

BANKING SUPERVISION

Second Quarter Report 2011

Contents:

BASIC INFORMATION.....	3
Selected parameters of the Serbian banking sector	3
Concentration and competition	4
NBS regulatory activity	5
Assets.....	11
Level and trend	11
Composition of total assets.....	12
Top ten banks	14
Lending activity	15
Non-performing loans – NPLs	17
NPL coverage.....	19
Corporate NPLs.....	20
NPLs to natural persons.....	22
Classified assets.....	24
Liquidity.....	25
Off-balance sheet items.....	26
Liabilities and capital.....	27
Level and trend	27
Composition of deposits	29
Borrowings.....	30
Foreign borrowing.....	30
Subordinated liabilities.....	31
Capital and capital adequacy.....	32
Foreign exchange risk	34
Profitability	35
Level and trend	35
Financial result.....	36
Performance indicators.....	37
Operating income	38
Operating expenses.....	39
Statistical annex	40

BASIC INFORMATION

Selected parameters of the Serbian banking sector

Table 1 Selected parameters of the Serbian banking sector (30 June 2011)

	Number of banks	Profit (loss)*	%	ASSETS	%	CAPITAL	%	Employment	%
		RSD bln		RSD bln		RSD bln			
Total domestic banks	12	4.3	24	670	27	149	29	8,806	29
State- owned	8	3.2	18	461	19	91	17	7,331	24
Privately- owned	4	1.1	6	209	8	59	11	1,475	5
Total foreign banks	21	13.4	76	1,806	73	371	71	21,119	71
Italy	2	8.3	47	523	21	97	19	4,128	14
Austria	4	5.4	30	444	18	115	22	4,183	14
Greece	4	(0.2)	-1	400	16	83	16	5,865	20
France	3	0.5	3	223	9	38	7	2,650	9
Other	8	(0.5)	-3	215	9	37	7	4,293	14
TOTAL Sector	33	17.8	100	2,476	100	520	100	29,925	100

* Pre-tax.

At end-Q2 2011, the Serbian banking sector numbered 33 banks (as in Q1) employing 29,925 persons. Net banking sector assets totalled RSD 2,476 bln and capital RSD 520 bln.

Of the total number of banks, 21 were in foreign and 12 in domestic ownership. In terms of the latter, 8 banks were in the ownership of the state (either as a majority shareholder or the largest individual shareholder) and 4 in the ownership of private individuals.

At end-H1 this year, state- and privately-owned domestic banks accounted for 24% of the banking sector profit, 27% of total assets, 29% of total capital and 29% of banking sector employment.

In terms of their share in total banking sector assets, the most significant foreign banks are from Italy and Austria (21% and 18%, respectively), followed by banks from Greece (16%), France (9%) and other countries (9% share in total).

Foreign banks are members of banking groups from 11 countries.

The downward trend in banking sector employment, begun in 2009, was halted for the first time at the end of the first quarter of this year. Relative to end-March, banking sector added 26 jobs, and from the beginning of the year employment rose by 38.

Relative to the previous quarter, 16 banks cut their staff numbers by the total of 175, one bank kept its staff numbers unchanged, while 16 recorded an increase of 201 altogether.

At end-Q2, the overall banking network included 2,471 business units, having expanded by 10 business units – branches, branch offices and teller units relative to the previous quarter.

Concentration and competition

With a large number of banks holding only a small share in total assets, lending, deposits and income, the Serbian banking sector is considerably fragmented.

At end Q2, HHI¹ concentration index (Table 2) did not exceed 1000 – the level indicating only moderate concentration – in any of the mentioned categories. The highest HHI value (796) is recorded in the category of household deposits where, quite expectedly, top five and top ten banks hold the highest shares (54% and 77%, respectively).

Conversely, the lowest HHI (633) is registered in the category of interest income.

Table 2 Concentration and competition indicators (30 June 2011)

	Top five banks	Top ten banks	HHI*
	share		
Assets	45%	70%	637
Lending (total)	45%	70%	649
households	46%	76%	683
Deposits (total)	49%	72%	731
households	54%	77%	796
Income (total)	47%	71%	665
interest	45%	68%	633
commissions&fees	52%	72%	723

* Herfindahl Hirschman Index of concentration.

¹ Herfindahl Hirschman Index (HHI) is calculated as the sum of square values of individual bank shares in the category observed (assets, loans, deposits, etc.). HHI up to 1000 indicates that there is no market concentration; 1000-1800 indicates moderate concentration; above 1800 indicates high concentration.

NBS regulatory activity

The Amendments and Supplements to the Decision on the Classification of Bank Balance Sheet Assets and Off-balance Sheet Items, published in the “RS Official Gazette” No 25/2011 on 12 April 2011, provide for:

- Clearer definition of a number of days representing a criterion for classification of past-due receivables;
- Receivables due from autonomous territorial units, local governments and organisations of mandatory social insurance, as well as receivables from entrepreneurs and farmers cannot be classified within category A if their obligations to the bank over the last twelve months were settled with a delay of more than 60 days;
- Receivables due from natural persons are classified based on their timeliness, collateral and assessed creditworthiness (especially the debt to income ratio and currency structure of total monthly credit obligations). Total monthly credit obligations and receivables that must be classified under categories A and/or E are also defined;
- Change of the terms under which past-due status of restructured receivables is not calculated according to the original maturity date (repayment period shortened from 6 to 3 months, with maximum delay of 30 instead of 60 days).

Another decision published in the same issue of the “RS Official Gazette” was the **Decision on Amendments to the Decision on Temporary Measures for Preserving Financial Stability in the Republic of Serbia**.

The amended decision retained only the following:

By 30 June 2011

- When classifying receivables from natural persons that were approved and disbursed after 1 January 2009, a bank shall not be obligated to classify them in category E if the natural person placed a down payment or deposit less than 30% of the credit amount, with the exception of housing loans, dinar loans not FX-linked and credit card debt.
- When classifying receivables due from natural persons, a bank shall not be obligated to apply the classification requirement specified in Section 10, paragraph 2, provision 2 of the Decision if the requirements specified in the Decision on Temporary Measures are met;

By 31 December 2011

- Possibility to include 75% of subordinated liabilities into the bank's capital,
- FX risk ratio at 20% of the bank's capital.

The Decision on Measures for Safeguarding and Strengthening Stability of the Financial System was published in RS Official Gazette No 34/2011 on 20 May

2011, with the aim to reduce risk associated with the high share of FX or FX-indexed loans.

According to this decision, a bank may approve loans to natural persons² that are indexed to a foreign currency, provided that the currency of indexation is the euro and that the person has made a down payment or deposit of no less than 30% of the loan amount.

Also, the decision specifies that a bank may approve a mortgage loan to a natural person provided that the loan amount does not exceed 80% of the value of the property mortgaged (reduced by the amount of other receivables secured by the first rank mortgage over the same property). The said requirement does not apply to loans in dinars that are not indexed to foreign currency.

The Decision has been applied since 30 June 2011.

New decisions were published in the “RS Official Gazette” No 43/2011 of 14 June 2011 aiming to bring secondary legislation into line with the Law on Amendments and Supplements to the Law on Banks and the Law on Amendments and Supplements to the Law on the National Bank of Serbia.

Decision on Detailed Conditions and Manner of Conducting Bank Supervision

A change incorporated into this decision is a definition of the subject of supervision of bank’s safety and soundness and legal compliance as well as extension of its application to examinations the NBS carries out at the request and as part of procedures conducted by other authorised domestic state bodies and institutions.

The decision provides for a diagnostic examination of bank's operations by the NBS, for the purpose of collecting, processing and analysing data. It specifies the start of an examination procedure, depending on whether off-site or on-site examination is conducted. It obligates a bank to submit evidence to the NBS that members of its managing and executive boards are familiar with the contents of the supervision report and prescribes that compiled objections of the two boards to the report must be signed by their presidents. The decision further specifies that the NBS shall deliver to the bank a note regarding the bank’s objections to the report.

After examining whether and to what extent the bank implemented the measure ordered, the NBS may terminate the examination procedure or order a new measure, in accordance with the prescribed criteria.

The NBS now has a freer rein and may conduct a new examination or order a new measure to the bank when it assesses that the bank issued with a written warning, ordering letter or resolution on orders and measures has committed further irregularities, failed to act as ordered or allowed its financial position to deteriorate

² With the exception of housing loans, dinar loans not FX-linked and credit cards.

during the period specified for its compliance with the measure ordered. The decision also specifies when the NBS may discontinue the examination procedure underway, if it decides to undertake a repeat examination in the above described cases.

The bank receivership procedure is brought in line with the amended concept of receivership under the Law.

In addition to the above, a provision was deleted pursuant to which the NBS may order the bank to remove the irregularities identified in the classification of receivables by no later than the end of the quarter in which the order was issued.

Decision on the Contents of Documents and Evidence Submitted Along with the Application to Issue an Operating License to a Bridge Bank

The decision specifies detailed contents of documents and evidence that the Deposit Insurance Agency submits to the NBS along with the application to issue an operating license to a bridge bank. It further specifies documents that are submitted to the NBS following the licensing of a bridge bank, and documents that are submitted along with the application to extend the period over which the bridge bank is operational in line with the law governing bankruptcy and liquidation of banks. The deadline for submission of the application and for the NBS's decision are also determined. Furthermore, the decision specifies the terms under which the bridge bank continues to operate as a bank pursuant to the Law on Banks.

Decision on Implementing the Provisions of the Law on Banks Relating to Granting of a Preliminary Bank Founding Permit, Bank Operating License and Consents by the National Bank of Serbia, as well as the Provisions Relating to the Establishment of Criteria for Defining a First-Class Bank

The new decision specifies: the criteria for appraisal of qualifications, work experience and business reputation of the nominated members of the bank's managing and executive boards; it sets the criteria for establishing the status of a first-class bank in the process of granting consent to the bank assembly's decision on termination of the bank's operations and specifies detailed terms and conditions for the NBS's consent to the assumption of rights and obligations of a bank under administrative management or a bridge bank.

The Decision on Amendments and Supplements to the Decision on the Classification of Bank Balance Sheet Assets and Off-balance Sheet Items was published in the "RS Official Gazette" No 45/2011 on 21 June 2011.

The list of requirements that have to be met in order for the past due status in the collection of receivables to be calculated as of the subsequently agreed maturity date was expanded to include that:

- The borrower may not be past due on its obligations for more than 90 days at the moment of applying for the extension of the repayment period,
- The borrower's financial position and/or creditworthiness in the year following the assessment date must show that the borrower will be able to regularly settle its obligations.

In the second quarter of 2011, the NBS adopted a set of decisions **implementing Basel II standards**, with the following key objectives in mind:

- Further strengthening of the stability and safety of the banking sector, and hence of the overall financial system of the Republic of Serbia,
- Enhancing the supervisory function, through the development of risk-based supervision, and
- Harmonisation with the EU legislation which implements Basel II standards through EU Directives 48/2006 and 49/2006.

These decisions come into force as of 31 December 2011. Banks are required to submit to the NBS trial reports complying with the decisions as of 30 September 2011.

The following decisions were published in the “**RS Official Gazette**” No 45/2011 on 21 June 2011:

Decision on Consolidated Supervision of a Banking Group

This decision enables the application of regulations based on Basel II standards to the banking group, specifically: Decision on Capital Adequacy of Banks, Decision on Bank Reporting on Capital Adequacy, Decision on Risk Management by Banks, Decision on Disclosure of Data and Information by Banks and Decision on Bank Reporting. An important change is the possibility to apply proportionate consolidation method in compiling of consolidated financial statements, under the specified terms.

Decision on Disclosure of Data and Information by Banks

The decision incorporates Basel II standards from Pillar 3 on strengthening market discipline and transparency of banks' operations, translated into disclosure requirements for banks relating to:

- Risk management strategy and policies;

- Capital, capital adequacy and the process of internal assessment of capital adequacy;
- Exposures to particular risks (credit, market, operational risks etc.) and approaches to measurement and/or assessment of such risks;
- Banking group and relation between the parent and subordinated company.

Pursuant to the decision, banks are required to disclose the prescribed data and/or information (as of 31 December) at least once a year and no later than 31 May of the next year. By way of exception, it is also required that quantitative data and/or information as of 30 June is published by 30 September of the current year at the latest.

Decision on Risk Management by Banks

This decision incorporates Basel II standards under Pillar 2 pertaining to bank's obligation to manage all the risks it is exposed to or may be exposed to in its operations and to maintain its capital at the level that ensures the coverage of those risks. The decision brought the following key changes:

- Establishment of a comprehensive and reliable risk management system which covers all business activities of the bank and ensures that its risk profile matches its risk appetite;
- Introducing the requirement for banks to conduct Internal Capital Adequacy Assessment Process (ICAAP);
- Adoption of an adequate policy of staff salaries and other payments for employees (including remuneration to members of the Managing Board);
- Adoption of a new method of calculation of bank's large exposures;
- Drafting requirements regarding business continuity (Business Continuity Plan and Disaster Recovery Plan) and responsibilities of the management in that process;
- Abolishing the obligation to establish a database of loss events arising from operational risk;
- Establishing criteria for managing risks arising from outsourcing;
- Establishing rules for introducing new products.

Decision on Bank Reporting

This decision prescribes the form and timeframe of bank reporting about individual performance indicators relating to risk management, as well as the contents and form of business reports banks are required to submit to the NBS pursuant to Article 51 of the Law on Banks. Key innovations pertain to prescribed forms and content of forms

on large exposures pursuant to the Decision on Risk Management by Banks, as follows:

- Bank's large exposures according to exposure limits – VI-LI Form and
- Large exposure to a group of related entities – VI-GPL Form.

New reporting methods on large exposures comply with COREP, Common Reporting applied in all EU member states. The uniform reporting enables more efficient data sharing by banking groups within the uniform reporting system and more effective cooperation and coordination between supervisors.

Decision on Reporting on Bank's Capital Adequacy

This decision prescribes the contents and the forms for reporting pursuant to the Decision on Capital Adequacy of Banks. New reporting complies with COREP (Common Reporting) applied in all EU member states. The uniform reporting enables more efficient data sharing by banking groups within the uniform reporting system and more effective cooperation and coordination between supervisors.

The following decisions were published in the **RS Official Gazette No 46/2011** on 21 June 2011:

Decision on Capital Adequacy of Banks

This decision incorporated Basel II standards under Pillar 1– minimum capital requirements, with key innovations in the following areas:

- Enhancing the quality of banks' capital: limiting the amount of subordinated liabilities eligible for inclusion under supplementary capital (from 75% to 50%), exclusion of supplementary Tier II capital from bank's capital, introduction of the capital conservation buffer and reducing the core capital by the amount of provisions for expected losses, with the three year transitional period,
- Prescribing a new method for calculation of capital requirements for credit risk, allowing for standardised or advanced approach,
- Introducing capital requirements for operational risk,
- Introducing capital requirements for commodity risk, and
- Allowing for an advanced approach to calculation of capital requirements for market risks.

Amendments to the Decision on Reporting on Bank's Capital Adequacy

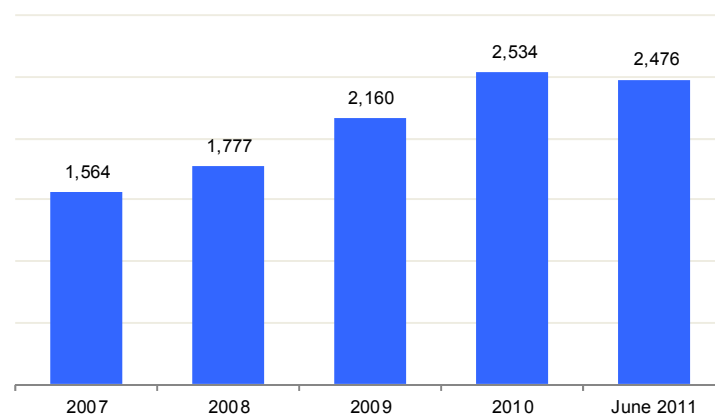
Reports on monitoring operational risk were published.

Assets

Level and trend

At end-Q2, total net assets of the Serbian banking sector stood at RSD 2,476 bln, down by RSD 57 bln (-2,3%) from the beginning of the year. Relative to Q1, net balance sheet assets went up by RSD 23 bln or 1%.

Chart 1
Total assets
RSD bln



The increase of RSD 23 bln is distributed between individual asset items as follows:

- Cash and cash equivalents + 9 bln (+ 6.5%)
- Callable deposits and credits - 22 bln (- 5.5%)
- Loans, advances and deposits + 34 bln (+ 2.2%)
- Securities and equity investments - 1 bln (- 0.8%)
- Fixed assets³ - 1 bln (- 1.8%)
- Other assets + 5 bln (+ 4.3%)

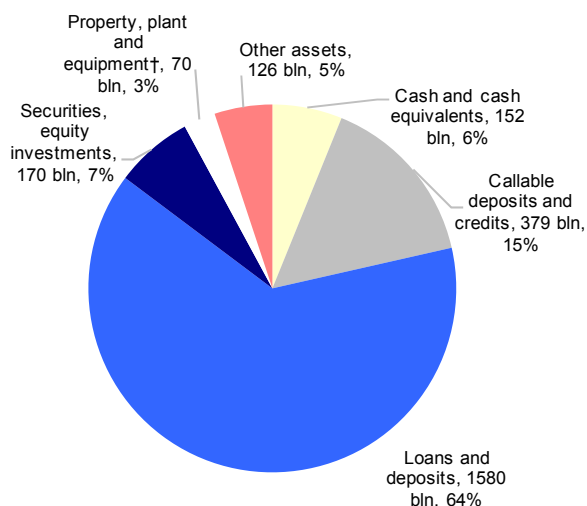
The greatest decrease in absolute and relative terms was recorded for the callable deposits and loans which plunged by RSD 22 bln (-5.5%). At the same time, securities and equity investments, fixed assets and investment property also contracted by RSD 1 bln each, i.e. -0.8% and -1.8%, respectively. Loans, advances and deposits stepped up by RSD 34 bln, i.e. by 2.2%. Cash and cash equivalents edged up by RSD 9 bln (6.5%), while all other assets grew by RSD 5 bln, or 4.3%.

³ Including investment property.

Composition of total assets

Q2 saw some changes in the shares of asset categories.

Chart 2
Total assets composition
30 June 2011



Rising by RSD 34 bln in absolute terms (+2.2%), the largest asset category – loans, advances and deposits increased its share in total assets to 63.8% (March 2011: 63.0%). Most of the item consisted of loans approved amounting to RSD 1,505 bln (March 2011: RSD 1,480 bln) which increased by RSD 25 bln or 1.7% q-o-q. The remainder of the item (RSD 75 bln) is made up of deposits, notably foreign currency-denominated (March 2011: RSD 66 bln) which gained RSD 9 bln or 12.9%.

On the other hand, the second largest category, callable deposits and credits, decreased its share to 15.3% (March 2011: 16.4%) due to an absolute decrease of RSD 22 bln. The decrease is a net effect of required reserve balance with the NBS going down by RSD 33 bln and a RSD 7 bln decline in callable deposits in foreign currency. At the same time, loans under repo transactions grew by RSD 18 bln.

Cash and cash equivalents came at 6.1% at end June (March 2011: 5.8%), up by RSD 9.3 bln from a quarter before, primarily owing to an increase in gyro-account holdings and vault cash in foreign currency by RSD 10.7 bln and 1.5 bln, respectively. Cash equivalents fell by RSD 1.1 bln, while foreign currency accounts balance was RSD 2.9 bln lower.

Securities⁴ (RSD 170 bln) recorded no major changes relative to the quarter before. They remained almost unchanged, judged by their 6.9 % share in total assets in June 2011 (March 2011: 7%). Banks' investment into government securities (RS treasury

⁴ Securities and equity investments.

bills) abated somewhat in Q2 – by RSD 1.3 bln, or -0.8%, reaching RSD 148 bln.

Second largest increase was recorded in other assets, which grew by RSD 4.1 bln, or 12.3%. In addition, one bank reduced fixed assets by approximately RSD 1 bln and boosted non-current assets intended for sale by the same amount, crucially contributing to sector-wide strengthening of this item – up to 91%. Other positions saw no significant changes.

In terms of currency composition⁵ assets are for their major part foreign currency-linked⁶ – 63% (gross) value of the assets at end-Q2 (the euro accounting for 84% of that amount, the Swiss franc for 8% and other currencies for 7%).

In terms of maturity composition, banking sector assets are mostly short-term, with a dominant share of sight deposits⁷ – 33% in total assets (March 2011: 33%). Next in size are assets with maturity up to one year (21% vs. 22% in March 2011) and assets with maturity over one year (45% vs. 44% in March 2011).

⁵ Currency and maturity composition is observed in relation to total gross assets.

⁶ Denominated in foreign currency or foreign currency clause-indexed.

⁷ Assets with no set term, without remaining maturity (excluding property, plant and equipment and intangible investments) and assets maturing within 14 days.

Top ten banks

With total assets of RSD 357 bln and a 14.4% share in total banking sector assets, Banca Intesa is the largest bank in the Serbian market. It is followed by Komercijalna banka with RSD 257 bln in assets and a 10.4% market share.

Table 3 Ten largest banks according to the total assets criterion

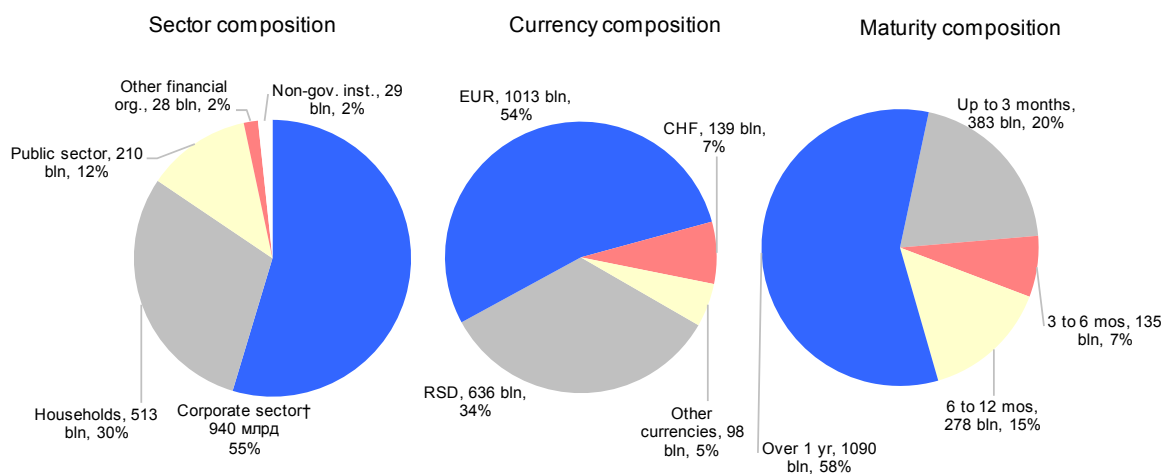
	30 June 2011			31 Mar, 2011			31 Dec, 2010		
	RSD bln	%	Position	RSD bln	%	Position	RSD bln	%	Position
Banca Intesa	357	14.4	1	343	14.0	1	359	14.2	1
Komercijalna banka	257	10.4	2	255	10.4	2	256	10.1	2
Raiffeisen banka	169	6.8	3	171	7.0	3	179	7.1	4
UNICREDIT BANK	166	6.7	4	166	6.8	4	167	6.6	5
Eurobank EFG	164	6.6	5	154	6.3	5	181	7.1	3
Societe Gen,Banka Srbija	153	6.2	6	148	6.0	6	136	5.4	8
Aik banka Nis	139	5.6	7	142	5.8	7	142	5.6	7
Hypo Alpe-Adria-bank	138	5.6	8	133	5.4	8	145	5.7	6
ALPHA BANK	94	3.8	9	99	4.0	9	98	3.9	9
Vojvodjanska banka	89	3.6	10	89	3.6	10	92	3.6	10

Ranking of top ten banks did not change from the quarter before.

Lending activity

Total (net) lending of the banking sector came at RSD 1,721 bln at end-Q2 (March 2011: RSD 1,688 bln), up by RSD 33 bln or 1.9% on the previous quarter.

Chart 3
Serbia's banking sector lending activity composition‡



‡ Currency and maturity composition in gross amount (excluding provisions).
‡ Corporate sector = Public and other enterprises.

Total increment of RSD 33 bln is distributed across lending categories as follows:

• Corporate sector	+ 3 bln	+0.3%
• Household sector	+18 bln	+3.7%
• Public sector	- 3 bln	-1.3%
• Other financial organisations	+ 4 bln	+14.3%
• Non-profit institutions	+ 11 bln	+60.5%

The dominant category is corporate lending (to public and other enterprises, which respectively account for 8% and 92%) in the amount of RSD 940 bln (March 2011: RSD 938 bln), with a 55% share in total lending and growth of RSD 2.8 bln or 0.3% on the previous quarter.

Next in size is lending to households, in the amount of RSD 513 bln (March 2011: RSD 495 bln), with a 30% share and increase of RSD 18.1 bln or 3.7% on the previous quarter.

Lending to private sector came at RSD 210 bln (March 2011: RSD 213 bln). With 12% share at end-Q2, it went down by RSD 2.7 bln, or 1.3 % on the quarter before.

Lending to financial organisations expanded by RSD 3.6 bln or 14.3 %, reaching RSD 28 bln by end Q2 (March 2011: RSD 25 bln), roughly 1.7% of total lending.

Lending to non-profit institutions rose considerably, to RSD 29 bln or 1.7% of total lending. Their q-o-q growth of RSD 10.8 bln accounted for the highest growth rate amounting to 61%.

In terms of currency composition⁸, lending is for its major part denominated in foreign currency⁹ (66% vs. 65% in March 2011), with the remaining 34% approved in dinars (March 2011: 35%). In terms of foreign currency lending, the euro holds the largest share – 81% (80% in March 2011), followed by the Swiss franc – 11% (11% in March 2011) and other currencies – 8% (8% in March 2011).

The maturity¹⁰ composition of lending remained broadly stable from the previous quarter. Namely, loans with maturity over a year still prevail. At end-Q2 2011, 58% of extended loans were with remaining maturity over 1 year (March 2011: 57%), 26% of which maturing in over 5 years (March 2011: 25%).

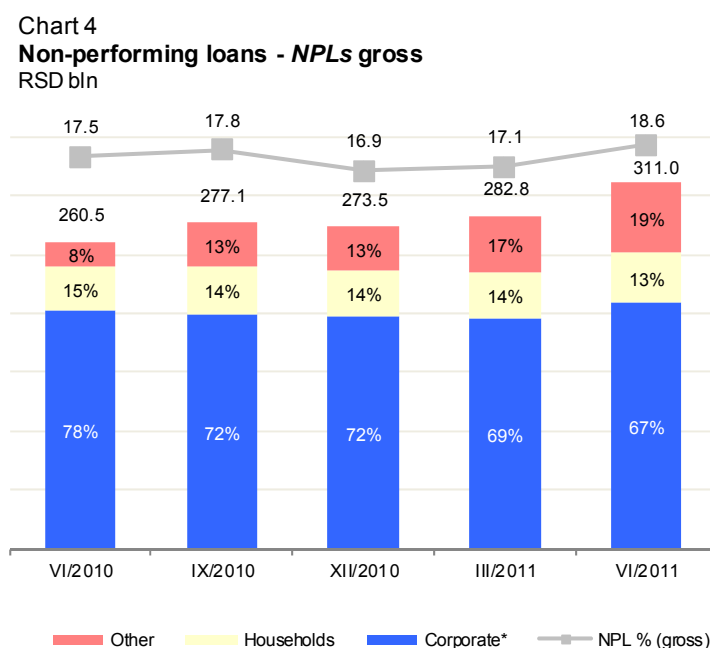
⁸ Observed in relation to total gross lending.

⁹ Foreign currency denominated and foreign currency-indexed loans.

¹⁰ Observed in relation to total gross lending.

Non-performing loans¹¹ – NPLs

Total (gross¹²) banking sector loans past due for more than 90 days equalled RSD 311 bln at end - Q2 and made up 18.6% of total approved (gross) loans.



* Public and other enterprises.

The absolute and relative increase in NPLs continued into second quarter (+RSD 28.2 bln or +10.0%), pushing up the NPL ratio by as much as 1.5 pp relative to the end-Q1.

The structure of NPLs somewhat changed from Q1. Corporate NPLs (public and private sector) in the amount of RSD 210 bln continue to account for 67% of total NPLs (Q1: 69%). Accounting for 49% of overall NPL rise, corporate NPLs were one of the key factors that pushed up non-performing loans. Household NPLs (RSD 41 bln) hold a 13% share in total NPLs, while all other categories increased by RSD 12 bln, reaching RSD 60 bln or 19% of total NPLs at end-Q2. Apart from corporate loans, key contribution to the increase of other categories and total NPLs came from the segment Other legal persons (apart from banks) undergoing bankruptcy. Namely, based on the

¹¹ Non-performing implies the status of outstanding debt on individual loans (including the amount overdue) for which the payment of either principal or interest are past due by 90 or more days since the initial due date; for which interest accruing on debt in the triple monthly amount (and higher) is capitalised, refinanced or its payment delayed; for which payments are less than 90 days overdue, but the bank has estimated that the debtor's ability to repay the debt has deteriorated or that there are doubts that repayment will be made in full.

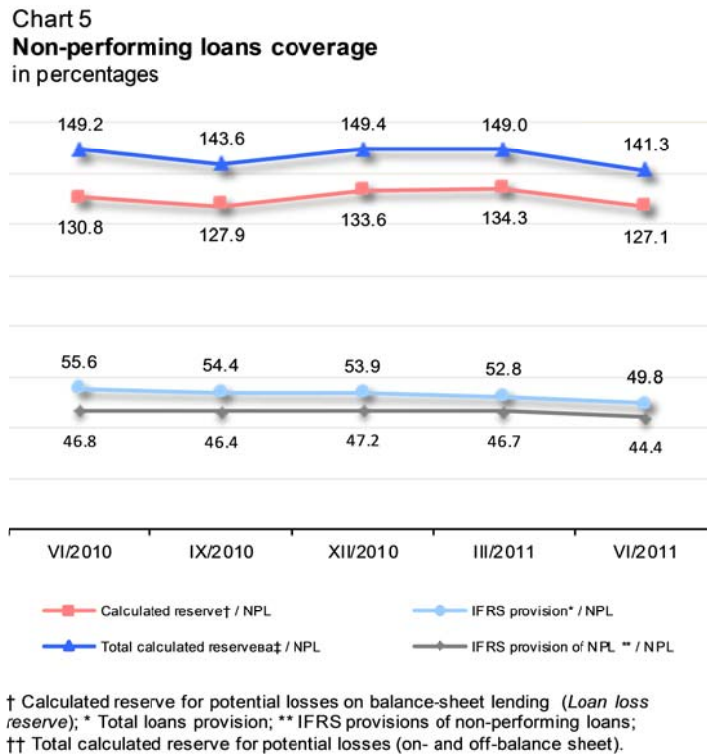
¹² Banking sector NPLs are monitored on a gross basis (excluding value adjustments). Data since the beginning of monitoring of these lendings (30 September 2008) are presented in the Statistical Annex to the First Quarter Report 2010.

updated “Guidelines on obligation and manner of collection, processing and submission of data on the status and structure of placements, receivables and liabilities of banks etc.”¹³ from Q3 2010, banks are required to show receivables from legal persons in bankruptcy under the item Sector of other clients. The NPLs in the category of Other legal persons (except banks) in bankruptcy amounted to RSD 35.1 bln (March 2011: RSD 24.7 bln), with the NPL ratio nearing 100% for this kind of lending. Out of this amount, RSD 24.6 bln (70%) has already been provisioned for.

¹³ "RS Official Gazette", No. 62/2010.

NPL coverage

A significant share of non-performing loans should be additionally analyzed from the aspect of banking sector's ability to provide a sufficient "cover" of such loans from reserves for potential losses on loans and investments.



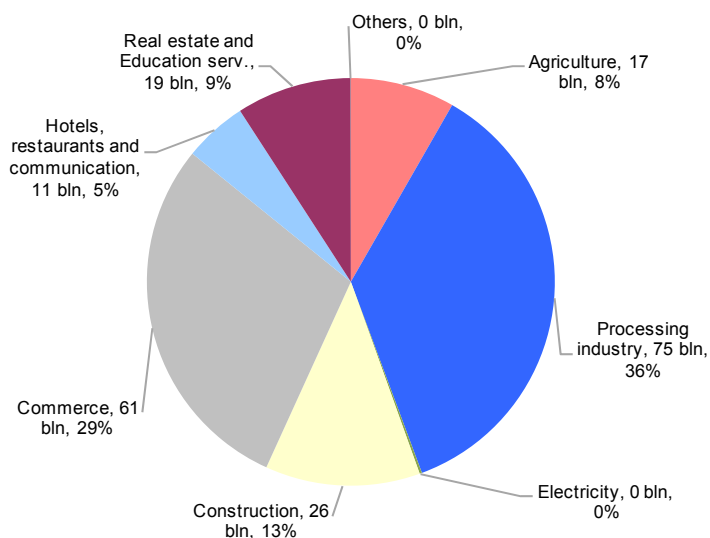
At end-Q2 2011, the coverage of non-performing loans by reserves for estimated balance-sheet losses (so-called loan loss reserve) equalled 127% (March 2011: 134%).

Faster growth of NPLs relative to loan loss reserve led to a decrease in NPL coverage by 7 pp. Loan loss reserves are still at a level that would minimise the negative effects of a potential deterioration in asset quality on the capital adequacy of the banking sector.

Corporate NPLs

Total NPLs of the corporate sector (public enterprises excluded) reached RSD 209 mln at end-Q2 (March 2011: RSD 196 bln).

Chart 6
Corporate NPLs composition†



† Corporate = other enterprises (excluding public enterprises).

Their share in total loans approved is 23.7% (March 2011: 22.1%), which is a 1.7 pp increase.

Sectors with the highest NPL share:

	June 2011	Change (previous quarter)
• Manufacturing	75.5 bln	+ 0.8 bln
• Trade	60.8 bln	+ 4.6 bln
• Construction	25.7 bln	+ 5.1 bln
• Education and real estate	19.1 bln	+ 5.0 bln
• Agriculture	17.3 bln	- 2.1 bln
• Transport, hotels/restaurants, communication	10.5 bln	+ 0.1 bln

In the second quarter, total corporate NPLs rose by RSD 13.6 bln, or 7%. Construction, real estate and trade saw greatest NPL increase in absolute amounts (RSD 5.1 bln, 5.0 bln and 4.6 bln respectively), resulting in a substantial build up of corporate NPLs. The only marked decrease was recorded in the agriculture sector, where the NPL amount shrunk by RSD 2.1 bln, or 11%. Real estate, construction and trade recorded relative increases in NPLs, by 36%, 25% and 8%, respectively.

Sectors with the highest NPL share:

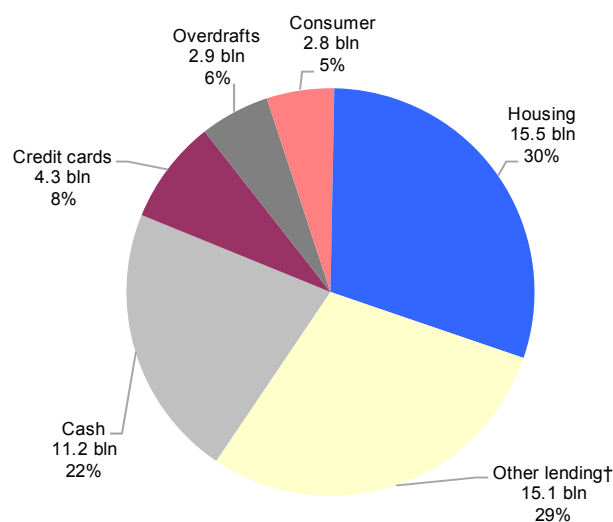
	June 2011	Change in pp (previous quarter)
• <i>Agriculture</i>	32.0%	- 3.8
• <i>Real estate</i>	30.8%	+ 6.8
• <i>Construction</i>	26.3%	+ 6.0
• <i>Manufacturing</i>	24.3%	+ 0.1
• <i>Trade</i>	21.4%	+ 1.9
• <i>Transport, hotels/restaurants, communication</i>	16.3%	+ 0.8

Although agriculture, with 32%, continues to dominate in sectoral distribution of NPLs at end-Q2, real estate and construction deteriorated markedly. Their NPL ratios rose by 6.8 pp and 6.0 pp, respectively, reaching 30.8% and 26.3%. NPL growth in the corporate sector was more manifest in trade (+1.9 pp), while manufacturing, as well as transport, hotels/restaurants and communications exhibited below average increases compared to the corporate average – 0.1 pp and 0.8 pp, respectively.

NPLs to natural persons

Total NPLs to natural persons¹⁴ reached RSD 51.8 mln at end-Q2 (March 2011: RSD 49.6 bln).

Chart 7
Composition of NPLs to natural persons



† Other lending = agricultural activity, other activities and other lending to natural persons.

Their q-o-q increase was RSD 2.1 bln (+4.3%).

The share of NPLs in total (gross) loans approved to natural persons equalled 9.2% at end-Q2 2011 (March 2011: 9.1 %).

The most significant categories in terms of their share of NPLs to natural persons¹⁵:

	June 2011	Change (previous quarter)
• Housing loans	15.5 bln	+ 1.1 bln
• Cash loans	11.2 bln	- 0.0 bln
• Credit cards	4.3 bln	- 0.1 bln
• Current account overdrafts	2.9 bln	+ 0.0 bln
• Consumer loans	2.8 bln	+ 0.2 bln

¹⁴ Loans to natural persons imply predominantly loans to households and other individuals (persons engaging in agriculture and in other activities).

¹⁵ Loans that are not typical for households are excluded (agricultural activity, other activities and other loans to natural persons)

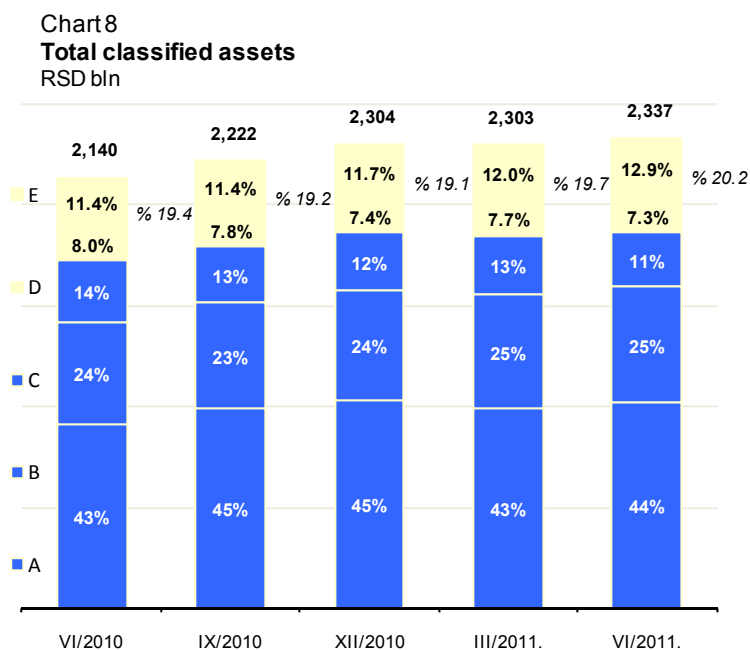
Lending categories with the highest NPL share ratio:

	<u>June 2011</u>	<u>Change in pp (previous quarter)</u>
• Current account overdrafts	14.0%	- 0.7
• Credit cards	11.6%	- 0.0
• Cash loans	8.8%	- 0.4
• Housing construction	5.9%	+ 0.2
• Consumer loans	5.9%	+ 0.2

An increase in the share of loans past due for more than 90 days was registered in the categories of housing construction (+0.2 pp) and consumer loans (+0.2 pp). Categories of current account overdrafts, credit cards and cash loans saw their NPLs decrease by 0.7, 0.0 and 0.4 pp, respectively.

Classified assets

Classified assets¹⁶ totalled RSD 2,337 bln at end-Q2 (March 2011: RSD 2,303 bln), making up 42% of total gross on- and off-balance sheet assets (March 2011: 43%).



Relative to the previous quarter, classified balance sheet assets of the banking sector increased by RSD 34 bln or 1.5%. The increase of the total classified assets resulted primarily from the rise in the total balance sheet classified assets of RSD 34.2 bln (+2%), which reached RSD 1,762 bln (March 2011: RSD 1,728 bln), with the classified off-balance sheet assets remaining at the same level of RSD 575 bln (March 2011: RSD 576 bln).

The share of the most adversely classified categories (D and E) went up by 0.5 pp. Standing at RSD 454 bln at end-Q2 (March 2011: RSD 473 bln) these assets accounted for 20.2% of all classified items (7.3% in category D and 12.9% in category E).

Of the total amount of assets classified in most adverse categories, balance sheet assets accounted for RSD 409 bln (87%), while RSD 63 billion (13%) represented off-balance sheet items. The share of D and E categories in total classified balance sheet assets equalled 23.2% (March 2011: 22.9%), while the most adversely classified off-balance sheet receivables made up 11.0% (March 2011: 10.2%) of classified assets.

¹⁶ Pursuant to the Decision on the Classification of Bank Balance Sheet Assets and Off-Balance Sheet Items (Decision), banks are required to classify all their receivables (except those exempt pursuant to Section 4, paragraph 2, and Section 5, paragraph 2 of the Decision) in categories A, B, C, D and E based on the assessment of the borrower's financial position and creditworthiness, timely settlement of obligations toward the bank and quality of the collateral.

Total loan loss reserve reached RSD 439 bln by end - Q2 (March 2011: RSD 421 bln), of which RSD 395 bln relating to balance sheet items (March 2011: RSD 380 bln) and RSD 44 bln (March 2011: RSD 41 bln) to off-balance sheet items.

Liquidity

The liquidity of the Serbian banking sector is satisfactory.

Chart 9
Sector liquidity indicators
In percentages (except for liquidity ratio)



Average regulatory liquidity ratio at end-Q2 stepped up from the previous quarter, to 2.08.

At the same time, loan-to-deposit ratio of the Serbian banking sector remained at a rather conservative level (112%) despite a distinctly upward trend in place since the start of the year.

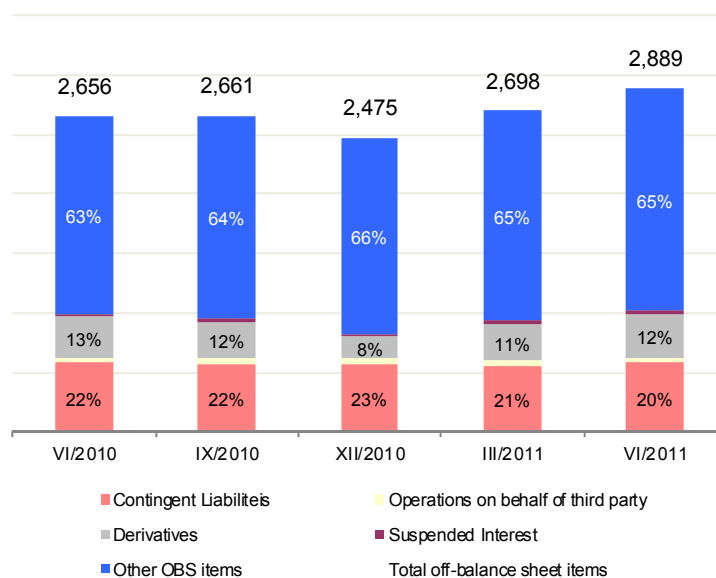
Bank investment into government securities came at RSD 129 bln at end-Q2 (March 2011: RSD 136 bln), continuing a downward trend with RSD 7 bln or 5.2% decrease on a quarter earlier. With foreign currency-denominated securities included, banks' investment into government securities stood at RSD 148 bln (March 2011: RSD 149 bln), having shrunk by RSD 1.3 bln (-0.8%) on the previous quarter.

Banks' investments into NBS repo operations in the second quarter grew in size by RSD 17.5 bln (31.4%) compared to March 2011. The stock of loans under repo transactions equalled RSD 73 bln (March 2011: RSD 56 bln).

Off-balance sheet items

Off-balance sheet items totalled RSD 2,889 bln at end-Q2 (March 2011: RSD 2,698 bln), up by RSD 191 bln or 7.1% from the previous quarter.

Chart 9a.
Off-balance sheet Items
RSD bln



Assumed future liabilities¹⁷ expanded by RSD 22 bln (4.0%), reaching RSD 581 bln (March 2011: RSD 559 bln). They made up 20% of total off-balance sheet items at end-H1 (March 2011: 21%).

Funds managed on behalf of third parties amounted to RSD 46.0 bln (March 2011: RSD 45.6 bln) recording a RSD 0.4 bln or 0.9% growth.

Financial derivatives gained RSD 59 bln (+19.6%) in nominal terms, rising to RSD 359 bln (March 2011: RSD 301 bln).

Suspended interest recorded a RSD 3.6 bln (+11.8%) increment relative to the quarter before and reached RSD 34 bln (March 2011: RSD 31 bln). At the same time, its share in net balance sheet assets at end-Q2 was 1.38%, gaining 0.13 pp on the last quarter.

All other balance sheet items equalled RSD 1,869 bln, having soared by RSD 106 bln or 6.0% q-o-q.

Greatest portion of off-balance sheet items are risk-free.¹⁸ The portion of off-balance sheet items subject to classification (i.e. considered risk-bearing) has not changed from the quarter before, amassing RSD 575 bln (March 2011: RSD 576 bln).

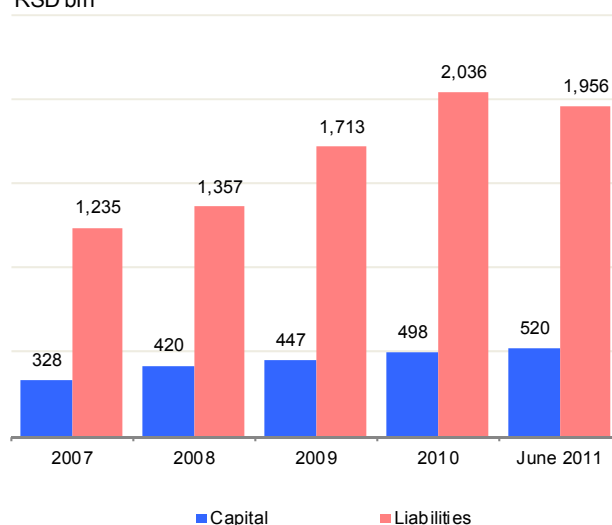
¹⁷ Guarantees, sureties and collaterals issued (RSD 344 bln), Irrevocable commitments regarding undisbursed loans and advances (RSD 185 bln), Other irrevocable commitments (RSD 52 bln).

Liabilities and capital

Level and trend

Liabilities of the Serbian banking sector reached RSD 1,956 bln at end-Q2 2011, or 79% of total liabilities (March 2011: 79%). At the same time, at RSD 520 bln, total capital accounted for 21% of total liabilities (March 2011: 21%).

Chart 10
Total liabilities and capital
RSD bln



Total liabilities rose on the previous quarter by RSD 16 bln (+0.8%) and total capital¹⁹ by RSD 8 bln (+1.5%).

The RSD 23 bln increase in total liabilities, shown by categories:

- | | | |
|-----------------------------------|---------|----------|
| • Deposits | +10 bln | (+0.7%) |
| • Borrowings | -2 bln | (-0.6%) |
| • Other liabilities | +8 bln | (+4.2%) |
| • Share capital and other capital | +1 bln | (+0.3%) |
| • Reserves | +9 bln | (+6.2%) |
| • Accumulated losses | +2 bln | (+31.9%) |

¹⁸ Risk-free positions are positions under which a bank is not exposed to credit risk. Portion of off-balance sheet assets considered risk-bearing in terms of exposure to credit risk is subject to classification under which banks are required to calculate and form reserves for potential losses.

¹⁹ Three banks were recapitalized in the period under review. Recapitalisations totalled RSD 1.4 bln.

Total deposits went up by RSD 10 bln or 0.7%. Borrowings slightly slackened (by RSD 2 bln), while other liabilities rose by RSD 8 bln, i.e. by 4.2 %. Share capital and reserves added RSD 1 bln and 9 bln, i.e. 0.3% and 6.2% respectively, whereas the accumulated result of the sector (loss) increased by RSD 2 bln, or 32%.

The maturity composition of total liabilities shows no change relative to the previous quarter. Namely, the sources of funding with maturity over one year accounted for 39% of total liabilities (vs. 38% in March Q1).

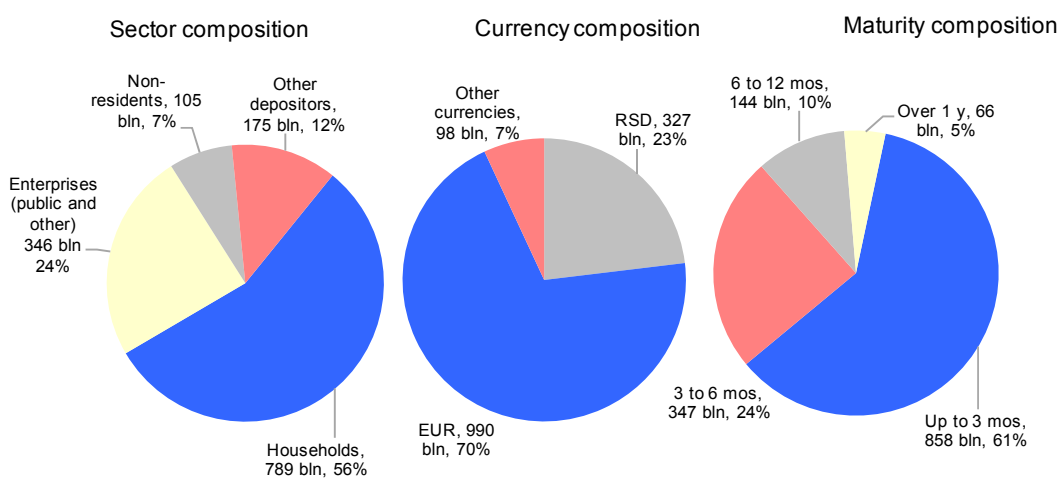
The currency composition of total liabilities slightly changed from a quarter earlier. Foreign currency liabilities continued to prevail, making up 63% at end-Q2 2011 (March 2010: 64%). The euro dominated, accounting for 91%, while all other currencies accounted for 9% of foreign currency-denominated liabilities.

The share of dinar-denominated liabilities was 37% of total liabilities (March 2011: 36%).

Composition of deposits

Deposits of the Serbian banking sector totalled RSD 1,415 bln at end-Q2 2011 (March 2011: RSD 1,405 bln), making up 57% of total liabilities (March 2011: 57%). Relative to the previous quarter, they increased by RSD 10 bln (+0.7%) as transaction deposits went up by RSD 17 bln (+5.7%) and other deposits plunged by RSD 7 bln (-0.7%).

Chart 11
Serbia's banking sector deposits composition



Observed by sector, household deposits continue to account for the bulk of total deposits – 56% compared to 55% in Q1. In the observed period, household deposits rose by RSD 12 bln or 1.6%. Next in size were enterprise deposits (public and other enterprises), accounting for 24% (March 2011: 24%) which also gained RSD 12 bln (+3.5%). Non-resident deposits lost additional RSD 9 bln (-7.9%) compared to the previous period, their share shrinking to 7% by end-Q2 (March 2011: 8%). Decreasing by RSD 5 bln, deposits of all other categories of depositors came to account for 12% of total banking sector deposits (March 2011: 13%).

As regards currency composition, 77% of total deposits were denominated in foreign currency (March 2011: 78%), of which 70% in euros (or 91% of total foreign currency-denominated deposits) and 23% in dinars (March 2011: 22%).

Sight deposits and short-term time deposits continue to be the prevalent form of deposits with banks. The share of deposits with maturity over one year remains low – only 5% of total deposits (March 2011: 5%).

Borrowings

Total borrowing of the banking sector at end-Q2 declined by RSD 2 bln (-0.6%) from the quarter before and came at RSD 351 bln (March 2011: RSD 353 bln).

Breakdown of borrowing by category and change from the previous quarter:

- Overnight 29 bln (2 bln)
- Borrowings 310 bln (-4 bln)
- Other financial liabilities 12 bln (0 bln)

As the largest single category, borrowings decreased in the period under review by 1.4% from RSD 314 bln in the previous quarter.

Around 75% of total borrowings (March 2011: 72%) will mature in over a year.

The dominant currency of borrowings is the euro, accounting for RSD 300 bln (March 2011: RSD 303 bln), followed by the Swiss franc – RSD 33 bln (March 2011: RSD 33 bln).

Bank debt in dinars, arising from loans taken, totalled RSD 16 bln (March 2011: RSD 15 bln).

Foreign borrowing

Foreign borrowing of the banking sector remained unchanged from the previous period, at RSD 311 bln (March 2011: RSD 311 bln).

The currency composition of foreign borrowing shows no major change relative to the quarter before – 89% of foreign loans were in euros (March 2011: 89%) and 11% in Swiss francs (March 2011: 11%).

The sources of borrowing maturing in over a year accounted for 81% of total foreign borrowing (March 2011: 79%).

Breakdown of foreign borrowing by category and change from the previous quarter:

- Overnight 13 bln (2 bln)
- Borrowings 297 bln (-3 bln)
- Other financial liabilities 1 bln (0 bln)

Subordinated liabilities

Total subordinated liabilities came at RSD 105 bln at end-Q2, down by RSD 3.1 bln or -2.9% from a quarter earlier. Twenty banks use this type of financing.

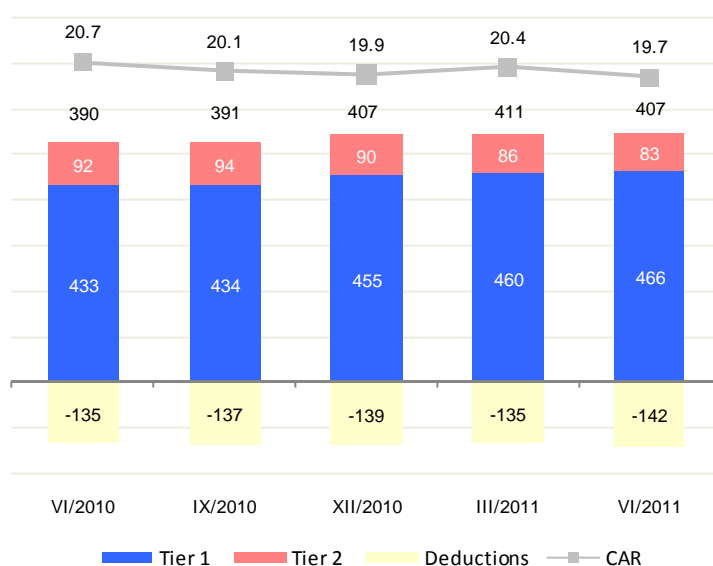
Subordinated liabilities are entirely foreign currency denominated – 93% in euros and 7% in Swiss francs.

The bulk of total subordinated liabilities (RSD 105 bln) will mature in 2-5 years (34%) and over 5 years (40%).

Capital and capital adequacy

Capital adequacy ratio of the banking sector equalled 19.7% at end-Q2 2011. Total regulatory capital amounted to RSD 407 bln, down by RSD 4 bln or 1% on a quarter earlier (RSD 411 bln).

Chart 12
Regulatory capital and CAR
 RSD bln, CAR in percentages



Regulatory capital recorded a q-o-q decrease as a result of: RSD 6.0 bln increase in core capital, drop in the supplementary capital I by RSD 2.7 bln, and higher deductions from capital, which went up by RSD 6.9 bln. As before, there is no supplementary capital II (Tier 3) in the Serbian banking sector.

Core capital gained RSD 6.0 bln in Q2, through increase in the share capital amounting to RSD 1.4 bln, premium on issue of shares going down by RSD 0.2 bln, upswing in reserves of 6.5 bln, decrease in retained earnings by RSD 2.1 bln, lower uncovered losses from previous years which plunged by RSD 1.9 bln, higher uncovered losses in the current year, which went up by RSD 1.0 bln and decrease in intangible assets by RSD 0.5 bln.

The following banks were recapitalised²⁰ in the period under review:

- *AIK banka* RSD 0.8 bln
- *JUBMES banka* RSD 0.1 bln
- *Čačanska banka* RSD 0.5 bln

²⁰ Recapitalisation for JUBMES banka and AIK banka was effected through distribution of profit, whereas for Čačanska banka, recapitalisation was effected through new issue.

The Serbian banking sector can be considered well-capitalised in view of the high average value of the capital adequacy ratio.

A capital adequacy ratio under 15% was recorded in four banks in June.

Total risk-weighted assets of the banking sector amounted to RSD 2,063 bln, up by RSD 45.8 bln or 2.3% on Q1. Major portion of these assets (98.8%) are exposed to credit risk (RSD 2,039 bln), and the remaining portion to market risks (RSD 19 bln to FX risk, RSD 5 bln to other market risks).

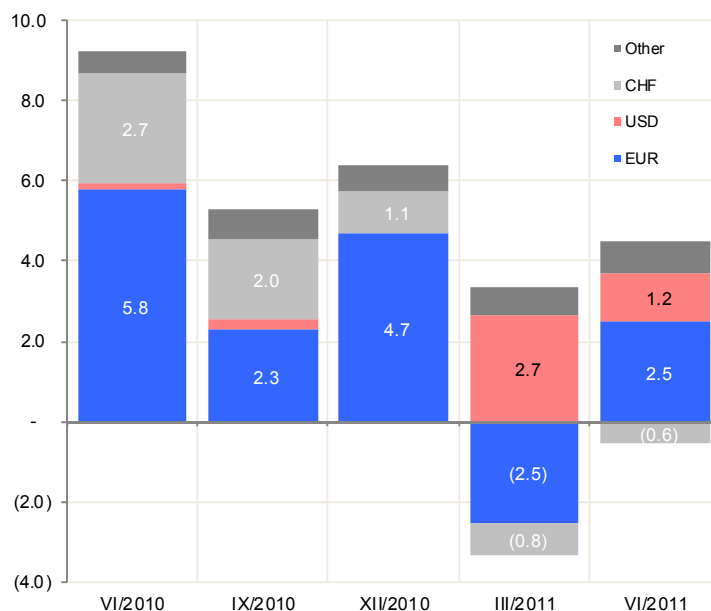
Total risk-weighted assets accounted for 38% of total net on- and off-balance sheet items (March 2011: 39%).

Foreign exchange risk

The banking sector ended Q2 2011 with a long net FX position in all currencies, save in CHF:

- RSD 2.5 bln in EUR
- RSD 1.2 bln in USD
- RSD 0.8 bln in other currencies
- RSD - 0.6 bln in CHF

Chart 13
Quarter breakdown of the sector's net foreign-currency position by currencies
 RSD bln



Foreign exchange risk ratio for the banking sector stood at 1.1% (March 2011: 0.8%) – 2.4% for state-owned banks (March 2011: 3.8%), 5.6% for private banks (March 2011: 11.9%) and 1.9% for foreign-owned banks (March 2011: 1.7%).

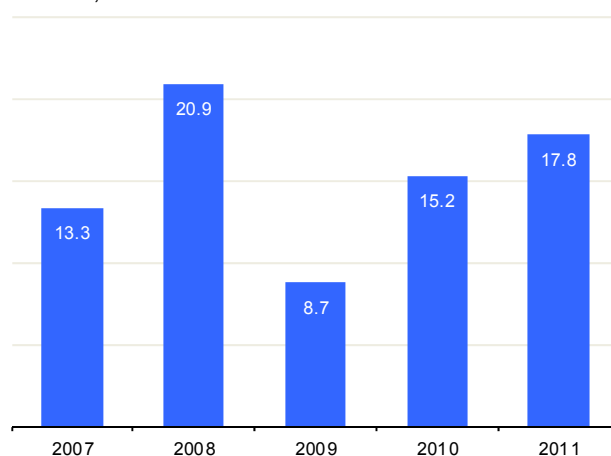
During Q2 2011, foreign exchange risk ratio for the sector as a whole ranged from 0.3% to 3.6%.

Profitability

Level and trend

Pre-tax profit of the banking sector amounted to RSD 17.8 bln in H1, up by 17% y-o-y.

Chart 14
Profit before tax
 RSD bln, First six months



The number of banks operating with losses declined by one to 9 banks at end-June. Banks which recorded pre-tax loss accounted for a somewhat smaller percent of total assets relative to the previous quarter, i.e. 15% of the banking sector assets. Total losses in the first six months of this year totalled RSD 4.4 bln.

Five banks posting the largest pre-tax profit (in RSD bln):

- *Banca Intesa* 5.2
- *UNICREDIT BANK* 3.1
- *Raiffeisen banka* 2.6
- *Komercijalna banka* 2.0
- *Eurobank EFG* 1.5

Five banks posting the largest losses (in RSD bln) are as follows:

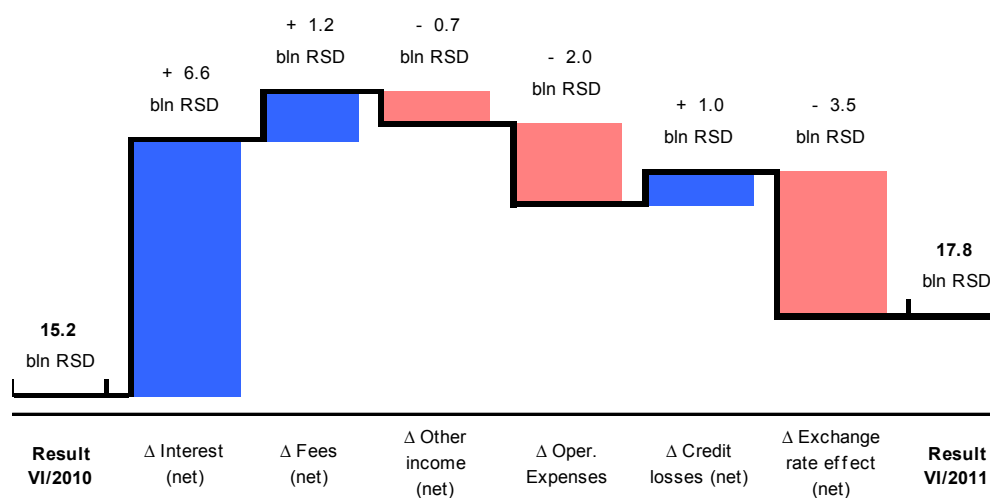
- *OTP BANKA SRBIJA* (1.1)
- *ALPHA BANK* (1.0)
- *Vojvodjanska banka* (0.8)
- *Marfin bank* (0.4)
- *FINDOMESTIC BANKA* (0.4)

Financial result

Taking into consideration pre-tax profit of RSD 17.8 bln and its growth, it is necessary to draw attention to the factors that contributed to the achievement of such result (pre tax).

Chart 15

Change in comparison to the same period of previous year



More specifically, the factors that contributed to the increase in pre-tax financial result are as follows:

- net interest income went up by RSD 6.6 bln (+13%) from the same period a year earlier;
- net credit losses went down by RSD 1.0 bln (-6%), thereby providing positive contribution to the overall financial result relative to the last year;
- net fees and commissions increased by RSD 1.2 bln (+8%).

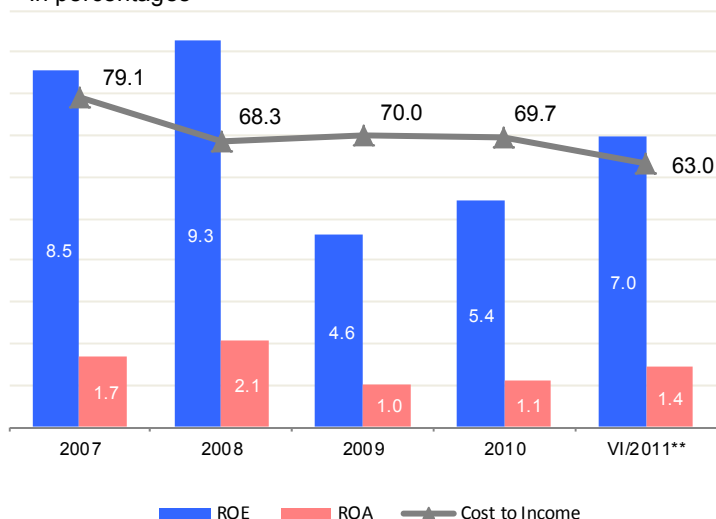
On the other hand,

- Additional RSD 2.0 bln (+4%) growth in operating expenses on the year before significantly reduced pre-tax profit.
- At the same time, net exchange rate effect on the revaluation of assets and liabilities and, consequently, on banking sector financial result in H1 was RSD 3.5 bln lower (-44%) relative to the same period a year earlier.

A steady growth in net interest income, amplified primarily by lower net credit losses, represents the key factor behind the continuing rebound in banking sector profitability.

Performance indicators

Chart 16
RoA, RoE, cost-to-income
In percentages



** Annualised data.

Key performance indicators of the banking sector somewhat deteriorated on Q1: return on assets equalled 1.4% (March 2011: 1.5%) while return on equity stood at 7.0% (March 2011: 7.6%). At the same time, the ratio between banks' operating expenses and net interest and fee income was lower, equalling 63% (March 2011: 64%).

Current RoA, RoE and cost-to-income ratio are slightly better than in the same period last year (June 2010: RoA 1.4%, RoE 6.6%, cost-to-income 67%).

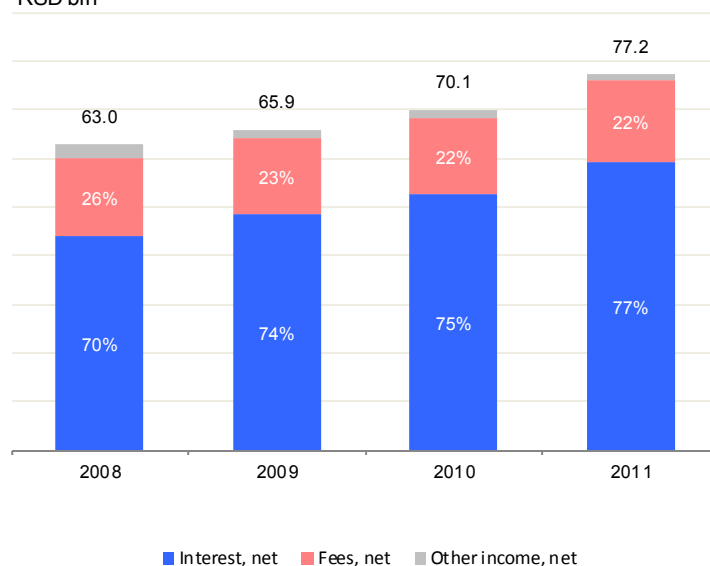
At around 4.9×, financial leverage²¹ of the Serbian banking sector can be considered rather low.

²¹ Net balance sheet assets to total balance sheet capital.

Operating income

For the purposes of this report, operating income means the sum of net interest, fees and commissions income and other net income (on dividends and equity investments and net gains/losses on securities, as well as other operating income).

Chart 17
Operating profit
 First six months
 RSD bln



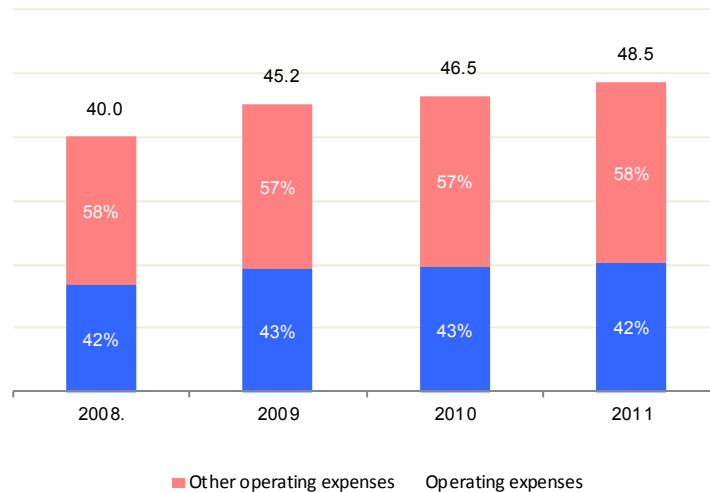
At RSD 77.2 bln, operating income of the banking sector gained RSD 7.2 bln, or 10% y-o-y (June 2010: RSD 70.1 bln).

Obviously, the largest item of operating income is the net result on interest, amounting to RSD 59.2 bln (June 2010: RSD 52.6 bln) and accounting for 77% of operating income (June 2010: 75%). Observed in continuity since 2008, net interest income accounts for the ever increasing share of the total operating income.

Standing at RSD 16.9 bln (June 2010: RSD 15.7 bln), net income from fees and commissions made up 22% of operating income (June 2010: RSD 22% bln).

Operating expenses

Chart 18
Operating expenses
 First six months
 RSD bln



In the year to June, operating expenses of the banking sector amounted to RSD 48.5 bln (June 2010: RSD 46.5 bln). Relative to the same period the year before, they recorded an increase of RSD 2.0 bln, or 4.4 %.

Employee costs in the amount of RSD 20.5 bln accounted for 42% (June 2010: 43%) of total operating expenses. This was a RSD 0.7 bln or 3.7% increment y-o-y. On the other hand, the stronger contribution to the overall operating expenses came from the category of other operating expenses which increased by RSD 1.3 bln or 4.9% from the same period last year.

Statistical annex ²²

Table A.1 – Number of employees in the Serbian banking sector

	31 Dec. 2009			31 Dec. 2010			30 June 2011		
	Number	%	Rank	Number	%	Rank	Number	%	Rank
<i>Banca Intesa</i>	2,979	9.6	2	3,090	10.3	2	3,176	10.6	1
<i>Komercijalna banka</i>	3,155	10.1	1	3,101	10.4	1	3,105	10.4	2
<i>Vojvođanska banka</i>	2,580	8.3	3	2,238	7.5	3	2,196	7.3	3
<i>Raiffeisen Banka</i>	2,072	6.6	4	1,985	6.6	4	1,878	6.3	4
<i>Banka Poštanska štedionica</i>	1,421	4.6	8	1,667	5.6	5	1,666	5.6	5
<i>Eurobank EFG</i>	1,604	5.1	6	1,619	5.4	6	1,592	5.3	6
<i>Alpha Bank Srbija</i>	1,497	4.8	7	1,523	5.1	7	1,527	5.1	7
<i>Societe Generale banka Srbija</i>	1,197	3.8	9	1,246	4.2	9	1,322	4.4	8
<i>ProCredit Bank</i>	1,821	5.8	5	1,389	4.6	8	1,319	4.4	9
<i>Erste Bank</i>	960	3.1	11	992	3.3	10	977	3.3	10
<i>Credit Agricole banka Srbija</i>	1,002	3.2	10	963	3.2	11	958	3.2	11
<i>Unicredit Bank Srbija</i>	910	2.9	12	925	3.1	12	952	3.2	12
<i>Poljoprivredna banka Agrobanka</i>	854	2.7	13	880	2.9	13	873	2.9	13
<i>Hypo Alpe-Adria-Bank</i>	851	2.7	14	816	2.7	14	851	2.8	14
<i>OTP banka Srbija</i>	781	2.5	15	706	2.4	15	714	2.4	15
<i>Razvojna banka Vojvodine</i>	667	2.1	18	687	2.3	16	686	2.3	16
<i>NLB banka Beograd</i>	763	2.4	16	649	2.2	17	641	2.1	17
<i>Piraeus Bank</i>	558	1.8	20	554	1.9	19	550	1.8	18
<i>KBC banka</i>	641	2.1	19	588	2.0	18	548	1.8	19
<i>AIK banka</i>	481	1.5	21	478	1.6	20	495	1.7	20
<i>Univerzal banka</i>	481	1.5	21	475	1.6	21	481	1.6	21
<i>Volksbank</i>	471	1.5	23	467	1.6	22	477	1.6	22
<i>Marfin Bank</i>	462	1.5	24	460	1.5	23	460	1.5	23
<i>Čačanska banka</i>	395	1.3	26	389	1.3	25	388	1.3	24
<i>Credy banka</i>	719	2.3	17	390	1.3	24	383	1.3	25
<i>Srpska banka</i>	394	1.3	27	369	1.2	27	378	1.3	26
<i>Privredna banka Beograd</i>	397	1.3	25	372	1.2	26	377	1.3	27
<i>Findomestic banka</i>	296	0.9	29	316	1.1	28	370	1.2	28
<i>Opportunity banka</i>	137	0.4	30	170	0.6	29	177	0.6	29
<i>Dunav banka</i>	91	0.3	32	133	0.4	30	147	0.5	30
<i>JUBMES banka</i>	115	0.4	31	120	0.4	31	122	0.4	31
<i>Jugobanka Jugbanka</i>	75	0.2	33	79	0.3	32	88	0.3	32
<i>Moskovska banka</i>	54	0.2	34	51	0.2	33	51	0.2	33
<i>Privredna banka Pančevo</i>	301	1.0	28	/	/	/	/	/	/
TOTAL Sector	31,182	100.0	/	29,887	100.0	/	29,925	100.0	/

²² Positions may not sum up due to rounding.

Table A.2 – Organisational network

	31 Dec. 2009		31 Dec. 2010		30. June 2011	
	Number	%	Number	%	Number	%
Business units	68	2.6	54	2.2	86	3.5
Branches	565	21.4	582	23.4	555	22.5
Branch offices	1,733	65.8	1,662	66.8	1,612	65.2
Teller units	247	9.4	153	6.2	126	5.1
Head offices	17	0.6	34	1.4	90	3.6
Other	5	0.2	2	0.1	2	0.1
TOTAL	2,635	100.0	2,487	100.0	2,471	100.0

Table A.3 – Bank ownership structure and country of origin

31 March 2011		30 June 2011	
State-owned banks		State-owned banks	
Serbia		Serbia	
	<i>Agrobanka</i>		<i>Agrobanka</i>
	<i>Čačanska banka</i>		<i>Čačanska banka</i>
	<i>Jugoboanka K.Mitrovica</i>		<i>Jugoboanka K.Mitrovica</i>
	<i>Komercijalna banka</i>		<i>Komercijalna banka</i>
	<i>Dunav banka</i>		<i>Dunav banka</i>
	<i>Poštanska štedionica</i>		<i>Poštanska štedionica</i>
	<i>Razvojna banka Vojvodine</i>		<i>Razvojna banka Vojvodine</i>
	<i>Srpska banka Bgd.</i>		<i>Srpska banka Bgd.</i>
Privately-owned banks		Privately-owned banks	
Serbia		Serbia	
	<i>Aik banka Niš</i>		<i>Aik banka Niš</i>
	<i>Jubmes banka</i>		<i>Jubmes banka</i>
	<i>Privredna banka Beograd</i>		<i>Privredna banka Beograd</i>
	<i>Univerzal banka</i>		<i>Univerzal banka</i>
Foreign-owned banks		Foreign-owned banks	
Austria		Austria	
	<i>Erste Bank Novi Sad</i>		<i>Erste Bank Novi Sad</i>
	<i>Hypo Alpe-Adria-bank</i>		<i>Hypo Alpe-Adria-bank</i>
	<i>Raiffeisen banka</i>		<i>Raiffeisen banka</i>
	<i>VolksBank</i>		<i>VolksBank</i>
Belgium		Belgium	
	<i>KBC banka</i>		<i>KBC banka</i>
France		France	
	<i>Credit Agricole banka Srbija</i>		<i>Credit Agricole banka Srbija</i>
	<i>FINDOMESTIC BANKA</i>		<i>FINDOMESTIC BANKA</i>
	<i>Societe Gen.Banka Srbija</i>		<i>Societe Gen.Banka Srbija</i>
Greece		Greece	
	<i>ALPHA BANK</i>		<i>ALPHA BANK</i>
	<i>Eurobank EFG</i>		<i>Eurobank EFG</i>
	<i>Piraeus bank</i>		<i>Piraeus bank</i>
	<i>Vojvodjanska banka</i>		<i>Vojvodjanska banka</i>
Italy		Italy	
	<i>Banca Intesa</i>		<i>Banca Intesa</i>
	<i>UNICREDIT BANK</i>		<i>UNICREDIT BANK</i>
Cyprus		Cyprus	
	<i>Marfin bank</i>		<i>Marfin bank</i>
Hungary		Hungary	

Banking Supervision Department

	<i>OTP BANKA SRBIJA</i>		<i>OTP BANKA SRBIJA</i>
Germany		Germany	
	<i>ProCredit Bank</i>		<i>ProCredit Bank</i>
Russian Federation		Russian Federation	
	<i>Moskovska banka a.d.- Beograd</i>		<i>Moskovska banka a.d.- Beograd</i>
USA		USA	
	<i>Opportunity banka</i>		<i>Opportunity banka</i>
Slovenia		Slovenia	
	<i>Credy banka</i>		<i>Credy banka</i>
	<i>NLB banka</i>		<i>NLB banka</i>

Table A.4 – Balance sheet of the Serbian banking sector

	2009		2010		30 June 2011	
	RSD bln	%	RSD bln	%	RSD bln	%
Cash and cash equivalents	258.3	12.0	138.8	5.5	152.0	6.1
Callable deposits and credits	439.6	20.3	408.2	16.1	379.1	15.3
Loans, advances and deposits	1,199.1	55.5	1,630.9	64.4	1,580.2	63.8
Securities	91.0	4.2	158.5	6.3	160.2	6.5
Equity investments	7.3	0.3	9.7	0.4	9.5	0.4
Other lending	42.1	1.9	49.0	1.9	49.3	2.0
Interest, fees and commission receivables, change in fair value of derivatives	13.5	0.6	19.3	0.8	26.7	1.1
Intangible assets	7.1	0.3	7.9	0.3	7.8	0.3
Property, plant and equipment and investment property	67.2	3.1	70.8	2.8	69.6	2.8
Non-current assets held for sale and discontinued operations	0.5	0.0	1.0	0.0	2.1	0.1
Deferred tax assets	2.1	0.1	2.5	0.1	2.5	0.1
Other assets	32.6	1.5	36.9	1.5	37.3	1.5
TOTAL Assets net	2,160.4	100.0	2,533.5	100.0	2,476.3	100.0

	2009		2010		30 June 2011	
	RSD bln	%	RSD bln	%	RSD bln	%
TOTAL Liabilities	1,712.9	79.3	2,035.6	80.3	1956.4	79.0
Transaction deposits	302.0	14.0	314.8	12.4	323.6	13.1
Other deposits	999.2	46.3	1,190.0	47.0	1,091.9	44.1
Borrowings	247.4	11.5	347.9	13.7	350.8	14.2
Liabilities on securities	0.8	0.0	0.6	0.0	2.5	0.1
Interests, fees and commissions payable and change in fair value of derivatives	1.7	0.1	3.9	0.2	4.5	0.2
Provisions and tax liabilities	14.0	0.6	13.7	0.5	13.9	0.6
Liabilities from profit	0.9	0.0	1.6	0.1	1.2	0.0
Deferred tax liabilities	0.6	0.0	0.6	0.0	0.7	0.0
Other liabilities	146.3	6.8	162.6	6.4	167.4	6.8
TOTAL Capital	447.5	20.7	498.0	19.7	519.8	21.0
Share capital and other capital	340.7	15.8	369.4	14.6	375.2	15.2
Reserves	104.5	4.8	130.3	5.1	154.9	6.3
Accumulated gains/losses	2.3	0.1	(1.7)	(0.1)	(10.3)	(0.4)
TOTAL Liabilities	2,160.4	100.0	2,533.5	100.0	2,476.3	100.0

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Table A.4a – Off-balance sheet items of the Serbian banking sector

	2009		2010		30 June 2011	
	RSD bln	%	RSD bln	%	RSD bln	%
Contingent liabilities	606.1	26.3	569.9	23.0	580.6	20.1
<i>Guarantees, sureties and collaterals issued</i>	<i>381.4</i>	<i>16.6</i>	<i>357.1</i>	<i>14.4</i>	<i>343.6</i>	<i>11.9</i>
<i>Irrevocable commitments regarding undischursed loans and placements</i>	<i>164.9</i>	<i>7.2</i>	<i>169.1</i>	<i>6.8</i>	<i>184.7</i>	<i>6.4</i>
<i>Other irrevocable commitments</i>	<i>59.8</i>	<i>2.6</i>	<i>43.7</i>	<i>1.8</i>	<i>52.3</i>	<i>1.8</i>
Operations on behalf of third parties	25.0	1.1	44.5	1.8	46.0	1.6
Notional value of derivatives	173.9	7.5	187.4	7.6	359.4	12.4
Suspended interest	17.6	0.8	28.0	1.1	34.1	1.2
Other off-balance sheet items *	1,481.8	64.3	1,645.4	66.5	1,868.6	64.7
TOTAL Off-balance sheet items	2,304.5	100.0	2,475.1	100.0	2,888.6	100.0

* Guarantees, sureties and collaterals received; Assets pledged as collateral; Receivables under repurchase agreements; Securities pledged as collateral and other off-balance sheet assets.

Table A.5 – Total balance-sheet assets of individual banks

	2009			2010			30 June 2011		
	RSD bln	%	Rank	RSD bln	%	Rank	RSD bln	%	Rank
Banca Intesa	307.9	14.3	1	359.1	14.2	1	357.2	14.4	1
Komercijalna banka	205.3	9.5	2	255.9	10.1	2	256.7	10.4	2
Raiffeisen banka	193.5	9.0	3	178.8	7.1	4	169.0	6.8	3
UNICREDIT BANK	135.8	6.3	6	167.0	6.6	5	166.3	6.7	4
Eurobank EFG	146.8	6.8	4	180.9	7.1	3	164.1	6.6	5
Societe Gen, Banka Srbija	99.7	4.6	8	136.4	5.4	8	153.3	6.2	6
Aik banka Nis	109.4	5.1	7	141.6	5.6	7	139.3	5.6	7
Hypo Alpe-Adria-bank	139.1	6.4	5	144.6	5.7	6	138.0	5.6	8
ALPHA BANK	73.6	3.4	10	98.4	3.9	9	94.3	3.8	9
Vojvodjanska banka	87.1	4.0	9	91.9	3.6	10	89.0	3.6	10
Agrobanka	59.0	2.7	13	74.4	2.9	12	78.7	3.2	11
VolksBank	69.1	3.2	11	83.0	3.3	11	73.5	3.0	12
Erste Bank Novi Sad	52.0	2.4	14	62.1	2.5	14	63.5	2.6	13
ProCredit Bank	65.0	3.0	12	69.7	2.7	13	58.5	2.4	14
Piraeus bank	44.9	2.1	15	56.1	2.2	15	53.0	2.1	15
Credit Agricole banka Srbija	40.0	1.9	18	47.4	1.9	17	52.2	2.1	16
NLB banka	44.6	2.1	17	51.0	2.0	16	44.6	1.8	17
Razvojna banka Vojvodine	/	/	/	36.4	1.4	19	37.8	1.5	18
OTP BANKA SRBIJA	44.8	2.1	16	42.7	1.7	18	36.1	1.5	19
Univerzal banka	31.7	1.5	20	35.1	1.4	20	34.0	1.4	20
Postanska stedionica	32.2	1.5	19	32.2	1.3	21	32.9	1.3	21
KBC banka	17.4	0.8	25	29.1	1.1	23	29.9	1.2	22
Cacanska banka	22.0	1.0	24	28.7	1.1	24	28.6	1.2	23
Privredna banka Bgd.	28.6	1.3	21	31.5	1.2	22	26.7	1.1	24
Marfin bank	23.7	1.1	23	27.0	1.1	25	25.4	1.0	25
FINDOMESTIC BANKA	12.9	0.6	26	18.6	0.7	26	17.1	0.7	26
Srpska banka Bgd.	11.9	0.5	27	14.7	0.6	27	14.8	0.6	27
Credy banka	7.8	0.4	29	10.9	0.4	28	12.2	0.5	28
Jubmes banka	7.5	0.3	30	8.9	0.4	29	8.9	0.4	29
Jugoboanka K.Mitrovica	8.0	0.4	28	8.7	0.3	30	8.4	0.3	30
Opportunity banka	4.3	0.2	32	5.3	0.2	31	5.6	0.2	31
Dunav banka a.d.Zvecan	/	/	/	2.8	0.1	32	3.6	0.1	32
Moskovska banka a.d.- Beograd	2.5	0.1	33	2.5	0.1	33	3.1	0.1	33
Kosovsko metohijska banka	0.6	0.0	34	/	/	/	/	/	/
Metals banka	27.1	1.3	22	/	/	/	/	/	/
Privredna banka Pan.	4.6	0.2	31	/	/	/	/	/	/
TOTAL	2160.4	100.00		2533.5	100.00		2476.3	100.00	

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Table A.6 – Bank lending activity by sector

	2009		2010		30 June 2011	
	RSD bln	%	RSD bln	%	RSD bln	%
Corporate sector	750.4	58.7	936.4	55.6	940.4	54.6
<i>Public enterprises</i>	49.7	3.9	68.9	4.1	79.7	4.6
<i>Other enterprises</i>	700.0	54.8	866.2	51.4	859.5	49.9
Household sector	395.0	30.9	501.3	29.7	512.9	29.8
<i>Housing construction</i>	188.0	14.7	251.4	14.9	256.5	14.9
Public sector	118.0	9.2	209.5	12.4	210.3	12.2
<i>Republic of Serbia</i>	106.7	8.4	191.6	11.4	192.1	11.2
<i>Local government</i>	11.3	0.9	17.9	1.1	18.2	1.1
Other financial organisations	9.3	0.7	23.8	1.4	28.5	1.7
Non-profit institutions	5.6	0.4	14.5	0.9	28.7	1.7
TOTAL Sector lending activity	1,278.3	100.0	1,685.4	100.0	1,720.9	100.0

Table A.7 – Currency composition of bank lending

	2009		2010		30 June 2011	
	RSD bln	%	RSD bln	%	RSD bln	%
No contracted safeguards	342.7	24.4	566.8	30.8	571.9	30.3
EUR	773.8	55.0	968.1	52.6	1,012.5	53.7
USD	22.9	1.6	27.5	1.5	23.5	1.2
JPY	0.0	0.0	(0.0)	(0.0)	0.0	0.0
CHF	124.9	8.9	145.1	7.9	139.2	7.4
Retail price growth	11.0	0.8	9.9	0.5	10.1	0.5
Other currencies	0.4	0.0	0.5	0.0	0.5	0.0
Limited foreign currency clause (one-way)	75.0	5.3	64.3	3.5	62.2	3.3
Other contracted safeguards	1.6	0.1	1.5	0.1	1.6	0.1
Without currency structure	54.3	3.9	57.0	3.1	64.2	3.4
TOTAL Lending activity (gross)	1,406.6	100.0	1,840.6	100.0	1,885.7	100.0
Loan value adjustments	(128.3)	(9.1)	(155.2)	(8.4)	(164.8)	(8.7)
TOTAL Lending activity (net)	1,278.3	90.9	1,685.4	91.6	1,720.9	91.3

Table A.8 – Maturity composition of bank lending

	2009		2010		30 June 2011	
	RSD bln	%	RSD bln	%	RSD bln	%
No set term	101.1	7.2	130.8	7.1	105.4	5.6
Up to 14 days	63.9	4.5	94.8	5.1	122.8	6.5
15 to 30 days	19.1	1.4	22.8	1.2	38.4	2.0
1 to 3 months	103.0	7.3	117.2	6.4	110.3	5.8
3 to 6 months	114.0	8.1	150.7	8.2	134.6	7.1
6 to 12 months	231.1	16.4	273.4	14.9	278.4	14.8
1 to 2 years	135.8	9.7	159.7	8.7	198.7	10.5
2 to 5 years	267.4	19.0	404.8	22.0	408.2	21.6
Over 5 years	364.3	25.9	479.9	26.1	482.8	25.6
No remaining maturity	6.8	0.5	6.6	0.4	6.1	0.3
TOTAL Lending activity (gross)	1,406.6	100.0	1,840.6	100.0	1,885.7	100.0
Loan value adjustments	(128.3)	(9.1)	(155.2)	(8.4)	(164.8)	(8.7)
TOTAL Lending activity (net)	1,278.3	90.9	1,685.4	91.6	1,720.9	91.3

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Table A.9 – Non-performing loans for the entire banking sector (composition, absolute amounts, % share)

	31 Dec. 2009		31 March 2010		30 June 2010		30 Sep. 2010		31 Dec. 2010		31 March 2011		30 June 2011	
	RSD	%	RSD	%	RSD	%	RSD	%	RSD	%	RSD	%	RSD	%
	bln		bln		bln		bln		bln		bln		bln	
Financial and insurance sector	4.9	2.4	5.2	2.3	6.3	2.4	4.6	1.7	3.1	1.1	4.2	1.5	5.0	1.6
Public enterprises	0.0	0.0	1.3	0.6	0.4	0.2	0.1	0.0	0.2	0.1	0.2	0.1	0.4	0.1
Other enterprises	153.0	75.9	170.6	76.1	201.7	77.4	199.8	72.1	197.5	72.2	195.7	69.2	209.4	67.3
Entrepreneurs	6.6	3.3	7.8	3.5	8.4	3.2	9.2	3.3	9.2	3.4	9.5	3.4	10.2	3.3
Public sector	0.3	0.1	0.1	0.1	0.1	0.0	0.3	0.1	0.2	0.1	0.3	0.1	0.5	0.2
Households	32.3	16.0	33.9	15.1	38.5	14.8	40.2	14.5	39.6	14.5	39.5	14.0	41.5	13.3
Non-residents	1.3	0.6	1.3	0.6	1.3	0.5	1.4	0.5	1.3	0.5	1.8	0.6	1.8	0.6
Private households with employed persons and registered farmers	2.5	1.3	3.0	1.3	3.1	1.2	3.8	1.4	3.5	1.3	3.8	1.3	4.1	1.3
Other clients	0.7	0.3	0.8	0.3	0.6	0.2	17.8	6.4	19.0	6.9	27.8	9.8	38.2	12.3
TOTAL non-performing loans	201.6	100.0	224.1	100.0	260.5	100.0	277.1	100.0	273.5	100.0	282.8	100.0	311.0	100.0

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Table A.10.1 – Non-performing loans for the sector of other enterprises
(composition, absolute amounts, % share)

	31 March 2011		30 June 2011	
	RSD bln	%	RSD bln	%
Agriculture, forestry and fishing	19.5	9.9	17.3	8.3
Mining, quarrying and manufacturing *	74.7	38.1	75.5	36.0
Electricity supply **	0.1	0.1	0.4	0.2
Construction	20.6	10.5	25.7	12.3
Wholesale and retail trade ***	56.2	28.7	60.8	29.0
Transportation and storage ****	10.4	5.3	10.5	5.0
Real estate activities *****	14.1	7.2	19.1	9.1
Related companies subject to consolidation	0.1	0.0	0.0	0.0
Related companies that are not subject to consolidation	0.0	0.0	0.0	0.0
TOTAL Other enterprises sector	195.7	100.0	209.4	100.0

* water supply, sewerage, waste management and remediation

** gas, steam and air-conditioning supply

*** repair of motor vehicles and motorcycles

**** accommodation and food service activities, information and communication

***** professional, scientific and technical activities, administrative and support service activities, arts, entertainment and recreation, other services

Table A.10.2 – Non-performing loans for the sector of natural persons (composition, absolute amounts, % share)

	31 Dec. 2009		31 March 2010		30 June 2010.		30 Sep.2010		31 Dec. 2010		31 March 2011		30 June 2011	
	RSD bln	%	RSD bln	%	RSD bln	%	RSD bln	%	RSD bln	%	RSD bln	%	RSD bln	%
Cash loans	10.8	27.8	12.0	28.8	12.8	27.3	12.8	26.0	11.5	23.6	11.3	22.7	11.2	21.7
Credit cards	3.4	8.7	3.5	8.4	3.8	8.2	4.0	8.2	4.2	8.5	4.3	8.7	4.3	8.3
Current account overdrafts	2.8	7.2	2.8	6.8	2.9	6.2	3.0	6.0	2.7	5.5	2.8	5.7	2.9	5.5
Consumer loans	2.5	6.4	2.4	5.6	2.6	5.6	2.9	5.8	3.0	6.2	2.6	5.3	2.8	5.3
Agricultural activity	2.7	7.1	3.3	7.9	3.8	8.1	4.1	8.3	3.9	8.0	3.9	7.8	4.1	8.0
Other activities	3.3	8.6	4.2	10.1	4.4	9.3	4.7	9.5	4.9	10.0	5.1	10.2	5.5	10.7
Housing construction	9.1	23.4	9.9	23.6	12.1	25.9	13.2	26.8	14.1	28.8	14.4	28.9	15.5	29.9
Other	4.3	11.0	3.7	8.8	4.3	9.3	4.6	9.3	4.6	9.4	5.3	10.6	5.4	10.5
TOTAL natural persons	38.8	100.0	41.8	100.0	46.8	100.0	49.3	100.0	49.0	100.0	49.6	100.0	51.8	100.0

Table A.11 – Non-performing loans for the entire banking sector, other enterprises and sector of natural persons (gross NPL indicator)

	31 Dec. 2009	31 March 2010	30 June 2010	30 Sep. 2010	31 Dec. 2010	31 March 2011	30 June 2011
Financial sector	21.8%	26.9%	38.0%	17.5%	12.2%	10.6%	13.6%
Public enterprises	0.1%	3.1%	0.8%	0.2%	0.3%	0.3%	0.6%
Other enterprises	20.9%	21.9%	24.0%	23.2%	21.8%	22.1%	23.7%
<i>Agriculture, forestry and fishing</i>						35.8%	32.0%
<i>Mining, quarrying and manufacturing</i>						24.3%	24.3%
<i>Electricity supply</i>						1.7%	4.8%
<i>Construction</i>						20.3%	26.3%
<i>Wholesale and retail trade</i>						19.5%	21.4%
<i>Transportation and storage</i>						15.6%	16.3%
<i>Real estate activities</i>						24.0%	30.8%
<i>Related companies subject to consolidation</i>						53.4%	11.1%
<i>Related companies that are not subject to consolidation</i>						0.9%	0.8%
Entrepreneurs	15.0%	17.7%	18.7%	20.6%	21.1%	22.6%	24.2%
Public sector	1.8%	0.8%	0.4%	1.2%	0.9%	0.6%	1.1%
Household sector	8.1%	8.0%	8.2%	8.2%	7.9%	8.0%	8.1%
Non-residents	13.5%	12.9%	11.2%	8.8%	8.0%	10.9%	14.6%
Private households with employed persons and registered farmers	11.8%	13.6%	15.1%	15.5%	14.9%	14.3%	15.4%
Other clients	16.4%	18.2%	11.1%	79.3%	79.9%	81.9%	87.9%
Total non-performing loans	15.7%	16.5%	17.5%	17.8%	16.9%	17.1%	18.6%

‡ repair of motor vehicles, motorcycles and objects for personal and household use,

† rentals and business activities, other utility, social and personal services

	31 Dec. 2009	31 March 2010	30 June 2010	30 Sep. 2010	31 Dec. 2010	31 March 2011	30 June 2011
Cash loans	11.3%	12.1%	11.4%	10.5%	9.3%	9.2%	8.8%
Credit cards	7.8%	8.4%	9.5%	10.0%	10.8%	11.6%	11.6%
Current account overdrafts	16.6%	16.9%	16.9%	16.3%	14.9%	14.7%	14.0%
Consumer loans	6.4%	5.5%	5.7%	6.0%	6.4%	5.7%	5.9%
Agricultural activity	11.6%	13.7%	14.3%	15.0%	14.6%	14.7%	15.7%
Other activities	13.5%	17.1%	17.5%	19.3%	20.4%	22.0%	24.1%
Housing construction	4.7%	4.7%	5.2%	5.4%	5.5%	5.7%	5.9%
Other	32.2%	29.7%	27.1%	25.8%	24.1%	24.5%	23.7%
TOTAL natural persons	8.7%	8.9%	9.0%	9.1%	8.8%	9.1%	9.2%

Table A.12 – Classified assets of the Serbian banking sector

	30 June 2010		30 Sep. 2010		31 Dec. 2010		31 March 2011		30 June 2011	
	RSD bln	%	RSD bln	%	RSD bln	%	RSD bln	%	RSD bln	%
Balance sheet assets										
A	682.3	43.8	743.6	45.1	783.2	45.5	757.5	43.8	798.2	45.3
B	323.4	20.8	348.2	21.1	371.6	21.6	375.6	21.7	378.6	21.5
C	202.1	13.0	187.9	11.4	184.9	10.7	199.7	11.6	176.1	10.0
D	123.8	7.9	131.1	7.9	130.6	7.6	134.0	7.8	124.1	7.0
E	227.0	14.6	239.0	14.5	250.9	14.6	261.1	15.1	285.3	16.2
Total	1,558.6	100.0	1,649.8	100.0	1,721.2	100.0	1,727.9	100.0	1,762.2	100.0
<i>D and E (as % of total assets)</i>	22.5		22.4		22.2		22.9		23.2	
Off-balance sheet items										
A	233.0	40.1	250.7	43.8	250.3	42.9	231.0	40.1	222.2	38.6
B	184.2	31.7	171.8	30.0	175.1	30.0	193.1	33.6	198.7	34.5
C	100.2	17.2	91.9	16.1	97.9	16.8	92.9	16.1	91.2	15.9
D	47.7	8.2	43.0	7.5	41.0	7.0	43.4	7.5	47.3	8.2
E	16.1	2.8	14.5	2.5	18.7	3.2	15.2	2.6	15.8	2.8
Total	581.2	100.0	571.8	100.0	582.9	100.0	575.6	100.0	575.2	100.0
<i>D and E (as % of total assets)</i>	11.0		10.0		10.2		10.2		11.0	
TOTAL Balance and off-balance sheet										
A	915.3	42.8	994.3	44.8	1,033.5	44.9	988.5	42.9	1,020.4	43.7
B	507.6	23.7	520.0	23.4	546.7	23.7	568.8	24.7	577.2	24.7
C	302.4	14.1	279.8	12.6	282.8	12.3	292.5	12.7	267.2	11.4
D	171.5	8.0	174.1	7.8	171.5	7.4	177.4	7.7	171.4	7.3
E	243.0	11.4	253.4	11.4	269.6	11.7	276.3	12.0	301.1	12.9
Total	2,139.9	100.0	2,221.7	100.0	2,304.1	100.0	2,303.5	100.0	2,337.3	100.0
<i>D and E (as % of total assets)</i>	19.4		19.2		19.1		19.7		20.2	

Table A.13 – Banking sector liquidity

	Liquidity ratio	Loans/deposits (in %)
31/ 3/ 2009	1.86	105.9
30/ 4/ 2009	1.75	105.4
31/ 5/ 2009	1.81	102.9
30/ 6/ 2009	1.79	100.3
31/ 7/ 2009	1.81	101.3
31/ 8/ 2009	1.85	97.5
30/ 9/ 2009	1.78	97.1
31/ 10/ 2009	1.54	96.0
30/ 11/ 2009	1.76	94.5
31/ 12/ 2009	1.86	92.3
31/ 1/ 2010	1.98	94.1
28/ 2/ 2010	2.02	97.1
31/ 3/ 2010	2.13	100.1
30/ 4/ 2010	2.01	102.4
31/ 5/ 2010	1.95	103.6
30/ 6/ 2010	1.94	106.0
31/ 7/ 2010	1.96	106.5
31/ 8/ 2010	1.92	107.5
30/ 9/ 2010	1.96	108.1
31/ 10/ 2010	1.50	106.1
30/ 11/ 2010	1.82	109.7
31/ 12/ 2010	1.96	108.5
31/ 1/ 2011	1.90	109.9
28/ 2/ 2011	1.94	110.1
31/ 3/ 2011	1.96	110.7
30/4/2011	1.99	113.9
31/5/2011	2.05	112.8
30/6/2011	2.08	111.8

Table A.14 – Bank deposits by sector

	2009		2010		30 June 2011	
	RSD bln	%	RSD bln	%	RSD bln	%
Finance and insurance sector	105.5	8.1	97.2	6.5	80.7	5.7
Corporate sector	346.7	26.6	355.6	23.6	346.4	24.5
<i>Public enterprises</i>	53.6	4.1	49.3	3.3	53.2	3.8
<i>Other enterprises</i>	293.1	22.5	306.2	20.4	293.1	20.7
Entrepreneurs	11.1	0.9	11.7	0.8	11.4	0.8
Public sector	22.7	1.7	14.1	0.9	20.5	1.4
Households	614.7	47.2	779.1	51.8	788.6	55.7
Non-residents	186.2	14.3	186.7	12.4	105.1	7.4
Private households with employed persons and registered farmers	1.8	0.1	1.7	0.1	1.8	0.1
Other clients	12.6	1.0	58.7	3.9	60.9	4.3
No sector designation	-	-	0.0	-	0.0	-
TOTAL Sector deposits	1,301.2	100.0	1,504.8	100.0	1,415.4	100.0

Table A.15 – Currency composition of bank deposits

	2009		2010		30 June 2011	
	RSD bln	%	RSD bln	%	RSD bln	%
Dinars*	320.4	24.6	315.0	20.9	326.8	23.1
EUR	850.1	65.3	1,047.2	69.6	990.4	70.0
USD	50.6	3.9	62.4	4.1	56.1	4.0
JPY	0.0	0.0	0.1	0.0	0.1	0.0
CHF	64.7	5.0	60.6	4.0	23.0	1.6
Retail price growth	0.0	0.0	0.1	0.0	0.1	0.0
Other currencies	3.1	0.2	4.4	0.3	4.8	0.3
Limited foreign currency clause (one-way)	12.2	0.9	14.9	1.0	14.2	1.0
Other contracted safeguards	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL Deposits currency composition	1,301.2	100.0	1,504.8	100.0	1,415.4	100.0

* Without contracted safeguards and without currency structure.

Table A.16 – Maturity composition of bank deposits

	2009		2010		30 June 2011	
	RSD bln	%	RSD bln	%	RSD bln	%
Deposits due	23.3	1.8	20.3	1.3	16.9	1.2
No set term	160.6	12.3	114.4	7.6	126.3	8.9
Up to 14 days	113.3	8.7	155.7	10.3	121.7	8.6
15 to 30 days	73.3	5.6	73.4	4.9	69.8	4.9
1 to 3 months	216.4	16.6	241.2	16.0	200.1	14.1
3 to 6 months	132.5	10.2	193.0	12.8	346.7	24.5
6 to 12 months	224.7	17.3	309.3	20.6	143.6	10.1
1 to 2 years	22.1	1.7	55.4	3.7	32.9	2.3
2 to 5 years	24.3	1.9	19.7	1.3	22.9	1.6
Over 5 years	7.5	0.6	5.7	0.4	7.3	0.5
No remaining maturity	303.3	23.3	316.6	21.0	327.3	23.1
TOTAL maturity composition of deposits	1301.2	100.0	1504.8	100.0	1415.4	100.0

Table A.17 – Capital adequacy of the Serbian banking sector

in RSD mln	30 June 2010	30 Sep. 2010	31 Dec. 2010	31 March 2011	30 June 2011
Core capital	433.1	434.0	455.4	460.0	466.0
Supplementary capital I	92.2	94.4	90.0	86.0	83.3
Supplementary capital II	-	-	-	-	-
Deductions from capital	135.3	136.9	138.5	135.3	142.2
TOTAL Regulatory capital	390.1	391.5	407.0	410.7	407.0
TOTAL Risk-weighted assets	1,883.6	1,945.4	2,044.4	2,017.2	2,063.0
Credit risk exposure	1,861.2	1,924.1	2,020.7	1,992.7	2,039.0
Market risk exposure	22.4	21.3	23.7	24.4	24.0
<i>Foreign exchange risk</i>	18.3	17.6	21.0	19.1	19.1
<i>Other market risks</i>	4.1	3.7	2.6	5.4	4.9
Settlement/delivery risk and counterparty risk	0.2	0.2	0.2	0.1	0.2
Price risk (and exposure to position risk in options)	3.9	3.5	2.5	5.2	4.6
Capital adequacy ratio	20.71	20.12	19.91	20.36	19.73

Table A.18 – Income statement of the Serbian banking sector

in RSD bln	2009	2010	30 June 2011
Net interest gain/loss	100.52	108.39	59.17
<i>Interest income</i>	168.92	179.70	99.48
<i>Interest expense</i>	(68.39)	(71.32)	(40.30)
Net fees and commissions gain/loss	31.59	32.98	16.92
<i>Fees and commissions income</i>	42.08	42.93	22.11
<i>Fees and commissions expenses</i>	(10.49)	(9.95)	(5.19)
Net gain/loss from sale of securities	0.21	0.57	0.13
<i>Gains from sale of securities</i>	0.42	0.58	0.17
<i>Losses from sale of securities</i>	(0.21)	(0.01)	(0.04)
Net gain/loss from equity sales	0.04	0.00	0.00
Net gain/loss from sale of other investments	(0.04)	(0.27)	(0.89)
Net gain/loss from exchange rate differences	(41.14)	(87.66)	24.37
<i>Income from exchange rate differences</i>	299.26	444.42	402.85
<i>Expenses for exchange rate differences</i>	(340.40)	(532.07)	(378.48)
Dividends and equities income	0.06	0.30	0.04
Other operating income	3.17	3.75	1.87
Net income from/expense for indirect write-offs of loans, investments and provisions	(36.11)	(32.60)	(15.58)
<i>Income from reversal of indirect write-offs of loans, investments and provisions</i>	105.01	87.87	45.45
<i>Expenses for indirect write-offs of loans, investments and provisions</i>	(141.12)	(120.46)	(61.02)
Other operating expenses	(93.93)	(100.82)	(48.50)
<i>Payroll costs, wage allowances and other personal expenses</i>	(39.32)	(41.46)	(20.47)
Net income from/expense for change in value of assets and liabilities	55.65	100.73	(19.75)
<i>Income from change in value of assets and liabilities</i>	175.07	229.16	117.42
<i>Expenses for change in value of assets and liabilities</i>	(119.42)	(128.43)	(137.17)
Profit/loss from regular operations	20.03	25.40	17.78
Net gains/losses from discontinued operations	-	-	-
Pre-tax profit (loss) of the period	20.03	25.40	17.78

Table A.19 – Profitability indicators of the Serbian banking sector

	2009	2010	30 June 2011
Average weighted interest receivable ¹	11.6%	10.3%	10.4%
Average weighted interest payable ²	4.9%	4.2%	4.4%
<i>Spread</i> ³	6.7%	6.1%	6.0%
NIM (% of average interest-bearing assets) ⁴	6.9%	6.2%	6.2%
NIMA (% of average total assets) ⁵	5.1%	4.6%	4.7%
Net interest income / Operating expenses	108.8%	110.3%	123.4%
Net interest and fees income / Operating expenses	143.0%	143.7%	158.6%
<i>Cost to Income</i> ⁶	70.0%	69.7%	63.0%
<i>ROE</i> ⁷	4.6%	5.4%	7.0%
<i>ROA</i> ⁸	1.0%	1.1%	1.4%
<i>Leverage</i> ⁹	4.5	5.0	4.9

¹ Interest income / Average interest-bearing assets.

² Interest expense / Average interest-bearing liabilities.

³ Average weighted interest receivable – Average weighted interest payable.

⁴ Net interest income / Average interest-bearing assets.

⁵ Net interest income / Average total assets.

⁶ Operating expenses / Net interest, fees and commissions income.

⁷ Pre-tax profit / Average total capital.

⁸ Pre-tax profit / Average total assets.

⁹ RoE/RoA.

Table A.20 – Growth rates for selected balance sheet and income statement categories (%)

	2008	2009	2010	VI / 2011
Income statement (y-o-y growth rates)				
Net interest gain	53.3	5.6	7.8	12.6
<i>Interest income</i>	46.5	7.6	6.4	15.0
<i>Interest expense</i>	37.2	10.6	4.3	18.7
Net fees and commissions gain	11.0	3.1	4.4	7.9
<i>Fees and commissions income</i>	13.6	5.8	2.0	9.2
<i>Fees and commissions expenses</i>	22.9	14.8	(5.1)	14.0
Net income from interest, fees and commissions	40.3	5.0	7.0	11.5
Operating expenses	20.4	7.4	7.3	4.4
Net credit losses	120.9	38.4	(9.7)	(5.8)
Pre-tax profit	49.3	(42.4)	26.8	16.8
Balance sheet (y-o-y growth rates)				
	2008	2009	2010	VI / 2011*
Total balance sheet assets	13.6	21.6	17.3	(2.3)
Total interest-bearing assets	19.9	17.0	22.7	(1.4)
Total lending activity of the sector	-	24.4	31.8	2.1
<i>Corporate sector</i>	-	18.7	24.8	0.4
<i>Public enterprises</i>	-	104.3	38.4	15.7
<i>Other enterprises</i>	-	15.3	23.7	(0.8)
<i>Households</i>	-	8.4	26.9	2.3
<i>Housing construction</i>	-	16.9	33.7	2.0
<i>Public sector</i>	-	580.2	77.5	0.4
<i>Republic of Serbia</i>	-	1,197.7	79.5	0.3
<i>Local government</i>	-	23.5	58.4	2.1
<i>Other financial institutions</i>	-	(11.7)	155.2	19.5
<i>Non-profit institutions</i>	-	79.0	158.2	98.5
Total interest-bearing liabilities	7.3	27.6	19.7	(4.5)
Total deposits of the sector	-	27.0	15.6	(5.9)
<i>Domestic banking sector</i>	-	6.6	(7.9)	(16.9)
<i>Corporate sector</i>	-	9.8	2.6	(2.6)
<i>Public enterprises</i>	-	11.9	(7.9)	7.9
<i>Other enterprises</i>	-	9.4	4.5	(4.3)
<i>Entrepreneurs</i>	-	4.8	5.6	(2.4)
<i>Public sector</i>	-	7.7	(38.0)	45.4
<i>Households</i>	-	35.3	26.7	1.2
<i>Non-residents</i>	-	64.5	0.3	(43.7)
<i>Private households with employed persons and registered farmers</i>	-	(12.7)	(2.4)	4.7
<i>Other clients</i>	-	46.3	367.8	3.7
Total balance sheet capital	27.9	6.5	11.3	4.4

* growth from the beginning of the year