

Comment on Trends in the Sector of Non-banking Financial Institutions

2022 half-year analyses of financial sector in BH

At 2022 half year, in financial market of Bosnia and Herzegovina, 123 financial institutions operated, which are covered by regular statistics of the Central Bank of BH. This includes 22 commercial banks and one development bank in banking sector, and the following institutions in the sector of non-banking financial institutions (hereinafter, the statistical term other financial institutions sector/OFI sector is used): 25 insurance companies and one reinsurance company, 32 investment funds, 5 leasing companies, 26 microcredit organizations, 8 broker companies and 2 stock exchanges. Compilation of this statistics is carried out according to international methodology regulated by the IMF Monetary and Financial Statistics Manual (2000), via the single reporting form 2SR for banks and 4SR for non-banking financial institutions (Standardized Report Forms/SRF). By using single reporting forms for presenting balance sheets, it is possible to produce aggregated and harmonized data for the level of BH.

The number of financial institutions in BH

<i>Financial institutions in BH</i>	<i>June 2021</i>			<i>December 2021</i>			<i>June 2022</i>		
	<i>FBiH</i>	<i>RS</i>	<i>Total</i>	<i>FBiH</i>	<i>RS</i>	<i>Total</i>	<i>FBiH</i>	<i>RS</i>	<i>Total</i>
<i>Banks*</i>	16	8	24	15	8	23	15	8	23
<i>Investment funds</i>	16	19	35	16	16	32	16	16	32
<i>Insurance and reinsurance companies</i>	12	14	26	12	14	26	12	14	26
<i>Broker's companies</i>	4	4	8	4	4	8	4	4	8
<i>Leasing companies</i>	4	0	4	4	0	4	5	0	5
<i>Microcredit organizations</i>	13	14	27	13	13	26	13	14	27
<i>Stock exchanges</i>	1	1	2	1	1	2	1	1	2
<i>Total</i>	66	60	126	65	56	121	66	57	123

* *Razvojna banka FBiH included*

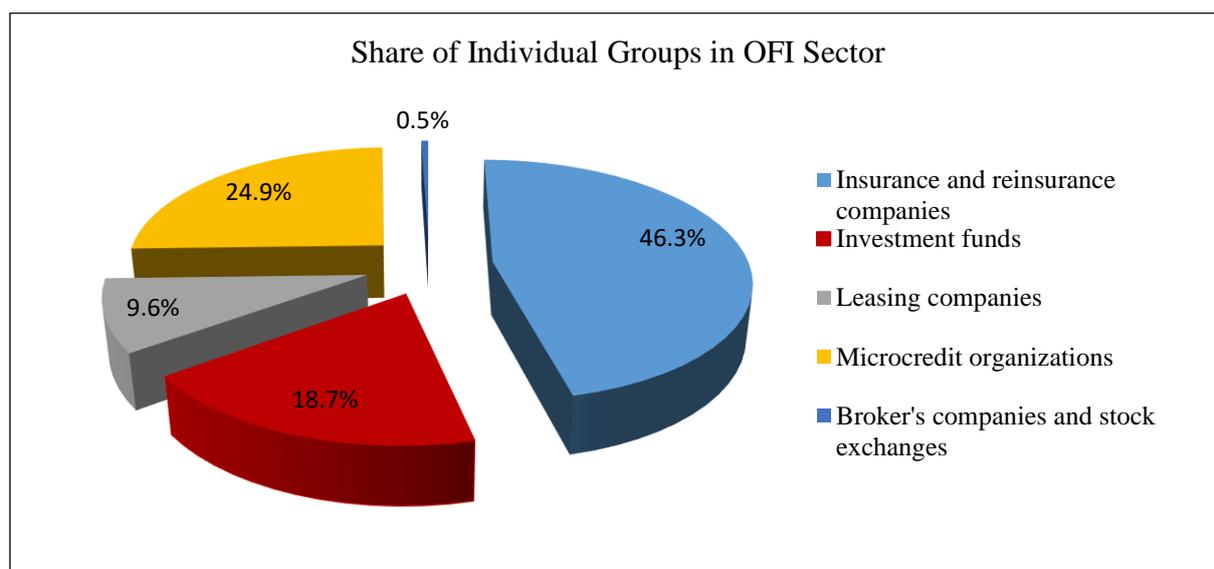
At 2022 half year, the total financial sector assets in Bosnia and Herzegovina amounted to KM 43.6 billion, which is higher by KM 278.4 million or by 0.6% compared to the 2021 year end positions. The largest share still belonged to banks accounting for 88.0% of the total financial sector assets. Insurance and reinsurance companies accounted for KM 2.4 billion, i.e. 5.5% of the total financial sector assets. Compared to the 2021 year end positions, all the OFI sector groups recorded growth of assets.

Financial sector in BH (KM million)

Financial institutions in BH (KM million)	06/2021		12/2021		06/2022		Assets growth index	
	Assets	Share (%)	Assets	Share (%)	Assets	Share (%)	06.2022/06.2021	06.2022/12.2021
<i>Commercial banks</i>	37.040,81	88,61	38.279,64	88,45	38.334,51	88,01	103,49	100,14
<i>Insurance and reinsurance companies</i>	2.279,49	5,45	2.326,68	5,38	2.416,53	5,55	106,01	103,86
<i>Investment funds</i>	835,29	2,00	943,41	2,18	978,82	2,25	117,18	103,75
<i>Microcredit organizations</i>	1.176,05	2,81	1.246,74	2,88	1.302,29	2,99	110,73	104,46
<i>Leasing companies</i>	444,70	1,06	458,03	1,06	499,04	1,15	112,22	108,95
<i>Broker's companies</i>	13,62	0,03	14,14	0,03	15,12	0,03	110,99	106,88
<i>Stock exchanges</i>	11,03	0,03	10,46	0,02	11,19	0,03	101,40	106,94
Total for sector	41.801,01	100,00	43.279,11	100,00	43.557,50	100,00	104,20	100,64

Sector of non-banking financial institutions (OFI sector)

The balance of the total OFI sector assets in BH, as of 30 June 2022, amounted to KM 5.22 billion, being higher by KM 223.5 million or 4.5% compared to the 2021 year end positions, and higher by KM 462.8 million or 9.7% compared to the 2021 half year positions. The largest assets within OFI sector were those of insurance companies amounting to KM 2.4 billion (which represents the share of 46.3% in the total OFI sector assets), followed by microcredit organizations with KM 1.3 billion (24.9% of the share), investment funds with KM 978.8 million (18.7% of the share), leasing companies with KM 499.0 million (9.6% of the share) and the remaining KM 26.3 million (0.5% of the share) was related to assets of broker companies and stock exchanges in BH.



A brief analysis of three sub-sectors with the largest shares in OFI sector is presented below.

Insurance and reinsurance companies

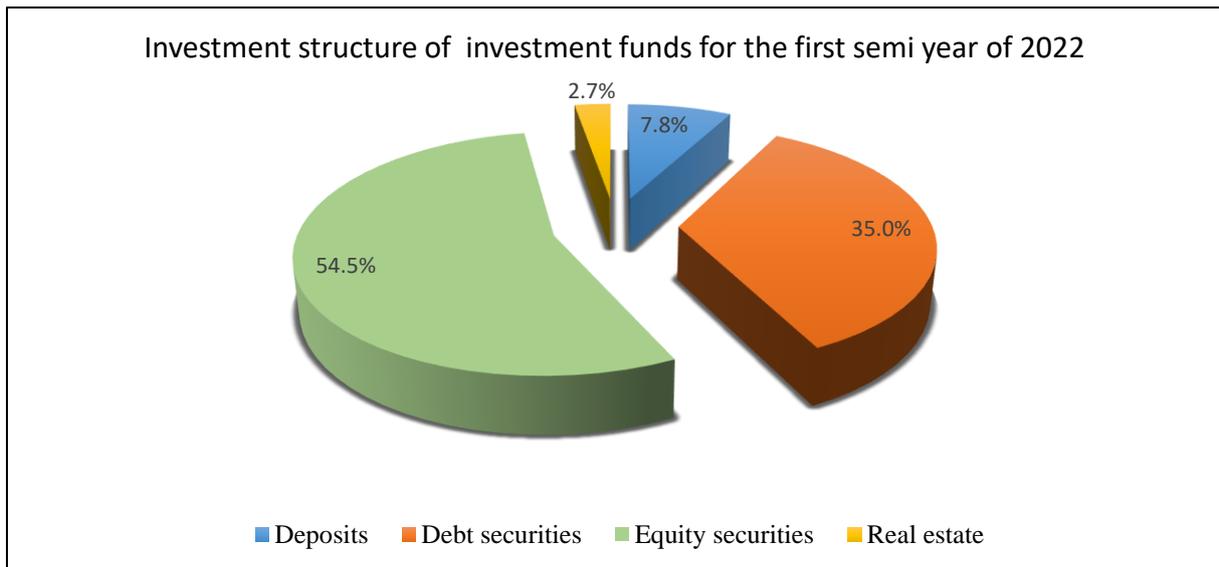
In BH insurance market, at 2022 half year, 25 insurance companies and one reinsurance company operated, out of them, 16 companies offered non-life insurance, while 9 were composite companies offering non-life and life insurance. Insurance companies in BH recorded a continuing and stable annual growth of assets having 46.3% of the share in the total OFI sector. The value of balance sheet amount of insurance sector (with the included reinsurance) on 30 June 2022 amounted to KM 2.42 billion, being higher by KM 89.9 million, i.e. 3.9% compared to the positions as of 31 December 2021, and being higher by KM 137.0 million or 6.0% compared to the same period of the previous year.

The most significant share in the asset structure was that of other deposits (term deposits with banks), securities and non-financial assets (real estate). Investments in securities, firstly government bonds, recorded a continuing growth, being higher by 5.0 % at 2022 half year compared to 2021 year end positions, and by 14.2% compared to 30 June 2021. In the structure of liabilities, the largest share was that of gross technical reserves (which are a specific item related to insurance operations) which on 30 June 2022 amounted to KM 1.63 billion and were higher by 5.0% compared to the 2021 year end positions. Over the observed period, compared to the same period of the previous year, gross technical reserves of insurance increased by 7.1%.

Investment funds

The total assets of investment funds at 2022 half year amounted to KM 978.8 million, which is higher compared to the 2021 year end positions by 35.4 million, i.e. 3.8%, and, compared to the 2021 half year positions, higher by 143.5 million or 17.2%. This shows that, despite market volatility, investors choose to invest in investment funds in order to surpass inflation rate and carry out risk diversification in the best possible way.

Investments of investment funds in the amount of KM 829.6 million accounted for 84.8% of their total assets and were lower by KM 9.7 million or 1.2% compared to the 2021 end, and compared to the positions as of 30 June 2021, they were higher by KM 43.1 million or 5.5%. In the structure of investments of investment funds, the largest share was related to investments in equity securities accounting for around 54.5%, followed by investments in debt securities 35.0%, investments in deposits 7.8 % and the lowest percentage of 2.7% was related to investments in real estate.



Microcredit organisations in BH

The balance sheet amount of microcredit organizations at 2022 half year amounted to KM 1.30 billion, which was higher by KM 55.6 million or 4.5% compared to the end of 2021, and by KM 126.2 million or 10.7% compared to the half year level. Out of the total balance sheet amount, KM 562.2 million or 43.2% was related to microcredit foundations (MCF), while KM 740.05 million or 56.8% was related to microcredit companies (MCC).

The total amount of extended loans with microcredit organisations at 2022 half year amounted to KM 1.04 billion or 79.7% of the total assets. Observing the sector structure, microcredit to natural persons in the share of 97.3% was predominating, while the remaining part of 2.7% was related to microcredit to legal persons. Compared to the 2021 end positions, microcredit portfolio increased by 5.0% (KM 49.4 million), while it was higher by 9.8% (KM 93 million) compared to semi-annual positions in 2021. Regarding the remaining part of assets, 7.3% was related to currency and deposits, 6.7% was related to non-financial assets and the remaining part was related to equity securities and other accounts of receivables.

The basic source of MCO funds were obligations based on loans which on 30 June 2022 amounted to KM 664.6 million or 49.5% of the total liabilities and were higher compared to the end of 2021 by KM 38.4 million or 6.3%, while they were higher by KM 77.9 million or 13.7% compared to the 2021 semi-annual period. The total MCO capital at 2022 half year amounted to KM 505.2 million or 38.8% of the total liabilities and was higher by KM 21.5 million or 4.5% compared to the end of 2021, while it was higher by KM 36.8 million or 7.9% compared to semi-annual positions in 2021.