

# **BANKING SUPERVISION**

**Fourth Quarter Report 2011**

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## BASIC INFORMATION

### Selected parameters of the Serbian banking sector 1

**Table 1. Selected parameters of the Serbian banking sector (31 December 2011)\***

	Number of banks	Profit (loss)*	%	ASSETS	%	CAPITAL	%	Employees	%
		bln		bln		bln			
Total domestic banks	12	(21.7)	(1,732)	685	26	135	25	8,705	30
State-owned	8	(24.6)	(1,966)	472	18	75	14	7,216	25
Privately owned	4	2.9	234	213	8	60	11	1,489	5
Total foreign banks	21	22.9	1,832	1,965	74	411	75	20,523	70
Italy	2	15.7	1,256	591	74	123	22	4,177	14
Austria	4	9.3	739	493	74	118	22	4,227	14
Greece	4	(0.7)	(55)	393	74	85	16	5,364	18
France	3	0.5	43	263	74	45	8	2,588	9
Other	8	(1.9)	(153)	225	74	40	7	4,167	14
<b>TOTAL Sector</b>	<b>33</b>	<b>1.3</b>	<b>100</b>	<b>2,649.9</b>	<b>100</b>	<b>545.9</b>	<b>100</b>	<b>29,228.0</b>	<b>100</b>

\* Pre-tax

At end-Q4 2011, the Serbian banking sector numbered 33 banks (as in Q3), employing 29,228 persons. Net banking sector assets totalled RSD 2,650 bln and capital RSD 546 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-2011, banks in foreign ownership posted a profit of RSD 22.9 bln, accounting for 74% of total banking sector assets, 75% of total capital, and 70% of the banking sector employment.

In terms of their share in total banking sector assets, the most significant foreign banks are from Italy and Austria (22% and 19%, respectively), followed by banks from Greece (15%), France (10%) and other countries (8% share in total).

Foreign banks are members of banking groups from 11 countries.

State- and privately-owned domestic banks ended the year with losses of RSD 21.7 bln due to the huge loss posted by one bank. Overall, they accounted for 26% of total banking sector assets, 25% of total capital, and 30% of banking sector employment. The downward trend in banking sector employment, begun in 2009 and halted for the first time at end-Q1 2011, continued. Relative to end-September, employment fell by 416 persons, or by 659 persons relative to the beginning of the year.

<sup>1</sup> All data in the Report are based on financial reports that banks are required to submit to the NBS. These reports, however, have not been audited by external auditors nor verified by NBS on-site supervisors.

Relative to the previous quarter, 18 banks cut their staff numbers by 471, 11 banks recorded an increase of 82 persons, while 3 banks kept their staff numbers unchanged.

Q-o-q, the overall banking network shrunk by 49 business units – branches, branch offices and teller units, and numbered 2,383 units at end-Q4.

## 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 Q4, HHI<sup>2</sup> concentration index (Table 2) did not exceed 1000 – the level indicating only moderate concentration – in any of the mentioned categories.

The highest HHI value (799) is recorded in the category of household deposits where, quite expectedly, top five and top ten banks hold the highest shares (53% and 77%, respectively).

Conversely, the lowest HHI (640) is registered in the category of interest income.

**Table 2. Concentration and competitiveness indicators** (31 December 2011)

	Top 5 banks	Top 10 banks	HHI*
	Share		
Assets	47%	71%	660
Loans (total)	50%	72%	722
household loans	46%	75%	684
Deposits (total)	48%	72%	714
household deposits	53%	77%	799
Income (total)	52%	72%	721
interest income	45%	68%	640
fees income	52%	73%	722

\* Herfindahl Hirschman Index (HHI).

## NBS regulatory activity

Within its regulatory remit in the area of banking supervision, the NBS continued implementing countercyclical measures in Q4 2011 in order to safeguard financial stability. By the end of the year, the NBS adopted a new Decision on the Classification of Bank Balance Sheet Assets and Off-Balance Sheet Items (applicable as of 31 December 2011), as well as amendments and supplements to the Decision on Bank Reporting Requirements and the Decision on Risk Management.

<sup>2</sup> 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.

Changes in the classification rules constitute a countercyclical measure aimed at relaxation of existing regulatory provisions. They relate primarily to the lowering of the provisioning percentages for categories B, C and D. Another change is that banks are no longer obliged to allocate reserves from earnings for a part of the special reserve for estimated losses that is not covered by allowances for impairment.

The Decision on Amendments to the Decision on Bank Reporting Requirements is a step towards harmonisation with the new Decision on the Classification of Bank Balance Sheet Assets and Off-Balance Sheet Items. The amendments improve the reports on NPLs (referring chiefly to the currency structure, structure by the number of default days and change in the level of NPLs during the reporting period), and complement the report on borrowing/lending and deposit taking/placement with qualitative information. A new report was introduced to cover data and information on restructured receivables of banks.

Trial reporting as at 30 September highlighted the need for amending and supplementing the Decision on Risk Management in order to additionally adjust the regulatory framework whose application was to begin on 31 December 2011. These amendments and supplements provided banks with a transition period for harmonisation with the prescribed exposure limits.

Key novelties prescribed by the Decision on Amendments and Supplements to the Decision on Bank Risk Management relate to the possibility of reducing the bank's exposure towards members of the banking group subject to NBS consolidated supervision which are included in consolidated financial statements of the banking group by applying the full consolidation method, and to the introduction of a transition period (up to 31 December 2012) during which banks must align their operations with the new manner of exposure calculating and with the limits prescribed by the Decision. Changes in the calculation of exposures basically relate to the inclusion of exposures under guarantees issued by a bank which is the majority shareholder or member of the group and to which the NBS granted its consent in accordance with the Decision on Risk Management (RS Official Gazette, Nos 129/2007, 63/2008 and 112/2008) that ceased to be valid on 31 December 2011.

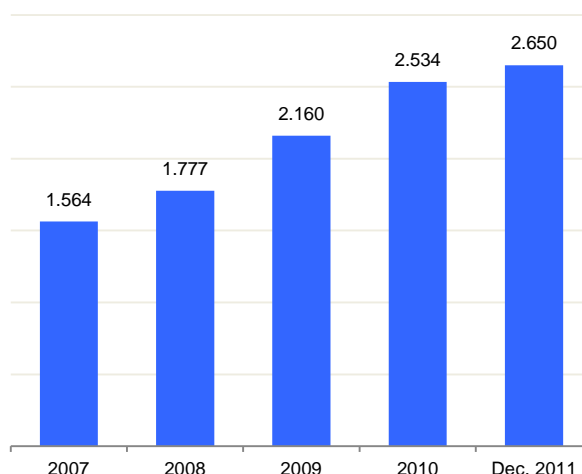
This set of regulations and the decisions introducing Basel II standards apply as of 31 December 2011.

## ASSETS

### Level and trend

At end-Q4 2011, total net assets of the Serbian banking sector stood at RSD 2,649.9 bln, up by RSD 116.4 bln (4.6%) from the beginning of the year. Relative to Q3, net balance sheet assets went up by RSD 111.6 bln or 4.4%.<sup>3</sup>

Chart 1  
Total assets  
RSD bln



The increase of RSD 111.6 bln is distributed across individual asset items as follows:

• Cash and cash equivalents	+ 24.3 bln	(+ 18,9%)
• Callable deposits and credits	+ 86.2 bln	(+ 20,3%)
• Loans, advances and deposits	- 13.5 bln	(- 0,8%)
• Securities and equity investments	+ 4.9 bln	(+ 2,8%)
• Fixed assets <sup>4</sup>	- 0.4 bln	(- 0,5%)
• Other assets	+ 10.1 bln	(+ 7,6%)

The greatest increase in absolute and relative terms was recorded for the callable deposits and loans which rose by RSD 86.2 bln (+20.3%). Cash and cash equivalents gained RSD 24.3 bln (+18.9%), while securities and equity investments, and other asset items also expanded by RSD 4.9 bln and RSD 10.1 bln, i.e. 2.8% and

<sup>3</sup> When reduced by the amount of losses over capital, total balance sheet assets equal RSD 2,638.1 bln, which is an increase of RSD 104.6 bln since the beginning of the year (4.1%) or an increase of RSD 99.8 bln or 3.9% in Q4 alone.

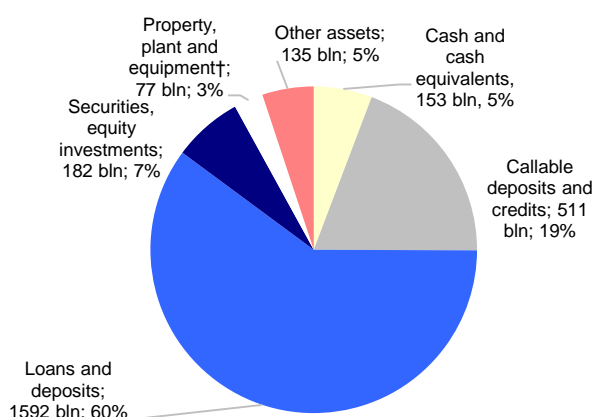
<sup>4</sup> Including investment property.

7.6%, respectively. Loans, advances and deposits decreased by RSD 13.5 bln (-0.8%), while fixed assets remained broadly unchanged (-0.5%).

### Structure of total assets

The last quarter of 2011 saw some changes in the shares of asset categories.

Chart 2  
**Total assets composition**  
31 December 2011



† Including investment property.

The largest asset category – loans, advances and deposits recorded an absolute decrease of RSD 13.5 bln (-0.8%), its share in total assets shrinking to 60.1% (September 2011: 64.4%). Most of the item (97.5%) consisted of loans approved amounting to RSD 1,552.1 bln (September 2011: RSD 1,533.2 bln) which increased by RSD 18.9 bln or 1.2% q-o-q. The remainder of the item equalling RSD 39.5 bln or 2.5% of the total item, is made up of deposits, notably foreign currency-denominated (September 2011: RSD 72.0 bln), which plummeted by RSD 32.5 bln or 45.1%.

On the other hand, the second largest category, callable deposits and credits rose to 19.3% of total assets (September 2011: 16.8%), due to an absolute increase of RSD 86.2 bln. The increase is primarily a net effect of a rise in banks' required reserves with the NBS (RSD 64.8 bln) and an upturn in loans under repo transactions (RSD 21.3 bln).

Rising by RSD 24.3 bln q-o-q on the back of an increase in gyro and foreign currency account holdings (RSD 12 bln), cash and cash equivalents came to account for 5.8% of total assets at end-Q4 (September 2011: 5.1%).

The share of securities<sup>5</sup> expanded by 2.8% in Q4, making up 6.9% of total assets (September 2011: 7.0%).

<sup>5</sup> Securities and equity investments.

In addition to loans, advances and deposits, receivables under interest, fees and fair value of derivatives, other lending and fixed assets and investment property decreased from a quarter earlier (by 7.6%, 4.8% and 0.5%, respectively).

In terms of currency structure<sup>6</sup>, assets are for their major part foreign currency - linked<sup>7</sup> – 63.5% (gross) value of the assets at end-Q4 (the euro accounting for 85.2% of that amount, the Swiss franc for 7.5% and other currencies for 7.3%).

In terms of maturity structure<sup>6</sup>, banking sector assets are mostly short-term, with a dominant share of sight and up to 14 days deposits<sup>8</sup> (41.5% of total assets in December compared to 40.8% in September), as well as assets with maturity over one year (42.3% compared to 42.2% in September). Assets with maturity up to one year had a share of 16.2% (17.0% in September).

### Top ten banks

With total assets of RSD 392 bln and a 14.8% share in total banking sector assets, Banca Intesa is the largest bank in the Serbian market. It is followed by Komercijalna banka with RSD 275 bln in assets and a 10.4% market share.

**Table 3.** Top ten banks by total assets

	6/30/2011			9/30/2011			12/31/2011		
	RSD bln	%	Rank	RSD bln	%	Rank	RSD bln	%	Rank
Banca Intesa	357	14,1	1	371	14,6	1	392	14,8	1
Komercijalna banka	257	10,1	2	259	10,2	2	275	10,4	2
Unicredit bank	166	6,6	4	174	6,9	4	199	7,5	3
Raiffeisen banka	169	6,7	3	184	7,3	3	194	7,3	4
Societe Gen. Banka Srbija	153	6,0	6	168	6,6	5	189	7,1	5
Eurobank EFG	164	6,5	5	164	6,5	6	160	6,1	6
Hypo Alpe-Adria-bank	138	5,4	8	141	5,6	8	147	5,5	7
Aik banka Niš	139	5,5	7	144	5,7	7	143	5,4	8
Vojvođanska banka	89	3,5	10	91	3,6	9	93	3,5	9
Alpha bank	94	3,7	9	87	3,4	10	85	3,2	10

\*Source:NBS

The ranking of top ten banks shows some changes relative to the previous quarter. Unicredit bank climbed from the fourth to the third place, exchanging positions with Raiffeisen banka. Hypo Alpe-Adria-bank moved from the eighth to the seventh place, exchanging positions with AIK banka Niš.

<sup>6</sup> Currency and maturity composition is observed in relation to total gross assets.

<sup>7</sup> Denominated in foreign currency or foreign currency clause-indexed.

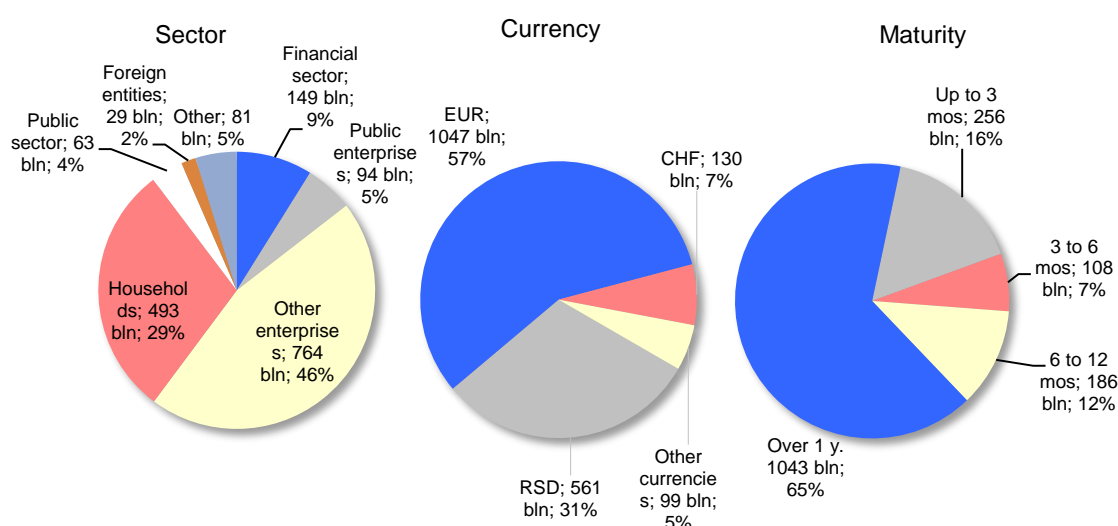
<sup>8</sup> Assets with no set term, without remaining maturity (excluding property, plant and equipment and intangible investments) and assets maturing within 14 days.



## Lending

Total (net) lending of the banking sector<sup>9</sup> came at RSD 1.672.0 bln at end-Q4 (September 2011: RSD 1,632.5 bln), up by RSD 39.5 bln or 2.4% on the previous quarter.

Chart 3  
Serbia's banking sector lending activity composition\*



\* Currency and maturity composition in gross amount (excluding provisions)

\*\* Entrepreneurs; Private households with employed persons and registered farmers; Other clients\*\*

Total increment of RSD 39.5 bln is distributed across lending categories as follows:

• Corporate sector	+ 4,1 bln	+ 0,5%
• Household sector	+ 14,1 bln	+ 2,9%
• Public sector	+ 3,8 bln	+ 6,5%
• Finance and insurance	+ 17,4 bln	+ 13,2%
• Foreign entities and foreign banks	- 11,0 bln	- 27,7%

The dominant category is corporate lending (to public and other enterprises, which respectively account for 11.0% and 89.0% of total corporate lending) in the amount of

<sup>9</sup> In accordance with the Guidelines on the Obligation and Manner of Collection, Processing and Submission of Data on the Status and Structure of Placements, Receivables and Liabilities of Banks, the following loans in dinars and foreign currency: callable loans, loans under repo transactions and transaction accounts, overnight loans, consumer loans, loans for current assets, investment loans, export loans, housing loans, loans for the payment of imports of goods and services, natural person loans for the purchase of real estate in the country and other loans.

RSD 857.9 bln (September 2011: RSD 843.7 bln), with a share of 51.3% in total lending and an increase of RSD 14.1 bln or 1.7% on the previous quarter.

Next in size is lending to natural persons (households, farmers and private households with employed persons) in the amount of RSD 519.1 bln (September 2011: RSD 503.3 bln), with a share of 31.0% and increase of RSD 15.8 bln or 3.1% on the previous quarter.

Lending to the public sector came at RSD 62.8 bln (September 2011: RSD 59.0 bln), accounting for 3.8% of total lending at end-2011. This category grew by RSD 3.8 bln or 6.5% q-o-q.

Lending to the finance and insurance sector increased by RSD 17.4 bln or 13.3% to reach RSD 148.7 bln at end-2011 (September 2011: RSD 131.3 bln). Its share in total lending came at 8.9%.

Having fallen by RSD 11.0 bln or 27.7% from a quarter earlier, lending to foreign entities and foreign banks amounted to RSD 28.7 bln (September 2011: RSD 39.6 bln), making up 1.7% of total lending.

In terms of currency structure, lending is for its major part denominated in foreign currency: 30.2% is in dinars (September 2011: 30.2%) and as much as 69.8% is foreign currency-linked<sup>10</sup> (September 2011: 69.8%). In terms of foreign currency lending, the euro holds the largest share – 83.5% (September 2011: 82.6%), followed by the Swiss franc – 10.3% (September 2011: 10.6%) and other currencies – 6.2% (September 2011: 6.8%).

The maturity structure<sup>11</sup> of lending remained broadly stable from the previous quarter. Namely, loans with maturity over a year still prevail. At end-2011, 56.8% of extended loans were with remaining maturity over 1 year (September 2011: 55.6%)<sup>12</sup>, 28.1% of which maturing in over 5 years (September 2011: 27.3%). Due loans accounted for 13.2% of total loans at end-2011 (September 2011: 12.9%).

## Non-performing loans (NPLs)

Monitoring the level and trend of NPLs is of vital importance for identifying potential problems in the collection of receivables and is at the same time indicative of deterioration in the quality of the loan portfolio. Analysis of the level of NPLs in relation to the allowances for impairment, capital and loan loss reserves provides insight into the banking sector's capacity to absorb losses on account of NPLs.

In accordance with the internationally accepted definition, 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;

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<sup>10</sup> Denominated in foreign currency or foreign currency clause-indexed.

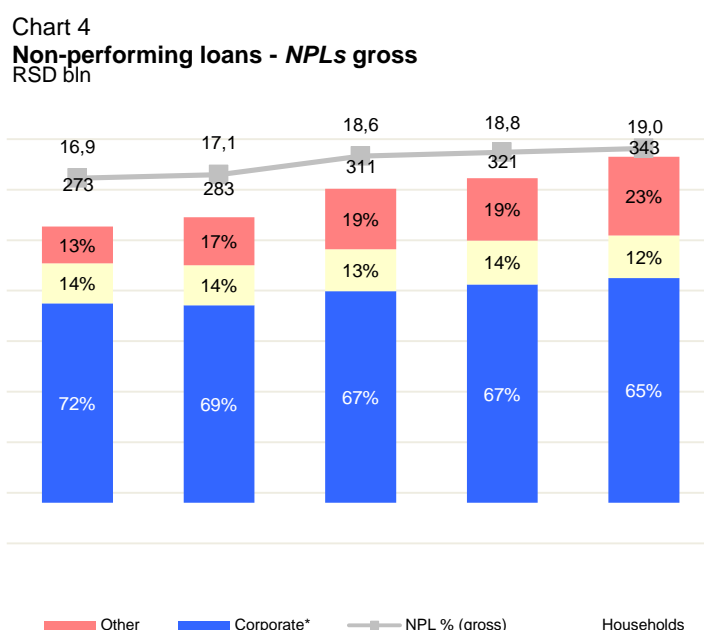
<sup>11</sup> Observed in relation to total gross lending.

<sup>12</sup> Since loan maturity structure was broken down into to loans due and not yet due in this reporting period, we adjusted also the data for the previous reporting period, in order to ensure comparability of analysis.

- for which interest accruing on debt in the triple monthly amount (and higher) is capitalised, refinanced or its payment delayed; or

- 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.

Total (gross)<sup>13</sup> banking sector loans past due for more than 90 days equalled RSD 342.7 bln at end-2011 and made up 19.0% of total approved (gross) loans.



The absolute and relative increase in NPLs continued into Q4 (RSD 21.2 bln, or 6.6%), pushing up the NPL ratio by 0.3 pp relative to end-Q3.

The structure of NPLs shows no major changes from a quarter earlier. Corporate NPLs (public and private sector) in the amount of RSD 223.3 bln now make up 65.2% of total NPLs (Q3: 67.6%). However, NPLs of *other clients* (mostly legal entities undergoing bankruptcy) account for 16.3% of total NPLs and represent the key driver of their growth. Namely, 78.6% of the increase in total NPLs is attributable to the NPLs of legal entities undergoing bankruptcy (except banks) which amounted to RSD 52.9 bln at end-2011 (September 2011: RSD 36.2 bln), the NPL ratio for this segment of lending being 97.72%. Of this amount, RSD 36.5 bln (68.99%) has already been provisioned for.

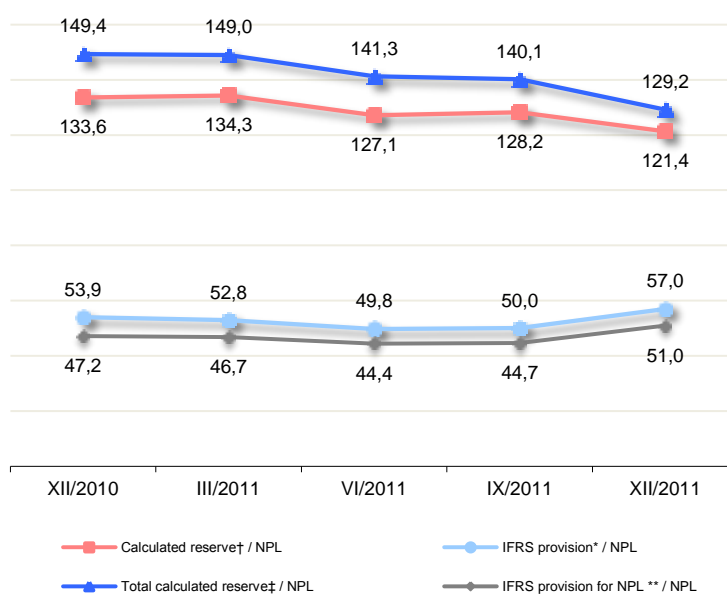
Corporate NPLs increased by RSD 6.3 bln from Q3 to reach RSD 222.5 bln or 64.9% of total NPLs. The share of household NPLs contracted from the previous quarter by RSD 1.2 bln, amounting to RSD 42.2 bln or 12.3% of total NPLs.

<sup>13</sup> Banking sector NPLs are monitored on a gross basis (excluding allowances for impairment). Data since the beginning of monitoring of these lendings (30 September 2008) are presented in the Statistical Annex to the *First Quarter Report 2010*.

## NPL coverage

As the share of NPLs in total lending is significant, additional analysis must be carried out from the aspect of the banking sector's ability to provide a sufficient "cover" of such loans from reserves for potential losses.

Chart 5  
**Non-performing loans coverage**  
in percentages



† Calculated reserve for potential losses on balance-sheet receivables (*Loan loss reserve*);

\* Total loans provision;

\*\* IFRS provisions for non-performing loans

‡ Total calculated reserve for potential losses (on- and off-balance sheet).

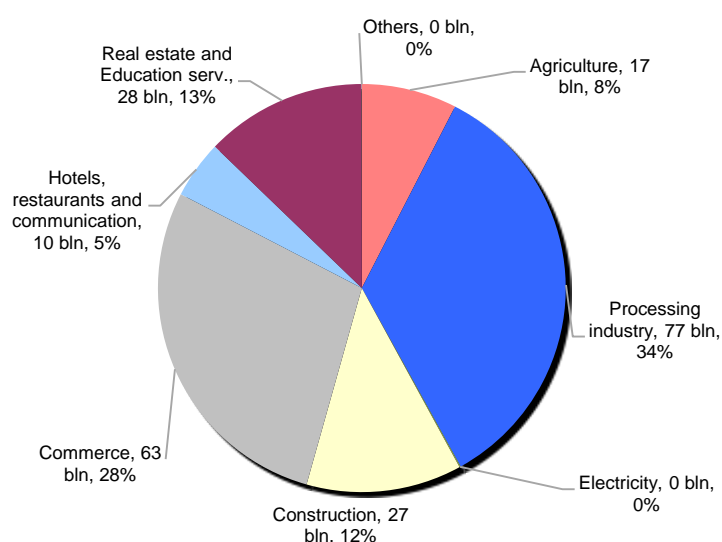
At end-2011, the coverage of non-performing loans by reserves for estimated balance-sheet losses (the so-called loan loss reserve) equalled 121.4% (September 2011: 128.2%), which means that bank provisions (under balance sheet items alone) fully cover total gross NPLs.

Faster growth of allowances for impairment relative to gross NPLs led to a 7 pp increase in NPL coverage by allowances for impairment (from 50.0 to 56.99). 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 222.5 bln at end-2011 (September 2011: RSD 216.1 bln).

Chart 6  
**Corporate NPLs composition†**



†Corporate = other enterprises (excluding public enterprises).

Corporate NPLs recorded a RSD 6.3 bln (+2.9%) increase q-o-q. Their share in total loans approved is 24.6% (September 2011: 24.4%), which is a 0.2 pp increase.

Sectors with the highest absolute amounts of NPLs:

	December 2011	Change (previous quarter)
• Manufacturing	76.5 bln	- 2.2 bln
• Trade	62.8 bln	+ 0.9 bln
• Construction	27.4 bln	+ 0.5 bln
• Education and real estate	28.4 bln	+ 8.7 bln
• Agriculture	16.8 bln	- 0.7 bln
• Transport, hotels/restaurants, communications	10.2 bln	- 1.0 bln

During the period observed, the largest absolute increase was recorded for real estate and trade (RSD 8.7 bln and 0.9 bln, respectively). These sectors registered

relative NPL growth of 44.1% and 1.4%, respectively, and so did construction (1.8%). A relative decrease in the level of NPLs was registered for transport (-8.3%), agriculture (-3.7%) and manufacturing (-2.8%).

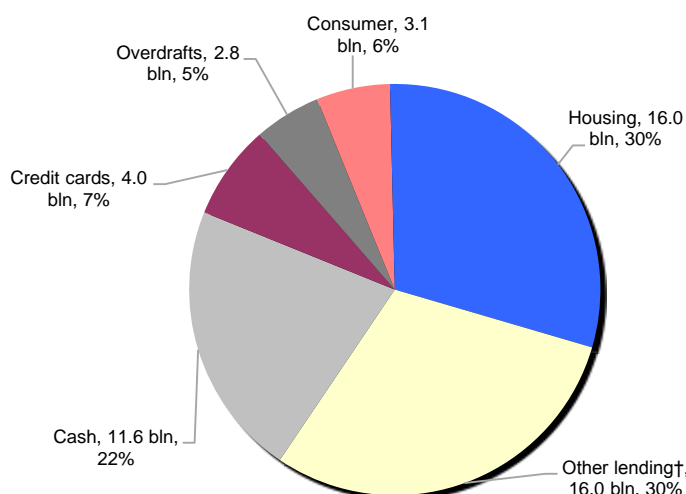
Sectors with the largest share of NPLs in total loans:

	December 2011	Change in pp (previous quarter)
• Real estate	38.3%	+ 5.9
• Agriculture	29.8%	- 1.1
• Construction	26.7%	- 1.1
• Manufacturing	24.5%	- 0.6
• Trade	22.5%	+ 0.3
• Transport, hotels/restaurants, communications	14.2%	- 1.9

Rising by 0.2 pp on the quarter before, NPLs made up 24.6% of total corporate lending at end-2011. The greatest shares of NPLs were recorded in real estate, agriculture and construction, their NPL ratios equalling 38.3%, 29.8% and 26.7%, respectively. Agriculture, construction, manufacturing and transport, hotels/restaurants and communications saw a mild improvement in this ratio. Real estate and trade saw their shares in corporate NPLs rising, especially the real estate where gross NPL ratio reached 38.3%.

### *NPLs of natural persons*

Chart 7  
**Composition of NPLs to individuals**



† Other lending = agricultural activity, other activities and other lending to individuals

Total NPLs of natural persons<sup>14</sup> came at RSD 53.5 bln at end-2011 (September 2011: RSD 54.1 bln).

They recorded a q-o-q decrease of RSD 0.6 bln (-1.1%).

The share of NPLs in total (gross) loans approved to natural persons equalled 9.1% at end-2011 (September 2011: 9.5%).

The most significant categories in terms of their share in total NPLs of natural persons<sup>15</sup>:

	December 2011	Change (previous quarter)
• Housing loans	16.1 bln	- 0.8 bln
• Cash loans	11.6 bln	+ 0.2 bln
• Credit cards	4.0 bln	- 0.2 bln
• Consumer loans	3.1 bln	+ 0.2 bln
• Current account overdrafts	2.8 bln	- 0.1 bln

Gross NPL ratios for lending categories that together make up more than 50% of total NPLs of natural persons:

	December 2011	Change in pp (previous quarter)
• Housing construction	5.8%	- 0.6
• Cash loans	8.8%	+ 0.1

An increase in the share of loans past due for more than 90 days was registered in the categories of consumer loans (0.5 pp) and current account overdrafts (0.2 pp). In addition to housing loans, the share of NPLs declined also in the category of credit cards, agricultural loans and other loans.

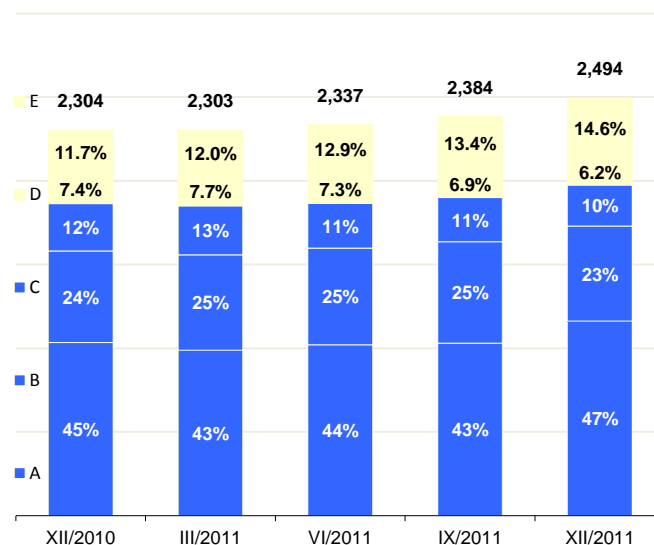
## Classified assets

Classified assets<sup>16</sup> totalled RSD 2,494.3 bln at end-2011 (September 2011: RSD 2,384.0 bln) making up 42.7% of total gross on- and off-balance sheet assets (September 2011: 39.0%).

<sup>14</sup> Loans of natural persons imply predominantly loans granted to households and other individuals (persons engaging in agriculture and in other activities).

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

Chart 8  
Total classified assets  
RSD bln



Relative to the previous quarter, classified assets of the banking sector increased by RSD 110.3 bln or 4.6%. The increase in total classified assets resulted from the rise in total classified on- and off-balance sheet assets by RSD 108.0 bln (6.1%) and RSD 2.2 bln (0.4%), respectively. At end-2011, total classified balance sheet assets stood at RSD 1,890.0 bln, while off-balance sheet assets equalled RSD 604.2 bln.

The share of assets classified in categories A, B and C decreased by 0.5 pp. Standing at RSD 1,975.1 bln (September 2011: RSD 1,899.4 bln), these assets accounted for 79.2% of total classified assets (46.5% – A, 22.8% – B, and 9.9% – C).

The share of the most adversely classified categories (D and E) went up by 0.5 pp. Standing at RSD 519.1 bln (September 2011: RSD 484.6 bln), these assets accounted for 20.8% of total classified assets (6.2% – D and 14.6% – E).

Of the total amount of assets classified in the most adverse categories, balance sheet assets accounted for RSD 460.8 bln (88.8%), while RSD 58.3 bln (11.2%) represented off-balance sheet items. The share of D and E categories in total classified balance sheet assets equalled 24.4% (September 2011: 24.0%), while the most adversely classified off-balance sheet receivables made up 9.7% (September 2011: 9.6%) of classified assets.

Total reserve for estimated losses reached RSD 442.6 bln at end-2011 (September 2011: RSD 450.4 bln), of which RSD 415.9 bln related to balance sheet items (September 2011: RSD 412.2 bln), and RSD 26.7 bln (September 2011: RSD 38.2 bln) to off-balance sheet items.

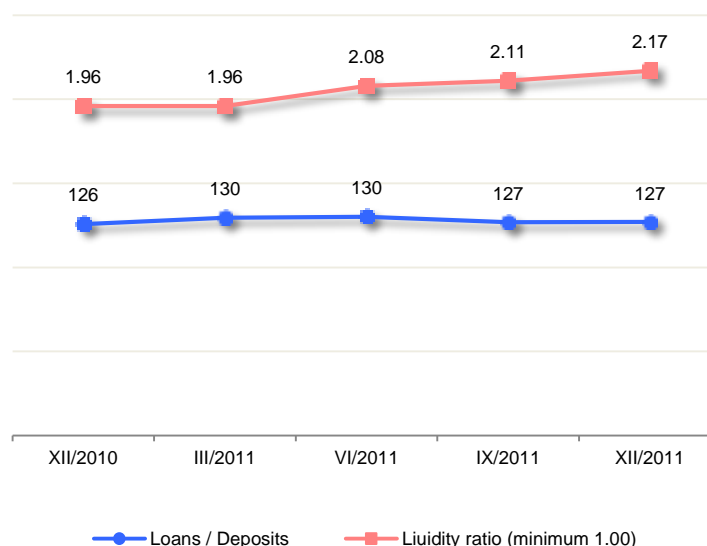
<sup>16</sup> Pursuant to the Decision on the Classification of Bank Balance Sheet Assets and Off-Balance Sheet Items (Decision), banks are required to classify all their receivables (except those exempt pursuant to Section 4, paragraph 2, and Section 5, paragraph 2 of the Decision) in categories A, 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.



## 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-2011 stepped up from the previous quarter to 2.17.

Loan-to-deposit ratio of the Serbian banking sector came at 127 (September 2011: 126.9).

Bank investment into dinar (public sector) government securities came at RSD 119.4 bln (September 2011: RSD 119.3 bln). Foreign currency-denominated securities included, bank investment into government securities reached RSD 153.7 bln (September 2011: RSD 151.8 bln), up by RSD 1.8 bln or 1.2%.

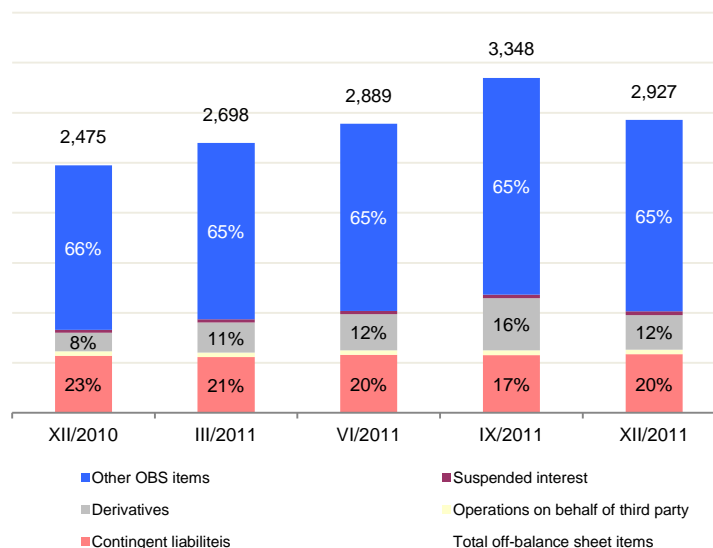
Bank investment into NBS repo operations increased by RSD 21.3 bln (21.6%) from September 2011. The stock of loans under repo transactions equalled RSD 119.9 bln (September 2011: RSD 98.6 bln).

## Off-balance sheet items

Off-balance sheet items totalled RSD 2,927.0 bln at end-2011 (September 2011: RSD 3,348.2 bln), down by RSD 421.1 bln (12.6%) from the previous quarter.

The greatest portion of off-balance sheet items (79.4%) are risk-free<sup>17</sup> (composed of guarantees and sureties accepted, custody operations and other off-balance sheet assets). The portion of off-balance sheet items subject to classification (i.e. considered risk-bearing) amounted to RSD 604.3 bln at end-2011 (September 2011: RSD 602.0 bln), up by RSD 2.3 bln or 0.4% on the quarter before.

Chart 10  
Off-balance sheet items  
RSD bln



Contingent liabilities<sup>18</sup> climbed by RSD 8.7 bln (1.5%) to RSD 587.1 bln (September 2011: RSD 578.4 bln). At end-2011, they made up 20.1% of total off-balance sheet items (September 2011: 17.3%).

Operations on behalf of third parties amounted to RSD 45.7 bln (September 2011: RSD 45.9 bln), recording a RSD 0.2 bln or 0.5% decrease.

Notional value of financial derivatives plunged by RSD 178.1 bln (34.1%) to RSD 344.5 bln (September 2011: RSD 522.6 bln).

Suspended interest recorded a RSD 3.7 bln (10.9%) increase relative to the quarter before and reached RSD 38.0 bln (September 2011: RSD 34.2 bln). At the same time, its share in net balance sheet assets was 1.3% (September 2011: 1.0%).

Shedding RSD 255.3 bln or 11.8% q-o-q, all other off-balance sheet items came at RSD 1,911.8 bln.

<sup>17</sup> Risk-free positions are positions under which a bank is not exposed to credit risk. The part of off-balance sheet assets considered risk-bearing in terms of credit risk exposure is subject to classification under which banks are required to calculate and form reserves for potential losses.

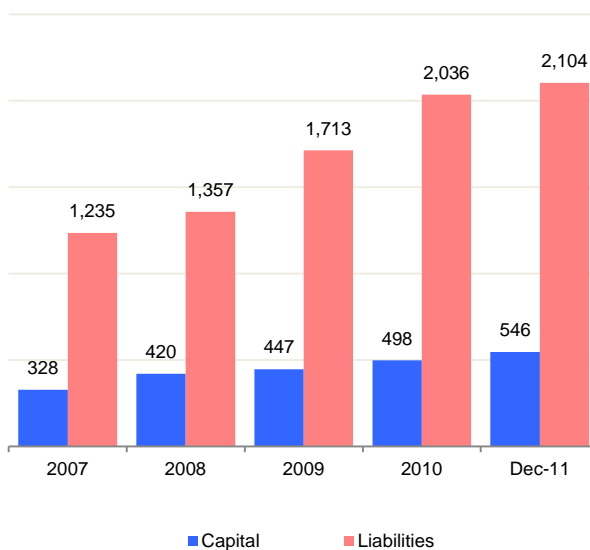
<sup>18</sup> Guarantees, sureties and collaterals issued (RSD 320.3 bln), Irrevocable commitments regarding undisbursed loans and advances (RSD 216.9 bln), Other irrevocable commitments (RSD 49.9 bln).

## LIABILITIES AND CAPITAL

### Level and trend

Liabilities of the Serbian banking sector reached RSD 2,104.0 bln or 79.4% of total liabilities at end-2011 (September 2011: 78.9%). At the same time, total capital reached RSD 545.9 bln, accounting for 20.6% of total liabilities (September 2011: 21.1%).

Chart 11  
**Total liabilities and capital**  
RSD bln



Total liabilities rose on the previous quarter by RSD 101.0 bln (5.0%) and total capital<sup>19</sup> by RSD 10.6 bln (2.0%).

The RSD 111.6 bln q-o-q increase in total liabilities, shown by categories:

• Deposits	+ 57.2 bln	+ 3.9%
• Borrowings	+ 35.2 bln	+ 10.0%
• Other liabilities	+ 4.9 bln	+ 3.0%
• Share capital and other capital	+ 24.4 bln	+ 6.3%
• Reserves	- 4.7 bln	- 3.1%
• Accumulated loss	+ 9.0 bln	+ 171.3%

<sup>19</sup> Eight banks were recapitalised in the period under review. Recapitalisations totalled RSD 10.4 bln.

Total deposits went up by RSD 57.2 bln or 3.9%. Borrowings rose by RSD 35.2 bln and other liabilities by RSD 4.9 bln or 3.0%. Share capital gained RSD 24.4 bln or 6.3%, while reserves decreased from the previous quarter by RSD 4.7 bln (-3.1%). Accumulated loss increased by RSD 9.0 bln or 171.3%. Added to this should also be the amount of losses over capital – RSD 11.8 bln (asset position).

The maturity composition of total liabilities shows no significant change relative to the previous quarter. Namely, the sources of funding with maturity over one year, capital included, accounted for 40.0% of total liabilities (September 2011: 38.3%).

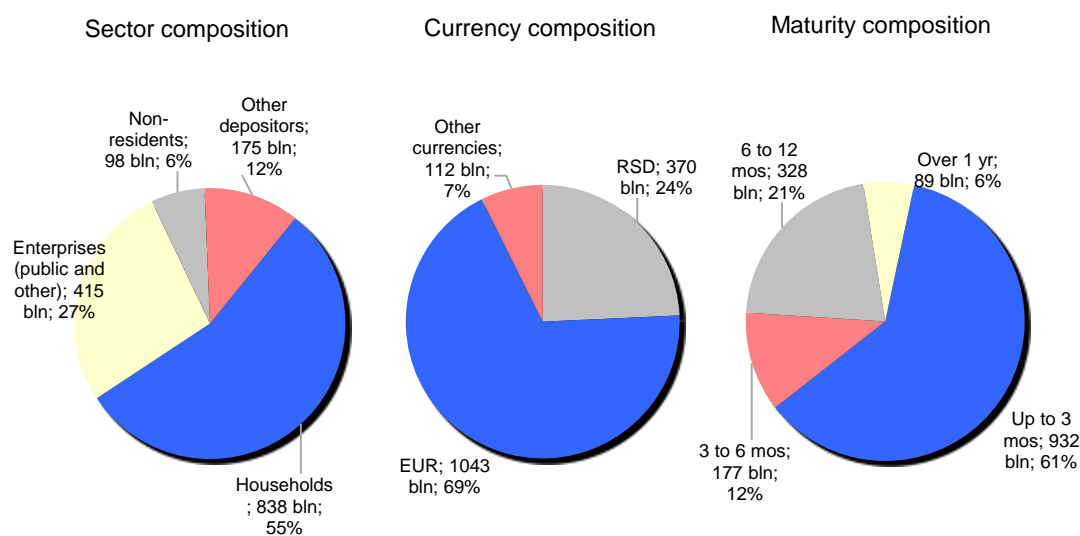
The currency composition of total liabilities remained the same as in Q3. Foreign currency liabilities continued to prevail, making up 62.7% at end-Q4 (September 2011: 63.1%). The euro dominated, accounting for 90.3%, while all other currencies accounted for 9.7% of foreign currency-denominated liabilities.

The share of dinar-denominated liabilities was 37.3% of total liabilities (September 2011: 36.9%).

## Composition of deposits

Deposits of the Serbian banking sector totalled RSD 1,526.1 bln at end-2011 (September 2011: RSD 1,468.9 bln), making up 57.6% of total liabilities (September 2011: 57.9%). Relative to the previous quarter, they increased by RSD 57.2 bln (3.9%), as transaction and savings deposits went up by RSD 32.4 bln (9.7%) and RSD 38.8 bln (5.6%), respectively, and other deposits fell by RSD 17.6 bln (-4.7%).

Chart 12  
Serbia's banking sector deposits composition



Observed by sector, household deposits continue to account for the bulk of total deposits – 54.9% (September 2011: 54.1%). In the period under review, household deposits rose by RSD 42.8 bln or 5.4%. Next in size were enterprise deposits (public and other enterprises), accounting for 27.2% (September 2011: 26.5%) which also gained RSD 26.1 bln (6.7%). Non-resident deposits lost additional RSD 5.6 bln (-5.4%) from the previous period, their share shrinking to 6.4% (September 2011: 7.1%). Sliding down by RSD 6.1 bln, deposits of all other categories of depositors came to account for 11.5% of total banking sector deposits (September 2011: 12.3%).

As regards currency composition, major part i.e. 75.7% of total deposits were denominated in foreign currency (September 2011: 76.8%), of which 68.4% in euros (or 90.3% of total foreign currency-denominated deposits), and 24.3% in dinars (September 2011: 23.2%).

Sight deposits and short-term time deposits continue to be the prevalent form of deposits with banks. Only 5.8% of total deposits will mature in over one year (September 2011: 3.8%).

Household savings<sup>20</sup> amounted to RSD 705.5 bln (September 2011: RSD 667.7 bln), making up 46.2% of total banking sector deposits (September 2011: 45.5%). Q-o-q, household savings increased by RSD 37.7 bln (5.7%), of which foreign currency savings by RSD 34.2 bln (5.3%). The share of foreign currency savings reached 97.7% of total household savings (September 2011: 98.1%). Euro-denominated savings had a share of 94.6% (September 2011: 95.5%) and they rose by 0.8% in Q4<sup>21</sup>, or by 6.4% in 2011 as a whole. Of total household savings, 7.7% was deposited for a period of over one year (September 2011: 4.0%).

## Borrowings

Total borrowing of the banking sector at end-Q4 rose by RSD 35.2 bln (10.0%) from the quarter before and came at RSD 386.5 bln (September 2011: RSD 351.3 bln).

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

• Overnight	36.6 bln	+ 6.4 bln
• Borrowings	336.0 bln	+ 27.2 bln
• Other financial liabilities	13.9 bln	+ 1.6 bln

As the largest single category, borrowings increased in the period under review by 8.8% from RSD 308.8 bln in the previous quarter.

<sup>20</sup> Accounts 402 and 502 in the Chart of Accounts, sector 6 (domestic natural persons and foreign natural persons-residents)

<sup>21</sup> Excluding exchange rate effects.

Around 81.1% of total borrowings will mature in over a year (September 2011: 77.9%).

The dominant currency of borrowings is the euro, accounting for RSD 323.9 bln (September 2011: RSD 298.1 bln), followed by the Swiss franc – RSD 32.1 bln (September 2011: RSD 34.2 bln).

Bank debt in dinars, arising from loans taken, totalled RSD 23.1 bln (September 2011: RSD 16.0 bln).

### Foreign borrowing

Foreign borrowing of the banking sector went up in Q4 by RSD 26.3 bln or 8.6% reaching RSD 332.8 bln (September 2011: RSD 306.5 bln).

The currency composition of foreign borrowing shows no major change relative to the quarter before – 88.9% of foreign loans were in euros (September 2011: 88.8%) and 9.6% in Swiss francs (September 2011: 11.1%).

The sources maturing in over a year accounted for 91.6% of total foreign borrowing (September 2011: 86.6%).

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

• Overnight	8.1 bln	-0.1 bln
• Borrowings	324.2 bln	+26.5 bln
• Other financial liabilities	0.5 bln	-0.1 bln

### Subordinated liabilities

Total subordinated liabilities reached RSD 110.9 bln at end-2011, up by RSD 10.9 bln (+10.9%) from a quarter earlier. Twenty banks used this type of financing.

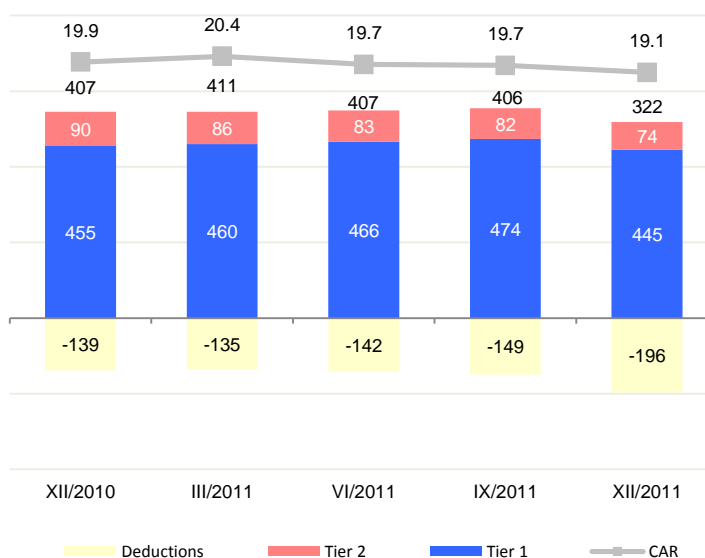
Subordinated liabilities are entirely foreign currency denominated – 94.5% in euros and 5.5% in Swiss francs.

The bulk of total subordinated liabilities (RSD 110.9 bln) will mature in 2-5 years (46.5%), while next in size are those maturing in over 5 years (24.6%) and in 1-2 years (20.7%).

## Capital and capital adequacy

Capital adequacy ratio of the banking sector equalled 19.1%<sup>22</sup> at end-2011. Total regulatory capital amounted to RSD 322.4 bln, down by RSD 84.1 bln or 20.7% from a quarter earlier (RSD 406.5 bln).

Chart 13  
**Regulatory capital and CAR**  
RSD bln, CAR in percentages



The q-o-q decrease in total regulatory capital is attributable to the application of the new regulations (beginning from 31 December 2011) harmonised with Basel II standards.

Regulatory capital decreased primarily on account of regulatory harmonisation relative to IFRS/IAS, which constitute a deduction from capital pursuant to new regulations. The decrease was also aided by the tightening of conditions for the inclusion of subordinated liabilities into bank capital.

Notwithstanding the increase in share capital (RSD 11.7 bln), reserves (RSD 7.2 bln), retained earnings (RSD 15.9 bln) and issue premium (RSD 12.7 bln), core capital declined by RSD 28.6 bln at end-2011, due primarily to the RSD 32.1 bln rise in uncovered losses in the current year.

The following banks were recapitalised:

- *Societe Generale banka* 6.2 bln RSD
- *OTP banka* 1.0 bln RSD

<sup>22</sup> As of 31 December 2011, banks calculate the capital adequacy ratio pursuant to the Decision on Capital Adequacy for Banks (RS Official Gazette, No 46/2011).

- *Banca Intesa* 13.3 bln RSD
- *Credit Agricole banka* 1.0 bln RSD

as well as banks which increased their capital by taking subordinated loans:

- *Credit Agricole banka* EUR 10 mln
- *Erste banka* EUR 15 mln
- *ProCredit Bank* EUR 10 mln
- *Komercijalna banka* EUR 50 mln

or by converting subordinated loans into capital:

- *Московска банка* EUR 5 mln

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

Total capital requirements of the banking sector came at RSD 202.4 bln, down by RSD 45.8 bln or 18.5%. The new regulation harmonised with Basel II standards introduced a new, capital requirement for operational risk (RSD 22.7 bln) and expanded the deduction of the base for the calculation of capital requirement for credit risk. Most of total capital requirements (86.6%) relate to credit, counterparty and settlement/delivery risk (RSD 175.2 bln), while the remainder relates to operational (RSD 22.7 bln), FX (RSD 3.8 bln) and price risks (RSD 0.7 bln).

### Foreign exchange risk

The banking sector ended 2011 with a short net FX position in EUR and CHF, and a long net FX position in USD and other currencies:

- RSD 2.8 bln in EUR
- RSD 0.7 bln in USD
- RSD 3.9 bln in CHF
- RSD 0.3 bln in other currencies

On 31 December 2011, foreign exchange risk ratio for the banking sector as whole equalled 6.15%<sup>23</sup> (30 September 2011: 2.65%) – 51.1% for state-owned banks (30 September 2011: 5.4%), 19.5% for private banks (30 September 2011: 9.3%) and 2.1% for foreign banks (30 September 2011: 1.4%).

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<sup>23</sup> Open FX positions for the banking sector were calculated by the gross principle.

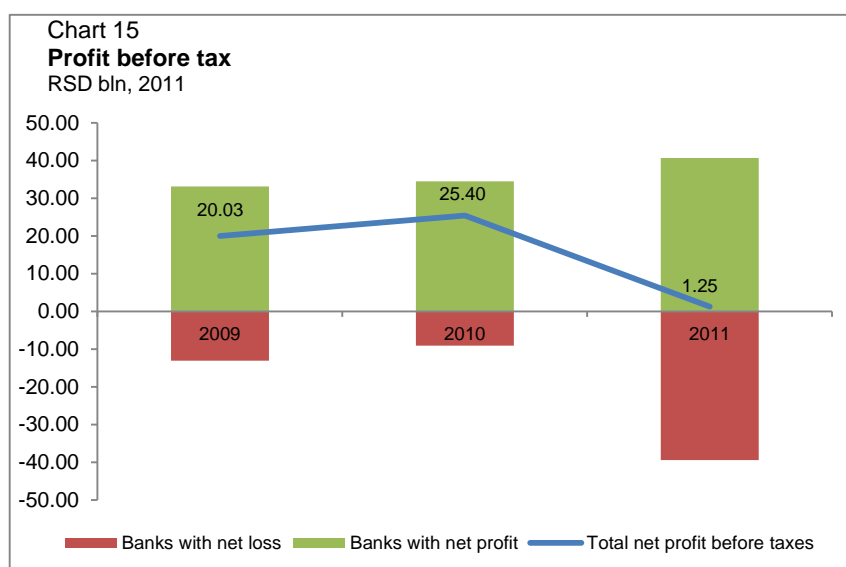


## PROFITABILITY

### Level and trend

Pre-tax profit of the banking sector in 2011 amounted to RSD 1.3 bln or 4.9% of the corresponding figure in 2010. Twenty one banks operated with profit, which equalled RSD 40.7 bln before tax.

Q-o-q, the number of banks operating with losses increased by to 2, reaching 12 at the end of the year. Total losses posted in 2011 came at RSD 39.4 bln, 75.4% was accounted for by one bank only.



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

- Banca Intesa 10.7
- Raiffeisen banka 5.3
- Unicredit bank 5.0
- Komercijalna banka 4.0
- AIK banka 3.3

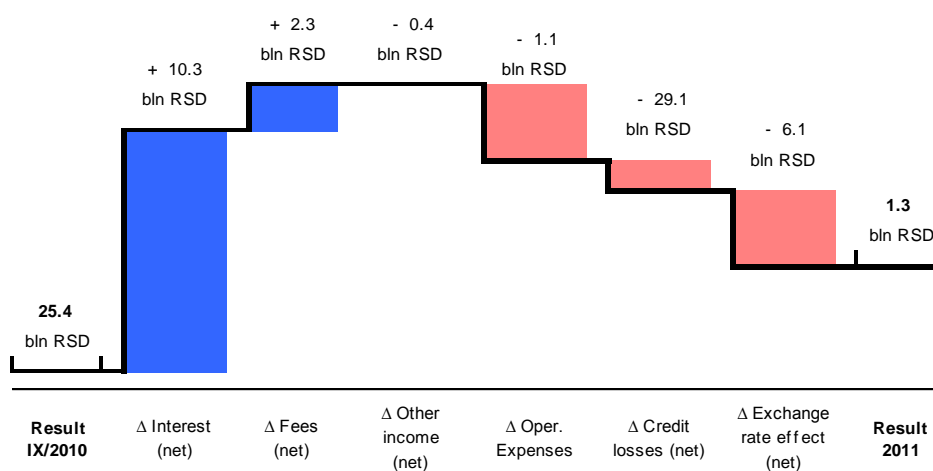
Five banks posting the largest losses (in RSD bln):

- Agrobanka (under receivership) (29.7)
- Alpha bank (2.1)
- Vojvođanska banka (1.4)
- OTP banka Srbija (1.3)
- Marfin Bank (1.2)

## Structure of the result

Taking into consideration pre-tax financial result of RSD 1.3 bln and its growth, it is necessary to draw attention to the factors that contributed to the achievement of such a result (pre tax).

Chart 16  
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 10.3 bln (9.5%) from a year earlier;
- net fees and commissions increased by RSD 2.3 bln (7.1%).

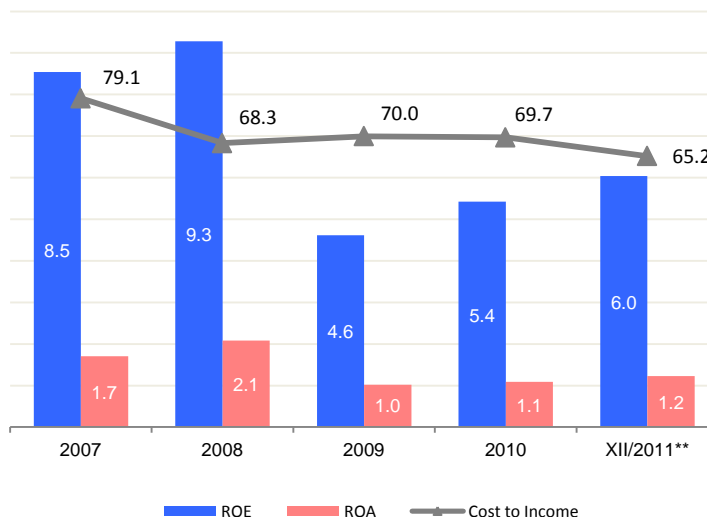
On the other hand:

- net credit losses increased by RSD 29.1 bln (89.3%), providing a negative contribution to the overall financial result compared to the previous year;
- net exchange rate effect on the revaluation of assets and liabilities and, consequently, on banking sector financial result in 2011 was by RSD 6.1 bln lower (-46.8%) relative to the previous year;
- operating expenses rose by RSD 1.1 bln (1.1%) on the previous year.

The key factor behind the drop in banking sector profitability was the rise in net expenses arising from the write-off of loans, investments and provisions registered by one bank (net expenses equivalent to RSD 29.8 bln).

## Performance indicators

Chart 17  
RoA, RoE, cost-to-income  
In percentages



\*\* Data for banking sector without one ban.

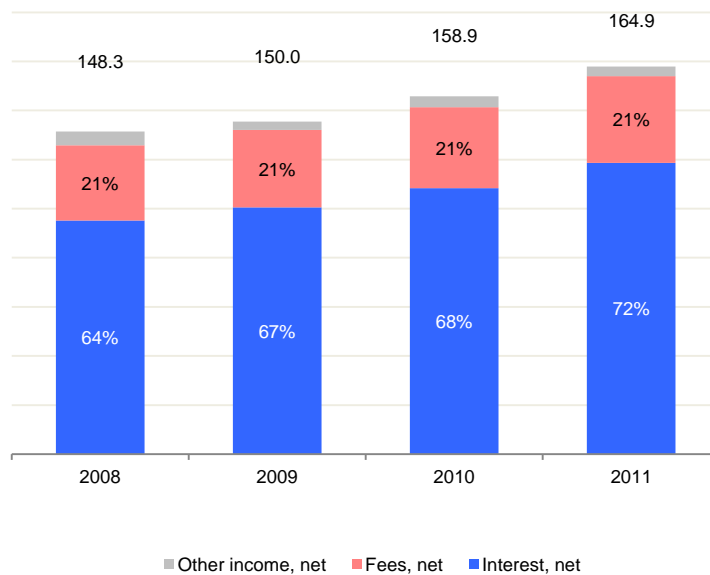
Key performance indicators of the banking sector deteriorated from the previous quarter: return on assets equalled 0.05% (September 2011: 1.3%), while return on equity stood at 0.24% (September 2011: 6.5%). Excluding data for bank, performance indicators were better than in the previous two years (RoA 1.23%, RoE 6.04%). At the same time, the coverage of banks' operating expenses by net interest and fee income and by interest income alone was higher, equalling 153.5% and 118.3%, respectively (September 2011: 157.4% and 122.0%).

At around 5.0×, financial leverage of the Serbian banking sector can be considered rather low.

## Operating income

For the purposes of this report, operating income means the sum of net interest, fees and commissions income, income from securities, exchange rate differences and change in value of assets and liabilities, as well as other income (on dividends and equity investments and operating income).

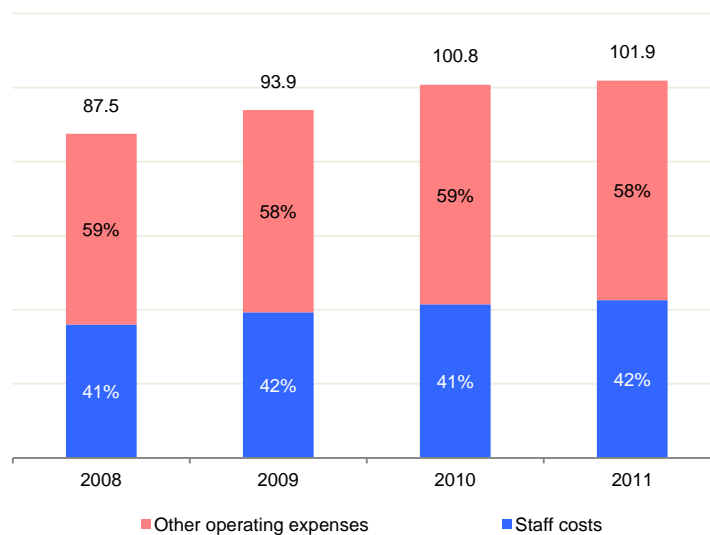
Chart 18  
**Operating profit**  
RSD bln



## Operating expenses

Operating expenses of the banking sector amounted to RSD 101.9 bln in 2011 (December 2010: RSD 100.8 bln), up by RSD 1.1 bln or 1.1% on the year before.

Chart 19  
**Operating expenses**  
First nine months  
RSD bln



Employee costs in the amount of RSD 42.6 bln accounted for 41.9% (December 2010: 41.1%) of total operating expenses. This was a RSD 1.2 bln or 2.9% increment y-o-y. On the other hand, other operating expenses decreased by RSD 0.1 bln or 0.2% from a year earlier.

STATISTICAL ANNEX<sup>24</sup>

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

	31 Dec. 2009			31 Dec. 2010			31 Dec. 2011		
	Number	%	Rank	Number	%	Rank	Number	%	Rank
<i>Banca Intesa</i>	2,979	9.6	2	3,090	10.3	2	3,200	10.9	1
<i>Komercijalna banka</i>	3,155	10.1	1	3,101	10.4	1	3,022	10.3	2
<i>Raiffeisen Banka</i>	2,072	6.6	4	1,985	6.6	4	1,856	6.4	3
<i>Vojvođanska banka</i>	2,580	8.3	3	2,238	7.5	3	1,786	6.1	4
<i>Poštanska štedionica</i>	1,421	4.6	8	1,667	5.6	5	1,663	5.7	5
<i>Eurobank EFG</i>	1,604	5.1	6	1,619	5.4	6	1,537	5.3	6
<i>Alpha bank</i>	1,497	4.8	7	1,523	5.1	7	1,493	5.1	7
<i>Societe Gen. Banka Srbija</i>	1,197	3.8	9	1,246	4.2	9	1,331	4.6	8
<i>ProCredit Bank</i>	1,821	5.8	5	1,389	4.6	8	1,288	4.4	9
<i>Erste Bank Novi Sad</i>	960	3.1	11	992	3.3	10	988	3.4	10
<i>Unicredit bank</i>	910	2.9	12	925	3.1	12	977	3.3	11
<i>Credit Agricole banka Srbija</i>	1002	3.2	10	963	3.2	11	931	3.2	12
<i>Hypo Alpe-Adria-bank</i>	851	2.7	14	816	2.7	14	872	3.0	13
<i>Agrobanka</i>	854	2.7	13	880	2.9	13	859	2.9	14
<i>OTP banka Srbija</i>	781	2.5	15	706	2.4	15	687	2.4	15
<i>Razvojna banka Vojvodine</i>	667	2.1	18	687	2.3	16	657	2.2	16
<i>NLB banka</i>	763	2.4	16	649	2.2	17	607	2.1	17
<i>Piraeus Bank</i>	558	1.8	20	554	1.9	19	548	1.9	18
<i>KBC banka</i>	641	2.1	19	588	2.0	18	542	1.9	19
<i>AIK banka Niš</i>	481	1.5	21	478	1.6	20	514	1.8	20
<i>VolksBank</i>	471	1.5	23	467	1.6	22	511	1.7	21
<i>Univerzal banka</i>	481	1.5	21	475	1.6	21	482	1.6	22
<i>Credy banka</i>	719	2.3	17	390	1.3	24	403	1.4	23
<i>Marfin bank</i>	462	1.5	24	460	1.5	23	389	1.3	24
<i>Srpska banka Bgd.</i>	394	1.3	27	369	1.2	27	385	1.3	25
<i>Čačanska banka</i>	395	1.3	26	389	1.3	25	380	1.3	26
<i>Privredna banka Beograd</i>	397	1.3	25	372	1.2	26	372	1.3	27
<i>Findomestic banka</i>	296	0.9	29	316	1.1	28	326	1.1	28
<i>Opportunity banka</i>	137	0.4	30	170	0.6	29	190	0.7	29
<i>Dunav banka a.d. Zvečan</i>	91	0.3	32	133	0.4	30	158	0.5	30
<i>Jubmes banka</i>	115	0.4	31	120	0.4	31	121	0.4	31
<i>Jugobanka K. Mitrovica</i>	75	0.2	33	79	0.3	32	92	0.3	32
<i>Moskovska banka a.d. - Beograd</i>	54	0.2	34	51	0.2	33	61	0.2	33
<i>Privredna banka Pan.</i>	301	1.0	28	/	/	/	/	/	/
<b>TOTAL Sector</b>	<b>31,182</b>	<b>100.0</b>	<b>/</b>	<b>29,887</b>	<b>100.0</b>	<b>/</b>	<b>29,228</b>	<b>100.0</b>	<b>/</b>

<sup>24</sup> Positions may not sum up due to rounding.

**Table A.2 – Organisational network**

	31 Dec. 2009		31 Dec. 2010		30 Sep. 2011		31 Dec. 2011	
	Number	%	Number	%	Number	%	Number	%
Business units	68	3	54	2	87	4	89	4
Branches	565	21	582	23	548	23	543	23
Branch offices	1,733	66	1,662	67	1,587	65	1,592	67
Teller units	247	9	153	6	123	5	126	5
Head offices	17	1	34	1	85	3	31	1
Other	5	0	2	0	2	0	2	0
<b>TOTAL</b>	<b>2,635</b>	<b>100</b>	<b>2,487</b>	<b>100</b>	<b>2,432</b>	<b>100</b>	<b>2,383</b>	<b>100</b>

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

30 Sep. 2011		31 Dec. 2011	
Domestic-owned banks			
State-owned banks		State-owned banks	
Serbia		Serbia	
	Agrobanka		Agrobanka
	Čačanska banka		Čačanska banka
	Dunav banka a.d.Zvečan		Dunav banka a.d.Zvečan
	Jugoboanka K.Mitrovica		Jugoboanka K.Mitrovica
	Komercijalna banka		Komercijalna banka
	Poštanska štedionica		Poštanska štedionica
	Razvojna banka Vojvodine		Razvojna banka Vojvodine
	Srpska banka Bgd.		Srpska banka Bgd.
Privately-owned banks		Privately-owned banks	
Serbia		Serbia	
	Aik banka Niš		Aik banka Niš
	Jubmes banka		Jubmes banka
	Privredna banka Bgd.		Privredna banka Bgd.
	Univerzal banka		Univerzal banka
Foreign-owned banks			
Austria		Austria	
	Erste Bank Novi Sad		Erste Bank Novi Sad
	Hypo Alpe-Adria-bank		Hypo Alpe-Adria-bank
	Raiffeisen banka		Raiffeisen banka
	VolksBank		VolksBank
Belgium		Belgium	
	KBC banka		KBC banka
France		France	
	Credit Agricole banka Srbija		Credit Agricole banka Srbija
	Findomestic banka		Findomestic banka
	Societe Gen.Banka Srbija		Societe Gen.Banka Srbija
Greece		Greece	
	Alpha bank		Alpha bank
	Eurobank EFG		Eurobank EFG
	Piraeus bank		Piraeus bank
	Vojvođanska banka		Vojvođanska banka
Italy		Italy	
	Banca Intesa		Banca Intesa
	Unicredit bank		Unicredit bank
Cyprus		Cyprus	
	Marfin bank		Marfin bank
Hungary		Hungary	
	OTP banka Srbija		OTP banka Srbija
Germany		Germany	
	ProCredit Bank		ProCredit Bank



Russian Federation

*Moskovska banka a.d. - Beograd*

USA

*Opportunity banka*

Slovenia

*Credy banka*

*NLB banka*

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Russian Federation

*Moskovska banka a.d. - Beograd*

USA

*Opportunity banka*

Slovenia

*Credy banka*

*NLB banka*

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

	31 Dec. 2009		31 Dec. 2010		31 Dec. 2011	
	RSD bln	%	RSD bln	%	RSD bln	%
Cash and cash equivalents	258.3	12.0	138.8	5.5	153.0	5.8
Callable deposits and credits	439.6	20.3	408.2	16.1	511.5	19.3
Loans, advances and deposits	1,199.1	55.5	1,630.9	64.4	1,591.6	60.1
Securities	91.0	4.2	158.5	6.3	172.8	6.5
Equity investments	7.3	0.3	9.7	0.4	9.0	0.3
Other lending	42.1	1.9	49.0	1.9	52.9	2.0
Interest, fees and commission receivables, change in fair value of derivatives	13.5	0.6	19.3	0.8	24.2	0.9
Intangible assets	7.1	0.3	7.9	0.3	8.6	0.3
Property, plant and equipment and investment property	67.2	3.1	70.8	2.8	76.5	2.9
Non-current assets held for sale and discontinued operations	0.5	0.0	1.0	0.0	1.8	0.1
Deferred tax assets	2.1	0.1	2.5	0.1	3.0	0.1
Other assets	32.6	1.5	36.9	1.5	33.2	1.3
Losses in excess of capital	0.0	0.0	0.0	0.0	11.8	0.4
<b>TOTAL Assets</b>	<b>2,160.4</b>	<b>100.0</b>	<b>2,533.5</b>	<b>100.0</b>	<b>2,649.9</b>	<b>100.0</b>

	31 Dec. 2009		31 Dec. 2010		31 Dec. 2011	
	RSD bln	%	RSD bln	%	RSD bln	%
<b>TOTAL Liabilities</b>	<b>1,712.9</b>	<b>79.3</b>	<b>2,035.6</b>	<b>80.3</b>	<b>2,104.0</b>	<b>79.4</b>
Transaction deposits	302.0	14.0	314.8	12.4	367.9	13.9
Other deposits	999.2	46.3	1,190.0	47.0	1,158.1	43.7
Borrowings	247.4	11.5	347.9	13.7	386.5	14.6
Liabilities on securities	0.8	0.0	0.6	0.0	2.9	0.1
Interests, fees and commissions payable and change in fair value of derivatives	1.7	0.1	3.9	0.2	4.8	0.2
Provisions and tax liabilities	14.0	0.6	13.7	0.5	15.0	0.6
Liabilities from profit	0.9	0.0	1.6	0.1	1.3	0.0
Deferred tax liabilities	0.6	0.0	0.6	0.0	0.6	0.0
Other liabilities	146.3	6.8	162.6	6.4	166.9	6.3
<b>TOTAL Capital</b>	<b>447.5</b>	<b>20.7</b>	<b>498.0</b>	<b>19.7</b>	<b>545.9</b>	<b>20.6</b>
Share capital and other capital	340.7	15.8	369.4	14.6	410.0	15.5
Reserves	104.5	4.8	130.3	5.1	150.2	5.7
Accumulated gains/losses	2.3	0.1	(1.7)	(0.1)	(14.3)	(0.6)
<b>TOTAL Liabilities</b>	<b>2,160.4</b>	<b>100.0</b>	<b>2,533.5</b>	<b>100.0</b>	<b>2,649.9</b>	<b>100.0</b>

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

	31 Dec. 2009		31 Dec. 2010		31 Dec. 2011	
	RSD bln	%	RSD bln	%	RSD bln	%
Contingent liabilities	606.1	26.3	569.9	23.0	587.1	20.1
<i>Guarantees, sureties and collaterals issued</i>	381.4	16.6	357.1	14.4	320.3	10.9
<i>Irrevocable commitments regarding undisbursed loans and placements</i>	164.9	7.2	169.1	6.8	216.9	7.4
<i>Other irrevocable commitments</i>	59.8	2.6	43.7	1.8	49.9	1.7
Operations on behalf of third parties	25.0	1.1	44.5	1.8	45.7	1.6
Notional value of derivatives	173.9	7.5	187.4	7.6	344.5	11.8
Suspended interest	17.6	0.8	28.0	1.1	38.0	1.3
Other off-balance sheet items	1,481.8	64.3	1,645.4	66.5	1,911.7	65.3
<b>TOTAL Off-balance sheet items</b>	<b>2,304.5</b>	<b>100.0</b>	<b>2,475.1</b>	<b>100.0</b>	<b>2,927.0</b>	<b>100.0</b>

\*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**

	31 Dec. 2009			31 Dec. 2010			31 Dec. 2011		
	RSD bln	%	Rank	RSD bln	%	Rank	RSD bln	%	Rank
Banca Intesa	307.9	14.3	1	359.1	14.2	1	392.3	14.8	1
Komercijalna banka	205.3	9.5	2	255.9	10.1	2	275.5	10.4	2
Unicredit bank	135.8	6.3	6	167.0	6.6	5	198.6	7.5	3
Raiffeisen banka	193.5	9.0	3	178.8	7.1	4	194.1	7.3	4
Societe Gen. Banka Srbija	99.7	4.6	8	136.4	5.4	8	189.3	7.1	5
Eurobank EFG	146.8	6.8	4	180.9	7.1	3	160.5	6.1	6
Hypo Alpe-Adria-bank	139.1	6.4	5	144.6	5.7	6	146.7	5.5	7
Aik banka Niš	109.4	5.1	7	141.6	5.6	7	143.2	5.4	8
Vojvodanska banka	87.1	4.0	9	91.9	3.6	10	92.5	3.5	9
Alpha bank	73.6	3.4	10	98.4	3.9	9	85.2	3.2	10
VolksBank	69.1	3.2	11	83.0	3.3	11	80.0	3.0	11
Erste Bank Novi Sad	52.0	2.4	14	62.1	2.5	14	72.1	2.7	12
Agrobanka	59.0	2.7	13	74.4	2.9	12	61.6	2.3	11
ProCredit Bank	65.0	3.0	12	69.7	2.8	13	59.6	2.2	14
Credit Agricole banka Srbija	40.0	1.9	18	47.4	1.9	17	57.0	2.2	15
Piraeus bank	44.9	2.1	15	56.1	2.2	15	54.6	2.1	16
NLB banka	44.6	2.1	17	51.0	2.0	16	43.7	1.6	17
OTP banka Srbija	44.8	2.1	16	42.7	1.7	18	38.2	1.4	19
Poštanska štedionica	32.2	1.5	19	32.2	1.3	21	37.6	1.4	21
Razvojna banka Vojvodine	27.1	1.3	22	36.4	1.4	19	35.5	1.3	18
Univerzal banka	31.7	1.5	20	35.1	1.4	20	35.1	1.3	20
KBC banka	17.4	0.8	25	29.1	1.1	23	34.0	1.3	22
Čačanska banka	22.0	1.0	24	28.7	1.1	24	30.4	1.1	23
Marfin bank	23.7	1.1	23	27.0	1.1	25	26.2	1.0	25
Privredna banka Bgd.	28.6	1.3	21	31.5	1.2	22	25.1	0.9	24
Srpska banka Bgd.	11.9	0.6	27	14.7	0.6	27	18.1	0.7	27
Findomestic banka	12.9	0.6	26	18.6	0.7	26	17.0	0.6	26
Credy banka	7.8	0.4	29	10.9	0.4	28	13.3	0.5	28
Jubmes banka	7.5	0.3	30	8.9	0.4	29	9.6	0.4	29
Jugoboanka K. Mitrovica	8.0	0.4	28	8.7	0.3	30	8.9	0.3	30
Opportunity banka	4.3	0.2	32	5.3	0.2	31	5.8	0.2	31
Dunav banka a.d. Zvečan	0.6	0.0	34	2.8	0.1	32	4.6	0.2	32
Moskovska banka a.d. - Beograd	2.5	0.1	33	2.5	0.1	33	4.1	0.2	33
Privredna banka Pan.	4.6	0.2	31	/	/	/	/	/	/
<b>TOTAL</b>	<b>2,160.4</b>	<b>100.0</b>	<b>33</b>	<b>2,533.4</b>	<b>100.0</b>	<b>33</b>	<b>2,649.9</b>	<b>100.0</b>	<b>33</b>

**Table A.6 – Bank lending activity by sector**

	31 Dec. 2009		31 Dec. 2010		31 Dec. 2011	
	RSD bln	%	RSD bln	%	RSD bln	%
Financial sector in the country	164.5	12.8	67.5	4.4	148.7	8.9
Corporate sector	667.1	51.7	842.5	54.9	857.8	51.3
<i>Public enterprises</i>	44.9	3.5	65.7	4.3	94.2	5.6
<i>Other enterprises</i>	622.2	48.2	776.8	50.6	763.6	45.7
Household sector	357.8	27.7	462.7	30.1	493.2	29.5
<i>Housing construction</i>	187.9	14.6	251.4	16.4	269.8	16.1
Public sector	23.0	1.8	57.3	3.7	62.9	3.8
<i>Republic of Serbia</i>	11.9	0.9	39.6	2.6	39.2	2.3
<i>Local government</i>	11.1	0.9	17.7	1.2	23.7	1.4
Foreign entities	10.1	0.8	31.1	2.0	28.7	1.7
Foreign banks	0.9	0.1	10.2	0.7	12.6	0.8
Other*	67.5	5.2	73.8	4.8	80.6	4.8
<b>TOTAL Lending</b>	<b>1,290.0</b>	<b>100.0</b>	<b>1,534.9</b>	<b>100.0</b>	<b>1,671.9</b>	<b>100.0</b>

**Table A.7 – Currency composition of bank lending**

	31 Dec. 2009		31 Dec. 2010		31 Dec. 2011	
	RSD bln	%	RSD bln	%	RSD bln	%
No contracted safeguards	363.0	26.1	427.0	25.7	504.9	27.5
EUR	760.5	54.6	943.5	56.8	1,047.4	57.0
USD	21.9	1.6	30.3	1.8	30.8	1.7
JPY	0.0	0.0	0.0	0.0	0.0	0.0
CHF	124.1	8.9	143.6	8.6	130.1	7.1
Retail price growth	10.1	0.7	9.1	0.6	7.5	0.4
Other currencies	0.9	0.1	0.9	0.1	0.6	0.0
Limited foreign currency clause (one-way)	71.1	5.1	60.5	3.6	58.2	3.2
Other contracted safeguards	0.7	0.0	0.8	0.0	1.4	0.1
Without currency structure	40.9	2.9	45.5	2.7	56.2	3.1
<b>TOTAL Lending activity (gross)</b>	<b>1,393.1</b>	<b>100.0</b>	<b>1,661.3</b>	<b>100.0</b>	<b>1,837.1</b>	<b>100.0</b>
Loan value adjustments	(103.1)	(7.4)	(126.3)	(7.6)	(165.2)	(9.0)
<b>TOTAL Lending activity (net)</b>	<b>1,290.0</b>	<b>92.6</b>	<b>1,534.9</b>	<b>92.4</b>	<b>1,671.9</b>	<b>91.0</b>

**Table A.8 – Maturity composition of bank lending<sup>25</sup>**

	31 Dec. 2009		31 Dec. 2010		31 Dec. 2011	
	RSD bln	%	RSD bln	%	RSD bln	%
Loans due	136.6	9.8	194.7	11.7	243.3	13.2
No set term	54.4	3.9	41.8	2.5	29.3	1.6
Up to 14 days	132.5	9.5	49.6	3.0	118.3	6.4
15 to 30 days	9.1	0.7	10.8	0.7	17.8	1.0
1 to 3 months	71.5	5.1	79.5	4.8	70.3	3.8
3 to 6 months	89.9	6.5	110.5	6.7	108.1	5.9
6 to 12 months	191.2	13.7	216.1	13.0	185.8	10.1
1 to 2 years	110.6	7.9	115.0	6.9	158.3	8.6
2 to 5 years	244.7	17.6	370.5	22.3	368.6	20.1
Over 5 years	345.7	24.8	454.6	27.4	516.5	28.1
No remaining maturity	6.9	0.5	18.0	1.1	20.7	1.1
<b>TOTAL Lending activity (gross)</b>	<b>1,393.1</b>	<b>100.0</b>	<b>1,661.3</b>	<b>100.0</b>	<b>1,837.1</b>	<b>100.0</b>
Loan value adjustments	(103.1)	(7.4)	(126.4)	(7.6)	(165.2)	(9.0)
<b>TOTAL Lending activity (net)</b>	<b>1,290.0</b>	<b>92.6</b>	<b>1,534.9</b>	<b>92.4</b>	<b>1,671.9</b>	<b>91.0</b>

<sup>25</sup> Since maturity composition of lending was broken down into to loans due and not yet due in this reporting period, we adjusted also the data for the previous reporting period, in order to ensure comparability of analysis.

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

	30 June 2010		30 Sep. 2010		31 Dec. 2010		31 March 2011		30 June 2011		30 Sep. 2011		31 Dec. 2011	
	RSD bln	%	RSD bln	%	RSD bln	%	RSD bln	%	RSD bln	%	RSD bln	%	RSD bln	%
Financial and insurance sector	6.3	2.4	4.6	1.7	3.1	1.1	4.2	1.5	5.0	1.6	5.2	1.6	4.3	1.3
Public enterprises	0.4	0.2	0.1	0.0	0.2	0.1	0.2	0.1	0.4	0.1	1.0	0.3	0.8	0.2
Other enterprises	201.7	77.4	199.8	72.1	197.5	72.2	195.7	69.2	209.4	67.3	216.1	67.2	222.5	64.9
Entrepreneurs	8.4	3.2	9.2	3.3	9.2	3.4	9.5	3.4	10.2	3.3	10.0	3.1	10.3	3.0
Public sector	0.1	0.0	0.3	0.1	0.2	0.1	0.3	0.1	0.5	0.2	0.7	0.2	0.8	0.2
Households	38.5	14.8	40.2	14.5	39.6	14.5	39.5	14.0	41.5	13.3	43.4	13.5	42.3	12.4
Foreign entities	1.3	0.5	1.4	0.5	1.3	0.5	1.8	0.6	1.8	0.6	1.6	0.5	2.1	0.6
Private households with employed persons and registered farmers	3.1	1.2	3.8	1.4	3.5	1.3	3.8	1.3	4.1	1.3	4.1	1.3	3.8	1.1
Other clients	0.6	0.2	17.8	6.4	19.0	6.9	27.8	9.8	38.2	12.3	39.3	12.2	55.8	16.3
<b>TOTAL non-performing loans</b>	<b>260.5</b>	<b>100.0</b>	<b>277.1</b>	<b>100.0</b>	<b>273.5</b>	<b>100.0</b>	<b>282.8</b>	<b>100.0</b>	<b>311.0</b>	<b>100.0</b>	<b>321.5</b>	<b>100.0</b>	<b>342.7</b>	<b>100.0</b>

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

	30 June 2011		30 Sep. 2011		31 Dec. 2011	
	RSD bln	%	RSD bln	%	RSD bln	%
Agriculture, forestry and fishing	17.3	8.3	17.5	8.1	16.8	7.6
Mining, quarrying and manufacturing *	75.5	36.0	78.7	36.4	76.5	34.4
Electricity supply **	0.4	0.2	0.2	0.1	0.2	0.1
Construction	25.7	12.3	26.9	12.4	27.4	12.3
Wholesale and retail trade ***	60.8	29.0	61.9	28.6	62.8	28.2
Transportation and storage ****	10.5	5.0	11.2	5.2	10.2	4.6
Real estate activities *****	19.1	9.1	19.7	9.1	28.4	12.8
Related companies subject to consolidation	0.0	0.0	0.1	0.0	0.1	0.0
Related companies that are not subject to consolidation	0.0	0.0	0.0	0.0	0.0	0.0
<b>TOTAL Other enterprises sector</b>	<b>209.4</b>	<b>100.0</b>	<b>216.1</b>	<b>100.0</b>	<b>222.5</b>	<b>100.0</b>

\* 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 other enterprises (composition, absolute amounts, % share)**

	30 June 2010		30 Sep. 2010		31 Dec. 2010		31 March 2011		30 June 2011		30 Sep. 2011		31 Dec. 2011	
	RSD bln	%	RSD bln	%	RSD bln	%	RSD bln	%	RSD bln	%	RSD bln	%	RSD bln	%
Cash loans	12.8	27.3	12.8	26.0	11.5	23.6	11.3	22.7	11.2	21.7	11.4	21.1	11.6	21.7
Credit cards	3.8	8.2	4.0	8.2	4.2	8.5	4.3	8.7	4.3	8.3	4.2	7.8	4.0	7.4
Current account overdrafts	2.9	6.2	3.0	6.0	2.7	5.5	2.8	5.7	2.9	5.5	2.9	5.4	2.8	5.2
Consumer loans	2.6	5.6	2.9	5.8	3.0	6.2	2.6	5.3	2.8	5.3	2.9	5.4	3.1	5.8
Agricultural activity	3.8	8.1	4.1	8.3	3.9	8.0	3.9	7.8	4.1	8.0	4.1	7.6	3.9	7.2
Other activities	4.4	9.3	4.7	9.5	4.9	10.0	5.1	10.2	5.5	10.7	5.5	10.2	5.9	10.9
Housing construction	12.1	25.9	13.2	26.8	14.1	28.8	14.4	28.9	15.5	29.9	16.9	31.3	16.1	30.0
Other	4.3	9.3	4.6	9.3	4.6	9.4	5.3	10.6	5.4	10.5	6.1	11.2	6.3	11.8
<b>TOTAL natural persons</b>	<b>46.8</b>	<b>100.0</b>	<b>49.3</b>	<b>100.0</b>	<b>49.0</b>	<b>100.0</b>	<b>49.6</b>	<b>100.0</b>	<b>51.8</b>	<b>100.0</b>	<b>54.1</b>	<b>100.0</b>	<b>53.5</b>	<b>100.0</b>



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

	31 March 2010	30 June 2010	30 Sep. 2010	31 Dec. 2010	31 March 2011	30 June 2011	30 Sep. 2011	31 Dec. 2011
Financial sector	26.9%	38.0%	17.5%	12.2%	10.6%	13.6%	10.2%	7.6%
Public enterprises	3.1%	0.8%	0.2%	0.3%	0.3%	0.6%	1.2%	0.9%
Other enterprises	21.9%	24.0%	23.2%	21.8%	22.1%	23.7%	24.4%	24.6%
<i>Agriculture, forestry and fishing</i>					35.8%	32.0%	30.9%	29.8%
<i>Mining, quarrying and manufacturing</i>					24.3%	24.3%	25.1%	24.5%
<i>Electricity supply</i>					1.7%	4.8%	2.6%	3.1%
<i>Construction</i>					20.3%	26.3%	27.8%	26.7%
<i>Wholesale and retail trade*</i>					19.5%	21.4%	22.2%	22.5%
<i>Transportation and storage</i>					15.6%	16.3%	16.1%	14.2%
<i>Real estate activities**</i>					24.0%	30.8%	32.4%	38.3%
<i>Related companies subject to consolidation</i>					53.4%	11.1%	29.7%	32.1%
<i>Related companies that are not subject to consolidation</i>					0.9%	0.8%	88.1%	98.9%
Entrepreneurs	17.7%	18.7%	20.6%	21.1%	22.6%	24.2%	24.8%	25.1%
Public sector	0.8%	0.4%	1.2%	0.9%	0.6%	1.1%	1.5%	1.5%
Household sector	8.0%	8.2%	8.2%	7.9%	8.0%	8.1%	8.4%	7.9%
Foreign entities	12.9%	11.2%	8.8%	8.0%	10.9%	14.6%	11.8%	8.1%
Private households with employed persons and registered farmers	13.6%	15.1%	15.5%	14.9%	14.3%	15.4%	15.3%	13.7%
Other clients	18.2%	11.1%	79.3%	79.9%	81.9%	87.9%	87.0%	89.0%
<b>Total non-performing loans</b>	<b>16.5%</b>	<b>17.5%</b>	<b>17.8%</b>	<b>16.9%</b>	<b>17.1%</b>	<b>18.6%</b>	<b>18.8%</b>	<b>19.0%</b>

\* Repair of motor vehicles and motorcycles

\*\* Professional, scientific and technical activities; administrative and support service activities; arts, entertainment and recreation, other services

	31 March 2010	30 June 2010	30 Sep. 2010	31 Dec. 2010	31 March 2011	30 June 2011	30 Sep. 2011	31 Dec. 2011
Cash loans	12.1%	11.4%	10.5%	9.3%	9.2%	8.8%	8.7%	8.8%
Credit cards	8.4%	9.5%	10.0%	10.8%	11.6%	11.6%	11.6%	10.8%
Current account overdrafts	16.9%	16.9%	16.3%	14.9%	14.7%	14.0%	13.6%	13.8%
Consumer loans	5.5%	5.7%	6.0%	6.4%	5.7%	5.9%	6.5%	7.0%
Agricultural activity	13.7%	14.3%	15.0%	14.6%	14.7%	15.7%	15.3%	13.5%
Other activities	17.1%	17.5%	19.3%	20.4%	22.0%	24.1%	25.0%	25.9%
Housing construction	4.7%	5.2%	5.4%	5.5%	5.7%	5.9%	6.4%	5.8%
Other	29.7%	27.1%	25.8%	24.1%	24.5%	23.7%	24.5%	23.6%
<b>TOTAL natural persons</b>	<b>8.9%</b>	<b>9.0%</b>	<b>9.1%</b>	<b>8.8%</b>	<b>9.1%</b>	<b>9.2%</b>	<b>9.5%</b>	<b>9.1%</b>

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

	31 Dec. 2010		31 March 2011		30 June 2011		30 Sep. 2011		31 Dec. 2011	
	RSD bln	%	RSD bln	%	RSD bln	%	RSD bln	%	RSD bln	%
Balance sheet assets										
A	783.2	45.5	757.5	43.8	798.2	45.3	797.1	44.7	887.5	47.0
B	371.6	21.6	375.6	21.7	378.6	21.5	378.1	21.2	369.1	19.5
C	184.9	10.7	199.7	11.6	176.1	10.0	179.8	10.1	172.6	9.1
D	130.6	7.6	134.0	7.8	124.1	7.0	124.8	7.0	111.6	5.9
E	250.9	14.6	261.1	15.1	285.3	16.2	302.2	17.0	349.2	18.5
<b>Total</b>	<b>1,721.2</b>	<b>100.0</b>	<b>1,727.9</b>	<b>100.0</b>	<b>1,762.2</b>	<b>100.0</b>	<b>1,782.0</b>	<b>100.0</b>	<b>1,890.0</b>	<b>100.0</b>
<i>D and E (as % of total assets)</i>	22.2		22.9		23.2		24.0		24.4	
Off-balance sheet items										
A	250.3	42.9	231.0	40.1	222.2	38.6	232.0	38.5	273.4	45.3
B	175.1	30.0	193.1	33.6	198.7	34.5	228.0	37.9	198.9	32.9
C	97.9	16.8	92.9	16.1	91.2	15.9	84.3	14.0	73.6	12.2
D	41.0	7.0	43.4	7.5	47.3	8.2	39.3	6.5	44.0	7.3
E	18.7	3.2	15.2	2.6	15.8	2.8	18.3	3.0	14.3	2.4
<b>Total</b>	<b>582.9</b>	<b>100.0</b>	<b>575.6</b>	<b>100.0</b>	<b>575.2</b>	<b>100.0</b>	<b>602.0</b>	<b>100.0</b>	<b>604.2</b>	<b>100.0</b>
<i>D and E (as % of total assets)</i>	10.2		10.2		11.0		9.6		9.6	
TOTAL Balance and off-balance sheet										
A	1,033.5	44.9	988.5	42.9	1,020.4	43.7	1,029.1	43.2	1,160.9	46.5
B	546.7	23.7	568.8	24.7	577.2	24.7	606.1	25.4	568.0	22.8
C	282.8	12.3	292.5	12.7	267.2	11.4	264.2	11.1	246.2	9.9
D	171.5	7.4	177.4	7.7	171.4	7.3	164.2	6.9	155.6	6.2
E	269.6	11.7	276.3	12.0	301.1	12.9	320.5	13.4	363.5	14.6
<b>Total</b>	<b>2,304.1</b>	<b>100.0</b>	<b>2,303.5</b>	<b>100.0</b>	<b>2,337.3</b>	<b>100.0</b>	<b>2,384.0</b>	<b>100.0</b>	<b>2,494.2</b>	<b>100.0</b>
<i>D and E (as % of total assets)</i>	19.1		19.7		20.2		20.3		20.8	

**Table A.13 – Banking sector liquidity**

	Liquidity ratio	Loans/deposits (in %)
31/03/2009	1.86	131.1
30/04/2009	1.75	129.7
31/05/2009	1.81	130.4
30/06/2009	1.79	128.2
31/07/2009	1.81	132.4
31/08/2009	1.85	131.6
30/09/2009	1.78	131.9
31/10/2009	1.54	132.5
30/11/2009	1.76	130.5
31/12/2009	1.86	124.8
31/01/2010	1.98	127.5
28/02/2010	2.02	127.1
31/03/2010	2.13	128.3
30/04/2010	2.01	129.6
31/05/2010	1.95	127.7
30/06/2010	1.94	128.5
31/07/2010	1.96	124.9
31/08/2010	1.92	124.2
30/09/2010	1.96	123.8
31/10/2010	1.50	125.4
30/11/2010	1.82	122.1
31/12/2010	1.96	125.9
31/01/2011	1.90	127.9
28/02/2011	1.94	127.6
31/03/2011	1.96	129.6
30/04/2011	1.99	129.5
31/05/2011	2.05	131.1
30/06/2011	2.08	130.2
31/07/2011	2.14	127.0
31/08/2011	2.08	127.7
30/09/2011	2.11	126.9
31/10/2011	1.53	125.6
30/11/2011	1.94	125.9
31/12/2011	2.17	127.0

**Table A.14 – Bank deposits by sector**

	2009		2010		31 Dec. 2011	
	RSD bln	%	RSD bln	%	RSD bln	%
Finance and insurance sector	105.5	8.1	97.2	6.5	78.7	5.2
Corporate sector	346.7	26.6	355.6	23.6	415.3	27.2
<i>Public enterprises</i>	53.6	4.1	49.3	3.3	55.5	3.6
<i>Other enterprises</i>	293.1	22.5	306.2	20.4	359.8	23.6
Entrepreneurs	11.1	0.9	11.7	0.8	13.3	0.9
Public sector	22.7	1.7	14.1	0.9	17.6	1.2
Households	614.7	47.2	779.1	51.8	837.6	54.9
Foreign entities	186.2	14.3	186.7	12.4	98.0	6.4
Private households with employed persons and registered farmers	1.8	0.1	1.7	0.1	3.9	0.3
Other clients	12.6	1.0	58.7	3.9	61.7	4.0
<b>TOTAL Sector deposits</b>	<b>1,301.2</b>	<b>100.0</b>	<b>1,504.8</b>	<b>100.0</b>	<b>1,526.1</b>	<b>100.0</b>

**Table A.15 – Currency composition of bank deposits**

	2009		2010		31 Dec. 2011	
	RSD bln	%	RSD bln	%	RSD bln	%
Dinars *	320.4	24.6	315.0	20.9	370.5	24.3
EUR	850.1	65.3	1,047.2	69.6	1,043.3	68.4
USD	50.6	3.9	62.4	4.1	66.3	4.3
JPY	0.0	0.0	0.1	0.0	0.0	0.0
CHF	64.7	5.0	60.6	4.0	28.2	1.8
Retail price growth	0.0	0.0	0.1	0.0	0.0	0.0
Other currencies	3.1	0.2	4.4	0.3	5.7	0.4
Limited foreign currency clause (one-way)	12.2	0.9	14.9	1.0	12.1	0.8
Other contracted safeguards	0.0	0.0	0.0	0.0	0.0	0.0
<b>TOTAL</b>	<b>1,301.2</b>	<b>100.0</b>	<b>1,504.8</b>	<b>100.0</b>	<b>1,526.1</b>	<b>100.0</b>

\* Without contracted safeguards and without currency structure.

**Table A.16 – Maturity composition of bank deposits**

	2009		2010		31 Dec. 2011	
	RSD bln	%	RSD bln	RSD bln	%	RSD bln
Deposits due	23.3	1.8	20.3	1.3	21.0	1.4
No set term	160.6	12.3	114.4	7.6	120.4	7.9
Up to 14 days	113.3	8.7	155.7	10.3	111.6	7.3
15 to 30 days	73.3	5.6	73.4	4.9	83.0	5.4
1 to 3 months	216.4	16.6	241.2	16.0	224.6	14.7
3 to 6 months	132.5	10.2	193.0	12.8	176.8	11.6
6 to 12 months	224.7	17.3	309.3	20.6	327.8	21.5
1 to 2 years	22.1	1.7	55.4	3.7	53.3	3.5
2 to 5 years	24.3	1.9	19.7	1.3	29.8	2.0
Over 5 years	7.5	0.6	5.7	0.4	6.1	0.4
No remaining maturity	303.3	23.3	316.6	21.0	371.6	24.3
<b>TOTAL</b>	<b>1,301.2</b>	<b>100.0</b>	<b>1,504.8</b>	<b>100.0</b>	<b>1,526.1</b>	<b>100.0</b>

**Table A.17 – Capital adequacy of the Serbian banking sector (in RSD bln)**

	31 Dec. 2010	31 March 2011	30 June 2011	30 Sep. 2011	31 Dec. 2011
Core capital	455.4	460.0	466.0	473.5	444.9
Core capital (after deductions)					305.2
Supplementary capital I	90.0	86.0	83.3	81.7	73.8
Supplementary capital I (after deductions)					17.2
Supplementary capital II	-	-	-	-	-
Deductions from capital	138.5	135.3	142.2	148.8	196.2
<b>TOTAL Regulatory capital</b>	<b>407.0</b>	<b>410.7</b>	<b>407.0</b>	<b>406.5</b>	<b>322.4</b>
<b>TOTAL Capital requirements</b>	<b>245.3</b>	<b>242.1</b>	<b>247.6</b>	<b>248.2</b>	<b>202.4</b>
Credit risk, counterparty risk and settlement/delivery risk	242.5	239.1	244.7	245.5	175.2
Foreign exchange risk	2.5	2.3	2.3	2.0	3.8
Price risk (debt securities)	0.3	0.6	0.5	0.7	0.7
Price risk (equity securities)	0.0	0.0	0.0	0.0	0.0
Operational risk					22.7
<b>Capital adequacy ratio</b>	<b>19.91</b>	<b>20.36</b>	<b>19.73</b>	<b>19.65</b>	<b>19.11</b>

**Table A.18 – Income statement of the Serbian banking sector (in RSD bln)**

	2009	2010	2011
Net interest gain/loss	100.52	108.39	118.68
<i>Interest income</i>	168.92	179.70	201.23
<i>Interest expense</i>	(68.39)	(71.32)	(82.55)
Net fees and commissions gain/loss	31.59	32.98	35.33
<i>Fees and commissions income</i>	42.08	42.93	46.79
<i>Fees and commissions expenses</i>	(10.49)	(9.95)	(11.46)
Net gain/loss from sale of securities	0.21	0.57	0.21
<i>Gains from sale of securities</i>	0.42	0.58	0.29
<i>Losses from sale of securities</i>	(0.21)	(0.01)	(0.08)
Net gain/loss from equity sales	0.04	0.00	(0.02)
Net gain/loss from sale of other investments	(0.04)	(0.27)	(0.75)
Net gain/loss from exchange rate differences	(41.14)	(87.66)	9.17
<i>Income from exchange rate differences</i>	299.26	444.42	654.47
<i>Expenses for exchange rate differences</i>	(340.40)	(532.07)	(645.30)
Dividends and equities income	0.06	0.30	0.16
Other operating income	3.17	3.75	4.26
Net income from/expense for indirect write-offs of loans, investments and provisions	(36.11)	(32.60)	(61.69)
<i>Income from reversal of indirect write-offs of loans, investments and provisions</i>	105.01	87.87	135.09
<i>Expenses for indirect write-offs of loans, investments and provisions</i>	(141.12)	(120.46)	(196.78)
Other operating expenses	(93.93)	(100.82)	(101.89)
<i>Payroll costs, wage allowances and other personal expenses</i>	(39.32)	(41.46)	(42.65)
Net income from/expense for change in value of assets and liabilities	55.65	100.73	(2.21)
<i>Income from change in value of assets and liabilities</i>	175.07	229.16	244.75
<i>Expenses for change in value of assets and liabilities</i>	(119.42)	(128.43)	(246.96)
Profit/loss from regular operations	20.03	25.40	1.25
Net gains/losses from discontinued operations	-	-	-
<b>Pre-tax profit (loss) of the period</b>	<b>20.03</b>	<b>25.40</b>	<b>1.25</b>

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

	2009	2010	2011
Average weighted interest receivable <sup>1</sup>	11.6%	10.3%	10.3%
Average weighted interest payable <sup>2</sup>	4.9%	4.2%	4.4%
<i>Spread</i> <sup>3</sup>	6.7%	6.1%	5.9%
NIM (% of average interest-bearing assets) <sup>4</sup>	6.9%	6.2%	6.1%
NIMA (% of average total assets) <sup>5</sup>	5.1%	4.6%	4.6%
Net interest income /Operating expenses	108.8%	110.0%	118.3%
Net interest and fees income /Operating expenses	143.0%	143.5%	153.5%
<i>Cost to Income</i> <sup>6</sup>	70.0%	69.7%	65.2%
<i>ROE</i> <sup>7</sup>	4.6%	5.4%	0.24%
ROE excluding one bank	4.5%	5.3%	6.04%
<i>ROA</i> <sup>8</sup>	1.0%	1.1%	0.05%
ROA excluding one bank	1.0%	1.1%	1.23%
<i>Leverage</i> <sup>9</sup>	4.5	5.0	5.0

Data for the banking sector, excluding Agrobanka – ROE 6.04 and ROA 1.23

<sup>1</sup> Interest income / Average interest-bearing assets

<sup>2</sup> Interest expense / Average interest-bearing liabilities

<sup>3</sup> Average weighted interest receivable – Average weighted interest payable

<sup>4</sup> Net interest income / Average interest-bearing assets

<sup>5</sup> Net interest income / Average total assets

<sup>6</sup> Operating expenses / Net interest, fees and commissions income

<sup>7</sup> Pre-tax profit / Average total capital

<sup>8</sup> Pre-tax profit / Average total assets

<sup>9</sup> RoE/RoA

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

	2009	2010	2011
<b>Income statement (y-o-y growth rates)</b>			
Net interest gain	5.6	7.8	9.5
<i>Interest income</i>	7.6	6.4	12.0
<i>Interest expense</i>	10.6	4.3	15.8
Net fees and commissions gain	3.1	4.4	7.1
<i>Fees and commissions income</i>	5.8	2.0	9.0
<i>Fees and commissions expenses</i>	14.8	(5.1)	15.2
Net income from interest, fees and commissions	5.0	7.0	8.9
Operating expenses	7.4	7.3	1.1
Net credit losses	38.4	(9.7)	89.3
Pre-tax profit	(42.4)	26.8	(95.1)
<b>Balance sheet (y-o-y growth rates)</b>			
Total balance sheet assets	21.6	17.3	4.6
Total interest-bearing assets	17.0	22.7	3.0
Total lending activity of the sector	18.1	19.0	8.9
<i>Financial and insurance sector</i>	68.4	(59.0)	120.3
<i>Corporate sector</i>	20.2	26.3	1.8
<i>Public enterprises</i>	113.3	46.2	43.4
<i>Other enterprises</i>	16.5	24.8	(1.7)
<i>Households</i>	7.7	29.3	6.6
<i>Housing construction</i>	16.9	33.8	7.3
<i>Public sector</i>	114.6	149.1	9.6
<i>Republic of Serbia</i>	616.5	233.7	(1.1)
<i>Local government</i>	22.8	59.1	33.7
<i>Foreign entities</i>	(68.3)	207.6	(7.7)
<i>Foreign banks</i>	(95.8)	1035.9	23.6
<i>Other</i>	5.2	9.3	9.2
Total interest-bearing liabilities	27.6	19.7	3.4
Total deposits of the sector	27.0	15.6	1.4
<i>Financial and insurance sector</i>	6.6	(7.9)	(19.1)
<i>Corporate sector</i>	9.8	2.6	16.8
<i>Public enterprises</i>	11.9	(7.9)	12.4
<i>Other enterprises</i>	9.4	4.5	17.5
<i>Entrepreneurs</i>	4.8	5.6	13.6
<i>Public sector</i>	7.7	(38.0)	25.0
<i>Households</i>	35.3	26.7	7.5
<i>Foreign entities</i>	64.5	0.3	(47.5)
<i>Private households with employed persons and registered farmers</i>	(12.7)	(2.4)	124.3
<i>Other clients</i>	46.3	367.8	5.2
Total balance sheet capital	6.5	11.3	9.6