

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

Analyses of financial sector in BH in the end of 2021

In the end of 2021, in financial market of Bosnia and Herzegovina, 121 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, 4 leasing companies, 26 microcredit organisations, 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 (Standardised Report Forms/SRF). By using single reporting forms for presenting balance sheets, it is possible to produce aggregated and harmonised data for the level of BH.

Number of Financial Institutions in BH

Financial institutions in BH	31 December 2020			30 June 2021			31 December 2021		
	FBiH	RS	Total	FBiH	RS	Total	FBiH	RS	Total
Banks*	16	8	24	16	8	24	15	8	23
Investment funds	16	19	35	16	19	35	16	16	32
Insurance and reinsurance companies	12	14	26	12	14	26	12	14	26
Broker's houses	4	4	8	4	4	8	4	4	8
Leasing companies	4	0	4	4	0	4	4	0	4
Microcredit organizations	14	14	28	13	14	27	13	13	26
Stock exchanges	1	1	2	1	1	2	1	1	2
Total	67	60	127	66	60	126	65	56	121

* Razvojna banka FBiH is included

The total financial sector assets in Bosnia and Herzegovina in the end of 2021 amounted to KM 43.3 billion, which is higher by KM 2.9 billion or by 7.1% compared to the positions recorded in the end of 2020. The largest share still belonged to banks accounting for 88.4% of the total financial sector assets. Insurance and reinsurance companies accounted for KM 2.3 billion, i.e. 5.4% of the total financial sector assets. Compared to the positions in the end of 2020, all the groups of OFI sector recorded growth of assets.

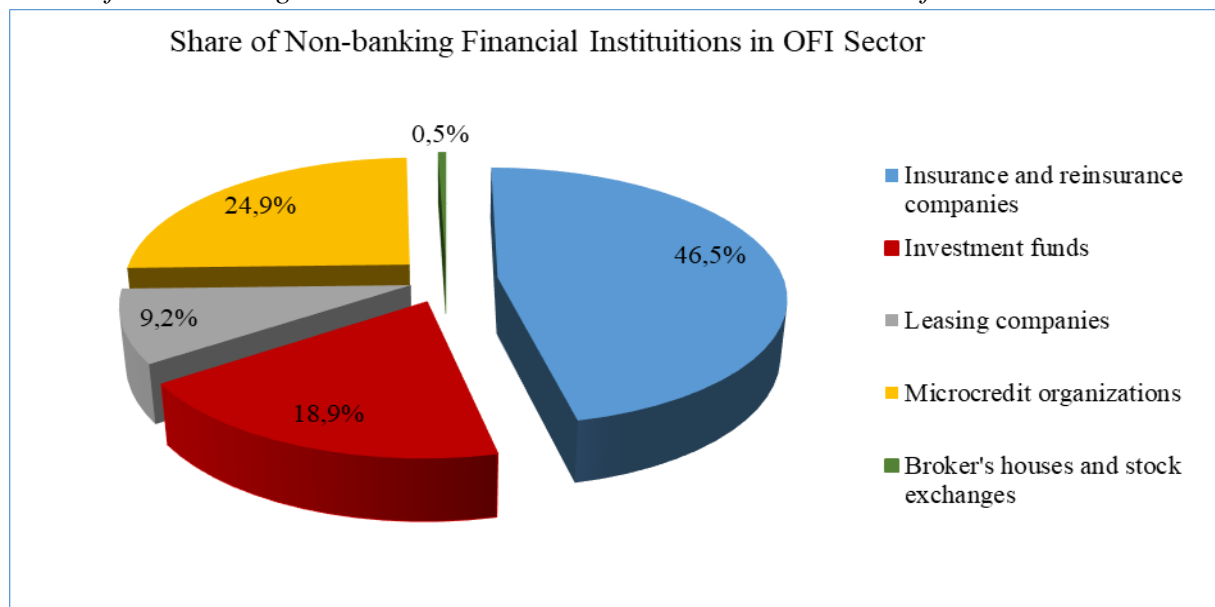
Financial Sector in BH (million KM)

<i>Financial institutions in BH</i>	<i>12/2020</i>		<i>06/2021</i>		<i>12/2021</i>		<i>Assets growth index</i>	
	<i>Assets</i>	<i>Share (%)</i>	<i>Assets</i>	<i>Share (%)</i>	<i>Assets</i>	<i>Share (%)</i>	<i>12.2021/12.2020</i>	<i>12.2021/06.2021</i>
<i>Commercial banks</i>	35.790,84	88,59	37.040,81	88,61	38.279,64	88,45	106,95	103,34
<i>Investment funds</i>	2.189,48	5,42	2.279,49	5,45	2.326,68	5,38	106,27	102,07
<i>Insurance and reinsurance companies</i>	820,22	2,03	835,29	2,00	943,41	2,18	115,02	112,94
<i>Broker's houses</i>	1.161,03	2,87	1.176,05	2,81	1.246,74	2,88	107,38	106,01
<i>Leasing companies</i>	416,48	1,03	444,70	1,06	458,03	1,06	109,98	103,00
<i>Microcredit organizations</i>	11,64	0,03	13,62	0,03	14,14	0,03	121,52	103,84
<i>Stock exchanges</i>	10,47	0,03	11,03	0,03	10,46	0,02	99,88	94,81
<i>Total for sector</i>	40.400,16	100,00	41.801,01	100,00	43.279,11	100,00	107,13	103,54

Sector of non-banking financial institutions (OFI sector)

The balance of the total assets of OFI sector in BH, as of 31 December 2021, amounted to KM 5.0 billion, being higher by KM 390.1 million or 8.5% compared to the positions in the end of 2020, and higher by KM 239.3 million or 5.0% compared to the 2021 semi-annual positions. The largest assets within OFI sector were those of insurance companies amounting to KM 2.3 billion (which represents the share of 46.5% in the total assets of OFI sector), followed by microcredit organisations with KM 1.2 billion (24.9% of the share), investment funds with KM 943.4 million (18.9% of the share), leasing companies with KM 458.0 million (9.2% of the share) and the remaining KM 24.6 million (0.5% of the share) was related to assets of broker companies and stock exchanges in BH.

Share of Non-banking Financial Institutions in OFI Sector at the End of 2021



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, in the end of 2021, 25 insurance companies and one reinsurance company operated, out of them, 15 companies offered non-life insurance, while 10 were composite companies offering non-life and life insurance. Insurance companies in BH recorded a continuing and stable annual growth of assets having 46.5% of the share in the total OFI sector. The value of balance sheet amount of insurance sector (with the included reinsurance) on 31 December 2021 amounted to KM 2.3 billion, being higher by KM 47.2 million, i.e. 2.1% compared to the positions as of 30 June 2021, and being higher by KM 137.2 million or 6.3% compared to the same period of the previous year.

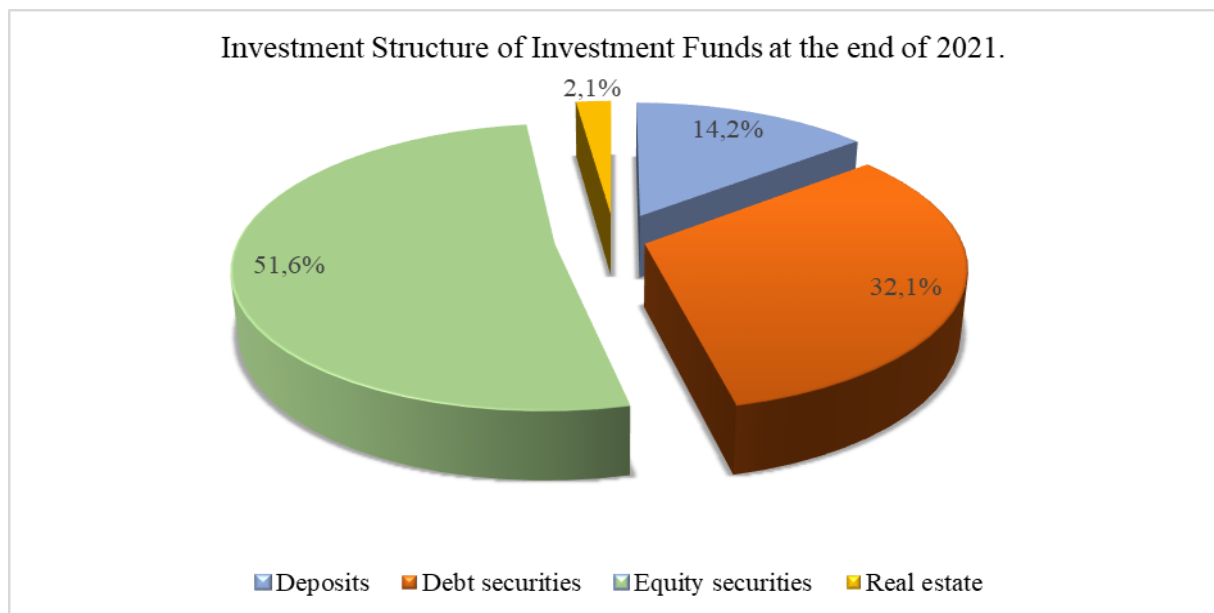
The most significant share in the asset structure was that of other deposits (term deposits with banks), securities and non-financial assets (real estate). Investments in securities, firstly government bonds, recorded a continuing growth, being higher by 8.7% in the end of 2021 compared to semi-annual positions in 2021, and by 14.8% compared to 31 December 2020. In the structure of liabilities, the largest share was that of gross technical reserves which on 31 December 2021 amounted to KM 1.55 billion and were higher by 2.0% compared to the positions on 30 June 2021. Over the observed period, compared to the same period of the previous year, gross technical reserves of insurance increased by 5.9%.

Investment funds

The total assets of investment funds in the end of 2021 amounted to KM 943.4 million, which is higher compared to the positions in the end of 2020 by 123.2 million, i.e. 15.0%, and, compared to semi-annual positions in 2021, higher by 108.1 million or 12.9%.

In the end of 2021, 32 investment funds operated in BH, which is less by 3 compared to December 2020. In September 2021, the mentioned 3 funds merged (two money funds and one open stock fund) with other funds, so only one money fund operated in the end of the year.

Investments of investment funds in the amount of KM 839.3 million accounted for 89.0% of their total assets and were higher by KM 115.5 million or 16.0% compared to the end of 2020, and compared to the positions as of 30 June 2021, they were higher by KM 52.8 million or 6.7%. In the structure of investments of investment funds, the largest shares were related to investments in equity securities accounting for around 51.6%, followed by investments in debt securities 32.1%, investments in deposits 14.2% and the lowest percentage of 2.1% was related to investments in real estate.



Microcredit organisations in BH

The balance sheet amount of microcredit organisations in the end of 2021 amounted to KM 1.25 billion, which was higher by KM 85.7 million or 7.4% compared to the end of 2020, and by KM 70.7 million or 6.0% compared to the semi-annual period. Out of the total balance sheet amount, KM 549.5 million or 44.1% was related to microcredit foundations (MCF), while KM 697.2 million or 55.9% was related to microcredit companies (MCC).

The total amount of extended loans with microcredit organisations in the end of 2021 amounted to KM 988.5 million or 79.3% of the total assets. Compared to the positions in the end of 2020, microcredit portfolio increased by 8.1% (KM 73.9 million), while it was higher by 4.6% (KM 43.6 million) compared to semi-annual positions in 2021. Regarding the remaining part of assets, 7.6% was related to currency and deposits, 6.4% 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 31 December 2021 amounted to KM 606.2 million or 48.6% of the total liabilities and were higher compared to the end of 2020 by KM 33.7 million or 5.9%, while they were higher by KM 39.5 million or 7.0% compared to the semi-annual period. The total MCO capital in the end of 2021 amounted to KM 483.7 million or 38.8% of the total liabilities and was higher by KM 34.4 million or 7.7% compared to the end of 2020, while it was higher by KM 15.3 million or 3.3% compared to semi-annual positions in 2021.