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Financial soundness of Serbian banking sector compared to regional average

Source: GFSR and National Bank of Serbia.
Chart 1.2.

Overview of key macroeconomic risks

* Share of FX and FX-indexed loans in total loans of corporate and households.

Source: National Bank of Serbia.
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<td>Average monthly loan-to-deposit ratio</td>
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Source: National Bank of Serbia.
2. Banking sector

2.1. Capital adequacy
Chart 2.1.  
**Capital adequacy ratio**  
(%)  
![Graph showing capital adequacy ratio from 2011 to 2019.](chart1.png)  
*Up to Q4 2011 modified Tier 1 regulatory capital is shown.*  
Source: National Bank of Serbia.

Chart 2.2.  
**Tier 1 capital to risk-weighted assets**  
(%)  
![Graph showing Tier 1 capital to risk-weighted assets from 2011 to 2019.](chart2.png)  
*Up to Q4 2011 modified Tier 1 regulatory capital is shown.*  
Source: National Bank of Serbia.

Chart 2.3.  
**Distribution of capital adequacy ratio**  
(number of banks in each category)  
![Graph showing distribution of capital adequacy ratio.](chart3.png)  
*Measured by the share in total net assets of the banking sector.*  
Source: National Bank of Serbia.

Chart 2.4.  
**Distribution of capital adequacy ratio**  
(number of banks in each category)  
![Graph showing distribution of capital adequacy ratio.](chart4.png)  
*Measured by the share in total net assets of the banking sector.*  
Source: National Bank of Serbia.

Chart 2.5.  
**Distribution of Tier 1 to risk-weighted assets**  
(number of banks in each category)  
![Graph showing distribution of Tier 1 to risk-weighted assets.](chart5.png)  
*Measured by the share in total net assets of the banking sector.*  
Source: National Bank of Serbia.

Chart 2.6.  
**Distribution of Tier 1 to risk-weighted assets**  
(number of banks in each category)  
![Graph showing distribution of Tier 1 to risk-weighted assets.](chart6.png)  
*Measured by the share in total net assets of the banking sector.*  
Source: National Bank of Serbia.

Chart 2.7.  
**Leverage indicators**  
(%)  
![Graph showing leverage indicators from 2011 to 2019.](chart7.png)  
Source: National Bank of Serbia.
2. Banking sector

2.2. Asset and funding quality
Chart 2.16.

Categories D and E

(%)

(£)

Shareholders’ equity, government and other capital.

Source: National Bank of Serbia.

Chart 2.17.

Risk-weighted assets to total assets

(£)

Source: National Bank of Serbia.

Chart 2.18.

Risk-weighted assets and total assets movement

(index, September 2008 = 100)

Source: National Bank of Serbia.

Chart 2.19.

Risk profile of credit risk-weighted assets

Source: National Bank of Serbia.

Chart 2.20.

Funding sources

(RSD bn)

Source: National Bank of Serbia.

Chart 2.21.

Total assets structure

Source: National Bank of Serbia.

Chart 2.22.

Liabilities structure

Source: National Bank of Serbia.

Chart 2.23.

Off-balance sheet assets: contingent liabilities

Source: National Bank of Serbia.
2. Banking sector

2.3. Profitability
**Chart 2.24.**

**Profitability indicators**

(annualized)

(\%)

Source: National Bank of Serbia.

**Chart 2.25.**

**Banks w/ ROE below 5%**

(number of banks)

(%)

* Measured by the share in total net assets of the banking sector.

Source: National Bank of Serbia.

**Chart 2.26.**

**Banks that have encountered losses**

(Number of banks)

(\%)

* Measured by the share in total net assets of the banking sector.

Source: National Bank of Serbia

**Chart 2.27.**

**Net operating income structure**

Wealth

Number (lhs)

Market share (rhs)^*^ian

(In)

Net income from fees and commissions

Net interest margin

* Net income from the trade in securities and dividend income.

Source: National Bank of Serbia.

**Chart 2.28.**

**Contributions to net operating income growth**

(y-o-y growth, pp)

* Net income from the trade in securities and dividend income.

Source: National Bank of Serbia.

**Chart 2.29.**

**Gain/loss before taxes**

(annualized)

(RSD bn)

* Excluding 5% of largest observations.

Source: National Bank of Serbia.

**Chart 2.30.**

**Staff costs**

(share of operating expenses)

(\%)

Source: National Bank of Serbia.

**Chart 2.31.**

**Ratio of operating expenses to total operating income**

(\%)

* Excluding 5% of largest observations.

Source: National Bank of Serbia.
**Chart 2.32.**
**Banks w/ Ratio of operating expenses to total operating income above 80%**

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* Measured by the share in total net assets of the banking sector.
Source: National Bank of Serbia.

**Chart 2.33.**
**Selected elements of gain/loss to total assets**

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Source: National Bank of Serbia.

**Chart 2.34.**
**Interest claims (liabilities) to total assets (liabilities)**

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Source: National Bank of Serbia.

**Chart 2.35.**
**Interest rates on RSD loans**

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Source: National Bank of Serbia.

**Chart 2.36.**
**Interest rates on EUR loans**

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* EUR-denominated and EUR-indexed loans.
Source: National Bank of Serbia.

**Chart 2.37.**
**Interest rates on EUR saving deposits**

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<td>6</td>
<td>7</td>
<td>8</td>
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</tbody>
</table>

* EUR-denominated and EUR-indexed deposits.
Source: National Bank of Serbia.

**Chart 2.38.**
**Interest rates on EUR saving deposits**

<table>
<thead>
<tr>
<th>(number of banks)</th>
<th>(number of banks)</th>
<th>(number of banks)</th>
<th>(number of banks)</th>
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<tbody>
<tr>
<td>0</td>
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<td>5</td>
<td>6</td>
<td>7</td>
<td>8</td>
<td>9</td>
</tr>
</tbody>
</table>

* EUR-denominated and EUR-indexed deposits.
Source: National Bank of Serbia.
2. Banking sector

2.4. Liquidity
**Chart 2.39**

**LTD ratio**

(loans to deposits)

Source: National Bank of Serbia.

**Chart 2.40**

**Average monthly liquidity ratio**

*(Excluding 10% largest observations.)*  
Source: National Bank of Serbia.

**Chart 2.41.**

**Average monthly narrow liquidity ratio**

*(Excluding 10% largest observations.)*  
Source: National Bank of Serbia.

**Chart 2.42.**

**Liquid assets**

*(Excluding 10% largest observations.)*  
Source: National Bank of Serbia.

**Chart 2.43.**

**Household and corporate deposits to monetary aggregates**

*(High-power money.)*  
Source: National Bank of Serbia.

**Chart 2.44.**

**Banks’ FX-reserves to household and corporate FX-deposits**

*(High-power money.)*  
Source: National Bank of Serbia.
2. Banking sector

2.5. Sensitivity to market risks
Chart 2.45. Quarterly breakdown of the sector’s long and short FX position (in EUR) and foreign exchange risk ratio (RSD bn) (%)

Source: National Bank of Serbia.
3. Non-banking financial sector

3.1. Insurance sector
Chart 3.1.
Total premium per capita in 2018*

(USD)

*Latest Data Available
Source: sigma world insurance database

Chart 3.2.
Total premium to GDP in 2018*

(%)  

*Latest Data Available
Source: sigma world insurance database

Chart 3.3.
Total property insurance premium*

(EUR m)

*Latest Data Available
Source: CEA Statistics and National Bank of Serbia.

Chart 3.4.
Ownership structure of insurance companies*

(September 2019, %)

* Does not include reinsurance companies.
Source: National Bank of Serbia.

Chart 3.5.
Coverage structure of technical reserves in life insurance
(September 2019, %)

Source: National Bank of Serbia.

Chart 3.6.
Coverage structure of technical reserves in non-life insurance
(September 2019, %)

Source: National Bank of Serbia.

Chart 3.7.
Profitability indicators for life insurance companies*

(%)  

*Annual data
Source: National Bank of Serbia.

Chart 3.8.
Profitability indicators for non-life insurance companies*

(%)  

*Annual data
Source: National Bank of Serbia.
Chart 3.9.

Combined insurance ratio

Source: National Bank of Serbia.
3. Non-banking financial sector

3.2. Voluntary pension funds sector
Chart 3.10.

Total VPF* net assets and index FONDex

(RSD bn) 
(index, 15. 11. 2006 = 1000)

* Voluntary pension funds.
Source: National Bank of Serbia.

Chart 3.11.

Net assets growth and net contributions to VPF

(RSD m)

Source: National Bank of Serbia.

Chart 3.12.

VPF asset structure

(September 2019, %)

Source: National Bank of Serbia.
3. Non-banking financial sector

3.3. Leasing sector
**Chart 3.13.**

**Investment structure by lessee**

(September 2019, %)

* Banks, VPF, RS, local government, other residents, nonresidents.

Source: National Bank of Serbia.

---

**Chart 3.14.**

**Investment structure by leasing object**

(September 2019, %)

Source: National Bank of Serbia.
4. Corporate sector
Chart 4.1.
Industrial production index*
(index, 2018 = 100)

* Seasonally adjusted data.
Source: National Bank of Serbia.

Chart 4.2.
Growth of corporate loans*
(y-o-y growth rates, %)

* Adjusted for exchange rate movements.
Source: National Bank of Serbia.

Chart 4.3.
Currency structure of bank claims on corporates

* FX loans to total loans.
Source: National Bank of Serbia.

Chart 4.4.
Enforced collection

* End of period.
Source: National Bank of Serbia.
5. Household sector
Chart 5.1.

Consumer prices and net household earnings
(index, 2018 = 100)

Source: National Bank of Serbia.

* Seasonally adjusted data.

Chart 5.2.

Household loans growth
(y-o-y growth rates, %)

Source: National Bank of Serbia.

Chart 5.3.

Currency structure of bank claims on households
(RSD bn)

Source: National Bank of Serbia.

Chart 5.4.

Structure of household savings
(maturity and currency structure)

Source: National Bank of Serbia.

Chart 5.5.

Contributions to real growth of FX savings
(y-o-y growth rates, pp)

Source: National Bank of Serbia.

Chart 5.6.

Contributions to growth of RSD savings
(y-o-y growth rates, pp)

Source: National Bank of Serbia.
<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td><strong>Total bank claims on households</strong></td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
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</tr>
<tr>
<td>RSD bn</td>
<td>571.2</td>
<td>601.7</td>
<td>652.7</td>
<td>673.7</td>
<td>724.6</td>
<td>759.1</td>
<td>838.6</td>
<td>904.2</td>
<td>1,017.3</td>
<td>1,036.5</td>
<td>1,051.3</td>
<td>1,081.4</td>
<td></td>
</tr>
<tr>
<td>EUR m</td>
<td>5,414.3</td>
<td>5,750.5</td>
<td>5,739.5</td>
<td>5,876.2</td>
<td>6,240.9</td>
<td>6,802.8</td>
<td>7,589.4</td>
<td>8,600.8</td>
<td>8,780.5</td>
<td>8,914.0</td>
<td>9,196.2</td>
<td></td>
<td></td>
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<tr>
<td>FX deposits to FX bank claims</td>
<td>72.4</td>
<td>67.4</td>
<td>65.0</td>
<td>62.1</td>
<td>59.0</td>
<td>57.2</td>
<td>52.8</td>
<td>48.3</td>
<td>46.4</td>
<td>46.3</td>
<td>45.0</td>
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<tr>
<td>FX to total deposits (1)</td>
<td>92.4</td>
<td>90.7</td>
<td>92.1</td>
<td>89.4</td>
<td>94.7</td>
<td>94.5</td>
<td>92.5</td>
<td>86.7</td>
<td>85.1</td>
<td>84.2</td>
<td>81.8</td>
<td>81.1</td>
<td>80.5</td>
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<td>FX deposits to FX loans (1)</td>
<td>177.2</td>
<td>191.2</td>
<td>214.7</td>
<td>223.3</td>
<td>233.9</td>
<td>241.0</td>
<td>246.2</td>
<td>241.3</td>
<td>243.5</td>
<td>250.7</td>
<td>250.2</td>
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<td>Short-term bank claims to total claims</td>
<td>13.2</td>
<td>12.3</td>
<td>14.3</td>
<td>15.3</td>
<td>9.1</td>
<td>6.2</td>
<td>6.8</td>
<td>5.9</td>
<td>5.1</td>
<td>4.7</td>
<td>3.9</td>
<td>3.5</td>
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<td>LTV ratio (2)</td>
<td>65.4</td>
<td>65.6</td>
<td>65.7</td>
<td>65.9</td>
<td>68.5</td>
<td>70.2</td>
<td>70.2</td>
<td>71.0</td>
<td>70.8</td>
<td>71.0</td>
<td>72.8</td>
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<td></td>
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<tr>
<td><strong>Average loan per resident</strong></td>
<td></td>
<td></td>
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<td></td>
<td></td>
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<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>RSD thousand</td>
<td>76.0</td>
<td>81.0</td>
<td>88.2</td>
<td>91.4</td>
<td>100.4</td>
<td>105.9</td>
<td>118.5</td>
<td>128.4</td>
<td>145.3</td>
<td>148.0</td>
<td>150.2</td>
<td>154.6</td>
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<tr>
<td>EUR</td>
<td>720.6</td>
<td>773.9</td>
<td>775.7</td>
<td>797.3</td>
<td>830.3</td>
<td>870.4</td>
<td>959.9</td>
<td>1,078.0</td>
<td>1,229.3</td>
<td>1,254.8</td>
<td>1,273.9</td>
<td>1,315.0</td>
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<tr>
<td><strong>Average loan amount</strong></td>
<td></td>
<td></td>
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<td></td>
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<tr>
<td>RSD thousand</td>
<td>427.6</td>
<td>439.6</td>
<td>460.4</td>
<td>489.9</td>
<td>511.1</td>
<td>472.2</td>
<td>488.7</td>
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<td>519.0</td>
<td>504.2</td>
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<tr>
<td>EUR</td>
<td>4,052.8</td>
<td>4,201.4</td>
<td>4,049.0</td>
<td>4,273.1</td>
<td>4,225.3</td>
<td>3,882.5</td>
<td>3,957.6</td>
<td>4,085.1</td>
<td>4,391.4</td>
<td>4,273.6</td>
<td>4,284.3</td>
<td>4,383.8</td>
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<tr>
<td><strong>Average loan per user</strong></td>
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</tr>
<tr>
<td>RSD thousand</td>
<td>509.0</td>
<td>530.9</td>
<td>570.1</td>
<td>612.0</td>
<td>644.7</td>
<td>614.6</td>
<td>641.0</td>
<td>650.8</td>
<td>705.4</td>
<td>698.9</td>
<td>700.9</td>
<td>715.7</td>
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<td>EUR</td>
<td>4,824.9</td>
<td>5,073.9</td>
<td>5,012.9</td>
<td>5,338.8</td>
<td>5,329.8</td>
<td>5,053.1</td>
<td>5,191.4</td>
<td>5,462.3</td>
<td>5,967.8</td>
<td>5,924.4</td>
<td>5,944.6</td>
<td>6,089.9</td>
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</table>


1) FX loans and deposits include FX-indexed loans and deposits.
2) For loans insured with National Mortgage Insurance Corporation.

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6. Macroeconomic environment

6.1. International macroeconomic environment
Regional sovereign credit ratings dynamics

CDS spreads on bonds of home countries of parent banks whose subsidiaries operate in Serbia*

Sovereign bond yields: Serbia and home countries of parent banks whose subsidiaries operate in Serbia*

Emerging Market Bond Index: EMBI Serbia and EMBI Global

ECB interest rates and EONIA

---

* Bosnia and Herzegovina.
Source: Standard & Poor’s.

* CDS spreads on five-year dollar bonds.
Source: Bloomberg.

* 10 years maturity. EUR-denominated, except RS bonds.
Source: Bloomberg.

* USD-denominated.
Source: Bloomberg.

Source: J.P. Morgan.

Source: ECB, Bloomberg.
Stock price dynamics of Greek parent banks whose subsidiaries operate in Serbia
(index, 1. 6. 2007 = 100)

Source: Bloomberg.

Stock price dynamics of Italian parent banks whose subsidiaries operate in Serbia
(index, 1. 6. 2007 = 100)

Source: Bloomberg.
Chart 6.17.
Stock price dynamics of Austrian parent banks whose subsidiaries operate in Serbia
(index, 1. 6. 2007 = 100)

Source: Bloomberg.

Chart 6.18.
Stock price dynamics of French parent banks whose subsidiaries operate in Serbia
(index, 1. 6. 2007 = 100)

Source: Bloomberg.

Chart 6.19.
Stock price dynamics of Hungarian parent banks whose subsidiaries operate in Serbia
(index, 1. 6. 2007 = 100)

Source: Bloomberg.

Chart 6.20.
Ownership structure of banks in Serbia*

* Share in net assets of the banking sector.
Source: National Bank of Serbia.

Chart 6.21.
BIS member banks’ gross exposure towards emerging markets
(index, December 2006 = 100)

*Latest Data Available
Source: Bank for International Settlements.
6. Macroeconomic environment

6.2. Domestic macroeconomic environment
Chart 6.22. Contributions to real GDP growth by production-side components
(y-o-y growth rates, pp)

Source: National Bank of Serbia.

Chart 6.23. Contributions to real GDP growth by expenditure-side components
(y-o-y growth rates, pp)

Source: National Bank of Serbia.

Chart 6.24. Industrial production index
(index, 2017 = 100)

Source: National Bank of Serbia.

Chart 6.25. Unemployment rate*

* According to the Labour Force Survey which was published twice a year in the period 2008 - 2014. Thereafter it was published quarterly.


Chart 6.26. Consumer price index
(y-o-y growth rate, %)

Source: National Bank of Serbia.

Chart 6.27. Contributions to CPI changes
(y-o-y growth rates, pp)

Source: National Bank of Serbia.

Chart 6.28. NBS key policy rate and BEONIA

Source: National Bank of Serbia.

Chart 6.29. 3M money-market interest rates

Source: Bloomberg.
**Volatility of the exchange rate (standard deviation of daily % changes in RSD)**

Source: National Bank of Serbia.

**Current account deficit**

(EUR bn) (% of GDP)

* Starting from 2007 data on exports and imports of goods and services are shown in accordance with BPM6. Data for 2005 and 2006 are shown according to BPM5.

**NBS estimate, September 2019**

Source: Statistical Office of the Republic of Serbia and NBS.
6. Macroeconomic environment

6.3. FX reserves adequacy indicators
Chart 6.38. 
Coverage of imports by FX reserves

Coverage of short-term external debt at remaining maturity by FX reserves

Source: National Bank of Serbia.

Chart 6.40. 
Coverage of high-powered (H) money by FX reserves

Source: National Bank of Serbia.

Chart 6.41. 
Coverage of M1 monetary aggregate by FX reserves

Source: National Bank of Serbia.
6. Macroeconomic environment

6.4. Indebtedness of the Republic of Serbia
7. Financial markets and real estate market
Chart 7.1.
Primary market demand for RSD government bonds

(monthly averages, %)

Source: Ministry of Finance of the Republic of Serbia.

Chart 7.2.
Realisation rate and foreign investors’ share in auctions of RSD government bonds

Source: Ministry of Finance of the Republic of Serbia.

Chart 7.3.
Interest rates on treasury bills, primary market

Source: Ministry of Finance of the Republic of Serbia.

Chart 7.4.
Interest rates on zero coupon RSD government securities

Source: Ministry of Finance of the Republic of Serbia.

Chart 7.5.
Foreign investors’ share at RSD government bond auctions

Source: Ministry of Finance of the Republic of Serbia.

Chart 7.6.
RSD government securities, outstanding stock

Source: Ministry of Finance of the Republic of Serbia.

Chart 7.7.
RSD government bonds investors structure

Source: Central Securities Depository and Clearing House.

Chart 7.8.
Euro-denominated government bonds, outstanding stock

Source: Ministry of Finance of the Republic of Serbia.
Chart 7.9.  
**RSD government bonds, annual turnover**  

<table>
<thead>
<tr>
<th>Year</th>
<th>Turnover (RSD bn)</th>
<th>Turnover ratio (%)</th>
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<tbody>
<tr>
<td>2011</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td></td>
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<tr>
<td>2013</td>
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<tr>
<td>2018</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2019</td>
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</table>

Source: Ministry of Finance of the Republic of Serbia.

Chart 7.10.  
**Maturity of RSD government securities until 2028**  

<table>
<thead>
<tr>
<th>Year</th>
<th>Bonds (RSD bn)</th>
<th>Shares (RSD bn)</th>
<th>Turnover (RSD bn)</th>
<th>Turnover ratio (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>10</td>
<td>0</td>
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<td>0.5</td>
</tr>
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<td>2020</td>
<td>15</td>
<td>0</td>
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<td>1.5</td>
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<td>2021</td>
<td>20</td>
<td>0</td>
<td>30</td>
<td>2.0</td>
</tr>
<tr>
<td>2022</td>
<td>25</td>
<td>0</td>
<td>35</td>
<td>2.5</td>
</tr>
<tr>
<td>2023</td>
<td>30</td>
<td>0</td>
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<td>2025</td>
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<td>2026</td>
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<td>2027</td>
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<td>2028</td>
<td>55</td>
<td>0</td>
<td>65</td>
<td>5.5</td>
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Source: Ministry of Finance of the Republic of Serbia.

Chart 7.11.  
**Belgrade Stock Exchange market capitalisation**  

<table>
<thead>
<tr>
<th>Year</th>
<th>Bonds (RSD bn)</th>
<th>Shares (RSD bn)</th>
<th>Market capitalisation to GDP (RSD bn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>10</td>
<td>0</td>
<td>100</td>
</tr>
<tr>
<td>2012</td>
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<td>2014</td>
<td>25</td>
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<td>250</td>
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<td>2015</td>
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<td>0</td>
<td>450</td>
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<tr>
<td>2019</td>
<td>50</td>
<td>0</td>
<td>500</td>
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Source: Belgrade Stock Exchange and National Bank of Serbia.

Chart 7.12.  
**Belgrade Stock Exchange equity market turnover**  

<table>
<thead>
<tr>
<th>Year</th>
<th>Monthly block trades (RSD bn)</th>
<th>Monthly turnover without block trades (RSD bn)</th>
<th>Monthly turnover ratio (RSD bn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>10</td>
<td>20</td>
<td>200</td>
</tr>
<tr>
<td>2012</td>
<td>15</td>
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<tr>
<td>2013</td>
<td>20</td>
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<td>2014</td>
<td>25</td>
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<td>2015</td>
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<td>2016</td>
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<td>90</td>
<td>900</td>
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<tr>
<td>2019</td>
<td>50</td>
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Source: Belgrade Stock Exchange.

Chart 7.13.  
**Stock markets’ indices**  

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Source: Bloomberg.

Chart 7.14.  
**Real estate index DOMex**  

<table>
<thead>
<tr>
<th>Year</th>
<th>Serbia</th>
<th>Belgrade region (Belgrade)</th>
<th>Vojvodina region (Novi Sad)</th>
<th>South and East Serbia region (Nis)</th>
<th>Šumadija and Western Serbia region (Kragujevac)</th>
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Chart 7.15.  
**Indices of the number of newly issued building permits**  

<table>
<thead>
<tr>
<th>Year</th>
<th>Total</th>
<th>Residential</th>
<th>Other buildings</th>
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<tbody>
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<td>2015</td>
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<td>50</td>
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<tr>
<td>2019</td>
<td>300</td>
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</table>


Chart 7.16.  
**Price-to-income**  

<table>
<thead>
<tr>
<th>Year</th>
<th>Housing availability indicator</th>
<th>Average value</th>
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<tbody>
<tr>
<td>2007</td>
<td>7</td>
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<tr>
<td>2019</td>
<td>19</td>
<td>21</td>
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</tbody>
</table>

*Latest Data Available  
Source: NBS, base on SO and NMC data.
Definitions

1. Financial soundness indicators

Chart 1.1. Greater distance from the center of the “net” indicates greater risk. Standardised values of key financial soundness indicators are shown: CAR – capital adequacy ratio (regulatory capital to risk-weighted assets), C/A – capital to assets, NPL – gross non-performing loans to total gross loans, Provisions/NPL – total provisions to gross NPL, ROA – return on assets, ROE – return on equity. The region encompasses the following countries: Bosnia and Herzegovina, Bulgaria, Hungary, North Macedonia, Poland, Romania, Turkey and Croatia. Indicators that refer to the region were obtained as non-weighted averages of corresponding indicators of the countries listed above.

Chart 1.2. Increasing distance from the center indicates an increase in the specific risk. Increasing area indicates an increase in the overall macroeconomic vulnerability of the country.

2. Banking sector

Chart 2.1. The capital adequacy ratio is the ratio between regulatory capital and risk-weighted assets.

Chart 2.2. Tier 1 capital of the bank is the sum of Common Equity Tier 1 capital and Additional Tier 1 capital.

Chart 2.7. Indicators of leverage show the extent to which banks finance their assets from their own funds.

Chart 2.8. Foreign currency loans refer to foreign currency denominated loans and domestic currency denominated loans that are indexed in foreign currency.

Chart 2.9. Foreign currency deposits refer to foreign currency denominated deposits and domestic currency denominated deposits that are indexed in foreign currency.

Chart 2.13. Non-performing loans represent the stock of overall remaining debt (including the amount past due) with payment overdue for longer than 90 days, or with principal or interest payments that are past due for 90 days or more; if at least 90 days of interest payments have been capitalised, refinanced or delayed; if the payment of loan is not late, but the bank has reasons to doubt that payment will be made in full.

Chart 2.15. Balance sheet provisions are made for the part of a loan that a bank considers unlikely to be collected.

Chart 2.16. The main criteria for classification in categories A, B, C, D and E is regularity of client’s payments. Categories D and E represent assets with the lowest quality or that are past due for more than 90 days.

Chart 2.22. Subordinated debt is the last to be paid in case of default, which allows it to be considered part of the capital.

Chart 2.24. Return on assets (return on equity) is the ratio between profit before taxation made during the period and average assets (equities) during that period.

Chart 2.27. Net operating income (operating gain) is profit from bank’s main activity (it excludes extraordinary gains and losses). As domestic banking sector’s activity is mainly related to traditional jobs involving loans and deposits and not to investment banking, the major element of the operating gain is net interest margin, that is the difference between interest incomes and expenditures. Income from trade in securities is negligible.

Chart 2.31. The Cost-to-income ratio is the part of operating income that is used to cover operating expenses of the bank.

Chart 2.39. The LtD ratio (loans to deposits) indicates the ability of the bank to finance its loans by deposits. The value of this indicator greater than 1 could be seen as the lack of bank’s ability to react to shocks.

Chart 2.40. The liquidity ratio of a bank is the ratio of the sum of level 1 and level 2 liquid receivables of the bank and the sum of liabilities payable on demand or with no agreed maturity and liabilities falling due within a month from the date of liquidity ratio calculation. According to the Decision on liquidity risk management by banks, the average monthly liquidity ratio should not be lower than 1, the liquidity ratio should not be lower than 0.9 longer than 3 days, and it should not be lower than 0.8 if calculated for one business day only.

Chart 2.41. The narrow liquidity ratio is the ratio of level 1 liquid receivables of a bank and the sum of liabilities payable on demand or with no agreed maturity and liabilities falling due within a month from the date of liquidity ratio calculation. According to the Decision on liquidity risk management by banks, the average monthly narrow liquidity ratio should not be lower than 0.7, the narrow liquidity ratio should not be lower than 0.6 longer than 3 days, and it should not be lower than 0.5 if calculated for one business day only.

Chart 2.42. Liquid assets are the sum of bank’s liquid first and second-degree receivables, as on the last day of the month. More restrictive definition defines liquid assets as liquid first-degree receivables on the last day of the month.

Chart 2.43. High-power money consists of cash in circulation and banks’ deposits in dinars with the National Bank of Serbia.

Chart 2.45. The net open FX position is the sum of maximum of absolute value of the total long position and absolute value of the total short position in foreign currency, plus the absolute value of position in gold. The total long (total short) foreign currency position of the banking sector is the sum of its net long (net short) positions by foreign currencies.
### 3. Non-banking financial sector

<table>
<thead>
<tr>
<th>Chart 3.7. and 3.8.</th>
<th>Profitability indicators are available in annual frequency.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chart 3.9.</td>
<td>The combined indicator is sum of the two ratios shown on chart. The value greater than 100% means that insurance companies mainly depend on the result of their investment activities in financial markets, instead on results of their basic activities.</td>
</tr>
<tr>
<td>Chart 3.10.</td>
<td>The fondex daily value is obtained by multiplying the value of index for the previous day by the weighted average of chain index values of investment units for every fund.</td>
</tr>
</tbody>
</table>

### 6. International macroeconomic environment

<table>
<thead>
<tr>
<th>Chart 6.3.</th>
<th>Credit default swap (CDS) is a financial derivative designed to hedge its holder against the default of the issuer of an underlying bond. CDS spread is a price the owner of CDS has to pay for the provided protection. An increase in this insurance premium is an indicator of the increase in the credit risk of an underlying bond.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chart 6.6.</td>
<td>The emerging market bond index (EMBI) is the difference between the premium investors require for holding public debt of the market considered and the premium required for holding US Treasury bonds.</td>
</tr>
<tr>
<td>Chart 6.38.</td>
<td>According to the IMF definition, FX reserves consist of those external assets that are readily available to and controlled by monetary authorities for direct financing of payments imbalances, for indirectly regulating the magnitude of such imbalances through intervention in exchange markets to affect the currency exchange rate, and/or for other purposes. Gross FX reserves consist of foreign securities, deposits on accounts abroad, effective foreign money, gold, and special drawing rights. Net FX reserves are gross FX reserves minus banks’ deposits and special drawing rights related to gross FX reserves.</td>
</tr>
<tr>
<td>Chart 6.44.</td>
<td>According to the Law on Public Debt, public debt of the Republic of Serbia is defined as debt of the Republic, based on agreements concluded by the Republic; debt of the Republic based on issuing securities; debt of the Republic based on contracts/agreements according to which obligations of the Republic, pursuant to previously concluded agreements, have been rescheduled; debt of the Republic, based on the guarantee issued by the Republic and/or based on the counter-guarantee issued by the Republic; debt of local government and legal entities for which the Republic has issued guarantees.</td>
</tr>
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### 7. Financial markets and real estate market

<table>
<thead>
<tr>
<th>Chart 7.1.</th>
<th>The bid-to-cover ratio is defined as the ratio between the nominal value of total submitted bids and the nominal value of sold securities.</th>
</tr>
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<tr>
<td>Chart 7.9.</td>
<td>The annual turnover ratio is defined as the ratio between the extent of secondary market trading and the mean of the stock of securities in the beginning and in the end of period.</td>
</tr>
<tr>
<td>Chart 7.16.</td>
<td>The availability of an average housing unit to an average household in Republic of Serbia measured by the price-to-income ratio, calculated as the ratio of the price of a 60m² apartment to the average disposable income of an average household in Republic of Serbia.</td>
</tr>
</tbody>
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