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## **BANKING SECTOR IN THE REPUBLIC OF SERBIA**



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## **Banking Sector in the Republic of Serbia**

- Banking Sector in the Republic of Serbia – Overview
- Banking Sector in the Republic of Serbia - Statistics
- Association of Serbian Banks

## **Banking Sector in the Republic of Serbia**

**- Overview -**

### **Beginnings**

- Earliest traces – mediaeval Serbian State of Nemanjic Dynasty, 12<sup>th</sup> to 14<sup>th</sup> century)
- Contemporary terms
  - First Serbian Bank – 1869
  - The Privileged National Bank of the Kingdom of Serbia in 1883 – Mr Charles Boschmann, a specialist from the National Bank of Belgium, acted as advisor in the National Bank establishment and start up procedure 1883 - 1885
  - First banknote – 1884

**The copy of the share of the  
First Serbian Bank – 1869**



**The copy of the first National Bank note issued by  
the Privileged National Bank of the Kingdom of  
Serbia on 2 July 1884**



Between 1873 and 1894, the Serbian dinar was pegged at par to the French franc. The Kingdom of Serbia also joined the Latin Monetary Union

**The copy of the share of the  
National Bank of the Kingdom of Serbs,  
Croats and Slovenians in 1925**



**Historical developments**

Ever since, history of economic and cultural development of Serbia has been impacting the business banking of the country

## Reforms

Reforms conducted in the banking sector over the last medium-term period (2001-2005) – Program of the National Bank of Serbia – Strategy for Reconstruction of the Banking System

## Banking sector today

- One of the soundest and strongest factors of a faster and sustainable growth of the Serbian economic system – result of:
  - The reforms implemented
  - Entrance of the foreign banks
- Planned and continuous structural reforms as logical continuation of the successfully implemented consolidation of the banking sector enabled a *new overall structure* of the banking sector

## Significant effects on banking industry

- Dimensioning of the volume and structure of the banking industry
- Preparation of the banks established with the domestic capital for further reform processes (privatization) and liberalization of the market

## Significant effects on banking industry

- Preparation of the domestic banking industry for the new economic role in financing of economic development
- Return of monetary transactions into the banking channels

### Significant effects on banking industry

- Change of the ownership structure brought a qualitative new attitude towards capital and risk management
- Significant fall in capital prices, enhancing the competitiveness of banks
- Continuous growing trend in credit activities of banks, based on healthier balance sheet structure.

### Significant effects on banking industry

- Over a relatively short period of time banks passed a long road from radical reforms to total recuperation, showing...
- High degree of vitality to bring back lost confidence

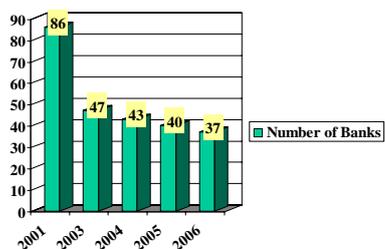
### Future trends

- Further enlargement of the Serbian Banking Industry
  - Merger processes
  - Integrations
  - Recapitalization

## **Banking Sector in the Republic of Serbia**

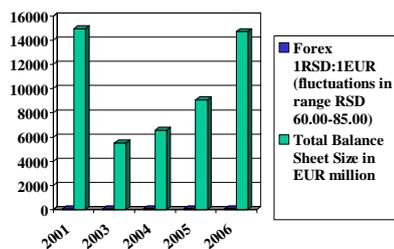
**- Statistics -**

### Number of Banks



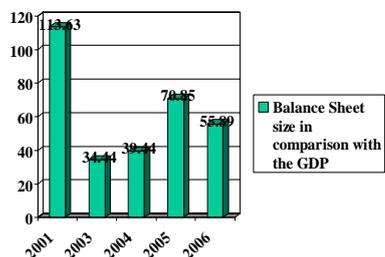
Source: Association of Serbian Banks and Statistical Office of the Republic of Serbia

### Total Balance Sheet Size a) in EUR million



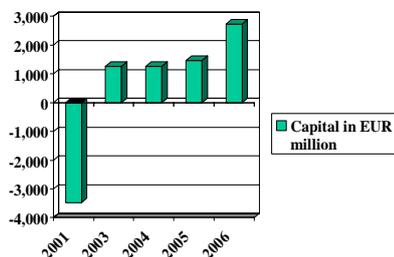
Source: Association of Serbian Banks and Statistical Office of the Republic of Serbia

### Total Balance Sheet Size b) percentage of the GDP



Source: Association of Serbian Banks and Statistical Office of the Republic of Serbia

### Capital in EUR million

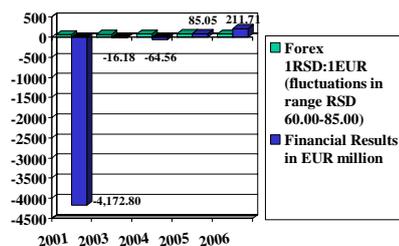


Source: Association of Serbian Banks and Statistical Office of the Republic of Serbia

### Capital ownership structure

Element	31.12.2005	31.12.2006
Number of Banks	40	37
Foreign capital:		
-Number of banks	17	22
-Total capital share	49%	67%
-Total assets share	66%	80%
Domestic capital:		
-Number of Banks	23	15
-Total capital share	51%	33%
-Total assets share	44%	20%

### Financial Results in EUR million



Source: Association of Serbian Banks and Statistical Office of the Republic of Serbia

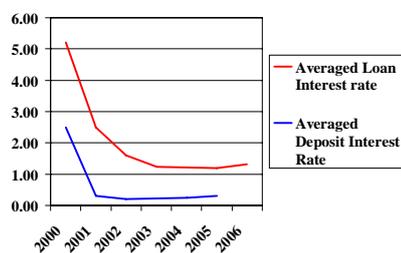
### Lending activities

#### Weighted average interest rates on bank loans – annual level

Total	2003	2004	2005	2006
Short Term credit	15.48%	15.53%	16.83%	16.56%
Long Term Credit	10.87%	9.86%	8.43%	10.09%
Total lending	14.81%	14.59%	14.41%	15.88%

Source: National Bank of Serbia, Statistical Bulletin, January-February 2007

### Banks interest rates at the end of the period – monthly level



## **Banking Sector in the Republic of Serbia**

**- Association of Serbian Banks -**

### **Association of Serbian Banks - ASB**

- Was founded in 1921
- All banks operating in Serbia are the members of the ASB on a voluntary basis
- Mission: positioning and enhancement of the functioning and reputation of the banking system locally and abroad – voice of the industry

### **ASB Management and Working Bodies**

- The Assembly
- Board of CEOs (directors) – Managing Board
- Executive Board
- Supervisory Board
- Secretary General
- ASB Committees

### **ASB Activities Domestic Banking**

- Assisting the members in implementation and amending the legal frameworks and regulations in the field of credit and tax policies, facilitating the banks' activities, corporate banking operations;
- Analytic activities, covering financial analysis of the banking system in Serbia, monetary and credit policies regulations and impact on banking operations;
- Organizing the Committee for monetary and credit policy sessions.

## **Foreign Banking**

- Foreign exchange activities in relation with uniform implementation of regulations, SWIFT - Association is the National User Group Member and the National Member Group member organizing the meetings and seminars together with the National Bank;
- Introducing to bankers the modern financing concepts of factoring, forfeiting and financial leasing and measures for promoting these banking activities;
- Organizing the Committee for Foreign Exchange Sessions.

## **Financial Reporting**

- Implementation of the International Accounting Standards, standardization in the field of the financial reporting of the local banking system;
- Implementation of the legal frameworks on the tax policy, i.e. tax on business results.
- Organizing and coordination the sessions of the Accounting Committee.

## **Retail Banking**

- Surveying and analyzing retail banking operations and expert assistance in resolving operational issues and problems;
- Work on uniform procedures for interbank services in retail banking: Agreement on interbank services, banks' Code of conduct in retail banking, including the payment cards operations;
- Organizing the Retail Banking Committee sessions, Payment Card Committee.

## **Credit Bureau**

- Institution operating on the national level for monitoring and supervising credit history of both citizens and corporates, as the bank current and potential clients
- It operates both positive and negative data of the client credit history
- It is worth to underline that data on citizens and corporates banks direct to the Credit Bureau and use the Credit Bureau reports only on the basis of written consent of the citizens/corporate in question.
- It uses state-of-the-art hardware and adequate software applications are subjected to complete data protection treatment used for material nonpublic information on the level of a citizen/corporate indebtedness.

### **IT and Payment System**

- Local Currency Payments issues in banks, standardization of planning and development of IT systems and projects of the financial and interbank IT systems, proposals for implementation of standards for unifying the hardware and technology of automated data processing in banks;
- Organizing the IT and Standardization Committee and Payment System Committee sessions;

### **Bank Clearing Institution**

- Operates daily clearing of cheques issued by all banks and includes the participation of Republic of Serbia Ministry of Finance Public Payment Agency in the capacity of the agent of Treasury.
- Based on state-of-the-art IT hardware and software applications guarantee the transactions to be settled in the shortest time period possible: 1 hour processing instead of 12 days.
- Therefore, Association of Serbian Banks become the member of the RTGS and Clearing Systems of the Central Bank.
- For this project, in November 2005 in London, Association of Serbian Banks gained the European Award of the Banking Technology Magazine as the best European project in banking technology for 2005.

### **Legal Department**

- Compliance with the legal frameworks and regulations, proposals and legal opinions and suggestions for their implementation;
- Cooperation with the branch trade unions, participation in negotiating the conclusion of Special collective contract for the banking industry; expert tasks for the Court of Honor and Arbitrage;
- Organizing an preparing the Legal Committee sessions.

### **International Cooperation**

- Associate Member of the European Banking Federation
- Cooperation with banking associations for Central and Eastern Europe – BACEE, Budapest;
- Cooperation with the Association of Regional Banks in Russia – RUSSIA, Moscow;
- Membership in International Coordination Council of Banking Associations in the CIS, Central and Eastern Europe – IBC
- Membership in the Interbalkan Forum of Banking Associations – IFBA;
- Membership in the Commission of Banking Technique and Practice - International Chamber of Commerce – ICC, through ICC Serbia.

### **Banking Training Centre**

- Organizing professional training program and seminars for bankers;
- Organizing traditional symposia few times each year on the specific areas;
- Cooperation with partners from abroad – ATTF Luxembourg.

### **Publishing and information activities**

- Professional manuals and literature for the banks' operations, translations, cooperation with all media
- Magazine "Banking" (since 1971) has been a source of referent literature for the banks employees and other interested parties, covering themes from banking and finance;
- UBS Info, e-newspaper covers the most important activities of the ASB and its bodies;
- Committee on Marketing in Banking