

REPORT

on the condition in the
banking system of Republika
Srpska

12/22



BANKING AGENCY OF
REPUBLICA SRPSKA

BANKING AGENCY OF REPUBLIKA SRPSKA

Report on the condition in the banking system of Republika Srpska
for the period 01/01/2022 – 31/12/2022

Banja Luka, May 2023

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Abbreviations

Agency	Banking Agency of Republika Srpska
BiH	Bosnia and Herzegovina
LP	Leasing Provider
FLP	Financial leasing provider – Business unit within the bank
EBA	European Banking Authority
EIR	Effective interest rate
ESCB	European System of Central Banks
EU	European Union
ECB	European Central Bank
ECL	Expected Credit Loss
ICAAP	Internal Capital Adequacy Assessment Process
ILAAP	Internal Liquidity Adequacy Assessment Process
KM	Convertible mark
LCR	Liquidity Coverage Ratio
NSFR	Net Stable Funding Ratio
MCA	Microcredit Asociation
MCO	Microcredit organization
MCF	Microcredit Foundation
IAS	International Accounting Standard
IFRS	International Financial Reporting Standards
NPL	Non-performing Loans
POS	Point of Sale
ROAA	Return on Average Assets
ROAE	Return on Average Equity
SREP	Supervisory Review and Evaluation Process
FED	Federal Reserve District
Sec	Securities
HHI	Hirschman-Herfindahl Index
CR	Concentration Ratio

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SUMMARY OF REGULATORY REQUIREMENTS

Minimum amount of paid in founding capital – 15 million KM	Article 34, Paragraph (1) of the Banking Law of Republika Srpska ¹
CET 1 ratio - 6,75%	Article 34, Paragraph (1), Item 1) of the Decision on calculating capital in banks ²
Tier 1 ratio - 9%	Article 34, Paragraph (1), Item 2) of the Decision on calculating capital in banks
Regulatory capital ratio - 12%	Article 34, Paragraph (1), Item 3) of the Decision on calculating capital in banks
Capital buffer in the form of CET 1 - 2,5% of the total amount of risk exposure	Article 39, Paragraph (1) of the Decision on calculating capital in banks
Leverage ratio - 6%	Article 37, Paragraph (2) and (9) of the Decision on calculating capital in banks
LCR ratio ≥100%	Article 17, Paragraph (2) of the Decision on bank liquidity risk management ³
NSFR ratio ≥100%	Article 47, Paragraph (2) of the Decision on bank liquidity risk management
Limit for individual FX overnight bank position, except in EUR – max. up to 20% of bank eligible capital	Article 7, Paragraph (2), Item 1) of the Decision on minimum standards of bank FX risk management ⁴
Limit for individual FX overnight bank position, except in EUR – max. up to 40% of bank eligible capital	Article 7, Paragraph (2), Item 2) of the Decision on minimum standards of bank FX risk management
Limit for total FX position – max. up to 40% of bank eligible capital	Article 7, Paragraph (2), Item 3) of the Decision on minimum standards of bank FX risk management
Ratio of change in the economic value of the banking book and regulatory capital ≤ 20%	Article 7 of the Decision on IRRBB management ⁵
Hirschman-Herfindahl Index - HHI	Represents the most commonly used measure of concentration in the European and American economic system. HHI is the sum of the squared percentage shares of a specific volume (e.g. assets, deposits, loans) of all market participants in the system. If the value of HHI is less than 1000, it is considered that there is no concentration present in the market, for the value of the index between 1000 and 1800 units, there is moderate concentration present in the market, if the value of HHI is above 1800, it is an indicator of the existence of high concentration.

¹ „Official Gazette of Republika Srpska“ No. 4/17, 19/18 and 54/19

² „Official Gazette of Republika Srpska“ No. 74/17, 114/17 and 48/19

³ „Official Gazette of Republika Srpska“ No. 62/21, 65/21 and 117/22

⁴ „Official Gazette of Republika Srpska“ No. 12/03, 53/03, 85/04, 74/17 and 56/20

⁵ „Official Gazette of Republika Srpska“ No. 75/17

Concentration ratio - CR	CR is an indicator of concentration in the banking sector and represents the total share of the largest banks in the sector in selected relevant categories: assets, loans and deposits. It is marked according to the number of banks that are included in the calculation, e.g. CR 3. There is no unified and generally accepted position on the interpretation of the obtained results of the concentration ratio. The higher the value, the higher the concentration of the market.
Ratio loans/(deposits and loans taken)	Shows the ratio of the most important banking aggregates, loans, on the asset position and deposits and loans taken, on the funding source position. The higher the ratio, the weaker the bank's liquidity position. Experience standards are: less than 70% - low, 70%-79.9% - medium low, 80%-110% - medium high, above 110% high.
Minimum amount of core capital of MCA - 500.000 KM	Article 27, Paragraph (1) of the Law on microcredit organizations ⁶
Minimum amount of core capital of MCF - 50.000 KM	Article 37, Paragraph (1) of the Law on microcredit organizations
The total amount of donations awarded by MCO during the year cannot exceed 10% of the generated net profit, i.e. the net surplus of income over expenses according to the audited financial statements.	Article 16a, Paragraph (2) of the Law on microcredit organizations
MCO cannot award donations to related parties.	Article 16a, Paragraph (3) of the Law on microcredit organizations
MCO total investments in construction facilities, equipment, software, shares in other legal entities and held-to-maturity securities cannot amount to more than 50% of its capital.	Article 16b of the Law on microcredit organizations
MCF cannot grant microloans to related parties.	Article 39, Paragraph (2) of the Law on microcredit organizations

⁶ „Official Gazette of Republika Srpska“ No. 64/06 and 116/11

SUMMARY

Basic indicators of the RS banking sector operations as of 31/12/2022

RS banking sector is comprised of **8 banks** which operate through a network of 280 organizational units and 2,946 employees.

10.1
bill.
KM

Gross balance sheet assets increased by 177.7 million KM or 2% compared to the end of 2021.

9.8
bill.
KM

Net balance sheet assets increased by 205.9 million KM or 2% compared to the end of 2021. Net balance sheet assets had a higher growth than the gross balance sheet assets due to the decline in impairment.

1.5
bill.
KM

Total off-balance sheet increased by 90.6 million KM or 6% compared to the end of 2021. In the structure of the risk off-balance sheet, almost all categories had a growth, except uncovered letters of credit which are lower by 4.8 million KM or 87%.

1.2
bill.
KM

Total balance sheet capital comprises of 12.5% of total liabilities and is higher by 99.5 million KM of 9% compared to the end of 2021, due to the increase in retained earnings position in the amount of 85.3 million KM, increase in agio by 10.2 million KM and decrease in deductible item of other capital by 14.1 million KM.

1.1
bill.
KM

Regulatory capital increased by 83.5 million KM or 8% compared to the end of 2021, and comprises of Tier 1 in the amount of 1,043.4 million KM (growth by 81.4 million KM or 8%) and Tier 2 in the amount of 45.9 million KM (growth by 2.1 million KM or 5%). Changes to the structure and volume of Tier 1 was to the greatest extent impacted by the growth of retained earnings by 45.8 million KM, recorded profit of the current year by 50.3 million KM and other reserves by 3.3 million KM, and the decline was influenced by accumulated other comprehensive income position which

represents capital deductible item in the amount of 8.7 million KM (total reduction amounts to 13.5 million KM due to the change in securities value by revaluation reserves) and the growth of other deductibles position by 9.9 million KM.

20.2
%

Regulatory capital ratio is higher by 1 percentage point compared to the end of 2021 and by 8.2 percentage points than stipulated minimum. Tier 1 ratio is 19.4%, CET 1 19.3% and both increased by 1.1 percentage point.

10.3
%

Leverage ratio is higher by 0.6 percentage point compared to the end of 2021.

11.2
bill.
KM

Total banks' exposure or total financial asset is higher by 292.1 million KM or 2.9% compared to the end of 2021 (due to credit growth, guarantees issued and cash funds). Balance sheet exposures amount to 9.9 billion KM (higher by 2%), and off-balance sheet exposures amount to 1.3 billion KM (higher by 7.9%).

2.9
%

ECL ratio to total financial asset is lower by 0.4 percentage point compared to the end of 2021. If we observe financial assets classified according to credit risk levels, the ECL coverage for exposures assigned to credit risk level 1 is 0.7% and is at the same level as in 2021, the coverage for exposures assigned to credit risk level 2 has increased from 10.5% to 11%, and for exposures assigned to credit risk level 3, we have a reduction from 81.9% to 74.6%, compared to the end of 2021.

5.8
bill.
KM

Total loans increased by 87.8 million KM or 1.5% compared to the end of 2021. The largest share in total loans, at 50.5%, is still held by retail loans, and loans to private enterprises and companies, which make up 32.8% of total loans.

Credit growth was recorded in retail loans by 131.5 million KM or 5%, to public and state enterprises by 88 million KM or 37%, to non-

banking financial institutions by 3.7 million KM or 7%, to non-profit organizations by 6, 7 million KM or 139% and other loans by 14.8 million KM or 204%.

The decrease in loans is recorded in loans to the Government and government institutions by 83.6 million KM or 13%, loans to private enterprises and companies by 73.5 million KM or 4% compared to the end of 2021.

In the structure of retail loans, loans for financing general household consumption make up 63.2% of total retail loans, while housing make up 29.5% of total retail loans.

213.5
bill.
KM

Non-performing loans (NPL) decreased by 13.3 million KM or 5.9% compared to the end of 2021.

Share of NPL in total loans decreased from 4% to 3.7% compared to the end of 2021.

5.05
%

ECL total loans coverage ratio is lower by 0.6 percentage point compared to the end of 2021.

73.5
%

ECL total NPL coverage ratio is lower by 8.1 percentage points compared to the end of 2021.

6.03
%

Total average weighted effective interest rate on newly approved loans of banks from Republika Srpska in this reporting period is higher by 0.35 percentage point compared to the end of 2021.

2.6
bill. KM

Cash funds are less by 180.8 million KM or 4% compared to the end of 2021. The decline in cash funds was significantly influenced by banks' investment in securities, as well as,

to a lesser extent, by the growth of the loan position. **The most significant portion** of cash funds in the amount of 1.8 billion KM or 68.5% of total cash funds is held on reserve accounts at the Central Bank of BiH, while cash funds above the required reserve amount to 1,013.5 million KM or 56.1% of total cash funds on the reserve account, while the required reserve funds amount to 793.2 million KM or 43.9% of the total cash funds on the reserve account.

1.3
bill.
KM

Investments in securities are higher by 193.1 million KM or 17.5% compared to the end of 2021. In the structure of debt securities, the dominant share is held by securities issued by sovereigns and governments, accounting for 94.9%. Debt securities amount to 1.3 billion KM and are higher by 181.9 million KM or 17%. In the structure of debt securities issued by sovereigns and governments, the dominant share is held by securities issued by Republika Srpska with a share of 75.1% (in the amount of 954.8 million KM and a growth rate of 12%) and EU member states with a share of 17.9% (in the amount of 227.3 million KM and a growth of 48%).

7.6
bill.
KM

Deposits recorded an increase of 96.6 million KM or 1% compared to the end of 2021. A significant decrease in deposits occurred in the first quarter of 2022 due to geopolitical events and consequences for the operations of "Sberbank" a.d. Banja Luka, rising inflation (which disincentivizes savings), as well as media headlines related to the court case of one bank and the increase in its reputational risk. Further in the course of 2022 (observed through the second and third quarter) at the level of the banking sector, it is evident that the trend of deposit decline has stopped compared to the events in the first quarter of 2022. However, deposits of the banking sector as of 31/12/2022 recorded a slight growth of 1% compared to the end of 2021. According to the sector structure, a **decline in deposits** had the sectors that account for **58.1%** of the total deposit structure, namely: retail deposits (2%), deposits of non-banking financial institutions (6%) and other deposits (24%).

The growth of deposits is present in sectors that make up **41.9%** of total deposits, namely deposits of private enterprises and companies (11%), deposits of public and state enterprises (9%), deposits of the Government and government institutions (2%), deposits of non-profit organizations (13%), deposits of banks and banking institutions (2%).

Deposits in domestic currency account for 68.9% of total deposits, while deposits in **foreign currency** account for 31.1%. **Long-term deposits** make up 26.6% of total deposits (decreased by 12%), while **short-term deposits** make up 73.4% (growth by 7%).

**3.9
bill.
KM**

Household savings, including current accounts, are lower by 118.5 million KM or 3% compared to the end of 2021. Term savings account for 71.8% of the total household savings and are lower by 138.7 million KM or 8%, and demand savings without current household accounts make up 28.2% of the total household savings and are lower by 77.3 million KM or 10%. Current household accounts increased by 97.5 million KM or 7%.

**704.7
mill.
KM**

Total liabilities for taken loans are higher by 23.2 million KM or 3% compared to the end of 2021 and make up 7.2% of total liabilities.

**221.3
%
LCR**

LCR at the level of the banking sector is higher by 19 percentage points compared to the end of 2021 (observed individually by banks, the LCR ranges from 158.9% to 362.5%).

In addition to the above-mentioned developments (in the part of deposits), the banking sector of Republika Srpska maintained liquidity at a satisfactory level during 2022, which also influenced the maintenance of the liquidity coverage ratio (LCR) at a high level.

**167.2
%
NSFR**

NSFR at the level of the banking sector is 167.2% (observed individually by banks, the NSFR ranges from 148.2% to 210.5%).

**139.3
mill.
KM**

The financial result of the banking sector is positive and the net profit is higher by 16.5 million or 13% compared to the end of 2021. In this reporting period, all banks reported a positive financial result.

**50
org.
unit**

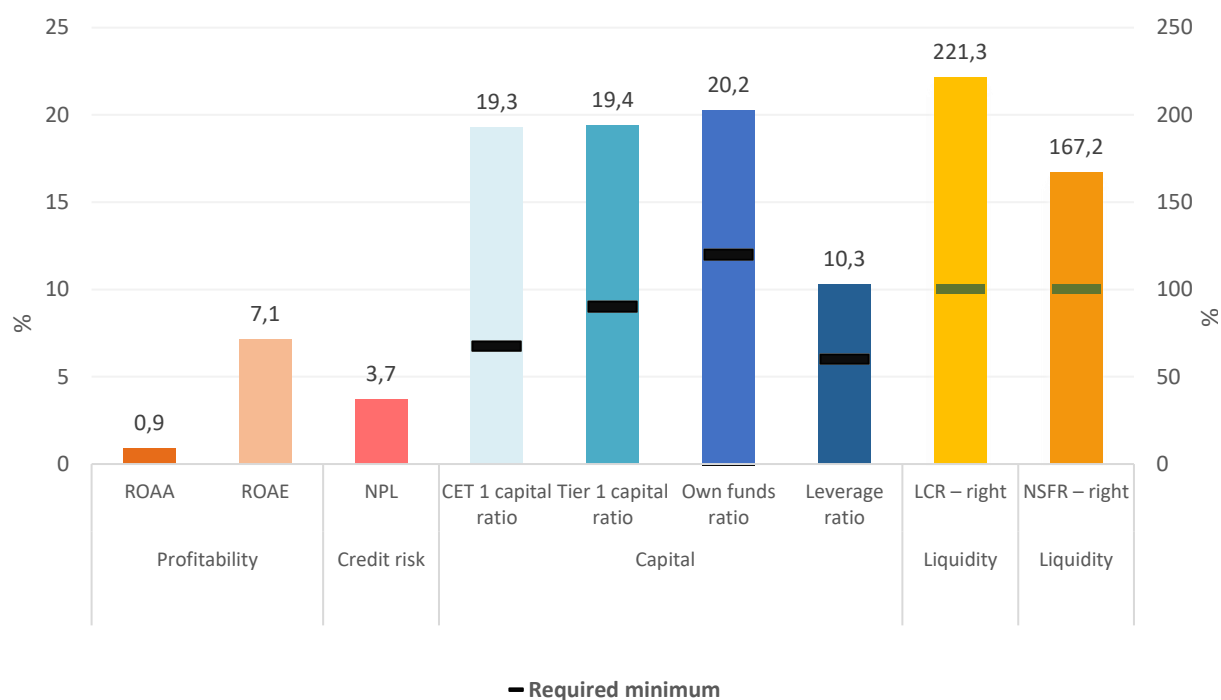
Seven banks based in the Federation of Bosnia and Herzegovina, which have 50 organizational units in Republika Srpska, have 1.9 billion KM in loans, which make up 24.7% of total loans placed in Republika Srpska (an increase of 12.4%) and 1.2 billion KM in deposits, which make up 13.5% of the total deposits collected in Republika Srpska (a growth of 6% compared to the end of 2021).

**27
org.
unit**

Three banks from Republika Srpska, which have 27 organizational units in the Federation of Bosnia and Herzegovina, have 280.2 million KM in loans with a growth of 3.9% and 454.6 million KM in deposits, which had a growth of 1.5% compared to the end of 2021.

The following graph presents the key indicators of the banking sector operations of banks from Republika Srpska:

Graph 1: Key indicators of business operations of Republika Srpska banks



All segments of the banking sector are explained in detail in the Chapter II.

* * * *

Basic business operations indicators of the Republika Srpska microcredit sector as of 31/12/2022

RS microcredit sector as of 31/12/2022 comprises of 14 MCOs, of which 12 MCAs, which as profit organizations can place microloans up to a maximum of 50 thousand KM and 2 MCFs, which as non-profit organizations can place microloans up to a maximum of 10 thousand KM. RS MCO operated from the headquarters and over 189 organizational units, and employed a total of 660 workers, which is 45 workers or 7% more than at the end of 2021.

Also, in Republika Srpska, 112 organizational units of MCO within 9 MCO (7 MCF and 2 MCA) operated, whose headquarters are in the Federation of BiH, and they employed a total of 340 workers (as of 31/12/2021, they employed 339 workers). The financial indicators of these organizational units are included in the balance sheets of parent MCOs.

545.5
mill.
KM

Total asset (gross) of MCO based in Republika Srpska is higher by 15% or by 69.4 million KM compared to the end of 2021.

450.6
mill.
KM

Gross loans make up 83% of total assets and grew at a rate of 13% or in the amount of 51.3 million KM, of which loans with no delay amount to 438.6 million KM or 97% of total loans.

2.1
mill.
KM

Due receivables make up 0.46% of total loans with a growth rate of 2% compared to the end of 2021.

33.65
%
22.32*
%

Average weighted effective interest rate for 2022 on total MCO loans is lower by 0.75 percentage point compared to the same for 2021 (*when short-term loans of one MCA with an individual loan amount up to 400 KM and with a repayment term of up to 3 months are excluded from the calculation of the average weighted EIR).

174.9
mill.
KM

MCO capital (MCA capital and MCF holding) accounts for 32% of liabilities with growth at a rate of 14% or in the amount of 21.6 million KM compared to the end of 2021, and refers to MCA capital in the amount of 173.3 million KM and MCF holding in the amount of 1.6 million KM.

329.5
mill.
KM

The total liabilities of MCO for taken loans/borrowings make up 61% of liabilities with growth at the rate of 18% or in the amount of 50.1 million KM compared to the end of 2021 (279.4 million KM or 60% of liabilities).

24.1
mill.
KM

MCO reported a positive **financial result** that is higher by 30% or by 5.6 million KM compared to the same reported on 31/12/2021.

As of 31/12/2022, the balance of loans of the MCO organizational units with headquarters in the Federation of BiH operating in Republika Srpska amounted to a total of 200.7 million KM with growth at a rate of 10% or in the amount of 18.6 million KM compared to the end of 2021, of which loans with no delay amount to 196 million KM or 97.7% of the total loans of these organizational units.

All segments of the microcredit sector operations are explained in detail in the Chapter III.

* * *

In the period from January to December 2022, no savings-credit organizations operated in Republika Srpska.

* * *

Basic business operations indicators of Republika Srpska LP and FLP as of 31/12/2022

LP business units (three organizational units) whose headquarters are in the Federation of BiH operating in Republika Srpska employed a total of 7 workers.

147.3
mill.
KM

Receivables per financial and operational leasing of business units of LP and financial leasing FLP are higher by 12% or by 15.8 million KM compared to the end of 2021.

Receivables per the recipient of the total leasing are the most significant with legal entities in the total amount of 134.3 million KM or 91% of the total leasing with growth at the rate of 13% or in the amount of 15.8 million KM compared to the end of 2021.

Operational leasing of LP business units, accounts for 11% of total leasing with growth at a rate of 14% or in the amount of 2 million KM compared to the end of 2021.

131.4
mill.
KM

Financial leasing of business units of LP and FLP accounts for 89% of total leasing with a growth rate of 12% or in the amount of 13.8 million KM compared to the end of 2021.

7.6%

The average weighted effective interest rate of leasing fees (ELIN) per financial leasing of business units of LP and FLP is lower by 1.72 percentage points compared to the end of 2021.

All segments of the leasing provider sector operations are explained in detail in the Chapter IV.

* * *

At the level of the RS banking system, total retail loans account for loans from the banking sector, the microcredit sector and receivables based on financial leasing, which with the balance as of 31/12/2022 totaled 3,894.7 million KM⁷ or 3,451.8 KM per capita in Republika Srpska. According to the publication of the Republic of Srpska Institute for Statistics, the population amounts to 1,128,309⁸

⁷ Due to the changed method of monitoring retail loans for the purposes of calculating credit indebtedness per capita, as of 31/12/2019, the indicator is reduced by loans given to small entrepreneurs for the performance of their activities.

⁸ As of 31/12/2021, instead of the number of inhabitants according to the 2013 census, the number of inhabitants from the publication of RS Institute for Statistics is taken: https://www.rzs.rs.ba/static/uploads/saopstenja/stanovnistvo/procene_stanovnistva/2013-2021/Procjene_Stanovnistva_2013_2021.pdf

INTRODUCTION

The banking system of Republika Srpska in terms of the Law on the Banking Agency of Republika Srpska ("Official Gazette of RepublikaSrpska" No. 59/13 and 04/17) includes banks, microcredit organizations, leasing providers and other financial organizations whose establishment and operations are regulated by special laws in which it is stipulated that the Agency issues operating licenses and approvals, supervises operations and performs other tasks related to them.

As part of the regular execution of the competences stipulated by law, the Agency compiles and publishes on its website quarterly information on the condition of the banking system, which is previously approved by the Agency's Management Board.

Report on the condition in the banking system of RepublikaSrpska as of 31/12/2022 includes a report on the condition in the banking sector, the sector of microcredit organizations and the leasing provider sector, as well as a special segment on the anti-money laundering and combating the financing of terrorism, which applies to all sectors, and is made on the basis of reports that were submitted in the form stipulated by the Agency and based on other information available to the Agency through regular supervision.

This report includes a detailed report on the financial indicators of business operations as of the reporting date 31/12/2022.

Banking Agency of Republika Srpska

Report on the condition in the banking system
of Republika Srpska
for the period 01/01/2022 – 31/12/2022

**I Macroeconomic
environment and
overview of banking
sector operations**

1. MACROECONOMIC ENVIRONMENT AND OVERVIEW OF BANKING SECTOR OPERATIONS

The business operations of the RS banking sector during 2022 were marked by events on the geopolitical scene, especially in the first half of the year (conflict in Ukraine), which consequently had a negative impact on Russian-owned banks and thus on "Sberbank" a.d. Banja Luka. Economic risks have risen sharply in many countries, as well as inflation, fueled by a combination of rising energy, food and consumer goods prices.

In its updated *World Economic Outlook*, the International Monetary Fund (IMF) predicts that global economic growth will fall from an estimated 3.4% in 2022 to 2.9% in 2023, and then increase to 3.1% in 2024. This document also predicts a decline in global inflation in 2023 and 2024 (2023: 6.6%, 2024: 4.3%) due to economic growth, however, this would still be above the level of inflation that is recorded before the pandemic (2017-19: 3.5%).⁹

In 2022, the RS banking sector maintained liquidity at a satisfactory level, which is particularly reflected by the high liquidity coverage ratio (LCR), as well as the high net stable funding ratio (NSFR), which were maintained above the legally stipulated minimum.

Also, the stability of the Sector is reflected in the favorable values of other business indicators, primarily the ROAA, ROAE coefficients, the capital adequacy ratio, the growth of the amount of gross loans and other business indicators of the banking sector.

During 2022, the total balance sheet of the banking sector increased by 2% compared to the end of 2021, while the high quality of assets was maintained, which primarily refers to the reduction of the share of non-performing loans in total gross loans. The banking sector of Republika Srpska in 2022 was also characterized by a significant increase in net profit compared to the one generated at the end of 2021.

1.1. International economic environment and operations of EU banks

The global economic recovery, which began after the COVID-19 pandemic, has been stalled by increased geopolitical uncertainty, high (and still rising) inflation, and tightening funding conditions. At the end of 2022, there is still a negative impact of the slowdown in economic activity, which spilled over to the Republika Srpska economy.

At the beginning of the conflict in Ukraine, there was a sudden slowdown in economic growth, which was followed by a strong increase in consumer price inflation, which in many countries reached a level not seen in the last few decades. The aforementioned encouraged the tightening of monetary policies, along with the reduction of risk appetite, which led to difficult funding conditions. The US FED stands out for the speed of tightening, which has raised the reference interest rate by a total of 3 percentage points since the beginning of 2022.

After a period of low interest rates in 2021 and the first quarter of 2022, the FED started raising interest rates, i.e. in June 2022, the rate was 1.21%, and in December 2022, it was 4.10%, with the tendency of further growth.¹⁰ The aforementioned activity is considered an instrument of the monetary authorities to suppress rising inflation.

At the end of 2022, the ECB decided to increase interest rates, which continued the pressure on interest rates in the countries of the EURO zone and in neighboring countries, as well as here.

The six-month EURIBOR at the beginning of July 2022 was positive and amounted to 0.238% (beginning of 2022: -0.539%),¹¹ while at the end of 2022 it amounted to 2.693%,¹² and according to announcements and projections, the ECB will continue with restrictive monetary policy.

The Governing Council of the ECB determines key interest rates for the Eurozone, which refer to the interest rate for MRO-Eurozone main refinancing operations rate, which provides the largest part of the

⁹ [World economic outlook](#)

¹⁰ <https://fred.stlouisfed.org/series/FEDFUNDS>

¹¹ <http://www.global-rates.com/interest-rates/euribor/2021.aspx>

¹² [Euribor interest rates 2022 \(global-rates.com\)](#)

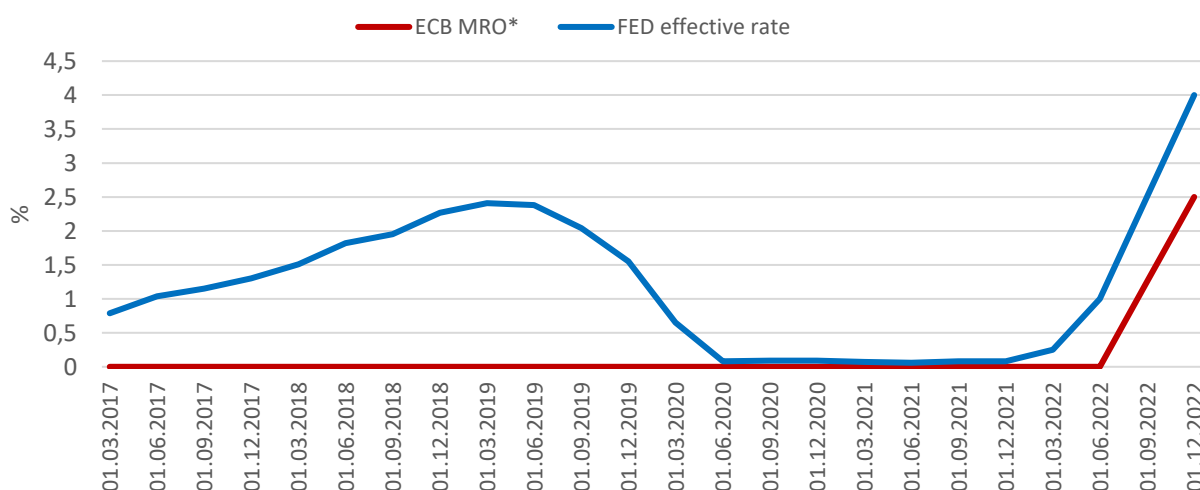
liquidity of the banking system, the rate on the deposit line that banks can use for overnight deposits with the Eurosystem and the rate on the marginal credit that offers overnight loans to banks from the Eurosystem.

In the area of monetary policy, the ECB did not change interest rates in the first half of 2022, so the interest rate on deposits was -0.5%, while the main rate for refinancing operations was 0%.

In July 2022, the Governing Council of the ECB increased the key interest rates more than announced, that is, they increased them by 50 basis points, so that the next increase in 2022 would be in September by the same value (50 basis points), and in November by 75 basis points. Also, the Governing Council of the ECB decided to increase the above-mentioned key interest rates in December 2022 by 50 basis points, noting that the main rate for refinancing operations in December 2022 was 2.5%.

Namely, the ECB predicts a continuation of the increase in key interest rates for the EURO zone in the first half of 2023.

Graph 2: Main interest rates of leading central banks (ECB and FED)



Sources: [United States Fed Funds Rate - 2023 Data - 1971-2022 Historical - 2024 Forecast \(tradingeconomics.com\)](https://tradingeconomics.com)
[Key ECB interest rates \(europa.eu\)](https://europa.eu)

In extraordinary (pandemic) conditions, central banks around the world introduced additional measures to mitigate the consequences caused by the pandemic, which were in force during 2022, noting that the ECB's programs were terminated in March 2022 (PEPP - Pandemic Emergency Purchase Programme), and in June 2022 when the regular program (APP- Asset Purchase Programme) was abolished.

The EBA conducted stress testing of banks in 2021, whose adverse scenario implied the continuation of operations in pandemic conditions with low interest rates. The adverse scenario assumed a cumulative drop in GDP over a three-year period of 3.6% in the EU, and a negative cumulative drop in the GDP of each member state. Under this scenario, the EU banking system as a whole would experience a reduction in the Common Equity Tier 1 (CET1) ratio of 485 basis points on a full load basis after three years, while keeping the ratio above 10%.

The results also show a dispersion by banks, so that banks that are more focused on domestic activities or those with lower net interest income show worse stress testing results. The report covered 50 banks from 15 countries, which makes up slightly more than 70% of the total assets of the EU banking sector.¹³ The next stress testing of banks in the EU is planned for 2023.¹⁴

The capital adequacy ratios of banks in the EU have been kept at a relatively high average level for a long time. According to the latest EBA Risk Report¹⁵, the CET1 ratio of banks in the EU has slightly decreased from 15.9% (end of 2021) to 14.8% (end of the third quarter of 2022).

¹³ <https://www.eba.europa.eu/eba-publishes-results-its-2021-eu-wide-stress-test>

¹⁴ <https://www.eba.europa.eu/eba-will-run-its-next-eu-wide-stress-test-2023>

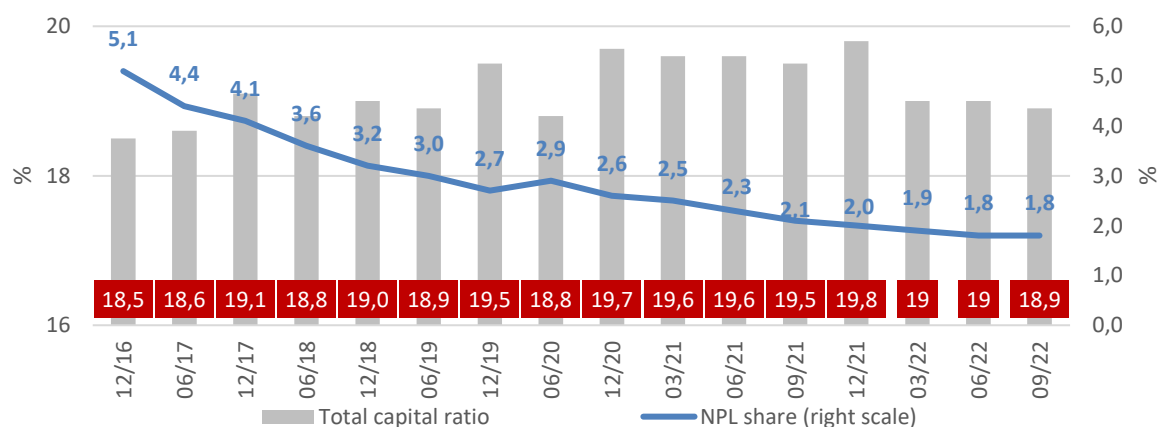
¹⁵ [EBA Dashboard - Q3 2022.pdf \(europa.eu\)](https://www.eba.europa.eu/eba-will-run-its-next-eu-wide-stress-test-2023)

Total capital ratio – regulatory - of banks in the EU at the end of the third quarter of 2022 is 18.9% and is also slightly lower compared to the end of 2021 (19.8%), while the share of non-performing loans (NPL ratio) is in constant decline and compared to the end of 2021, it was reduced from 2.0% to 1.8%. Banks' operational risk is high due to the challenges of digitization and cyber risk. Banks' reliance on digital solutions for performing daily tasks, providing digital services, has resulted in increased exposure to these risks.

Market risk for banks in the EU has increased due to market volatility due to rising interest rates.

According to the latest available data from countries in the region, as of 31/12/2022, the share of non-performing loans in total bank loans in Serbia was 3.0%,¹⁶ and in Croatia it was also 3.0%.¹⁷

Graph 3: NPL and ratios of total capital of banks in EU



Source: [EBA Dashboard - Q3 2022.pdf \(europa.eu\)](#)

According to the same report, the loan-to-deposit ratio at the end of the third quarter of 2022 was 109.2% (December 2021: 108.6%), LCR 162.5% (December 2021: 174.8%), NSFR 126.9%, and the ROE ratio in banks under ECB supervision was 7.7% (December 2021: 7.3%).

The economy of the euro area stagnated in the fourth quarter of 2022, because there was a reduction in consumption, primarily due to high inflation, existing uncertainty, high energy prices and other factors that affected confidence and reduced consumption. In the EU, the growth of economic activity is 3.7% in 2022, which is similar in the countries of the EURO zone with a growth of gross domestic product of 3.5%.¹⁸ GDP growth in 2022 in the USA, as the world's largest economy, was 2.0% with a negative sign in the first and second quarter.¹⁹

According to IMF reports, global economic growth for 2022 was estimated at 3.4%, which represents a significant drop compared to the previous year primarily due to the factors already mentioned.

Table 1: Selected macroeconomic indicators

DESCRIPTION	2018.	2019.	2020.	2021.	2022.
Gross domestic product growth (GDP)					
Globally	3,6	2,9	-3,1	6,1	3,4
Developed economies	2,3	1,7	-4,5	5,4	2,7
USA	2,9	2,3	-3,4	5,9	2,1
Euro zone	1,8	1,6	-6,3	5,3	3,5
European Union	2,2	2,0	-5,8	5,5	3,7
Slovenia	4,4	3,3	-4,2	8,1	5,4

¹⁶ [National bank of Serbia](#) (data for December 2022)

¹⁷ [Croatian national bank](#) (data for December 2022)

¹⁸ [World economic outlook](#)

¹⁹ [U.S. Bureau of Economic Analysis \(BEA\)](#)

Croatia	2,8	3,4	-8,6	13,1	6,3
Emerging and Developing countries	4,6	3,7	-2,0	6,7	3,9
European Emerging and Developing countries	3,4	2,5	-1,8	6,9	0,8
Serbia	4,5	4,3	-0,9	7,4	2,3
Bosnia and Herzegovina	3,7	2,8	-3,1	5,8	3,8
Republika Srpska	3,9	2,5	-2,5	6,9	3,5
Consumer price change (CPI), annual average					
Developed countries	2,0	1,4	0,7	3,1	7,3
European Emerging and Developing countries	6,4	6,6	5,3	9,4	6,6
EURO zone	1,8	1,2	0,3	2,6	8,3
Bosnia and Herzegovina	1,4	0,6	-1,1	2,0	14,0
The most interesting interest rate					
6M EURIBOR ***	-0,3	-0,2	-0,3	-0,5	2,7
FED Effective Rate	2,4	1,6	0,1	0,1	4,1

Sources: [International Monetary Fund \(April 2023\)](#)
[Euribor interest rates 2022 \(global-rates.com\)](#)
[Federal Funds Effective Rate \(FEDFUNDS\) | FRED | St. Louis Fed \(stlouisfed.org\)](#)
<https://bhas.gov.ba/Calendar/Category/10?lang=sr>
[BDP in gospodarska rast \(stat.si\)](#)
[Glavni makroekonomski indikatori - HNB](#)

The outlook for the global economy worsened amid heightened geopolitical uncertainty, high and rising inflation, and slowing economic growth in China. According to IMF projections from December 2022, global GDP growth (not including the EURO zone) should slow down to 2.9% in 2023, which is below the long-term average, and should gradually increase to 3.1% in 2024 and 3.3% in 2025. Global price pressures remain widespread and elevated due to still relatively strong demand, tight labor market conditions and high food prices. In an environment of high uncertainty, the balance of risks in the basic projections is negative for global growth and positive for global price pressures.

1.2. Macroeconomic trends in Republika Srpska

Global financial conditions are somewhat softened by market expectations, despite huge economic uncertainty, and the continued tightening of monetary policy in the fight against inflation, which is still at a high level. Based on the above, i.e. market uncertainty, in the fourth quarter of 2022, an average three-month gross domestic product of 3.5% was achieved in Republika Srpska.

Table 1: Basic macroeconomic indicators – Republika Srpska

DESCRIPTION	2018.	2019.	2020.	2021.	2022.
GDP growth – real	3,9	2,5	-2,5	6,9	3,5
Consumer price index	101,2	100,5	98,8	101,7	113,6
Import (index)	106,6	91,6	93,5	124,8	128,6
Export (index)	107,6	96,5	94,0	130,5	122,7
Coverage of import by export	71,7	75,5	75,9	79,4	75,7
Unemployment rate (LFS)	17,2	11,7	12,9	14,3	11,2
Average net salary (KM, net)	857	906	956	1.005	1.144
GDP <i>per capita</i> (KM)	9.304	9.848	9.797	11.078	...

*RS Institute for Statistics, notification number: [12/23](#)

**RS Institute for Statistics, data derived based on [Quarterly gross domestic product, fourth quarter 2022](#).

***RS Institute for Statistics [Labor Force Survey](#)

****RS Institute for Statistics, data for whole 2022 [RS Institute for Statistics – Republika Srpska \(rzs.rs.ba\)](#)

The last available data were used

The real growth of gross domestic product (GDP) in the fourth quarter of 2022, compared to the fourth quarter of 2021, was 1.8%. The manufacturing industry represents one of the most important areas of the Republika Srpska economy, from the aspect of its participation in the total gross added value, participation in exports, and the number of employed workers.

The overall index of consumer prices in Republika Srpska, in December 2022 compared to the previous month, is lower by 0.4%. Compared to December 2021, the overall consumer price index is by 13.6% higher on average.

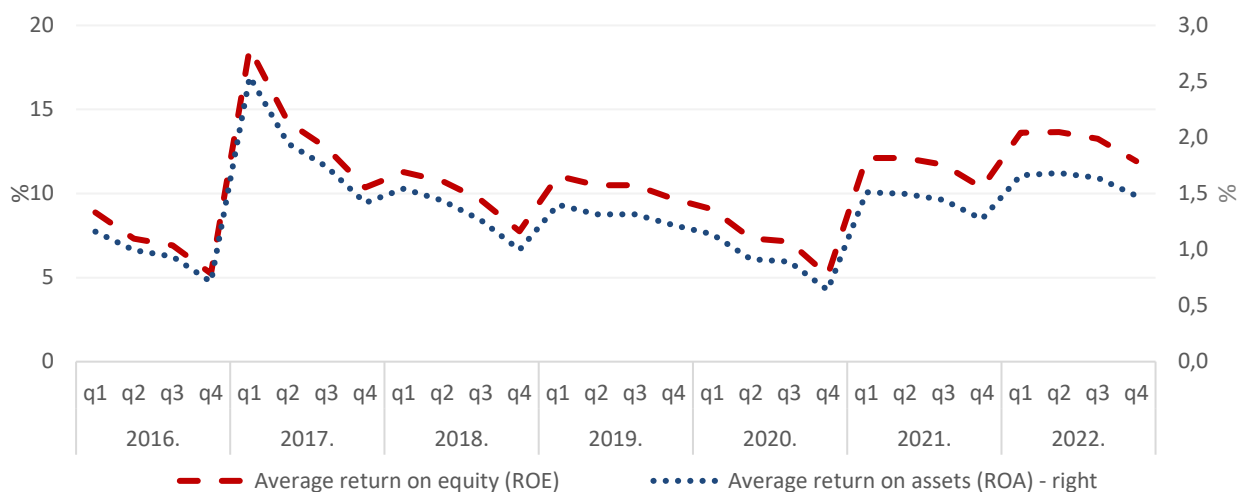
The average net salary paid-out in December 2022 was 1,217 KM and is nominally higher by 0.5% and in real terms by 0.9% compared to the previous month. Compared to the same month last year, the average net salary is nominally higher by 17.2%, and in real terms by 3.2%. The average gross salary paid-out in December 2022 was 1,843 KM.

1.3. Impact of macroeconomic trends on the banking sector

The banking sector of Republika Srpska in 2022 has total financial assets in the amount of 11.1 billion KM. According to available data, during the observed period (2018-2022), the GDP of Republika Srpska had a compound annual growth rate (CAGR) of 7.03%,²⁰ while total assets (net assets, risk off-balance sheet and commission business) for eight banks of Republika Srpska had a growth rate of 6.07%, and loans grew by 4.81% (growth of retail loans: 6.09%).

²⁰ Program of economic reforms of Republika Srpska for the period 2023-2025, projection for 2022

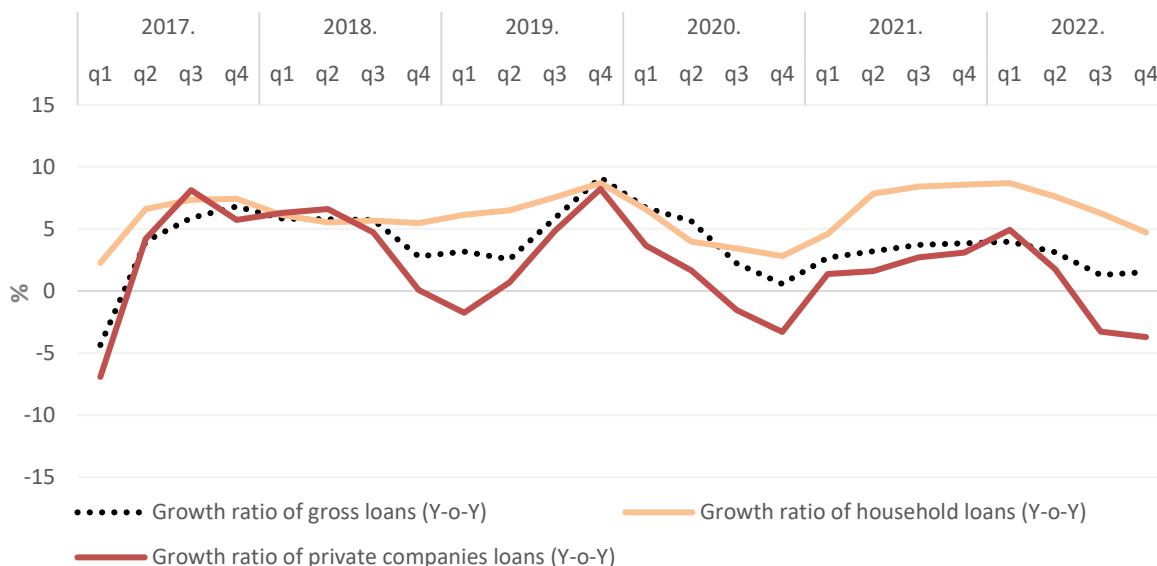
Graph 4: Profitability of the Republika Srpska banking sector



The profitability of the RS banking sector during 2022 is growing. However, ROA and ROE coefficients, after initial growth in the first and second quarter, experienced a slight decline during the second and third quarter, maintaining values above those generated in the previous year.

Analyzing the operations of the RS banking sector, it is evident that after the period marked by the pandemic and geopolitical events, in the second half of 2022 there was a recovery in credit growth. However, by comparing the growth of placements by quarter compared to the quarters of the previous year, it can be concluded that the growth of placements has slowed down to a certain extent, while in loans to private companies in the second and third quarter we have a drop in placements compared to the same period of the previous year.

Graph 5: Credit growth of the Republika Srpska banking sector



Retail loans have a higher average growth rate than total loans, which leads to the conclusion that retail loans are mostly the driving force behind the growth of total loans.

Loans from commercial banks of the FBiH in Republika Srpska account for 25.7% of total loans, and recorded a growth of 1.9%, while loans from the banks of Republika Srpska in the FBiH have a share of 3.8% in total loans (they kept the same level compared to the end of 2021).

Table 2: Ratio of macroeconomic and RS banking sector indicators

DESCRIPTION	2018.	2019.	2020.	2021.	2022.	CAGR (%)
Gross domestic product (mil. KM)	10.680,0	11.251,0	11.132,0	12.499,0	14.016,0	7,03%
Total assets (mil. KM)	8.781,8	9.433,8	9.721,2	10.823,5	11.117,1	6,07%
Loans (mil. KM)*	6.145,1	6.721,3	6.814,6	7.129,1	7.416,8	4,81%
of which Loans – retail (mil. KM)	2.724,4	2.970,4	2.997,6	3.251,0	3.451,6	6,09%
Population no.***	1,2	1,1	1,1	1,1	1,1	-0,66%
Average net wage (KM)	857,0	906,0	956,0	1.005,0	1.144,0	7,49%
Total deposits (mil. KM)**	6.512,7	7.016,1	7.158,3	8.165,5	8.322,1	6,32%
of which Deposits – retail (mil. KM)	3.608,6	3.966,0	4.149,5	4.497,2	4.426,9	5,24%
Total assets/GDP (%)	82,2	83,8	87,3	86,6	79,3	-0,90%
Loans/GDP (%)	57,5	59,7	61,2	57,0	52,92	-2,07%
Retail loans/Population no. (retail loans per capita, KM)	2.369,0	2.605,6	2.629,5	2.877,0	3.082	6,80%
Loans per capita/Average net wage	2,8	2,9	2,8	2,9	2,69	-0,64%
Total deposits/GDP (%)	61,0	62,4	64,3	65,3	59,38	-0,66%
Retail deposits/Population no. (retail deposits per capita, KM)	3.137,9	3.478,9	3.639,9	3.979,8	3.953	5,94%
Retail deposits per capita/ Average net wage	3,7	3,8	3,8	4,0	3,46	-1,44%

Sources: RS Institute for Statistics – various publications (household, salary, GDP, employees)

Banking sector data: Annual reports on the condition in the banking system of Republika Srpska for 2018, 2019, 2020 and 2021,

Banking Agency of Republika Srpska

In-house calculations

Note:

* Total loans are loans placed by banks from Republika Srpska in Republika Srpska, minus their placements in the FBiH and increased by the placements of banks based in the FBiH that operate in Republika Srpska.

** The amount of retail loans is shown without loans for performing business

*** Total deposits are deposits of banks from Republika Srpska, reduced by their deposits in the FBiH and increased by the deposits of banks based in the FBiH that operate in Republika Srpska.

CAGR – Compound annual growth rate

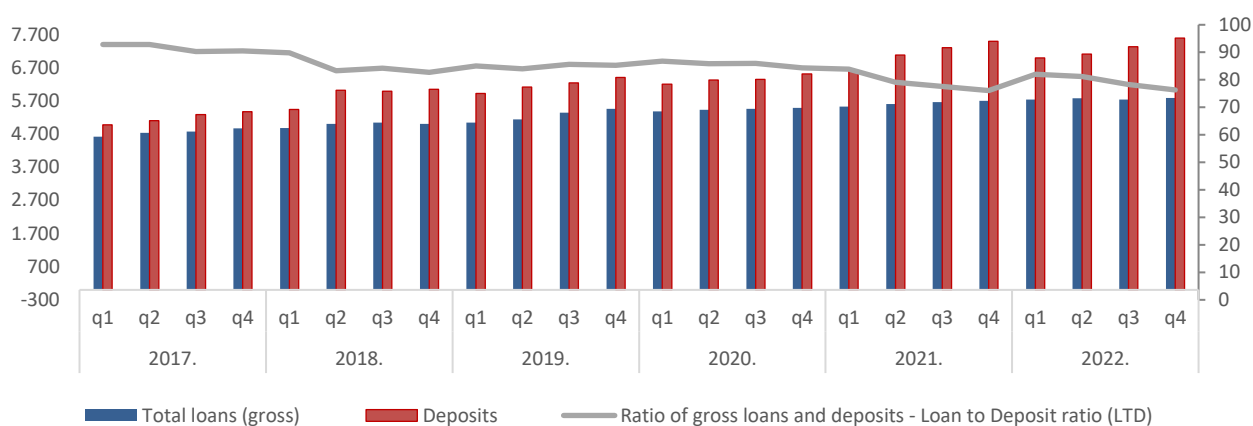
During the observed period (2018-2022), total deposits at the level of the banking sector of Republika Srpska had a slightly higher average annual growth rate than the average annual growth rate of loans (4.81%), which amounted to 6.32% (household 5,24%). However, the negative impact of all the aforementioned factors with global implications on Republika Srpska is evident here, bearing in mind that in 2021 total deposits grew by 14.0%, while in 2022 a growth of 1.0% was recorded.

If we look at the relative indicators, it can be assessed that during the period 2018-2022, the ratio of total assets to GDP decreased at an average annual rate of 0.9%, and the ratio of loans to GDP during the same period had a decrease at an average rate of 2.07%, with the emphasis that in 2022 the GDP projection was used, given that the data is not available, so the mentioned indicators will certainly change in comparison with the official GDP data. As in previous years, and on the basis of the above, we can conclude that economic growth was not entirely generated by credit debt, but partly in other ways (e.g. stocks of liquid assets).

On the other hand, the ratio of loans placed to household and the total number of population in Republika Srpska indicates the average population indebtedness of Republika Srpska in the banking sector, that is, the amount of loans to the household *per capita*. During the observed period, the growth of this indicator was noticeable at an average rate of 6.80% and at the end of 2021 it amounted to 2,881.3 KM, and in 2022 it would further increase to 3,081.8 KM.

If we compare household deposits with the number of population, we see that this indicator has a lower average growth rate (5.94%) than the growth rate of household loans *per capita* (6.80%), therefore, household deposits grow more slowly than the growth of its indebtedness.

Graph 6: Ratio of gross loans and deposits



The additional growth of deposits and placements requires the adaptation of banking products to new circumstances, and implies the diversification of the existing offer, their constant and active adaptation to new market conditions, that is, the creation of new products or the offer of existing products on more favorable terms, which would attract a larger amount of deposits and direct them to placements.

1.4. Banking sector regulatory framework

The activities of the reform of the regulatory framework for banking operations and supervision with the aim of improving the existing regulatory framework and harmonizing it with the best European and international practices continued in 2022 through the drafting of the following by-laws in the field of bank supervision:

- Decision on Amendments to the Decision on recovery plans of a bank and a banking group²¹,
- Decision on Amendments to the Decision on the conditions and procedure of issuing licenses, approvals and consents to banks operating in Republika Srpska²²,
- Decision on repealing the Decision on temporary measures of banks to mitigate the negative economic consequences caused by the COVID-19 viral disease²³,
- Decision on Amendments to the Decision on outsourcing management²⁴,
- Decision on Amendments to the Decision on management system in a bank²⁵,
- Decision on Amendments to the Decision on calculating capital in banks²⁶,
- Decision on Amendments to the Decision on ILAAP²⁷,
- Decision on Amendments to the Decision on the form and content of reports banks deliver to the Banking Agency of Republika Srpska²⁸,
- Decision on content, deadlines and method of delivering data on inter-banking charges²⁹,
- Decision on determining the list of most representable services regarding payment account³⁰,
- Decision on determining the content of informative overview of services and charges regarding payment account³¹,

²¹ „Official Gazette of Republika Srpska“ number 26/22

²² „Official Gazette of Republika Srpska“ number 26/22 and 117/22

²³ „Official Gazette of Republika Srpska“ number 26/22

²⁴ *Ibid.*

²⁵ *Ibid.*

²⁶ *Ibid.*

²⁷ „Official Gazette of Republika Srpska“ number 117/22

²⁸ „Official Gazette of Republika Srpska“ number 74/22

²⁹ *Ibid.*

³⁰ *Ibid.*

³¹ *Ibid.*

- Decision on determining the form and content of report on service charges regarding payment account³²,
- Decision on temporary measures to mitigate the risk of increase in interest rates³³,
- Decision on repealing the Decision on temporary measures in terms of delivering reports to the Banking Agency of Republika Srpska³⁴,
- Decision on Amendments to the Decision on liquidity risk management³⁵,
- Instruction for inclusion of consolidated current and year-end profits in CET 1 items³⁶,
- Instruction on Amendments to the Instruction for assessing the value of collateral³⁷,
- Instruction for FINREP,
- Instruction on repealing the Instruction for developing bank and banking group recovery plans in 2020,
- Instruction for developing additional reports for liquidity monitoring,
- Instruction on a temporary measure related to the calculation of the bank's regulatory capital,
- Instruction for reporting on the application of the Decision on temporary measures to mitigate the risk of increase in interest rates,
- Amendments to the Instruction on LCR reporting.

Also, in 2022, activities were conducted on the development of revised regulations on the management of interest rate risk in the banking book, and activities were commenced on the development of revised regulations on the calculation of bank capital and reporting with the aim of improving supervisory control by introducing new requirements and adopting reporting practices that are used in the European Union.

³² *Ibid.*

³³ „Official Gazette of Republika Srpska" number 98/22

³⁴ „Official Gazette of Republika Srpska" number 26/22

³⁵ „Official Gazette of Republika Srpska" number 117/22

³⁶ „Official Gazette of Republika Srpska" number 33/22

³⁷ „Official Gazette of Republika Srpska" number 25/22

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II Banking sector

2. BANKING SECTOR BASIC DATA

1.1. Organizational structure

RS banking sector, on the reporting date 31/12/2022, when observing the total number of banks operating in Republika Srpska, did not change compared to the end of 2021. Eight banks based in Republika Srpska operated through a network of 280 organizational units, while seven banks based in the Federation of BiH operated through 50 organizational units in Republika Srpska.

Compared to the end of 2021, banks based in Republika Srpska reduced their organizational structure by five organizational units, while banks based in the Federation of BiH reduced their organizational structure by two organizational units in Republika Srpska. Three banks based in Republika Srpska have 27 organizational units that operate in the territory of the Federation of BiH. The number of "POS" devices decreased by 31 at banks headquartered in Republika Srpska, and at the organizational units of banks from the Federation of BiH in Republika Srpska, increased by 1,012, compared to the end of 2021. The number of ATMs is higher by 2 (at banks with headquarters in Republika Srpska is lower by 3, and at organizational units of banks from the Federation of BiH is higher by 5).

Table 3: RS banks and organizational units of banks from FBiH operating in RS

Description	Business unit/ Branch	Other organizational unit	"POS"	ATM
31.12.2021				
I RS banks	131	154	5.929	405
II Org. units of banks from FBiH operating in RS	29	23	3.088	116
Total	160	177	9.017	521
31.12.2022				
I RS banks	127	153	5.898	402
II Org. units of banks from FBiH operating in RS	28	22	4.100	121
Total	155	175	9.998	523

*A business unit is a higher form of organization, including headquarters

1.2. Ownership structure

The ownership structure is characterized by majority private ownership in all banks, with the majority of domestic share capital in four banks and the majority of foreign share capital in four banks in Republika Srpska.

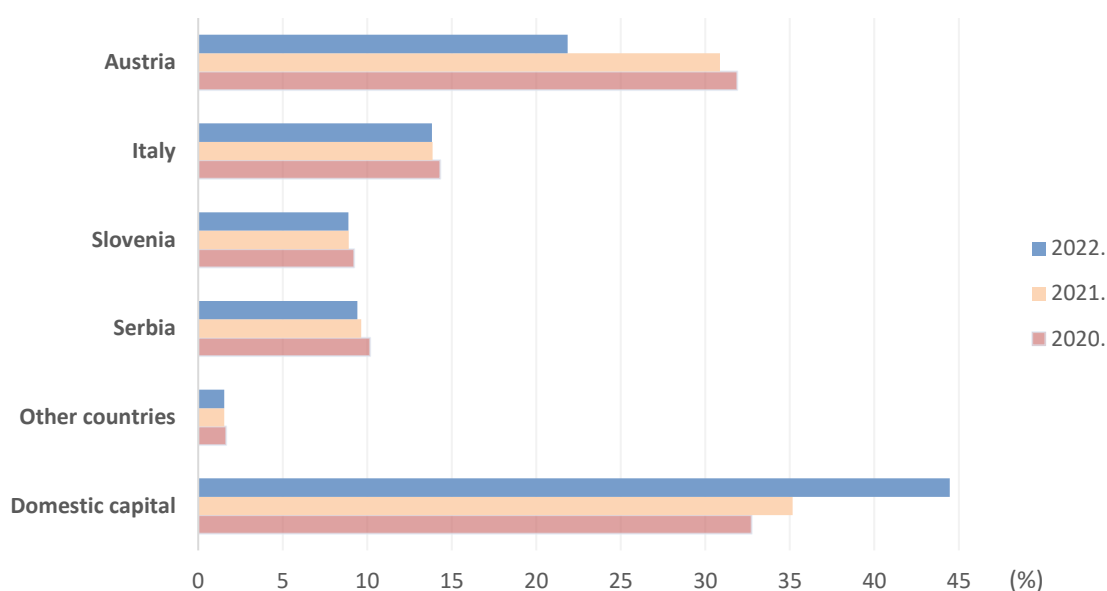
Table 4: Share capital structure

DESCRIPTION	2020.		2021.		2022.		mill. KM
	Amount	%	Amount	%	Amount	%	Index 2022/2021.
Private capital (domestic)	215,5	32,0	239,7	34,4	310,9	44,5	130
Foreign capital	453,3	67,3	451,2	64,8	388,4	55,5	86
State capital	5,0	0,7	5,0	0,7	0,0	0,0	0
Cooperative capital	0,2	0,0	0,1	0,0	0,1	0,0	100
TOTAL	674,0	100	696,0	100	699,4	100	100

The total share capital amounts to 699.4 million KM and mainly consists of private share capital, and a small share of cooperative and state capital.

Compared to the end of 2021, there was a change in the structure of private equity capital. The share of private domestic share capital increased by 10.1 percentage points, while the share of private foreign share capital decreased by 9.3 percentage points. In the structure of total private share capital, private foreign share capital has a share of 55.5%, and private domestic share capital 44.5%.

Graph 7: Share capital structure according to the country of origin



In the structure of share capital according to countries of origin, there was an increase in the share of domestic share capital and a decrease in the share of the Austrian state due to the ownership transformation of "Sberbank" a.d. Banja Luka. In the structure of share capital, domestic capital has the largest share of 44.5%, followed by Austria with 21.9%, Italy with 13.8%, Serbia with 9.4%, Slovenia with 8.9% and other countries with 1.5%.

Table 5: Banks' market share in total assets, capital and deposits

Capital structure	2021.				2022.			
	Share			No. of banks	Share			No. of banks
	in total assets	in total capital	in deposits		in total assets	in total capital	in deposits	
With majority domestic capital	37,0	28,1	36,3	3	50,0	42,8	49,6	4
With majority foreign capital	63,0	71,9	63,7	5	50,0	57,2	50,4	4

Four banks with majority domestic capital have 50.0% share in total assets (increase in share by 13 percentage points compared to the end of 2021), 42.8% in total capital (increase in share by 14.7 percentage points compared to end of 2021) and 49.6% in total deposits (increase in share by 13.3 percentage points compared to end of 2021).

Four banks with majority foreign capital have 50.0% share in total assets, 57.2% in total capital and 50.4% in total deposits.

1.3. Staff structure

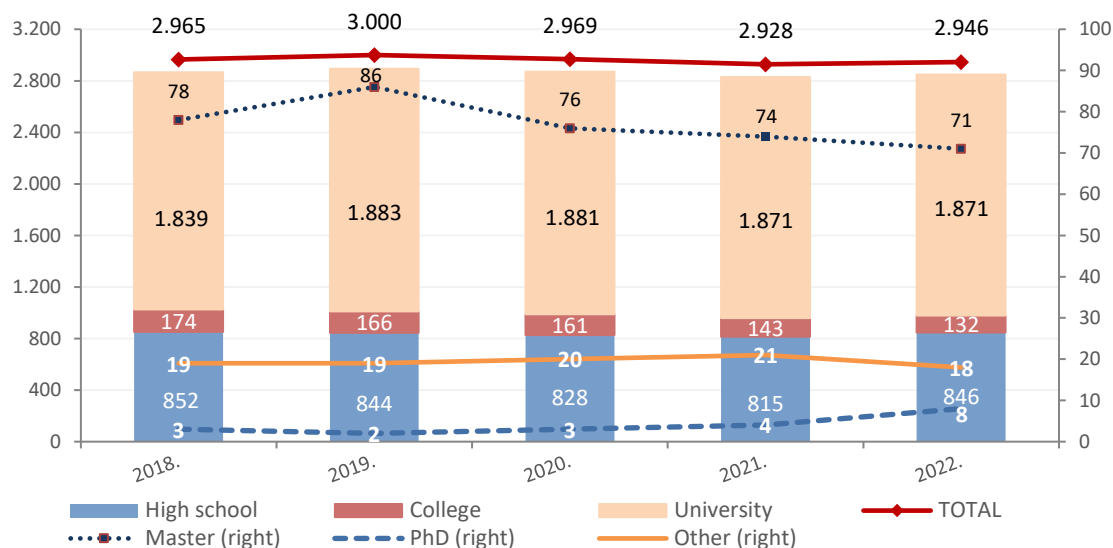
As of 31/12/2022, the total number of employees in the banking sector was 2,946, which is 18 more than at the end of 2021. Three banks had an increase, and five banks had a decrease in the number of employees.

1.3.1. Staff qualification structure

When we look at the qualification structure in this reporting period, the largest share is held by employees with university degree at 63.5% (whose number remained at the same level compared to the end of 2021), and we have an increase in the number of employees with high school degree by 31 and PhD by 4, while

there is a reduction in the college degree by 11 employees, master degree by 3, vocational school by 2 and elementary school by 1.

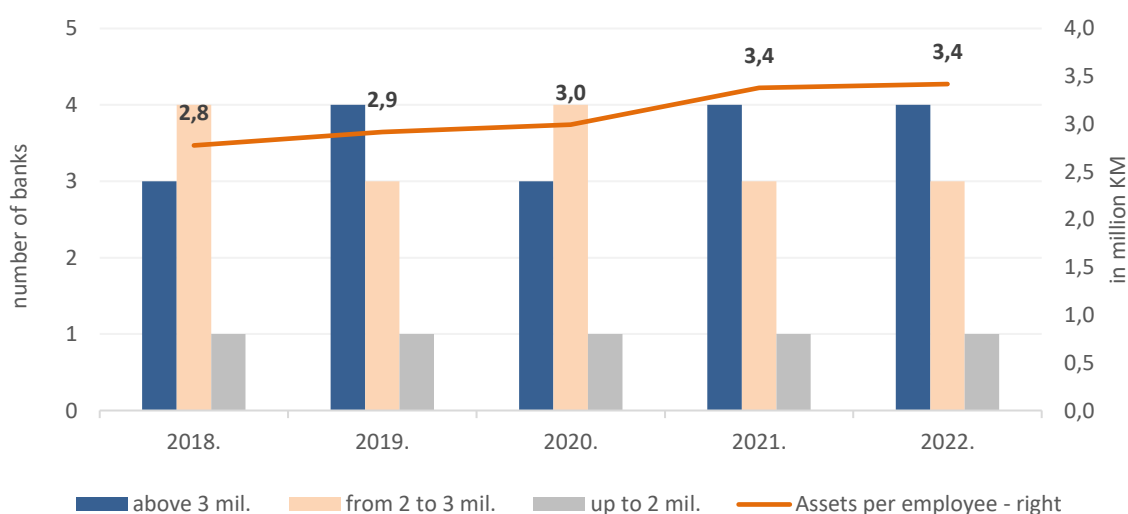
Graph 8: Staff qualification structure



1.3.2. Assets per employee

One of the indicators of the performance of the banking sector and of each individual bank is the efficiency of employees expressed as the ratio of total assets to the number of employees, where a higher amount is usually an indicator of better efficiency of the bank's operations and the overall sector. After continuous growth through four comparative periods, which can be seen in the following graph, in this reporting period assets per employee remained at the same level compared to 2021 (3.4 million KM).

Graph 9: Assets per employee



Individually, three banks had an increase in assets per employee, three banks maintained approximately the same level, and two banks had a decrease in assets per employee.

3. FINANCIAL INDICATORS OF BANKS' BUSINESS OPERATIONS

2.1. Balance sheet

The balance sheet of banks based in Republika Srpska, presented over three comparative periods, shows a growth of gross and net balance sheet assets by 2% as of 31/12/2022 compared to the end of 2021.

DESCRIPTION	2020.		2021.		2022.		Index
	Amount	%	Amount	%	Amount	%	2022/ 2021.
ASSETS							
1. Cash Funds	1.920,2	21,6	2.745,4	27,8	2.636,6	26,2	96
2. Securities	1.071,8	12,1	1.101,6	11,1	1.283,9	12,7	117
3. Placements to other banks	44,8	0,5	16,7	0,2	40,4	0,4	242
4. Loans (gross)	5.493,8	61,8	5.705,1	57,7	5.792,9	57,5	102
5. Office space and other fixed assets	202,8	2,3	192,7	1,9	186,8	1,9	97
6. Other assets	155,8	1,8	130,7	1,3	129,4	1,3	99
GROSS BALANCE SHEET ASSETS	8.889,2	100	9.892,3	100	10.070,0	100	102
8. Impairment	380,6		341,0		312,9		92
8.1. Impairment for loan items	357,4		322,5		292,4		91
8.2. Impairment for asset items except loans	23,2		18,5		20,4		110
NET BALANCE SHEET ASSETS	8.508,6		9.551,3		9.757,2		102
OBLIGATIONS							
10. Deposits	6.515,2	76,6	7.498,6	78,5	7.595,2	77,8	101
11. Obligations per loans taken	678,3	8,0	681,5	7,1	704,7	7,2	103
12. Subordinated debts	52,3	0,6	52,3	0,5	52,3	0,5	100
13. Off-balance sheet items provisioning	11,2	0,1	12,7	0,1	12,8	0,1	101
14. Other obligations	197,2	2,3	189,7	2,0	176,2	1,8	93
CAPITAL							
15. Capital	1.054,3	12,4	1.116,5	11,7	1.216,0	12,5	109
TOTAL LIABILITIES (OBLIGATIONS AND CAPITAL)	8.508,6	100	9.551,3	100	9.757,2	100	102

Gross balance sheet assets amount to 10.1 billion KM and are higher by 177.7 million KM or 2% compared to the end of 2021. Six banks had growth from 1.6% to 18.1%, and two banks had a decline in gross balance sheet assets ranging from 3.8% to 13.8%.

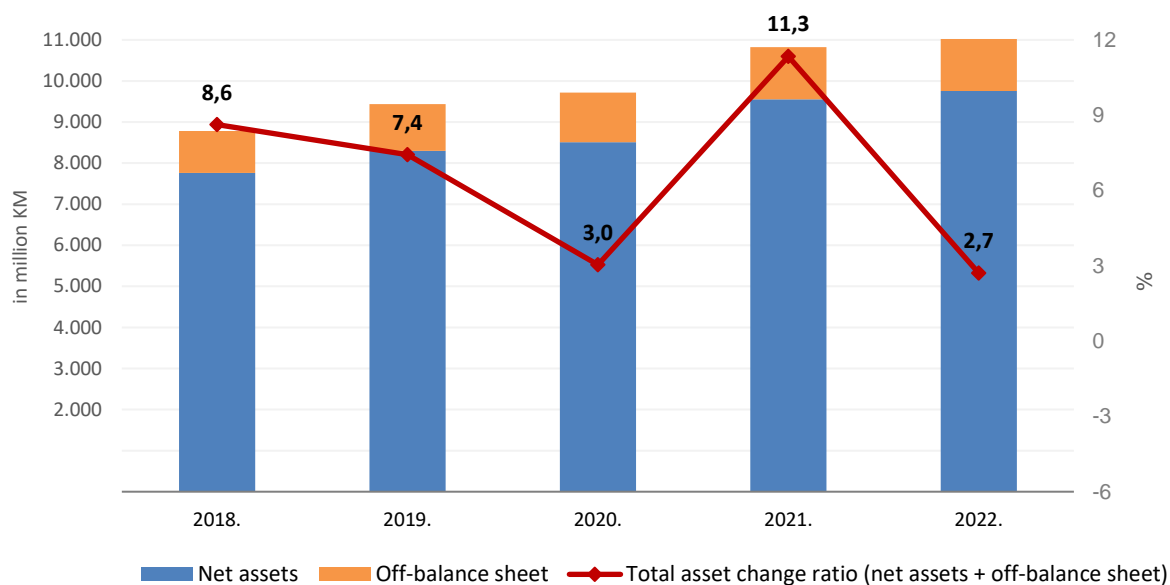
Net balance sheet assets (gross balance sheet assets minus value adjustments) amount to 9.8 billion KM and are higher by 205.9 million KM or 2% compared to the end of 2021. Net assets had a higher growth than gross assets in absolute terms, due to the reduction of value adjustments on total assets by 8% compared to the end of 2021.

DESCRIPTION	2020.		2021.		2022.		Index
	Amount	%	Amount	%	Amount	%	2022/2021.
Risk off-balance sheet	1.129,3	100,0	1.183,7	100,0	1.277,2	100,0	108
1. Irrevocably approved, undrawn loans	610,5	54,1	628,3	53,1	634,2	49,7	101
2. Non-covered letters of credit	2,7	0,2	5,6	0,5	0,8	0,1	13
3. Issued guarantees	514,7	45,6	549,4	46,4	641,5	50,2	117
3.1. Payable guarantees	175,6	15,6	191,3	16,2	204,5	16,0	107
3.2. Performance guarantees	339,1	30,0	358,0	30,2	437,0	34,2	122
4. Other off-balance sheet items	1,3	0,1	0,5	0,0	0,7	0,1	151
Revocable credit liabilities	109,6		125,5		128,4		102
Commission transactions	83,4		88,6		82,7		93
TOTAL OFF-BALANCE SHEET	1.322,3		1.397,8		1.488,4		106

The risk off-balance sheet amounts to 1.3 billion KM and is higher by 93.5 million KM or 8% compared to the end of 2021. All risk off-balance sheet items increased (the highest growth was recorded by performance guarantees of 79 million KM or 22%), except for uncovered letters of credit, which were lower by 4.8 million KM or 87%. Irrevocably approved and undrawn loans have the largest share in the structure of 49.7% of the total risk off-balance sheet and have increased by 5.9 million KM or 1% compared to the end of 2021.

The trend of net assets, off-balance sheets and the ratio of change of total assets through the last five reporting periods are shown in the following graph:

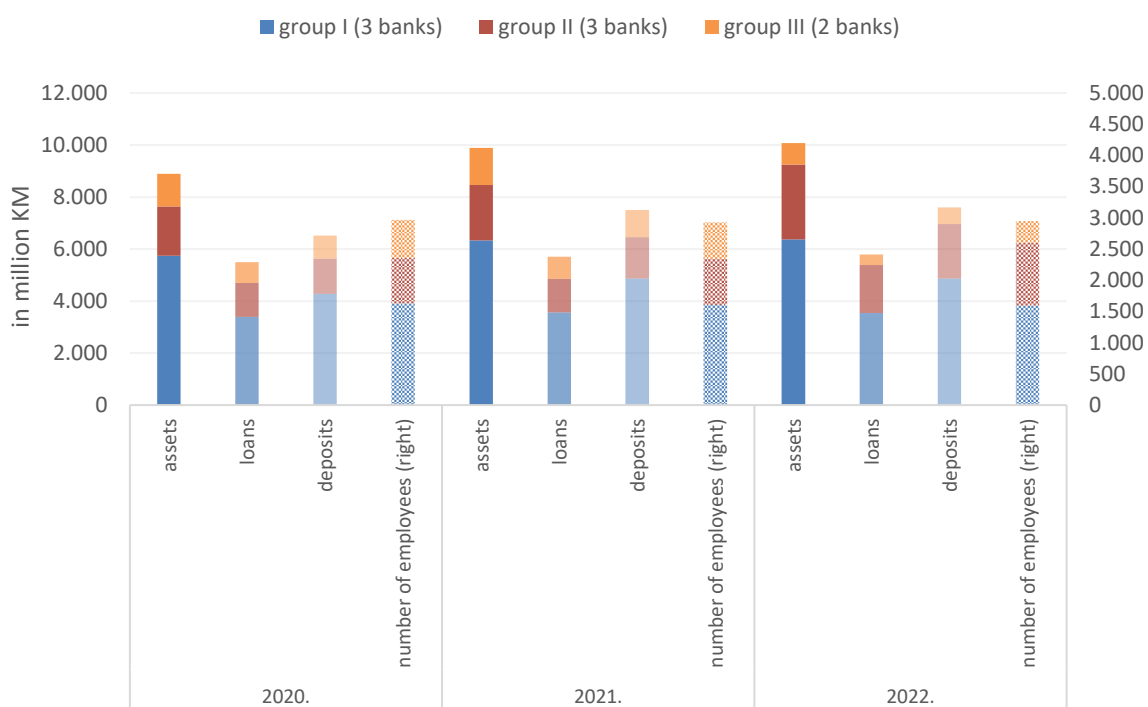
Graph 10: Total assets of the Republika Srpska banking sector



The ratio of change of net assets with off-balance sheets compared to the end of 2021 shows a growth of 2.7 percentage points.

Banks in Republika Srpska can be divided into three groups according to the size of gross balance sheet assets.

Graph 11: Share of group banks in total assets, capital, deposits and number of employees



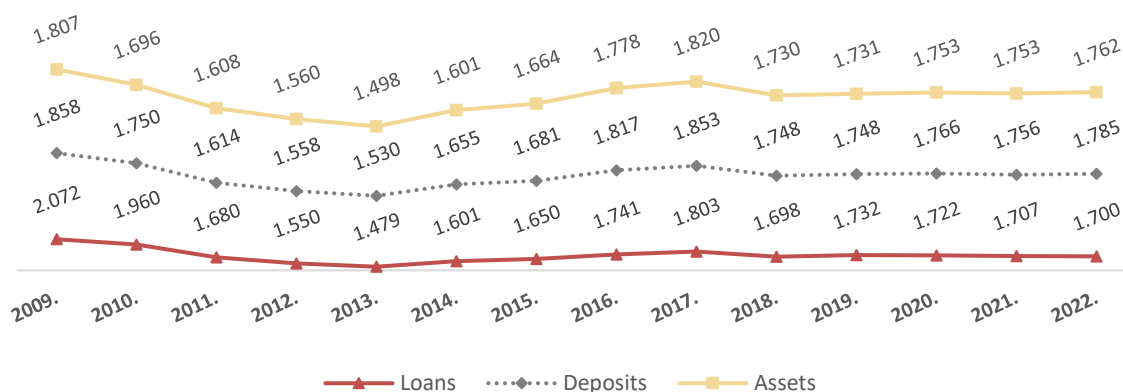
group I (over 1400 million KM of gross assets) group II (700 to 1400 million KM of gross assets)
group III (up to 700 million KM of gross assets)

Three banks belong to the group of banks with gross assets over 1,400 million KM and have a share of 63.3% in total assets, 61.2% in total loans, 64.1% in total deposits and 54.1% in total employees.

In the group of banks with gross assets of 700 to 1,400 million KM in the course of 2022, the number of banks increased to three, and their share in total assets as of 31/12/2022 is 28.5%, in total loans 31.7%, in total deposits 27.6% and in total employees 34.2%

In the group of banks with gross assets below 700 million KM, there was a decrease from three to two banks, which account for 8.2% of total gross assets, 7.1% in total loans, 8.3% in total deposits, and employ 11.7% of the total number of employees in the banking sector.

Graph 12: Hirschman - Herfindahl index (HHI)

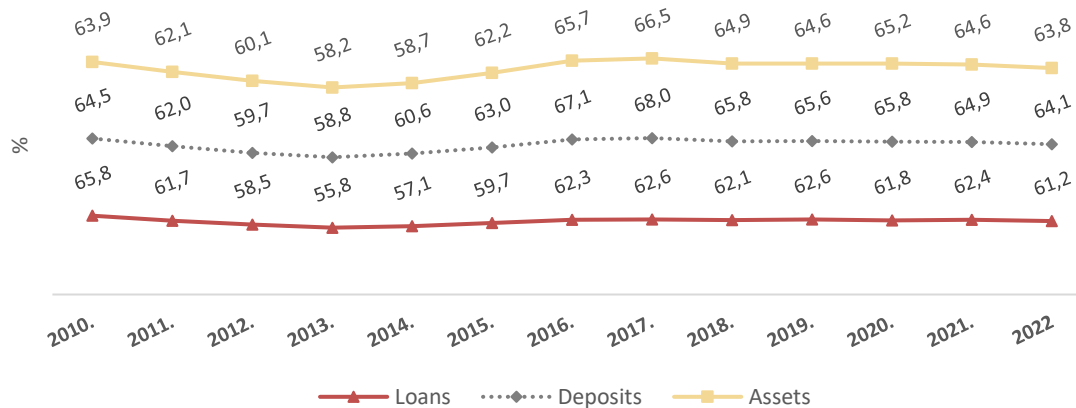


Market concentration on the banking market of Republika Srpska measured by the Herfindahl-Hirschman

index (HHI)³⁸ depends on the share of each bank in the specific balance sheet position of the banking sector. For the three basic elements (loans, deposits and net assets), the value of the HHI index as of 31/12/2022 indicates the existence of a moderate concentration in all three elements, which are close to the upper limit that separates moderate and high concentration.

Another indicator of market concentration in the banking sector of Republika Srpska is the concentration ratio (CR₃)³⁹ for the three largest banks:

Graph 13: Concentration rate (CR₃)



The concentration ratio (CR₃) at the three largest banks: for loans recorded a drop of 1.2 percentage points, for deposits a drop of 0.8 percentage points and for assets a drop of 1 percentage point, compared to the end of 2021.

2.1.1. Liabilities

The structure of liabilities for the three reporting periods and the indices between the two most recent comparative periods are shown in the following table:

Table 8: Liabilities structure

DESCRIPTION	2020.		2021.		2022.		Index 2022/2021.
	Amount	%	Amount	%	Amount	%	
Deposits	6.515,2	76,6	7.498,6	78,5	7.595,2	77,8	101
Obligations per loans taken	678,3	8,0	681,5	7,1	704,7	7,2	103
Subordinated debt	52,3	0,6	52,3	0,5	52,3	0,5	100
Other liabilities	197,2	2,3	189,7	2,0	176,2	1,8	93
Provisioning for off-balance sheet items	11,2	0,1	12,7	0,1	12,8	0,1	101
Capital	1.054,3	12,4	1.116,5	11,7	1.216,0	12,5	109
TOTAL LIABILITIES	8.508,6	100	9.551,3	100	9.757,2	100	102

Total balance sheet liabilities amount to 9.8 billion KM and are higher by 205.9 million KM or 2% compared to the end of 2021. Deposits have the largest share of 77.8% in liabilities, amounting to 7.6 billion KM and recorded an increase of 96.6 million KM or 1% compared to the end of 2021. Capital accounts for 12.5% of total balance sheet liabilities and is higher by 99.5 million KM or 9% compared to the end of 2021. Liabilities for taken loans also recorded an increase of 23.2 million KM or 3%. Reserves for off-balance

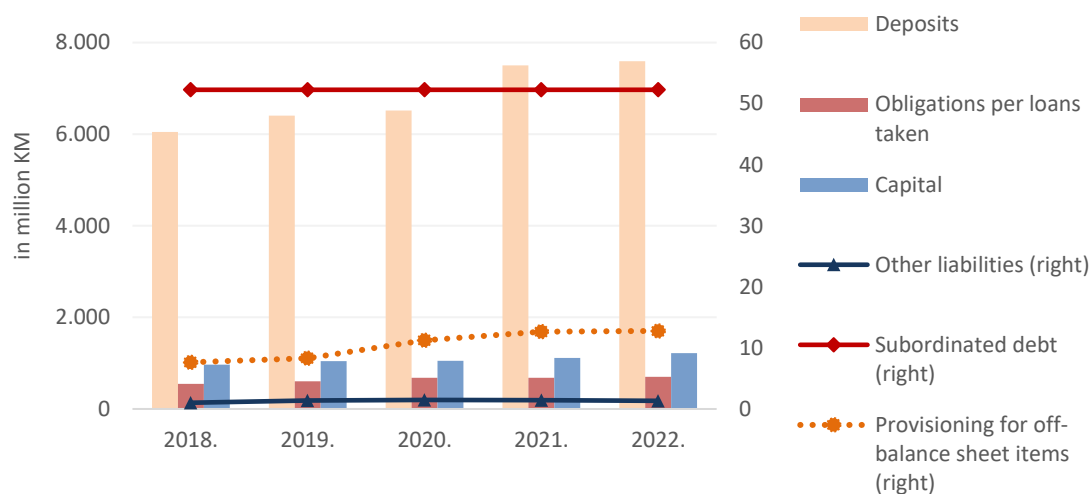
³⁸ If the value of HHI is less than 1,000, it is considered that there is no concentration present in the market, for the value of the index between 1,000 and 1,800 units, there is moderate concentration present in the market, and if the value of HHI is above 1,800, it is an indicator of the existence of high concentration.

³⁹ Concentration ratio (CR) is marked according to the number of institutions that are included in the calculation.

sheet items recorded a slight increase of 1%, while other liabilities decreased by 13.5 million KM or 7% compared to the end of 2021.

The trend of the items that make up the balance sheet liabilities, through the last five comparative periods, is shown in the following graph:

Graph 14: Liabilities structure



2.1.1.1. Capital

The total balance sheet capital is 1.2 billion KM and is higher by 99.5 million KM or 9% compared to the end of 2021.

Table 9: Total balance sheet capital structure

DESCRIPTION	2020.	2021.	2022.	Index 2022/2021.
Permanent preferred shares	6,0	6,0	6,0	100
Ordinary shares	668,0	690,0	693,1	100
Agio (exchange premium)	10,1	7,1	17,3	244
Retained earnings	239,2	294,0	379,2	129
Capital reserves	171,5	144,5	131,3	91
Other capital	-40,5	-25,0	-10,9	44
TOTAL	1.054,3	1.116,5	1.216,0	109

The increase in the total balance sheet capital was influenced by: an increase in the position of retained earnings by 85.3 million KM, an increase in the issue premium by 10.2 million or 144% and a smaller negative position of other capital by 14.1 million KM or 56% (due to the coverage of lacking reserves) compared to the end of 2021.

2.1.1.2. Deposits

Deposits amount to 7.6 billion KM and record an increase of 96.6 million KM or 1% compared to the end of 2021. A significant decrease in deposits occurred in the first quarter of 2022 due to geopolitical events and consequences for the operations of "Sberbank" a.d. Banja Luka, rising inflation (which discourages savings), as well as media headlines related to a one bank's lawsuit and the increase in its reputational risk. Further in the course of 2022 (observed through the second and third quarters) at the level of the banking sector, it is evident that the trend of falling deposits has stopped compared to the events in the first quarter of 2022. However, deposits of the banking sector as of 31/12/2022 recorded a slight growth of 1% compared to the end of 2021

Deposit sector structure

According to the presented sector structure, the sectors that account for 58.1% of the total structure of deposits had a decline in deposits. Household deposits make up 53.8% of total deposits and are lower by 95 million KM or 2%, deposits of non-banking financial institutions make up 4.1% of total deposits and are lower by 21.2 million KM compared to the end of 2021.

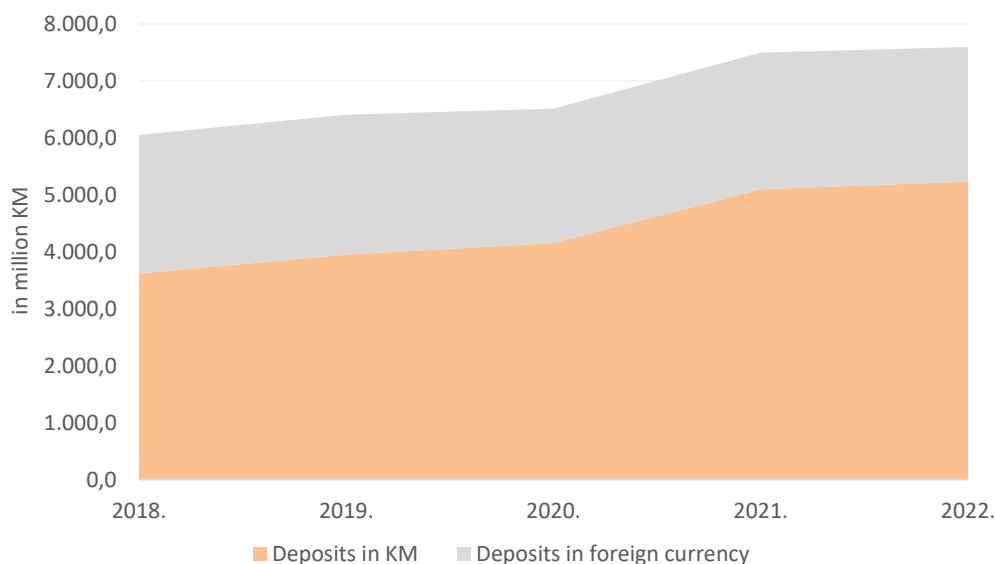
DESCRIPTION	2020.		2021.		2022.		Index 2022/2021.
	Amount	%	Amount	%	Amount	%	
Government and government inst.	622,5	9,6	973,2	13,0	995,7	13,1	102
Public and state entities	324,1	5,0	455,7	6,1	498,6	6,6	109
Private enterprises and companies	943,7	14,5	1.180,4	15,7	1.313,2	17,3	111
Non-profit organizations	105,7	1,6	125,5	1,7	141,9	1,9	113
Banks and banking institutions	361,3	5,5	228,1	3,0	232,1	3,1	102
Non-banking financial institutions	285,8	4,4	331,2	4,4	310,0	4,1	94
Retail/household	3.855,5	59,2	4.179,7	55,7	4.084,7	53,8	98
Other	16,7	0,3	24,8	0,3	18,9	0,2	76
TOTAL	6.515,2	100	7.498,6	100	7.595,2	100	101

There is a growth in deposits in sectors that make up 41.9% of total deposits. Deposits of private enterprises and companies (accounting for 17.3% of total deposits) increased the most, that is by 132.8 million KM, deposits of public and state companies (accounting for 6.6% of total deposits) increased by 42.9 million KM, deposits of the Government and government institutions (accounting for 13.1% of total deposits) are higher by 22.5 million KM, and deposits of non-profit organizations (accounting for 1.9% of total deposits) are higher by 16.4 million KM, compared at the end of 2021.

Deposit structure per currency

Deposits in foreign currency recorded a decrease compared to deposits in domestic currency, which recorded an increase. Deposits in domestic currency increased their share by 0.9 percentage points and make up 68.9% of total deposits, which is shown in the following graph, while deposits in foreign currency decreased their share by 0.9 percentage points and make up 31,1% of total deposits.

Graph 15: Deposit structure per currency



Deposits in domestic currency amount to 5.2 billion KM and recorded an increase of 133.3 million KM or 2.6%, while deposits in foreign currency amount to 2.4 billion KM and recorded a decrease of 36.8 million KM or 1.5% compared to the end of 2021.

Deposit maturity structure

According to the presented maturity structure of deposits in the following table, long-term deposits decreased their share in total deposits by 4 percentage points in favor of short-term deposits. Short-term deposits recorded an increase in the amount of 365.4 million KM or 7%, and long-term deposits recorded a decrease in the amount of 268.8 million KM or 12% compared to the end of 2021.

DESCRIPTION	2020.		2021.		2022.		Index 2022/2021.
	Amount	%	Amount	%	Amount	%	
Total short-term deposits	4.082,7	62,7	5.206,1	69,4	5.571,5	73,4	107
Sight deposits	3.739,4	57,4	4.803,4	64,1	5.147,8	67,8	107
Up to 3 months	136,4	2,1	177,8	2,4	84,9	1,1	48
Up to 1 year	206,9	3,2	224,9	3,0	338,8	4,5	151
Total long-term deposits	2.432,6	37,3	2.292,4	30,6	2.023,6	26,6	88
Up to 3 years	2.094,6	32,1	1.979,8	26,4	1.747,1	23,0	88
Over 3 years	338,0	5,2	312,6	4,2	276,5	3,6	88
Total deposits	6.515,2	100	7.498,6	100	7.595,2	100	101

In the structure of short-term deposits, there was a decrease in savings up to 3 months by 92.9 million KM or 52%, and an increase in demand deposits by 344.4 million or 7% and savings up to 1 year by 113.9 million KM or 51%, and all in relation to the end of 2021. In the structure of long-term deposits, there was a decrease in deposits up to 3 years by 232.7 million KM or 12% and deposits over 3 years by 36.1 million KM or 12%, compared to the end of 2021.

Loans and household savings

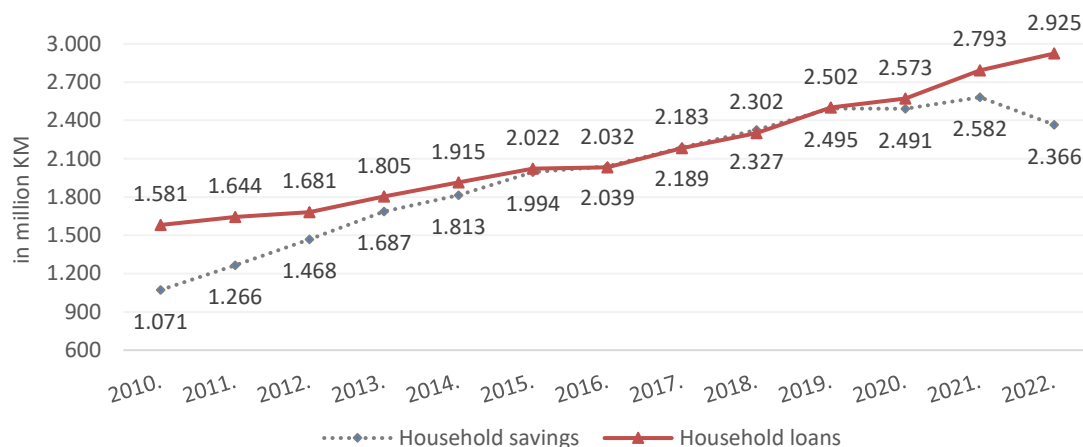
The following table shows the structure and trend of household savings and loans, as well as the degree of coverage of household loans with household savings.

DESCRIPTION	2020.	2021.	2022.	Index 2022/2021.
1. Retail/household loans	2.572,8	2.793,1	2.924,6	105
2. Household savings	2.490,5	2.581,8	2.365,8	92
2.1. termed savings	1.838,4	1.837,9	1.699,2	92
2.2. sight savings	652,2	743,9	666,6	90
3. Loans/Savings	103,3	108,2	123,6	114
4. Household transaction accounts	1.162,6	1.460,3	1.557,8	107
5. Total deposits (2+4)	3.653,1	4.042,2	3.923,6	97
6. Loans/Total deposits	70,4	69,1	74,5	108

In this reporting period, household loans continued to grow, while household savings and total household deposits recorded a decrease. Household loans are higher by 131.5 million KM or 5%, while household savings are lower by 216 million KM or 8%, compared to the end of 2021. Term savings account for 71.8% (at the end of 2021, 71.2%) of the total household savings and are lower by 138.7 million KM or 8%, and demand savings without current household accounts make up 28.2% of the total household savings and are lower by 77.3 million KM or 10% compared to the end of 2021.

However, in addition to that, when the current household accounts are added, which are higher by 97.5 million KM or 7%, we see that the total household deposits are lower by 118.6 million KM or 3% compared to the end of 2021. The ratio obtained when household loans are divided by total household deposits is 74.5% and is higher by 5.4 percentage points compared to the end of 2021.

Graph 16: Household loans and savings

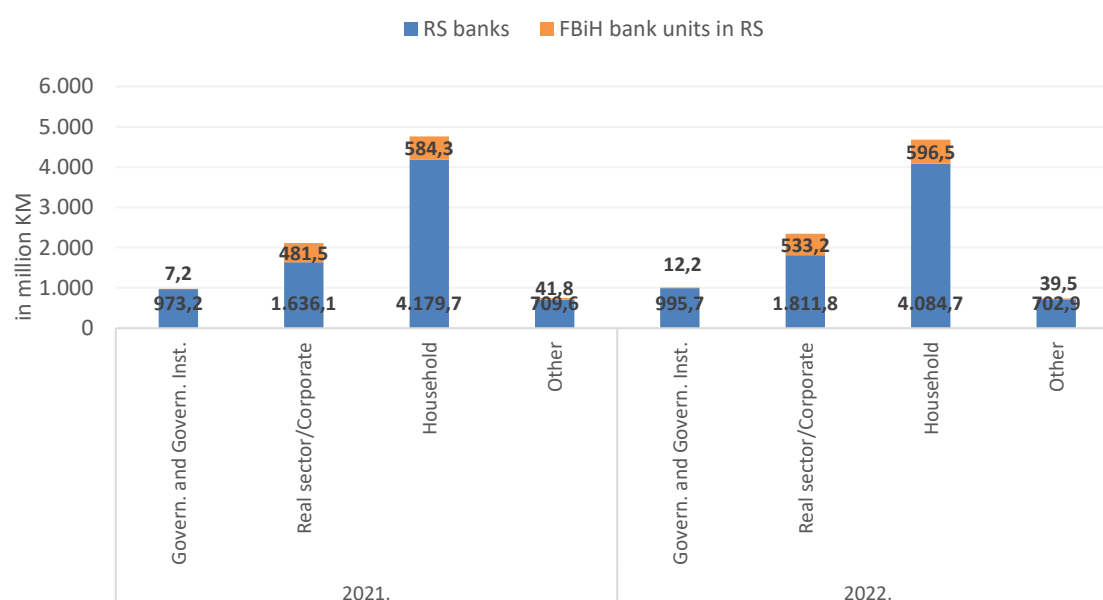


From 2016-2019, the trend of household savings (excluding current accounts) and loans to household is approximately the same, and loans to household are almost completely covered by household savings. In 2020, loans to household grew, and household savings recorded a slight decline, so the ratio of coverage of loans to household by household savings is lower by 3 percentage points compared to the end of 2019, i.e. household savings is lower than the loans to household. In this reporting period, household loans increased by 4.7%, and household savings decreased by 8.4%, which led to a decrease in the coverage ratio of household loans with household savings by 15.4 percentage points compared to the end of 2021. Loans to household are 558.8 million KM higher than the household savings.

Total collected deposits in Republika Srpska

The sector structure of the total collected deposits of banks with headquarters in Republika Srpska and business units of banks from the Federation of BiH is given in the following graph:

Graph 17: Sector structure of total received deposits



The total collected deposits amount to 8.8 billion KM and are higher by 163.4 million KM or 2% compared to the end of 2021.

Short-term deposits amount to 6.6 billion KM and are higher by 490.8 million KM or 8%, and long-term deposits amount to 2.2 billion KM and are lower by 327.4 million KM or 13% compared to the end of 2021. In the case of short-term deposits, the largest percentage in the structure of the same is held by household deposits, which amount to 3 billion KM and are higher by 148.6 million KM or 5%.

In the structure of long-term deposits, the largest percentage refers to household deposits, which amount to 1.7 billion KM and are lower by 231.3 million KM or 12% compared to the end of 2021.

2.1.2. Assets

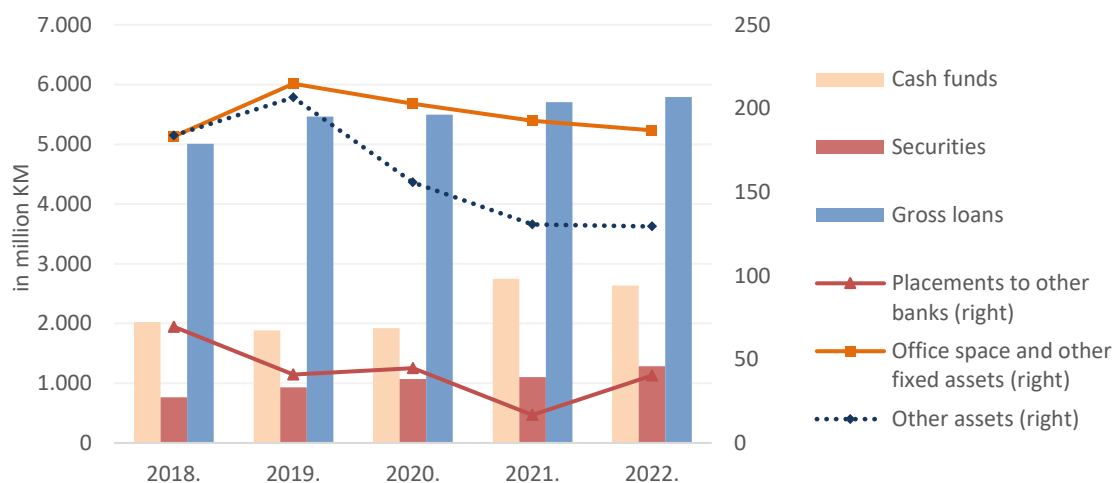
Gross balance sheet assets amount to 10.1 billion KM and are higher by 177.7 million KM or 2% compared to the end of 2021. Gross loans and cash funds account for 83.7% of total assets. Cash funds recorded a decrease of 108.8 million KM or 4%, while gross loans recorded an increase of 87.8 million KM or 2% compared to the end of 2021. The highest growth was recorded by securities (for trading and held up to maturity), which grew by 182.3 million KM or 16.5% compared to the end of 2021.

Table 14: Balance sheet asset structure (gross)

DESCRIPTION	mill. KM						Index 2022/ 2021.
	2020.		2021.		2022.		
	Amount	%	Amount	%	Amount	%	
ASSETS (PROPERTY)							
Cash funds	1.920,2	21,6	2.745,4	27,8	2.636,6	26,2	96
Trading securities	1.050,6	11,8	1.075,7	10,9	1.197,5	11,9	111
Placements to other banks	44,8	0,5	16,7	0,2	40,4	0,4	242
Loans (gross)	5.493,8	61,8	5.705,1	57,7	5.792,9	57,5	102
Securities held up to maturity	21,2	0,2	25,9	0,3	86,4	0,9	334
Office space and other fixed assets	202,8	2,3	192,7	1,9	186,8	1,9	97
Other assets	155,8	1,8	130,7	1,3	129,4	1,3	99
TOTAL	8.889,2	100	9.892,3	100	10.070,0	100	102

The trend of items that make up the assets of the banking sector through the last five comparative periods is shown in the following graph. Since 2019 to this reporting period, there is a continuous growth of gross loans and securities, while a continuous decline is recorded by office space and other fixed assets, and other assets. However, since 2019, cash funds had a continuous growth, until this reporting period, when they recorded a decrease compared to the end of 2021.

Graph 18: Balance sheet asset structure



Total active off-balance sheet as of 31/12/2022 is 1.5 billion KM and recorded an increase of 90.6 million KM or 6% compared to the end of 2021.

Table 15: Off-balance sheet asset structure

DESCRIPTION	2020.		2021.		2022.		Index 2022/2021
	Amount	%	Amount	%	Amount	%	
Risk off-balance sheet	1.129,3	100,0	1.183,7	100,0	1.277,2	100,0	108
1. Irrevocably approved, undrawn loans	610,5	54,1	628,3	53,1	634,2	49,7	101
2. Non-covered letters of credit	2,7	0,2	5,6	0,5	0,8	0,1	13
3. Issued guarantees	514,7	45,6	549,4	46,4	641,5	50,2	117
3.1. Payable guarantees	175,6	15,6	191,3	16,2	204,5	16,0	107
3.2. Performance guarantees	339,1	30,0	358,0	30,2	437,0	34,2	122
4. Other off-balance sheet items	1,3	0,1	0,5	0,0	0,7	0,1	151
Revocable credit liabilities	109,6		125,5		128,4		102
Commission transactions	83,4		88,6		82,7		93
TOTAL OFF-BALANCE SHEET	1.322,3		1.397,8		1.488,4		106

In the structure of the risk off-balance sheet, mostly all positions had growth, and the most significant items refer to irrevocably approved and undrawn loans and issued guarantees. Guarantees issued are higher by 92.1 million KM or 17%, and irrevocably approved and undrawn loans are higher by 5.9 million KM or 1%, compared to the end of 2021. In the structure of issued guarantees, performance guarantees are higher by 79 million KM or 22%, and payable guarantees by 13.2 million KM or 7% compared to the end of 2021.

2.1.2.1. Cash funds

Cash funds in total amount to 2.6 billion KM and are lower by 108.8 million KM or 4% compared to the end of 2021. The following table shows the structure of cash funds.

Table 16: Cash funds structure							mill. KM
DESCRIPTION	2020.		2021.		2022.		Index 2022/2021
	Amount	%	Amount	%	Amount	%	
Cash funds	264,8	13,8	319,0	11,6	352,6	13,4	111
KM	169,1	8,8	182,6	6,7	210,4	8,0	115
foreign currency	95,6	5,0	136,4	5,0	142,2	5,4	104
Reserve accounts at CBBH	1.324,7	69,0	1.901,2	69,2	1.806,8	68,5	95
KM	1.324,7	69,0	1.901,2	69,2	1.806,8	68,5	95
foreign currency	0,0	0,0	0,0	0,0	0,0	0,0	-
Deposit accounts with depository institute. in BiH	21,7	1,1	24,1	0,9	26,1	1,0	108
KM	1,0	0,1	2,9	0,1	1,1	0,0	40
foreign currency	20,7	1,1	21,2	0,8	25,0	0,9	118
Deposit accounts with depository institute. abroad	309,1	16,1	500,2	18,2	451,1	17,1	90
KM	0,0	0,0	0,0	0,0	0,0	0,0	-
foreign currency	309,1	16,1	500,2	18,2	451,1	17,1	90
Cash funds in collection process	0,0	0,0	1,0	0,0	0,0	0,0	0
KM	0,0	0,0	0,0	0,0	0,0	0,0	-
foreign currency	0,0	0,0	1,0	0,0	0,0	0,0	0
Debts not-repaid	0,0	0,0	0,0	0,0	0,0	0,0	-
KM	0,0	0,0	0,0	0,0	0,0	0,0	-
foreign currency	0,0	0,0	0,0	0,0	0,0	0,0	-
TOTAL	1.920,2	100,0	2.745,4	100,0	2.636,6	100,0	96
KM	1.494,8	77,8	2.086,6	76,0	2.018,3	76,5	97
foreign currency	425,4	22,2	658,8	24,0	618,3	23,5	94

Cash funds in KM make up 76.5% of total cash funds, amount to 2 billion KM and have a decrease of 3% or 68.3 million KM compared to the end of 2021. Cash funds in foreign currency make up 23.5% of total cash funds, amount to 618 million KM and have a decrease of 6% or 40.5 million KM compared to the end of 2021.

Cash funds in the reserve account with the CBBiH make up 68.5% of the total cash funds and amount to 1.8 billion KM and are less by 94.4 million KM or 5% compared to the end of 2021.

Coins and bank notes account for 13.4% of total cash funds, amount to 352.6 million KM, have a growth of 33.6 million KM or 11%, with the fact that cash in KM is higher by 15%, and cash in foreign currencies is higher by 4%, and compared to the end of 2021.

Cash funds in the deposit account with depository institutions abroad make up 17.1% of total cash funds, amount to 451.1 million KM and are less by 49.1 million KM or 10% compared to the end of 2021.

Of the total cash funds (2.6 billion KM), the amount of 1.4 billion KM or 52% are interest-bearing deposit accounts (at the end of 2021, they made up 52.2% of the total cash funds), and the amount of 1.3 billion KM is the position of coins and bank notes and non-interest-bearing accounts on which banks do not generate income, which accounts for 48% of total cash funds (as of the end of 2021, it accounted for 47.8% of total cash funds). In this reporting period, there was a greater decrease in interest-bearing deposits (by 60.6 million KM) compared to non-interest-bearing deposits (by 48.2 million).

2.1.2.2. Securities

Investments in securities in total amount to 1.3 billion KM.

The following table shows securities by type:

DESCRIPTION	2020.		2021.		2022.		Index 2022/2021
	Amount	%	Amount	%	Amount	%	
Equity securities	14,0	100,0	15,1	100,0	26,3	100,0	174
Shares	14,0	99,9	15,1	99,9	26,3	100,0	174
Other equity shares	0,0	0,1	0,0	0,1	0,0	0,0	138
Debt securities	1.060,3	100	1.089,0	100	1.270,9	100	117
Bonds	946,8	89,3	960,5	88,2	1.045,2	82,2	109
Treasury bills	113,5	10,7	128,5	11,8	225,7	17,8	176

Equity securities make up 2% of the total securities, have a growth of 11.2 million KM or 74% compared to the end of 2021 and refer to shares. Debt securities are higher by 181.9 million KM or 17% compared to the end of 2021. In the structure of debt securities, bonds make up 82.2% of the total debt securities and have an increase of 84.7 million KM or by 9% compared to the end of 2021. Treasury bills make up 17.8% of total debt securities and have increased by 97.2 million KM or 76% compared to the end of 2021.

The following table shows securities by issuer and origin of the issuer:

DESCRIPTION	2020.		2021.		2022.		Index 2022/2021
	Amount	%	Amount	%	Amount	%	
1. Equity securities	14,0	100,0	15,2	100,0	26,3	100,0	174
Domestic equity investments	2,4	17,3	2,5	16,3	13,2	50,2	535
Foreign equity investments	11,6	82,7	12,7	83,7	13,1	49,8	103
2. Debt securities	1.060,3	100,0	1.089,0	100,0	1.270,9	100,0	117
Countries and government	1.027,8	96,9	1.022,1	93,9	1.206,4	94,9	118
Republika Srpska	832,9	78,6	849,7	78,0	954,8	75,1	112
Federation BiH	0,0	0,0	10,0	0,9	0,0	0,0	0
EU member states	190,1	17,9	153,7	14,1	227,3	17,9	148
Other countries	4,8	0,5	8,6	0,8	24,3	1,9	282
Other issuers	32,5	3,1	66,9	6,1	64,5	5,1	96
Republika Srpska	8,3	0,8	35,7	3,3	36,6	2,9	102
EU member states	24,3	2,3	31,2	2,9	27,9	2,2	89
Other countries	0,0	0,0	0,0	0,0	0,0	0,0	-

If we look at the structure of the equity securities, 50.2% or 13.2 million KM refers to domestic equity investments, and 49.8% or 13.1 million KM refers to foreign equity investments.

In the structure of debt securities, the dominant share is securities issued by states and governments, accounting for 94.9% and recording an increase of 184.3 million KM or 18% compared to the end of 2021. In the structure of debt securities issued by states and governments, the dominant share is the securities issued by Republika Srpska with a share of 75.1% and a growth rate of 12%, i.e. they grew in the amount of 105.1 million KM, followed by EU member states with a share of 17.9% and a growth of 73.6 million KM or 48% compared to the end of 2021.

2.1.2.3. Loans

Gross loans amount to 5.8 billion KM or 57.5% of gross balance assets and are higher by 87.8 million KM or 2% compared to the end of 2021.

In the course of 2022, the banks made an accounting write-off of the loan principal in the amount of 36.9 million KM and a permanent write-off of the loan principal in the amount of 22.5 million KM.

Sector structure of total loans

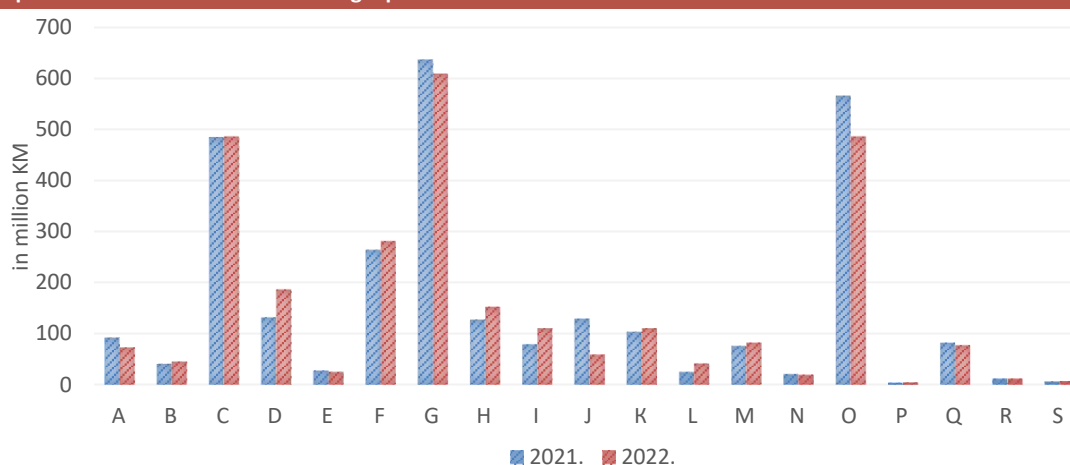
According to the presented sector structure of total loans, the largest share is still held by household loans and loans given to private enterprises and companies.

DESCRIPTION	2020.		2021.		2022.		Index 2022/2021
	Amount	%	Amount	%	Amount	%	
Government and Government inst.	683,9	12,4	631,5	11,1	547,9	9,5	87
Public and State Enterprises	247,9	4,5	237,2	4,2	325,2	5,6	137
Private Enterprises and Companies	1.916,6	34,9	1.976,2	34,6	1.902,7	32,8	96
Non-Profit Organizations	6,3	0,1	4,8	0,1	11,5	0,2	239
Banks and Banking Institutions	0,0	0,0	0,0	0,0	0,0	0,0	-
Non-Banking Financial Institutions	56,4	1,0	55,1	1,0	58,8	1,0	107
Private individuals	2.572,8	46,8	2.793,1	49,0	2.924,6	50,5	105
Other	9,9	0,2	7,3	0,1	22,1	0,4	304
TOTAL	5.493,8	100	5.705,1	100	5.792,9	100	102

Loan growth was recorded in the case of household loans by 131.5 million KM or 5%, to public and state enterprises by 88 million KM or 37%, to non-banking financial institutions by 3.7 million KM or 7%, loans to non-profit organizations by 6,7 million KM or 139% and other loans by 14.8 million KM or 204%. The decrease in loans was recorded in loans to the Government and government institutions by 83.6 million KM or 13% and loans given to private enterprises and companies by 73.5 million KM or 4% compared to the end of 2021.

Detailed branch structure of loans to legal entities and the trend through two comparative periods is shown in the following chart.

Graph 19: Loan branch structure of legal persons



LEGEND

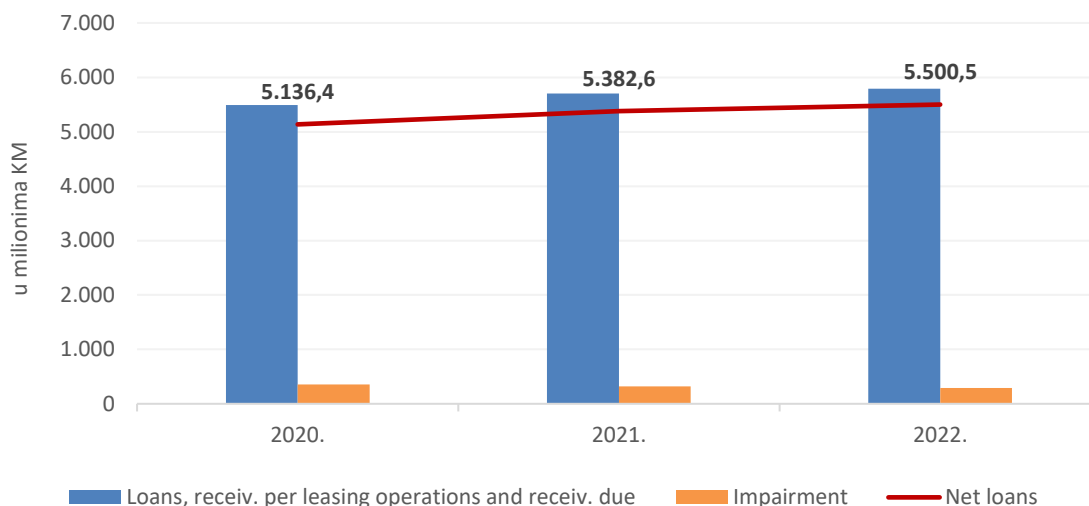
A	Agriculture, forestry, fishing	K	Financial and insurance activities
B	Mining	L	Real estate activities
C	Manufacture industry	M	Expert, scientific and technical activities
D	Production and supply of electricity, gas, steam and air conditioning	N	Administrative and support service activities
E	Water supply; sewerage, waste management and remediation activities	O	Public administration and defence; compulsory social insurance
F	Construction	P	Education
G	Wholesale and retail trade; repair of motor vehicles and motorcycles	Q	Health and social work activities
H	Traffic and warehousing	R	Art, entertainment and recreation
I	Accommodation, food preparation and serving activities; hotel and catering	S	Other service activities
J	Information and communication		

In the structure of total loans (legal entities and private individuals), the largest percentage of 31.9% refers to the financing of the general household consumption, 14.9% refers to the financing of housing needs, followed by: 10.5% trade, 8.4 % public administration, 8.4% manufacturing industry, 4.9% construction, and 21% refers to all other sectors (Attachment No. 2).

Net loans

Net loans represent gross loans less ECL according to the Decision on credit risk management and determining expected credit losses. The stock and trend of the net loans of Republika Srpska banks can be seen from the following chart:

Graph 20: Net loans



Net loans amount to 5.5 billion KM and are higher by 117.9 million KM or 2% compared to the end of 2021. Loans, receivables from leasing operations and due receivables are higher by 87.8 million KM or 2%, and ECL is lower by 30.1 million KM or 9% compared to the end of 2021. Coverage of total loans by expected credit losses (ECL) is 5% (as of 31/12/2021, it was 5.7% of total loans).

Loan maturity structure

Short-term loans increased by 37.6 million KM or 4.9%, and long-term loans increased by 98.6 million KM or 2.1% compared to the end of 2021. Long-term loans account for 84.1% of total loans and have increased their share by 0.4 percentage points compared to the end of 2021. Due receivables are lower by 48.5 million KM or 30.7% compared to the end of 2021.

The biggest decrease was recorded in the due receivables of private enterprises and companies (in the amount of 35.9 million KM or 37.9%), private individuals (in the amount of 9.9 million KM or 16.7%), and public and state companies (in the amount of 2.3 million KM or 88.5%) compared to the end of 2021. The increase in due receivables is attributed to the Government and government institutions, but their share in the structure of total due receivables is not significant (0.5%).

Table 20: Loan maturity structure

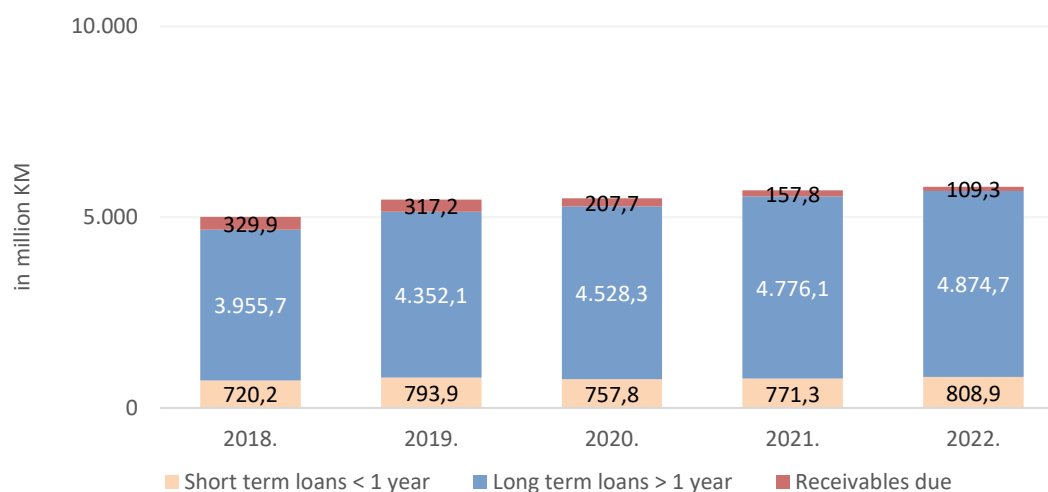
mill. KM

DESCRIPTION	Short term loans < 1 year			Long term loans >1 year			Receivables due		
	2021.	2022.	Index	2021.	2022.	Index	2021.	2022.	Index
Government and Government inst.	6,5	5,9	92	624,6	541,3	87	0,5	0,6	113
Public and state Ent.	10,9	48,9	449	223,7	276,1	123	2,6	0,3	11
Private Ent. And Companies	568,4	563,4	99	1.313,1	1.280,5	98	94,7	58,8	62
Non-profit organizations	0,4	0,1	28	4,3	11,3	262	0,1	0,1	119
Banks and bank. Inst.	0,0	0,0	-	0,0	0,0	-	0,0	0,0	-
Non-bank. Fin. Inst.	7,5	4,9	65	47,2	54,0	114	0,4	0,0	0
Retail/household	177,6	177,5	100	2.556,0	2.697,6	106	59,4	49,5	83
Other	0,1	8,2	0	7,2	13,9	194	0,0	0,0	191
TOTAL	771,3	808,9	105	4.776,1	4.874,7	102	157,8	109,3	69

In the structure of short-term and long-term loans, loans to private enterprises and companies and the household have a dominant share. Long-term loans to the household increased by 6% compared to the end of 2021, and they account for 55.3% of the total long-term loans. Long-term loans to private enterprises and companies decreased by 2% compared to the end of 2021, and they account for 26.3% of the total long-term loans.

Short-term household loans are at approximately the same level compared to the end of 2021, and they account for 21.9% of total short-term loans. Short-term loans to private enterprises and companies are 1% lower than at the end of 2021, and they account for 69.6% of total short-term loans.

Graph 21: Loan maturity structure

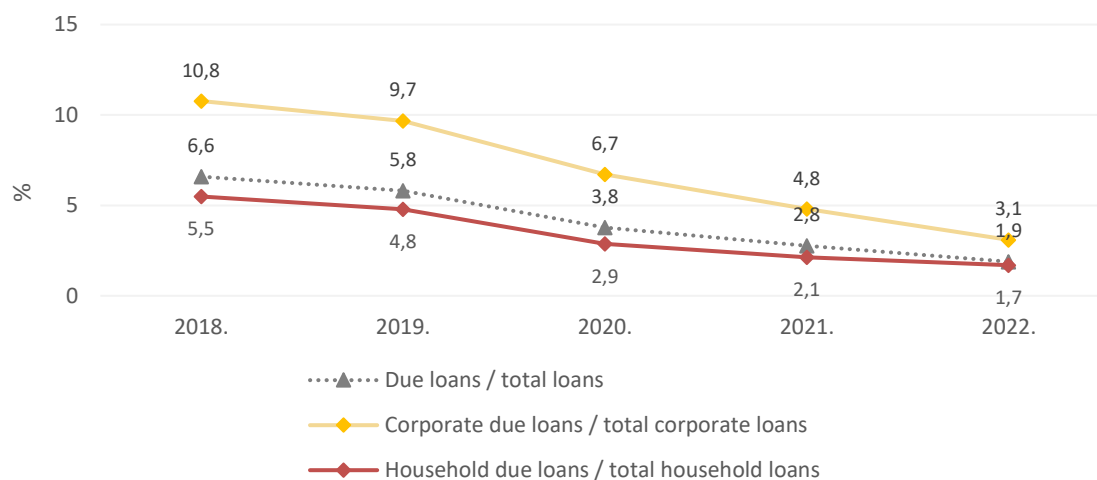


Changes in the maturity structure of loans are shown in the previous graph through a series of five comparative periods, starting from 2018.

Due receivables on loans

Due receivables on loans from private enterprises and companies and due receivables on household loans together make up 99.1% of total due receivables.

Graph 22: Ratio of loan receivables due and total loans



As of 31/12/2022, the ratio of overdue loans in relation to total loans is 1.9% (as of 31/12/2021 it was 2.8%), the ratio of overdue loans of private enterprises and companies in relation to total loans to private enterprises and companies is 3.1% (as of 31/12/2021 it was 4.8%) and the ratio of overdue loans to household in relation to total household loans is 1.7% (as of 31/12/2021 it was 2.1%).

Loan currency structure

According to the currency structure of the loans, loans with a currency clause in total loans account for 54%, loans in foreign currency (EUR) with 0.6%, and loans in domestic currency with 45.4%.

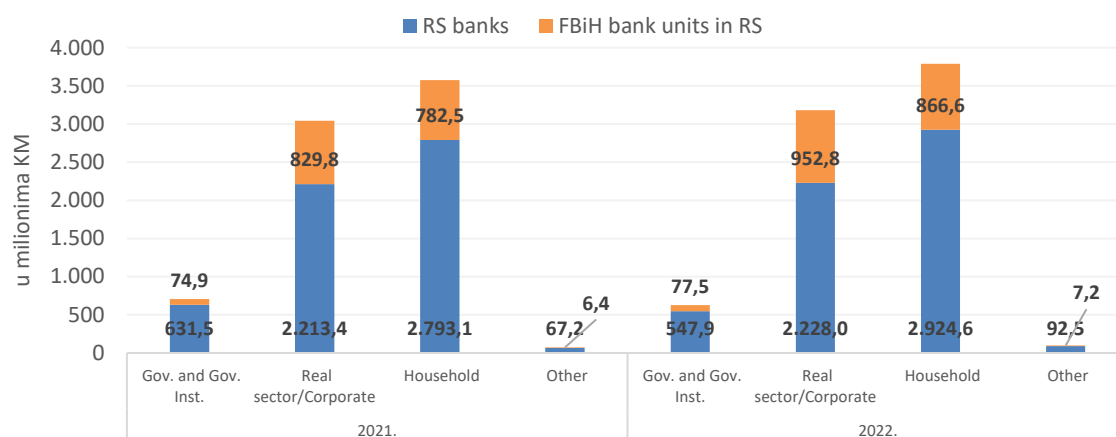
Maturity and sector structure of loans of Republika Srpska banks and business units of FBiH banks

The maturity and sector structure of loans placed by banks with headquarters in Republika Srpska and branches and business units of banks with headquarters in the Federation of BiH is very similar. That is, we see that the most represented loans are placed to the real sector and household, and that they are oriented towards long-term lending.

Total loans placed in Republika Srpska as of 31/12/2022 amount to 7.7 billion KM and are 4% higher compared to the end of 2021, of which loans from organizational units of banks whose headquarters are in the Federation of BiH amount to 1.9 billion KM or 24.7% of total loans placed in Republika Srpska and have a growth of 210.5 million KM or 12% compared to the end of 2021. Organizational units of banks from Republika Srpska (three banks) operating in the territory of the Federation of BiH placed a total of 280.2 million KM in loans, with an increase in the amount of 10.5 million KM or 4% compared to the end of 2021.

A comparative overview of the most represented branches from the sector structure of loans of banks from Republika Srpska and business units of banks from the Federation of BiH that operate in the territory of Republika Srpska is shown in the following graph.

Graph 23: Sector structure of loans of Republika Srpska banks and bank business units from the Federation of BiH



Household loans

Total loans to household placed by banks from Republika Srpska and organizational units of banks based in the Federation of BiH operating in the territory of Republika Srpska as of 31/12/2022 amount to 3.8 billion KM and are higher by 215.6 million KM or 6% compared to the end of 2021.

Of the total loans to household, banks from Republika Srpska placed 2.9 billion KM or 77.1% of total household loans, while the business units of banks headquartered in the Federation of BiH placed 866.6 million KM or 22.9% of total household loans.

Short-term household loans are lower by 8.8 million KM or 3% compared to the end of 2021 and make up 7% of the total household loans.

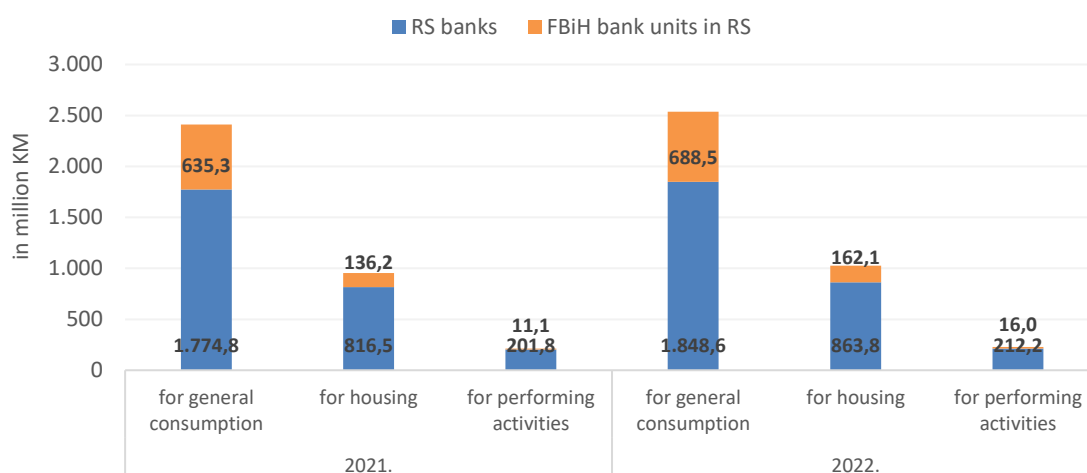
Long-term household loans given are higher by 224.5 million KM or 7% compared to the end of 2021 and make up 93% of the total household loans.

In the structure of total loans, short-term loans for general consumption make up 5.7% of total household loans and are lower by 9.3 million KM or 4% compared to the end of 2021. In the structure of total loans, long-term loans for general consumption make up 61.3% of total household loans and are higher by 136.4 million KM or 6%.

Loans for housing needs (short-term and long-term) make up 27.1% of total household loans and are higher by 73.3 million KM or 7.7% compared to the end of 2021.

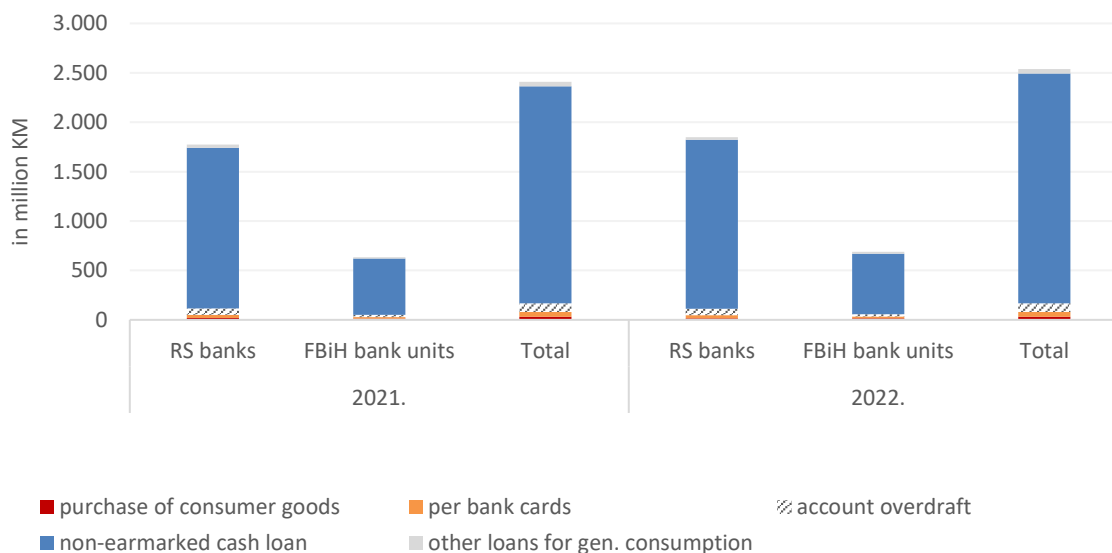
Loans for the performance of business (short-term and long-term) make up 6% of the total household loans and are higher by 15.2 million KM or 7.1% compared to the end of 2021.

Graph 24: Household loan structure



The previous graph shows the sector structure of household loans placed by banks from Republika Srpska and business units of banks from the Federation of BiH.

Graph 25: Earmarked structure of household loans for general consumption



Total household loans for general consumption amount to 2.5 billion KM and are higher by 127.1 million KM or 5.3%, compared to the end of 2021.

According to the purpose structure of household loans for general consumption, non-purpose cash loans make up 91.6% of total household loans for general consumption and are higher by 126.1 million KM or 6%, while a significant decrease is recorded by Lombard loans (by 1.8 million KM or 23%) and loans for the purchase of cars (for 0.8 million KM or 26%), compared to the end of 2021

Household indebtedness by banking sector loans

The following table shows the trend of total household loans by banks from Republika Srpska and business units of banks from the FBiH:

DESCRIPTION	2020.	2021.	2022.	Index
				2022/2021
Private individual loans				-
1. RS banks	2.387,9	2.591,3	2.712,5	105
2. RS bank business units in FBiH	113,0	111,7	111,5	100
3. FBiH bank business units in RS	722,6	771,4	850,6	110
TOTAL (1-2+3)	2.997,6	3.251,0	3.451,6	106
Republika Srpska population number ⁴⁰	1.136.000	1.136.000	1.128.309	
Republika Srpska indebtedness per capita (in KM)⁴¹	2.638,7	2.861,8	3.059,1	107

According to the latest publication of the Republika Srpska Institute of Statistics, the population in Republika Srpska is 1,128,309, and the total amount of household loans is 3,451.6 million KM, which gives credit indebtedness per capita in the amount of 3,059.1 KM (as of 31/12/2021 it was 2,861.8 KM).

Total collected deposits and placed loans in Republika Srpska

Business units of banks headquartered in the Federation of BiH and operating in Republika Srpska have a deposit growth of 6% and a loan growth of 12% compared to the end of 2021.

DESCRIPTION	2021.		2022.		Deposit index	Loan index
	Deposit amount	Loan amount	Deposit amount	Loan amount		
1. RS banks	7.498,6	5.705,1	7.595,2	5.792,9	101	102
2. FBiH bank business units	1.114,8	1.693,6	1.181,5	1.904,1	106	112
3. TOTAL	8.613,3	7.398,8	8.776,7	7.697,0	102	104
4. Minus: RS bank business units in FBiH	447,9	269,7	454,6	280,2	102	104
5. TOTAL	8.165,5	7.129,1	8.322,1	7.416,8	102	104

Business units of banks headquartered in Republika Srpska and operating in the territory of the Federation of BiH have a deposit growth (2%) and a loan growth of 4%, compared to the end of 2021. At the overall level, deposits are higher by 2% and loans are higher by 4% compared to the end of 2021.

⁴⁰ As of 31/12/2021, instead of the number of inhabitants according to the 2013 census, the number of inhabitants published by the Republika Srpska Institute of Statistics is taken into account:

https://www.rzs.rs.ba/static/uploads/saopstenja/stanovnistvo/procene_stanovnistva/20132021/Procjene_Stanovnistva_2013_2021.pdf

⁴¹ Due to the changed method of monitoring loans to households for the purposes of calculating credit indebtedness per capita, as of 31/12/2019, the indicator is reduced by loans to entrepreneur shops for the performance of their.

2.2. Profitability

Structure of the income statement of the Republika Srpska banking sector as of 31/12/2021 and 31/12/2022 is shown in the following table:

Table 23: RS banking sector income statement					mill. KM
DESCRIPTION	31.12.2021.		31.12.2022.		Index
	Amount	%	Amount	%	
1. INTEREST INCOME AND SIMILAR INCOME					
a) Interest income and similar income	308,2	61,9	329,6	60,0	107
b) Operational income	190,0	38,1	219,6	40,0	116
2. TOTAL INCOME (1.a+1.b)	498,2	100	549,2	100	110
3. EXPENSES					
a) Interest expenses and similar expenses	57,9	15,5	50,3	12,7	87
b) Business and direct expenses	69,8	18,7	96,5	24,3	138
c) Operational expenses	245,7	65,8	249,4	62,9	102
4. TOTAL EXPENSES (3.a+3.b+3.c)	373,5	100	396,3	100	106
TOTAL INCOME - EXPENSES (2.- 4.)	124,7		152,9		123
PROFIT BEFORE TAX	132,4		152,9		116
LOSS	7,7		0,0		0
TAX	10,4		13,3		127
Profit per increase of deferred tax funds and decrease of deferred tax obligations	2,5		0,8		32
Loss per decrease of deferred tax funds and increase of deferred tax obligations	1,3		1,1		87
NET-PROFIT	122,8		139,3		113
NET-LOSS	7,3		0,0		0

The total income of banks for 2022 amounts to 549.2 million KM and is higher by 51 million KM or 10% compared to the end of 2021.

Interest income and similar income amount to 329.6 million KM and are higher by 21.4 million KM or 7%, and operational income amounts to 219.6 million KM and is higher by 29.6 million KM or 16% compared to the end in 2021.

In the structure of interest income and similar income, the most significant is still interest income on loans amounting to 275 million KM or 83.4% of total interest income, with growth in the amount of 16 million KM or 6% compared to the end of 2021. Income from securities amounts to 25 million KM or 7.6% of total interest income and similar income, with a growth rate of 3% compared to the end of 2021, while other interest income and similar income amounts to 28.1 million KM with a share of 8.5% and is higher by 3.4 million KM or 14% (income from fees for credit transactions, from placements with other banks and interest-bearing deposit accounts with depository institutions and similar).

Operational income amounts to 219.6 million KM and makes up 40% of total income with growth in the amount of 29.6 million KM or 16% compared to the end of 2021. The structure of operational income consists of: income from payment services performed in the amount of 148 million KM or 67.4% of total operational income with an increase of 20.4 million KM or 16% compared to the end of 2021, then income from operations with foreign exchange in the amount of 22.7 million KM or 10.3% of total operational income with a growth of 4.7 million KM or 26%, income from off-balance sheet activities in the amount of 11.2 million KM or 5.1% of total operational income with a growth of 1.3 million or 14%, income from loan fees in the amount of 5.4 million KM or 2.4% of total operational income with a growth of 1%, and other operational income in the total amount of 32.1 million KM or 14.6% of total operational income with a growth of 11% or in the amount of 3.1 million KM (other operational income consists of income from trading activities, net positive exchange differences, income from collected written-off receivables, rent, sale of fixed assets and intangible investments, income from holding in the capital of other legal entities and other income), all in relation to the end of 2021.

The total expenses of the banking sector amount to 396.3 million KM and are higher by 22.8 million KM or 6% compared to the end of 2021.

According to the structure of the total expenses of the banking sector, interest expenses and similar expenses amount to 50.3 million KM or 12.7% of total expenses and record a decrease of 7.6 million KM compared to the end of 2021.

Business and direct expenses amount to 96.5 million KM or 24.3% of total expenses and are higher by 26.6 million KM or 38%, and consist of: costs of reserves for general credit risk and potential credit and other losses on the balance sheet and off-balance sheet provisions (formed by applying the Decision on credit risk management and determining expected credit losses) in the amount of 44.8 million KM or 46% of total business and direct expenses with an increase of 19.8 million KM or 79%, and other business and direct expenses (expenses based on fees and charges and similar) in the amount of 51.7 million KM or 54% of total business and direct expenses with an increase of 6.8 million KM or 15% compared to the end of 2021.

Operational expenses amount to 249.4 million KM or 62.9% of total expenses and are higher by 3.7 million KM or 2% compared to the end of 2021. These expenses refer to the costs of salaries and contributions in the amount of 110.3 million KM, and are higher by 6.3 million KM or 6% compared to the end of 2021, then to the costs of office space, other fixed assets and overhead in to the amount of 72.9 million KM, which are higher by 0.7 million KM or 1%, and to other operational expenses in the amount of 66.2 million KM (mostly related to intangible costs, negative exchange differences, debiting and write-off of fixed assets and intangible investments, costs of taxes and contributions, costs of provisions for liabilities, losses from the sale of fixed assets and other costs) which are lower by 3.2 million KM or 4.7% compared to the end of 2021.

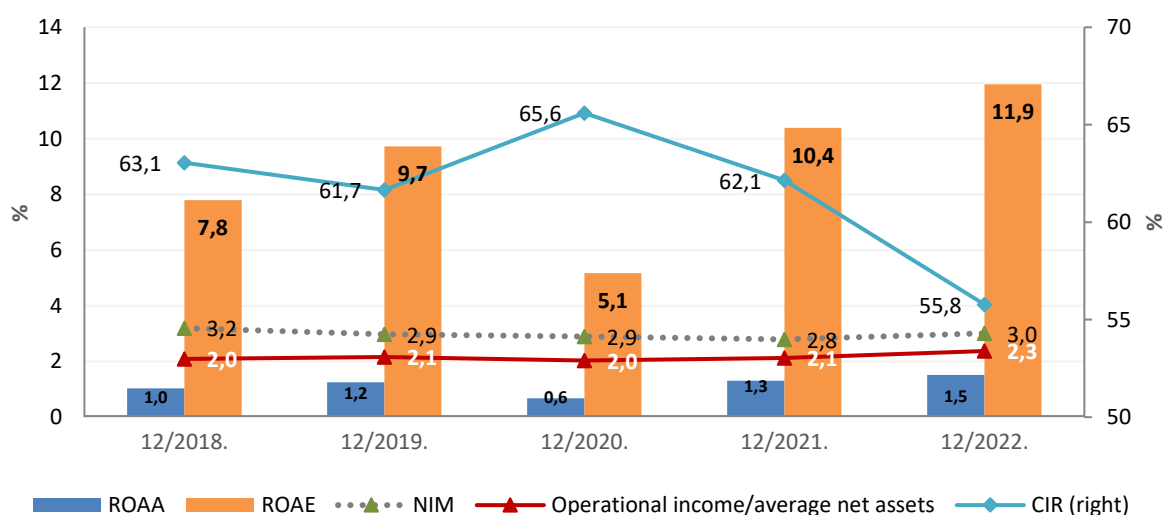
In this reporting period, banks generated a higher growth in total income (10%) compared to the growth in total expenses (6%).

Based on the report of the banks of the banking sector of Republika Srpska for 2022, all banks reported a net profit in the total amount of 139.3 million KM, which is higher by 16.5 million or 13.4% compared to the end of 2021.

Profitability ratio

The profitability ratios of the banking sector measured on the basis of the annual level of net profit and the average balance of assets and capital (13-month average) for five reporting periods are shown in the following table:

Graph 26: Profitability ratio



NIM (Net Income Margin): Net interest income/average net assets

CIR (Cost-income Ratio) : Operational expenses/Total income reduced by other business and direct costs

An overview of the profitability ratios shows a significant increase in the profitability of banks. ROAA ratio is 1.5% and is higher by 0.2 percentage points, ROAE is 11.9% and is higher by 1.5 percentage points, NIM is 3% and is higher by 0.2 percentage points, while CIR is 55.8% and is lower by 6.3 percentage points, compared to the end of 2021.

2.3. Banks' business operations risks

In accordance with the Agency's regulations, banks are required to adopt and implement adequate risk management policies and procedures, and establish an adequate level, scope and method of risk control and reporting.

2.3.1. Credit risk

Loans and other placements have the largest share in the total structure of assets and are its riskiest part. The loan portfolio accounts for 57.5% of gross balance sheet assets. The stability and success of the operations of each bank and the banking sector as a whole depends to the greatest extent on the quality of loans, that is, the level of loan collectability.

The obligation of banks is to make financial reports and valuation of assets in accordance with the Decision on credit risk management and determining expected credit losses.

2.3.2. Asset classification

The following table shows an overview of on-balance sheet and off-balance sheet exposures at the level of the banking sector, and expected credit loss for on-balance sheet exposures and provisions to cover expected credit losses for off-balance sheet exposures (ECL), which the bank records through the income statement.

Table 24: Total financial asset per manner of valuation and ECL mill. KM

FINANCIAL ASSETS	2020.			2021.			2022.		
	Amount	ECL	Cover. ratio	Amount	ECL	Cover. ratio	Amount	ECL	Cover. ratio
TOTAL	9.773,3	391,8	4,0	10.861,4	353,7	3,3	11.153,5	325,7	2,9
Balance sheet	8.644,0	380,6	4,4	9.677,7	341,0	3,5	9.876,2	312,9	3,2
Financial assets at amortized cost	7.514,3	374,0	5,0	8.524,4	335,8	3,9	8.583,7	305,1	3,6
Cash funds, cash receivables and other sight deposits	1.965,0	3,3	0,2	2.762,1	3,2	0,1	2.677,1	6,0	0,2
Debt securities	21,2	0,0	0,1	25,9	0,0	0,1	86,4	0,1	0,1
Loans	5.492,4	357,4	6,5	5.705,1	322,5	5,7	5.792,9	292,4	5,0
Other asset	35,6	13,3	37,3	31,2	10,0	32,1	27,4	6,6	24,0
Financial asset per fair value through balance sheet	13,2	0,0	-	12,5	0,0	-	12,9	0,0	-
Financial asset per fair value through Accumulated other comprehensive income*	1.050,5	0,0	-	1.076,9	0,0	-	1.198,6	0,0	-
Other financial receivables	66,1	6,6	10,0	63,9	5,2	8,2	81,0	7,8	9,6
Off-balance sheet	1.129,3	11,2	1,0	1.183,7	12,7	1,1	1.277,2	12,8	1,0
Guarantees issued	514,7	5,2	1,0	549,4	5,4	1,0	641,5	6,3	1,0
Non-covered letters of credit	2,7	0,0	0,5	5,6	0,0	0,5	0,8	0,0	0,5
Irrevocably approved, not utilized loans	610,5	6,0	1,0	628,3	7,2	1,2	634,2	6,5	1,0
Other potential bank liabilities	1,3	0,0	1,0	0,5	0,0	0,9	0,7	0,0	0,9

*In accordance with the new regulation, ECL for debt securities is recorded through accumulated other comprehensive income as capital item.

Total exposure of banks as of 31/12/2022 amounts to 11.2 billion KM, of which 9.9 billion KM refers to balance sheet exposures, and 1.3 billion KM to off-balance sheet exposures.

In this reporting period, there was an increase in balance exposures by 198.5 million KM or 2% and an increase in off-balance sheet exposures by 93.5 million KM or 8% compared to the end of 2021. The largest share in total financial assets has financial assets valued at amortized cost, which has a growth of 59.3 million KM or 1% (loans make up 67.5% and have a growth of 87.8 million KM or 1.5%, while cash funds make up 31.2% and have a drop of 85 million KM or 3.1% compared to the end of 2021).

The ECL ratio on total financial assets is 2.9% and is 0.4 percentage points lower than at the end of 2021.

The following table shows an overview of on-balance sheet and off-balance sheet exposures at the level of the banking sector, classified according to credit risk levels with the associated ECL and coverage ratio:

Table 25: Total financial asset per credit risk level mill. KM

FINANCIAL ASSETS	2020.			2021.			2022.		
	Amount	ECL	Cover. ratio	Amount	ECL	Cover. ratio	Amount	ECL	Cover. ratio
TOTAL	9.773,3	391,8	4,0	10.861,4	353,7	3,3	11.153,5	325,7	2,9
Credit risk level 1	8.835,5	73,1	0,8	9.830,6	71,8	0,7	10.222,6	76,5	0,7
Credit risk level 2	630,0	68,0	10,8	787,9	82,9	10,5	700,1	76,9	11,0
Credit risk level 3	307,8	250,8	81,5	242,8	199,0	81,9	230,8	172,2	74,6
Balance sheet	8.644,0	380,6	4,4	9.677,7	341,0	3,5	9.876,2	312,9	3,2
Credit risk level 1	7.766,8	66,3	0,9	8.720,0	64,7	0,7	9.037,7	68,4	0,8
Credit risk level 2	570,4	64,0	11,2	715,6	77,6	10,8	608,8	72,6	11,9
Credit risk level 3	306,7	250,3	81,6	242,1	198,8	82,1	229,7	171,9	74,8
Off-balance sheet	1.129,3	11,2	1,0	1.183,7	12,7	1,1	1.277,2	12,8	1,0
Credit risk level 1	1.068,7	6,8	0,6	1.110,6	7,1	0,6	1.184,8	8,1	0,7
Credit risk level 2	59,5	4,0	6,7	72,3	5,3	7,3	91,4	4,3	4,8
Credit risk level 3	1,0	0,5	46,9	0,8	0,2	31,5	1,0	0,3	27,7

Balance sheet exposures allocated to credit risk level 1 as of 31/12/2022 amount to KM 9 billion and make up 91.5% of total balance sheet exposures. Compared to the end of 2021, they are higher by 317.7 million KM or 3.6%.

Balance sheet exposures allocated to credit risk level 2 as of 31/12/2022 amount to 608.8 million KM and make up 6.2% of total balance sheet exposures. Compared to the end of 2021, they are less by 106.8 million KM or 14.9%.

Balance sheet exposures allocated to credit risk level 3 as of 31/12/2022 amount to 229.7 million KM and make up 2.3% of total balance sheet exposures. Compared to the end of 2021, they are less by 12.4 million KM or 5.1%.

Off-balance sheet exposures allocated to credit risk level 1 as of 31/12/2022 amount to 1.2 billion KM and make up 92.8% of total off-balance sheet exposures. Exposures allocated to credit risk level 2 amount to 91.4 million KM or 7.2% of total off-balance sheet exposures, while 1 million KM or 0.1% of total off-balance sheet exposures are allocated to credit risk level 3.

For total exposures allocated to credit risk level 1, ECL on 31/12/2022 is 76.5 million KM and is higher by 4.7 million KM or 6.5% compared to the end of 2021.

For total exposure allocated to credit risk level 2, ECL on 31/12/2022 is 76.9 million KM and is lower by 6 million KM or 7.2% compared to the end of 2021.

For total exposures allocated to credit risk level 3, ECL on 31/12/2022 is 172.2 million KM and is lower by 26.8 million KM or 13.5% compared to the end of 2021.

The ECL coverage ratio at the overall level is 2.9% and is lower by 0.4 percentage points compared to the end of 2021. ECL coverage for exposures allocated to credit risk level 1 is 0.7% and is at the same level compared to the end of 2021, coverage for exposures allocated to credit risk level 2 is 11% and is higher by 0.5 percentage points, and for exposures allocated to credit risk level 3, the coverage ratio is 74.6% and is lower by 7.3 percentage points compared to the end of 2021.

The following table shows an overview of loans to legal entities and private individuals according to the level of credit risk and the corresponding ECL.

Table 26: Overview of loans to legal entities and private individuals according to the credit risk level and relevant ECL										mill. KM
Loans	2020.			2021.			2022.			
	Amount	ECL	Cover. ratio	Amount	ECL	Cover. ratio	Amount	ECL	Cover. ratio	
Total loans	5.493,8	357,4	6,51	5.705,1	322,5	5,65	5.792,9	292,4	5,05	
Legal entities	2.921,0	192,1	6,58	2.912,1	171,5	5,89	2.868,3	140,9	4,91	
Private individuals	2.572,8	165,4	6,43	2.793,1	151,0	5,41	2.924,6	151,5	5,18	
Credit risk level 1	4.658,5	63,1	1,4	4.770,4	60,6	1,3	4.978,4	63,6	1,3	
Legal entities	2.437,0	34,0	1,4	2.364,4	30,9	1,3	2.423,1	32,0	1,3	
Private individuals	2.221,5	29,1	1,3	2.405,9	29,7	1,2	2.555,3	31,6	1,2	
Credit risk level 2	547,8	62,1	11,3	708,0	76,8	10,9	601,0	71,9	12,0	
Legal entities	324,3	34,7	10,7	431,1	48,3	11,2	329,8	36,1	10,9	
Private individuals	223,5	27,4	12,2	276,8	28,6	10,3	271,2	35,8	13,2	
Credit risk level 3	287,5	232,2	80,8	226,8	185,0	81,6	213,5	156,9	73,5	
Legal entities	159,7	123,3	77,2	116,5	92,3	79,2	115,3	72,9	63,2	
Private individuals	127,7	108,9	85,3	110,3	92,7	84,1	98,2	84,1	85,6	

Loans allocated to credit risk level 1 as of 31/12/2022 amount to 5 billion KM and make up 85.9% of the total loan portfolio. Compared to the end of 2021, they are higher by 208 million KM or 4.4%. The ECL coverage ratio for loans allocated to credit risk level 1 is 1.3% (legal entities 1.3% and private individuals 1.2%) and in relation to the end of 2021, it has maintained the same level.

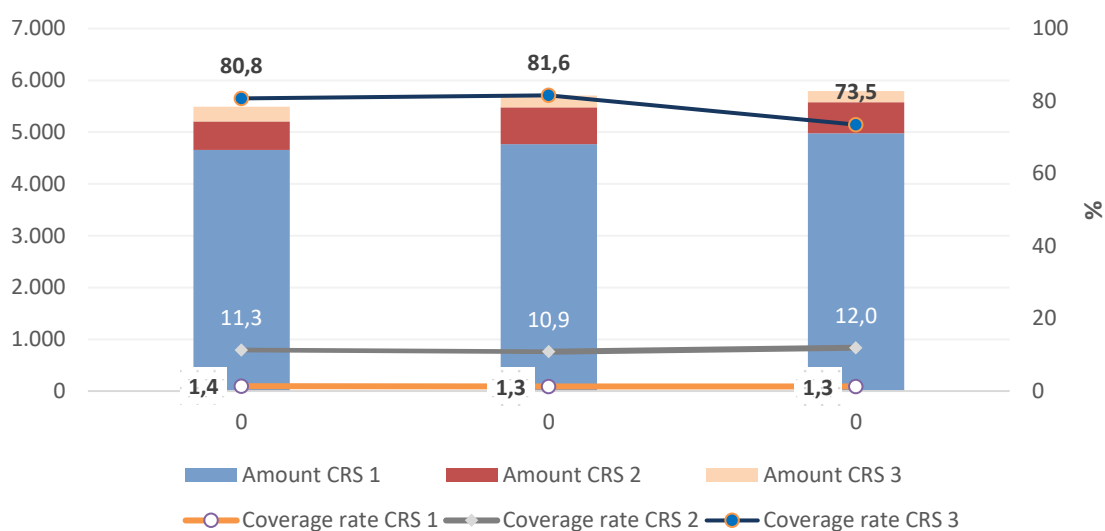
Loans allocated to credit risk level 2 as of 31/12/2022 amount to 601 million KM and make up 10.4% of the total loan portfolio. Compared to the end of 2021, they are lower by 107 million KM or 15.1%. The ECL coverage ratio for credit risk level 2 is 12% (legal entities 10.9%, private individuals 13.2%) and compared to the end of 2021, it is higher by 1.1 percentage points.

Loans allocated to credit risk level 3 (NPL) as of 31/12/2022 amount to 213.5 million KM and make up 3.7% of the total loan portfolio. Compared to the end of 2021, they are lower by 13.3 million KM or 5.9%, mostly due to the write-off in accordance with the Decision on credit risk management and determining expected credit losses. The ECL coverage ratio for credit risk level 3 is 73.5% (legal entities 63.2%, and private individuals 85.6%) and compared to the end of 2021, it is lower by 8.1 percentage points.

Of the total loans placed with legal entities amounting to 2.9 billion KM, 115.3 million KM or 4% refers to NPL (the same share of NPL as at the end of 2021). Of the total loans to private individuals, which amount to 2.9 billion KM, 98.2 million KM or 3.4% refers to NPLs, which is 0.5 percentage points less compared to the end of 2021.

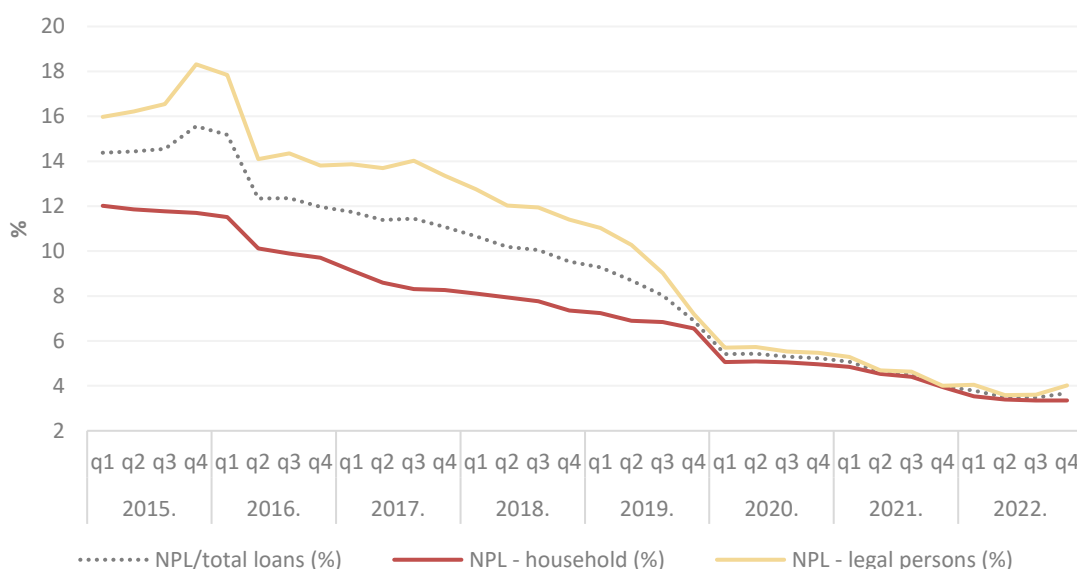
The following graph shows the trend of loans distributed in three levels of credit risk with the corresponding coverage ratio, i.e. ECL, through three comparative periods:

Graph 27: Loans per credit risk stages with relevant coverage rates



The trend of NPL over several comparative periods is shown in the following graph:

Graph 28: Share of NPL in loans



The following table shows the indicators of credit risk through the three most recent comparative periods:

Table 27: Credit risk indicators

DESCRIPTION	2020.	2021.	2022.
NPA ratio	3,1	2,2	2,1
Coverage ratio of NPA with ECL	81,5	81,9	74,6
Coverage ratio of total asset with ECL	4,0	3,3	2,9
NPL ratio	5,2	4,0	3,7
Coverage ratio of NPL with ECL	80,8	81,6	73,5
Coverage ratio of total loans with ECL	6,5	5,7	5,0
New NPL*/total relevant gross loans	-1,8	-1,1	-0,2
Texas coefficient**	22,3	17,4	15,5

* NPL Growth/Decline Amount on the reporting date relative to the comparative period

**NPL / (balance sheet capital and NPL impairment)

NKR 1,2,3 - credit risk level
 NPL - non performing gross loans (NKR 3)
 ECL - impairment
 NPA - non performing asset (NKR 3)
 Total relevant gross loans (NKR1 + NKR2)

2.3.3. Foreign exchange mismatch of financial assets and liabilities

Foreign exchange risk represents the bank's exposure to the possible impact of changes in exchange rates depending on the level and duration of the exposure and the degree of currency adjustment of financial assets, liabilities and off-balance sheets, that is, the degree of adjustment of foreign currency cash flows.

Due to the possibility of a negative impact of exchange rate changes on the bank's financial position, minimum standards have been stipulated that banks must adhere to in performing foreign exchange activities, adopting and implementing programs, policies and procedures for monitoring, controlling and managing foreign exchange risk.

The difference between assets and liabilities in individual currencies is the open individual foreign exchange position, which can be long or short, as well as the bank's total position.

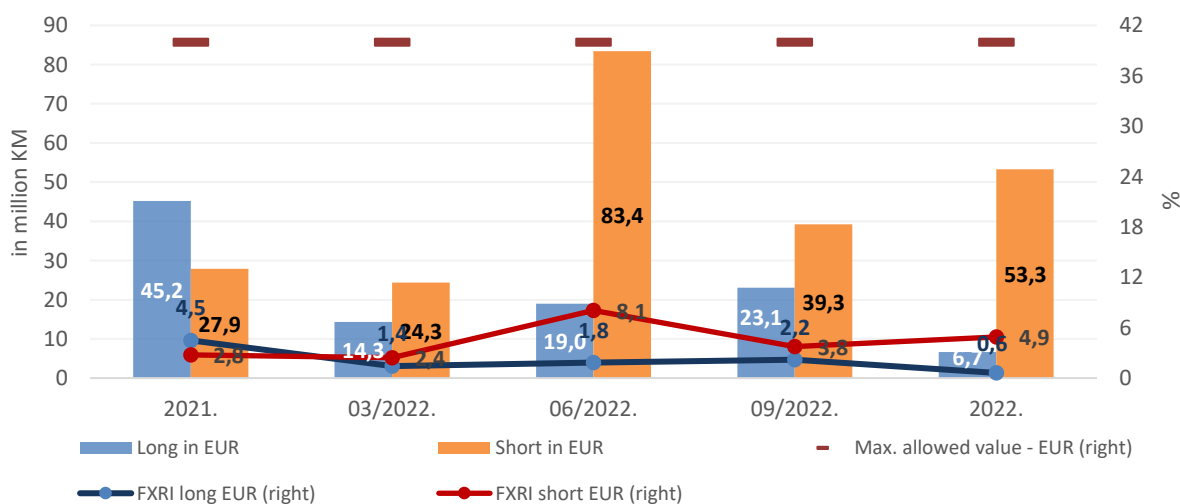
Total foreign currency financial assets amount to 4.6 billion KM and is lower by 188 million KM or 4% compared to the end of 2021. In the structure of foreign currency assets, the most significant item is placed loans with a contracted foreign currency clause, amounting to 2.9 billion KM, which is lower by 173.2 million KM or 6% compared to the end of 2021.

Total foreign currency liabilities amount to 4.6 billion KM and is at approximately the same level compared to the end of 2021. In the structure of these liabilities, the most significant item is the total foreign currency deposits which amount to 2.4 billion KM and are lower by 36.8 million KM or 1.5% compared to the end of 2021 and deposits with foreign currency clause which amount to 2 billion KM and are at approximately the same level compared to the end of 2021.

At the level of the banking sector, the total long foreign currency position is 9 million KM and is lower by 38.8 million KM or 81%, and the total short position is 41.4 million KM, which is higher by 16.5 million KM or 66% compared to the end of 2021.

The currency EUR participates with 96.1% in total financial assets, 96.2% in total financial liabilities, 74.5% in total long position. The trend of the foreign exchange position in EUR is shown in the following graph.

Graph 29: Overview of long and short position for EUR



FXRI FX risk indicator

2.3.4. Interest rate risk management

The Agency's Decision on interest rate risk management in the banking book regulates, among other things, the process of calculating the assessment of the change in the economic value of the banking book for each

significant currency individually and for other currencies in total, netting the positions of assets and liabilities with a fixed interest rate, a variable interest rate and an interest rate that changes based on the decision of the bank's management body, in order to obtain the total net weighted position of the banking book, which in absolute amount represents the change in the economic value of the banking book. The ratio of the change in the economic value of the banking book and regulatory capital should not exceed 20%.

At the level of the banking sector of Republika Srpska with the balance as of 31/12/2022, the ratio of change in the economic value of the banking book and regulatory capital is 8.7% and is lower by 0.6 percentage points compared to the end of 2021, as shown in the following table:

DESCRIPTION	2020.	2021.	2022.	Index 2022/2021
1. Net weighted position of the banking book (FIR + VIR + IRBMB)*				
1.1 Per BAM currency (long position)	18,4	34,3	52,6	153
1.2 Per EUR currency (long position)	69,0	55,8	44,3	79
1.3 Per other currencies (short position)	-1,7	-2,1	-1,8	-
2. Change in economic value 1.1 + 1.2 + 1.3	85,7	93,0	95,2	102
3. Regulatory capital	1.018,1	1.005,8	1.089,3	108
CHANGE IN ECONOMIC VALUE / REGULATORY CAPITAL * 100 (%)	8,4	9,3	8,7	94,4

*FIR-fixed interest rate/VIR-variable interest rate/ IRBMB – interest rate changed based on the decision of the bank management body

By observing individual banks, the ratio of change in economic value ranged from 1.3% to 18.3%.

2.3.5. Weighted nominal and effective interest rates

Weighted nominal and effective interest rates are calculated on newly approved loans, i.e. deposits collected in the reporting month. The effective interest rate is the market price of banking products, i.e. services.

DESCRIPTION	2021				2022			
	RS banks		FBIH bank units		RS banks		FBIH bank units	
	NIR	EIR	NIR	EIR	NIR	EIR	NIR	EIR
Weighted int. rates on short term loans	3,68	4,37	2,48	2,92	3,99	4,74	2,05	2,31
Loans to Government and Government institutions	3,29	3,57	-	-	3,52	3,70		
Real sector	3,37	3,88	2,37	2,66	3,68	4,26	1,99	2,17
Loans to banks and other fin. inst.	3,87	4,78	-	-	3,54	4,35		
Household	8,78	12,25	8,28	17,34	9,05	12,56	7,74	15,66
Other loans	2,37	2,76	7,75	9,05	2,32	2,59	7,75	9,05
Weighted int. rate on long term loans	5,16	6,16	4,84	5,84	5,53	6,52	4,47	5,45
Loans to Government and Government institutions	3,41	3,54	2,48	2,54	4,58	4,74	2,68	2,84
Real sector	4,79	5,22	3,81	4,06	5,17	5,61	3,66	4,17
Loans to banks and other fin. inst.	3,49	3,69	-	-	4,24	4,51	2,85	2,96
Household	5,67	7,22	5,44	6,89	5,89	7,36	4,95	6,20
Housing loans	3,75	4,21	3,19	4,01	3,92	4,35	3,27	3,93
Other loans	4,15	4,51	5,00	5,30	4,34	4,74		
Weighted int. rates on total loans	4,76	5,68	4,25	5,12	5,10	6,03	3,63	4,35

NIR = nominal interest rate; EIR = effective interest rate

Average weighted nominal interest rate on total bank loans from Republika Srpska as of 31/12/2022 is 5.10% and is higher by 0.34 percentage points, and the total average effective interest rate is 6.03% and is higher by 0.35 percentage points compared to 2021.

Average weighted effective interest rate on total loans in the observed period at the units of banks from the Federation of Bosnia and Herzegovina operating in Republika Srpska is 4.35% and is by 0.77 percentage points lower than in 2021. The units of banks from the Federation of Bosnia and Herzegovina operating in Republika Srpska have an average weighted effective interest rate lower by 1.68 percentage points compared to the average weighted effective interest rate of banks from Republika Srpska.

Average weighted nominal and effective interest rates for 2021 and 2022 were calculated on the basis of monthly reports submitted by banks from Republika Srpska and business units of banks from the Federation of BiH, which operate in Republika Srpska.

Average weighted nominal and effective interest rates on term deposits for 2021 and 2022, calculated on the basis of monthly reports, for the banking sector of Republika Srpska and for business units of banks from the Federation of BiH operating in Republika Srpska, can be seen in the following table:

Table 30: Average weighted interest rates on deposits									%
DESCRIPTION	2021				2022				
	RS banks		FBiH bank units		RS banks		FBiH bank units		
	NIR	EIR	NIR	EIR	NIR	EIR	NIR	EIR	
Weighted int. rates on short term deposits	0,11	0,11	0,37	0,37	0,64	0,64	0,26	0,26	
Weighted int. rates on long term deposits	1,34	1,35	0,78	0,78	1,50	1,50	0,30	0,30	
Weighted int. rates on total deposits	0,90	0,91	0,68	0,68	1,03	1,03	0,27	0,27	

NIR = nominal interest rate; EIR = effective interest rate

Average weighted effective interest rate on total deposits of banks based in Republika Srpska is 1.03% and is higher by 0.12 percentage points compared to 2021.

Average weighted effective interest rate on total deposits of bank units from the Federation of Bosnia and Herzegovina is 0.27% and is by 0.41 percentage points lower than in 2021.

In the case of organizational units of banks from the Federation of Bosnia and Herzegovina, the average weighted effective interest rate on total deposits is lower than the same for banks based in Republika Srpska by 0.76 percentage points.

The difference between the average weighted effective interest rate on total loans (6.03%) and the average weighted effective interest rate on total deposits (1.03%) is 5 percentage points and is higher by 0.23 percentage points compared to 2021. The difference between the average weighted effective interest rate on total loans (4.35%) and the average weighted effective interest rate on total deposits (0.27%) in the units of banks from the Federation of Bosnia and Herzegovina is 4.08 percentage points and is lower by 0.36 percentage points compared to 2021.

Table 31: Average weighted interest rates on overdraft and sight deposits									%
DESCRIPTION	2021				2022				
	RS banks		FBiH bank units		RS banks		FBiH bank units		
	NIR	EIR	NIR	EIR	NIR	EIR	NIR	EIR	
Weighted interest rates on loans (overdrafts)									
total legal entities and household	7,31	8,47	6,39	6,67	7,10	8,04	6,63	6,92	
household overdrafts	13,31	15,92	12,71	13,26	13,05	15,20	13,67	14,31	
Weighted interest rates on sight deposits									
total legal entities and household	0,04	0,06	0,01	0,01	0,02	0,02	0,01	0,01	
household overdrafts	0,02	0,09	0,02	0,02	0,02	0,02	0,02	0,02	

NIR = nominal interest rate; EIR = effective interest rate

4. CAPITAL AND CAPITAL ADEQUACY

As of 31/12/2022, the capital ratios of the banking sector of Republika Srpska were above the stipulated minimums.

Capital structure of the banking sector as of 31/12/2020, 31/12/2021 and 31/12/2022 are given in the following table:

Table 32: Capital structure				mill. KM
DESCRIPTION	2020.	2021.	2022	Index 2022/2021
REGULATORY CAPITAL	1.018,2	1.005,8	1.089,3	108
TIER 1 CAPITAL	922,9	962,0	1.043,4	108
CET 1	916,9	956,0	1.037,4	109
CET 1 items	949,2	993,2	1.082,6	109
Paid in capital instruments (shares)	653,0	690,0	693,4	100
Share premium	25,1	17,1	17,3	101
Undistributed profit or loss from previous years	108,1	149,0	194,8	131
Recognized profit or loss of current year	0,0	0,0	50,3	-
Accumulated other comprehensive income	16,3	4,8	-8,7	-182
Other reserves	146,7	132,3	135,6	103
CET 1 deductible items	-32,3	-37,1	-45,2	-
(-) intangible assets	-28,8	-28,2	-24,8	-
(-) Deferred tax assets	-3,5	-5,0	-6,6	-
(-) Other CET 1 deductions	0,0	-3,9	-13,8	-
AT 1	6,0	6,0	6,0	100
Paid in capital instruments recognized as AT 1	6,0	6,0	6,0	100
(-) AT 1 deductions	0,0	0,0	0,0	-
Tier 2 capital	95,3	43,8	45,9	105
Paid in capital instruments and subordinated loans recognized as Tier 2	47,3	43,8	45,9	105
General impairment	48,0	0,0	0,0	-
(-) Tier 2 deductions	0,0	0,0	0,0	-

Regulatory capital of the banking sector of Republika Srpska as of 31/12/2022 is 1,089.3 million KM and is higher by 83.5 million KM or by 8% compared to the end of 2021.

Tier 1 capital amounts to 1,043.4 million KM and is higher by 81.4 million KM or 8% and consists of CET 1 capital in the amount of 1,037.4 million KM (it is higher by 81.4 million KM compared to the end of 2021) and AT 1 capital in the amount of 6 million KM (at the same level compared to the end of 2021).

The growth of CET 1 capital was influenced by the increase of retained earnings by 45.8 million or 31%, the recognized profit or loss of the current year by 50.3 million KM and other reserves by 3.3 million KM or 3%. The reduction of the CET 1 capital was influenced by the position of the accumulated other comprehensive income, which is included as a deductible item in the amount of 8.7 million KM (the total reduction is 13.5 million KM due to the change in the value of securities through revaluation reserves) and the position of other deductions for 9.9 million KM.

Tier 2 capital amounts to 45.9 million KM and is higher by 2.1 million KM or 5% compared to the end of 2021 (increase in subordinated debt with one bank).

3.1. Capital adequacy

Very important indicators of capital soundness are indicators of capital adequacy on the basis of which the quality of regulatory, Tier 1 and CET 1 capital is continuously assessed in accordance with the Banking Law of Republika Srpska and by-laws, and which represent the individual ratio of CET 1 capital, Tier 1 capital, regulatory capital and the total amount of risk exposure.

Total risk exposure is the sum of risk-weighted exposures for credit risk, market risk (position risk, foreign exchange and commodity risk), operational risk, settlement/free delivery risk and risk associated with large exposures arising from trading book items.

When calculating the amount of exposure to credit risk, the risk-weighted exposure implies the book value of the asset minus the ECL associated with the initial exposure, to which mitigation techniques are applied, and the associated risk weights. In the case of off-balance sheet exposures, they are distributed, and appropriate conversion factors are applied to them, depending on whether they are classified as high-risk, medium-risk, medium-low or low-risk items.

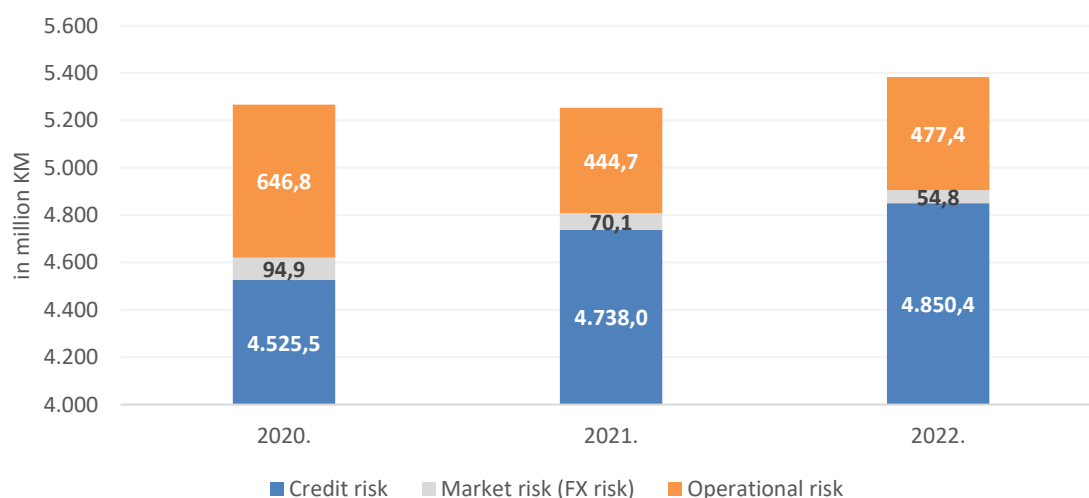
Total risk exposure of the banking sector of Republika Srpska as of 31/12/2022 is 5.4 billion KM and is higher by 129.9 million KM or 2% compared to the end of 2021.

The total amount of exposure to credit risk is higher by 112.4 million KM or 2% compared to the end of 2021.

The total amount of exposure to market (foreign exchange) risk is lower by 15.3 million KM or 22% compared to the end of 2021.

The total amount of operational risk exposure is higher by 32.7 million KM or 7% compared to the end of 2021.

Graph 30: Total banking sector risk exposure



The previous graph shows the trend of the amount of exposure to credit, market and operational risk through the three most recent comparative periods.

Capital adequacy indicators as of 31/12/2022 are shown in the following table:

DESCRIPTION	mill. KM and %			
	2020.	2021.	2022.	Index 2022/2021
Total amount of risk exposure	5.267,2	5.252,7	5.382,6	102
Regulatory capital	1.018,2	1.005,8	1.089,3	108
Excess (+) / shortage (-) of regulatory capital	386,2	375,8	443,3	118
Capital adequacy ratio (min. 12%)	19,3%	19,2%	20,2%	106
Tier 1	922,9	962,0	1.043,4	108
Excess (+) / shortage (-) of Tier 1	448,9	489,0	559,4	114
Tier 1 ratio (min. 9%)	17,5%	18,3%	19,4%	106
CET 1	916,9	956,0	1.037,4	109
Excess (+) / shortage (-) of CET 1	560,9	601,0	674,4	112

CET 1 ratio (min. 6,75%)	17,4%	18,2%	19,3%	106
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The regulatory capital ratio is 20.2% and is higher by 1 percentage point compared to the end of 2021 (the minimum stipulated ratio is 12%), the Tier 1 capital ratio is 19.4% and is higher by 1.1 percentage points (the minimum stipulated ratio is 9%) and the CET 1 capital ratio is 19.3% and is higher by 1.1 percentage points compared to the end of 2021 (the minimum stipulated ratio is 6.75%).

3.2. Leverage

The leverage ratio is another measure of capital adequacy that is defined by the Decision on calculating capital in banks and represents the ratio of Tier 1 capital and the measure of the bank's total exposure on the last day of the reporting period (the minimum stipulated ratio is 6%).

The measure of total exposure represents the sum of balance sheet exposures minus value correction and off-balance sheet exposures minus reserves with the application of appropriate conversion factors, all minus the amount of deductible items from the Tier 1 capital.

The ratio of leverage of the banking sector as of 31/12/2022 is 10.3%, as given in the following overview:

Table 34: Leverage ratio				mill. KM
DESCRIPTION	2020.	2021.	2022.	Index 2022/2021.
1. Off-balance sheet items with conversion factor	403,5	425,1	440,2	104
10%	11,0	12,6	12,8	102
20%	112,6	117,0	138,0	118
50%	275,0	290,6	285,1	98
100%	4,8	4,9	4,3	86
2. Other assets	8.508,6	9.551,3	9.757,2	102
3. (-) Amount of asset deductible items – Tier 1	-32,3	-33,2	-42,4	128
4. Leverage ratio exposure (1+2+3)	8.879,7	9.943,2	10.154,9	102
5. Tier 1	922,9	962,0	1.043,4	108
6. Leverage ratio (5/4)	10,4%	9,7%	10,3%	

The ratio of leverage at the level of the banking sector of Republika Srpska is higher by 0.6 percentage points compared to the end of 2021. If we look at individual banks, the leverage ratio ranges from 7.6% to 14.1%.

5. LIQUIDITY

Maintaining liquidity and managing liquidity risk is a very complex and important business segment of every bank and the banking sector as a whole. The stability of each bank's operations, confidence building and market position depend on the quality of liquidity risk management and the ability to maintain a liquid position, as well as the level of credit risk.

Banks' focus is on maintaining current liquidity under strict control and increasing the level of caution when planning future liquidity positions. After the short-term impact that the beginning of the conflict in Ukraine had on "Sberbank" a.d. Banja Luka and interruption of payments due to the implementation of resolution measures of the aforementioned bank, the banking sector of Republika Srpska maintained liquidity at a satisfactory level in the observed period and was able to fulfill all obligations by the due date. The strictly set regulatory framework for maintaining and planning liquidity has a significant impact on banks' liquidity, the application of which is under the constant supervision of the Agency.

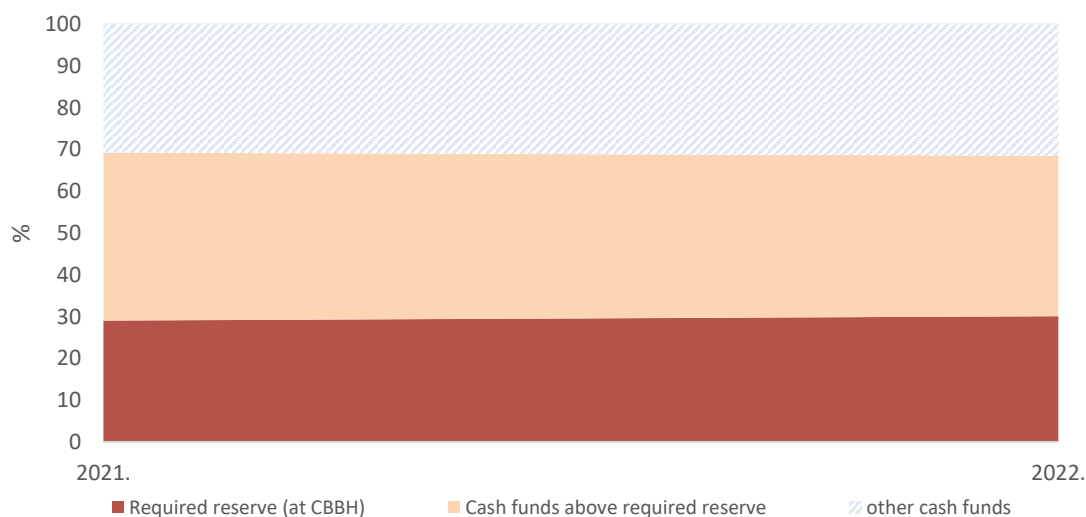
Total cash funds and securities (3.9 billion KM) have a significant share of 38.9% in total gross assets.

Cash funds in the reserve account at the Central Bank of Bosnia and Herzegovina with the balance as of 31/12/2022 amount to 1.8 billion KM or 68.5% of total cash funds and are less by 94.4 million KM or 5% compared to the end of 2021.

Funds above the mandatory reserve in the reserve account at the Central Bank of BiH amount to 1,013.5 million KM or 56.1% of the total cash funds in the reserve account, while the funds of the mandatory reserve amount to 793.2 million KM or 43.9% of the total cash funds in the reserve account at the Central Bank of BiH (as of 31/12/2021, the cash funds in the reserve account at the Central Bank of BiH above the funds of the mandatory reserve amounted to 1,103 million KM or 58% of the total cash funds in the reserve account with the Central Bank of BiH, and the mandatory reserve funds amounted to 798.2 million KM or 42% of the total cash funds in the reserve account with the Central Bank of BiH).

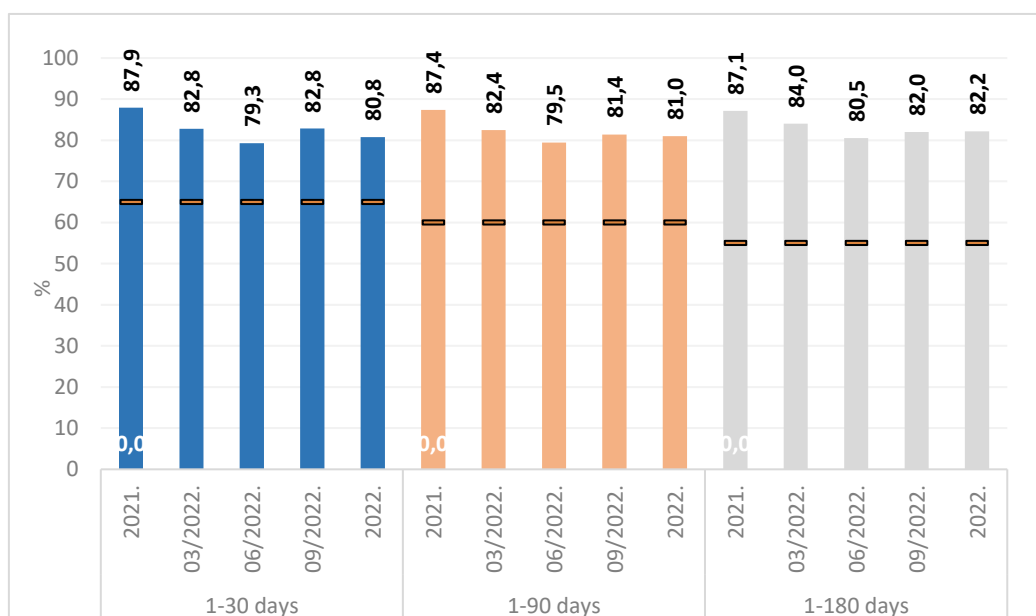
The following graph shows the trend of total cash funds through two comparative periods.

Graph 31: Total bank cash funds



Maturity mismatch of financial assets and financial liabilities measured by the remaining maturity for the time period 1-30 days, 1-90 days and 1-180 days at the aggregate level for the banking sector shows that the banking sector continuously fulfills the maturity mismatch of financial assets and financial liabilities.

Graph 32: Maturity mismatch of financial assets and liabilities measured per remaining maturity period



As of 31/12/2022, that is, from the beginning of the application of the requirement to maintain stable funding sources, the requirement to meet maturity mismatch ceases to be valid.

For the remaining term of 1-30 days, the maturity mismatch is 80.8%, it is lower than the end of 2021 by 7.1 percentage points (it is higher by 15.8 percentage points than the previously stipulated minimum of 65%).

For the remaining period of 1-60 days, the maturity mismatch is 81%, it is lower than the end of 2021 by 6.4 percentage points (it is higher by 21 percentage points than the previously stipulated minimum of 60%).

For the remaining period of 1-180 days, the maturity mismatch is 82.2%, it is lower than the end of 2021 by 4.9 percentage points (it is higher by 27.2 percentage points than the previously stipulated minimum of 55%).

Table: Deposit maturity structure per remaining maturity period

Deposits	2020.		2021.		2022.		Index 2021./2020.	Index 2022/2021
	Amount	%	Amount	%	Amount	%		
1 - 7 days	3.654,6	56,1	4.715,8	62,9	5.298,9	69,8	129	112
8 - 15 days	19,0	0,3	26,1	0,3	22,2	0,3	138	85
16 -30 days	80,1	1,2	103,4	1,4	68,9	0,9	129	67
31 -90 days	455,2	7,0	378,4	5,0	384,5	5,1	83	102
91 -180 days	381,1	5,8	365,1	4,9	331,3	4,4	96	91
181 -365 days	928,9	14,3	891,6	11,9	557,9	7,3	96	63
1. Total short term	5.518,8	84,7	6.480,4	86,4	6.663,7	87,7	117	103
From 1 up to 5 years	972,5	14,9	989,6	13,2	922,5	12,1	102	93
Over 5 years	23,9	0,4	28,5	0,4	9,0	0,1	119	31
2. Total long term	996,4	15,3	1.018,1	13,6	931,5	12,3	102	91
Total (I + II)	6.515,2	100	7.498,6	100	7.595,2	100	115	101

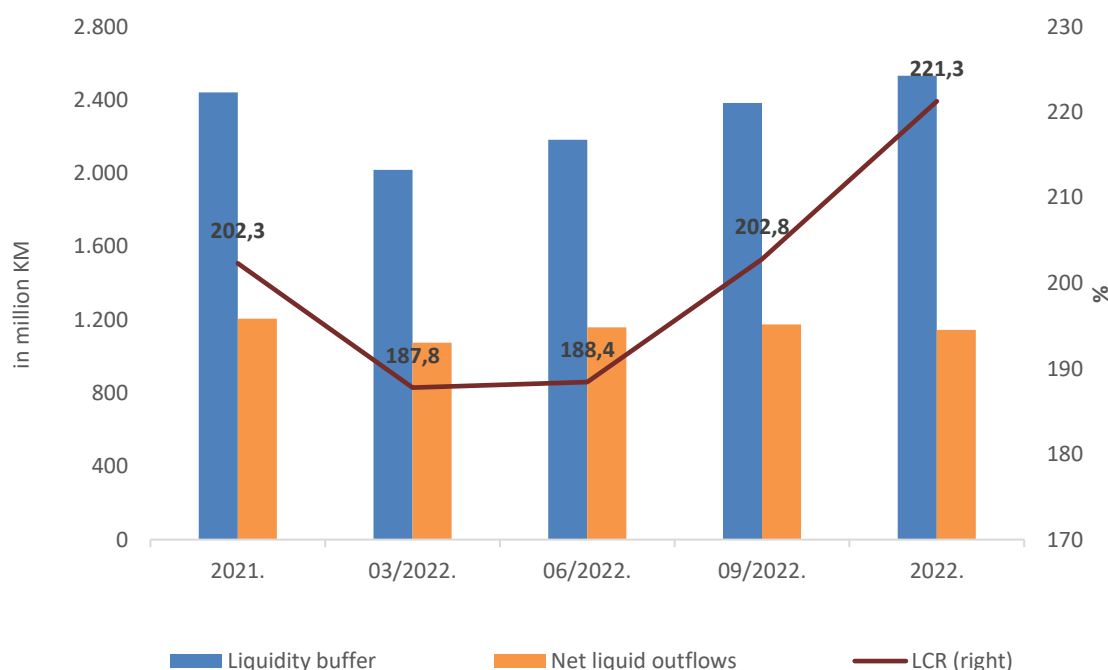
The maturity structure of funding sources is the basis for the maturity structure of placement, and the planning of funding sources and the total liquidity position of each bank must be harmonized with the planned lending policy.

In this reporting period, long-term deposits fell by 9%, while short-term deposits grew by 3%. Deposits with a remaining maturity of 1-7 days have the largest share of 69.8% in total deposits and have increased by 583.1 million KM or 12%. Long-term deposits with a remaining term of 1 to 5 years are the next in size and participate with 12.1% in total deposits and record a drop of 67.1 million KM or 7% compared to the end of 2021.

In order to ensure short-term resilience of banks to liquidity risk, banks are required to provide an appropriate level of liquidity buffer, in order to meet liquidity needs for a liquidity stress scenario of 30 calendar days. The LCR represents the ratio between the level of the liquidity buffer and the total net liquidity outflows during the stress period lasting 30 calendar days (the stipulated minimum is 100%).

All banks in Republika Srpska have LCR above the stipulated minimum, and on 31/12/2022 LCR at the level of the banking sector is 221.3% and is higher by 19 percentage points compared to the end of 2021. If we look at individual banks, the LCR ranges from 158.9% to 362.5%. The trend of the elements for calculating the liquidity coverage ratio and the LCR ratio at the level of the banking sector is shown in the following graph:

Graph 33: Liquidity Coverage Ratio - LCR



On 31/12/2022, the liquidity buffer is higher by 3.7% compared to the end of 2021. The largest share in the structure of the liquidity buffer is held by funds above the mandatory reserve in the reserve account with the Central Bank of BiH of 40%, which is 8% lower than at the end of 2021, and the assets of regional governments and local authorities at 38.2%, which is 12% higher than at the end of 2021.

The structure of the liquidity buffer and the trend through three comparative periods is shown in the following table:

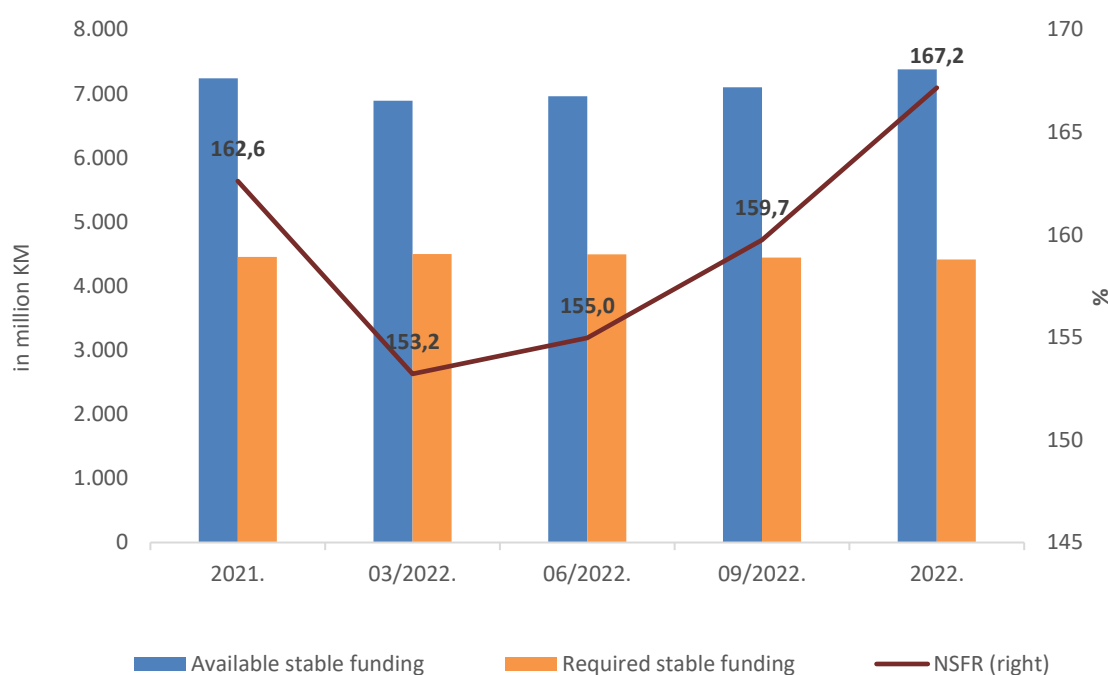
DESCRIPTION	mill. KM				
	2020.	2021.	2022.	Index 2021/2020	Index 2022/2021.
Liquid assets level 1	1.904,5	2.440,6	2.531,3	128	104
Coins and banknotes	262,6	316,9	350,2	121	111
Central Bank reserves withdrawable	628,7	1.101,7	1.012,3	175	92
Central Bank assets	5,8	0,0	0,0	-	-
Central Government assets	173,4	162,3	202,4	94	125
Regional Governments and local authorities assets	834,0	859,7	966,4	103	112
Liquid assets level 2	0,0	0,0	0,0	-	-
Liquid assets 2a	0,0	0,0	0,0	-	-
Liquid assets 2b	0,0	0,0	0,0	-	-
Total	1.904,5	2.440,6	2.531,3	128	104

DESCRIPTION	mill. KM			Index 2021/2020	Index 2022/2021.
	2020.	2021.	2022.		
Total outflows	1.399,9	1.765,5	1.787,9	126	101
Inflows subject to 75% outflow cap	448,9	559,1	643,9	125	115
Net liquid outflows (1-3)	951,0	1.206,4	1.144,0	127	95

Net stable funding ratio- NSFR represents the ratio between the available amount of stable funding and the required amount of stable funding (the stipulated minimum is 100%). Namely, banks are obliged to provide adequate funding of the bank's long-term assets with stable funding sources, that is, with appropriate items of liabilities and capital under normal and stressful conditions.

All banks in Republika Srpska have NSFR above the stipulated minimum, i.e. on 31/12/2022 NSFR at the level of the banking sector is 167.2%. If we look at individual banks, the NSFR ranges from 148.2% to 210.5%. The trend of the elements for calculating the net stable funding ratio and the NSFR ratio at the level of the banking sector is shown in the following graph:

Graph 34: Net Stable Funding Ratio - NSFR



*As of 31/12/2021, banks were obliged to submit a Report on NSFR to the Agency, and as of 31/12/2022 also to adhere to the limit defined by the by-law that regulates the area in question (stipulated minimum is 100%).

According to the by-laws of the Agency, banks are obliged to provide stable, diversified funding sources, adequate organization of liquidity management, clear business policies, and contingency plans, that is, unforeseen cases with testing of possible stressful situations.

DESCRIPTION	2020.	2021.	2022.
Liquid funds*/net asset	22,9	28,7	27,4
Liquid funds*/short term financial liabilities	33,8	40,7	38,7
Short term financial liabilities/total financial liabilities	77,4	80,0	80,9
Loans/(deposits and loans taken)	76,4	69,7	69,8
Loans/(deposits and loans taken and subordinated debts)	75,8	69,3	69,4

* Liquid assets in the narrow sense: cash and deposits and other financial assets with a remaining maturity of less than three months, excluding interbank deposits

6. PAYMENT TRANSACTIONS

The Law on payment transactions ("Official Gazette of BiH" No. 52/12, 92/12, 58/19 and 38/22) and the Law on foreign exchange operations ("Official Gazette of Republika Srpska" No. 96/03, 23/06, 92/09, 20/14 and 20/18) stipulate that the supervision of the implementation of the aforementioned laws in banks, in addition to other control bodies, is carried out by the Agency within its jurisdiction.

All banks of Republika Srpska and banks from the Federation of Bosnia and Herzegovina are included in the payment transactions of Republika Srpska, through organizational units operating in Republika Srpska, and as of 31/12/2022 had a total of 122,055 accounts opened in KM (main accounts, accounts for regular business, accounts of organizational units, accounts for special purposes, public revenue accounts and accounts without account type designation) of legal entities and entrepreneurs, which is by 4.4% more compared to 31/12/2021 and 31,214 foreign currency accounts of legal entities and entrepreneurs (by 6.4% more compared to 31/12/2021). Of these, non-residents (legal entities) had a total of 104 accounts in KM and 111 foreign currency accounts. Of the above-mentioned number of open accounts of legal entities and entrepreneurs, a total of 41,064 accounts in KM and 8,182 foreign currency accounts were blocked.

Also, on 31/12/2022, banks had a total of 1,056,855 accounts of private individuals opened in KM (current/transaction accounts, giro accounts), which is by 3.7% more compared to 31/12/2021 and 250,049 foreign currency accounts of private individuals, i.e. by 6.1% less compared to 31/12/2021. On 31/12/2022, the total number of inactive accounts of private individuals was 172,798 accounts.

On 31/12/2022, there were a total of 2,702 safe deposit box users in banks (487 safe deposit box users more compared to 31/12/2021).

Pursuant to the Law on payment transactions, payment transaction participants (legal entities, entrepreneurs and private individuals) may have one or more open accounts with banks.

In 2022, the total volume of payment transactions (domestic and foreign currency payment transactions) realized in banks based in Republika Srpska amounted to 101.9 billion KM (equivalent in KM), which is by 20% more compared to the same period in 2021.

Based on the submitted reports of banks with headquarters in Republika Srpska on internal and foreign payment transactions, as well as transactions in the performance of foreign exchange operations, a tabular overview of the number and value of transactions performed in 2022 is given:

Table 39: Payment transaction system

Period	Cash payment transactions		Non-cash payment transactions				Total	
			Intra-banking payment transactions		Inter-banking payment transactions			
	Number	Amount (mil. KM)	Number	Amount (mil. KM)	Number	Amount (mil. KM)	Number	Amount (mil. KM)
01/2022.	1.544.132	1.232,3	1.995.340	2.142,7	1.150.950	1.916,5	4.690.422	5.291,5
02/2022.	1.672.298	1.287,3	2.186.326	2.562,0	1.271.512	2.260,6	5.130.136	6.109,9
03/2022.	1.834.036	1.541,3	2.461.577	3.324,2	1.463.944	3.068,2	5.759.557	7.933,7
04/2022.	1.727.601	1.556,4	2.378.991	3.221,2	1.410.793	2.828,6	5.517.385	7.606,2
05/2022.	1.766.766	1.657,7	2.513.057	2.957,2	1.464.478	2.750,1	5.744.301	7.365,0
06.2022.	1.799.941	1.552,5	2.545.126	3.103,1	1.457.955	2.760,6	5.803.022	7.416,2
07.2022.	1.778.420	1.977,7	2.619.375	2.961,8	1.441.033	2.650,3	5.838.828	7.589,8
08.2022.	1.798.403	2.275,7	2.637.436	2.977,8	1.491.032	2.962,9	5.926.871	8.216,4
09.2022.	1.799.573	1.792,5	2.685.702	3.117,4	1.444.318	3.147,5	5.929.593	8.057,4
10.2022.	1.871.875	1.779,5	2.624.737	2.976,4	1.449.143	2.772,2	5.945.755	7.528,1
11.2022.	1.781.279	1.691,3	2.603.575	3.025,9	1.435.651	2.800,2	5.820.505	7.517,4
12.2022.	1.854.815	1.857,2	2.779.374	3.670,6	1.539.685	3.452,1	6.173.874	8.979,9
TOTAL	21.229.139	20.201,4	30.030.616	36.040,3	17.020.494	33.369,8	68.280.249	89.611,5

The total number of completed cash payment transactions in 2022 amounted to 21.2 million transactions, with a total value of 20.2 billion KM. Compared to the same period in 2021, the number of executed cash payment transactions decreased by 0.7%, while the value of cash payment transactions increased by 35%. The total number of intra-bank payment transactions performed in 2022 amounted to 30 million transactions, with a total value of 36 billion KM. Compared to the same period in 2021, the number of intra-bank payment transactions performed increased by 18.4%, while the value of transactions increased by 20.2%.

A total of 17 million payment transactions were made in interbank payment transactions, the total value of which was 33.4 billion KM. Compared to the same period in 2021, the number of executed interbank payment transactions increased by 16.9%, while the value of transactions increased by 22.4%.

Table 40: Foreign exchange payment transaction system (equivalent in KM)

Period	Outflow		Inflow		Total	
	Number of transactions	Amount (in mil. KM)	Number of transactions	Amount (in mil. KM)	Number of transactions	Amount (in mil. KM)
1	2	3	4	5	6=2+4	7=3+5
01.01 - 31.12.2022	226.704	6.093,9	658.223	6.190,3	884.927	12.284,2

The total value of completed transactions (outflow/payment) abroad in 2022 was 6.09 billion KM (equivalent in KM), which is 1.8% more compared to 2021, while the total value of completed transactions (inflow/payment) from abroad was 6.19 billion KM (equivalent in KM), which is 7.5% less compared to the same period in 2021. Out of the total value of executed payment transactions, the share of inflow of funds from abroad is 50.4%, while the outflow of funds abroad is 49.6%.

Table 41: Exchange operations of banks (equivalent in KM)

Period	Repurchase		Sale	
	Number of transactions	Amount (in mil. KM)	Number of transactions	Amount (in mil. KM)
01.01.-31.12.2022.				
EUR	830.146	1.064,0	119.761	481,2
Other currencies	138.966	143,1	61.917	76,7
TOTAL	969.112	1.207,1	181.678	557,9

The total value of currency exchange transactions (equivalent in KM) in banks in 2022 amounted to 1,207.1 million KM, which is 34.1% more compared to the same period in 2021, while the total value of sold currency (equivalent in KM) was 557.9 million KM, which is by 39.9% more compared to the same period in 2021.

In addition to the reports on the executed exchange operations of the banks, reports on the executed exchange operations of the authorized money changers with whom the banks have concluded contracts on the execution of exchange operations were also submitted. In 2022, authorized money changers purchased currency (KM equivalent) in the total amount of 3.3 billion KM, which is by 43.5% more compared to the same period in 2021, while the total value of sold currency (KM equivalent) was 136 million KM, which is by 52.8% more compared to the same period in 2021.

In 2022, the Agency, through off-site and on-site supervision of banks, supervised the compliance of banks' operations in the area of internal payment transactions and foreign exchange operations. The supervision was carried out with the consistent application of the Manual for supervision of the compliance of banks' operations in payment transactions.

Based on the performed supervision and the condition of the banks in this reporting period, it can be concluded that the functioning of payment transactions in the banking sector of Republika Srpska has continued successfully. Supervision in the banks did not identify any significant non-compliances in operations related to internal payment transactions and foreign exchange operations.

6. RECOMMENDATIONS FOR THE BANKING SECTOR

Proceeding from the basic task of the Agency to protect and strengthen the stability of the banking sector of Republika Srpska and to ensure the legal operation of banks, the activities of the Agency in the coming period will relate primarily to the continuation of continuous supervision of banks, with a special emphasis on:

- supervision and monitoring of credit risk, liquidity risk, with special reference to the assessment of the bank's management system and verification of the adequacy of ECL and management of credit and liquidity risks;
- continuous supervision, especially of banks with significant share in the market, because the most significant part of savings and other deposits is concentrated in them, all with the aim of protecting depositors as efficiently as possible and preserving financial stability;
- monitoring the implementation of capital plans and insisting on capital strengthening, where deemed necessary, in terms of achieving the most adequate capital requirements, and adequate coverage of credit, operational, market risk and interest risk in the banking book;
- carrying out stress testing, with the aim of better risk assessment in each bank and timely undertaking of the necessary measures;
- monitoring the actions of banks regarding the correction of interest rates in the context of the change in the reference interest rate (EURIBOR);
- supervision of the protection of the rights of users of financial services;
- supervision of payment transactions and monitoring of the amount of fees calculated for payment transaction services and other costs charged by banks for providing services;
- supervision of activities on anti-money laundering and counter-terrorism financing, and in this sense improving cooperation with other competent institutions.

In addition to carrying out activities on continuous supervision, the Agency will also work on:

- professional development of in-house HR and strengthening of capacities for efficient supervision of banks, and further continuous improvement of the information system;
- continuous monitoring of changes in the legal regulations of the European Union (Basel principles, European directives, international accounting standards, etc.) and transposition in our legislation with the aim of achieving the greatest possible equivalence with European regulations;
- further improvement and establishment of cooperation with supervisory bodies of other countries, especially from countries whose banks have shareholdings in banks from Republika Srpska;
- improving cooperation and exchange of information with ECB and EBA, as well as other international financial institutions with the aim of developing supervisory practices and harmonizing regulations;
- continuation and improvement of cooperation with external auditors;
- active participation in the work of the Committee for Coordination of the Republika Srpska Financial Sector;
- continuation and improvement of cooperation with the Association of Banks of Bosnia and Herzegovina with the aim of improving the operations of banks, compliance of their operations with regulations and market requirements;
- continuation of activities on the implementation of projects related to the improvement of the regulatory and supervisory framework in cooperation with European and international institutions.

Due to the special role and significant share that banks have in the financial system, the achieved level of development and stability of the banking sector in the conditions caused by the current geopolitical situation can significantly influence the improvement of opportunities in the overall economic system. In the following period, banks are expected to focus their activities on:

- adequate management and daily and intraday monitoring of liquidity;
- ensuring growth and greater share of long-term funding sources;
- adequate management of the level of overdue receivables, especially non-performing loans, and additional activities for more efficient collection and improvement of the system for early recognition of deterioration in the quality of the loan portfolio;
- improvement of in-house risk management systems, primarily credit risk and liquidity risk;
- adequate management of ECL for balance and off-balance items and strengthening of information support for the mentioned activities;
- improvement of asset management;
- strengthening the system of internal controls and establishing effective control functions;
- establishment and improvement of stress tests and their application in the creation of business policy;
- improvement of ICAAP and ILAAP in accordance with new regulatory requirements;
- development of policies and procedures for adequate management of risks to which banks are exposed in their operations;
- greater use of the Guarantee Fund of Republika Srpska and other benefits adopted by the competent authorities in Republika Srpska;
- further improvement of payment transactions and consistent application of policies and procedures for anti-money laundering and counter-terrorism financing;
- revising in-house contingency plans and recovery plans;
- more comprehensive information and adequate education with the aim of better protecting users of financial services;
- personnel strengthening and professional training of workers with the aim of better and more comprehensive satisfaction of the needs of the bank's clients;
- strengthening of information systems and support in the preparation of reports, as well as the security of information systems;
- strengthening protection and developing new procedures for electronic business and working with clients remotely.

Banking Agency of Republika Srpska

Report on the condition in the banking
system of Republika Srpska
for the period 01/01/2022 – 31/12/2022

III Microcredit organization sector (MCO)

1. MCO STRUCTURE

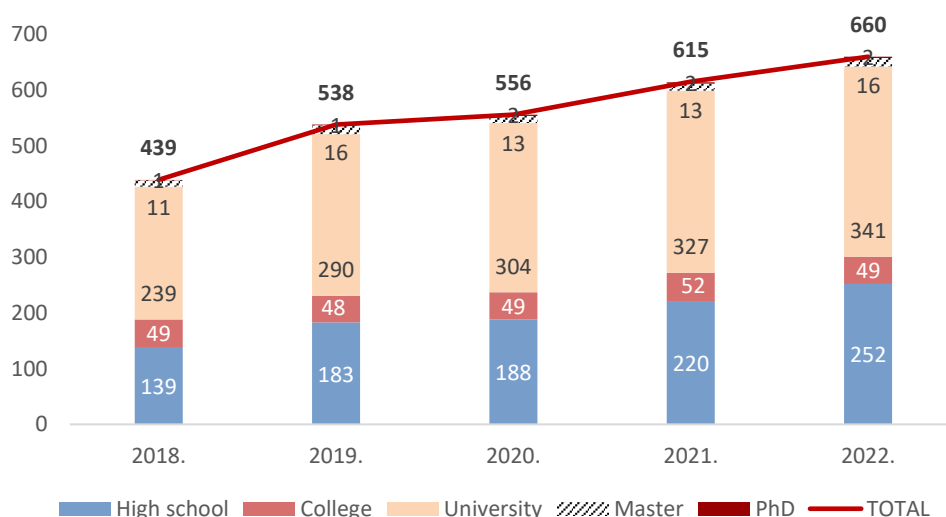
The microcredit sector of Republika Srpska as of 31/12/2022, consisted of 14 MCOs, which operated from the MCO headquarters and over 189 organizational units (41 branches and 148 other organizational units), and it refers to 12 microcredit associations (MCA) and 2 microcredit foundations (MCF). One MCA was issued an operating license in February 2022, while the same one started lending activity in July 2022.

In Republika Srpska with the balance as of 31/12/2022, 112 organizational units of MCO (5 branches and 107 other organizational units) operated within 9 MCO (7 MCF and 2 MCA) whose headquarters are in the Federation of Bosnia and Herzegovina. The financial performance indicators of these organizational units are included in the balance sheets of parent MCOs.

1.1. Staff

MCO with headquarters in Republika Srpska on 31/12/2022 employed a total of 660 workers and compared to the end of 2021, there is an evident increase in the number of employees by 7% or by 45 workers (3 MCA make up 73% of the total number of employees in MCO from Republika Srpska).

Graph 35: Staff qualification structure in Republika Srpska MCOs (2018 – 2022)



The qualification structure and the total number of employees in MCO from Republika Srpska largely depends on the structure and number of employees in the largest MCA, which employs 371 workers, which is 56% of the total number of employees in the MCO from Republika Srpska (as of the end of 2021, it employed 353 workers or 57% of the total employees).

Organizational units of MCO operating in Republika Srpska, whose headquarters are in the Federation of Bosnia and Herzegovina, as of 31/12/2022 employed a total of 340 workers or 34% of a total of 1,000 employees in the microcredit sector of Republika Srpska (as of 31/12/2021, they employed 339 workers or 35.5% of a total of 954 employees in the microcredit sector of Republika Srpska). The qualification structure of the employees in these organizational units consists of a university degree education (44%), a secondary school education (42%), a college education (12%) and a master's degree (2%).

Assets per employee at the MCO level headquartered in Republika Srpska amounts to 826.5 thousand KM (as of 31/12/2021 it was 774.2 thousand KM), with a growth rate of 6.8% compared to the end of 2021.

2. FINANCIAL INDICATORS OF MCO BUSINESS OPERATIONS

The Agency performs the function of supervision of the MCO by on-site supervision and analysis of the reports submitted by the MCO to the Agency (off-site supervision), in accordance with the Agency's legal regulations and by-laws.

The reporting basis consists of quarterly reports on the balance sheet, capital, loans, reserves for credit losses, business performance and other reports and information on individual operation segments, as well as monthly reports on average weighted interest rates.

2.1. MCO balance sheet

The following table shows the balance sheet of MCO as of 31/12/2021 and 31/12/2022.

Table 42: MCO balance sheet											000 KM
DESCRIPTION	2021.					2022.					Index
	MCA	%	MCF	%	Total	MCA	%	MCF	%	Total	
ASSETS (PROPERTY)											
1. Cash funds	27.548	6	319	9	27.867	42.492	8	396	8	42.888	154
2. Placements to banks	-	-	-	-	-	-	-	-	-	-	-
3. Loans (gross)	396.010	84	3.223	84	399.233	446.286	82	4.271	85	450.557	113
4. Office space and other fixed assets	3.966	1	89	2	4.055	5.511	1	129	3	5.640	139
5. Long term investments	36.112	7	-	-	36.112	36.112	7	-	-	36.112	100
6. Other asset	8.648	2	203	5	8.851	10.088	2	223	4	10.311	116
7. Total asset (gross) (1+2+3+4+5+6)	472.284	100	3.834	100	476.118	540.489	100	5.019	100	545.508	115
8. Provisioning (8a.+8b.)	7.230		102		7.332	5.683		37		5.720	78
8a.Loan items provisioning	5.729		95		5.824	4.259		35		4.294	74
8b.Provisioning for for other asset items except loans	1.501		7		1.508	1.424		2		1.426	95
9. Total asset (net: 7. - 8.)	465.054		3.732		468.786	534.806		4.982		539.788	115
LIABILITIES (OBLIGATIONS)											
10. Obligations per loans / borrowings taken	278.113	60	1.277	34	279.390	326.440	61	3.045	61	329.485	118
11. Other liabilities	34.999	7	1.033	28	36.032	35.025	7	313	6	35.338	98
12. Total capital / holding	151.942	33	1.422	38	153.364	173.341	32	1.624	33	174.965	114
13. Total liabilities (obligations and capital / holding: (10+11+12)	465.054	100	3.732	100	468.786	534.806	100	4.982	100	539.788	115
14. Off-balance sheet records	68.269		215		68.484	74.461		905		75.366	110

2.1.1. MCO assets

The growth of the total assets (gross) of MCO based in Republika Srpska at a rate of 15% or in the amount of 69.4 million KM is the result of an increase in total loans in the amount of 51.3 million KM or at a rate of 13% (the same amount makes up 83% of total assets), and an increase in cash funds by 15 million KM or at a rate of 54% (the same amount makes up 7% of total assets), then other assets by 1.5 million KM or at a rate of 16% (the same amount makes up 2 % of total assets) and an increase in office space and other fixed assets (1% of total assets) by 1.6 million KM or by 39%, while the value of long-term investments (7% of total assets refers to the investment of the largest MCA in the bank's share capital) is at the same level as with the balance on 31/12/2021.

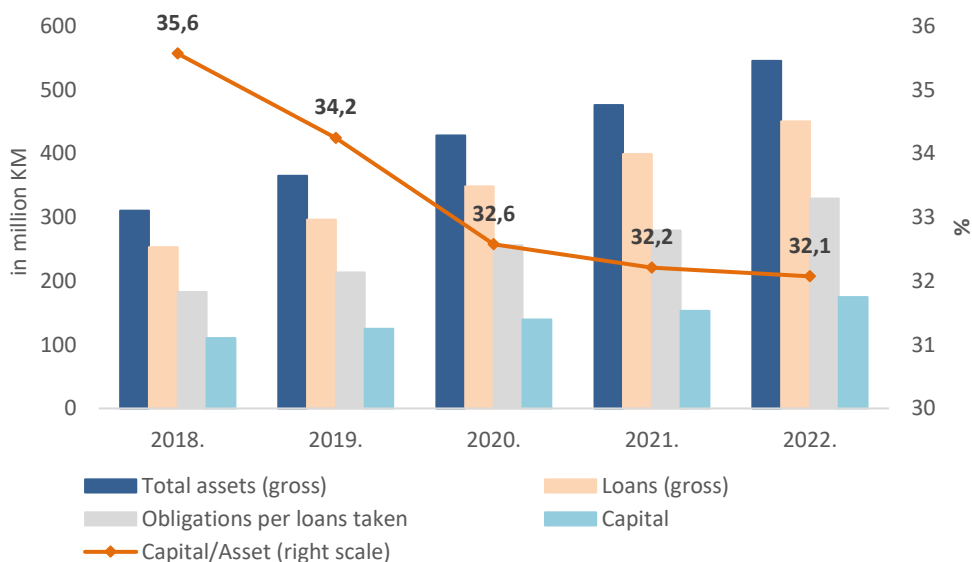
The growth in lending activity, compared to the situation at the end of 2021, is evident in ten MCAs, that is in four MCAs with a growth rate that ranged from 29% to 43%, then in four MCAs with a growth rate that ranged from 7% to 15%, and in two MCAs there was an evident increase in loans at a rate of 2% and 4%, while in one MCA there was an evident decline in lending activity at a rate of 48%.

One MCA started lending activities in July 2022 (founded in February 2022), and its loans make up only 0.2% of total loans in the microcredit sector of Republika Srpska.

Loan growth is evident at one MCF at a rate of 155% (provided new funding sources and an increased number of organizational units), while the loan portfolio at another MCF decreased by 35%, all in relation to the balance of their loans as of 31/12/2021.

In the total growth of MCO loans for 2022 (51.3 million KM) compared to the end of 2021, the growth of the three MCO loans accounts for 96% of the total growth of MCO loans.

Graph 36: Republika Srpska MCO balance sheet positions (2018 – 2022)



According to the structure of other assets (10.3 million KM or 2% of total assets), the most significant share is interest receivables in the amount of 3.2 million KM (31% of other assets) and other receivables in the amount of 2.8 million KM or 27% of other assets (net asset with the right to use - lease of office space, advance payment of profit tax, other receivables from employees, etc.), then active accruals in the amount of 2.6 million KM (26% of other assets), receivables for fees in the amount of 0.6 million KM (6% of other assets), and funds acquired through the collection of receivables (0.7 million KM or 7% of other assets) and advances (0.4 million KM or 3% of other assets).

2.1.2. MCO liabilities

In the structure of liabilities, liabilities for taken loans/borrowings, as the main funding source for MCO, amount to 329.5 million KM (61% of liabilities) and are higher by 50.1 million KM or by 18% compared to the end of 2021.

DESCRIPTION	2020.				2021.				2022.				Index 2022/2021
	MCA	MCF	Total	%	MCA	MCF	Total	%	MCA	MCF	Total	%	
Obligations per taken short term loans / borrowings	7.355	768	8.123	3	15.534	939	16.473	6	11.561	560	12.121	4	74
Obligations per taken long term loans / borrowings	247.534	693	248.227	97	262.579	338	262.917	94	314.879	2.485	317.364	96	121
TOTAL	254.889	1.461	256.350	100	278.113	1.277	279.390	100	326.440	3.045	329.485	100	118

In terms of total liabilities for taken loans/borrowings, the most significant creditors of the microcredit sector of Republika Srpska are: foreign international financial institutions with a share of 71% (96% of the liabilities towards the mentioned investors refer to the largest MCA), then domestic banks with a share of 19%, funds of the Investment-Development bank of Republika Srpska with a share of 3%, other foreign investors with a share of 2% and other funding sources (loans from legal entities and private individuals) with a share of 5% in total liabilities taken loans/borrowings.

Other liabilities amount to 35.3 million KM or 6% of liabilities with a decrease at the rate of 2% or in the amount of 0.7 million KM compared to the end of 2021, as a result of the reduction of "other liabilities". As of 31/12/2022, "other liabilities" amount to 7 million KM or 20% of other liabilities with a decrease at the rate of 29% or in the amount of 2.9 million KM (dividend payment).

Liabilities based on the issue of bonds are higher by 3% or by 0.3 million KM, which as of 31/12/2022 make up 35% of other liabilities, i.e. they total 12.3 million KM (six MCA). Furthermore, according to the structure of other liabilities, liabilities for interest and fees are higher by 25% or by 0.7 million KM compared to the end of 2021, which as of 31/12/2022 amount to 3.6 million KM or 10% of other liabilities, while passive accruals amounted to 10.1 million KM or 28% of other liabilities and are higher by 12% or 1.1 million KM. Liabilities to employees based on wages, taxes and contributions total 2.1 million KM or 6% of other liabilities, and are higher by 4%, while provisions according to IAS 19 and court cases are lower by 5% (amount to 0.2 million KM or 1% of other liabilities), all in relation to the balance as of 31/12/2022.

Off-balance sheet records reported as of 31/12/2022 amounts 75.4 million KM, and comparing it with the balance as of 31/12/2021 is higher by 10% or by 6.9 million KM, mainly as a result of an increase in reported loans with a repayment delay of over 180 days and related interest and other asset items by 5.3 million KM or at a rate of 16% (the growth of the listed loan receivables of one MCA accounts for 78% of the total increase in the same liabilities) and an increase in other potential liabilities by 6% or by 1.2 million KM (three MCAs account for 92% of other potential liabilities).

According to the structure of the off-balance sheet, this position reports MCO loans with a delay in repayment over 180 days in the total amount of 32.5 million KM or 43% of the total off-balance sheet, then receivables for interest/fee with a delay in repayment over 180 days in the amount of 11.8 million KM or 16% of the total off-balance sheet (one MCA accounts for 53% of the mentioned receivables), receivables based on default interest and other loan expenses in the total amount of 13.4 million KM or 18% of the total off-balance sheet (mainly with one MCA), potential liabilities for undrawn funds based on unused funds under agreements on framework or revolving loans concluded with banks in the total amount of 11.5 million KM or 15% off-balance sheet (five MCA and one MCF), potential liabilities for undrawn funds from framework loans approved to MCA clients in the amount of 6.1 million KM or 8% of the off-balance sheet and on other grounds in the amount of 0.1 million KM (potential liabilities for payments to employees, etc.).

2.2. MCO capital (MCA capital and MCF holding)

The total capital/holding of MCO amounts to 174.9 million KM or 32% of liabilities and is higher by 21.6 million KM or by 14%, which is the result of the impact of the growth of undistributed profit of MCO in the total amount of 20.1 million KM or at the rate of 22% (eight MCAs) and an increase in excess income over expenses of the MCF by 0.2 million KM, and an increase in the Tier 1 capital of the MCA by 1.2 million KM or by 2% (a more significant impact of the increase in the Tier 1 capital of two MCAs by 1.9 million KM and a decrease in the Tier 1 capital of one MCA by 0.7 million KM based on the acquisition of own shares) and an increase in mandatory reserves by 0.1 million KM or by 2%, all in relation to the balance as of 31/12/2021.

DESCRIPTION	2021.					2022.					Index 2022/2021
	MCA	%	MCF	%	Total	MCA	%	MCF	%	Total	
Founding capital / holding	54.974	36	741	52	55.715	56.178	32	741	45	56.919	102
Share premium	-	-	-	-	-	-	-	-	-	-	-
Undistributed profit	92.503	61	-	-	92.503	112.598	65	-	-	112.598	122
Excess/ lack of income	-	-	652	46	652	-	-	848	52	848	130
Legally required reserves	4.417	3	29	2	4.446	4.507	3	35	2	4.542	102
Other reserves	48	-	-	-	48	58	-	-	-	58	121
MCA capital / MCF holding	151.942	100	1.422	100	153.364	173.341	100	1.624	100	174.965	114

The MCF holding in the total amount of 1.6 million KM is higher by 14% or by 0.2 million KM compared to the end of 2021, and makes up 0.9% of the total capital/holding of the MCO.

The founding holding of the two MCFs are unchanged compared to the end of 2021 and total 741 thousand KM (0.42% of the total capital/holding of MCO).

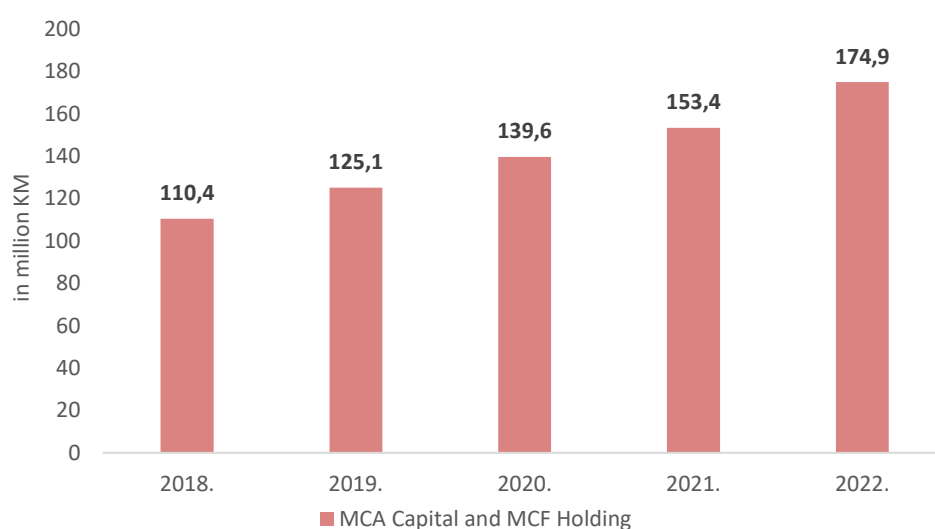
In addition to the founding capital/holding, a significant share in the capital structure of MCO is the undistributed profit of MCA (112.6 million KM or 64% of the total capital/holding), which with as of 31/12/2022 consists of undistributed audited net profit from previous years in the total amount of 88.7 million KM (for eight MCAs, the net profit from previous years was 93 million KM, and for one MCA the loss was 4.3 million KM) and reported MCA net profit as of 31/12/2022 in the total amount of 23.9 million KM (eleven MCA reported a net profit in the amount of 24.4 million KM, and one MCA reported a loss in the amount of 0.5 million KM – lending activity started in July 2022).

At the level of the MCF as of 31/12/2022, there is an evident net excess of income over expenditure in the total amount of 848 thousand KM with a growth rate of 30%, which represents the revised net excess of income over expenditure in the previous years in the total amount of 646 thousand KM (excess of income over expenditure at one MCF in the amount of 676 thousand KM and a deficit of income over expenses at one MCF in the amount of 30 thousand KM) and a net excess of income over expenses as of 31/12/2022 in the total amount of 202 thousand KM (two MCF).

Mandatory reserves (4.5 million KM or 3% of the total capital/holding of MCO) are higher by 2% compared to the same as at the end of 2021 (increase in six MCA and one MCF), and most of them (88%) refer to one MCA.

MCO's investments in office space and other fixed assets and long-term investments amount to 41.7 million KM in total, and make up an average of 23.9% of MCO's total capital/holding. The stipulated limit, a maximum of 50% of the capital/holding of MCO, as of 31/12/2022 has been met by all MCOs, except for one MCA (the capital of the same is below the stipulated minimum amount due to reported losses from previous years, the registration of the recapitalization of this MCO in the register of business entities at the competent court in Banja Luka was completed in February 2023, so after this, the said MCA meets the stipulated limit).

Graph 37: Republika Srpska MCO total capital and holding (2018 – 2022)



2.3. Loan portfolio quality

The main activity of MCO is extending microloans, mainly to the household and craftsmen, as the target group of microcredit users (97.7% of MCO's loan portfolio).

Total gross loans of MCO based in Republika Srpska as of 31/12/2022 amount to 450.6 million KM or 83% of the total assets of MCO with a growth rate of 13% or in the amount of 51.3 million KM compared to the end of the previous year.

MCO's reserves for potential credit losses according to the regulatory requirement make up 0.95% of gross loans, i.e. they amount to 4.3 million KM, and comparing their balance with the end of 2021, it is evident that they are less by 26% or by 1.5 million KM (the impact of the growth of loans without repayment delay by 14% or by 53.9 million KM and the simultaneous decrease of loans with repayment delay by 18% or by 2.6 million KM).

Net loans, which make up MCO total gross loans minus the amount of calculated reserves for potential credit losses in accordance with regulatory requirements, are shown in the following table:

DESCRIPTION	2021.			2022.			Index 2022/2021
	MCA	MCF	Total	MCA	MCF	Total	
1. Loans (gross)	396.010	3.223	399.233	446.285	4.271	450.557	113
2. Loan loss provisioning	5.729	95	5.824	4.259	35	4.294	74
Net loans (1.-2.)	390.281	3.128	393.409	442.027	4.236	446.263	113

The sector and maturity structure of MCO loans based in Republika Srpska is given in the following overview:

Microloans	2021.				2022.				Index 2022/2021
	Short term loans	Long term loans	Receivables due	Total	Short term loans	Long term loans	Receivables due	Total	
1. Legal entities									
Providing services	831	2.941	6	3.778	695	3.131	4	3.830	101
Trade	395	1.423	3	1.821	558	1.831	12	2.401	132
Agriculture	40	224	-	264	-	605	-	605	229
Manufacture	506	1.379	26	1.911	497	1.902	16	2.415	126
Other	341	830	75	1.246	297	490	282	1.069	86
Total	2.113	6.797	110	9.020	2.046	7.959	314	10.319	114
2. Private individuals									
Providing services	1.283	47.229	130	48.642	1.616	55.697	78	57.391	118
Trade	590	8.834	16	9.440	719	10.282	23	11.024	117
Agriculture	4.627	88.896	100	93.623	5.277	90.835	71	96.183	103
Manufacture	159	5.205	33	5.397	346	5.919	5	6.270	116
Housing	424	17.707	37	18.168	413	19.068	35	19.516	107
Other	21.425	191.920	1.598	214.943	22.935	225.370	1.548	249.853	116
Total	28.508	359.791	1.914	390.213	31.306	407.171	1.760	440.237	113
Total (1.+2.)	30.621	366.588	2.024	399.233	33.353	415.130	2.074	450.557	113

According to the maturity structure of loans, the dominant share is long-term loans, which make up 92.1% of total loans and amount to 415.1 million KM, and are higher by 13% or by 48.5 million KM compared to the end of 2021. Short-term loans (with overdue receivables) make up 7.9% of total loans and amount to 35.5 million KM and are higher by 2.8 million KM or by 8.5% compared to the end of 2021.

MCO's overdue receivables total 2.1 million KM or 0.46% of total loans with growth at a rate of 2% compared to the end of 2021 (as of 31/12/2021, they accounted for 0.51% of MCO's total loans) and they mainly refer to overdue receivables from private individuals (85% of total overdue receivables). Overdue receivables of one MCA as of 31/12/2022 make up 59% of the total overdue receivables of MCO.

According to the sector structure, loans to legal entities (2.3% of total loans) increased by 14% or by 1.3 million KM, while loans to private individuals increased by 13% or by 50 million KM, all in relation to the end of 2021.

In total MCO loans, according to the structure of branch concentration, loans placed for other purposes are still the most represented (loans for pensioners, financing of general consumption of private individuals, non-purpose cash loans, commodity loans, etc.) with a share in total loans of 56%, and with growth at a rate of 16% or in the amount of 34.7 million KM. Also, what is evident is the growth of loans for financing agriculture (21% of total loans) with growth at a rate of 3% or in the amount of 2.9 million KM, service activities (14% of total loans) at a rate of 17% or in the amount of 8.8 million KM, followed by an increase in housing loans (4% of total loans) at a rate of 7% or in the amount of 1.3 million KM, and trade activities (3% of total loans) with growth at a rate of 19% or in the amount of 2.2 million KM and loans for financing production (2% of total loans) with growth at the rate of 19% or in the amount of 1.4 million KM, all in relation to the end of 2021.

MCO loans from Republika Srpska placed to related persons total 56 thousand KM (owners, members of the board of directors and senior management of MCO) and are lower by 57% or 73 thousand KM compared to the balance of the same at the end of the previous year, and refer to two MCAs.

Loans of organizational units of MCO with headquarters in Republika Srpska operating in the Federation of BiH (five MCA and one MCF with 66 organizational units) as of 31/12/2022 in total amount to 158.7 million KM or 35.2% of the total loans of MCO based in Republika Srpska, with growth at the rate of 16% or in the amount of 22 million KM (on 31/12/2021 they placed a total of 136.7 million KM or 35.2% of total MCO loans) and are included in the balance sheets of MCOs based in Republika Srpska.

Loans of organizational units of MCO operating in Republika Srpska, headquartered in the Federation of Bosnia and Herzegovina, with balance as of 31/12/2022 in total amount to 200.7 million KM or 30.8% of the total loans placed to clients of all MCOs operating in Republika Srpska (651.2 million KM), and are higher by 10% or by 18.6 million KM than the balance of the same as of 31/12/2021.

Microloans	2021.				2022.				Index 2022/2021
	Short term loans	Long term loans	Receivables due	Total	Short term loans	Long term loans	Receivables due	Total	
1. Legal entities									
Providing services	31	1.765	18	1.814	34	1.884	29	1.947	107
Trade	7	596	1	604	56	558	1	615	102
Agriculture	-	67	-	67	-	65	-	65	97
Manufacture	-	711	-	711	-	601	3	604	85
Other	-	8	-	8	-	12	-	12	150
Total	38	3.147	19	3.204	90	3.120	33	3.243	101
2. Private individuals									
Providing services	528	18.959	66	19.553	401	12.472	67	12.940	66
Trade	99	1.822	7	1.928	82	1.599	2	1.683	87
Agriculture	1.706	61.940	86	63.732	2.041	65.972	106	68.119	107
Manufacture	78	2.522	12	2.612	54	1.708	2	1.764	68
Housing	910	41.425	47	42.382	1.179	54.925	71	56.175	133
Other	6.128	42.336	197	48.661	5.419	51.100	226	56.745	117
Total	9.449	169.004	415	178.868	9.176	187.776	474	197.426	110
Total (1.+2.)	9.487	172.151	434	182.072	9.266	190.896	507	200.669	110

The sector structure of loans of organizational units of MCOs operating in Republika Srpska, whose seat is in the Federation of Bosnia and Herzegovina, is similar to the sector structure of loans of MCOs with headquarters in Republika Srpska, i.e. loans placed to private individuals make up 98.4% with a growth rate of 10% or in the amount of 18.6 million KM, while loans to legal entities make up 1.6% of the total loans of these organizational units and are higher by 1% or by 39 thousand KM.

The maturity structure of loans of MCO organizational units based in the Federation of Bosnia and Herzegovina is also similar to the maturity structure of MCO based in Republika Srpska, i.e. long-term loans make up 95% of total loans with a growth rate of 11% or in the amount of 18.7 million KM, while short-term loans, which include overdue receivables (9.8 million KM) make up 5% of total loans, and are lower by 1% or by 0.1 million KM, all compared to the end of 2021.

Overdue receivables of MCO business units based in the Federation of Bosnia and Herzegovina amount to 507 thousand KM or 0.25% of total loans, and are 17% higher than at the end of the previous year (434 thousand KM or 0.24% of total loans), and they mainly refer to loans placed to private individuals (93%).

From the aspect of branch concentration, in the loan portfolio of these organizational units, what is evident is more significant financing of agriculture (34% of total loans) with a growth rate of 7%, then financing of housing needs (28% of total loans) with a growth rate of 33%, and others purpose (28% of total loans) with a growth rate of 17%, while loans for financing service activities (7% of total loans) are 30% lower, all compared to the end of 2021.

The total amount of microloans placed to private individuals for all MCOs operating in Republika Srpska as of 31/12/2022 is given in the following table:

DESCRIPTION	Amount
1. Republika Srpska MCO	440.237
minus: Republika Srpska MCO business units in the Federation of BiH	154.041
Total 1	286.196
2. Federation of BiH MCO business units in Republika Srpska	197.426
Total (1.+2.)	483.622

Loans, which MCOs operating in Republika Srpska placed to private individuals as of 31/12/2022, in total amount to 483.6 million KM (as of 31.12.2021, they amounted to 436 million KM).

MCOs are obliged to allocate all credit and other receivables into certain groups by applying the criteria of the number of repayment delay days and to calculate reserves for credit and other losses at the expense of operational expenses for each group.

At MCO based in Republika Srpska, the amount of receivables classified into default groups by days of delay in repayment and the calculated reserves for those groups with the balance as 31/12/2022 can be seen from the following overview:

Days in default	Provisioning rate	Loan amount	Interest		Amount of other asset items	Provisioning			Total provisioning
			Provisioning rate	Interest amount		Per loans	Per accrued interest	Per other asset items	
1	2	3	4	5	6	7=(2x3)/100	8=(4x5)/100	9=(2x6)/100	10=(7+8+9)
0	0%	438.626	0%	133	421	-	2	-	2
1-15	2%	3.464	2%	43	39.001	68	1	780	849
16-30	15%	3.922	100%	56	14	589	56	2	646
31-60	50%	1.472	100%	53	26	739	53	13	805
61-90	80%	873	100%	35	22	699	35	18	752
91-180	100%	2.200	100%	141	326	2.200	140	326	2.666
Total		450.557		461	39.810	4.294	287	1.139	5.720

Loans without delay amount to 438.6 million KM or 97% of total loans, and are higher by 14% or by 53.9 million KM compared to the end of 2021 (384.7 million KM or 96.4% of total loans).

A more significant amount with a delay in repayment of loan receivables is evident in loans with a delay in repayment from 1 to 30 days (7.4 million KM or 1.6% of total loans), and a decrease in the amount of these loans in the amount of 0.7 million KM or by 8% is evident (as of 31/12/2021, they amounted to 8.1 million KM or 2% of total loans), as well as a decrease in related provisions by 9% compared to the previous year.

Furthermore, there is an evident reduction of loans with a delay in repayment from 31 to 180 days (4.5 million KM or 1% of total loans) by 30% or in the amount of 1.9 million KM, for which regulatory reserves were calculated in the amount of 3,6 million KM (as of 31/12/2021, the mentioned loans amounted to 6.5 million KM, for which the calculated reserves amounted to 5.1 million KM).

From the total value of the loan portfolio of MCO based in Republika Srpska with the balance as of 31/12/2022 (450.6 million KM), loans with a delay in repayment from 1 to 180 days total 11.9 million KM or 3% of total loans, and are lower by 18% or 2.6 million KM compared to the end of 2021 (they amounted to 14.5 million KM or 3.6% of total loans).

For the loan portfolio with a delay in repayment as of 31/12/2022, reserves were calculated to cover credit losses in the total amount of 4.3 million KM or 0.95% of total loans or 36% of the value of total loans with a delay in repayment from 1 to 180 days, and they are less by 26% or by 1, 5 million KM in relation to the reserves reported with the balance as of 31/12/2021 (5.8 million KM or 1.5% of total loans or 40.1% of total defaulted loans).

Reserves for potential losses on the basis of receivables for overdue interest as of 31/12/2022 were calculated in the amount of 0.3 million KM or 5% of total reserves, while reserves for potential losses on other asset items (investments in securities, fees, etc.) amount to 1.1 million KM or 20% of total reserves. The total amount of reported reserves on all bases is 5.7 million KM with a decrease of 22% or in the amount of 1.6 million KM (as of 31/12/2021 they amounted to 7.3 million KM).

At MCO with headquarters in the Federation of Bosnia and Herzegovina operating in Republika Srpska, out of total loans (200.7 million KM), loans without default as of 31/12/2022 amount to 196 million KM or 97.7% of total loans with growth at a rate of 10% or in the amount of 18.6 million KM. Loans where there is an evident delay in repayment from 1 day to 180 days in total amount to 4.6 million KM or 2.3% of total loans, and are higher by 11% or 0.5 million KM compared to their balance as of 31/12/2021 (they amounted to 4.1 million KM or 2.3% of total loans).

The total amount of reserves for credit losses of organizational units of MCO from the Federation of Bosnia and Herzegovina on all grounds (loans and overdue interest) is reported in the amount of 2.2 million KM or 1.1% of total loans or 47.7% of defaulted loans from 1 to 180 days, and are higher by 15% or by 0.3 million KM in relation to the stated reserves at the end of 2021 (1.9 million KM or 1% of total loans or 46% of total defaulted loans).

* * * *

In accordance with the Decision on temporary measures of microcredit organizations to mitigate negative economic consequences caused by the "COVID-19" viral disease ("Official Gazette of Republika Srpska" No. 89/20, 22/21, 103/21, 121/21 and 26/22), the obligation of MCO to report on the effects of the implementation of temporary measures (moratorium, grace period, extension of the deadline for loan repayment) etc.) has been stipulated. Based on the reports submitted by the MCO based in Republika Srpska and the organizational units of MCO based in the Federation of Bosnia and Herzegovina operating in Republika Srpska, the MCO approved 10,947 requests of clients from Republika Srpska in the total amount of 51.6 million KM for the implementation of all temporary measures (as of 31/03/2022 - the said decision was repealed), which as of 31/12/2022 represents 10.5% of the balance of total loans placed to clients from Republika Srpska (as of 31/12/2022, they amounted to 492.5 million KM).

From the total number of approved requests, as of 31/12/2022, the number of active batches of loans with special measures is 1,479, the balance of which is 6.5 million KM, which is 1.3% of the total balance of loans placed to clients from Republika Srpska (as of February 2023, the obligation of MCO to report on temporary measures has ceased).

* * *

According to the reports of MCO based in Republika Srpska in the period 01/01-31/12/2022, 292 guarantors/co-borrowers repaid 317 thousand KM⁴² for 276 users of individual loans or 0.20% of a total of 137,482 lots of individual loans. At the largest MCA, 208 guarantors/co-borrowers repaid 230,000 KM for 197 loan users, which is 0.27% of the total number of loan batches of the same MCA. At the level of the MCO of Republika Srpska in the period 01/01-31/12/2021, 310 guarantors/co-borrowers repaid a total of 271 thousand KM⁴³ for 300 users of individual loans or 0.22% of a total of 135,055 lots of individual loans.

According to the reports of the MCO based in Republika Srpska, in accordance with the Decision on more detailed conditions and method of acting of microcredit organization upon client complaint ("Official Gazette of Republika Srpska" No. 58/10), in this reporting period the clients of five MCOs submitted a total of 19 complaints (15 complaints per other grounds, 2 complaints based on the calculation of interest and 2 complaints of the guarantor/co-debtor), of which 16 complaints were resolved positively, 2 complaints were resolved negatively, and 1 complaint is in the process of being resolved.

2.4. Weighted nominal and effective interest rates

Average weighted nominal and effective interest rates are calculated on new loans placed during the calendar month, and refer to this reporting period.

The average weighted nominal and effective interest rates for 2021 and 2022 of MCOs with headquarters in Republika Srpska and business units of MCOs with headquarters in the Federation of BiH operating in Republika Srpska are given in the following table:

DESCRIPTION	2021				2022.			
	Republika Srpska MCO		FBiH MCO units in RS		Republika Srpska MCO		FBiH MCO units in RS	
	NIR	EIR	NIR	EIR	NIR	EIR	NIR	EIR
1. Short term loans								
Providing services	16,49	28,43	21,28	29,01	16,22	27,83	20,66	28,79
Trade	14,49	25,72	19,15	25,71	15,87	24,07	18,65	24,98
Agriculture	16,32	19,98	21,32	26,40	15,92	19,03	21,14	26,11
Manufacture	13,50	30,04	20,53	27,81	16,55	29,44	19,70	27,91
Housing	19,13	28,32	20,97	27,26	19,21	27,48	19,18	22,99
Other	14,85	114,43	19,49	28,48	27,55	114,76	19,67	29,25
Weighted interest rates on short term loans	15,18	91,03¹	20,02	28,01	24,33	88,77²	19,95	27,75
2. Long term loans								
Providing services	16,18	18,96	18,22	21,88	16,19	18,76	18,60	22,25
Trade	15,70	18,19	15,45	18,50	15,55	17,77	15,63	18,55
Agriculture	15,51	17,68	18,01	20,39	15,30	17,48	17,91	20,15
Manufacture	15,63	18,06	17,10	20,29	15,65	17,91	18,07	21,53
Housing	18,04	22,19	19,15	22,28	17,99	21,98	18,12	20,47
Other	18,08	23,35	20,48	25,45	18,22	22,74	19,75	25,51
Weighted interest rates on long term loans	17,26	21,48	19,09	22,63	17,32	21,04	18,57	22,03
Weighted interest rates on total loans	16,88	34,40¹	19,21	23,33	18,62	33,65²	18,72	22,66

NIR = nominal interest rates EIR = effective interest rates

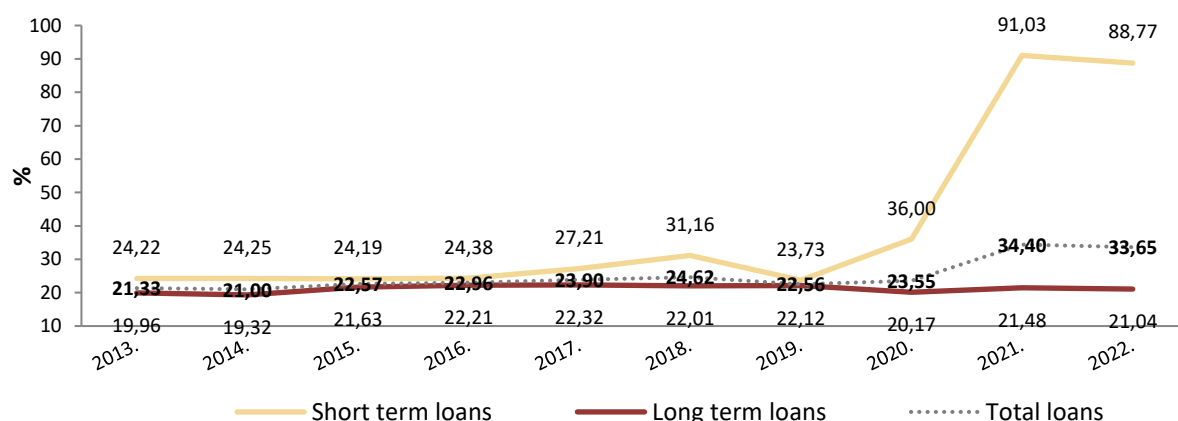
¹ When the short-term loans of one MCA with an individual loan amount of up to 400 KM and with a repayment period of up to 3 months are excluded from the calculation of the average weighted EIR, the average weighted EIR for 2021 on short-term loans is 23.58%, and the average weighted EIR on total loans is 21.84%.

² When the short-term loans of one MCA with an individual loan amount of up to 400 KM and with a repayment period of up to 3 months are excluded from the calculation of the average weighted EIR, the average weighted EIR on short-term loans for 2022 is 34.35%, and the average weighted EIR on total loans is 23.32%.

⁴² The repayment amount at the expense of guarantors/co-borrowers includes all repayments by guarantors instead of the debtor in the reporting period, whether it is the repayment of one or several installments or the assumption of continuous repayment of the loan.

⁴³ The repayment amount at the expense of guarantors/co-borrowers includes all repayments by guarantors instead of the debtor in the reporting period, whether it is the repayment of one or several installments or the assumption of continuous repayment of the loan.

Graph 38: Trend of average weighted EIR of Republika Srpska MCO (2013 – 2022)



The average weighted EIR on total MCO loans from Republika Srpska in this reporting period is 33.65% and is lower by 0.75 percentage points compared to the average weighted EIR in 2021 (34.40%). In 2022, there is an evident decrease in the average weighted EIR on total short-term loans by 2.26 percentage points compared to the weighted average in 2021, as a result of the decrease in the average weighted effective interest rate for loans placed for financing certain operations (services, agriculture, trade, production, housing needs) and a simultaneous increase in short-term loans for financing other purposes by 0.33 percentage points. It is also evident that the average weighted EIR on long-term loans decreased by 0.44 percentage points compared to the weighted average of the same for 2021.

The average weighted EIR on total loans at MCO from Republika Srpska, in the period January - December 2022, at ten MCOs was below the average weighted EIR on total loans by MCOs from Republika Srpska. Four MCOs, in this reporting period, reported an average weighted EIR above the average weighted EIR on total loans of MCOs from Republika Srpska.

Organizational units of MCO based in the Federation of Bosnia and Herzegovina operating in Republika Srpska, in the period January - December 2022, reduced the average weighted EIR on total loans (22.66%) by 0.67 percentage points compared to the weighted average for 2021. a year. In this reporting period, the average weighted effective interest rate on total loans of four MCOs was below the average weighted EIR on total loans of organizational units of MCOs based in the Federation of BiH operating in Republika Srpska. Five MCOs reported an average weighted EIR above the average weighted EIR on total loans of all MCOs based in the Federation of BiH operating in Republika Srpska.

2.5. Income statement

The microcredit sector of Republika Srpska as of 31/12/2022 reported a positive financial result in the total amount of 24.1 million KM with growth at a rate of 30% or in the amount of 5.6 million KM compared to the same period in 2021, mainly as a result of the impact of a significant increase in interest income and similar income by 10.9 million KM or by 15% in total income in relation to the increase in operational expenses by 5.6 million KM or by 16% and the growth of interest expenses by 0.8 million KM or by 6% with a simultaneous reduction in costs reserves for credit and other losses by 30% or by 1.8 million KM in total expenses, all in relation to what was reported on 31/12/2021.

The structure of the income statement of the Republika Srpska MCO is shown in the following table:

DESCRIPTION	09/2021.				2022.				Index
	MCA	MCF	Total	%	MCA	MCF	Total	%	2022/2021
INCOME									
Interest income and similar income	52.860	804	53.664	99	82.286	1.067	83.353	99	115
Operational income	477	12	489	1	945	16	961	1	89
Extraordinary income	217	16	233	-	310	20	330	-	54
1. TOTAL INCOME	53.554	832	54.386	100	83.541	1.103	84.644	100	114
EXPENSES									
Interest expenses and similar expenses	9.005	153	9.158	24	13.151	165	13.316	24	106
Operational expenses	23.325	511	23.836	63	39.182	747	39.929	69	116
Costs of provisioning for loan and other losses	4.801	77	4.878	13	4.224	-43	4.181	7	70
Extraordinary expenses	102	67	169	-	110	5	115	-	43
TOTAL EXPENSES	37.233	808	38.041	100	56.667	874	57.541	100	108
3. PROFIT MCA /SURPLUS OF REVENUES OVER EXPENSES MSF BEFORE TAX (1.-2.)	16.321	24	16.345	-	26.874	229	27.103		129
4. TAX	-	-	-	-	3.005	27	2.032		120
5. MCA NET PROFIT/MCF SURPLUS OF REVENUES OVER EXPENSES (3. -4.)	16.321	24	16.345	-	23.869	202	24.071		130

According to the income structure as of 31/12/2022, interest income (72.2 million KM or 86% of total income) is higher by 11.7 million KM or by 19% compared to interest income as of 31/12/2021 (60.5 million KM or 82% of total income). Other similar income (mainly fees for processing loan applications) as of 31/12/2022 amounted to 11.1 million KM or 13% of total income and are lower by 7% or by 0.8 million KM compared to the same income as of 31/12/2021 (11.9 million KM or 16% of total income).

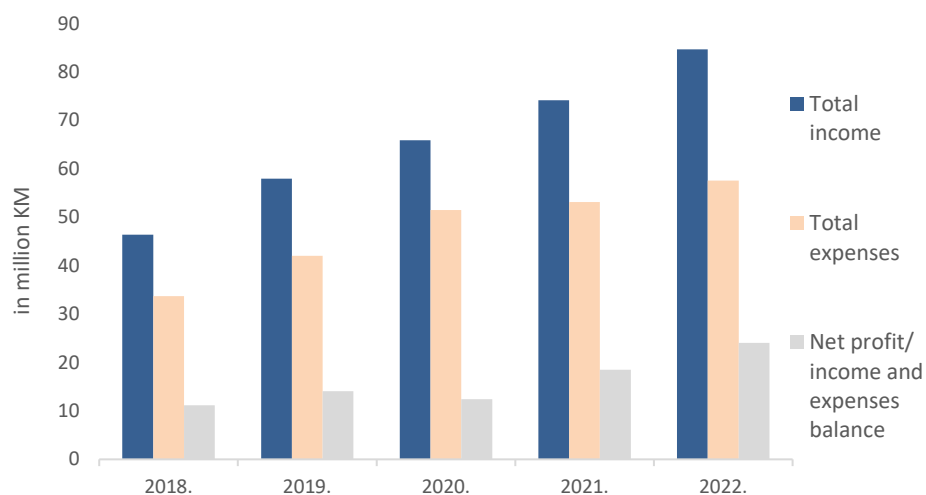
Operational income of MCO (mainly commissions for mediation services in insurance business and other fees from lending activities) as of 31/12/2022 is lower by 11% or by 0.1 million KM, and with extraordinary income they do not have a significant impact on total income and together make up only 1% of total income.

According to the expenses structure as of 31/12/2022, interest expenses amounted to 11.8 million KM or 20% of total expenses with growth at a rate of 12% or in the amount of 1.2 million KM compared to 31/12/2021 (10.6 million KM or 20% of total expenses). Other similar expenses (mainly based on bank fees) as of 31/12/2022 amounted to 1.5 million KM or 3% of total expenses and are lower by 22% or 0.4 million KM compared to the same period of the previous year.

In the structure of total operational expenses as of 31/12/2022 (39.9 million KM or 69% of total expenses), the share of expenses based on salaries and contributions is more significant (23.7 million KM or 41% of total expenses or 59% of total operational expenses) with growth at the rate of 18% or in the amount of 3.6 million KM (an increase in the number of employees by 45 workers or by 7%) compared to the same period in 2021. Expenses for office space, other fixed assets and overheads (5.6 million KM or 10% of total expenses or 14% of total operational expenses) are higher by 14% or by 0.7 million KM (increased number of organizational units by 19% or by 30 new organizational units). Other operational expenses (10.6 million KM or 18% of total expenses or 27% of total operational expenses) are higher by 14% or by 1.3 million KM compared to 31/12/2021 (cost of marketing, software and maintenance of the information system, direct write-off of receivables, cost of lease, depreciation, court costs based on dispute resolution, cost of postal services, cost of fees of regulatory institutions, etc.).

The cost of provisions for covering credit losses as of 31/12/2022 was 4.2 million KM or 7% of total expenses (two MCAs participate with 84% in the total cost of provisions at the MCO level), and is lower by 1.8 million KM or by 30% compared to 31/12/2021, as a result of the reduction of loans with a delay in repayment from 1 to 180 days by 2.6 million KM or by 19%.

Graph 39: Income statement items of Republika Srpska MCO sector (2018 – 2022)



At the level of Republika Srpska MCO, as of 31/12/2022, a positive financial result was reported in the total amount of 24.1 million KM, as a result of the reported net profit of eleven MCAs in the total amount of 24.4 million KM and the reported loss of one MCA in the total amount of 0.5 million KM, while two MCFs reported a net surplus of income over expenses in the total amount of 202 thousand KM.

2.6. Recommendations for the microcredit sector of Republika Srpska

The performance indicators of the microcredit sector in the period January - December 2022 show the growth of total assets, loans, total capital and the number of employees, and profitability has improved significantly.

In order to improve the quality of operations and maintain the stability of the microcredit sector, it is necessary for the microcredit sector to focus its activities on:

- capital strengthening as a basis for sustainability and business operations improvement;
- control of the level of overdue receivables, especially loans with a delay in repayment, and additional activities for more efficient collection and improvement of the system for early recognition of deterioration in the loan portfolio quality;
- development of policies and procedures for adequate risk management, and improvement of in-house risk management systems, primarily credit risk;
- improvement of asset management and adequate allocation of reserves according to regulatory requirements, i.e. value corrections according to IAS/IFRS;
- updating business plans;
- establishment of adequate policies and systems for planning funding sources;
- establishment of more effective internal control and audit systems;
- further improvement of policies and procedures for anti-money laundering and counter-terrorism financing;
- more comprehensive information and adequate education with the aim of better protection of microcredit users;
- personnel strengthening and professional training of workers with the aim of better and more comprehensive satisfaction of the needs of clients of microcredit organizations;
- strengthening information systems and support in business and reporting, while ensuring the security of information systems and developing new procedures for electronic business and working with clients remotely;
- continuous analysis of the products provided to microcredit users and their adaptation to market conditions and the economic viability of users.

Starting from the Agency's basic task of maintaining and strengthening the stability of the microcredit sector, the Agency's tasks in the coming period will also be focused on the following:

- continuous on-site and off-site supervision;
- enhanced monitoring of credit risk, primarily in terms of the adequacy of reserves for potential credit losses, that is, the adequacy of credit risk management;
- an active role in the development of a new laws and by-laws for the operation and supervision of the microcredit sector;
- timely and adequate action by MCO in accordance with the measures of the Agency;
- an active role in the supervision and protection of the rights of microcredit users and, in this sense, improving the transparency of MCO operations;
- monitoring of activities on anti-money laundering and counter-terrorism financing, and in this sense improving cooperation with other competent institutions;
- professional development of in-house personnel and capacity building for efficient supervision of microcredit organizations;
- active participation in the work of the Committee for Coordination of the Financial Sector of Republika Srpska;
- further improvement of cooperation with the Banking Agency of the Federation of Bosnia and Herzegovina with the aim of improving the effective supervision of MCO, and the continuation and improvement of cooperation with external auditors;
- continuous improvement of information systems.

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IV Leasing provider sector

In the period January - December 2022, there were no registered LPs based in Republika Srpska.

As of 31/12/2022, data on the business operations of LP based in the Federation of Bosnia and Herzegovina, which have a license issued by the Agency to operate in Republika Srpska, were given for three business units of LP that are part of three leasing companies based in the Federation of Bosnia and Herzegovina. Also, the data on financial leasing includes the data of the organizational unit of one bank based in the Federation of Bosnia and Herzegovina, which performs financial leasing operations (FLP) in Republika Srpska. Data on the operations of these organizational units are included in the balance sheets of the aforementioned parent companies for leasing (LP) and banks (FLP) operations.

The reporting basis for monitoring and supervising the work of the LP business units based in the Federation of Bosnia and Herzegovina (three LP business units) and the organizational unit of the bank that performs financial leasing activities (FLP) consists of 1 monthly report and 6 quarterly reports.

In the LP business units that operate in Republika Srpska, and whose headquarters are in the Federation of BiH, 7 workers are employed, as well as at the end of 2021. Out of the total number of employees, 5 workers with university degree are employed, and 1 worker with college degree and secondary school each.

The structure of receivables based on financial and operational leasing of LP business units and on the basis of FLP financial leasing operating in Republika Srpska can be seen from the following overview:

DESCRIPTION	2021.					2022.					Index 2022/2021
	RS leasing		LP/FLP FBiH units		Total	RS leasing		LP/FLP FBiH units		Total	
	Fin. leas.	Oper. leas.	Fin. leas.	Oper. leas.		Fin. leas.	Oper. leas.	Fin. leas.	Oper. leas.		
BY LEASING SUBJECT											
Passenger vehicles	-	-	48.001	7.821	55.822	-	-	59.441	8.425	67.866	122
Vehicles for service act. (off-road and passenger)	-	-	37.722	6.095	43.817	-	-	46.140	7.528	53.668	122
Machinery and equipment	-	-	31.752	53	31.805	-	-	25.764	23	25.787	81
Real-estate	-	-	23	-	23	-	-	12	-	12	52
Rail vehicles, watercraft and aeronautical facilities	-	-	-	-	-	-	-	-	-	-	-
Household appliances	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	24	-	24	-	-	1	-	1	4
Total	-	-	117.522	13.969	131.491	-	-	131.358	15.976	147.334	112
BY LEASING RECEIVER											
Legal entities	-	-	108.286	10.179	118.465	-	-	120.700	13.612	134.312	113
Entrepreneurs	-	-	4.452	98	4.550	-	-	5.589	63	5.652	124
Private individuals	-	-	4.279	83	4.362	-	-	4.453	54	4.507	103
Other	-	-	505	3.609	4.114	-	-	616	2.247	2.863	70
Total	-	-	117.522	13.969	131.491	-	-	131.358	15.976	147.334	112

Receivables based on financial and operational leasing of LP business units and FLP financial leasing as of 31/12/2022 in total amount to 147.3 million KM with a growth rate of 12% or in the amount of 15.8 million KM compared to the end of 2021.

Receivables based on financial leasing (LP and FLP) amount to 131.4 million KM or 89% of total leasing with growth at a rate of 12% or in the amount of 13.8 million KM. Receivables based on operational leasing LP (15.9 million KM or 11% of the total leasing) increased by 14% or by 2 million KM, all compared to the balance as of 31/12/2021.

According to the subject of financial leasing, the largest receivables relate to the financing of passenger vehicles (40% of total leasing) with growth at a rate of 24% or in the amount of 11.4 million KM, followed by financing of vehicles for the performance of activities (31% of total leasing), which is higher by 8.4

million KM or by 22%, and financing of machinery and equipment (17% of total leasing) with a decrease at the rate of 19% or in the amount of 6 million KM, all in relation to the balance as of 31/12/2021.

Financial leasing receivables against the lessee from legal entities (120.7 million KM or 82% of total leasing) are significantly represented and recorded growth at a rate of 11% or in the amount of 12.4 million KM, followed by entrepreneurs (5.6 million KM or 4% of total leasing) with growth at a rate of 25% or in the amount of 1.1 million KM, as well as receivables from private individuals (4.5 million KM or 3% of total leasing) with growth at a rate of 4% or for 0.2 million KM, and receivables based on financial leasing from other lessees also recorded growth at a rate of 22% or in the amount of 127 thousand KM, all in relation to the end of the previous year.

According to the subject of operational leasing (LP), there is an evident growth of receivables based on passenger vehicles (6% of total leasing) at a rate of 8% or in the amount of 0.6 million KM, as well as receivables based on vehicles for the performance of activities (5% of total leasing), which are higher by 23% or by 1.4 million KM than the balance of the same at the end of 2021.

Operational leasing according to the lessee is significantly present with legal entities (13.6 million KM or 9% of total leasing) and other users (2.2 million KM or 1.5% of total leasing). Furthermore, there is an evident increase in operational leasing for legal entities by 34% or 3.4 million KM, while for other users it recorded a decrease in the amount of 1.4 million KM or at a rate of 38% (decrease in operational leasing for entrepreneurs and private individuals has no significant influence on it).

Average weighted nominal interest rates and effective interest rates of leasing fees based on financial leasing for 2021 and 2022 for the organizational units of LP and FLP operating in Republika Srpska, whose headquarters are in the Federation of Bosnia and Herzegovina, are given in the following table:

Table 53: Average weighted interest rates of leasing fee					%
DESCRIPTION	2021.		2022.		
	NIR	ELIN	NIR	ELIN	
Per leasing subject					
Passenger vehicles	4,28	11,37	3,89	7,60	
Vehicles for performing activities	3,83	10,12	4,01	8,21	
Machinery and equipment	3,74	6,76	3,76	6,15	
Real estate	-	-	-	-	
Rail vehicles, watercraft and aeronautical facilities	-	-	-	-	
Household appliances	-	-	-	-	
Other	-	-	-	-	
Per lease receiver					
Legal entities	3,82	8,92	3,86	7,21	
Entrepreneurs	4,67	9,61	4,17	7,28	
Private individuals	4,82	19,22	4,90	17,48	
Other	-	-	-	-	
Total weighted interest rates	3,91	9,32	3,91	7,60	

NIR = nominal interest rate; ELIN = leasing fee effective rate

The average weighted effective interest rate of the leasing fee (ELIN) of LP and FLP business units in this reporting period is lower by 1.72 percentage points, comparing it with the same one in 2021.

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V Anti-money laundering and counter- terrorism financing

In accordance with the Law on the Banking Agency of Republika Srpska, the Agency supervises the compliance of the operations of banks and microcredit organizations with the minimum standards of anti-money laundering and counter-terrorism financing. Also, the Law on Anti-money laundering and counter-terrorism financing ("Official Gazette of Bosnia and Herzegovina" No. 47/14 and 46/16) stipulates that supervision over the implementation of the same in banks and microcredit organizations is carried out by the Agency.

In 2022, the Agency, through off-site and on-site supervision, supervised the compliance of the operations of banks and microcredit organizations with the standards of anti-money laundering and counter-terrorism financing. Supervision was carried out with the consistent application of the manual for supervision of compliance of banks and microcredit organizations with the minimum standards of anti-money laundering and counter-terrorism financing.

Bank supervision has established that banks have adopted policies on client eligibility, defined which clients are eligible for the bank, that they apply an approach to the client based on the analysis of the risks that the client may have for the bank, and that they have established registers of client profiles for legal entities and private individuals. Also, banks have adopted client identification policies as a basic element of the "Know Your Client" standard and apply them when establishing business relations with clients, as well as in the course of the business relation. In their operations, banks also apply policies on the constant monitoring of accounts and transactions of bank clients, based on which they have established transaction limits for certain types of accounts and transactions, and with the application of information systems, adequate application of the established limits in monitoring accounts and transactions is enabled. During the supervision of three banks, it was determined that they did not fully and adequately apply the minimum standards of anti-money laundering and counter-terrorism financing (in the follow-up procedure, decisions were issued with orders to eliminate irregularities, and subsequent supervision established that the banks acted according to the Agency's orders).

The supervision of microcredit organizations established that they have adopted a policy on client eligibility, which defines clients eligible to microcredit organizations, that they have established client profile registers for legal entities and private individuals, that in accordance with the policy on identification and monitoring of client activities, when establishing business relations, adequately carry out their identification, and regularly monitor clients in the course of the business relation. Also, microcredit organizations defined the responsibilities of employees in microcredit organizations with the policy on managing the risk of money laundering and financing of terrorist activities, and defined the way of reporting to the competent authorities. During the supervision of three microcredit organizations, it was determined that they did not fully and adequately apply the minimum standards of anti-money laundering and counter-terrorism financing (in the follow-up procedure, decisions were issued with orders to eliminate irregularities, and subsequent supervision determined that the microcredit organizations acted according to the Agency's orders).

Based on the performed supervision, and the condition of banks and microcredit organizations in the previous supervisory cycle, it can be concluded that they are largely aligned with the standards of anti-money laundering and counter-terrorism financing. Management of risks that may appear in business as a consequence of money laundering and financing of terrorist activities (operational risk, reputational risk, concentration risk, legal risk) is at a satisfactory level.

Based on submitted reports on cash transactions of 30 thousand KM or more, related cash transactions of 30 thousand KM or more and suspicious transactions, in 2022, banks reported to the State Investigation and Protection Agency of BiH - Financial Intelligence Department a total of 132,940 transactions worth 11.67 billion KM (compared to the same period in 2021, the number of reported transactions increased by 40%, and the total value of reported transactions increased by 45%).

In 2022, banks reported a total of 59 suspicious money laundering transactions in the total amount of 17 million KM (44% of reported suspicious transactions more than in 2021, while the total value of reported suspicious transactions is 45% higher) and 157 clients suspected of money laundering (43% more compared to 2021).

In this period, there were no reported suspicious transactions, nor suspicious clients for the financing of terrorist activities.

A comparative overview of the number and value of reported transactions, reported suspicious transactions and clients suspected of money laundering by banks in 2021 and 2022 is given in the following tables:

Table 54: Reported transactions					mill. KM
Transaction type	12/2021.		12/2022.		
	Number	Amount	Number	Amount	
Transactions reported before execution	5	5,5	4	8,8	
Transactions reported within 3 days	94.822	8.006,9	132.604	11.614,1	
Transactions reported after the 3-day deadline	56	4,5	332	42,5	
TOTAL	94.883	8.016,9	132.940	11.665,4	

Table 55: Reported suspicious transactions					mill. KM
Transaction type	12/2021.		12/2022.		
	Number	Amount	Number	Amount	
Transactions reported before execution	5	5,5	4	8,8	
Transactions reported within 3 days	29	4,6	45	6,9	
Transactions reported after the 3-day deadline	7	1,6	10	1,3	
TOTAL	41	11,7	59	17,0	

Table 56: Reported suspicious clients						
Type of suspicion on client	12/2021.			12/2022.		
	Number of recorded suspicious clients	for which FID requested additional information	for which FID did not request additional information	Number of recorded suspicious clients	for which FID requested additional information	for which FID did not request additional information
Clients suspicious for money laundering	110	3	107	157	0	157
Clients suspicious for financing terrorist activities	0	0	0	0	0	0
TOTAL (1+2)	110	3	107	157	0	157

In 2022, microcredit organizations had no reported cash transactions, suspicious transactions, or reported clients suspected of money laundering or terrorist financing.

Reporting to the Agency on transactions for which reporting was stipulated was at a satisfactory level, and banks and microcredit organizations performed reporting in accordance with legal regulations.

ATTACHMENTS

BANKING SECTOR

- **Bank basic data**
- **Sector structure of total loansa**

MCO SECTOR

- **MCO basic data**

Attachment 1: Bank basic data									mill. KM
BANK	SEAT	ADDRESS	MANAGEMENT PRESIDENT	2022					
				Net assets	Total capital	Total loans	Deposits	No. of employees	
„Nova banka" a.d. Banja Luka	Banja Luka	Kralja Alfonsa 13 br 37A	Siniša Adžić	2.820,3	254,0	1.611,9	2.207,8	675	
„NLB Banka" a.d. Banja Luka	Banja Luka	Milana Tepića 4	Goran Babić	1.962,1	195,7	1.056,5	1.611,0	496	
„UniCredit Bank" a.d. Banja Luka	Banja Luka	Marije Bursać 7	Gordan Pehar	1.440,6	281,8	876,1	1.050,4	422	
„Atos Bank" a.d. Banja Luka	Banja Luka	Jevrejska 71	Igor Jovičić	1.046,1	151,0	653,2	809,8	371	
„Addiko Bank" a.d. Banja Luka	Banja Luka	Aleja Svetog Save 13	Srđan Kondić	968,4	160,6	655,3	767,5	345	
„MF banka" a.d. Banja Luka	Banja Luka	Aleja svetog Save 61	Bojan Luburić	716,8	89,4	527,5	516,1	293	
„Banka Poštanska štedionica" a.d. Banja Luka	Banja Luka	Jevrejska 69	Boško Mekinjić	519,2	58,0	255,0	401,4	160	
„Naša banka" a.d. Bijeljina	Bijeljina	Patrijarha Pavla 3	Dejan Vuklišević	283,5	25,6	157,5	231,1	184	
			TOTAL	9.757,2	1.216,0	5.792,9	7.595,2	2.946	

Attachment 2: Sector structure of total loans					2022			mill. KM and %		
Description	Credit risk level			Total loans	ECL			Total ECL	NPL ratio	NPL cover. rate
	1	2	3		1	2	3			
Total loans to legal entities	2.423,1	329,8	115,3	2.868,3	32,0	36,1	72,9	140,9	4,0	63,2
A - Agriculture, forestry, fishing	64,9	4,6	3,1	72,7	1,1	0,7	2,6	4,4	4,3	85,2
B - Mining	35,6	9,5	0,3	45,4	0,3	1,2	0,3	1,8	0,8	100,0
C - Manufacture industry	381,7	66,9	37,3	485,9	5,7	7,2	18,9	31,8	7,7	50,6
D - Production and supply of electricity, gas, steam and air conditioning	160,3	25,8	0,2	186,4	1,7	3,2	0,1	5,0	0,1	54,1
E - Water supply; sewerage, waste management and remediation activities	21,4	2,8	0,8	25,0	0,3	0,2	0,8	1,3	3,2	99,0
F - Construction	216,3	50,3	15,0	281,5	3,9	4,0	6,3	14,3	5,3	42,0
G - Wholesale and retail trade; repair of motor vehicles and motorcycles	519,6	49,4	40,0	609,0	7,4	5,3	32,9	45,6	6,6	82,1
H - Traffic and warehousing	128,5	14,7	9,4	152,6	2,1	1,6	6,5	10,2	6,2	69,2
I - Accommodation, food preparation and serving activities; hotel and catering	88,0	16,9	5,7	110,7	1,0	2,2	2,0	5,1	5,2	34,3
J - Information and communication	32,5	26,2	0,1	58,8	0,5	3,3	0,1	3,9	0,1	98,5
K - Financial and insurance operations	104,9	5,6	0,0	110,5	0,9	2,1	0,0	3,0	0,0	-
L - Real estate operations	28,4	12,7	0,0	41,2	0,4	1,3	0,0	1,7	0,1	95,3
M - Expert, scientific and technical operations	52,2	29,2	0,7	82,0	0,6	2,1	0,5	3,2	0,8	73,6
N - Administrative and support service activities	15,4	3,4	0,5	19,4	0,2	0,6	0,5	1,3	2,7	92,1
O - Public administration and defense; compulsory social insurance	476,8	8,9	0,5	486,1	5,1	0,9	0,5	6,5	0,1	98,9
P - Education	3,1	0,1	1,5	4,6	0,1	0,0	0,8	0,8	32,1	52,1
Q - Health and social work activities	75,8	1,4	0,1	77,3	0,5	0,1	0,1	0,7	0,2	78,9
R - Art, entertainment and recreation	11,8	0,4	0,1	12,3	0,1	0,0	0,0	0,2	0,6	54,2
S - Other service providing activities	5,9	1,0	0,0	7,0	0,1	0,1	0,0	0,2	0,4	76,7
T - Activities of households as employers; activities of households that produce different goods and perform different services for their own use	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	-	-
U - Activities of extraterritorial organizations and bodies	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	-	-
Total household loans	2.555,3	271,2	98,2	2.924,6	31,6	35,8	84,1	151,5	3,4	85,6
General consumption	1.578,1	195,0	75,6	1.848,6	23,4	27,1	67,1	117,7	4,1	88,8
Housing	807,0	47,0	9,8	863,8	6,0	5,3	7,2	18,6	1,1	72,7
Performing activities	170,3	29,2	12,7	212,2	2,2	3,4	9,8	15,3	6,0	76,7
Total loans	4.978,4	601,0	213,5	5.792,9	63,6	71,9	156,9	292,4	3,7	73,5

Attachment 3: MCO basic data

000 KM

MICROCREDIT ORGANIZATION	SEAT	ADDRESS	DIRECTOR	2022				
				Gross assets	Gross loans	MCA total capital/MCF holding	Net profit/MCA loss and Net surplus/deficit of income over expenditure MCF	No. of employees
MKD "Mikrofin" d.o.o. Banja Luka	Banja Luka	Vase Pelagića 22	Mladen Bosnić	397.995	330.299	141.343	16.631	371
MKD "FinCredit" d.o.o. Banja Luka	Banja Luka	Nikole Pašića 1	Sladjan Budiša	62.707	47.554	14.138	3.398	66
"Prvo penzionersko mikrokreditno društvo" a.d. Banja Luka	Banja Luka	Kralja Petra I Karađorđevića 66	Vesna Todorović	15.107	12.842	1.961	1.411	12
MKD "Credis" a.d. Banja Luka	Banja Luka	Knjaza Miloša 3a	Dragan Katana	14.287	11.230	3.431	364	35
"Brčko gas penzionersko mikrokreditno društvo" a.d. Banja Luka	Banja Luka	Kralja Petra I Karađorđevića 119	Bojana Teodorović Kukrika	10.841	10.506	4.741	916	19
MKD "Pro fin" d.o.o. Istočno Sarajevo	Istočno Sarajevo	Spasovdanska bb	Gordana Ćorsović	7.765	7.167	1.452	511	17
MKD "Privrednik" d.o.o. Bijeljina	Bijeljina	Stefana Dečanskog 125	Davor Pejić	6.134	5.861	1.250	227	9
MKD "Zdravo" d.o.o. Banja Luka	Banja Luka	Bulevar vojvode Stepe Stepanovića 175 B	Jelica Galić	5.648	5.166	2.669	88	13
MKD "Auris" a.d. Banja Luka	Banja Luka	Veljka Mladenovića 7d	Radenko Vujić	5.183	4.132	1.317	7	10
MKD "Taurus" d.o.o. Banja Luka	Banja Luka	Radoslava Lakića 40	Milorad Despotović	4.073	3.595	895	78	8
MKF "Prodest" Banja Luka	Banja Luka	Dosideja Obradovića 1	Dragan Ostojić	3.324	2.922	398	87	8
MKF "Pro fin" Istočno Sarajevo	Istočno Sarajevo	Spasovdanska bb	Jelena Lučić	1.695	1.349	1.226	115	11
MKD "Digital Finance International" d.o.o. Banja Luka	Banja Luka	Svetozara Markovića 5/11	Dragan Danojević	8.991	6.928	-282 ¹⁾	751	47
MKD "Flex Credit" d.o.o. Banja Luka	Banja Luka	Miše Stupara 3	Nikolay Penchev Penchev	1.758	1.006	426 ²⁾	-513	34
				545.508	450.557	174.965	24.071	660

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