



NATIONAL BANK OF SERBIA

**INSURANCE SUPERVISION DEPARTMENT
PENSION FUNDS
SUPERVISION DIVISION**

**VOLUNTARY PENSION FUNDS
SECTOR IN SERBIA**

First Quarter Report 2020

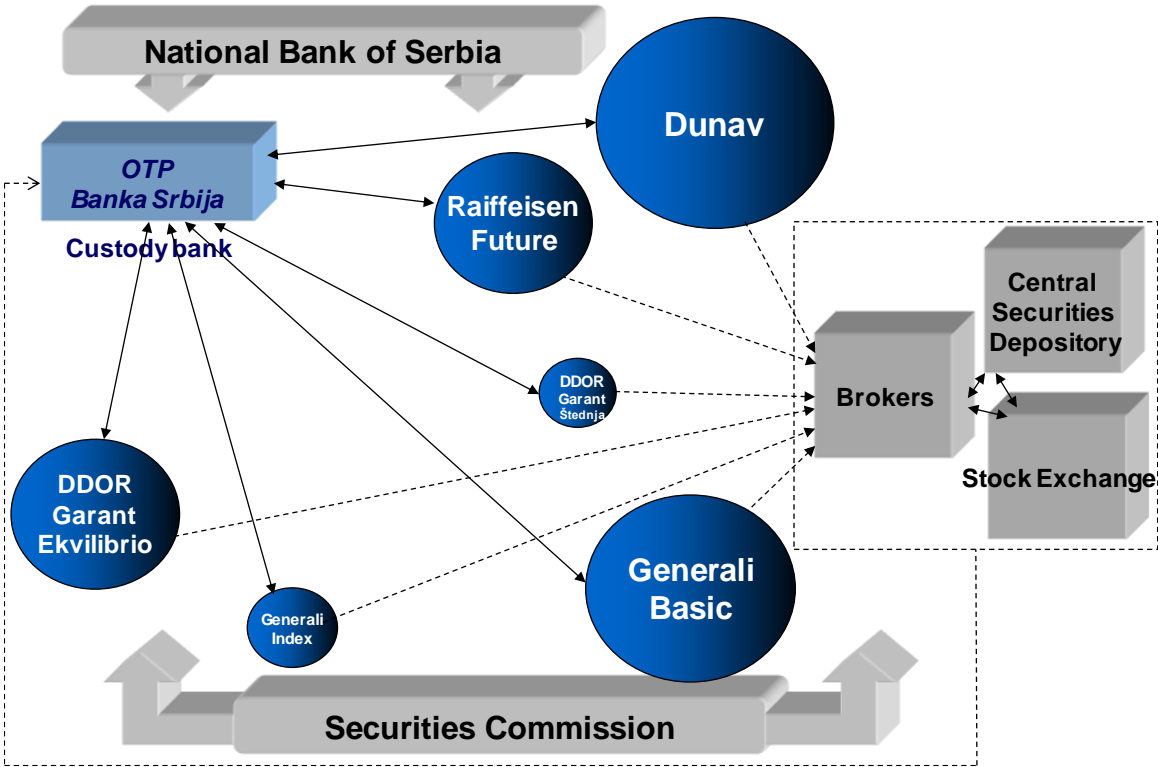
Contents:

- 1 Market participants..... 3
- 2 Net VPF assets..... 4
- 3 Structure of VPF assets 5
- 5 Fees charged by management companies 8
- 6 Trading in securities 9
- 7 Transaction costs 9
- 8 Number and structure of VPF users 10
- 9 Contributions, withdrawals and transfers 12
- 10 Financial statements..... 13**
- 10.1 Regulatory framework 13
- 10.2 Financial statements of VPF management companies 14
- 10.3 Financial statements of VPFs 15

1 Market participants

At end-Q1 2020, the market of voluntary pension funds (VPFs) included four companies managing seven VPFs, one custody bank, five intermediary banks and one insurance brokerage undertaking¹.

Picture: Market participants



At end-Q1 2020, VPF management companies employed 124 persons, unchanged from a quarter earlier.

The NBS licenses sales agents, who passed professional examinations and fulfilled other requirements, to disseminate information about VPF operation. By end-Q1 2020, 869 sales agent licences were granted.

As brokers – management companies, banks and insurance undertakings may engage sales agents. At end-Q1 2020 management companies hired 99 persons, intermediary banks 440 persons and insurance undertaking 50 persons as sales agents.

¹ Raiffeisen Bank a.d. Beograd, OTP banka Srbija a.d. Beograd, NLB banka a.d. Beograd, Addiko Bank a.d. Beograd and Sberbank a.d. Beograd, joint-stock insurance undertaking DDOR Novi Sad, Novi Sad.

2 Net VPF assets

At end-Q1 2020, net VPF assets equalled RSD 44.6 bn, down by 1.3% q-o-q and up by 7.2% y-o-y. The change in the value of net assets reflects net contributions,² withdrawals and investment returns. In Q1 2020, total contributions amounted to RSD 928.4 mn, withdrawals to RSD 558.7 mn, while investment returns were under the crucial impact of the negative yield performance of assets dominant in the composition of VPF assets.

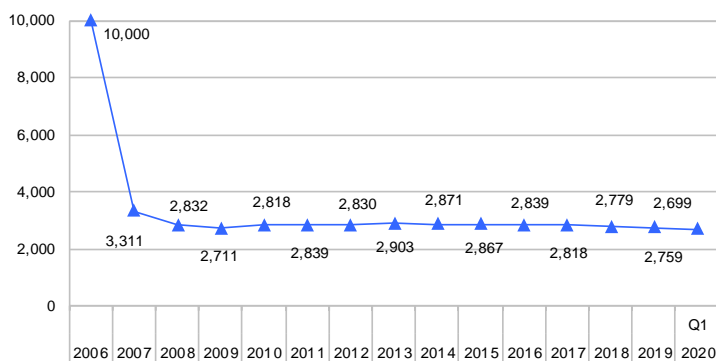
At end-Q1 2020, net assets equalled RSD 44.6 bn.

End-of-period net assets of the VPF sector (in RSD bn)

2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020. Q1
9.9	12.5	16.1	19.7	23.6	28.9	32.8	36.2	40.2	45.2	44.6

Source: National Bank of Serbia.

End-of-period sector concentration (Herfindahl-Hirschman Index)



Source: National Bank of Serbia.

Measured by HHI, market concentration in the sector³ at end-Q1 2020 amounted to 2,699 points, indicating high concentration in the VPF market.

According to the size of net assets of a VPF relative to total net assets of the sector, two funds were classified as “large” and two as “medium”. Together, they held 94% of the market share, with the largest fund accounting for around 40%.

Number of funds by groups divided by market share (in units)

Share in net assets (%)	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020 Q1
Large (20 and above)	3	2	2	2	2	2	2	2	2	2	2
Medium (5 - 19.99)	1	2	2	2	2	2	2	2	2	2	2
Small (0 - 4.99)	4	5	5	2	2	3	3	3	3	3	3

Source: National Bank of Serbia.

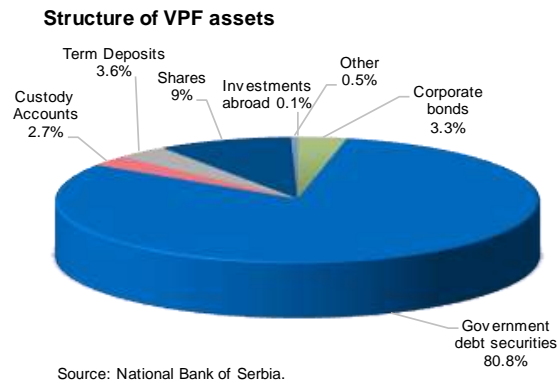
² Net contributions are total contributions minus the front-load fee.

³ In terms of the share in total net assets.

3 Structure of VPF assets

At end-Q1 2020, the structure of investment of VPF assets remained broadly unchanged. Government bonds accounted for the major part of VPF assets – 80.8%. Term deposits with banks and balances held in custody accounts made up 6.3% of total assets. The funds were also invested in shares (9%) and corporate bonds (3.3%). Investment in units of open-end investment funds and receivables made up the category “other” which accounted for 0.5%. In this quarter, 0.1% of fund assets were invested in shares of foreign legal entities abroad.

Majority of assets were invested in government debt instruments – 80.8%.

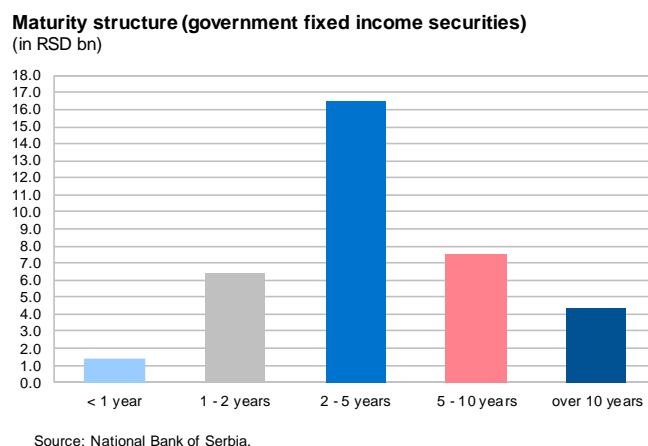


Government debt instruments portfolio kept the dominant position in total fund assets at the end of this period, too. The share of these financial instruments in fund assets increased from 78.2% at end-2019 to 80.8%.

On the other hand, aggregate exposure to shares of domestic legal entities declined from the end of the last year – from 11.1% to 9% of total fund assets as a result of recent trends in the Serbian financial market.

At end-Q1 2020, 3.8% of government debt instruments were with the maturity of up to one year, 17.7% between one and two years, 45.7% between two and five years, 20.8% between five and ten years, and 12% over ten years.

The average maturity of assets⁴ invested in government debt instruments was 4.9 years.



⁴ The maturity of instruments weighted by their share in total investment in government debt instruments.

At end-Q1 2020, 86% of total assets were in dinars and 14% in a foreign currency (EUR).

4 Return on investment

At end-Q1 2020, the value of FONDex⁵ reached 2,999.19.⁶ The rise in FONDex is the weighted average return on all funds, and it came at 2.6% for the past year. Since the start of VPF operation,⁷ FONDex return has equalled 8.6%.

Given the structure of VPF investment, the return is influenced by: the change in the yield curve on government debt instruments⁸, change in the prices of shares, level of the key policy rate and banks' interest rates, and changes in the dinar exchange rate against the euro and the dollar.

In Q1 2020, the primary market of dinar-denominated government debt instruments saw the issue of five-year securities (RSD 20.1 bn), at the rate of 2.6%, and twelve-year securities (RSD 37.5 bn), at the rate of 3.4%.

Market value of issued dinar-denominated government debt instruments, by maturity (in RSD bn)

Maturity	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020
3m	-	-	-	-	-
6m	-	-	-	-	-
12m	-	-	-	-	-
18m	-	-	-	-	-
24m	-	-	-	-	-
36m	18.3	25.6	-	-	-
60m	10.6	-	-	13.1	20.1
84m	18.3	48.6	41.0	24.1	-
120m	-	-	-	-	-
144m	-	-	-	-	37.5
Total	47.2	74.2	41.0	37.2	57.6

Source: Ministry of Finance.

Accepted rate of issued dinar-denominated government debt instruments, by maturity

Maturity	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020
3m	-	-	-	-	-
6m	-	-	-	-	-
12m	-	-	-	-	-
18m	-	-	-	-	-
24m	-	-	-	-	-
36m	3.7%	3.4%	-	-	-
60m	4.0%	-	-	2.3%	2.6%
84m	4.6%	4.4%	3.4%	2.7%	-
120m	-	-	-	-	-
144m	-	-	-	-	3.4%

Source: Ministry of Finance.

⁵ FONDex is the index which indicates movements in investment units of all VPFs in the market.

⁶ The initial FONDex value on the first business day of the first VPF, 15 November 2006, was 1,000.

⁷ Annual rate.

⁸ A decline in interest rate leads to an increase in the prices of debt instruments and vice versa. The prices of longer-maturity instruments are more sensitive to interest rate changes.

The following euro-denominated government debt instruments were issued in Q1 2020: two-year (RSD 59.9 mn) at the rate of 0.5%, five-year (RSD 4.4 mn) at the rate of 1.1%, twelve-year (RSD 100.6 mn) at the rate of 1.9%, and twenty-year instruments (RSD 161.2 mn) at the rate of 3%.

Market value of issued euro-denominated government debt instruments, by maturity
(in EUR mln)

Maturity	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020
12m	-	-	-	-	-	-
24m	-	71.0	74.6	-	-	59.9
36m	-	64.2	53.6	-	58.9	-
60m	-	41.2	92.4	-	-	4.4
84m	-	-	-	-	-	-
120m	-	69.7	-	-	34.5	-
144m	-	-	-	-	-	100.6
180m	-	49.4	-	-	-	-
240m	-	-	-	-	-	161.2
Total	-	295.5	220.6	-	93.4	326.0

Source: Ministry of Finance.

Accepted rate of issued euro-denominated government debt instruments, by maturity

Maturity	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020
12m	-	-	-	-	-	-
24m	-	1.0%	0.8%	-	-	0.5%
36m	-	1.3%	1.2%	-	0.6%	-
60m	-	1.8%	1.5%	-	-	1.1%
84m	-	-	-	-	-	-
120m	-	3.3%	-	-	1.9%	-
144m	-	-	-	-	-	1.9%
180m	-	3.6%	-	-	-	-
240m	-	-	-	-	-	3.0%

Source: Ministry of Finance.

The prices of shares in the Belgrade Stock Exchange (BSE), measured by the BELEX15 index⁹, fell by 20.6% at end-Q1 2020 (the value of the index was 636.53 at end-March). The index fell by 13.2% over the past year.

The key policy rate equalled 1.75% at end-March 2020. The level of interest rates earned by funds on dinar assets in custody accounts mirrored the movements of the key policy rate.

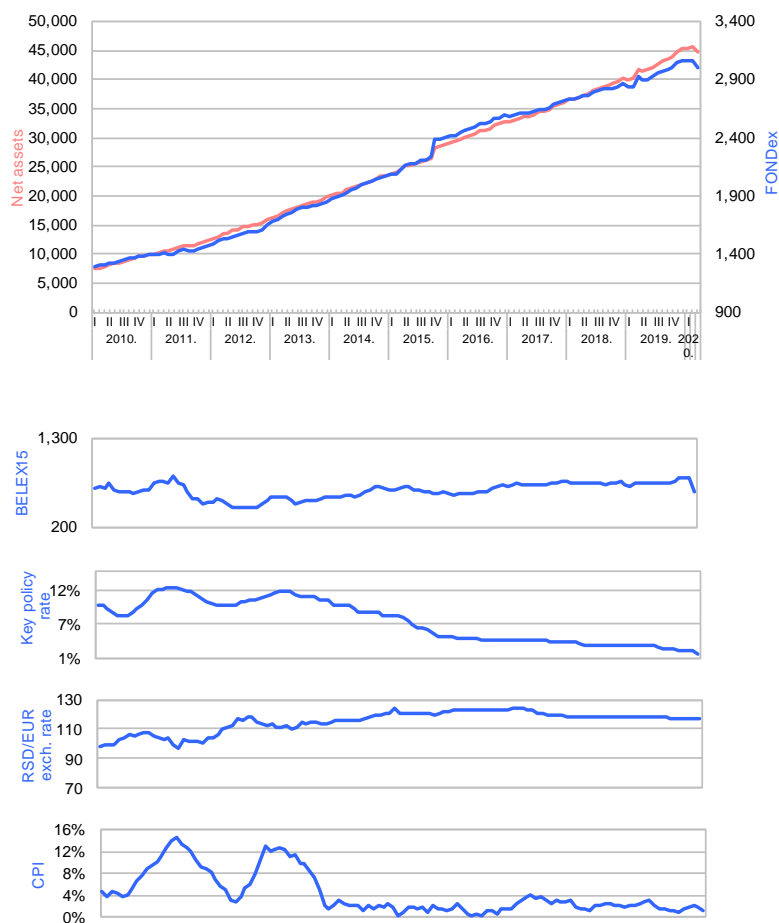
In Q1 2020, the dinar slightly appreciated vis-à-vis the euro, edging up by around 0.1% relative to end of the previous quarter. In the same period, the dinar lost around 1.7% against the US dollar.

Price growth rates came at 0.6%, 0.6% and -0.1% in January, February and March, respectively. Y-o-y, consumer prices gained 1.3% in March 2020.¹⁰

⁹ Of the total investment in shares, the bulk pertained to the shares covered by BELEX15, which means that BELEX15 is a relevant benchmark for the shares in the funds' portfolio.

¹⁰ Source: Statistical Office of the Republic of Serbia.

Movements in net assets, FONDEX and key indicators of VPF
(in RSD mn, units, %)



Source: National Bank of Serbia, Belgrade Stock Exchange, Statistical Office.

5 Fees charged by management companies

The Law on Voluntary Pension Funds and Pension Schemes sets out that management companies charge fees for their services and account transfer to fund members. Management company fees entail contribution and management fees. The account transfer fee may not exceed the actual transfer costs.

Though fees are among the parameters that members should consider when choosing a fund, they should not be viewed in isolation. The level of fees is contingent on the fund's investment policy and its investment activity. As a rule, more active funds, intended for younger persons who will pay contributions over a longer horizon, invest more in more complex instruments, assuming a higher degree of risk. Such funds are expected to post higher returns, hence their fees are higher. On the other hand, a fund investing passively in safer financial instruments should charge lower fees. A fund's investment policy, i.e. planned investment of the fund members' assets, the expected return, the level of risk assumed by funds (and members), and fees charged by companies, should all be taken into account when opting for a fund.

The contribution fee is paid only once, as a front-load fee. Though visible in the first instance, it is not the largest cost incurred by a member.

The total amount of contribution fees paid in Q1 2020 amounted to RSD 18.4 mn and the level of the fee in the same period was 1.98% on average.

The management fee is calculated daily against the value of net VPF assets and is included directly in the investment unit value, meaning that the calculated and published investment unit value is exclusive of the management fee.

At end-Q1 2020, the total value of management fees equalled RSD 140.6 mn, which is around 88% of the total fees charged, up by 1% relative to end-2019.

Over the past year, the management fee equalled RSD 543.4 mn, while profit of RSD 1.1 bn was earned in the same period.

Fees charged by management companies
(in RSD mn)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020 Q1
Contribution fee	56.9	54.9	59.4	57.9	60.1	58.7	55.4	53.0	56.8	61.0	66.3	71.8	18.4
Management fee	73.5	117.3	170.7	220.0	284.1	357.8	432.8	514.9	614.4	678.7	474.0	526.7	140.6

Source: National Bank of Serbia.

6 Trading in securities

VPF trading volumes reached RSD 15.4 bn in Q1 2020.

The average share of VPFs in BSE trading was 10.6% at the end of the quarter.

VPF securities trading
(in RSD bn)

	2012	2013	2014	2015	2016	2017	2018	2019	2020 Q1
Securities trading	13.2	12.9	21.2	14.5	11.5	24.2	16.1	48.7	15.4
Purchases	7.1	9.0	12.1	7.9	6.4	14.7	9.3	27.1	8.5
Belgrade Stock Exchange	0.3	0.4	0.5	0.9	1.1	3.7	2.7	3.2	1.3
Unregulated market	0.1	0.7	0.9	1.8	1.1	5.8	3.2	16.7	4.5
Auctions of government secur	6.7	7.9	10.7	5.2	4.2	5.1	3.4	7.1	2.7
Sales	4.2	2.0	5.4	3.6	3.0	7.4	5.5	19.6	6.4
Belgrade Stock Exchange	0.3	0.6	0.3	0.5	1.9	2.7	3.2	1.4	1.0
Unregulated market	3.9	1.4	5.0	3.2	1.1	4.7	2.3	18.1	5.4
Maturity	2.0	2.0	3.7	2.9	2.1	2.2	1.3	2.1	0.5
Purchase to sale and maturity ratio	1.1	2.3	1.3	1.2	7.5	1.5	1.4	1.3	1.2
Share in total BSE trading (in%)	2.6%	3.4%	4.1%	6.1%	6.7%	33.0%	9.4	5.1	10.6

Source: National Bank of Serbia, Belgrade Stock Exchange.

7 Transaction costs

Transaction costs incurred in the purchase, sale and transfer of securities (Central Securities Depository fees, stock exchange fees, tax charges) and the costs of current maintenance of real estate property that fund assets are invested in are charged against fund assets. Other costs are charged against the assets of management companies.

The total transaction costs in Q1 2020 amounted to RSD 3.4 mn. In the same period, Central Securities Depository fees, charged against VPF assets, accounted for a bigger portion of transaction costs than stock exchange fees, whereas brokerage fees made up the bulk of costs paid by management companies from their assets compared to custody bank fees.

Amount of transaction costs
(in RSD mn)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020 Q1
Total	9.5	7.0	4.7	6.0	6.2	5.6	7.3	10.5	8.3	17.2	3.4
Brokerage fees	4.5	2.9	2.0	2.5	2.0	1.3	2.3	4.4	3.0	8.0	1.2
Custody bank fees	2.4	2.2	1.5	1.9	2.0	2.0	2.0	1.9	1.8	3.1	0.8
Stock exchange fees	1.1	0.8	0.3	0.6	0.6	0.8	1.0	1.8	1.3	1.9	0.4
Central Securities Depository fees	1.5	1.1	0.9	0.9	1.6	1.6	2.0	1.8	1.6	3.4	1.0
Other fees	-	-	-	0.1	0.0	-	0.0	0.6	0.6	0.7	0.2

Source: National Bank of Serbia.

8 Number and structure of VPF users

At end-Q1 2020, 202,918 users¹¹ were in the accumulation phase¹², up by 7,242 relative to the same period in 2019. Total membership contracts¹³ in VPFs stood at 277,615.

VPF users accounted for 9.6%¹⁴ of the total number of employees.

Number of contracts and users
(in thousands)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020 Q1
No of contracts	220.4	234.4	240.4	244.5	252.1	258.1	250.5	253.9	261.7	275.8	277.6
No of users	166.8	174.9	179.8	183.5	188.0	190.5	183.6	185.4	192.3	201.6	202.9
Percentage of active users (in %)	43.9%	35.1%	30.5%	30.3%	31.3%	25.3%	28.5%	33.6%	33.4%	34.4%	31.3%

Source: National Bank of Serbia.

Structure of users by payment dynamics
(in units and %)

	Period	No of users	Share (%)
Users making contributions	1 month	63,554	31%
	3 months	75,614	37%
	6 months	80,081	39%
	12 months	84,216	42%
	From the start of membership (1)	180,458	89%
No holdings (2)		22,460	11%
Total (1+2)		202,918	

Source: National Bank of Serbia.

¹¹ The number of users is the number of people who are members of VPF(s). This number is lower than the number of membership contracts, as there is a significant number of users with more than one membership contract in one or several VPFs.

¹² VPF membership has two phases – the accumulation phase (when contributions are made) and the withdrawal phase (when the accumulated funds are withdrawn).

¹³ The number of membership contracts is the sum total of individual membership contracts and the number of members of all pension schemes.

¹⁴ The source for the number of employees: NBS.

The amount of accumulated funds depends on the amount of contributions, return earned by funds, level of fees, and the length of the accumulation phase. As the level of contributions and the period of accumulation increase and funds earn returns, average balances in members' individual accounts go up. The average amount of funds accumulated in the accounts of members who have made at least one contribution payment was RSD 247.4 thousand. At end-Q1 2020, the number of users who are members of two or more VPFs was 41,930 or around 21% of the total number of users.

Average accumulated funds at end-period
(in RSD thousand)

2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020 Q1
52.2	70.5	84.5	105.3	127.3	148.3	179.4	200.6	219.3	235.8	239.9	247.4

Source: National Bank of Serbia.

In terms of gender composition and the respective amounts of funds, Q1 2020 saw no significant changes relative to prior periods. Men remained dominant, accounting for around 58% of all users.

Number of users by number of funds in which they are members
(in units)

No of funds	No of users
1	160,988
2	34,644
3	7,040
4	221
5	20
6	3
7	2
Total	202,918

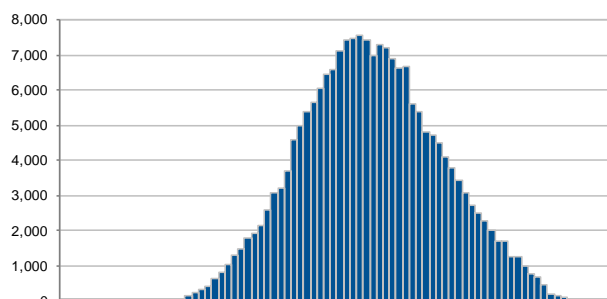
Source: National Bank of Serbia.

Number of users by membership contract
(in units)

No of contracts	No of users
1	146,832
2	42,460
3	9,713
4	3,132
5	556
6	172
7	42
8	9
9	2
Total	202,918

Source: National Bank of Serbia.

Distribution of users and accumulated funds by age
(in units, RSD)



	0-9	10-19	20-29	30-39	40-49	50-59	60+
No. of users	207	502	10,026	41,432	71,662	53,117	25,412
Amount of funds (min)	7	12	446	6,365	18,788	14,412	4,118
Average holdings	35,749	23,665	44,478	153,634	262,177	271,333	162,048

Source: National Bank of Serbia.

At end-Q1 2020, the average age of VPF users was around 47 years, with users aged 40–60 making up the dominant share of around 62%. The percentage of users above the age of 53 was similar as in prior years, accounting for 29% of the total.

9 Contributions, withdrawals and transfers

In Q1 2020, of total contributions, individual payments accounted for 41.6%, employer contributions for 28.7% and pension schemes for 29.6%. The total contributions to VPFs in Q1 2020 amounted to RSD 928.44 mn.

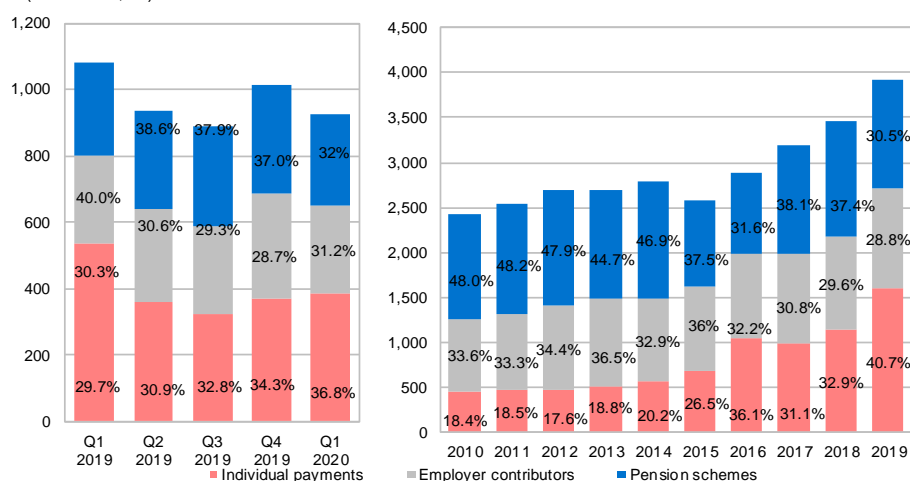
Net contributions came at RSD 910.04 mn in Q1 2020.

Total contributions (in RSD bn)

2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020 Q2
1.50	2.25	2.22	2.43	2.53	2.70	2.70	2.80	2.58	2.89	3.19	3.47	3.92	0.93

Source: National Bank of Serbia.

Volume and structure of total contributions (in RSD mn, %)



Source: National Bank of Serbia.

Though the Law allows for individual contributions, most contributions are made through employers who, in this way, display a high level of responsibility towards their staff. Ample potential for further growth in the membership base are companies with high staffing levels. This way, employees and employers can save up since contributions from employer's funds up to RSD 5,984¹⁵ per employee per month are exempt from the household income tax and contributions for mandatory social insurance. Payments in the same amount made by the employer through wage garnishment are also tax-exempt. This represents an additional incentive to employees and employers to direct a part of the wage to saving in VPFs.

¹⁵ Under Government decree, this amount is adjusted for previous-year inflation once a year.

Withdrawals are generally lump-sum. Since the withdrawals are made by the members who fulfil the requirements, and are not long-standing fund members, their accumulated sum is relatively small, and this kind of withdrawals is expected, even though it does not correspond to the nature of VPFs which assumes the use of accumulated funds over a longer period. The share of scheduled and other types of withdrawals rises with the lengthening of the accumulation periods and increase in the accumulated sums. In Q1 2020, lump sum withdrawals accounted for the bulk of withdrawals (RSD 474.5 mn), while scheduled and partial withdrawals measured RSD 84.1 mn.

Total withdrawals

(in RSD mn)

2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
													Q1
141.4	384.6	448.5	458.1	517.6	751.7	945.2	1213.4	1226.2	1195.6	1342.4	1412.0	1679.8	558.7

Source: National Bank of Serbia.

Total withdrawals rise from year to year. In Q1 2020 they amounted to RSD 558.7 mn as a result of system development. Namely, as contributions and net assets increase and the VPF system matures, the amount of withdrawals will also rise in absolute terms.

In Q1 2020, total withdrawals amounted to RSD 558.7 mn.

Transfers represent inter-fund transfers. A member may transfer a part or all of his assets from one fund to another, covering only the actual transfer costs.

In Q1 2020, transfers came at RSD 80.8 mn.

In Q1 2020, the amount of assets transferred to another fund equalled RSD 80.8 mn, which is almost twice higher than in the last quarter of 2019 (RSD 39.1mn)

Total inter-fund transfers

(in RSD mn)

2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	
												Q1	Q2
19.5	235.1	141.5	216.1	165.9	72.3	137.2	126.3	219.7	267.5	263.0	229.7	210.3	80.8

Source: National Bank of Serbia.

10 Financial statements

10.1 Regulatory framework

Management companies keep business books and compile financial statements in accordance with the accounting and auditing laws and NBS regulations.

Separately from their own, management companies also keep business books and compile financial statements for the VPFs they manage.

According to the Law on Voluntary Pension Funds and Pension Schemes, a management company is required to submit to the NBS annual financial statements of the company, within which it separately presents the financial statements of the funds that it manages, with the external auditor's report, until 31 March of the current year for the preceding year.

NBS decisions regulate the content and layout of forms of financial statements of VPF management companies and VPFs, requiring the submission of balance sheet, income statement, cash flow statement, statement of changes in equity, statement of other comprehensive income, and statistical report of a management company, as well as the balance sheet – statement of net assets, income statement, statement on changes in net assets and cash flow statement of a VPF.

10.2 Financial statements of VPF management companies

Balance sheet total of management companies as at 31 December 2019 stood at around RSD 1,238 mn, which is a decrease of around RSD 38 mn (2.95%) relative to 31 December 2018, when the balance sheet total equalled around RSD 1,276 mn.

The major part of assets was invested in securities of the Republic of Serbia (32% of total assets, 36% in 2018). On the other hand, the share of equity capital in total liabilities did not change significantly, so at end-2019 total equity made up 92% of liabilities (94% in 2018). Liquidity of management companies was very high.

	2014	2015	2016	2017	2018	2019
Total equity ratio	1.96	2.42	2.6	2.88	2.54	2.43
Equity per user	5,046	6,168	6,991	7,362	6,246	5,679
Equity to total net assets ratio	0.04	0.04	0.04	0.04	0.03	0.03

Management companies are required to keep equity above the statutory minimum which equals EUR 1 million in the dinar equivalent. At the industry level, the ratio of total equity to statutory minimum was 2.4 (2.5 at end-2018).

A management company's equity per user was around RSD 5,679 (RSD 6,246 at end-2018). This indicator went down by around 9% in 2019 as total equity at sector level decreased. In 2019, each dinar of net fund assets was covered with 0.03 dinars of a management company's equity (RSD 0.03 at end-2018).

In 2019, management companies continued to operate at a profit. As all companies recorded a positive result in 2019, their total profit was around RSD 196 mn, up by around 4.09% from 2018 (RSD 188 mn). It should be noted, however, that a management company's result does not affect the assets of fund members as company assets are separated from fund assets.

In 2019, all companies earned a profit from fund management. Revenue from core activity consisted of revenue from contribution fees (RSD 72 mn) and management fees (RSD 525 mn) which went up by around RSD 52 mn in 2019 from RSD 473 mn in 2018. The revenue from contribution fees increased by 8.2% from a year earlier, while that from management fees rose by 11.1%. The said fee revenue made up around 90% of all revenues generated by management companies (87% in 2018).

Total management costs (relating to investment of fund assets, marketing, custody bank, intermediary services and other fund management costs) rose to around RSD 60 mn in 2019, while the profit earned from fund management came at around RSD 537 mn (RSD 487 mn in 2018).

	2014	2015	2016	2017	2018	2019
ROE	25.3%	25.4%	26.5%	26.1%	14.66%	16.70%
ROA	24.1%	24.1%	25.1%	24.7%	13.86%	15.58%
Profit per user	1,188	1,424	1,742	1,873	996.18	994.42
Profit per contribution	0.08	0.10	0.11	0.10	0.05	0.05
Ratio of fee revenue to number of users	2,618	2,987	3,568	3,974	2,854.7	3,031.2
Ratio of fee revenue to total revenue	85%	87%	89%	91%	88%	90%

Within total revenues, interest income also held a significant share, measuring around RSD 37 mn or around 6% of total revenues (RSD 47 mn in 2018).

Expenditures were dominated by wage costs which came at around RSD 247 mn (RSD 230 mn in 2018) or 57% of total expenditures.

In 2019, management companies recorded total ROE of 16.7% (14.7% in 2018) and ROA of 15.6% (13.9% in 2018).

10.3 Financial statements of VPFs

As at 31 December 2019, total fund assets equalled almost RSD 45.3 bn, compared to RSD 40.3 bn at end-2018. Hence, during 2019 total fund assets gained around RSD 5 bn or 12.5%. Government securities still dominate total assets, making up around 78% of total fund assets, down by around 6% from end-2018.

The obligations of VPFs, which include obligations towards their management companies and obligations arising from membership and operation, amounted to around RSD 71 mn at end-2019 (RSD 79 mn in 2018). As at 31 December 2019 net fund assets were around RSD 45.2 bn, rising by around RSD 5 bn or 12.6% compared to 31 December 2018 (at end-2018 net fund assets stood at around RSD 40.2 bn).

In 2019 all seven funds posted positive result, and total profit at the sector level reached around RSD 3 bn (compared to around RSD 2 bn in 2018).

Total revenues in 2019 came at around RSD 9 bn (RSD 8 bn in 2018), while total expenditures of funds came at around RSD 6 bn (RSD 6 bn in 2018).

	2014	2015	2016	2017	2018	2019
Rate of return on total assets	10.7%	15.2%	7.4%	4.6%	5.3%	6.8%

The ratio of profit to average total fund assets in 2019 was 6.8% (5.3% in 2018), which means that the funds recorded an average profit of RSD 0.07 per each dinar of assets.