2	3	4	5
1.	Common Equity Tier 1 capital rate	18,3%	18,9%	18,3%
2.	Surplus (+)/ Deficit (-) of Common Equity Tier 1 capital	1.628.872	1.757.430	1.717.178
3.	Tier 1 capital rate	18,3%	18,9%	18,3%
4.	Surplus (+) / Deficit (-) of Tier 1 capital	1.311.327	1.431.916	1.382.205
5.	Own funds rate	19,1%	19,7%	19,0%
6.	Surplus (+) / Deficit (-) of own funds	1.004.986	1.116.816	1.046.832

The own funds rate as at 30/09/2022 has been 19%, being considerably higher compared to the statutory minimum and the same stands for other capital rates (Common Equity Tier 1 capital and Tier 1 capital rates). Compared to the end of 2021, the own funds rate has decreased by 0.7 percentage points and the CET1 and T1 rates have also decreased by 0.6 percentage points.

The following Table 20 provides an overview of the FBiH banking sector's financial leverage rate (i.e. the ratio of the T1 capital and the total bank exposure) across the periods:

- BAM 000 -

Table 20: Financial leverage ratio

No.	Exposure values	31/12/2020	31/12/2021	30/09/2022
		3	4	
1	2			
1.	Financial leverage rate exposures	25.523.184	27.111.043	28.233.735
2.	Tier 1 capital	2.581.508	2.733.978	2.722.099
	Financial leverage rate	10,1%	10,1%	9,6%

The financial leverage rate at the banking sector level as at 30/09/2022 has been 9.6%, being lower by 0.5 percentage points compared to the end of 2021 and significantly higher compared to the regulatory minimum.

1.2.4. Credit Risk

The Decision on Credit Risk Management and Determination of Expected Credit Losses¹⁶ sets out the credit risk management rules, the manner of the exposure allocation to the credit risk grades and ECL determination, the types of eligible collateral, etc. It has been implemented since 01/01/2020. All the exposures are being allocated to the three credit risk grades: the credit risk grade 1 - a low level of the credit risk, the credit risk grade 2 - an increased level of the credit risk and the credit risk grade 3 - the exposures in default status.

The Table 21 below provides an overview of the exposures at the FBiH banking sector level based on the key categories of the financial assets, off-balance sheet exposures and related ECLs:

- BAM 000 -

Table 21: Financial assets, off-balance sheet items and ECL

No.	Description	31/12/2020			31/12/2021			30/09/2022		
		Amount	ECL	% ECL	Amount	ECL	% ECL	Amount	ECL	% ECL
1	2	3	4	5	6	7	8	9	10	11
1.	Cash and cash facilities	7.693.909	9.887	0,1	8.343.998	11.218	0,1	8.962.287	11.220	0,1
2.	Financial assets at amortized cost	15.460.513	1.136.925	7,4	16.160.753	1.119.190	6,9	16.608.245	1.064.368	6,4
3.	Financial assets at fair value	1.552.559	0	0,0	1.781.852	0	0,0	1.727.021	0	0,0
4.	Other financial receivables	258.027	33.250	12,9	187.605	21.971	11,7	151.497	16.710	11,0
I Total balance sheet exposure		24.965.008	1.180.062	4,7	26.474.208	1.152.379	4,4	27.449.050	1.092.298	4,0
5.	Issued guarantees	1.373.899	24.965	1,8	1.428.082	24.875	1,7	1.577.476	38.423	2,4
6.	Uncovered letters of credit	39.203	1.432	3,7	40.601	1.172	2,9	41.408	1.332	3,2
7.	Irrevocably approved, but undrawn loans	2.468.359	32.597	1,3	2.188.232	21.071	1,0	2.239.007	24.739	1,1
8.	Other contingent bank liabilities	8.274	26	0,3	263.064	2.563	1,0	258.861	4.743	1,8
II Total off-bal. sheet items		3.889.735	59.020	1,5	3.919.979	49.681	1,3	4.116.752	69.237	1,7
Total exposure (I+II)		28.854.743	1.239.082	4,3	30.394.187	1.202.060	4,0	31.565.802	1.161.535	3,7

The total bank exposure as at 30/09/2022 has amounted to BAM 31.6 billion, with BAM 27.5 billion referring to the balance sheet exposures and BAM 4.1 billion to the off-balance sheet items. In the first nine months of 2022, there has been an increase in the balance sheet exposure compared to the end of 2021 by BAM 974.8 million or 3.7%. This increase has come as a net effect of an increase in the cash and cash facilities by BAM 618.2 million (7.4%), the financial assets measured at amortized cost by BAM 447.5 million (2.8%) and a decrease in the financial assets at fair value by BAM 54.8 million (3.1%) and other financial receivables by BAM 36.1 million (19.2% - a significant decrease with three banks).

¹⁶ FBiH Official Gazette No. 44/19 and 37/20

Over the same period, there has been an increase in the off-balance sheet items by BAM 196.8 million or 5%. This increase has come as a net effect of an increase in the position of the issued guarantees (BAM 149.4 million or 10.5% - 63.3% of the increase refers to three banks), the uncovered letters of credit (BAM 0.8 million or 2%) and irrevocably approved, but undrawn loans (BAM 50.8 million or 2.3%) and a decrease in the position of other contingent bank liabilities (BAM 4.2 million or 1.6%).

The following Table 22 provides an overview of the balance sheet and off-balance sheet exposures at the FBiH banking sector level by the credit risk grades and related ECLs:

- BAM 000 -

No.	Description	31/12/2020			31/12/2021			30/09/2022		
		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	22.301.920	179.478	0,8	24.029.210	166.312	0,7	24.896.533	185.702	0,7
2.	Credit risk grade 2	1.645.274	204.681	12,4	1.387.627	161.999	11,7	1.636.436	162.474	9,9
3.	Credit risk grade 3	1.017.814	795.903	78,2	1.057.371	824.068	77,9	916.081	744.122	81,2
I Total balance sheet exposure		24.965.008	1.180.062	4,7	26.474.208	1.152.379	4,4	27.449.050	1.092.298	4,0
4.	Credit risk grade 1	3.440.487	21.343	0,6	3.603.792	20.660	0,6	3.658.637	25.039	0,7
5.	Credit risk grade 2	443.246	34.354	7,8	309.101	25.536	8,3	448.107	35.454	7,9
6.	Credit risk grade 3	6.002	3.323	55,4	7.086	3.485	49,2	10.008	8.744	87,4
II Total off-balance sheet items		3.889.735	59.020	1,5	3.919.979	49.681	1,3	4.116.752	69.237	1,7
Total exposure (I+II)		28.854.743	1.239.082	4,3	30.394.187	1.202.060	4,0	31.565.802	1.161.535	3,7

As at 30/09/2022, the balance sheet exposure within the credit risk grade 1 has amounted to BAM 24.9 billion, accounting for 90.7% of the total balance sheet exposure. Compared to the end of 2021, it has increased by BAM 867.3 million or 3.6%. The increase mostly came as a net effect of an increase in the cash and cash facilities to banks by BAM 621 million, the loan portfolio within this credit risk grade by BAM 241.9 million and the debt securities measured at amortized cost by BAM 67.9 million, and of a decrease in the debt securities measured at fair value by BAM 60.3 million and other financial receivables by BAM 28.3 million.

As at 30/09/2022, the balance sheet exposure within the credit risk grade 2 has amounted to BAM 1.6 billion, accounting for 6% of the total balance sheet exposure. Compared to the end of 2021, it has increased by BAM 248.8 million or 17.9%. The increase of the total balance sheet exposure within this credit risk grade mostly came as a result of a net effect of an increase in the loan portfolio within the credit risk grade 2 by BAM 239 million and the debt securities measured at amortized cost by BAM 14.5 million and of a decrease in other financial receivables by BAM 3.7 million.

As at 30/09/2022, the balance sheet exposure within the credit risk grade 3 has amounted to BAM 916.1 million, accounting for 3.3% of the total balance sheet exposure. Compared to the end of 2021, it has decreased by BAM 141.3 million or 13.4%, mostly as a result of a decrease in the loan portfolio within this credit risk grade by BAM 138.6 million and other financial receivables by BAM 4.1 million.

At the end of the third quarter of 2022, compared to the end of 2021, the ECL at the credit risk grade 1 for the balance sheet exposure has increased by BAM 19.4 million, for the credit risk grade 2 by BAM 0.5 million, while, for the credit risk grade 3, it has decreased by BAM 79.9 million. Over the observed period, the ECL coverage rate for the exposures within the credit risk grade 1 has remained the same (0.7%), while this rate has decreased at the credit risk grade 2 by 1.8 percentage points (from 11.7% to 9.9%) and has increased at the credit risk grade 3 by 3.3 percentage points (from 77.9% to 81.2%). The total ECL coverage rate for the balance sheet exposures is 4%, while being 4.4% at the end of 2021.

As at 30/09/2022, the off-balance sheet exposure at the credit risk grade 1 has amounted to BAM 3.7 billion, accounting for 88.9% of the total off-balance sheet exposure. The exposure at the credit risk grade 2 has amounted to BAM 448.1 million or 10.9% of the total off-balance sheet exposure, while the credit risk grade 3 has included BAM 10 million or 0.2% of the total off-balance sheet exposure. The total ECL coverage for the off-balance sheet exposures has been 1.7%, being by 0.4 percentage points higher than at the end of the previous year. For the credit risk grades 1 and 3, the coverage rates have increased by 0.1 percentage point, compared to the end of the previous year, for the credit risk grade 1 and for the credit risk grade 3 by 38.2 percentage points (due to an increase in the off-balance sheet items at the credit risk grade 3 with one bank, coupled with a significant increase of relevant ECL), while a decrease in the coverage rate by 0.4 percentage points has been recorded at the credit risk grade 2.

As at 30/09/2022, the loans have amounted to BAM 16.2 billion, increasing by BAM 336.2 million or 2.1% compared to the end of 2021. By looking at the loan sector structure, the increase rate has come from the loans to government institutions, public enterprises, private enterprises and retail, while there has been a decrease in other sectors. The short term low-risk exposures have had the highest decrease rate (BAM 426.7 million or 46.5%) as a result of a decrease in the short term low-risk exposures with one bank by BAM 391.2 million or 50% as being included in the loan portfolio. If this decrease in the short term low-risk exposures would be excluded, the loan portfolio would show a growth of 4.6% over the observed period. Compared to 30/06/2022, the retail loans have recorded a lower growth.

The retail loans have amounted to BAM 7.9 billion, holding a 49% share in the total loans (up by BAM 337.6 million or 4.4% compared to the end of 2021). The corporate loans amounting to BAM 8.3 billion and accounting for 51% of the total loans) have decreased by BAM 1.4 million or 0.01% compared to the end of 2021 (Chart 9). If a decrease in the short term low-risk exposures with one bank would be excluded, the corporate loan portfolio would show a growth of 4.7% over the observed period.

Chart 9: Loans



The following Table 23 shows a trend and changes of individual sector shares in the total loan structure:

- BAM 000 -

Table 23: Loan structure by sectors

No.	Sectors	31/12/2020		31/12/2021		30/09/2022		Index	
		Amount	% share	Amount	% share	Amount	% share	(5/3)	(7/5)
1	2	3	4	5	6	7	8	9	10
1.	Government institutions	199.032	1,3	223.252	1,4	250.446	1,6	112	112
2.	Public enterprises	395.157	2,6	406.525	2,6	425.574	2,6	103	105
3.	Private enterprises and companies	6.500.322	42,6	6.616.260	41,6	7.005.194	43,2	102	106
4.	Banking institutions	772.554	5,1	917.784	5,8	491.103	3,0	119	54
5.	Non-banking fin. Instit.	83.921	0,6	91.038	0,6	85.081	0,5	108	93
6.	Retail	7.281.540	47,7	7.613.327	47,9	7.950.885	49,0	105	104
7.	Other	22.125	0,1	22.635	0,1	18.709	0,1	102	83
	Total	15.254.651	100	15.890.821	100	16.226.992	100	104	102

The following Table 24 provides the loans' maturity structure by sectors:

- BAM 000 -

Table 24: Maturity structure of loans

No.	Sectors	31/12/2021			30/09/2022			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	4.481	218.670	101	2.452	247.828	166	55	113	164
2.	Public enterprises	53.308	349.648	3.569	52.890	369.097	3.587	99	106	101
3.	Private enterprises and companies	2.305.243	3.836.967	474.050	2.551.276	4.058.766	395.152	111	106	83
4.	Banking institutions	917.783	0	1	491.101	0	2	54	-	200
5.	Non-banking fin. institutions	32.401	58.615	22	21.212	63.835	34	65	109	155
6.	Retail	389.772	6.977.461	246.094	396.802	7.327.471	226.612	102	105	92
7.	Other	6.412	15.835	388	6.249	12.094	366	97	76	94
	Total	3.709.400	11.457.196	724.225	3.521.982	12.079.091	625.919	95	105	86

As of 30/09/2022, compared to the end of 2021, the short-term loans in the FBiH banking sector have decreased by BAM 187.4 million or 5.1%, while the long-term loans have increased by BAM 621.9 million or 5.4%. The receivables due have amounted to BAM 625.9 million or

3.9% of the total loan portfolio, being lower by BAM 98.3 million or 13.6% compared to the end of 2021. A decrease in the loans due has been recorded with all banks except for two.

In the currency loan structure, the loans approved in the domestic currency have had the highest share of 59.8% or BAM 9.7 billion, followed by the loans approved with a currency clause with a 36.8% share or BAM 6 billion (EUR: BAM 6 billion or 99.96%, CHF: BAM 2.1 million or 0.04 %), while the loans approved in the foreign currency have the lowest share of 3.4% or 0.5 billion (out of which 99.9% relates to EUR).

The following Table 25 provides an overview of corporate and retail loans by credit risk grades and related ECLs:

- BAM 000 -

Table 25: Loans by credit risk grades

No.	Description	31/12/2020			31/12/2021			30/09/2022		
		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	6.272.170	78.817	1,3	6.770.320	66.945	1,0	6.795.993	85.135	1,3
2.	Credit risk grade 2	1.157.194	141.218	12,2	925.089	116.184	12,6	998.039	96.515	9,7
3.	Credit risk grade 3	543.747	421.893	77,6	582.085	435.691	74,9	482.075	380.653	79,0
	Total I	7.973.111	641.928	8,1	8.277.494	618.820	7,5	8.276.107	562.303	6,8
II Retail loans										
4.	Credit risk grade 1	6.395.495	84.591	1,3	6.748.669	82.526	1,2	6.963.808	83.394	1,2
5.	Credit risk grade 2	446.971	58.801	13,2	425.538	43.166	10,1	588.451	62.675	10,7
6.	Credit risk grade 3	439.074	341.856	77,9	439.120	355.436	80,9	398.626	330.695	83,0
	Total II	7.281.540	485.248	6,7	7.613.327	481.128	6,3	7.950.885	476.764	6,0
Total loans										
7.	Credit risk grade 1	12.667.665	163.408	1,3	13.518.989	149.471	1,1	13.759.801	168.529	1,2
8.	Credit risk grade 2	1.604.165	200.019	12,5	1.350.627	159.350	11,8	1.586.490	159.190	10,0
9.	Credit risk grade 3	982.821	763.749	77,7	1.021.205	791.127	77,5	880.701	711.348	80,8
	Total loans (I+II)	15.254.651	1.127.176	7,4	15.890.821	1.099.948	6,9	16.226.992	1.039.067	6,4

The loan portfolio allocated to the credit risk grade 1 as at 30/09/2022 has amounted to BAM 13.8 billion, accounting for 84.8% of the total loan portfolio. Compared to the end of 2021, it has increased by BAM 240.8 million or 1.8%. The ECL coverage rate for the credit risk grade 1 has been 1.2% (corporate 1.3% and retail 1.2%), being higher by 0.1 percentage point compared to the end of 2021.

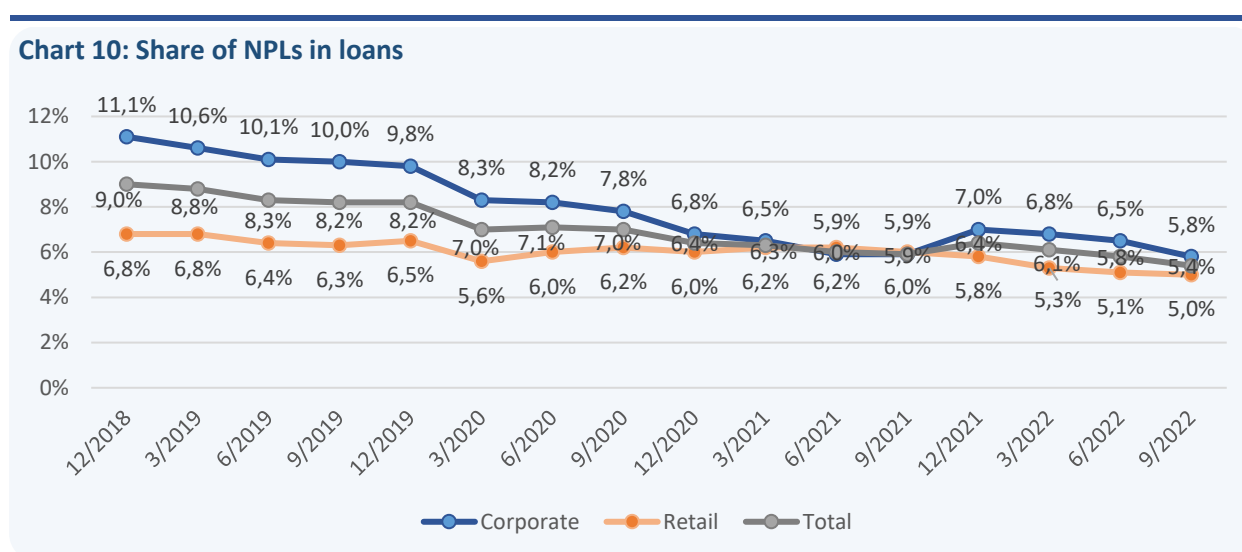
The loan portfolio in the credit risk grade 2 as at 30/09/2022 has amounted to BAM 1.6 billion, accounting for 9.8% of the total loan portfolio. Compared to the end of 2021, it has been higher by BAM 235.9 million or 17.5% due to a significant increase with two banks. The ECL coverage rate for this credit risk grade has been 10% (corporate 9.7% and retail 10.7%), being lower by 1.8 percentage points compared to 31/12/2021.

The loan portfolio at the credit risk grade 3 (NPL) as at 30/09/2022 has amounted to BAM 880.7 million, accounting for 5.4% of the total loan portfolio, with the NPL rate being 6.4% at the end of the previous year. Its decrease by BAM 140.5 million or 13.8%, compared to the end of 2021, has resulted as the net effect of: new NPLs of BAM 132.4 million, recoveries of BAM 34.8

million, collection of BAM 126 million, accounting and permanent write offs of BAM 109.5 million and other items of BAM 2.6 million. The ECL coverage rate for the credit risk grade 3 has been 80.8% (corporate 79% and retail 83%), up by 3.3 percentage points compared to 31/12/2021.

Out of the total corporate loans, BAM 482.1 million or 5.8% refers to the NPL, down by 1.2 percentage points compared to the end of 2021. As for the retail sector, the NPL has amounted to BAM 398.6 million or 5% of the retail loan portfolio, being lower by 0.8 percentage points compared to the end of 2021.

An overview of NPLs (loan portfolio allocated to the credit risk grade 3) is provided in the following Chart 10:



A sector analysis of the loan portfolio of the FBiH banking sector is provided in the Annex 4 of this Information. It rests on the data of the sector-level concentration of the loans within the corporate (by NACE¹⁷) and retail segments (by purpose).

As for the corporate loans, the highest share relates to the following sectors: trade sector (BAM 2.9 billion or 35.2% of the corporate loans, i.e. 17.9% of the total loan portfolio), processing industry (BAM 2 billion or 24.2% of the corporate loans, i.e. 12.3% of the total loans) and financial industry (BAM 0.6 billion or 7.8% of the corporate loans, i.e. 4% of the total loans).

The share of NPLs in the loans to the trade sector is 4.7% (ECL coverage rate for NPLs is 86.4%), to the processing industry 9.6% (ECL coverage rate for NPLs is 79.1%) and to the financial industry 0.1% (ECL coverage rate for NPLs is 32.6%). With regards to other corporate loans, the highest share of NPLs as of 30/09/2022 refers to the loans approved to agriculture (22%), education (16.7%) and hotel and hospitality business (12.8%).

As far as the retail loans are concerned, the highest share is with general consumption loans (BAM 6.2 billion or 78.1% of retail loans, i.e. 38.3% of the total loan portfolio) and housing loans (BAM 1.6 billion or 20.7% of the retail loans, i.e. 10.2% of the total loan portfolio). The share of

¹⁷ The Statistical Classification of Economic Activities in the European Community

NPLs in the general consumption loans is 5.9% (ECL coverage rate is 83.5%) and with housing loans 1.6% (ECL coverage rate is 74.4%).

The Table 26 provides an overview of key ratios used in credit risk assessments in FBiH banks:

- % -

No.	Description	31/12/2020	31/12/2021	30/09/2022
1	2	3	4	5
1.	Rate of non-performing exposures	3,5	3,5	2,9
2.	ECL coverage rate for non-performing exposures	78,1	77,7	81,3
3.	ECL coverage rate for total assets	4,3	4,0	3,7
4.	NPL rate	6,4	6,4	5,4
5.	ECL coverage rate for NPLs	77,7	77,5	80,8
6.	ECL coverage rate for total loans	7,4	6,9	6,4
7.	New NPLs*/Total performing loans	0,7	0,8	-0,2
8.	NPL/Total capital and ECL for NPL	25,7	26,2	22,1
9.	Net NPLs/Tier1 capital	8,5	8,4	6,2
10.	Loans due/Total loans	4,2	4,6	3,9

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

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

1.2.5. Profitability

The bank profitability is affected the most by the asset quality. Also, the bank profitability may be affected by other risks, structure, diversification and funding costs, cost efficiency, FBiH banking and 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, the profitability of the FBiH banking sector, as well as that of individual banks in the sector, is viewed in the context of the sustainability, i.e. the level stability and the quality of the earnings and the strengthening of the capital base through retained profit.

FBiH Banking Sector's Earnings Level, Quality and Trend

The positive financial performance of BAM 295.1 million at the FBiH banking sector level has been reported for the period from 01/01/2022 to 30/09/2022, being higher by BAM 31.2 million compared to the same period last year (Table 27). The positive financial performance has been reported by all the FBiH banks in the first nine months of 2022.

- BAM 000 -

No.	Description	01/01/ - 30/09/2020		01/01/ - 30/09/2021		01/01/ - 30/09/2022	
		Amount	Number of banks	Amount	Number of banks	Amount	Number of banks
1	2	3	4	5	6	7	8
1.	Profit	166.670	13	263.976	15	295.138	14
2.	Loss	15.478	2	0	0	0	0
	Total	151.192	15	263.976	15	295.138	14

The Annex 5 shows an aggregate income statement of the FBiH banks for the period from 01/01/2022 to 30/09/2022 (as per the FBA schedule) with comparable data for the same reporting period in 2021.

FBiH Banking Sector's Total Income

According to the banks' reporting data in the first nine months of 2022, the total income at the FBiH banking sector level has been BAM 988 million, being higher by BAM 80.3 million or 8.7% (Table 28) compared to the same period last year.

- BAM 000 -

No.	Structure of total income	01/01/ - 30/09/2021		01/01/ - 30/09/2022		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	599	0,1	2.415	0,2	403
2.	Loans and leasing operations	464.290	50,6	467.158	46,8	101
3.	Other interest income	56.067	6,1	54.573	5,5	97
	Total I	520.956	56,8	524.146	52,5	101
II Operating income						
4.	Service fees	289.368	31,5	338.398	33,9	117
5.	Income from FX operations	51.291	5,6	73.386	7,4	143
6.	Other operating income	56.088	6,1	62.072	6,2	111
	Total II	396.747	43,2	473.856	47,5	119
	Total income (I+II)	917.703	100	998.002	100	109

In the total income structure, the interest income and similar income have held a share of 52.5%, while the operating income has participated with 47.5%. Compared to the same period last year, there has been a decrease in the share of the interest income and similar income by 4.3 percentage points, while the share of the operating income has increased by the same percentage points. The total actual interest income and similar income have increased by BAM 3.2 million or 0.6% in the reporting period. The dominant item within this income category has been the income from the interest on loans and leasing facilities with a share in the total income dropping by 3.8 percentage points. At the same period, the share of the loans and leasing type receivables in the total assets has decreased by 3.1 percentage point (from 63.3% to 60.2%), while the average weighted NIR related to loans has decreased from 3.28% to 3.04% (by 0.24 percentage points).

During the first nine months of 2022, the interest income under the interest-bearing deposit accounts with deposit institutions have risen by BAM 1.8 million or 303.2% compared to the

same period last year, whereas 82.7% of this increase refers to three banks. During the same period, the share of the interest-bearing deposit accounts with deposit institutions in the total assets of the FBiH banking sector has increased from 14.4% to 17.7% (up by 3.3 percentage points). As for other interest income, there has been an increase of the interest income position related to the held-to-maturity securities by 16.1% while the interest income from the placements to other banks has decreased by 4.8% and other interest income by 3.8%. By looking into the sector structure of the actual interest income, 60.7% refers to the income from the retail segment although the retail loans account for 49% of the total loan portfolio of the FBiH banking sector due to the higher average weighted NIR amounting to 4.81% for the retail segment and 2.31% for the corporate segment. Out of the total interest income, 27.7% refers to the income from private enterprises, 6.9 % from government institutions and 1.8% from public enterprises.

The total operating income has recorded an increase of BAM 77.1 million in the reporting period. The largest item in the structure of the total operating income is the income from the service fees recording an increase of BAM 49 million. The income from foreign exchange operations has increased by BAM 22.1 million compared to the same period of the previous year, whereas 58.4% of this increase refers to three banks.

FBiH Banking Sector's Total Expenses

According to the banks' reporting data in the first nine months, the total expenses at the FBiH banking sector have been BAM 700.7 million, increasing by BAM 49.9 million or 7.7% compared to the same period last year (Table 29).

- BAM 000 -

Table 29: Structure of total expenses of banks

No.	Structure of total expenses	01/01/ - 30/09/2021		01/01/ - 30/09/2022		Index (5/3)
		Amount	%	Amount	%	
1	2	3	4	5	6	7
I Interest expenses and similar expenses						
1.	Deposits	59.634	9,2	44.883	6,4	75
2.	Liabilities on loans taken and other borrowings	5.237	0,8	4.064	0,6	78
3.	Other interest expenses	25.479	3,9	33.110	4,7	130
Total I		90.350	13,9	82.057	11,7	91
II Non-interest expenses						
4.	Costs of impairments of assets at risk, provisions on contingent liabilities and other value adjustments	48.847	7,5	71.780	10,2	147
5.	Salary and contribution costs	195.486	30,0	202.902	29,0	104
6.	Business premises costs and depreciation	124.610	19,1	125.302	17,9	101
7.	Other operating and direct costs	116.758	17,9	134.093	19,1	115
8.	Other operating costs	74.715	11,5	84.531	12,1	113
Total II		560.416	86,1	618.608	88,3	110
Total expenses (I+II)		650.766	100	700.665	100	108

The total expenses structure has been dominated by the non-interest expenses with a 88.3% share, while the interest expenses and similar expenses have accounted for 11.7%. Compared to the same period last year, the share of the non-interest expenses has increased by 2.2 percentage points, while the share of the interest expenses has decreased by the equivalent percentage points.

In the reporting period, the interest expenses and similar expenses have decreased by BAM 8.3 million or 9.2%, whereas the interest expenses on deposits have decreased by BAM 14.8 million or 24.7% despite the deposits being the FBiH banking sector's dominant funding source.

As of 30/09/2022, the deposit potential has amounted to BAM 22.2 billion, being higher by BAM 1.6 billion compared to the same period last year when it amounted to BAM 20.6 billion. As of 30/09/2022, the interest-bearing deposits have participated in the total deposit potential with a share of 64.9%, with their share decreasing since the third quarter of 2021 when they participated with 67.6%. This decrease of the interest expenses on deposits came as a result of the reduced share of the interest-bearing deposits and lower average weighted NIR on deposits going from 0.51% in the first nine months of the previous year to 0.36% in the first nine months of 2022.

Over the observed period, the interest expenses on loans taken and other borrowings have decreased by BAM 1.2 million or 22.4%, while the FBiH banking sector's level of indebtedness on loans taken and other borrowings has decreased by BAM 217.9 million or 29.4%.

Other interest expenses have increased in the observed period by BAM 7.6 million or 30%, mostly due to an increase in the expenses based on a negative fee for the banks' funds in excess of the mandatory reserve and on the mandatory reserve funds in foreign currencies and in the domestic currency with the currency clause held with the CBBiH (up by BAM 5.7 million or 56.2%) and other interest expenses towards domestic banks (up by BAM 1.1 million or 275.1%, and an increase of 90.3% refers to two banks).

Across the FBiH banking sector, in the reporting period, the total non-interest expenses have increased by BAM 58.2 million or 10.4%, out of which the impairment costs, provisions for contingent liabilities and other value adjustments have had the highest rate of increase of 46.9%. They have increased by BAM 22.9 million.

There have been four banks posting no impairment costs through the net effect this year and seven banks having higher impairment costs shown in the first nine months this year compared to the same period last year. Other operating and direct costs have recorded the rate of increase of 14.8% or BAM 17.3 million, with 34.3% of this increase referring to one bank. In addition, other operating costs have had the rate of increase of 13.1% or BAM 9.8 million, with 35.4% of this increase referring to one bank.

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

The following Table 30 provides an overview of the most important ratios used as the measures for assessing the FBiH banks' operational profitability, productivity, and efficiency:

- BAM 000 or % -

Table 30: Profitability, productivity and efficiency ratios

No.	Description	30/09/2020	30/09/2021	30/09/2022
1	2	3	4	5
1.	Net profit	151.192	263.976	295.138
2.	Average net assets	23.725.550	24.834.480	26.153.413
3.	Average total capital	2.975.110	3.189.637	3.184.628
4.	Total income	772.351	827.353	915.945
5.	Net interest income	425.273	430.606	442.089
6.	Operating income	347.078	396.747	473.856
7.	Operating expenses	386.947	394.811	412.735
8.	Operating and direct expenses	233.816	165.605	205.873

9.	Other operating and direct expenses	100.312	116.758	134.093
10.	Return on average assets (ROAA)	0,6	1,1	1,1
11.	Return on average equity (ROAE)	5,1	8,3	9,3
12.	Total income/average assets	3,3	3,3	3,5
13.	Net interest income/average assets (NIM)*	1,8	1,7	1,7
14.	Net interest margin (interest income/average interest-bearing assets- interest expenses/average interest-bearing liabilities)	1,9	1,9	1,8
15.	Operating expenses/total income minus other operating and direct expenses (CIR)**	57,6	55,6	52,8

* NIM Net Income Margin

** CIR Cost-income Ratio

By looking into the net interest income, it has recorded an increase, compared to the same period last year, by BAM 11.5 million or 2.7%, although its share in the total income has seen a major drop from 52% to 48.3%. If observing the profitability ratios against the same period last year, it is evident that they have remained relatively the same, except the ROAE and the CIR that have been improved.

1.2.6. Weighted NIR and EIR

In order to increase the transparency and facilitate the comparability of the banks' terms for loan approving and deposit receiving, as well as to protect clients through the introduction of the transparent loan cost disclosure, 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 the EIR for all the banks headquartered in the FBiH, as well as the organisational parts of the banks headquartered in the RS and operating in the FBiH, as well as the mandatory monthly reporting to the FBA on weighted NIR and EIR on approved loans and received deposits in the reporting month, in accordance with the prescribed methodology¹⁸. Based on the received data and in line with the defined methodology, the FBA calculates the average weighted NIR and EIR for the banking sector, which, in addition to the interest rate levels with individual banks, also depend on the volume and structure of newly approved loans, i.e. newly arranged deposits.

For the 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 the costs paid by the client, being directly related to the loan, i.e. the terms of the loan use, and being factored in the pricing of the loan (for example, loan processing costs, insurance premium costs for natural persons if the insurance is a loan approval requirement and other costs related to the ancillary services paid by the client, being a requirement for the loan use).

The Annex 6 provides the weighted average NIR and EIR on loans and deposits by periods.

The total average weighted EIR on newly approved loans in the FBiH banking sector over the first nine months of 2022 has been 3.58%, being lower by 0.28 percentage points compared to the same period of the previous year when it stood at 3.86%.

By looking into the maturity structure of the newly approved loans for the first nine months of 2022, compared to the same period of the previous year, the average weighted EIR on the long

¹⁸ The Decision on Uniform Method of Calculating and Disclosing Effective Interest Rates on Loans and Deposits ("Official Gazette of the Federation of BiH", No. 81/17), and the Instruction for Calculating Weighted Nominal and Effective Interest Rates

term loans has dropped by 0.45 percentage points (from 5.33% to 4.88%), while the EIR on the short term loans has dropped by 0.19 percentage points (from 2.46% to 2.27%). If observed by the sector structure, the average weighted EIR on the total newly approved corporate loans has decreased by 0.18 percentage points (from 2.72% to 2.54%), while the average weighted EIR on the total newly approved retail loans has dropped by 0.49 percentage points (from 6.64% to 6.15%), while the average weighted EIR on total newly approved loans to other sectors has decreased by 0.08 percentage points (from 2.97% to 2.89%).

The total average weighted EIR on the deposits collected in the first nine months of 2022 in the FBiH banking sector has been 0.36%, being lower by 0.16 percentage points compared to the same period in 2021, when it was 0.52%. If observing according to the maturity of the deposits, the average weighted EIR on the short-term deposits has recorded an increase of 0.04 percentage points (from 0.20% to 0.24%), while it has decreased by 0.32 percentage points on the long-term deposits (from 0.82 % to 0.50%). When looking at the sectoral structure of the collected deposits, the average weighted EIR on the corporate deposits has decreased by 0.40 percentage points (from 0.84% to 0.44%), the average weighted EIR on the retail deposits has decreased by 0.22 percentage points (from 0.65% to 0.43%), while the average weighted EIR on the deposits of other sectors has increased by 0.03 percentage points (from 0.25% to 0.28%).

1.2.7. Liquidity

In addition to the credit risk management, the liquidity risk management is one of the most important and most complex segments of banking operations. Maintaining the liquidity in a 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 the key prerequisites for building and maintaining trust in the banking sector, its stability and security.

The Table 31 provides the trend of the LCR performance, as well as the short term buffers of banks related to the liquidity risk, in the FBiH banking sector:

- BAM 000 -

No.	Description	31/12/2020	31/12/2021	30/09/2022	Index	
					(4/3)	(5/4)
1	2	3	4	5	6	7
1.	Liquidity buffer	5.849.379	7.064.703	6.914.541	121	98
2.	Net liquidity outflows	2.186.642	3.176.838	3.234.620	145	102
	LCR	268%	222%	214%	83	96

As of 30/09/2022, the LCR at the FBiH banking sector level has been 214%, being significantly higher compared to the regulatory minimum. All the banks meet the requirements in respect of the LCR.

The liquidity buffer structure by the market value (after corrective factor) is shown in the Table 32:

- BAM 000 -

Table 32: Liquidity buffer

No.	Description	31/12/2020	31/12/2021	30/09/2022	Index	
1	2	3	4	5	(4/3)	(5/4)
1.	Level 1 liquid assets	5.844.033	7.059.357	6.914.541	121	98
1.1.	Cash	1.267.715	1.526.321	1.562.519	120	102
1.2.	Withdrawable central bank reserves	2.467.371	3.095.846	3.247.321	125	105
1.3.	Central government assets	1.112.172	1.401.508	958.745	126	68
1.4.	Assets of regional governments and local authorities	981.701	1.011.738	1.119.625	103	111
1.5.	Assets of multilateral development bank and international organisation	15.074	23.944	26.331	159	110
2.	Level 2 liquid assets	5.346	5.346	0	100	0
2.1.	Level 2a liquid assets	0	0	0	-	-
2.2.	Level 2b liquid assets	5.346	5.346	0	100	0
	Total (1+2)	5.849.379	7.064.703	6.914.541	121	98

The liquidity buffer amounts to BAM 6.9 billion, posting a decrease by BAM 144.8 million or 2.1% compared to the end of the previous year. The highest decrease by BAM 442.8 million or 31.6% refers to the central government assets due to a decrease in the short-term low-risk exposures with one bank, while the highest relative increase by 10.7% or BAM 107.9 million refers to the assets of regional governments and local authorities due to a significant increase with one bank. The liquidity buffer structure includes only the level 1 liquid assets and the highest share refers to the amount in excess of the mandatory reserves that banks hold with the CBBH (47%), followed by the cash (22.6%), the assets of regional governments (16.2%) and the central government assets (13.9%).

The calculation of the net liquidity outflows can be seen in the Table 33 below:

- BAM 000 -

Table 33: Net liquidity outflows

N o.	Description	31/12/2020	31/12/2021	30/09/2022	Index	
1	2	3	4	5	(4/3)	(5/4)
1.	Total outflows	4.875.334	5.576.106	5.699.780	114	102
2.	Total inflows	2.716.263	2.399.268	2.504.982	88	104
3.	Inflows subject to cap of 75% of outflows	2.688.692	2.399.268	2.465.160	89	103
4.	Net liquidity outflows (1-3)	2.186.642	3.176.838	3.234.620	145	102

When it comes to the net liquidity outflows calculation as at 30/09/2022, all the banks, except two, have had their outflows reduced by the total inflows amount, while two banks have capped their liquidity inflows to 75% of the total liquidity outflows.

As at 30/09/2022, the outflows have amounted to BAM 24.3 billion (prior to the application of the outflow rate), consisting mostly of the outflows from the retail deposits (BAM 9.7 billion or 40% of the total outflows, of which BAM 4.9 billion refers to the stable deposits or 50.4% of the outflows of the retail deposits), followed by the deposits of other customers (BAM 8.5 billion or 34.9% of the total outflows) and other products and services (BAM 3.4 billion or 14% of the total outflows).

The total inflows have amounted to BAM 2.5 billion, as largely relating to the cash receivables from financial customers (BAM 1.7 billion or 67.6% of the total inflows), being subject to the inflow rate of 100%, followed by the inflows from financial derivatives (BAM 0.4 billion or 16.6 % of the total inflows) – also being subject to the inflow rate of 100%, and the receivables from

non-financial customers of BAM 0.3 billion or 10.8% of the total inflows being subject to the inflow rate of 50%.

By looking into the liquidity position, the maturity structure of the deposits, as the dominant funding source, has a significant role. The maturity structure of the deposits by the residual maturity is shown in the following Table 34:

- BAM 000 -

Table 34: Maturity structure of deposits by residual maturity

No.	Deposits	31/12/2020		31/12/2021		30/09/2022		Index	
		Amount	% share	Amount	% share	Amount	% share	(5/3)	(7/5)
1	2	3	4	5	6	7	8	9	10
1.	Savings and demand deposits (up to 7 days)	12.948.828	65,9	14.755.459	69,6	16.043.652	72,3	114	109
2.	7 - 90 days	989.184	5,0	986.253	4,7	871.851	3,9	100	88
3.	91 days to one year	2.153.403	10,9	2.157.949	10,2	2.372.179	10,7	100	110
I Total short-term deposits		16.091.415	81,8	17.899.661	84,5	19.287.682	87,0	111	108
4.	Up to 5 years	3.388.072	17,3	3.174.184	15,0	2.804.822	12,6	94	88
5.	Over 5 years	181.375	0,9	111.107	0,5	82.800	0,4	61	75
II Total long-term deposits		3.569.447	18,2	3.285.291	15,5	2.887.622	13,0	92	88
Total (I + II)		19.660.862	100	21.184.952	100	22.175.304	100	108	105

As of 30/09/2022, the short-term deposits have had an 87% share in the total deposits, while the long-term ones a 13% share, with the share of the short-term deposits increasing, i.e. the share of the long-term ones decreasing by 2.5 percentage points compared to the end of 2021.

In the reporting period, an increase of BAM 1.4 billion or 7.8% has been recorded in relation to the short-term deposits and a decrease of BAM 397.7 million or 12.1% in relation to the long-term deposits. The long-term deposits of up to 5 years (by BAM 369.4 million or 11.6%) have also decreased, as well as the deposits of over 5 years (by BAM 28.3 million or 25.5%). By looking into the structure of the long term deposits by the residual maturity, they have evidently been dominated by the deposits with the residual maturity of up to 5 years (97.1%).

For the purpose of planning the required level of the liquid resources, the banks need to plan for the funding sources and structure of an adequate liquidity potential and, therein, also plan their credit policy. The maturity of the placements, i.e. the loan portfolio, is in fact determined by the maturity of the funding sources.

An important aspect of the liquidity monitoring and analysis is the maturity matching of the residual maturities of the items of the 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. Since the maturity transformation of the assets with the banks is inherently related to the functional features of the banking operations, the banks continue to control the maturity mismatches between the funding sources and placements, maintaining it within the regulatory limits.

The Table 35 provides an overview of the maturity matching of the financial assets and liabilities of up to 180 days:

- BAM 000 -

Table 35: Maturity matching of financial assets and financial liabilities of up to 180 days

No.	Description	31/12/2020 Amount	31/12/2021 Amount	30/09/2022 Amount	Index (4/3)	Index (5/4)
1	2	3	4	5	6	7
I 1-30 days						
1.	Amount of financial assets	10.981.471	11.876.470	12.390.037	108	104
2.	Amount of financial liabilities	13.510.009	15.288.271	16.665.302	113	109
3.	Balance (+ or -) = 1-2	-2.528.538	-3.411.801	-4.275.265	-	-
Calculation of compliance with regulatory requirements in %						
a)	Actual %= no. 1 / no. 2	81,3%	77,7%	74,3%		
b)	Regulatory minimum %	65,0%	65,0%	65,0%		
More (+) or less (-) = a - b		16,3%	12,7%	9,3%		
II 1-90 days						
1.	Amount of financial assets	12.065.528	13.050.687	13.569.714	108	104
2.	Amount of financial liabilities	14.303.357	16.112.291	17.322.559	113	108
3.	Balance (+ or -) = 1-2	-2.237.829	-3.061.604	-3.752.845	-	-
Calculation of compliance with regulatory requirements in %						
a)	Actual %= no. 1 / no. 2	84,4%	81,0%	78,3%		
b)	Regulatory minimum %	60,0%	60,0%	60,0%		
More (+) or less (-) = a - b		24,4%	21,0%	18,3%		
III 1-180 days						
1.	Amount of financial assets	13.257.364	14.327.360	14.847.360	108	104
2.	Amount of financial liabilities	15.167.836	16.976.401	18.138.129	112	107
3.	Balance (+ or -) = 1-2	-1.910.472	-2.649.041	-3.290.769	-	-
Calculation of compliance with regulatory requirements in %						
a)	Actual %= no. 1 / no. 2	87,4%	84,4%	81,9%		
b)	Regulatory minimum %	55,0%	55,0%	55,0%		
More (+) or less (-) = a - b		32,4%	29,4%	26,9%		

As at 30/09/2022, the financial assets in all three time buckets have been lower than the financial liabilities, and the actual percentages of the maturity matching have been above the prescribed minimum: in the first time bucket by 9.3%, in the second one by 18.3% and in the third time bucket by 26.9%.

An overview of the core liquidity ratios is shown in the following Table 36:

- % -

Table 36: Liquidity ratios

No.	Ratios	31/12/2020	31/12/2021	30/09/2022
1	2	3	4	5
1.	Liquid assets ¹⁹ / net assets	31,3	31,9	33,1
2.	Liquid assets/short-term financial liabilities	45,9	44,6	45,1
3.	Short-term financial liabilities/total financial liabilities	78,9	82,3	84,4
4.	Loans/deposits and loans taken	74,5	72,3	71,5
5.	Loans/deposits, loans taken and subordinated debts ²⁰	73,8	71,8	70,6

¹⁹ The liquid assets in the narrow sense: cash and deposits and other financial assets with residual maturity period of less than three months, excluding the interbank deposits.

²⁰ The previous ratio has been expanded, the funding also includes the subordinated debts, being a more realistic indicator.

Compared to the end of 2021, the shares of the liquid assets in the net assets and the short term financial liabilities in the total financial liabilities have increased, as well as the ratio of the liquid assets to the short term financial liabilities. The ratios of “loans/deposits and loans taken” and “loans/deposits, loans taken and subordinated debts” have improved, i.e. slightly decreased, still being within the acceptable grids.

By observing the key liquidity ratios, qualitative and quantitative requirements, as well as other factors affecting the banks’ liquidity position, it can be inferred that the FBiH banking sector’s liquidity at the end of the first nine months of 2022 has been satisfactory.

1.2.8. Foreign Exchange (FX) Risk

In their operations, the banks are exposed to the risks arising from the potential losses related to the on- and off-balance sheet items resulting from changes in the prices in the market. One of those risks is also the FX risk, arising as a result of the changes in exchange rates and/or mismatches in the levels of the assets, liabilities, and off-balance sheet items in the same currency - individual foreign exchange position or all currencies combined that a bank operates with – the bank’s total foreign exchange position. The Decision on Foreign Exchange Risk Management in Banks provides for the method of calculating the foreign exchange position 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 30/09/2022, the items in foreign currencies have amounted to BAM 3.9 billion, with a 14.3% share (BAM 4.0 billion or 15.5% at the end of 2021) in the currency structure of the banks’ assets across the banking sector. The currency structure of the liabilities is significantly different because the share of the liabilities in foreign currency has been significantly higher, amounting to BAM 7.6 billion or 28.3% (BAM 7.9 billion, with a 30.4% share at the end of 2021).

The Table 37 provides the structure of the financial assets and financial liabilities and foreign exchange position for EUR, as the most important currency, and the total foreign exchange position across the banking sector:

- BAM million -

No.	Description	31/12/2021				30/09/2022				Index	
		EUR Amount	% share	Total Amount	% share	EUR Amount	% share	Total Amount	% share	EUR (7/3)	Total (9/5)
1	2	3	4	5	6	7	8	9	10	11	12
I Financial assets											
1.	Cash	952	10,1	1.513	14,9	1.494	17,1	2.104	22,1	157	139
2.	Loans	965	10,3	981	9,7	530	6,1	531	5,6	55	54
3.	Loans with currency clause	5.938	63,1	5.938	58,4	5.496	62,9	5.496	57,7	93	93
4.	Other	1.345	14,3	1.525	15,0	1.050	12,0	1.220	12,8	78	80
5.	Other financial assets with currency clause	203	2,2	203	2,0	173	2,0	173	1,8	85	85
Total I (1+2+3+4+5)		9.403	100	10.160	100	8.743	100	9.524	100	93	94
II Financial liabilities											
6.	Deposits	6.135	72,0	6.865	74,2	5.992	72,4	6.756	74,6	98	98
7.	Loans taken	778	9,1	778	8,4	523	6,3	523	5,8	67	67
8.	Deposits and	1.384	16,2	1.384	14,9	1.434	17,3	1.434	15,8	104	104

loans with currency clause											
9.	Other	216	2,6	229	2,5	324	3,9	339	3,7	150	148
Total II (6+7+8+9)		8.513	100	9.256	100	8.273	100	9.052	100	97	98
III Off-balance sheet position net (+) or (-)											
10.	Assets	1		7		4		25		400	357
11.	Liabilities	763		780		429		445		56	57
IV Position											
Long (amount)		128		131		45		52		35	40
%		4,5%		4,6%		1,6%		1,8%			
Short (amount)											
%											
Permitted		40,0%		40,0%		40,0%		40,0%			
Less than permitted		35,5%		35,4%		38,4%		38,2%			

By looking into the banks and the overall level of the FBiH banking sector, it can be stated that the banks and banking sector's FX risk exposure as at 30/09/2022 has ranged within the regulatory limits.

At the sector level, there has been a long FX position of 1.8% of the total eligible bank capital, being by 38.2 percentage points lower than permitted. The individual FX position for EUR has amounted to 1.6%, being by 38.4 percentage points lower than permitted. Therein, the financial assets items have been higher than the financial liabilities (long position). By looking into the foreign currencies' structure, the financial assets²¹ have shown a dominant share of EUR of 79.7% (as of 31/12/2021: 81.2%), along with a decrease in the nominal amount by BAM 187.6 million or 5.7% compared to the end of 2021. The share of EUR in the financial liabilities has been 89.8% (as of 31/12/2021: 90.6%), being lower by BAM 290.3 million or 4.1% compared to the end of 2021. The calculation basis for the EUR share in the financial assets and financial liabilities does not include the items with a currency clause.

1.2.9. Interest Rate Risk in Banking Book

The 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. The interest rate changes causing this risk type usually appear as a result of the maturity mismatches, interest rate changes related to the assets and liabilities positions or off-balance sheet short or long position.

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

²¹ The source: The Report on the Bank's Foreign Exchange Position: the Part of the Financial Assets (in Foreign Currencies Denominated in BAM). The balance sheet assets items and off-balance sheet items are reported in the net terms, i.e. minus the expected credit losses

The Table 38 shows the currency structure of changes to the economic value of the banking book and the ratio between the changes to the economic value of the banking book and own funds at the FBiH banking sector level:

- BAM 000 -

No.	Description	31/12/2020	31/12/2021	30/09/2022	Index	
					(4/3)	(5/4)
1	2	3	4	5	6	7
1.	Net weighted position - BAM	62.655	78.394	135.332	125	173
2.	Net weighted position - EUR	29.563	26.564	21.131	90	80
3.	Net weighted position - USD	168	339	-206	202	-61
4.	Net weighted position - other	-5.710	-3.804	-6.026	67	158
5.	Change of economic value (1+2+3+4)	86.676	101.493	150.231	117	148
6.	Own funds	2.698.561	2.852.902	2.833.360	106	99
7.	Change of economic value/own funds	3,2%	3,6%	5,3%		

As at 30/09/2022, the ratio of the changes to the economic value of the banking book positions and owns funds has amounted to 5.3%. This is within the regulatory limit, being higher by 1.7 percentage points compared to the end of the previous year.

1.3. BANKING SECTOR RECOMMENDATIONS

The FBA will, in accordance with its prescribed supervisory competences for the FBiH banks' operations, continue to undertake the 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, quality and lawful operations. These measures and activities will especially focus on the continuation of the ongoing supervision of the banks, with an emphasis on:

- implementing the SREP for the banks according to the dynamics set out in the Decision on the Supervisory Review and Evaluation Process in Banks²² and in line with the adopted SREP Methodology, as well as subject to a continuous monitoring of the SREP indicators for all the banks;
- monitoring the risk profile and capital position of all the banks, including the fulfillment of the capital requirements as a result of the SREP process;
- implementing the supervisory assessment of the ICAAP and ILAAP, as well as of the recovery plans for all banks;
- examining the dominant risk segments of operations, examining the banks of systemic significance to the development of lending activities and the banks with the concentrations of large sums of savings and other deposits, as well as examining the banks' actions in the segment of the protection of financial service users and guarantors, etc.;
- examining the implementation of the Decision on Credit Risk Management and Determination of Expected Credit Losses, including also an analysis of internal models for the credit risk parameters assessment;
- monitoring the implementation of the strategies related to handling the non-performing exposures and annual business plans of banks having the NPL share in the total loans above 5%;

²² FBiH Official Gazette No. 94/21

- monitoring the rise in interest rates and its impact on the banking sector, and undertaking activities to mitigate the effects;
- preparing for the stress testing of banks in 2023 in accordance with the defined 2-year implementation dynamics, all for the purpose of monitoring operations of individual banks, assessing risks and undertaking timely and appropriate measures;
- the continued cooperation with the competent supervisory authorities for the supervision of banking groups from the EU and third countries whose members are headquartered in the FBiH, with a view to supervising more efficiently and improving the supervisory practices and cooperating and sharing information with the ECB and EBA on the issues of the supervision and banking regulations, as well as with the international financial institutions;
- improving the cooperation by signing new cooperation agreements with the relevant BiH institutions included in the institutional framework for the supervision performance, crisis and systemic risk management, financial users' protection;
- activities related to the environmental, social and governance risks (ESG risks);
- further activities to ensure the alignment with the CRR 2²³ and the CRD V²⁴; and
- continuing the cooperation with the BABiH, with a view to improving the banks' operations, the compliance of their operations with the regulations, international standards and professional rules, and market requirements, etc.

Starting from the prescribed competencies, the FBA will continue to undertake the 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 the banks have in the financial system and the overall economic system, the achieved level of the development of the FBiH banking sector, and the fact that the retail deposits are a dominant funding source for the banks, as well as taking into account the current macroeconomic disturbances, the banks are expected to focus their activities in the upcoming period on:

- prudential and responsible risk management in accordance with the effective accounting and regulatory framework, local and international standards of sound practice;
- supporting economic recovery and stimulating credit growth through a continuous financing of customers and sustainable loan arrangements;
- analyzing, measuring and planning activities to reduce interest-induced credit risk, which could be heightened at the beginning of 2023;
- further strengthening of the internal controls system in all business segments based on the Decision on Internal Governance System in Banks²⁵;
- harmonizing the operations with new regulatory requirements regarding the bank operations and supervision, including the requirements related to bank recovery and resolution planning as well;

²³ The Directive (EU) 2019/876 of the European Parliament and Council of 20/05/2019 on amendments to the Directive (EU) No. 575/2013 regarding financial leverage ratio, NSFR, MREL, counterparty credit risk, market risk, exposures to central counterparts, exposures to joint investment undertakings, large exposures, reporting and disclosure requirements, and the Directive (EU) No. 648/2012

²⁴ The Directive (EU) 2019/878 of the European Parliament and Council of 20/05/2019 on amendments to the Directive No. 2013/36/EU regarding exempt entities, financial holdings, mixed financial holdings, contributions, supervisory measures and authorities, as well as measures to preserve capital

²⁵ FBiH Official Gazette No. 39/21

- updating recovery plans and paying special attention to the following key segments: escalation process, recovery indicators and options;
- improving the ICAAP and ILAAP in accordance with the regulatory requirements;
- activities related to reporting on the net stable funding ratio (NSFR) as of 31/12/2021 and fulfillment of the NSFR-related requirements as of 31/12/2022;
- planning the fulfillment of the MREL requirements for banks falling under this obligation;
- 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 user business segment;
- setting fees in the segment of deposits and transactions, considering therein pronounced needs for financial inclusion and adjustment to actual capacities and needs of financial service users;
- intensified monitoring of risks and effects being conveyed to markets outside BiH, thus potentially augmenting the impact of the credit risk and other risks; and
- assessing the effects of the macroeconomic disturbances and other impacts with possible strong impacts on operating capacities and liquidity.

SECTOR OF NON-DEPOSIT FINANCIAL INSTITUTIONS

MICROCREDIT SECTOR
54

LEASING SECTOR
65

FACTORING BUSINESS
74

2. SECTOR OF NON-DEPOSIT FINANCIAL INSTITUTIONS

This section of the Information provides an overview of the structure and financial indicators of operations of the non-deposit financial institutions (NFIs) in the FBiH (MCOs, leasing companies and factoring business) as of 30/09/2022. Their founding, operations, management, supervision and termination are regulated under special laws and regulations.

2.1. MICROCREDIT SECTOR

2.1.1. MICROCREDIT SECTOR STRUCTURE IN THE FBiH

2.1.1.1. Status, Number and Business Network

As of 30/09/2022, in the FBiH, the FBA's operating licenses have been held by 13 MCOs comprising the microcredit sector in the FBiH, of which 10 are MCFs (non-profit organisations) and 3 are MCCs (profit organisations). Compared to 31/12/2021, the number of the MCOs has remained unchanged.

As of 30/09/2022, the MCOs headquartered in the FBiH operate through 357 organisational parts, while 6 MCOs headquartered in the RS operate in the FBiH through 66 organisational parts.

The Annex 7 provides the basic information on the MCFs and MCCs holding the FBA's license for performing the micro lending activity, as of 30/09/2022.

2.1.1.2. Ownership Structure

A MCO is a legal person that, in accordance with the regulations, can be established and operate as a MCF or MCC. The MCFs in the FBiH were founded by non-governmental, mostly humanitarian organisations, citizens' associations and natural persons being registered founders of the MCFs, but having no ownership right over capital. Out of the three MCCs, one MCC is in full ownership of one MCF, one MCC is in full ownership of one non-resident legal person and one MCC is in full ownership of one resident legal person.

2.1.1.3. Staff Structure

The microcredit sector in the FBiH, as of 30/09/2022, has had a total of 1.412 employees, being higher by 14 employees or 1% compared to 31/12/2021 (Table 39). Out of the total number of employees in the microcredit sector in the FBiH, the MCFs employ 1.160 persons or 82.2%, while the MCCs employ 252 persons or 17.8%.

Table 39: Qualification structure of employees in MCOs in FBiH

N o.	Qualification	31/12/2021		30/09/2022		Index (5/3)
		No. of employees	% share	No. of employees	% share	
1	2	3	4	5	6	7
1.	University degree	739	52,9	729	51,6	99
2.	Two-year post-secondary school degree	111	7,9	116	8,2	105
3.	Secondary school degree	538	38,5	557	39,5	104
4.	Other	10	0,7	10	0,7	100
Total		1.398	100	1.412	100	101

An analysis of the data on the staff efficiency in the FBiH microcredit sector as of 30/09/2022 shows that the assets per a MCO employee have amounted to BAM 503.8 thousand, being higher by 1.6% compared to 31/12/2021.

2.1.2. FINANCIAL PERFORMANCE INDICATORS

2.1.2.1. Balance Sheet

The total assets of the FBiH microcredit sector as of 30/09/2022 have amounted to BAM 711.3 million, being higher by BAM 17.9 million or 2.6% compared to 31/12/2021.

The Annexes 8 and 9 provide a summary overview of the balance sheets of the MCFs and the MCCs, while the Annex 10 shows basic financial indicators of the MCOs based on the reporting data as at 30/09/2022.

The aggregate balance sheet of the FBiH microcredit sector as of 30/09/2022 and comparative data as of 31/12/2021 are shown in the following Table 40:

- BAM 000 -

Table 40: Microcredit sector's balance sheet

No.	Description	31/12/2021				30/09/2022				Index (9/5)
		Balance for MCFs	Balance for MCCs	Total	%	Balance for MCFs	Balance for MCCs	Total	%	
1	2	3	4	5=3+4	6	7	8	9=7+8	10	11
ASSETS										
1.	Cash	45.096	19.829	64.925	9,4	30.277	16.012	46.289	6,5	71
2.	Placements to banks	1.660	0	1.660	0,2	3.238	0	3.238	0,5	195
3.	Microloans, gross	402.924	160.441	563.365	81,2	431.079	165.868	596.947	83,9	106
4.	Loan loss provisions	3.631	2.888	6.519	0,9	3.195	3.710	6.905	1,0	106
5.	Net microloans	399.293	157.553	556.846	80,3	427.884	162.158	590.042	82,9	106
6.	Tangible and intangible assets, net	25.577	5.151	30.728	4,4	24.353	4.631	28.984	4,1	94
7.	Long-term investments	33.888	0	33.888	4,9	34.388	0	34.388	4,8	101
8.	Other assets	3.652	1.789	5.441	0,8	6.385	2.011	8.396	1,2	154
9.	Reserves on other items in assets, apart from loans	10	0	10	0,0	0	0	0	0,0	0
Total assets		509.156	184.322	693.478	100	526.525	184.812	711.337	100	103
LIABILITIES										
10.	Liabilities on loans taken	201.926	124.023	325.949	47,0	208.192	120.467	328.659	46,2	101
11.	Other liabilities	25.488	8.201	33.689	4,9	25.543	7.762	33.305	4,7	99
12.	Capital	281.742	52.098	333.840	48,1	292.790	56.583	349.373	49,1	105
Total liabilities		509.156	184.322	693.478	100	526.525	184.812	711.337	100	103
13.	Off-bal. sheet records	178.970	31.948	210.918		177.685	30.500	208.185		99

In the structure of the assets and liabilities of the FBiH microcredit sector as of 30/09/2022, there has been a decrease related to the level of the cash funds (28.7%), tangible and intangible assets (5.7%) and other liabilities (1.1%). Compared to the end of the previous year, the following balance sheet items have recorded an increase: the placements to banks (95.1%) as a

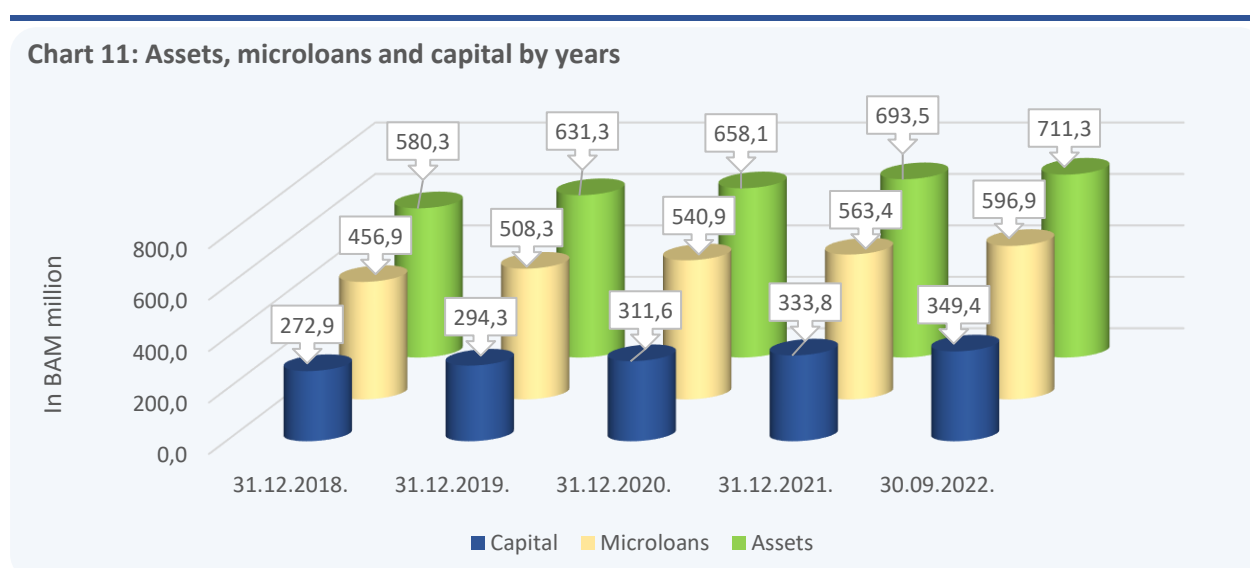
result of a significant increase of the term deposits of one MCF, the gross and net micro loans (by 6%), the LLP (5.9%), the long term investments (1.5%), other assets (54.3%), the capital (4.6%) and the liabilities on loans taken (0.8%).

The rate of the fixed assets, compared to the total assets, minus the donated capital at the FBiH microcredit sector level, as of 30/09/2022, has amounted to 4.37%, being within the regulatory operating limit.

The net microloan portfolio has amounted to BAM 590 million, with a share of 82.9% in the total assets of the microcredit sector, recording an increase in the absolute amount of BAM 33.2 million, i.e. 6%, of which the net micro loans with the MCFs have increased by BAM 28.6 million or 7.2%, while the net loans with the MCCs by BAM 4.6 million, i.e. 2.9% compared to 31/12/2021. The level of the LLPs for the entire microcredit portfolio in the reporting period has been higher by BAM 0.4 million, i.e. 5.9%. The LLP with the MCFs has decreased by BAM 0.4 million or 12% and this amount has been higher by BAM 0.8 million or 28.5% with the MCCs.

The total off-balance sheet records, as of 30/09/2022, have amounted to BAM 208.2 million, being lower by BAM 2.7 million or 1.3% compared to 31/12/2021, whereas, with the MCFs, they have decreased by BAM 1.3 million or 0.7% and with the MCCs by BAM 1.5 million or 4.5%. Out of the total amount within the off-balance sheet records, the written off loans account for BAM 151.2 million or 71.8% of the off-balance sheet (including the principal and regular interest, as well as default interest and court expenses), i.e. they have been higher by BAM 1.8 million or 1.2% compared to the end of 2021. The total number of the written off microloan exposures, as of 30/09/2022, has been 36.972, decreasing by a total of 276 microloan exposures (0.7%) compared to 31/12/2021. This came as a net effect of the new write offs, permanent write offs and fully collected microloans.

The Chart 11 shows the key assets and liabilities items in the balance sheet by years.



2.1.2.2. Capital and Liabilities

The largest items in the liabilities in the FBiH microcredit sector as of 30/09/2022 relate to: the capital amounting to BAM 349.4 million and accounting for 49.1% of the total liabilities and the liabilities on loans taken amounting to BAM 328.6 million, i.e. 46.2% of the total liabilities. The remaining amount of BAM 33.3 million, i.e. 4.7% relate to other liabilities.

Over the first nine months of 2022, the total increase of the capital at the FBiH microcredit sector level has been BAM 15.5 million or 4.6%, of which the MCF capital has been increased by BAM 11 million or 3.9% and the MCC capital by BAM 4.5 million or 8.6% during the reporting period.

The FBiH microcredit sector's capital structure is shown in the following Table 41:

- BAM 000 -

No.	Description	31/12/2021				30/09/2022				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	14,4	48.098	0	48.098	13,8	100
2.	Tier 1 capital	3.696	34.177	37.873	11,3	3.696	34.177	37.873	10,8	100
3.	Excess/shortfall of income over expenses	228.878	0	228.878	68,5	240.018	0	240.018	68,7	105
4.	Emission premium	0	0	0	0,0	0	0	0	0,0	-
5.	Unallocated profit	0	7.566	7.566	2,3	0	12.928	12.928	3,7	171
6.	Regulatory reserves	0	4.214	4.214	1,3	0	5.569	5.569	1,6	132
7.	Other reserves	1.070	6.141	7.211	2,2	978	3.909	4.887	1,4	68
	Total capital	281.742	52.098	333.840	100	292.790	56.583	349.373	100	105

The total capital of the MCFs has amounted to BAM 292.8 million, i.e. 83.8% of the total microcredit sector's capital, and the largest items are the excess income over expenses, amounting to BAM 240 million and accounting for 82% of the total capital of the MCFs, being higher by BAM 11.1 million or 4.9% and the donated capital amounting to BAM 48.1 million, i.e. 16.4%, remaining the same against the end of the previous year. Out of the total amount of the donated capital, the donations for the credit fund have been reported by nine MCFs, where 64.5% relates to three MCFs and 39.1% to only one MCF of the total donations for the credit fund. The five largest individual donors in the MCFs in the FBiH account for 69.1% (BAM 33.2 million), where the largest donor of only one MCF account for BAM 10.1 million or 21% of the total donated capital. The remaining items in the MCF capital relate to the Tier 1 capital of the MCFs and other reserves of altogether amounting to BAM 4.7 million or 1.6%.

The total capital of the MCCs has amounted to BAM 56.6 million, accounting for 16.2% of the total capital of the microcredit sector. Its structure includes the following largest items: the Tier 1 capital of BAM 34.2 million, i.e. 60.4%, and the unallocated profit of BAM 12.9 million, i.e. 22.8%. The remaining BAM 9.5 million, i.e. 16.8% of the MCC capital relates to the statutory and other reserves.

By looking into the capital rate minus the donated capital vs. the assets, as of 30/09/2022, it has amounted to 42.35% at the microcredit sector level. Hence, it can be stated that it is in line with the regulatory limit.

The maturity structure of the liabilities on loans taken is shown in the following Table 42:

- BAM 000 -

No.	Description	31/12/2021				30/09/2022				Index (9/5)
		MCF 3	MCC 4	Total 5=3+4	% 6	MCF 7	MCC 8	Total 9=7+8	% 10	
1.	Liabilities on short-term loans taken	16.141	1.500	17.641	5,4	16.824	6.156	22.980	7,0	130
2.	Liabilities on long-term loans taken	184.670	121.238	305.908	93,9	190.230	113.322	303.552	92,4	99
3.	Liabilities based on interest due	1.115	1.285	2.400	0,7	1.138	989	2.127	0,6	89
	Total	201.926	124.023	325.949	100	208.192	120.467	328.659	100	101

Compared to 31/12/2021, the liabilities based on loans taken have increased by BAM 2.7 million or 0.8%. In the structure of the total liabilities on loans taken, as of 30/09/2022, the loan liabilities of the MCFs account for 63.3%, while the loan liabilities of the MCCs account for 36.7%. With respect to the maturity structure of the liabilities on loans taken, compared to 31/12/2021, there has been an increase in the short term liabilities by 30.3% and a decrease in the long term liabilities by 0.8% as of 30/09/2022. The liabilities related to the interest due have dropped by 11.4%. The two largest creditors of the FBiH microcredit sector as of 30/09/2022 are EFSE Luxembourg with BAM 30.5 million and GGF Southeast Europe B.V. Luxembourg with BAM 16.6 million.

Other liabilities at the FBiH microcredit sector level as of 30/09/2022 have amounted to BAM 33.3 million or 4.7% of the total liabilities. Compared to 31/12/2021, they have decreased by BAM 0.4 million or 1.1%.

2.1.2.3. Assets and Asset Quality

The microloan portfolio reported in the gross amount in the balance sheet total of the FBiH microcredit sector as of 30/09/2022 has amounted to BAM 596.9 million, accounting for 83.9% of the total assets of the microcredit sector. If reduced for the corresponding LLP in the total amount of BAM 6.9 million, the net microloan portfolio has amounted to BAM 590 million, i.e. 82.9% of the total assets of the FBiH microcredit sector (Table 43). Compared to 31/12/2021, the gross microloan portfolio has increased by BAM 33.6 million or 6%, while the net microloan portfolio by BAM 33.2 million or 6%. Over the same period, the LLPs have increased by BAM 0.4 million or 5.9%.

In the structure of the total net microloan portfolio as of 30/09/2022, the net microloans of the MCFs have amounted to BAM 427.9 million, accounting for 72.5% of the total net microloans across the sector, while the amount of BAM 162.1 million or 27.5% of the total net microloans across the sector relate to the MCCs.

- BAM 000 -

Table 43: Net microloans

No.	Description	31/12/2021			30/09/2022			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)	402.924	160.441	563.365	431.079	165.868	596.947	106
2.	LLP	3.631	2.888	6.519	3.195	3.710	6.905	106
3.	Net microloans (1.-2.)	399.293	157.553	556.846	427.884	162.158	590.042	106

The detailed data on the sector and maturity structure of the microloan portfolio (minus the deferred fee income), as at 30/09/2022, are shown in the following Table 44:

- BAM 000 -

Table 44: Sector and maturity structure of microloans

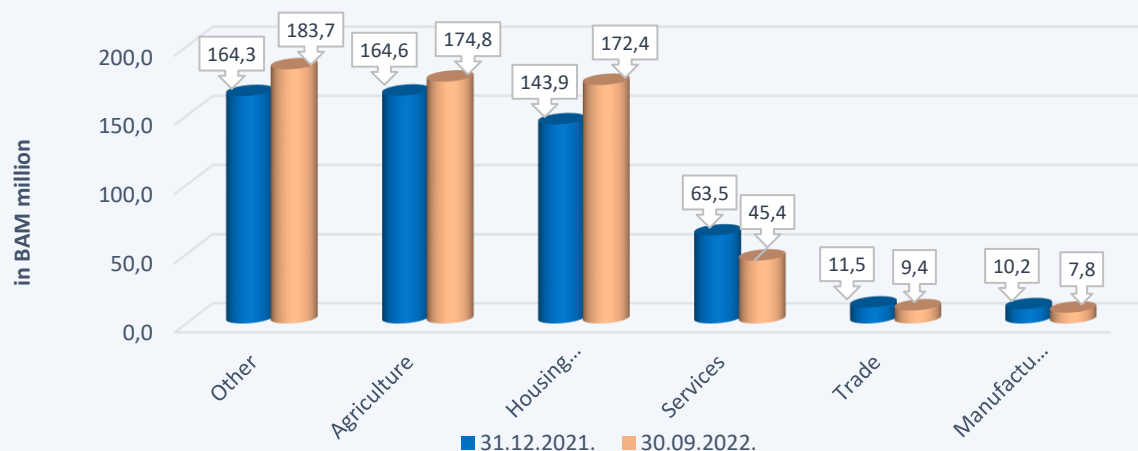
No.	Microloans	ST microloans	LT microloans	Receivables due	Total	%
1	2	3	4	5	6=3+4+5	7
1.	Corporate					
a)	Services	274	8.294	42	8.610	54,3
b)	Trade	220	2.884	32	3.136	19,8
c)	Agriculture	47	943	3	993	6,3
d)	Manufacturing	99	2.833	8	2.940	18,5
e)	Other	36	143	1	180	1,1
	Total 1	676	15.097	86	15.859	100
2.	Retail					
a)	Services	875	35.738	172	36.785	6,4
b)	Trade	247	5.924	33	6.204	1,1
c)	Agriculture	5.072	168.320	406	173.798	30,1
d)	Manufacturing	124	4.756	19	4.899	0,8
e)	Housing needs	3.762	168.363	296	172.421	29,8
f)	Other	16.150	166.617	785	183.552	31,8
	Total 2	26.230	549.718	1.711	577.659	100
	Total (1+2)	26.906	564.815	1.797	593.518	

In the maturity structure of the microloan portfolio as of 30/09/2022, the long-term microloans have the highest share of 95.2%, while the short-term microloans have a 4.5% share and the receivables due on the microloans have a 0.3% share.

By observing the sector structure, the dominant share is the share of the retail microloans, with 97.3%, while the remaining 2.7% relates to the corporate microloans. Within the retail microloan portfolio, the microloans approved to other sectors have the highest share of 31.8%, followed by the agricultural sector, amounting to 30.1%. By share levels, the housing sector follows with 29.8% and services with 6.4%. The share of the microloans for the trade is 1.1% and for the manufacturing 0.8%. In the structure of the corporate microloans, the dominant share is the share of the microloans for the services with 54.3%.

The following Chart 12 shows the sector structure of the microloans with a comparative overview across years.

**Chart 12: Sector structure of microloans
(comparative overview)**



The following Table 45 provides an overview of the receivables with the relevant provisions by the groups according to the number of days in default, as well as the data on the outstanding overdue receivables over 180 days, being removed from the balance sheet, as of 30/09/2022:

- BAM 000 -

Table 45: LLP

No.	Days in default	Rate of provisions	Amount of loans	Share (%)	Interest due			Provisions			More allocated provisions	Total provisions
					Rate of provisions	Amount of interest	Amount of other assets items	By micro loans	By interest due	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%	578.114	97,4	0%	334	415	0	0	0	0	27
2.	1-15	2%	4.586	0,8	2%	125	0	92	2	0	0	17
3.	16-30	15%	3.847	0,6	100%	95	0	577	95	0	0	83
4.	31-60	50%	2.304	0,4	100%	101	0	1.152	101	0	0	79
5.	61-90	80%	1.569	0,3	100%	76	0	1.255	76	0	0	45
6.	91-180	100%	3.098	0,5	100%	206	0	3.098	206	0	0	3.304
	Total		593.518	100		937	415	6.174	480	0	251	6.905
7.	over 180	Write off	2.151	-	-	431	0	0	0	0	0	0

In the microloan portfolio at the sector level, 97.4% relate to the microloans without defaults, while in the remaining 2.6% of the microloans there are defaults, out of which the defaults up to 30 days account for 1.4% of the microloans, while 1.2% are the defaults of 31 to 180 days. Out of the total amount of the due interest (BAM 0.9 million), the defaults up to 30 days account for 23.5%, while the defaults of 31 to 180 days account for 40.9%. The total amount of the provisions under the microloans, interests and other asset items, as of 30/09/2022, equals BAM 6.9 million. Therein, the largest item corresponds to the provisions formed for the microloans in the default of 91 to 180 days, amounting to BAM 3.3 million and accounting for 47.8% of the total provisions. As of 30/09/2022, the LLP ratio has amounted to 1.04%, representing an increase of 0.05 percentage points compared to 1.09% as of 31/12/2021.

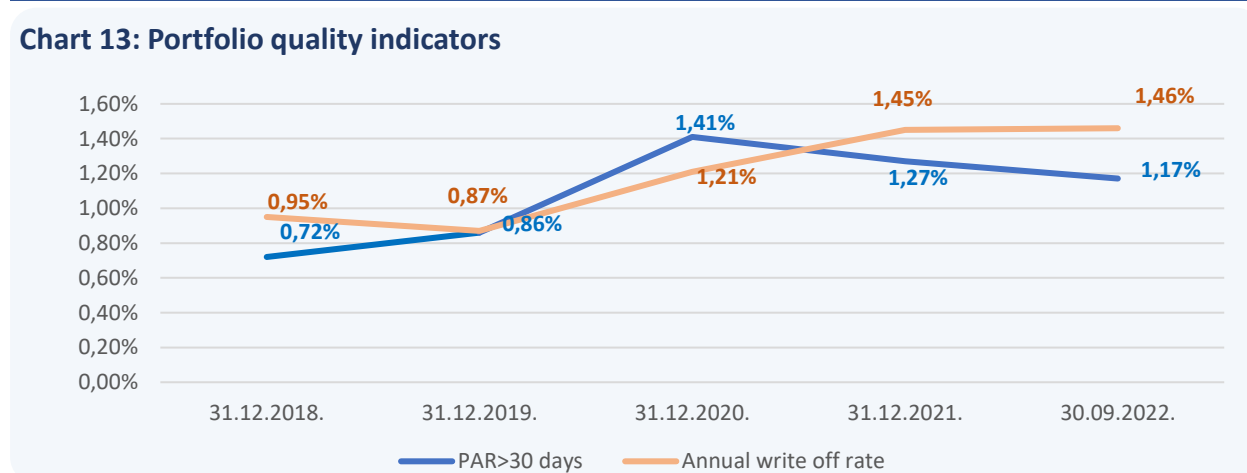
Key Indicators of the Microloan Portfolio Quality

The risk portfolio indicator for more than 30 days in default (PAR>30 days) as of 30/09/2022 has amounted to 1.17% at the level of the microcredit sector, decreasing by 0.10 percentage

points compared to 31/12/2021. This risk indicator of the microloan portfolio at the sector level is within the regulatory standard.

At the microcredit sector level, the annual write off rate of the microloans, as of 30/09/2022, has amounted to 1.46%, being within the regulatory standard.

The Chart 13 below shows the portfolio quality indicators with a comparative overview across years.



Weighted NIR and EIR on microloans

Over the period from 01/01/2022 to 30/09/2022, the MCOs headquartered in the FBiH have concluded a total of 110.647 contracts and have disbursed an amount of BAM 412.9 million of microloans, being higher by 4.859 contracts or 4.6% than in the same period last year, i.e. higher by BAM 45.5 million or 12.4% of disbursements compared to the observed period. The MCOs headquartered in the FBiH have had the average weighted NIR on the total microloans of 18.96% and the EIR of 23.33%, whereas the NIR on the short term microloans has been 20.28% and on the long term ones 18.80% and the EIR on the short term microloans has been 28.99% and on the long term ones 22.66%. The average weighted EIR on the total microloans disbursed by the MCOs headquartered in the FBiH in the period from 01/01/2022 to 30/09/2022 has posted a decrease by 1.03 percentage points vs. the same period in 2021, whereas the average weighted EIR on the short term microloans has posted a drop by 0.82 percentage points and on the long term microloans a drop by 0.92 percentage points.

The Annex 11 provides an overview of the average weighted NIR and EIR by the maturity and purpose related to the microloans disbursed by the MCOs headquartered in the FBiH in the period from 01/01/2022 to 30/09/2022.

The Annex 11a provides a comparative overview of the average weighted NIR and EIR on the disbursed microloans (short term, long term and total) in the period from 2018 to 2022.

2.1.2.4. Financial Performance of FBiH Microcredit Sector

At the FBiH microcredit sector level, the positive financial result has been posted, in the period from 01/01/2022 to 30/09/2022, in the amount of BAM 11.8 million (Table 46), being lower by

BAM 1 million or 7.7% compared to the same period in 2021. As of the reporting date, the MCOs have posted a total of BAM 16 million of the excess income over expenses, i.e. the profit, and BAM 4.2 million of the shortfall of income over expenses, i.e. the loss.

- BAM 000 -

Table 46: Actual financial result of MCOs

No.	Description	01/01/ - 30/09/2021						01/01/ - 30/09/2022					
		Amount			Number of MCOs			Amount			Number of MCOs		
		MCF	MCC	Total	MCF	MCC	Total	MCF	MCC	Total	MCF	MCC	Total
1	2	3	4	5	6	7	8	9	10	11	12	13	14
1.	Excess of income over expenses/Profit	11.443	5.610	17.053	8	2	10	11.446	4.598	16.044	7	2	9
2.	Shortfall of income over expenses/Loss	152	4.090	4.242	2	1	3	390	3.832	4.222	3	1	4
	Total	11.291	1.520	12.811	10	3	13	11.056	766	11.822	10	3	13

The MCFs have posted the excess income over expenses of BAM 11 million, being lower by BAM 0.2 million than in the same period last year. The MCCs have posted the net profit of BAM 0.8 million, being lower by BAM 0.7 million than in the same period last year. The presented total excess income over expenses of the MCFs has been BAM 11.4 million (seven MCFs), while the shortfall of income over expenses has been posted by three MCFs in the amount of BAM 0.4 million. The profit has been posted by two MCCs in the amount of BAM 4.6 million, while one MCC has posted a loss of BAM 3.8 million. The Annexes 12 and 13 provide the aggregate income statements for the MCFs and the MCCs.

Total Income of the FBiH Microcredit Sector

According to the reporting data of the MCOs, in the period from 01/01/2022 to 30/09/2022, the total income of the FBiH microcredit sector has amounted to BAM 93.8 million, being higher by BAM 5.4 million or 6.1% compared to the same period last year (Table 47).

- BAM 000 -

Table 47: Structure of total income of MCOs

No.	Structure of total income	01/01/ - 30/09/2021				01/01/ - 30/09/2022				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 income and similar income									
1.1.	Interest on interest-bearing deposit accounts with deposit institutions	7	2	9	0,0	2	1	3	0,0	33
1.2.	Interest on placements to banks	5	0	5	0,0	14	0	14	0,0	280
1.3.	Interest on loans	54.089	21.727	75.816	85,8	57.127	23.163	80.290	85,6	106
1.4.	Loan processing fees	3.150	1.103	4.253	4,8	3.709	1.131	4.840	5,1	114
1.5.	Loan prepayment fees	331	172	503	0,6	430	205	635	0,7	126
1.6.	Other interest income and similar income	774	70	844	1,0	847	246	1.093	1,2	130
	Total	58.356	23.074	81.430	92,2	62.129	24.746	86.875	92,6	107
2.	Operating income									
2.1.	Service fees	130	0	130	0,1	172	0	172	0,2	132
2.2.	Income from collected written off receivables	5.311	405	5.716	6,5	5.090	558	5.648	6,0	99
2.3.	Other operating income	10	13	23	0,0	6	13	19	0,0	83
	Total	5.451	418	5.869	6,6	5.268	571	5.839	6,2	99
3.	Other operating income	947	150	1.097	1,2	942	140	1.082	1,2	99
	Total income (1+2+3)	64.754	23.642	88.396	100	68.339	25.457	93.796	100	106

Within the structure of the total income of the MCOs, the interest income and similar income have had a 92.6% share, the operating income a 6.2% share and other operating income a 1.2% share. Compared to the same period last year, the interest income and similar income have

recorded an increase by BAM 5.4 million or 6.7%. The income from the interest on loans, being the key item within the category of the interest income and similar income, has increased by BAM 4.5 million or 5.9%.

The operating income of the MCOs during the observed period has recorded a slight drop by BAM 30 ths or 0.5%, whereas the income from the collected written off receivables, being a dominant item, has decreased by BAM 68 ths or 1.2 %. Other operating income has recorded a drop by BAM 15 ths or 1.4%.

Total Expenses of the FBiH Microcredit Sector

According to the reporting data of the MCOs for the period from 01/01/2022 to 30/09/2022, the total expenses of the FBiH microcredit sector have amounted to BAM 82 million, being higher by BAM 6.4 million or 8.4% vs. the same period last year (Table 48).

- BAM 000 -

Table 48: Structure of total expenses of MCOs

No.	Structure of total expenses	01/01/-30/09/2021				01/01/-30/09/2022				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	4.836	3.190	8.026	10,6	4.791	3.438	8.229	10,0	103
1.2.	Fees for received loans	492	382	874	1,2	508	422	930	1,1	106
1.3.	Loan prepayment fee	0	0	0	0,0	0	0	0	0,0	-
1.4.	Other interest expenses and similar expenses	335	1.366	1.701	2,2	324	1.633	1.957	2,4	115
	Total	5.663	4.938	10.601	14,0	5.623	5.493	11.116	13,5	105
2.	Operating expenses									
2.1.	Costs of salaries and contributions	27.957	7.068	35.025	46,3	29.947	7.661	37.608	45,9	107
2.2.	Amortisation costs	3.313	977	4.290	5,7	3.433	1.084	4.517	5,5	105
2.3.	Material expenses	1.372	342	1.714	2,3	1.636	427	2.063	2,5	120
2.4.	Service costs	9.027	4.359	13.386	17,7	10.255	4.744	14.999	18,3	112
2.5.	Other operating expenses	1.819	629	2.448	3,2	1.919	460	2.379	2,9	97
	Total	43.488	13.375	56.863	75,2	47.190	14.376	61.566	75,1	108
3.	Other operating expenses	377	58	435	0,6	473	174	647	0,8	149
4.	Costs of reserves for loan and other losses	2.928	3.127	6.055	8,0	3.052	4.137	7.189	8,8	119
5.	Tax on excess income over expenses (income tax)	1.007	624	1.631	2,2	945	511	1.456	1,8	89
	Total expenses (1+2+3+4+5)	53.463	22.122	75.585	100	57.283	24.691	81.974	100	108

The MCOs' total expense structure has been dominated by the operating expenses with a share of 75.1%, while the interest expenses and similar expenses have accounted for 13.5% and the costs of the reserves for loan and other losses with 8.8%. Other operating expenses and the tax on the excess income over expenses (i.e. income tax) have had a share of 2.6% in the total expenses of the MCOs.

Over the observed period, the interest expenses and similar expenses have been increased by BAM 0.5 million or 4.9%, whereas the fees for received loans and other interest and similar expenses have been increased by 6.4% and 15% respectively. The expenses related to the interest on borrowed funds have been increased by 2.5%.

The operating expenses of the MCFs, as a dominant item in the total expenses, have been increased by BAM 4.7 million or 8.3%, whereas the costs of the salaries and contributions, as their key item, have increased by BAM 2.6 million or 7.4%. The costs of the services have

increased by BAM 1.6 million or 12%, while the material expenses by BAM 0.3 million or 20.4%. Other operating expenses have decreased by BAM 69 ths or 2.8%. The amortisation costs have increased by 5.3%.

Other operating expenses have increased by BAM 0.2 million or 48.7%, of which the highest increase has been posted by the losses related to the sale of fixed assets and intangible investments and the losses related to the fixed asset inventory removal and write-off and intangible investments. Also, the costs of the reserves for loan and other losses have increased by BAM 1.1 million or 18.7%. The tax on the excess income over expenses (i.e. income tax) has been lower by BAM 0.2 million or 10.7%.

Efficiency and Sustainability Indicators for the FBiH Microcredit Sector

The operational efficacy of the FBiH microcredit sector as of 30/09/2022 has stood at 18.53%, being within the regulatory range for the indicator.

According to the reporting data at the FBiH microcredit sector level as of 30/09/2022, the return on assets adjusted for inflation, market price of capital and donations (AROA) has been positive, amounting to 2.28%. The indicator of the operational sustainability of the FBiH microcredit sector, being used as a general standard and representing the ratio of the total income (minus the collection of the written off receivables and other operating income) and the total expenses, equals 116.49%.

2.1.3. MICROCREDIT SECTOR RECOMMENDATIONS

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

- monitoring the compliance of the MCOs' business operations with the regulatory framework in respect of the achievement of the objectives of micro lending in terms of improving the financial position of microloan users, contributing to the increase of employment and supporting entrepreneurship development, contributing to the increase of the transparency of operations and protection of the rights of financial service users;
- timely and adequate undertaking of activities in the MCOs according to the corrective measures imposed to eliminate irregularities and weaknesses in business operations;
- monitoring macroeconomic conditions and impacts on the MCO sector, and mitigating the effects on ultimate borrowers.

The microcredit sector in the FBiH shall consistently implement the regulatory standards and restrictions in the performance of the microcredit operations, reporting and auditing. Related to the above, it is necessary that the competent governance bodies of the MCOs ensure the compliance of their business with the regulatory framework and regulatory standards, especially in respect of:

- performance of micro lending activities to improve the financial position of users, increase employment and support entrepreneurship development, starting from the legally prescribed micro lending goals with the consistent implementation of the Law on Protection of Financial Service Users²⁶, including the harmonization of the interest rate policies on

²⁶ FBiH Official Gazette No. 31/14

microloans with the prescribed micro lending goals, contributing to the stability and sustainability of the FBiH microcredit sector;

- maintaining and enhancing sound risk management practices which the MCOs are or might be exposed to, efficiency of internal control systems and independent internal audit function;
- resource optimizing and implementing the principles of responsible micro lending;
- harmonization, i.e. improvement of operational efficiency and operational sustainability indicators;
- continued and improved cooperation with the AMFI in the sense of providing expert assistance in implementing the laws and regulations concerning the MCOs;
- regular, up-to-date and accurate submission of data to the CBBiH for the CLR management purposes;
- improving business transparency.

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

2.2. LEASING SECTOR

2.2.1. FBiH LEASING SECTOR STRUCTURE

2.2.1.1. Number of Leasing Companies and Branches

As at 30/09/2022, the FBA's license for leasing operations has been held by five leasing companies in the FBiH, with the number of leasing companies increasing by one company, compared to the end of the previous year, registered in the Q1 2022. The Annex 14 provides the basic data on the leasing companies comprising the leasing sector in the FBiH as of 30/09/2022. Each of the three leasing companies have established one branch in the RS.

2.2.1.2. Ownership Structure

The ownership structure of the leasing companies in the FBiH, according to the data as of 30/09/2022, is as follows: three leasing companies are in full ownership of non-resident legal persons, one leasing company is majority-owned by a non-resident legal person, while one leasing company is in full ownership of a resident legal person.

2.2.1.3. Staff Structure

As at 30/09/2022, there has been a total of 104 employees in the leasing sector in the FBiH, being by three employees or 3% more than at the end of the previous year (Table 49).

Table 49: Qualification structure of employees in leasing companies in FBiH

No.	Qualification	31/12/2021		30/09/2022		Index (5/3)
		No. of employees	% share	No. of employees	% share	
1	2	3	4	5	6	7
1.	University degree	73	72,3	81	77,9	111
2.	Two-year post-secondary school degree	4	4,0	3	2,9	75
3.	Secondary school degree	18	17,8	15	14,4	83
4.	Other	6	5,9	5	4,8	83
	Total	101	100	104	100	103

The efficiency of employees in the course of the performance assessment of the leasing companies is based on the ratio of the assets and the number of employees. According to the indicators as at 30/09/2022, at the level of the leasing sector in the FBiH, each employee has corresponded to BAM 4.3 million in the assets, being higher by BAM 0.6 million or 15.6% than as at 31/12/2021.

2.2.2. FINANCIAL PERFORMANCE INDICATORS

2.2.2.1. Balance Sheet

The total assets of the FBiH leasing sector as at 30/09/2022 have amounted to BAM 444.8 million, being higher by BAM 71.1 million or 19% compared to 31/12/2021. Two leasing companies, viewed on the basis of the asset size, have accounted for 69% of the total assets of the FBiH leasing sector.

The Annex 15 provides the aggregate balance sheet of the leasing companies in the FBiH, while the Annex 16 provides an overview of basic indicators of the leasing companies in the FBiH, according to the reporting data with the balance as of 30/09/2022. The Table 50 provides a summary of the balance sheet of the leasing sector.

- BAM 000 -

Table 50: Leasing sector's balance sheet

No.	Description	31/12/2021	% share	30/09/2022	% share	Index (5/3)
1	2	3	4	5	6	7
	ASSETS					
1.	Cash and cash equivalents	4.391	1,2	7.948	1,8	181
2.	Placements to banks	8.240	2,2	13.652	3,1	166
3.	Receivables under financial leasing, net	290.647	77,8	339.068	76,2	117
3a)	Receivables under financial leasing, gross	318.640	85,3	371.074	83,4	116
3b)	Reserves for losses	5.681	1,5	4.985	1,1	88
3c)	Deferred interest income	21.996	5,9	26.643	6,0	121
3d)	Deferred fee income	316	0,1	378	0,1	120
4.	Receivables from subsidiary entities	0	0,0	0	0,0	-
5.	Tangible and intangible assets, net	64.259	17,2	77.965	17,5	121
5a)	Tangible and intangible assets - own funds, net	1.557	0,4	1.223	0,3	79
5b)	Tangible and intangible assets - of operational leasing, net	62.702	16,8	76.742	17,2	122
6.	Long-term investments	368	0,1	370	0,1	101
7.	Other assets	5.831	1,5	5.798	1,3	99
	Total assets	373.736	100	444.801	100	119
	LIABILITIES					
8.	Liabilities on loans taken	336.293	90,0	397.497	89,4	118
9.	Other liabilities	7.957	2,1	10.783	2,4	136
10.	Capital	29.486	7,9	36.521	8,2	124
	Total liabilities	373.736	100	444.801	100	119
11.	Off-balance sheet records	106.550		80.715		76

In the structure of the total assets of the FBiH leasing sector, the most significant share is the share of the net receivables under financial leasing, amounting to BAM 339.1 million, i.e. 76.2% of the total assets. Compared to 31/12/2021, the net receivables under financial leasing have been higher by BAM 48.4 million or 16.7%, while the gross receivables under financial leasing have been higher by BAM 52.4 million or 16.4%. As at 30/09/2022, one bank performing the financial leasing operations has posted the net receivables under financial leasing in the total amount of BAM 36.6 million, indicating that the net receivables at the leasing system level have amounted to BAM 375.7 million, being higher by BAM 45.2 million or 13.7% than at the end of the previous year.

The balance sheet position of the cash and cash equivalents, as at 30/09/2022, has amounted to BAM 7.9 million, comprising 1.8% of the total assets, being higher by BAM 3.6 million or 81%, compared to 31/12/2021, due to the foundation of new leasing company with a 46.2% share in this balance sheet position. The placements to banks, posted by one leasing company, as at 30/09/2022, have amounted to BAM 13.7 million, comprising 3.1% of the total assets of the FBiH leasing sector, being higher by BAM 5.4 million or 65.7% compared to 31/12/2021.

As at 30/09/2022, the net value of the fixed assets financed through the operational leasing, posted by three leasing companies, has amounted to BAM 76.7 million, increasing by BAM 14 million or 22.4% compared to 31/12/2021.

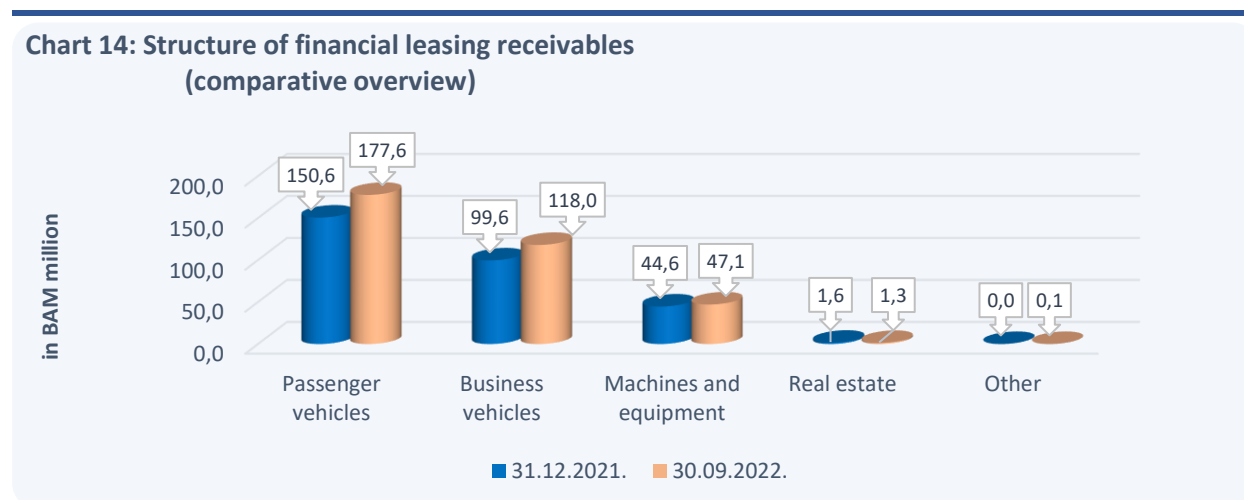
In the structure of the receivables under financial leasing at the FBiH leasing sector level, if observed by the leasing objects, the contracts approved for the financing of passenger vehicles and vehicles for performing business activities participate with 85.9%, the contracts for the financing of machines and equipment participate with 13.7%, while 0.4% relates to the contracts under which real estate is financed. By the lessee, the highest share refers to the corporate contracts (89.7%) and the retail contracts (6.2%).

The following Table 51 provides the structure of the receivables under financial leasing at the the FBiH leasing sector level (the gross receivables minus the deferred interest and fee income) as at 30/09/2022.

- BAM 000 -

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	56.550	120.057	997	177.604	51,6
1.2.	Vehicles for performing business activity (cargo and passenger vehicles)	42.054	74.902	1.019	117.975	34,3
1.3.	Machines and equipment	18.949	27.510	664	47.123	13,7
1.4.	Real estate	153	1.075	21	1.249	0,4
1.5.	Other	41	60	1	102	0,0
	Total	117.747	223.604	2.702	344.053	100
2.	By lessee					
2.1.	Corporate	106.798	199.370	2.435	308.603	89,7
2.2.	Entrepreneurs	4.108	7.729	85	11.922	3,4
2.3.	Retail	6.033	15.015	173	21.221	6,2
2.4.	Other	808	1.490	9	2.307	0,7
	Total	117.747	223.604	2.702	344.053	100

The following Chart 14 shows the structure of the financial leasing receivables with a comparative overview by years.



2.2.2.2. Capital and Liabilities

As at 30/09/2022, the total capital of the leasing companies has amounted to BAM 36.5 million, comprising 8.2% of the total liabilities of the FBiH leasing sector. Compared to 31/12/2021, this position has been increased by BAM 7 million or 23.9%.

As at 30/09/2022, the total liabilities of the leasing sector have amounted to BAM 408.3 million, accounting for 91.8% of the total liabilities of the leasing companies in the FBiH. Compared to 31/12/2021, the total liabilities at the sector level have increased by BAM 64 million or 18.6%.

As at 30/09/2022, the liabilities of the leasing companies in the FBiH under loans taken have stood at BAM 397.5 million, being a dominant source in the structure of the total liabilities of the FBiH leasing sector since they have accounted for 89.4% of the total liabilities. Compared to 31/12/2021, the position of the loan liabilities has been higher by BAM 61.2 million or 18.2%. If observed by the contractual maturity, the dominant portion of the liabilities based on loans taken refers to the long term loans.

2.2.2.3. Assets and Assets Quality

As at 30/09/2022, according to the reporting data at the FBiH leasing sector level, the loss reserves under financial leasing (Table 52) have amounted to BAM 5 million, being lower by BAM 0.7 million or 12.3% compared to 31/12/2021.

As at 30/09/2022, in the structure of the receivables under financial leasing, the total of BAM 2.7 million of the overdue receivables has been reported, being higher by BAM 0.3 million or 13.1% compared to 31/12/2021.

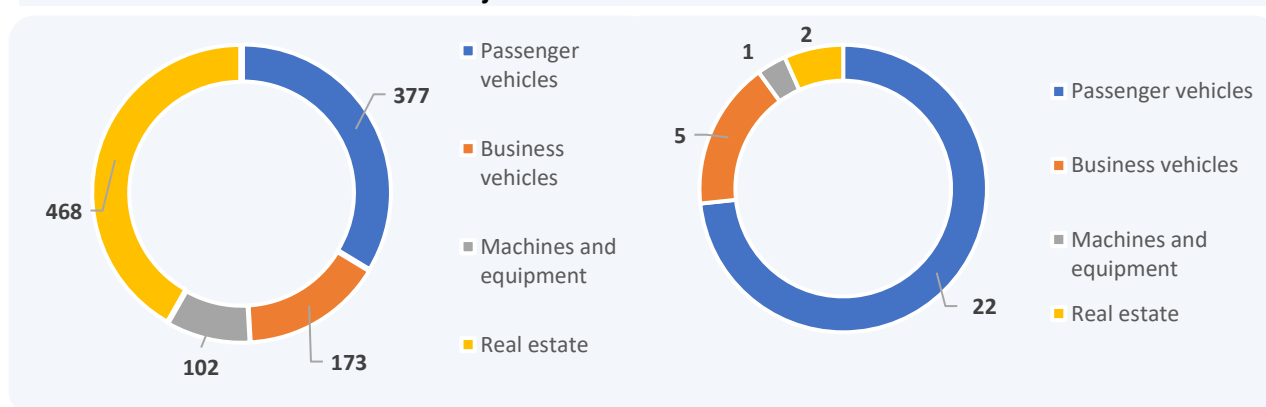
Table 52: Overview of financial leasing reserves

No.	Days in default	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%	341.279	1.266	56.340	525	282	3	4.514	4.799
2.	60-90	10%	10%	1.070	0	234	0	23	0	12	35
3.	90-180	50%	50%	311	0	8	0	4	0	39	43
4.	over 180	100%	75%	127	0	108	0	108	0	0	108
5.	over 360	100%	100%	0	0	0	0	0	0	0	0
Total				342.787	1.266	56.690	525	417	3	4.565	4.985

The total amount of the written off receivables, as at 30/09/2022, has amounted to BAM 6.8 million, decreasing by BAM 173 ths or 2.5% compared to 31/12/2021.

The appraised market value of the foreclosed leasing objects, due to the termination of the leasing contracts with lessees, as at 30/09/2022, at the FBiH leasing sector level, has amounted to BAM 1.1 million, increasing by BAM 0.8 million or 35.3% compared to 31.12.2021, while there has been a total of 30 foreclosed objects, being higher by 11 objects compared to the end of the previous year (Chart 15). With one leasing company having a 75.5% share in the estimated market value of the foreclosed leasing objects, an increase by 46.4% has been recorded compared to the end of the previous year.

Out of the total reported amount of the appraised market value of the foreclosed objects in the FBiH leasing sector as at 30/09/2022, 49.1% refers to the passenger vehicles and business vehicles and 9.1% to the machines and equipment. In addition, 41.8% of the total amount of the estimated value of the foreclosed objects relates to the real estate (business premises) for which the leasing companies assumed the possession due to the reasons of the non-compliance with the contractual liabilities on the part of lessees. The total amount of this position relates to one leasing company.

Chart 15: Structure of appraised market value of foreclosed leasing objects (in BAM 000) and number of foreclosed objects

As at 30/09/2022, at the FBiH leasing system level, the market value of the foreclosed leasing objects has amounted to BAM 1.1 million, decreasing by BAM 3.4 million compared to

31/12/2021. Out of the amount of the foreclosed leasing objects, the objects foreclosed by the bank performing leasing activities correspond to BAM 2 ths or 0.2% of the total market value of the foreclosed objects reported at the leasing system level. The significant decrease of this item was caused by the reduced value of the real estate position posed by the bank performing the leasing activities. The real estate foreclosed due to the non-payment of the lease receivables was estimated by the bank in accordance with the Decision on the Credit Risk Management and Determination of Expected Credit Losses, i.e. it was reduced to BAM 1.0 by the bank.

2.2.2.4. Profitability

According to the reporting data of five leasing companies, at the FBiH leasing sector level, in the period from 01/01/2022 to 30/09/2022, a positive financial result of BAM 7.8 million has been reported, representing an increase by BAM 4.3 million compared to the same period in 2021 (Table 53). The total net profit has been posted in an amount of BAM 8.8 million (three leasing companies), while the loss has been recognized by two leasing companies in an amount of BAM 1 million.

- BAM 000 -

Table 53: Actual financial result of leasing companies

No.	Description	01/01/ - 30/09/2021		01/01/ - 30/09/2022	
		Amount	Number of leasing companies	Amount	Number of leasing companies
1	2	3	4	5	6
1.	Profit	4.456	3	8.822	3
2.	Loss	943	1	1.051	2
	Total	3.513	4	7.771	5

The Annex 17 provides an aggregate income statement of the leasing companies in the FBiH in the period from 01/01/2022 to 30/09/2022.

Total Income of the FBiH Leasing Sector

For the period between 01/01/2022 and 30/09/2022, the total income of the FBiH leasing sector has amounted to BAM 33.4 million, being higher by BAM 6 million or 22% compared to the same period of the previous year (Table 54).

- BAM 000 -

Table 54: Structure of total income of leasing companies

No.	Structure of total income	01/01/ - 30/09/2021		01/01/ - 30/09/2022		Index (5/3)
		Amount	% share	Amount	% share	
1	2	3	4	5	6	7
1.	Interest income and similar income					
1.1.	Interest on placements to banks	61	0,2	74	0,2	121
1.2.	Interest under financial leasing	8.725	31,9	9.640	28,9	110
1.3.	Other interest income	1.506	5,5	1.648	5,0	109
	Total 1	10.292	37,6	11.362	34,1	110
2.	Operating income					
2.1.	Operating lease fees	14.406	52,7	17.002	50,9	118
2.2.	Service fees	1	0,0	0	0,0	0
2.3.	Other operating income	2.662	9,7	4.597	13,8	173
	Total 2	17.069	62,4	21.599	64,7	127
3.	Income from release of reserves for losses	0	0,0	414	1,2	-
	Total income (1+2+3)	27.361	100	33.375	100	122

The FBiH leasing sector's interest income and similar income have amounted to BAM 11.4 million, comprising 34.1% of the total income of the leasing sector and increasing by BAM 1.1 million or 10.4% compared to the same period last year. The most significant position in the interest income is the interest income from financial leasing in the total amount of BAM 9.6 million, being higher by BAM 0.9 million or 10.5% compared to the same period of the previous year.

The operating income has amounted to BAM 21.6 million with a share of 64.7% in the total income of the leasing sector, and compared to the same period of the previous year, has increased by BAM 4.5 million or 26.5%. The fees for operating lease, as the dominant item of the operating income, have increased by BAM 2.6 million KM or 18%, while other operating income has increased by BAM 1.9 million due to a significant increase in this item with one leasing company having a 65.5% share in this item. In the period from 01/01/2022 to 30/09/2022, the income has been reported based on the release of reserves for losses in the amount of BAM 0.4 million, accounting for 1.2% of the total income of the leasing sector. Three leasing companies have reported the income in the this position.

Total expenses of the FBiH Leasing Sector

For the period between 01/01/2022 and 30/09/2022, the total expenses have amounted to BAM 25.6 million, being higher by BAM 1.8 million or 7.4% compared to the previous year (Table 55).

- BAM 000 -

Table 55: Structure of total expenses of leasing companies

No.	Structure of total expenses	01/01/ - 30/09/2021		01/01/ - 30/09/2022		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	3.133	13,1	3.818	14,9	122
1.2.	Loan processing fees	70	0,3	94	0,4	134
1.3.	Other interest expenses	2	0,0	3	0,0	150
	Total 1	3.205	13,4	3.915	15,3	122
2.	Operating expenses					
2.1.	Costs of salaries and contributions	3.492	14,7	4.008	15,7	115
2.2.	Costs of business premises	9.448	39,6	10.859	42,4	115
2.3.	Other costs	5.798	24,3	6.822	26,6	118
	Total 2	18.738	78,6	21.689	84,7	116
3.	Costs of reserves	1.905	8,0	0	0,0	0
4.	Profit tax	0	0,0	0	0,0	-
	Total expenses (1+2+3+4)	23.848	100	25.604	100	107

The interest expenses and similar expenses of the leasing sector have amounted to BAM 3.9 million, with a 15.3% share in the total expenses, being higher by BAM 0.7 million or 22.2% compared to the same period of the previous year. The interest expenses under loans taken, as the dominant item of the interest expenses, have posted an increase by BAM 0.7 million or 21.9%.

Over the observed period, the total operating expenses of the leasing sector have stood at BAM 21.7 million with a 84.7% share in the total expenses of the leasing sector, being higher by BAM 3 million or 15.7% compared to the same period last year. Therein, their structure reflects the increased costs of salaries and contributions by 14.8%, the costs of business premises by 14.9%, while other costs have been increased by 17.7%.

2.2.2.5. Structure of Placements According to Object and Type of Leasing

The value of the newly concluded contracts for financial and operational leasing at the leasing system level, in the period from 01/01/2022 to 30/09/2022, has amounted to BAM 200.7 million, being higher by BAM 35.9 million or 21.8% compared to the same period of the previous financial year. Thereof, BAM 189.1 million or 94.2% of the total value of the newly concluded contracts at the leasing system level refers to the leasing sector consisting of five leasing companies.

The number of the newly concluded contracts at the leasing system level in the same period has been 3.671, being higher by 322 contracts or 9.6% compared to the same period last year, with 3.524 contracts or 96% of the total number of the concluded contracts at the leasing system level referring to the leasing sector. The average value of the contracts at the leasing system level, concluded in the period from 01/01/2022 to 30/09/2022, has amounted to BAM 54.7 ths, being higher by 11.1% compared to the same period last year when it amounted to BAM 49.2 ths. Therein, the average value of the contracts at the leasing sector level has been BAM 53.7 ths, being higher by 10.9% compared to the same period in 2021 when it stood at BAM 48.4 ths.

Out of the total generated value of the newly concluded contracts in the period from 01/01/2022 to 30/09/2022, 83.9% has been related to the financial leasing contracts and 16.1% to the operational leasing contracts.

The following Table 56 shows a comparative overview of the number of the concluded contracts in the period from 01/01/2022 to 30/09/2022 and in the same period of the preceding financial year, as well as a comparative overview of the actual amount of the newly concluded contracts in the same period:

- BAM 000 -

N o.	Description	01/01/ - 30/09/2021						01/01/ - 30/09/2022					
		Financial leasing		Operational leasing		Total		Financial leasing		Operational leasing		Total	
		Numbe r	Amoun t	Num ber	Amoun t	Numbe r	Amoun t	Num ber	Amoun t	Num ber	Amoun t	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	2.498	116.784	653	26.694	3.151	143.478	2.748	147.734	726	32.323	3.474	180.057
2.	Equipment	198	21.300	0	0	198	21.300	189	20.491	0	0	189	20.491
3.	Real estate	0	0	0	0	0	0	2	96	0	0	2	96
4.	Other	0	0	0	0	0	0	6	65	0	0	6	65
	Total	2.696	138.084	653	26.694	3.349	164.778	2.945	168.386	726	32.323	3.671	200.709

The total amount of the new financing in the reporting period has been achieved by four leasing companies and one bank performing the financial leasing activities as a legal successor of a leasing company merging with that bank.

According to the type of lessee, the structure of the new placements has been dominated by the placements to legal persons, comprising 91.5% of the total amount of the financing in the period from 01/01/2022 to 30/09/2022. One of the key reasons for this rests with the fact that the financing through the leasing for natural persons is less favorable compared to the loan placements due to the liability to pay VAT on interest, being an additional cost for clients not being VAT taxpayers.

Weighted NIR and EIR

The total average weighted NIR for the financial leasing contracts concluded in the period from 01/01/2022 to 30/09/2022 has been 3.94% for the short term contracts and 3.81% for the long term contracts, while the EIR for the short term contracts has been 8.77% and 6.61% for the long term contracts. The total average weighted NIR has been 3.81% and the EIR 6.62%. Compared to the same period in 2021 when the total average weighted NIR was 3.88% and the EIR 6.96%, there has been an evident decrease of the NIR by 0.07 percentage points and the EIR by 0.34 percentage points.

The Annex 18 provides an overview of the average weighted NIR and EIR on the financial leasing contracts concluded in the period from 01/01/2022 to 30/09/2022 (by the maturity, leasing object and lessee).

The differences related to the average weighted EIR level for lessees were caused by the fact that the EIR calculation for the retail contracts was not identical to the calculation of this rate for the corporate contracts since the corporate contracts did not include a casco insurance premium (which in turn is mandated by law for retail contracts).

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

The differences between the posted NIR and EIR have been 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 the creation of a financial leasing contract with the surrender value plus the additional costs of the leasing arrangement being included in the EIR calculation.

2.2.3. LEASING SECTOR RECOMMENDATIONS

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

- ongoing supervision of business operations of the leasing sector through off-site and on-site examinations;
- maintaining the capital adequacy of the FBiH leasing sector and strengthening the internal processes for defining the parameters of the capital protection in the entities of the FBiH leasing sector;
- monitoring the growth of interest rates and its impact on the leasing sector, and undertaking activities to mitigate the effects;
- monitoring and assessing the efficiency of the established risk management systems in the leasing sector, i.e. the system in the FBiH and the quality of the overall governance;
- further cooperation with the BiHALC in terms of the provision of the professional assistance in the implementation of laws and regulations for the leasing companies, as well as the cooperation with other supervisory and examination institutions, and with the CBBiH in respect of data structure and quality related to the exposures under financial leasing in the CLR;
- support to the improvement of the business environment for the FBiH leasing sector operations.

Within its competence for the supervision of business operations of the leasing companies, the FBA expects from the 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 being focused on:

- promoting safe, stable and sustainable leasing business;
- capital strengthening and defining the parameters of the capital protection and capital adequacy, strengthening the internal control system and internal audit function;
- improving the management system of the risks arising from the leasing business and the environment, identifying risks in a timely manner and taking measures to control and mitigate those risks;
- ensuring the reliability and integrity of the data and information submitted to the FBA, the CBBiH and other supervisory institutions and bodies, ensuring the accuracy, validity and comprehensiveness of the accounting and other records, the compliance with business policies, activity plans and programmes, laws and other regulations and documents, as well as the protection of the property of companies and preventive action;
- consistent implementation of the Law on the Protection of Financial Service Consumers.

2.3. FACTORING BUSINESS

2.3.1. Participants in the FBiH Factoring Market

In accordance with the provisions of the LoF, factoring operations in the FBiH may be conducted by a company organized as a joint stock company or a limited liability company headquartered in the FBiH, holding the license by the FBA, and a bank whose operations are subject to the regulations governing the banks' operations in the FBiH and which the relevant chapters of the LoF apply to.

As of 30/09/2022, the FBiH factoring operations have been conducted by four commercial banks, of which two banks are members of international banking groups headquartered in the EU member states and two banks are in the majority domestic ownership.

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

As of 30/09/2022, the entities providing factoring services in the FBiH have concluded a total of 178 factoring contracts, all of which refer to the domestic factoring. Compared to the reporting data for the same period last year, the number of the newly concluded factoring contracts has been lower by 85 contracts or 32.3%.

There have been 177 concluded contracts on the factoring with recourse right or 99.4% and 1 contract on the factoring without recourse right or 0.6%. Over the observed period, factoring service providers performed no services of the redemption of monetary claims in foreign factoring or services related to factoring.

As of 30/09/2022, the total redeemed nominal amount of the monetary claims and the nominal amount of the settled payables of buyers towards suppliers of factoring services in the FBiH has been BAM 123.5 million. Compared to the same period of the previous year, this has been a

decrease by BAM 11.4 million or 8.4%, with BAM 57.9 million or 46.9% referring to the factoring with recourse right and BAM 65.6 million or 53.1% to the factoring without recourse right.

The values of the redeemed monetary claims and the settled payables of buyers towards suppliers in the FBiH by the type of factoring and domicile status (with the comparative data and trend in the reporting periods) are shown in the following Table 57:

- BAM 000 -

No.	Type of factoring/ domicile status	Volume of redeemed monetary claims and settled payables of buyers towards suppliers				Index (5/3)
		01/01/ - 30/09/2021		01/01/ - 30/09/2022		
1	2	3 Amount	4 % share	5 Amount	6 % share	7
1.	Factoring with recourse right	63.086	46,8	57.892	46,9	92
2.	Factoring without recourse right	71.804	53,2	65.634	53,1	91
3.	Reversed (supplier) factoring	0	0	0	0	-
	Total	134.890	100	123.526	100	92
4.	Domestic factoring	134.890	100	123.526	100	92
5.	Foreign factoring	0	0	0	0	-
	Total	134.890	100	123.526	100	92

As of 30/09/2022, in the structure of the redeemed monetary claims by the factoring types, the factoring with and without recourse right have been reported, while the reversed (supplier) factoring has not been carried out. The structure according to the domicile status has remained unchanged.

By looking into the factoring contracts according to the contractual maturity, the highest share of 95.2% in the total volume, as of 30/09/2022, has corresponded to the redeemed monetary claims with the contractual maturity of up to 60 days, followed by the share of 4.8% with the contractual maturity of up to 61-90 days. Over the same period last year, the highest share in the total volume has been with the redeemed monetary claims with the contractual maturity of up to 60 days (90.1%).

By looking into the sector structure of buyers, with respect to the recourse right, the highest share has been with public enterprises since the value of the redeemed claims as of 30/09/2022 has been BAM 65.6 million, comprising 53.2% of the total value of the FBiH factoring business. This is followed by the share of private enterprises and companies in the amount of BAM 57.5 million or 46.7% of the total value of the FBiH factoring business, and of government institutions in the amount of BAM 175 ths or 0.1% of the total value of the FBiH factoring business.

According to the sector structure in the segment of private enterprises and companies, the total advances paid to suppliers (sellers of receivables) have equaled BAM 120.9 million or 100%. If observing the domestic factoring by the type of recourse in the segment of private enterprises and companies, the amount of BAM 55.2 million or 45.7% has been related to the factoring with recourse right and BAM 65.7 million or 54.3% to the factoring without recourse right.

On the basis of the factoring contracts, as at 30/09/2022, the banks have claimed the total of BAM 17.3 million, fully in the domestic factoring, of which BAM 8.9 million or 51.4% has been related to the factoring with recourse right, while BAM 8.4 million or 48.6% to the factoring without recourse right. The structure of the mentioned amount of the claims by contractual maturities is the following: with the contractual maturity of up to 60 days – 96.9%, of 61 to 90 days – 3.1%, and of 91 to 180 days – there have been no claims based on this maturity.

The total income of the factoring service providers in the FBiH, as of 30/09/2022, has amounted to BAM 629 ths (income from interest, factoring fees and administrative fees), declining by BAM 172 ths or 21.5% compared to the same period last year. In the structure of the reported total income, 68.8% has referred to the factoring with recourse right and 31.2% to the factoring without recourse right.

2.3.3. FACTORING BUSINESS RECOMMENDATIONS

Within its prescribed competences regarding the supervision over the factoring entities in the FBiH, the FBA will continue with the planned activities focusing on the following aspects in the upcoming period:

- supporting the business environment improvement in the context of the FBiH factoring system, as well as supporting the building of trust in factoring service providers;
- providing technical assistance in the implementation of laws and regulations to the entities performing factoring operations, as well as the cooperation with supervisory and examination institutions, and also including the cooperation with the CBBiH regarding the structure and quality of the data referring to the factoring exposures in the CLR; and
- continued supervision of the factoring business in the FBiH via reports and on-site examinations.

Within its supervisory activities, the FBA expects from the factoring system entities to improve their activities and measures aimed at ensuring lawful, stable, efficient and transparent provision of factoring services, focusing on the following:

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

CONCLUSION

To preserve and strengthen the stability of the banking system, protect depositors, and ensure lawful, safe and quality operations of all the BSEs in the FBiH under the FBA's supervisory competence, the BSEs' operations have been continuously supervised, by carrying out planned and extraordinary activities and taking measures in accordance with the legal authorities.

Based on the reported key business indicators of the FBiH banking sector as of 30/09/2022, it can be inferred that it is stable, adequately capitalized, liquid and profitable. Compared to the end of the previous year, there has been an increase in the net assets, cash, loan portfolio, investments in securities, deposits and total capital. Minor changes in the dynamics of the retail savings trend have been dominantly related to one bank under successful resolution in the second quarter of the current year. The share of the non-performing loans in the total loans, as the key indicator of the loan quality, has posted a decrease compared to the end of the last year, with an increase in the coverage rate of the non-performing loans with value adjustments to cover expected credit losses. In the upcoming period, it is necessary to pay a special attention to the potential effects of macroeconomic disturbances and rising interest rates on an increase in the credit risk and issues related to the protection of financial service users.

Compared to the end of the previous year, operations of the FBiH microcredit sector have been marked by an increase in the assets, an increase in the gross microcredit portfolio, as the key assets item, as well as an increase in the total capital, as the dominant liabilities item. The liabilities under loans taken have posted a slight increase. If compared to the same period of the last year, the number of the concluded contracts and microloan disbursements have marked an increase. The FBiH microcredit sector level has recorded a decrease in the positive financial result.

As of 30/09/2022 vs. the end of the last year, the FBiH leasing system level has recorded an increase in the assets, gross and net receivables under financial leasing, liabilities under loans taken and capital. The number and value of the newly concluded leasing contracts have also recorded an increase compared to the same period last year. Over the observed period, at the FBiH leasing sector level, an operating profit has been posted.

Factoring business, as of 30/09/2022, as a possible instrument of the short term financing and cash flow management, has been performed solely through its financing function, with no services of securing collections and receivables management or factoring-related deals being recorded. In relation to the same period of the previous year, there has been a decrease in the redeemed nominal amount of the monetary claims and settled payables of buyers towards suppliers of the factoring service provider, with the number of the concluded factoring contracts decreasing.

The current environment in which the BSEs operate has been marked by uncertainty related to future global, economic and geopolitical trends. The results at the banking system level indicate the achieved stability, sustainability and resilience of this system. The capacities of the banking system, within the existing regulatory framework, are sufficient to continue supporting the economy and citizens, and adapting to the circumstances that could arise in the upcoming period. Over the upcoming period, a special attention will be paid to the credit risk management, portfolio characteristics and growth in correlation with the actual economic strengthening.

LIST OF ANNEXES

ANNEXES - BANKING SECTOR

79

- Annex 1 - Basic data on FBiH banks - 30.09.2022.
- Annex 2 - FBiH banks' balance sheet according to FBA's scheme (active sub-balance sheet) - 30.09.2022.
- Annex 3 - Overview of assets, loans, deposits and financial results of FBiH banks - 30.09.2022.
- Annex 4 - Sector structure of loans in FBiH and ECL - 30.09.2022.
- Annex 5 - FBiH banks' income statement according to FBA's scheme - 30.09.2022.
- Annex 6 - Average weighted NIR and EIR on loans and deposits by periods

ANNEXES - MICROCREDIT SECTOR

85

- Annex 7 - Basic data on FBiH MCOs - 30.09.2022.
- Annex 8 - MCFs' aggregate balance sheet - 30.09.2022.
- Annex 9 - MCCs' aggregate balance sheet - 30.09.2022.
- Annex 10 - Overview of key indicators of FBiH MCOs - 30.09.2022.
- Annex 11 - Overview of average weighted NIR and EIR for MCOs - 30.09.2022.
- Annex 11a - Comparative overview of average weighted NIR and EIR for MCOs
- Annex 12 - MCFs aggregate income statement - 30.09.2022.
- Annex 13 - MCCs aggregate income statement - 30.09.2022.

ANNEXES - LEASING SECTOR

92

- Annex 14 - Basic data on FBiH leasing companies - 30.09.2022.
- Annex 15 - Leasing companies' aggregate balance sheet - 30.09.2022.
- Annex 16 - Overview of basic indicators of FBiH leasing companies - 30.09.2022.
- Annex 17 - Leasing companies' aggregate income statement - 30.09.2022.
- Annex 18 - Overview of average weighted NIR and EIR for financial leasing contracts - 30.09.2022.
- Annex 18a - Comparative overview of average weighted NIR and EIR for financial leasing contracts

ANNEXES - BANKING SECTOR

Annex 1 - Basic data on FBiH Banks - 30/09/2022

No.	Bank	Web address	Number of employees	Management Chairperson
1.	Addiko Bank d.d. Sarajevo	www.addiko.ba	341	Sanela Pašić
2.	ASA BANKA DIONIČKO DRUŠTVO SARAJEVO	www.asabanka.ba	301	Samir Mustafić
3.	ASA BANKA NAŠA I SNAŽNA DIONIČKO DRUŠTVO SARAJEVO	www.asa-banka.ba	383	Edina Vuk
4.	"BOSNA BANK INTERNATIONAL" - d.d. Sarajevo	www.bbi.ba	415	Alek Bakalović
5.	INTESA SANPAOLO BANKA d.d. BOSNA I HERCEGOVINA	www.intesasanpaolobanka.ba	564	Marco Trevisan
6.	KOMERCIJALNO-INVESTICIONA BANKA D.D. VELIKA KLADUŠA	www.kib-banka.com.ba	81	Hasan Porčić
7.	NLB Banka d.d., Sarajevo	www.nlb.ba	463	Lidija Žigić
8.	PRIVREDNA BANKA SARAJEVO d.d. SARAJEVO	www.pbs.ba	187	Hamid Pršeš
9.	ProCredit Bank d.d. Sarajevo	www.procreditbank.ba	169	Amir Salkanović
10.	RAIFFEISEN BANK DIONIČARSKO DRUŠTVO BOSNA I HERCEGOVINA	www.raiffeisenbank.ba	1.294	James Daniel Stewart, Jr
11.	Sparkasse Bank dd Bosna i Hercegovina	www.sparkasse.ba	514	Amir Softić
12.	UniCredit Bank d.d.	www.unicreditbank.ba	1.173	Amina Mahmutović
13.	UNION BANKA DD SARAJEVO	www.unionbank.ba	200	Vedran Hadžiahmetović
14.	ZiraatBank BH d.d.	www.ziraatbank.ba	305	Bülent Suer
TOTAL			6.390	

Annex 2 - FBiH banks' balance sheet according to FBA's scheme (active sub-balance sheet) -
30/09/2022

- BAM 000 -

No.	Description	31/12/2021	%	30/09/2022	%	Index (5/3)
1	2	3	4	5	6	7
ASSETS						
1.	Cash and deposit accounts with deposit institutions	7.989.239	30,9	8.769.507	32,5	110
	1.a. Cash and non-interest bearing deposit accounts	3.813.229	14,7	4.001.923	14,8	105
	1.b. Interest-bearing deposit accounts	4.176.010	16,2	4.767.584	17,7	114
2.	Securities at fair value through profit or loss and at fair value in other comprehensive income	1.742.810	6,7	1.691.224	6,3	97
3.	Placements to other banks	350.452	1,3	186.057	0,7	53
4.	Loans, leasing type receivables and due receivables	15.890.821	61,4	16.226.992	60,2	102
	4.a. Loans	15.120.075	58,4	15.559.924	57,7	103
	4.b. Leasing type receivables	46.521	0,2	41.149	0,2	88
	4.c. Due receivables on loans and leasing type receivables	724.225	2,8	625.919	2,3	86
5.	Securities at amortized cost	223.198	0,9	305.631	1,1	137
6.	Business premises and other fixed assets	491.588	1,9	499.655	1,9	102
7.	Other real-estate	25.333	0,1	23.809	0,1	94
8.	Investments in subsidiaries and affiliates	13.860	0,1	12.465	0,0	90
9.	Other assets	317.273	1,2	331.496	1,2	104
10.	MINUS: Impairments	1.153.746	4,5	1.093.203	4,0	95
	10.a. Impairments of items in position 4 of Assets	1.099.948	4,3	1.039.067	3,8	94
	10.b. Impairments of assets items, except for position 4 of Assets	53.798	0,2	54.136	0,2	101
11.	TOTAL ASSETS	25.890.828	100	26.953.633	100	104
LIABILITIES						
12.	Deposits	21.184.952	81,8	22.175.304	82,3	105
	12.a. Interest-bearing deposits	14.090.013	54,4	14.402.221	53,4	102
	12.b. Non-interest bearing deposits	7.094.939	27,4	7.773.083	28,9	110
13.	Borrowings taken - 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 taken and other borrowings	779.075	3,0	523.189	1,9	67
	16.a. with residual maturity up to one year	313.719	1,2	129.072	0,5	41
	16.b. with residual maturity over one year	465.356	1,8	394.117	1,4	85
17.	Subordinated debts and subordinated bonds	167.557	0,7	280.348	1,0	167
18.	Other liabilities	650.947	2,5	694.224	2,6	107
19.	TOTAL LIABILITIES	22.782.681	88,0	23.673.215	87,8	104
CAPITAL						
20.	Permanent priority shares	343	0,0	343	0,0	100
21.	Common shares	1.382.522	5,3	1.384.714	5,1	100
22.	Share premium	137.290	0,6	137.327	0,5	100
	22.a. on permanent priority shares	88	0,0	88	0,0	100
	22.b. on common shares	137.202	0,6	137.239	0,5	100
23.	Undistributed profit and capital reserves	1.297.650	5,0	1.462.895	5,5	113
24.	Exchange rate differences	0	0,0	0	0,0	-
25.	Other capital	290.342	1,1	295.139	1,1	102
26.	Loan loss reserves created from profits	0	0,0	0	0,0	-
27.	TOTAL CAPITAL: (20. to 25.)	3.108.147	12,0	3.280.418	12,2	106
28.	TOTAL LIABILITIES AND CAPITAL: (19. + 27.)	25.890.828	100	26.953.633	100	104
PASSIVE AND NEUTRAL SUB-BALANCE SHEET		712.283		728.318		102
TOTAL		26.603.111		27.681.951		104

Annex 3 - Overview of assets, loans, deposits and financial results of FBiH banks - 30/09/2022

- BAM 000 -

No.	Bank	Assets		Loans		Deposits		Financial result
		Amount	%	Amount	%	Amount	%	Amount
1.	Addiko Bank d.d. Sarajevo	955.333	3,5	531.295	3,3	751.111	3,4	9.231
2.	ASA BANKA DIONIČKO DRUŠTVO SARAJEVO	1.235.350	4,6	685.041	4,2	1.109.059	5,0	15.740
3.	ASA BANKA NAŠA I SNAŽNA DIONIČKO DRUŠTVO SARAJEVO	1.721.339	6,4	987.747	6,1	1.447.093	6,5	18.447
4.	"BOSNA BANK INTERNATIONAL" - d.d. Sarajevo	1.570.678	5,8	935.067	5,8	1.377.842	6,2	14.697
5.	INTESA SANPAOLO BANKA d.d. BOSNA I HERCEGOVINA	2.496.391	9,3	1.637.420	10,1	1.865.610	8,4	25.926
6.	KOMERCIJALNO-INVESTICIONA BANKA D.D. VELIKA KLADUŠA	127.889	0,5	54.129	0,3	94.971	0,4	1.163
7.	NLB Banka d.d., Sarajevo	1.576.632	5,8	1.030.027	6,3	1.299.407	5,9	17.830
8.	PRIVREDNA BANKA SARAJEVO d.d. SARAJEVO	669.900	2,5	339.981	2,1	573.856	2,6	5.896
9.	ProCredit Bank d.d. Sarajevo	835.797	3,1	568.137	3,5	631.697	2,8	3.926
10.	RAIFFEISEN BANK DIONIČARSKO DRUŠTVO BOSNA I HERCEGOVINA	4.998.008	18,5	2.718.365	16,8	4.112.233	18,5	71.055
11.	Sparkasse Bank dd Bosna i Hercegovina	2.037.039	7,6	1.380.966	8,5	1.695.235	7,6	17.482
12.	UniCredit Bank d.d.	6.408.530	23,8	4.000.071	24,7	5.338.027	24,1	91.493
13.	UNION BANKA DD SARAJEVO	1.083.412	4,0	418.009	2,6	934.573	4,2	893
14.	ZiraatBank BH d.d.	1.237.335	4,6	940.737	5,8	944.590	4,3	1.359
TOTAL		26.953.633	100	16.226.992	100	22.175.304	100	295.138

Annex 4 - Sector Structure of Loans in FBiH and ECL - 30/09/2022

- 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 credit risk grade 1	ECL for credit risk grade 2	ECL for credit risk grade 3	Total ECL
1	2	3	4	5	6	7	8	9
1. Total corporate loans (1.1. to 1.21.)	6.795.993	998.039	482.075	8.276.107	85.135	96.515	380.653	562.303
1.1. A Agriculture, forestry and fishing	98.259	7.570	29.837	135.666	966	518	20.302	21.786
1.2. B Mining and quarrying	73.561	24.307	672	98.540	855	3.000	516	4.371
1.3. C Processing industry	1.550.622	259.443	193.219	2.003.284	24.109	29.324	152.761	206.194
1.4. D Production and supply of electricity, gas, fumes and air conditioning	182.842	22.823	3.418	209.083	1.509	3.735	3.378	8.622
1.5. E Water supply, waste water drainage, commercial waste disposal and environmental recovery	36.521	3.719	1.558	41.798	373	225	821	1.419
1.6. F Construction	473.577	52.147	21.288	547.012	6.340	4.500	18.558	29.398
1.7. G Wholesale and retail trade; repair of motor vehicles and motorcycles	2.459.615	314.138	135.599	2.909.352	26.006	27.749	117.175	170.930
1.8. H Transport and warehousing	283.957	58.719	18.575	361.251	3.322	4.630	14.143	22.095
1.9. I Accommodation and catering (hotels and hospitality services)	129.961	84.542	31.505	246.008	2.008	9.753	23.428	35.189
1.10. J Information and communication	113.336	12.552	7.933	133.821	2.157	952	5.061	8.170
1.11. K Financial and insurance business	648.716	140	773	649.629	8.135	6	252	8.393
1.12. L Real estate business	92.113	74.195	10.857	177.165	812	6.358	7.563	14.733
1.13. M Professional, scientific and technical activities	184.545	37.168	19.087	240.800	2.683	2.632	11.174	16.489
1.14. N Administration and auxiliary services	35.386	9.304	1.843	46.533	385	772	1.530	2.687
1.15. O Public administration and defence; social insurance	287.406	21.801	0	309.207	4.410	1.178	0	5.588
1.16. P Education	7.806	1.196	1.805	10.807	77	81	487	645
1.17. Q Health care and social welfare	55.615	9.629	1.419	66.663	400	577	942	1.919
1.18. R Art, entertainment and recreation	25.605	3.377	356	29.338	169	337	321	827
1.19. S Other services	56.546	1.269	2.331	60.146	419	188	2.231	2.838
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	10	10
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)	6.963.808	588.451	398.626	7.950.885	83.394	62.675	330.695	476.764
2.1. General consumption	5.324.638	517.544	366.400	6.208.582	70.827	56.619	306.076	433.522
2.2. Housing construction	1.558.050	63.897	26.403	1.648.350	11.478	5.541	19.657	36.676
2.3. Entrepreneurs	81.120	7.010	5.823	93.953	1.089	515	4.962	6.566
3. Total loans (1. + 2.)	13.759.801	1.586.490	880.701	16.226.992	168.529	159.190	711.348	1.039.067

Annex 5 - FBiH banks' income statement according to FBA's scheme - 30/09/2022

- BAM 000 -

No.	Description	01/01/2021 - 30/09/2021	%	01/01/2022 -30/09/2022	%	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	599	0,1	2.415	0,3	403
2)	Placements to other banks	2.373	0,3	2.258	0,2	95
3)	Loans and leasing operations	464.290	56,1	467.158	51,0	101
4)	Securities held to maturity	3.358	0,4	3.897	0,4	116
5)	Equity securities	0	0,0	0	0,0	-
6)	Receivables on paid off-balance sheet liabilities	3	0,0	4	0,0	133
7)	Other interest income and similar income	50.333	6,1	48.414	5,3	96
8)	TOTAL INTEREST INCOME AND SIMILAR INCOME	520.956	63,0	524.146	57,2	101
b)	Interest expenses and similar expenses					
1)	Deposits	59.634	7,2	44.883	4,9	75
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 taken and other borrowings	5.237	0,6	4.064	0,4	78
5)	Subordinated debts and subordinated bonds	5.189	0,6	4.805	0,5	93
6)	Other interest expenses and similar expenses	20.290	2,5	28.305	3,1	140
7)	TOTAL INTEREST EXPENSES AND SIMILAR EXPENSES	90.350	10,9	82.057	8,9	91
c)	NET INTEREST AND SIMILAR INCOME	430.606	52,1	442.089	48,3	103
2.	OPERATING INCOME					
a)	Income from foreign exchange operations	51.291	6,2	73.386	8,0	143
b)	Loan fees	8.024	1,0	9.397	1,0	117
c)	Off-balance sheet operation fees	17.318	2,1	18.537	2,0	107
d)	Service fees	264.026	31,9	310.464	33,9	118
e)	Income from trading operations	970	0,1	162	0,0	17
f)	Other operating income	55.118	6,6	61.910	6,8	112
g)	TOTAL OPERATING INCOME a) to f)	396.747	47,9	473.856	51,7	119
	TOTAL INCOME (1c + 2g)	827.353	100	915.945	100	111
3.	NON-INTEREST EXPENSES					
a)	Operating and direct expenses					
1)	Risk asset impairment costs, provisions for contingent liabilities and other value adjustments	48.847	5,9	71.780	7,8	147
2)	Other operating and direct costs	116.758	14,1	134.093	14,6	115
3)	TOTAL OPERATING AND DIRECT EXPENSES 1) + 2)	165.605	20,0	205.873	22,4	124
b)	Operating expenses					
1)	Salary and contribution costs	195.486	23,6	202.902	22,2	104
2)	Costs of business premises, other fixed assets and utilities	124.610	15,1	125.302	13,7	101
3)	Other operating costs	74.715	9,0	84.531	9,2	113
4)	TOTAL OPERATING EXPENSES 1) to 3)	394.811	47,7	412.735	45,1	105
c)	TOTAL NON-INTEREST EXPENSES	560.416	67,7	618.608	67,5	110
	TOTAL EXPENSES (1b7+3c)	650.766		700.665		108
4.	PROFIT BEFORE TAXATION	266.937	32,3	297.337	32,5	111
5.	LOSS	0	0,0	0	0,0	-
6.	TAXES	1.519	0,2	2.544	0,3	167
7.	PROFIT ON INCREASE IN DEFERRED TAX ASSETS AND DECREASE IN DEFERRED TAX LIABILITIES	25	0,0	714	0,1	2856
8.	LOSS ON DECREASE IN DEFERRED TAX ASSETS AND INCREASE IN DEFERRED TAX LIABILITIES	1.467	0,2	369	0,0	25
9.	NET-PROFIT	263.976	31,9	295.138	32,2	112
10.	NET-LOSS	0	0,0	0	0,0	-
11.	FINANCIAL PERFORMANCE (9.-10.)	263.976		295.138		112

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

Average weighted NIR and EIR on loans across periods

- % -

No.	Description	30/09/2018		30/09/2019		30/09/2020		30/09/2021		30/09/2022	
		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	2,71	3,00	2,35	2,71	2,24	2,51	2,15	2,46	1,99	2,27
1.1.	Corporate	2,64	2,87	2,30	2,60	2,19	2,40	2,10	2,34	1,95	2,18
1.2.	Retail	7,62	14,85	7,22	13,53	8,37	15,36	8,53	14,70	7,65	13,52
1.3.	Other	3,09	3,35	2,45	3,00	2,43	3,29	2,00	2,77	2,32	2,58
2.	Weighted interest rates on long-term loans	4,74	5,73	4,64	5,59	4,57	5,46	4,47	5,33	4,07	4,88
2.1.	Corporate	3,69	4,00	3,47	3,74	3,62	3,88	3,44	3,70	3,17	3,39
2.2.	Retail	5,59	7,15	5,40	6,77	5,44	6,89	5,23	6,52	4,78	6,06
2.3.	Other	3,45	3,62	3,25	3,45	3,21	3,41	3,12	3,29	3,00	3,11
3.	Total weighted interest rates	3,61	4,22	3,32	3,93	3,14	3,65	3,28	3,86	3,04	3,58
3.1.	Corporate	2,92	3,17	2,56	2,85	2,51	2,73	2,48	2,72	2,31	2,54
3.2.	Retail	5,64	7,31	5,43	6,91	5,50	7,05	5,28	6,64	4,81	6,15
3.3.	Other	3,20	3,43	2,63	3,11	2,70	3,33	2,42	2,97	2,73	2,89

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

Average Weighted NIR and EIR on deposits across periods

- % -

No.	Description	30/09/2018		30/09/2019		30/09/2020		30/09/2021		30/09/2022	
		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	0,33	0,32	0,35	0,34	0,20	0,20	0,24	0,24
1.1.	Corporate	0,56	0,56	0,65	0,62	0,50	0,50	0,54	0,54	0,28	0,28
1.2.	Retail	0,22	0,23	0,35	0,35	0,45	0,45	0,20	0,20	0,07	0,07
1.3.	Other	0,33	0,31	0,29	0,28	0,29	0,29	0,14	0,14	0,26	0,26
2.	Weighted interest rates on long-term deposits	1,10	1,12	1,26	1,20	0,99	1,00	0,81	0,82	0,49	0,50
2.1.	Corporate	1,19	1,19	1,37	1,37	1,15	1,16	0,99	0,99	0,54	0,54
2.2.	Retail	1,15	1,16	1,28	1,17	0,96	0,97	0,74	0,76	0,54	0,55
2.3.	Other	0,87	0,89	1,06	1,05	0,97	0,99	0,76	0,81	0,31	0,33
3.	Total weighted interest rates	0,59	0,59	0,79	0,76	0,67	0,67	0,51	0,52	0,36	0,36
3.1.	Corporate	0,84	0,84	1,17	1,16	0,84	0,84	0,84	0,84	0,44	0,44
3.2.	Retail	0,96	0,97	1,12	1,03	0,87	0,88	0,64	0,65	0,42	0,43
3.3.	Other	0,38	0,37	0,44	0,43	0,43	0,43	0,24	0,25	0,27	0,28

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

ANNEXES - MICROCREDIT SECTOR

Annex 7 - Basic data on FBiH MCOs - 30/09/2022

No.	Name of MCO	Web address	Director	Number of employees
1.	Mikrokreditno društvo CREDO CENTAR društvo sa ograničenom odgovornošću Mostar	www.credo-centar.ba	Bernard Stojanović	14
2.	Mikrokreditno društvo EKI d.o.o. Sarajevo	www.eki.ba	Almir Sultanović	189
3.	Mikrokreditna fondacija "EKI"	www.eki.ba	Esad Uzunić	175
4.	Mikrokreditno društvo IuteCredit BH d.o.o. Sarajevo	www.iutecredit.ba	Melika Hadžijamaković - Salihović	49
5.	Mikrokreditna fondacija "LIDER"	www.lider.ba	Džavid Sejfović	68
6.	Mikrokreditna fondacija "LOK" Sarajevo	www.lok.ba	Elma Čardaklija – Bašić	56
7.	Mikrokreditna fondacija "MELAHA" Sarajevo	www.melaha.ba	Jakob Finci	4
8.	Mikrokreditna fondacija "MI-BOSPO" Tuzla	www.mi-bospo.org	Safet Husić	203
9.	Mikrokreditna fondacija "MIKRA"	www.mikra.ba	Sanin Čampara	164
10.	Mikrokreditna fondacija "MIKRO ALDI"	www.mikroaldi.org	Omar Softić	33
11.	„PARTNER MIKROKREDITNA FONDACIJA“	www.partner.ba	Senad Sinanović	280
12.	"PRVA ISLAMSKA MIKROKREDITNA FONDACIJA"	www.mfi.ba	Edina Hadžimurtezić	9
13.	Mikrokreditna fondacija "SUNRISE"	www.microsunrise.ba	Samir Bajrović	168
TOTAL				1.412

Annex 8 - MCFs' aggregate balance sheet - 30/09/2022

- BAM 000 -

No.	Description	31/12/2021	%	30/09/2022	%	Index (5/3)
1	2	3	4	5	6	7
ASSETS						
1.	Cash (1a+1b)	45.096	8,9	30.277	5,8	67
1a)	Cash and non-interest bearing deposit accounts	27.865	5,5	23.161	4,4	83
1b)	Interest-bearing deposit accounts	17.231	3,4	7.116	1,4	41
2.	Placements to banks	1.660	0,3	3.238	0,6	195
3.	Loans	402.924	79,1	431.079	81,9	107
3a)	Loan loss reserves	3.631	0,7	3.195	0,6	88
3b)	Net loans (3-3a)	399.293	78,4	427.884	81,3	107
4.	Tangible and intangible assets, net	25.577	5,0	24.353	4,6	95
5.	Long-term investments	33.888	6,7	34.388	6,5	101
6.	Other assets	3.652	0,7	6.385	1,2	175
7.	Minus: reserves on other asset items, except for loans	10	0,0	0	0,0	0
8.	TOTAL ASSETS	509.156	100	526.525	100	103
LIABILITIES						
9a)	Liabilities on short-term loans taken	16.141	3,2	16.824	3,2	104
9b)	Liabilities on long-term loans taken	184.670	36,3	190.230	36,1	103
9c)	Liabilities based on interest due	1.115	0,2	1.138	0,2	102
10.	Other liabilities	25.488	5,0	25.543	4,9	100
11.	TOTAL LIABILITIES	227.414	44,7	233.735	44,4	103
12.	Donated capital	48.098	9,4	48.098	9,1	100
13.	Tier 1 capital	3.696	0,7	3.696	0,7	100
14.	Excess income over expenses	283.956	55,8	295.486	56,1	104
14a)	for previous years	270.562	53,2	283.949	53,9	105
14b)	for current year	13.394	2,6	11.537	2,2	86
15.	Shortage of income over expenses	55.078	10,8	55.468	10,5	101
15a)	for previous years	54.954	10,8	55.078	10,4	100
15b)	for current year	124	0,0	390	0,1	315
16.	Other reserves	1.070	0,2	978	0,2	91
17.	TOTAL CAPITAL	281.742	55,3	292.790	55,6	104
18.	TOTAL LIABILITIES	509.156	100	526.525	100	103
OFF-BALANCE SHEET RECORDS						
19.	Written-off loans	138.239		136.390		99
20.	Approved, but undrawn loan funds of creditors	9.270		10.844		117
21.	Commission operations	213		210		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		400		100
23.	Other (all other off-balance sheet items not covered above)	30.848		29.841		97

Annex 9 - MCCs' aggregate balance sheet - 30/09/2022

- BAM 000 -

No.	Description	31/12/2021	%	30/09/2022	%	Index (5/3)
1	2	3	4	5	6	7
ASSETS						
1.	Cash (1a+1b)	19.829	10,7	16.012	8,7	81
1a)	Cash and non-interest bearing deposit accounts	19.579	10,6	15.762	8,5	81
1b)	Interest-bearing deposit accounts	250	0,1	250	0,2	100
2.	Placements to banks	0	0,0	0	0,0	-
3.	Loans	160.441	87,0	165.868	89,7	103
3a)	Loan loss reserves	2.888	1,5	3.710	2,0	128
3b)	Net loans (3-3a)	157.553	85,5	162.158	87,7	103
4.	Tangible and intangible assets	5.151	2,8	4.631	2,5	90
5.	Long-term investments	0	0,0	0	0,0	-
6.	Other assets	1.789	1,0	2.011	1,1	112
7.	Minus: reserves on other asset items, except for loans	0	0,0	0	0,0	-
8.	TOTAL ASSETS	184.322	100	184.812	100	100
LIABILITIES						
9a)	Liabilities on short-term loans taken	1.500	0,8	6.156	3,3	410
9b)	Liabilities on long-term loans taken	121.238	65,8	113.322	61,3	93
9c)	Liabilities based on interest due	1.285	0,7	989	0,6	77
10.	Other liabilities	8.201	4,4	7.762	4,2	95
11.	TOTAL LIABILITIES	132.224	71,7	128.229	69,4	97
12.	Donated capital	0	0,0	0	0,0	-
13.	Tier 1 capital	34.177	18,6	34.177	18,5	100
14.	Share premium	0	0,0	0	0,0	-
15.	Unallocated profit (15a+15b)	7.566	4,1	12.928	7,0	171
15a)	Previous years	6.614	3,6	12.142	6,6	184
15b)	Current year	952	0,5	786	0,4	83
16.	Legal reserves	4.214	2,3	5.569	3,0	132
17.	Other reserves	6.141	3,3	3.909	2,1	64
18.	TOTAL CAPITAL	52.098	28,3	56.583	30,6	109
19.	TOTAL LIABILITIES	184.322	100	184.812	100	100
OFF-BALANCE SHEET RECORDS						
20.	Written-off loans	11.232		14.846		132
21.	Approved, but undrawn loan funds of creditors	9.333		2.371		25
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)	11.383		13.283		117

Annex 10 - Overview of key indicators of FBiH MCOs - 30/09/2022

- BAM 000 -

No.	Name of MCO	Assets	Gross portfolio minus deferred fee income	Financial result	Placements
1.	Mikrokreditno društvo CREDO CENTAR društvo sa ograničenom odgovornošću Mostar	3.743	3.647	182	3.210
2.	Mikrokreditno društvo EKI d.o.o. Sarajevo	169.189	149.309	4.416	81.594
3.	Mikrokreditna fondacija "EKI"	109.965	63.219	1.575	54.184
4.	Mikrokreditno društvo luteCredit BH d.o.o. Sarajevo	11.880	11.101	-3.832	11.809
5.	Mikrokreditna fondacija "LIDER"	29.431	27.018	404	18.936
6.	Mikrokreditna fondacija "LOK" Sarajevo	5.886	4.580	-90	3.437
7.	Mikrokreditna fondacija "MELAHA" Sarajevo	505	355	-209	94
8.	Mikrokreditna fondacija "MI-BOSPO" Tuzla	85.813	79.083	2.107	60.277
9.	Mikrokreditna fondacija "MIKRA"	58.012	51.295	877	40.841
10.	Mikrokreditna fondacija "MIKRO ALDI"	8.705	7.848	135	5.386
11.	„PARTNER MIKROKREDITNA FONDACIJA“	165.407	144.968	5.169	86.506
12.	"PRVA ISLAMSKA MIKROKREDITNA FONDACIJA"	2.400	2.139	-91	2.149
13.	Mikrokreditna fondacija "SUNRISE"	60.401	48.956	1.179	44.442
TOTAL		711.337	593.518	11.822	412.865

Annex 11 - Overview of average weighted NIR and EIR for MCOs - 30/09/2022

No.	Description	MCOs headquartered in the FBiH for the period 01/01/2022 - 30/09/2022			
		Number of concluded contracts	Microloans disbursement (in BAM 000)	NIR %	EIR %
1	2	3		4	5
1.	Short term microloans for:	32.652	43.435	20,28	28,99
1.1.	Services	718	1.743	19,03	26,78
1.2.	Trade	159	611	16,95	23,50
1.3.	Agriculture	5.361	8.099	21,14	26,57
1.4.	Manufacturing	88	277	18,08	24,68
1.5.	Housing needs	2.859	5.519	19,50	23,92
1.6.	General - basic needs	15.250	18.007	20,92	32,78
1.7.	Other	8.217	9.179	19,20	27,60
2.	Long term microloans for:	77.995	369.430	18,80	22,66
2.1.	Services	3.709	17.619	18,22	21,89
2.2.	Trade	730	4.309	16,89	20,20
2.3.	Agriculture	19.808	104.524	17,82	20,16
2.4.	Manufacturing	474	3.107	16,96	20,00
2.5.	Housing needs	18.216	112.919	18,41	20,96
2.6.	General - basic needs	15.188	57.900	20,93	25,49
2.7.	Other	19.870	69.052	19,48	27,32
3.	Total microloans	110.647	412.865	18,96	23,33

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

	- % -				
NIR on:	01/01/2018 - 30/09/2018	01/01/2019 - 30/09/2019	01/01/2020 - 30/09/2020	01/01/2021 - 30/09/2021	01/01/2022 - 30/09/2022
Short-term microloans	20,94	21,00	20,41	20,40	20,28
Long-term microloans	19,70	19,31	19,13	19,44	18,80
Total microloans	19,88	19,56	19,30	19,57	18,96
EIR on:	01/01/- 30/09/2018	01/01/- 30/09/2019	01/01/- 30/09/2020	01/01/- 30/09/2021.	01/01/- 30/09/2022
Short-term microloans	28,20	31,22	30,61	29,81	28,99
Long-term microloans	23,39	23,06	23,15	23,58	22,66
Total microloans	24,12	24,27	24,15	24,36	23,33

Annex 12 - MCFs' aggregate income statement - 30/09/2022

- BAM 000 -

No.	Description	For the period 01/01/2021 - 30/09/2021	%	For the period 01/01/2022 - 30/09/2022	%	Index (5/3)
1	2	3	4	5	6	7
	INTEREST INCOME AND EXPENSES					
1.	Interest income and similar income	58.356	90,1	62.129	90,9	106
2.	Interest expenses and similar expenses	5.663	10,6	5.623	9,8	99
3.	Net interest income and similar income (1. - 2.)	52.693	81,4	56.506	82,7	107
	OPERATING INCOME AND EXPENSES					
4.	Operating income	5.451	8,4	5.268	7,7	97
5.	Operating expenses	43.488	81,3	47.190	82,4	109
	OTHER OPERATING INCOME AND EXPENSES					
6.	Other operating income	947	1,5	942	1,4	99
7.	Other operating expenses	377	0,7	473	0,8	125
8.	Costs of provisions for loan and other losses	2.928	5,5	3.052	5,3	104
9.	Excess/shortage of income over expenses before taxes (3.+4.-5.+6.-7.-8.)	12.298		12.001		98
10.	Tax on excess income over expenses	1.007	1,9	945	1,7	94
11.	Net excess/shortage of income over expenses (9.-10.)	11.291		11.056		98

Annex 13 - MCCs' aggregate income statement - 30/09/2022

- BAM 000 -

No.	Description	For the period 01/01/2021 - 30/09/2021	%	For the period 01/01/2022 - 30/09/2022	%	Index (5/3)
1	2	3	4	5	6	7
	INTEREST INCOME AND EXPENSES					
1.	Interest income and similar income	23.074	97,6	24.746	97,2	107
2.	Interest expenses and similar expenses	4.938	22,3	5.493	22,2	111
3.	Net interest income and similar income (1. - 2.)	18.136	76,7	19.253	75,6	106
	OPERATING INCOME AND EXPENSES					
4.	Operating income	418	1,8	571	2,2	137
5.	Operating expenses	13.375	60,5	14.376	58,2	107
	OTHER OPERATING INCOME AND EXPENSES					
6.	Other operating income	150	0,6	140	0,6	93
7.	Other operating expenses	58	0,3	174	0,7	300
8.	Costs of provisions for loan and other losses	3.127	14,1	4.137	16,8	132
9.	Profit/loss before taxes (3.+4.-5.+6.-7.-8.)	2.144		1.277		60
10.	Income tax	624	2,8	511	2,1	82
11.	Net profit/loss (9.-10.)	1.520		766		50

ANNEXES - LEASING SECTOR

Annex 14 - Basic data on FBiH leasing companies - 30/09/2022

No.	Name of leasing company	Web address	Director	Number of employees
1.	MOGO d.o.o. Sarajevo	www.mogo.ba	Maja Nura	6
2.	PORSCHE LEASING d.o.o. Sarajevo	www.porscheleasing.ba	Dejan Stupar	24
3.	RAIFFEISEN LEASING d.o.o. Sarajevo	www.rlbh.ba	Amila Dacić	43
4.	„SCANIA LEASING BH“ društvo sa ograničenom odgovornošću	www.scania.com/ba	Damir Slipičević	7
5.	SPARKASSE LEASING d.o.o. Sarajevo	www.s-leasing.ba	Elma Hošo	24
TOTAL				104

Annex 15 - Leasing companies' aggregate balance sheet - 30/09/2022

- BAM 000 -

No.	Description	31/12/2021	%	30/09/2022	%	Index (5/3)
1	2	3	4	5	6	7
	ASSETS					
1.	Cash and cash equivalents	4.391	1,2	7.948	1,8	181
2.	Placements to banks	8.240	2,2	13.652	3,1	166
3.	Financial leasing type receivables, net (3a-3b-3c-3d)	290.647	77,8	339.068	76,2	117
3a)	Financial leasing type receivables, gross	318.640	85,3	371.074	83,4	116
3b)	Loss reserves	5.681	1,5	4.985	1,1	88
3c)	Deferred interest income	21.996	5,9	26.643	6,0	121
3d)	Deferred fee income	316	0,1	378	0,1	120
4.	Receivables from subsidiaries	0	0,0	0	0,0	-
5.	Tangible and intangible assets, net (5a+5b-5c-5d)	64.259	17,2	77.965	17,5	121
5a)	Tangible and intangible assets - own funds	3.869	1,0	3.697	0,8	96
5b)	Tangible and intangible assets - of operational leasing	86.199	23,1	105.101	23,6	122
5c)	Impairment - own funds	2.312	0,6	2.474	0,5	107
5d)	Impairment-operating leasing	23.497	6,3	28.359	6,4	121
6.	Long-term investments	368	0,1	370	0,1	101
7.	Other assets (7a+7b+7c)	5.831	1,5	5.798	1,3	99
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)	Inventory	828	0,2	1.001	0,2	121
7c)	Other assets	5.003	1,3	4.797	1,1	96
	TOTAL ASSETS	373.736	100	444.801	100	119
	LIABILITIES					
8.	Liabilities on loans taken, net (8a+8b-8c)	336.293	90,0	397.497	89,4	118
8a)	Liabilities on short-term loans	11.679	3,1	11.694	2,7	100
8b)	Liabilities on long-term loans	324.767	86,9	386.114	86,8	119
8c)	Advanced costs and fees	153	0,0	311	0,1	203
9.	Other liabilities	7.957	2,1	10.783	2,4	136
	TOTAL LIABILITIES	344.250	92,1	408.280	91,8	119
10.	Tier 1 capital	16.827	4,5	16.674	3,8	99
11.	Reserves	7.818	2,1	12.076	2,7	154
12.	Accumulated profit/loss	4.841	1,3	7.771	1,7	161
	TOTAL CAPITAL	29.486	7,9	36.521	8,2	124
	TOTAL LIABILITIES	373.736	100	444.801	100	119
	Written off receivables (opening balance)	21.020		6.957		33
	New write off (+)	589		375		64
	Recovery (-)	559		458		82
	Permanent write off (-)	14.093		90		1
	Written off receivables (closing balance)	6.957		6.784		98
	Other off-balance sheet records	99.593		73.931		74

Annex 16 - Overview of basic indicators of FBiH leasing companies - 30/09/2022

- BAM 000 -

No.	Name of leasing company	Balance sheet total	Financial leasing type receivables	Net balance of funds granted under operational leasing	Financial result	Placements
1.	MOGO d.o.o. Sarajevo	846	333	0	-712	0
2.	PORSCHE LEASING d.o.o. Sarajevo	176.995	111.520	59.982	3.470	75.375
3.	RAIFFEISEN LEASING d.o.o. Sarajevo	129.790	104.066	9.255	3.438	51.524
4.	„SCANIA LEASING BH“ društvo sa ograničenom odgovornošću	9.769	5.528	0	-339	5.375
5.	SPARKASSE LEASING d.o.o. Sarajevo	127.401	117.621	7.505	1.914	56.832
TOTAL		444.801	339.068	76.742	7.771	189.106

Annex 17 - Leasing companies' aggregate income statement - 30/09/2022

- BAM 000 -

No.	Description	01/01/2021 - 30/09/2021	%	01/01/2022 - 30/09/2022	%	Index (5/3)
1	2	3	4	5	6	7
	Financial income and expenses					
1.	Interest income	10.292	37,6	11.362	34,5	110
1a)	Interest on placements to banks	61	0,2	74	0,2	121
1b)	Interest on financial leasing	8.725	31,9	9.640	29,3	110
1c)	Fees (for leasing application processing, etc.)	693	2,5	779	2,4	112
1d)	Other interest income	813	3,0	869	2,6	107
2.	Interest expenses	3.205	13,4	3.915	15,5	122
2a)	Interest on borrowed funds	3.133	13,1	3.818	15,1	122
2b)	Loan processing fees	70	0,3	94	0,4	134
2c)	Other interest expenses	2	0,0	3	0,0	150
3.	Net interest income	7.087	25,9	7.447	22,6	105
	Operating income and expenses					
4.	Operating income	17.069	62,4	21.599	65,5	127
4a)	Service fees	1	0,0	0	0,0	0
4b)	Operating lease fee	14.406	52,7	17.002	51,6	118
4c)	Income from sale of leasing object	0	0,0	101	0,3	0
4d)	Other operating income	2.662	9,7	4.496	13,6	169
4d)1	Income from recovered written off receivables	485	1,7	3.181	9,7	656
4d)2	Income from collection letters	14	0,1	14	0,0	100
4d)3	Other	2.163	7,9	1.301	3,9	60
5.	Operating expenses	18.738	78,6	21.689	86,1	116
5a)	Salary and contribution costs	3.492	14,7	4.008	15,9	115
5b)	Business premises costs	9.448	39,6	10.859	43,1	115
5c)	Other costs	5.798	24,3	6.822	27,1	118
6.	Costs of loss reserves	1.905	8,0	-414	-1,6	-22
7.	Profit before tax	3.513		7.771		221
8.	Income tax	0	0,0	0	0,0	-
9.	Net profit/loss	3.513		7.771		221

Annex 18 - Overview of average weighted NIR and EIR for financial leasing contracts -
30/09/2022

No.	Description	For the period 01/01/2022 - 30/09/2022			
		Number of contracts	Amount of financing (BAM 000)	NIR %	EIR %
1	2	3	4	5	6
1.	Short-term leasing contract by leasing objects:	9	569	3,94	8,77
a.	Passenger vehicles	7	457	4,08	9,57
b.	Vehicles for performing business activity (cargo and passenger vehicles)	2	112	3,36	5,52
c.	Machines and equipment	0	0	0,00	0,00
d.	Real estate	0	0	0,00	0,00
e.	Other	0	0	0,00	0,00
1.1.	Short-term leasing contract by lessees:	9	569	3,94	8,77
a.	Corporate	8	470	3,83	6,15
b.	Entrepreneurs	0	0	0,00	0,00
c.	Retail	1	99	4,50	21,22
2.	Long-term leasing contract by leasing objects:	2.936	167.817	3,81	6,61
a.	Passenger vehicles	1.933	89.792	3,81	7,10
b.	Vehicles for performing business activity (cargo and passenger vehicles)	806	57.373	3,78	6,15
c.	Machines and equipment	189	20.491	3,89	5,72
d.	Real estate	2	96	4,50	7,93
e.	Other	6	65	5,40	16,08
2.1.	Long-term leasing contract by lessees:	2.936	167.817	3,81	6,61
a.	Corporate	2.591	153.621	3,77	5,88
b.	Entrepreneurs	115	4.654	3,99	6,86
c.	Retail	230	9.542	4,33	18,16
	Total (1+2)	2.945	168.386	3,81	6,62

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

- % -

No.	Description	30/09/2018		30/09/2019		30/09/2020		30/09/2021		30/09/2022	
		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:	4,47	11,00	6,80	13,76	4,12	8,06	3,80	6,37	3,94	8,77
1.1.	Corporate	4,26	7,83	3,22	6,12	4,12	8,06	3,80	6,37	3,83	6,15
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	7,41	56,30	33,04	69,75	0,00	0,00	0,00	0,00	4,50	21,22
2.	Long-term leasing contracts:	4,24	6,62	5,86	9,20	3,95	7,01	3,88	6,97	3,81	6,61
2.1.	Corporate	4,16	5,94	4,06	5,95	3,86	6,16	3,82	6,15	3,77	5,88
2.2.	Entrepreneurs	5,09	7,27	5,00	7,33	4,69	7,60	3,73	6,22	3,99	6,86
2.3.	Retail	5,51	19,84	22,31	38,96	4,81	18,17	4,75	18,30	4,33	18,16
	Total	4,24	6,67	5,87	9,24	3,95	7,02	3,88	6,96	3,81	6,62



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