

# BANKING SECTOR OF SERBIA IN THE YEAR 2007

## Analysis of financial position and financial results<sup>1</sup>

„Serbia is continuing with strong development“, this is the general qualification given by the Executive Board of the International Monetary Fund after the 4th phase of consultations with the Republic of Serbia, concluded in January 2008<sup>2</sup>. IMF executive directors have welcomed good results achieved in the economic development of Serbia, with a moderate inflation in the year 2007.

Real GDP growth of 7% in the year 2007 was qualified as the result of:

- efficacious measures in the light of strict monetary policy, but also
- successful programme of strategic development which is recording during the past seven years good results in the field of structural reforms and privatisation.

Partial balance between the economic sector burdened with losses and structural imbalances, and a successfully restructured banking sector of Serbia, was established in the period 2006/2007. Hundreds of companies have been privatised and for the first time, after many years, economic sector in Serbia was making business profits. This statement was supplemented by the IMF executive directors by the remark that the structural imbalance in the economic sector is still present, as the state-owned and socially-owned companies are continuing to spend domestic savings, while economic investments into fixed assets are still rather low, and the unemployment high.

The risk of financial stability in Serbia, according to the IMF directors, was increased because of the following:

- high inflow of privatisation capital, but also long-term and medium-term borrowings abroad, leading in the direction of growth especially of the private external debt and growth of domestic demand;
- turbulences in the international financial markets that have increased instabilities in the domestic markets; and
- continuous presence of political instability in the country.

Directors were of the view that the financial stability risk of Serbia was successfully managed. Reform of prudential regulations had provided for the necessary regulatory framework and options for an efficacious undertaking of the appropriate measures.

To that end, Executive Directors are offering strong support to the following:

- New framework of the National Bank of Serbia monetary policies, which has since the mid-2006 successfully sustained inflationary pressures (basic inflation fell from 14.5% in late 2005 to 5.4% in late 2007), together with encouragement of the authorities in the country to maintain basic inflation at an annual level of between 3% and 6% in the year 2008;

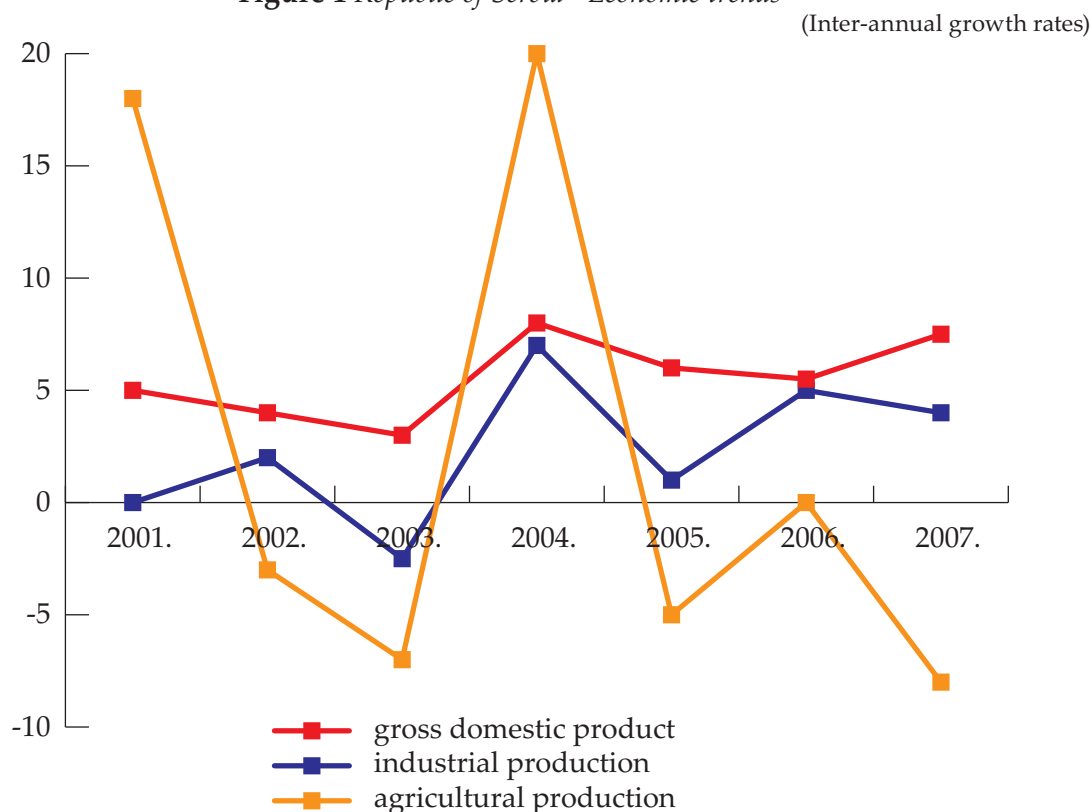
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2 Public Information Notice (PIN) No 08/11, February 5, 2008.

- Further strengthening of regulatory and supervisory framework, as the prerequisites for successful growing risks management in the financial sector, their significance for the modern nation States now being such that they can not be left to self-regulation alone; and
- Continuation of the economic sector reforms, and the future measures that are targeted at promoting business climate, as the key elements for an accelerated economic growth in Serbia and growth in employment.

**Figure 1 Republic of Serbia - Economic trends**



Source: Public Finances Bulletin of the Republic of Serbia, Ministry of Finance January 2008

### *Effects of monetary policy measures on the banking sector*

With the new framework of monetary measures that the National Bank of Serbia has adopted in August 2006, it had also accepted the obligation to implement the targeted inflation rate in the established range of between 4% and 8% at the annual level.

This target of the National Bank of Serbia was successfully realised in the year 2007, in spite of high inflationary pressures, especially in the second half of the year, which have gained in intensity most of all because of the sudden jump in prices of agricultural products. Basic inflation at the end of the year of 5.4% was within the targeted limits.

**Figure 2** *Growth of retail prices per components*

growth rate in %

| Period           | Retail Prices |                |                  |                       |
|------------------|---------------|----------------|------------------|-----------------------|
|                  | Total         | Core inflation | Regulated prices | Agricultural products |
| 2006.            | 6,6           | 5,9            | 7,4              | 6,7                   |
| 2007.            | 10,1          | 5,4            | 14,3             | 23,7                  |
| 2nd Quarter 2007 | 2,9           | 0,9            | 5,1              | 3,0                   |
| 4th Quarter 2007 | 3,0           | 2,2            | 3,3              | 9,4                   |

Source: Statistical Bulletin of the NBS, December 2007, Public Finances Bulletin of the Republic of Serbia, Ministry of Finance, No. 41, January 2008

In the background of these results stands the restrictive monetary and crediting policy with its restrictive level especially growing in the fourth quarter of the year 2007, as a response to the following:

- expansion of the appreciation gap between the real foreign exchange rate, due to nominal appreciation of the dinar currency, on the one hand, and the inflation growth in the country, on the other hand,
- very expansionist growth of monetary aggregates, far above the usual average, due to the consumption of the state deposits and
- additional creation of reserve money through net foreign exchange and dinar transactions.

Contrary to the previous year when the inflow of foreign capital instigated growth of monetary aggregates, this year it was the result of fiscal expansion and intensified spending of the state deposits, and all this in the circumstances of already high inflationary pressures. During the month of December 2007, state deposits decreased for 40 billion dinars, but the State also made direct sales of 150 million EUR, mainly directed towards current accounts of physical persons, and to a lesser extent toward time savings deposits.

Expansive growth of monetary aggregates in the fourth quarter is following also the growth of the total inflation rate which, as opposed to the first half of the year, when it was under the influence mainly of the growth of regulated prices (growth rate 5.1% at the end of the second quarter), in the second half of the year was boosted by the growth of all of the three components of the growth rate of total inflation. Growth rate of prices in agricultural products recorded the highest level of 9.4% in the fourth quarter, core inflation of 2.2%, and regulated prices of 3.3%.

Growth of aggregate demand significantly was neutralised by the application of market instruments - open market operations. National Bank of Serbia increased the key policy rate from 9.50% at the annual level in late October, to 10% at the annual level in December 2007. Growth of key policy rate impacted the level of yield rates on securities through which the National Bank of Serbia is performing open market operations, so in the 4th quarter growth was recorded of the bank placements in these securities of 33 billion dinars. Nominal value of the National Bank of Serbia securities portfolio with the business banks at the end of 2007 reached 217.8 billion dinars.<sup>3</sup>

Money prices on the market were following movements of the key policy rate, higher or lower. Belibor interest rates in December were on an average level of 9.06% for the maturity T/H, up to 10.38% for the six months maturity.

<sup>3</sup> Source: Statistical Bulletin of the NBS, December 2007.

**Figure 3 Interest Rates**

annual level

| Item No. | Interest rate name  | Year 2007 |        |        |        |        |
|----------|---|-----------|--------|--------|--------|--------|
|          |   | Jan       | Mar    | Jun    | Sep    | Dec    |
| 1.       | Key policy rate   | 13,00%    | 10,50% | 9,50%  | 9,75%  | 10,00% |
| 2.       | Aggregate average weighted interest rate of NBS securities for open market operations | 13,92     | 11,40% | 9,75%  | 9,75%  | 9,57%  |
| 3.       | Average weighted interest rate on total bank credits                                  | 15,08%    | 12,95% | 12,33% | 11,79% | 11,13% |
| 4.       | Average weighted passive interest rate on total bank deposits                         | 5,31%     | 4,69%  | 3,59%  | 3,96%  | 4,08%  |
| 5.       | Interest margin (3-4)   | 9,77%     | 8,26%  | 8,74%  | 7,83%  | 7,05%  |

Source: Statistical Bulletin of the NBS, December 2007

The same trend in respect to the key policy rate was recorded also with the interest rates on credit placements of banks, regardless of the fact that in the fourth quarter of the year they had a mild tendency of fall. Such a trend of movement of the interest rates in the fourth quarter of the year 2007 was caused by a large offer of banking credits, so that it was recorded as the third component of the growth of monetary aggregates in the year 2007.

The level of total placements of banks in the country (without the placements with the National Bank of Serbia) at the end of 2007 amounted to 827,412 million dinars, i.e. it recorded the annual growth in respect to the year 2006 of 233,076 million dinars.<sup>4</sup> In the structure of total placements, the highest growth is recorded by the placements in private companies, at a rate of 42.8% by the end of the year in respect to the previous one, while the placements in public companies were mostly sustained at the same level.

Retail placements were also growing at a slower pace than in the year 2006, during which year they were increased for 65% in respect to the year 2005, in part also as a result of the prudential measures of the National Bank of Serbia.

**Figure 4 Total domestic lendings of banks in the year 2007 (without claims on government and the NBS)**  
Balance with the end of the period, in million dinars

| Sector  | 2006    | 2007    | Absolute growth | Index |
|---|---------|---------|-----------------|-------|
| Public utility companies  | 16.866  | 17.934  | 1.068           | 106   |
| Corporates  | 363.529 | 488.864 | 125.335         | 134   |
| Households  | 203.318 | 305.736 | 102.418         | 150   |
| Other financial organisations                                       | 918     | 1.420   | 502             | 155   |
| Other (authorities at local level and non-commercial organisations) | 9.705   | 13.458  | 3.753           | 139   |

Source: Statistical Bulletin of the NBS, September 2007

Credit demand from the economy is a decisive factor for expansion of this category of the bank placements in the country, but also of an intensified direct borrowing of the economy abroad, which at the end of the year reached the level of 11.3 billion dinars. It is estimated<sup>5</sup> that the participation of total credits, including also direct borrowing of companies abroad, is around 50% of the GDP, which is below the average of the economies in transition,

4 Source: Statistical Bulletin of the NBS, December 2007

5 National Bank of Serbia

regardless of the very dynamic growth of their volume.

Although the National Bank of Serbia is turning more and more towards the market instruments, the required reserves still remain an important instrument in the immobilisation of the financial potential, i.e. regulation of the volume of credit potential. Immobilisation rates are high, especially on the foreign exchange basis (45%) and differentiated (20% minimum, 100% maximum), as well as the mass of immobilised funds, which at the end of 2007 (of 300,545 million dinars) came close to the level in the year 2006.

### *Institutional and regulatory framework*

Visibly recovered after long years of reforms, banking sector is continuing with intensification of its business activities, resulting in the strengthening of its financial position (growth of the balance sheet value and capital), by developing its internal organisational structure and the branches networks, but also at the macro level, through dimensioning of the overall banking industry according to the requirements and the absorption power of the domestic market.

**Figure 5** *Banking sector in Serbia*

in million dinars

| Element                                      | 31.12.2001 | 31.12.2003 | 31.12.2005 | 31.12.2006 | 31.12.2007 |
|--|------------|------------|------------|------------|------------|
| Number of banks                              | 86         | 47         | 40         | 37         | 35         |
| Total balance sheet size in mil. dinars      | 891.947    | 377.264    | 756.968    | 1.161.936  | 1.554.880  |
| Balance sheet size according to the GDP in % | 113,63     | 34,44      | 70,85      | 55,89      | 62,70      |
| Capital in mil. dinars                       | - 207.433  | 86.302     | 136.471    | 215.422    | 327.504    |
| Capital in mil. EUR                          | - 3.474    | 1.263      | 1.470      | 2.726      | 4.133      |
| Financial result in mil. dinars              | - 249.139  | - 1.105    | 7.272      | 16.725     | 23.473     |

Source: Association of Serbian banks and Republic Statistical Institute

Note: data is not included for Jugobanka a.d. Kosovska Mitrovica

In the period from the year 2001 the number of banks was reduced for 50, and at the end of the year 2007 there were 35 banks with the National Bank of Serbia licences for their operations. Organisational network of banks, however, shows different movements, in view of the fact that in late 2007 it recorded the presence of 2,331 organisational units, which is for 81 higher in comparison with the second quarter of the same year alone. The number of professionals employed in banks also shows the tendency of growth. At the end of the year 2007 there were 29,577 employees working in banks, which is even for 3% higher than in the first half of the same year.

It is beyond any doubt that the intensifying of business activities and the powerful inflow of private, primarily foreign capital, have changed the manner of bank management, strengthened competition and impacted these, conditionally speaking, inverse trends in the number of banks and their branch networks.

The inflow of foreign capital from bank privatisations has totally changed not only the ownership structure, but also the currency structure of capital in the banking sector of Serbia. Banks with the majority foreign capital are making the larger part of the banking sector of Serbia ever since the year 2005. At the end of 2007, 68% of the total number of banks in Serbia are the banks established with the majority foreign capital, i.e. with the size of their assets and capital they are having the dominant share in the financial market of Serbia.

**Figure 6** *Banking sector of Serbia - Capital ownership structure*

| Item No. | Element  | 31.12.2005 | 31.12.2006 | 31.12.2007 |
|----------|--|------------|------------|------------|
| 1.       | Total number of banks                          | 40         | 37         | 35         |
| 2.       | Majority foreign capital:                      |            |            |            |
|          | - number of banks                              | 17         | 22         | 23         |
|          | - participation in the total balance sheet sum | 66%        | 80%        | 81%        |
|          | - participation in the total capital           | 49%        | 67%        | 81%        |
| 3.       | Majority domestic capital <sup>1</sup> :       |            |            |            |
|          | - number of banks                              | 23         | 15         | 11         |
|          | - participation in the total balance sheet sum | 44%        | 20%        | 19%        |
|          | - participation in the total capital           | 51%        | 33%        | 19%        |

Source: Association of Serbian Banks

Note: 1 Jugobanka a.d. Kosovska Mitrovica is not included

The year 2007 was the year of great preparations for the change in the regulatory framework. By the end of the year, some significant amendments were published of the by-laws<sup>6</sup>, which have harmonised in total the national regulatory framework in the field of prudential bank supervision in accordance with the Basel 1 Accord standards, and the first step made in the direction of taking over some standards from the Basel 2 Accord. The amended regulatory framework in such particular manner is the announcement by the national regulator and supervisor that it is the question of an interface on the road towards a strategic target - introduction of the standards from the Basel 2 Accord into the national legislature.

The essence of the amendments to the by-law regulating capital adequacy in banks pertains to the following:

- Manner of calculation of the regulatory capital, in view of the fact that further to the requirement for the credit and foreign exchange risk, also the capital adequacy is introduced for other market risks (complete harmonisation with the Basel 1 Accord);
- Differentiated treatment of residential and commercial real estate as an instrument of risk mitigation, which is harmonised with the recommendations of the Basel 2 Accord; and
- Explicitly defined obligation of banks to form and maintain reserves for general banking risks, something that the banks were forming and deciding upon until now of their own accord.

The spirit of the new and harmonisation with the international standards in the field of assessment of risk exposure of banks and calculation of capital adequacy, are bringing in the following changes:

- Harmonisation of the definitions of certain terms with the international standards (Basel 2 Accord);
- Further emphasis and obligation of banks for developing internal models for credit risk assessment, while testing them and defining limits of tolerance;
- New treatment of recognized instruments for mitigation of credit risk exposure in the classification of assets and calculation of special provisioning for potential losses.

Obligations of banks in connection with the risk management function are defined in the separate decision, which prescribes a clearly defined obligation of targets relevant for this function, standardisation of the process and procedures for risk management and

<sup>6</sup> Application to start as of 1 July 2008

provision of the necessary infrastructure - organisation, human resources, informatics, and information infrastructures.

An important step in the direction of Basel 2 Accord recommendations is the Law on prescribed obligation of banks to prepare for the operational risk management. Since this is the matter dealing with risks that are not well known to the domestic banking industry, very well thought out stand of the national regulator and supervisor, in the given solutions for the amendments to the regulatory framework, has allowed for the only correct and proper way for the mastery of the function of the operational risk management - the gradual approach one. To that end, banks are obliged to start with the identification of these risks and formation of databases on the losses that they are causing, without capital provisioning. There is only an obligation by the banks to report to the National Bank of Serbia on the losses caused by operational risks, which are in excess of the 1% of the bank capital.

### *Financial results*

Banking sector of Serbia has finished the business year 2007 with the positive financial result. Profits gained before taxes amount to 23,473 million dinars and exceed profits gained in the year 2006 by 40%.

Analytical approach to the achieved result points out at some significant elements of its structure:

- Contrary to the year 2006 when in the structure of gained profits at the level of the sector there were only 7 banks participating with the gained profits in excess of 1,000 million dinars, in the year 2007 in the structure of gained profits there are two banks participating with the profits in excess of 4,000 million dinars, one bank having profits higher than 3,000 million dinars, and seven banks have achieved profit gains between 1 and 2,000 million dinars. This change is speaking not only that in the structure of the sector there are outstanding leader banks according to their market position and business results, but also that the structural imbalance within the sector among a number of banks is smaller.

**Figure 7** *Banking sector in Serbia - Financial result*

in million dinars

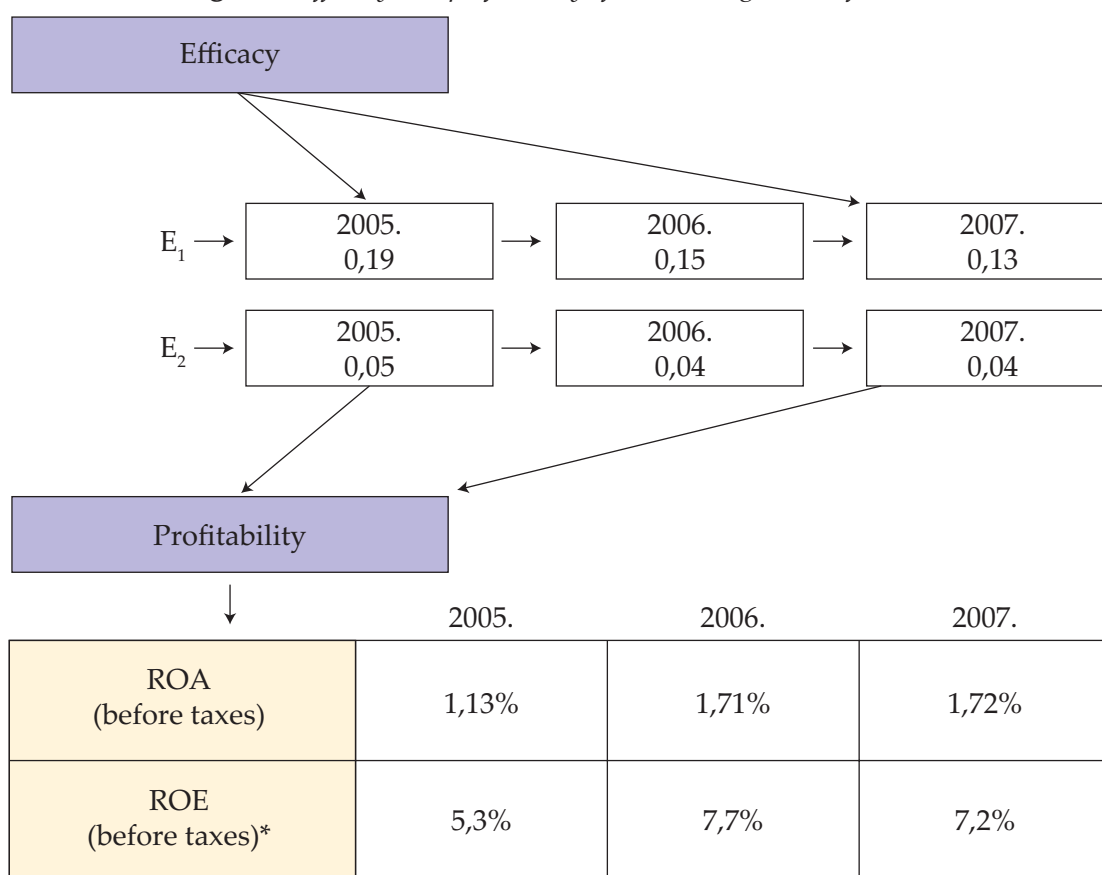
| Item No. | Position                                   | 2006   | 2007    | Index |
|----------|--|--------|---------|-------|
|          | Net profit/loss from financial operations: |        |         |       |
|          | - interest rates, fees                     | 70.402 | 90.830  | 129   |
|          | - sales of securities                      | 957    | 3.292   | 343   |
| 1.       | - foreign exchange rate differences        | 10.585 | 6.824   | 64    |
|          | - placement in connected persons           | -      | 137.229 | -     |
|          | - dividends                                | 184    | 1.080   | 586   |
| 2.       | Other operating income                     | 65.515 | 54.666  | 83    |
| 3.       | Write-offs and provisions                  | 61.937 | 60.705  | 98    |
| 4.       | Other operating expenses                   | 69.111 | 72.653  | 105   |
| 5.       | Net operating profit/loss                  | 16.597 | 23.473  | 41    |
| 6.       | Net extra income/expenses                  | 128    | -       | -     |
| 7.       | Profit/loss before taxes                   | 16.725 | 23.473  | 40    |

Source: Association of Serbian Banks

Note: data not included for Jugobanka a.d. Kosovska Mitrovica

- The second level of structural balance was achieved at a much lower level. Amongst the remaining 13 banks which had the positive business result, 7 banks made a profit between 300-500 million dinars, while the others showed profit below 200 million dinars.
- Nine banks had a negative business result, and three had losses between 1 - 2,000 million dinars. One number of these banks is now preparing for privatisation, which explains their negative business results (high costs of indirect writing off of placements because of cleaning up of the assets from risky positions).
- Net interest rate revenues, as one of the leading elements for the positive financial result, have recorded growth in the year 2007 of 29%, which is the growth of 3 percentage points lower than in the year 2006. It is the question here of the continued downward trend in view of the fact that the net interest rate revenues in the year 2006 have recorded growth of 39%, which is also for 6 percentage points lower growth than in the year 2005. Such trends in net interest rate revenues in the year 2006 could be explained by the recorded slowing down of the growth of placements in that year and maintaining of the existing level of the interest rates, while in the year 2007 there was a fall in interest rates, which obviously could not be compensated for by the growth in volume of the placements.

**Figure 8** Efficacy and profitability of the banking sector of Serbia



E1 - total operating income / total assets

E2 - net interest income / total assets

\* ROE was calculated on the basis of the profit before tax, because the total amount of paid income tax was not available at the moment, which indicates that ROE will decrease after income tax

- Regarding the efficiency in the deployment of the totally engaged funds, the results at the level of the sector are still unsatisfactory, which explains the low rate of yield on the totally engaged funds, and thus on the own capital. The efficacy and rationing of



deployment of the totally engaged funds are certainly under a great influence of the high rates of immobilisation of the financial potentials of banks on the grounds of the instrument of required reserves, which over the high opportunity costs has a negative influence on the rate of return on assets (ROA), and also on the rate of return on own capital (ROE).

It may be concluded that at the level of the sector there still remain great structural imbalances between banks regarding the financial power and their business result, and thus the general level of efficacy of business operations remains at a lower level. Strengthening of competition on the domestic market will make these differences even more visible, which is confirmed by the correct views that there is still space for aggregation of the domestic banks through merger, acquisition and privatisation processes, as the forms of faster capital strengthening, which are bringing about also some other advantages of the organisational and technical and technological nature, and are facilitating the road towards a more cost efficient and efficacious deployment of funds.

### *Changes in the financial position*

Balance sheet size of the banking sector of Serbia is recording a continuous growth over the last several years. At the end of the year 2007, it reached the level of 1,554,905 million dinars and growth of 33.8% in respect to the end of previous year.

Decisive influence on the volume and dynamics of growth of the balance sheet size at the level of the sector in 2007 had the growth of financial strength of banks established with the majority foreign capital and two banks established with the majority domestic capital.

Absolute leaders on the domestic market were three banks established with the majority foreign capital and one bank established with the majority domestic capital (criteria: balance sheet size above 130,000 million dinars). Financial potential of these four banks makes up for 39.5% of the total balance sheet assets at the level of the sector.

**Figure 9** *Banking sector of Serbia - Balance sheet*

in million dinars

| Item No.   | Element                        | 31.12.2006 | 31.12.2007 | Index |
|------------|--------------------------------|------------|------------|-------|
| <b>I</b>   | <b>Total assets (1-3)</b>      | 1.161.936  | 1.554.879  | 134   |
| 1.         | Operating assets               | 1.091.554  | 1.476.208  | 135   |
| 2.         | Fixed assets                   | 55.238     | 62.997     | 114   |
| 3.         | Other                          | 15.144     | 15.674     | 103   |
| <b>II</b>  | <b>Total liabilities (1-2)</b> | 1.161.936  | 1.554.879  | 134   |
| 1.         | Liabilities                    | 946.514    | 1.227.375  | 129   |
| 2.         | Capital                        | 215.422    | 327.504    | 152   |
| <b>III</b> | <b>Off-balance sheet items</b> | 1.190.363  | 1.564.905  | 131   |

Source: Association of Serbian Banks

Note: data not included for Jugobanka a.d. Kosovska Mitrovica

In the group of banks with the balance sheet size from 50 - 100,000 million dinars, there are eight banks, seven of them established with the majority foreign capital and one established with the domestic capital.

**Figure 10** Banks according to size of the balance sheet assets

| Balance sheet assets size  | Number of banks | % of participation in the total balance sheet assets at the level of the sector |
|----------------------------|-----------------|---|
| 130,000 mil. din. and more | 4               | 39,5%   |
| from 50-100,000 mil. din.  | 8               | 33,8%   |
| below 50,000 mil. din.     | 23              | 26,7%   |

Source: Association of Serbian Banks

Such market share of banks confirms the following:

- great structural imbalances regarding the financial position of banks within the domestic industry, in view of the fact that 66% of banks (23) are having balance sheet size below 50,000 million dinars (26.7% of the balance sheet size at the level of the sector); but also
- dominant position of the banks established with the majority foreign capital, which make up, with their balance sheet size, for 84% of the financial potential of the banking industry of Serbia.

Off-balance sheet items are recording the growth of 31.8% in respect to the previous year. Bonds issued on the basis of the deposited foreign exchange savings of citizens still make up for the most important off-balance sheet position, with the participation and structure of 63.5%.

Qualitative changes in the balance sheet structure of the banking sector of Serbia are recorded as follows:

- nominal (52%) and real (51%) growth of capital of the banking sector (see Figure 5);
- slower growth of total liabilities at the level of the sector in the year 2007 (27%) in respect to the growth in the previous year (45%) and in respect to the growth of capital (52%);
- higher growth rate of placements in the year 2007 (49.7%) in respect to the growth in the year 2006 (24%);
- faster growth of credits in the economic sector (34.5%) in respect to the growth in the previous year (9%).

Capital adequacy coefficient, as the ratio between capital and risk weighted assets, at the level of the sector, is rather high and amounts to 37% (prescribed minimum 12%). Such high capital adequacy coefficient is the result of good quality of credit portfolios of banks, i.e. structure of classified assets which over the last few years in the highest percentage are making the receivables classified in the highest categories, A and B (69.6%).

Good capital adequacy coefficient is the confirmation also that the banks are successfully managing foreign exchange risk, further confirmed by the coefficient of foreign exchange risk which at the level of the sector amounted to 15% at the end of 2007 (prescribed maximum 30% of the bank capital).

**Figure 11** Banking sector of Serbia - Structure of classified bank assets

| Categorisation of classified assets | in %       |            |            |            |
|-------------------------------------|------------|------------|------------|------------|
|                                     | 31.12.2004 | 31.12.2005 | 31.12.2006 | 31.12.2007 |
| A                                   | 54,1       | 56,5       | 46,6       | 42,3       |
| B                                   | 18,9       | 20,4       | 21,4       | 27,3       |
| C+D+E                               | 27,0       | 23,1       | 32,0       | 30,4       |

Source: Association of Serbian Bank

Liquidity indicators with the largest number of banks range between 1.5 and 3 which should confirm the satisfactory liquidity level, but also point out at an insufficient deployment of the totally engaged funds. Primary source of low efficiency is the way of funds management, but in the case of the banking sector of Serbia, in addition to this, quite certainly another important factor for low efficiency are the high immobilisations of financial potential of banks through the instrument of required reserves.

### *Final conclusions*

- Very remarkable economic growth of Serbia in the year 2007 (GDP growth rate of 7.3%) together with a moderate inflation, in spite of strong inflationary pressures, especially in the second half of the year, was qualified by the IMF executive directors as the result of successfully conducted structural reforms and privatisation during the last seven years and well managed monetary policy.
- Monetary policy in the year 2007 was faced with the great challenge of growth of aggregate demand because of the expansionist growth of money aggregates, especially in the last quarter of the year. Situation was additionally complicated by the appreciation gap of the real foreign exchange rate, due to the nominal appreciation of the dinar currency, on the one hand, and the growth of inflation in the country, on the other. With efficient engagement of available instruments (market and classic - required reserves) by the National Bank of Serbia and its restrictive policies, it succeeded in realising the targeted inflation rate (basic inflation of 5.4%) within the limits defined by the new monetary policy which the NBS is implementing since the mid-2006.
- Restrictive monetary policy has preserved the financial stability in the country. Although it has very successfully used the market instruments, National Bank of Serbia has still maintained the required reserves as one of the leading regulatory instruments, and thus this instrument in the year 2007, as in the previous year, through high opportunity costs of immobilisation of bank potentials, influenced the efficacy of engagement of the funds in banks.
- Nevertheless, these measures did not slow down the tempo of intensified activities of domestic banks, which were increasing the volume of their placements and business activities, and have continued to expand their business networks. The level of total placements of banks in the country (without the placements with the National Bank of Serbia) at the end of the year 2007 amounted to 827,412 million dinars, i.e. it marked an annual growth in respect to the year 2006 of 233,076 million dinars, or growth of 40%.
- The upward trend of positive results in business operations recorded over the last years at the level of the banking sector was continued in the year 2007. Profit gained before taxation amounts to 23,473 million dinars and is for 40% higher than the profit made in the year 2006.
- Analytic approach to the achieved result, and to the balance sheet at the level of the sector, however, confirms a great structural imbalance regarding the financial position and strength of the domestic banks within the industry, but also of the achieved business results. Several banks (4) are having the leading position on the domestic market, and behind them are another eight banks which are recording relatively fast growth. The major part of the industry, however, is still far behind the satisfactory financial position and strength, in view of the fact that the balance sheet size of these banks (23) makes up for only 26.7% of the total balance sheet size at the level of the sector.

- Although the balance sheet size at the level of the sector is recording high growth in respect to the previous year of 33.8% (1,554,905 million dinars), capital nominal (52%) and real (51%) growth, for the largest part of the banking sector of Serbia, activities in the field of capital strengthening are still an absolute priority, as well as a higher level of efficiency in deployment of the engaged funds.
- The presence of competition on the market will decide the choice of possible solutions, among them certainly the processes of mergers, acquisitions and recapitalisation still remaining a good choice in the situation when capitalisation from results of regular business operations is not providing sufficiently fast development and survival on the market.

# INCOME STATEMENT

## 01.01.2007 to 31.12.2007

(in 000 dinars)

| POSITION                              |  |             |
|---------------------------------------|--|-------------|
| PROFIT/LOSS FROM FINANCIAL OPERATIONS |  |             |
| II 1                                  | Interest income  | 106.931.214 |
| IE 1                                  | Interest expenses  | 43.537.929  |
| I                                     | Net profit/loss on interest  | 63.393.285  |
| IFC 2                                 | Income from fees and commissions                                       | 34.417.678  |
| EFC 2                                 | Expenses on fees and commissions                                       | 6.980.548   |
| II                                    | Net profit/loss on fees and commissions                                | 27.437.130  |
| III                                   | Net profit/loss on interest, fees and commissions (I+II)               | 90.830.415  |
| IV                                    | Net profit/loss from sale of securities and investments                | 3.292.730   |
| V                                     | Net gain/loss on foreign exchange rate                                 | 6.824.520   |
| VI                                    | Placement in connected persons   | 137.229     |
| VII                                   | Income from dividends and investments                                  | 1.080.722   |
| VIII                                  | Other operating income   | 52.965.039  |
| IX                                    | Provisioning and expenses on indirect write-offs on investments        | -60.705.390 |
| X                                     | Other operating expenses   | -72.653.826 |
| XI                                    | Net income/expenses from change in the value of assets and liabilities | 1.701.830   |
| XII                                   | Operating profit/loss  | 23.473.269  |
| XIII                                  | Net profit/loss from discontinued operations                           | -1          |
| XIV                                   | Profit/loss before tax in the reporting period                         | 23.473.268  |
| XV                                    | Tax on profit  | -1.495.212  |
| XVI 1.                                | Profit from created deferred tax assets and reduction of deferred tax  | 717.995     |
| XVI 2.                                | Loss from deferred tax assets and created deferred tax obligations     | -339.299    |
| XVII                                  | Net profit/loss  | 22.356.752  |

## BALANCE SHEET on 31.12.2007

(in 000 dinars)

| ASSETS       |   |               |
|--------------|---|---------------|
| A I          | Cash and cash equivalence   | 104.849.611   |
| A II         | Deposits with the Central Bank and securities refinanceable with the Central Bank | 489.902.444   |
| A III        | Receivables in respect of interest and fees                                       | 5.980.928     |
| A IV         | Lending to domestic banks   | 42.983.722    |
| A V          | Lending to clients  | 807.041.167   |
| A VI         | Securities and other tradable instruments   | 6.544.051     |
| A VII        | Investments in securities held to maturity  | 12.020.164    |
| A VIII       | Share in capital and other securities available for sale                          | 6.889.165     |
| A IX         | Share in capital of connected persons   | 0             |
| A X          | Fixed assets intended for sale and assets from discontinued operations            | 333.951       |
| A XI         | Rebate on profit tax  | 522.620       |
| A XII        | Goodwill  | 0             |
| AXIII        | Intangible investments  | 6.155.592     |
| AXIV         | Investment property   | 4.397.941     |
| AXV          | Fixed assets  | 52.443.886    |
| AXVI         | Accruals, prepayments, other assets   | 12.287.921    |
| AXVII        | Deferred tax assets   | 2.526.471     |
| AXVIII       | Loss in excess of capital   | 0             |
| AI to AXVIII | TOTAL ASSETS  | 1.554.879.634 |
| A XIX        | OFF BALANCE SHEET ITEMS   | 1.570.663.682 |

## BALANCE SHEET on 31.12.2007

(in 000 dinars)

| LIABILITIES  |  |                      |
|--------------|--|----------------------|
| L I          | Liabilities to domestic banks                                      | 74.132.280           |
| L II         | Liabilities to clients   | 1.047.836.534        |
| L III        | Liabilities in respect of interest and fees                        | 2.785.655            |
| L IV         | Liabilities in respect of securities                               | 2.609.695            |
| L V          | Liabilities from profit  | 270.219              |
| L VI         | Liabilities in respect of current profit tax                       | 376.496              |
| L VII        | Liabilities in respect of fixed assets and discontinued operations | 0                    |
| L VIII       | Other operating obligations  | 10.707.043           |
| L IX         | Provisioning   | 11.109.961           |
| L X          | Accruals, deferred income, other liabilities                       | 76.990.375           |
| L XI         | Deferred tax liabilities   | 557.282              |
| L I to L XI  | <b>TOTAL LIABILITIES</b>   | <b>1.227.375.540</b> |
| L XII        | <b>CAPITAL</b>   |                      |
| L XII 1.     | Equity and other capital   | 271.926.866          |
| L XII 2.     | Reserves   | 47.566.689           |
| L XII 3.     | Accumulated gains  | 24.328.904           |
| L XII 4.     | Accumulated loss   | 16.318.365           |
| LXII 1+2+3-4 | <b>TOTAL CAPITAL</b>   | <b>327.504.094</b>   |
| L I to L XII | <b>TOTAL LIABILITIES AND CAPITAL</b>                               | <b>1.554.879.634</b> |
| L XIII       | <b>OFF BALANCE SHEET ITEMS</b>                                     | <b>1.570.663.682</b> |

## Some major indicators of banking activities on 31.12.2007

| INDICATORS   | Prescribed value | Realized value (average) |
|--|------------------|--------------------------|
| 1. Capital adequacy ratio (5 x 100 / 6) <sup>1</sup>             | min. 12 %        | 37%                      |
| 2. Bank investments (7 x 100 / 5) <sup>1</sup>                   | max. 60%         | 8%                       |
| 3. Bank exposure to connected persons (8.2 x 100/5) <sup>1</sup> | max. 20%         | 5%                       |
| 4. Sum of large bank exposures (8 x 100 / 5) <sup>1</sup>        | max. 400%        | 54%                      |
| 5. Average liquidity indicator per month:                        |                  |                          |
| – in the first month of reported period                          | min. 1,00        |                          |
| – in the second month of reported period                         | min. 1,00        |                          |
| – in the third month of reported period                          | min. 1,00        |                          |
| 6. Foreign exchange risk ratio                                   | max. 30%         | 15%                      |





NATIONAL BANK OF SERBIA

## PROMOTION OF MARKET DISCIPLINE IN THE BANKING SECTOR

In the course of 2007, the National Bank of Serbia made significant progress in the continuous upgrade of the regulatory framework for banks. The new secondary legislation, to come into effect on 1 July 2008, is expected to result in more adequate risk management practices, which will help bring the Serbian banking sector closer to international regulatory standards. Ongoing communication and cooperation between the National Bank of Serbia and the Association of Serbian Banks and its relevant committees proved particularly valuable in the process of drawing up new regulations.

The main thrust of the new regulatory framework is to strengthen the risk management function in banks and to promote the culture of corporate governance. The new regulations also aim to encourage the inclusion of market participants, particularly in respect of promoting internal risk assessment methodologies. This, together with introducing the concept of market risk and setting up adequate groundwork for monitoring operational risk, represents a significant step towards implementing Basel 2 standards. The strategy for implementation of the above standards was elaborated by the National Bank of Serbia in 2007, as well.

National Bank's efforts to improve market discipline in the banking sector, as one of the main pillars of Basel standards, will play a significant role during preparations for implementing



Basel 2. In 2007, the National Bank of Serbia placed special focus on the continuous improvement in transparency of operations and increasing confidence of the financial services consumers in the financial system. After setting up the Centre for Financial Services Consumer Protection and Market Supervision in early 2007, which integrates consumer protection across all segments of the financial system, the central bank centred its efforts on providing both reactive and proactive support to financial services consumers.

## **WORTHY BUSINESS PARTNER OF BANKS AND INSTITUTIONS IN THE COUNTRY AND ABROAD**

Important fields in the business operations of the domestic banking industry the Association has covered with a set of high quality services, which have over the last few years significantly facilitated the work of banks and have supported their development.

Credit Bureau, as an institution with national coverage for monitoring and supervision of credit exposure of citizens and legal entities - clients of banks and other institutions, was established more than 4 years ago. Its members are all the banks, leasing companies, all the mobile operators, all the state funds and agencies, insurance companies and other institutions in Serbia. Until now, some 6 million reports were issued, and the time from submitting the application for the report and up to its receipt takes on average of only 5-7 seconds.

Work of the Bank Clearing Institution (KIB) is based on the most modern equipment and software which guarantee settling of transactions over the shortest possible period of time, in a highly professional manner. The Association of Serbian Banks received for this project, in

November 2005 in London, the highest European Award for Banking Technologies. The use of this new technology and re-engineering of the process had allowed for the settlement of cheques of all the banks in the country to be brought down from the initial 12 days to the present time of less than one hour. In the year 2007 preparations have started for the implementation of the software solution for direct debiting between banks.

Banking Training Centre during last year through symposia, seminars, lectures and conferences for its audiences organised treatment of the most outstanding and actual topics in the field of finance and banking.

Association of Serbian Banks continued to broaden the scope of co-operation last year with the foreign institutions wishing to be present, as their active member, at the sources of information and the most advanced banking services and products, as well as EU standards. Today, the ASB is a member of the Inter-Balkan Forum of Banking Associations, of the International Council of Banking Associations of the CIS Countries, Central and Eastern Europe, of the European Banking Federation in Brussels, of the European Network for Training in Banking, Commission for Banking Techniques and Practices of the International Chamber of Commerce in Paris. In addition, ASB is also co-operating with the Banking Association for Central and Eastern Europe in Budapest, Association of Regional Banks of Russia in Moscow, Agence de Transfer de Technologie Financiere in Luxembourg, etc.





# Agrobanka

## AGROBANKA'S SHARE IN THE FINANCING OF AGRICULTURE HAS SIGNIFICANTLY INCREASED

The previous, 2007, was very successful year for Agrobanka since it achieved enviable results in all segments of its business operations. Especially important is the increase of the total balance sum by over 70 percent., so that it now amounts up to RSD 35 billion (around EUR 450 million) placing Agrobanka among the larger banks in the country.

The oldest domestic bank on the Serbian banking market has been successfully stimulating agricultural production for over 70 years. Over the past few years, the Bank considerably expanded its business cooperation with the economy and population so that now it cooperates with about 70 thousand clients and has over 180 thousand depositors. In 2007, Agrobanka invested over RSD 20 billion into economy and retail operations. Significant investments into agriculture were particularly stimulating for export-oriented programs, but also represented a motivation for producers to expand their production - to grow new seedlings of fruits, plastic covered greenhouses, increase their herds, renew the machinery etc.

Agrobanka clients were, in 2007, able to, besides credit facilities approved by Agrobanka, use also credits from agrarian budget, which, for over 33



| 31.12.2007.          | RSD<br>(millions) | EUR<br>(millions) |
|----------------------|-------------------|-------------------|
| Balance Assets       | 34.875            | 440,1             |
| <b>Total Capital</b> | <b>14.694</b>     | <b>185,4</b>      |
| Equity Capital       | 14.694            | 185,4             |
| <b>Total Lending</b> | <b>22.232</b>     | <b>280,6</b>      |
| Total Deposits       | 18.428            | 232,6             |

|                        |        |
|------------------------|--------|
| Capital Adequacy Ratio | 48,70% |
|------------------------|--------|

|                  |   |
|------------------|---|
| Return on Equity | - |
|------------------|---|

|                     |     |
|---------------------|-----|
| Number of Employees | 824 |
|---------------------|-----|

|                          |   |
|--------------------------|---|
| Organizational Structure | Head Office, 15 Bank Branches, 86 Branch Offices, 18 Cash Offices |
|--------------------------|---|

thousand registered agricultural estates in Agrobanka., presented a favourable opportunity to invest more in the production. Year after year, Agrobanka's share in financing agricultural production has been on the constant rise.

The Bank founded Broker-Dealer Department, issued 7 types of payment cards and has more than 80 thousand beneficiaries. Also, it offered unique, agrarian Agro card - a payment card. It significantly increased total saving sum, as well as payment operations within the country and abroad.

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## THE FIRST IN SERBIA ACCORDING TO ITS MANY BUSINESS RESULTS

AIK banka ad Niš has developed from a finance department of the Agroindustrial conglomerate Niš, internal bank, then licensed for foreign payment operations to the bank with the licences for foreign payment and credit operations, and, in the last few years, to the bank with the largest equity and market share of 5% in 2007.

„Local, but strong”, AIK banka achieved the following rankings in Serbia in 2007: first in realised gross profit, first in gross profit per employee, first in return on equity, first in return on assets, first in loan to asset ratio, first in capital/liability+equity ratio, second in equity, sixth in net assets, fifth in loans to customers, ninth in the amount of deposits.

The operating results have exhibited a rising trend year after year, proving that



Niš

AIK banka knows how to manage funds successfully and profitably. In the Serbian financial market it is recognised as an active player of distinctive identity and innovative approach to banking.

AIK banka's strong capital base is a safety guarantee to its present and future clients, a real basis for retaining the present market position and greater success in the years to come.

AIK banka shares are among the most liquid on the Belgrade stock exchange, and as absolute leader, have the greatest share (20%) in the BELEX15 index.

| 31.12.2007.    | RSD<br>(millions) | EUR<br>(millions) |
|----------------|-------------------|-------------------|
| Balance Assets | 78.289            | 988               |
| Total Capital  | 29.250            | 369               |
| Equity Capital | 20.901            | 264               |
| Total Lending  | 61.288            | 773               |
| Total Deposits | 42.711            | 539               |

|                        |        |
|------------------------|--------|
| Capital Adequacy Ratio | 36,33% |
|------------------------|--------|

|                  |        |
|------------------|--------|
| Return on Equity | 21,94% |
|------------------|--------|

|                     |     |
|---------------------|-----|
| Number of Employees | 384 |
|---------------------|-----|

|                          |   |
|--------------------------|---|
| Organizational Structure | Head Office, 22 Bank Branches, 26 Branch Offices, 17 Cash Offices |
|--------------------------|---|



Niš

AIK banka has 401 employees and performs its operations through the head office located in Niš, 4 regional centres, 23 branches and a large number of sub-branches and tellers covering the entire territory of Serbia.

### AIK BANKA AD NIŠ

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# ALPHA BANK

## CONTINUING EXPANSION WITH TRANSPARENCY, RESPONSIBILITY AND RELIABILITY

ALPHA BANK, founded in 1879, is one of the Leading Banking and Financial Services Groups in South Eastern Europe. The ALPHA BANK GROUP offers the full spectrum of Retail, Commercial and Wholesale Banking, Investment Banking, Cards business, Asset Management, Leasing, Factoring, Private Banking, Insurance Brokerage, Insurance Services, Property Management Services through a „footprint“ covering all South Eastern European Countries, Cyprus, Ukraine, United Kingdom, Channel Islands. The Group Companies maintain representative offices in United States and Russia.

With Market Capitalization of Euro 9.5 billion, Total Equity of Euro 4.3 billion and Total Assets of Euro 55 billion (December 2007), the Group is positioned as a key participant in the growth of the region. South Eastern Europe is serviced through the extensive network of 800 Branches, planned to reach 1050 by the end of 2008.

ALPHA BANK operates in the Serbian Market since 2002. In February 2005

| 31.12.2007.    | RSD<br>(millions) | EUR<br>(millions) |
|----------------|-------------------|-------------------|
| Balance Assets | 50.649            | 639,22            |
| Total Capital  | 9.885             | 124,75            |
| Equity Capital | 12.589            | 158,88            |
| Total Lending  | 28.187            | 355,73            |
| Total Deposits | 32.235            | 406,82            |

|                        |        |
|------------------------|--------|
| Capital Adequacy Ratio | 34,13% |
|------------------------|--------|

|                  |       |
|------------------|-------|
| Return on Equity | 2,46% |
|------------------|-------|

|                     |       |
|---------------------|-------|
| Number of Employees | 1.451 |
|---------------------|-------|

|                          |                                 |
|--------------------------|---------------------------------|
| Organizational Structure | Head Office, 130 Branch Offices |
|--------------------------|---------------------------------|

acquired JUBANKA A.D. in the first privatization of a State Owned Bank. Today, under the motto „TOGETHER, WE HAVE A GREAT FUTURE“, Alpha Bank Srbija AD. operates a network of 140 Branches in 97 cities nationwide and continues to expand its presence at a high pace.

ALPHA BANK nurtures long-term relationships and constantly builds on its solid Corporate profile and range of services, guided by three, simple, yet powerful principles: „Transparency, Responsibility, Reliability“.



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# BANCA INTESA

## NUMBER 1 BANK IN SERBIA

Banca Intesa Beograd is the leading bank on domestic market, a reliable partner to over a million clients, both natural and legal entities. It operates within Italy's leading group, Intesa Sanpaolo, one of Europe's strongest banking groups per level of market capitalization, but also listed among world's top 10 banks. Intesa Sanpaolo serves about 18 million clients through the network of 7,329 offices in 35 countries.

Banca Intesa Beograd ended the previous year as the leading bank on domestic market with balance assets of €2.6 billion and 12.5% market share, and with highest total deposits reaching €1.6 billion as well as highest total placements at the amount of €1.3 billion. Banca Intesa develops its business activities in four directions: retail and small business segment, corporate



| 31.12.2007.          | RSD<br>(millions) | EUR<br>(millions) |
|----------------------|-------------------|-------------------|
| Balance Assets       | 194.758           | 2.458             |
| <b>Total Capital</b> | <b>28.214</b>     | <b>356</b>        |
| Equity Capital       | 18.754            | 237               |
| <b>Total Lending</b> | <b>98.665</b>     | <b>1.245</b>      |
| Total Deposits       | 153.091           | 1.932             |

|                        |        |
|------------------------|--------|
| Capital Adequacy Ratio | 24,31% |
|------------------------|--------|

Return on Equity 16,83%

|                     |       |
|---------------------|-------|
| Number of Employees | 2.955 |
|---------------------|-------|

Organizational Structure Head Office, 224 Branch Offices

segment, local governments' segment and investment banking.

Thanks to a developed business network consisting of more than 220 units in more than 100 Serbian towns, the most developed ATMs and POS terminals network, professional team of 3.000 employees, the bank records a substantial growth in all segments of its operations. Banca Intesa Beograd completed the process of integration of Panonska Banka successfully late last year and, in early 2008, the bank, got a new visual identity alongside all other banks belonging Intesa Sanpaolo group, aimed to create a unique internationally recognized group's brand.

### BANCA INTESA AD BEOGRAD

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## POSTAL SAVINGS BANK J.S.C. BELGRADE

### LEADING POSITION IN RETAIL BANKING

Postal Savings Bank, j.s.c., Belgrade is one of the oldest banking institutions in the Republic of Serbia with the long retail tradition. It has been conceived as a commercial bank built on the foundation and banking tradition of Postal Savings Bank, established in Belgrade in 1921 by the members of the Ministry of Post Offices. Within the period of 87 years, the Bank has succeeded in building and keeping a leading position in retail operations. The retail customers' confidence has been built through creating a liquidity level which guaranteed a maximal trust in outpayment of all types of deposits and salaries.

By transforming into a commercial bank at the end of 2002, prerequisites for broadening the Bank operations to include those offered to corporate customers in country and abroad were created.

Over 1,7 million of retail customers who have open accounts with the Bank have on their disposal not only the Bank counters at branches and outlets but also 1.700 post office counters within the country. Led by principle that only a satisfied client can be retained in the Bank, the Bank has intensified its activities on the development of business network of branches and outlets and the possibility of efficient and operating communications



| 31.12.2007.    | RSD<br>(millions) | EUR<br>(millions) |
|----------------|-------------------|-------------------|
| Balance Assets | 19.080            | 240,8             |
| Total Capital  | 1.435             | 18,1              |
| Equity Capital | 2.768             | 35,0              |
| Total Lending  | 6.767             | 85,4              |
| Total Deposits | 13.817            | 174,4             |

|                        |   |
|------------------------|---|
| Capital Adequacy Ratio | - |
|------------------------|---|

|                  |   |
|------------------|---|
| Return on Equity | - |
|------------------|---|

|                     |       |
|---------------------|-------|
| Number of Employees | 1.421 |
|---------------------|-------|

|                          |                                 |
|--------------------------|---------------------------------|
| Organizational Structure | Head Office, 24 Operating Units |
|--------------------------|---------------------------------|

through „virtual counters“: Homebanking systems, Internet services, using of SMS messages, corporate e-banking, etc. By the volume of transactions the Bank ranks among the banks with the largest number of processed payment orders.

The Bank grants favourable retail loans as cash and consumer loans. The Bank issues a wide range of payment cards totaling over 1,7 million and these are: POST CARD cobranded DinaCard payment card, YUBA cards, DinaCard credit cards, Maestro and MasterCard cards, VISA Electron cards and Diners PŠ payment cards.

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## RE-CAPITALISATION STRENGTHENED CAPITAL

Credy bank, with its tradition of over 50 years of existence and great expansion, especially during last few years, endeavours to cover the whole territory of the Republic of Serbia and to reach every individual interested in banking services. Our network now includes 89 organizational units all over the country, and by the Business Plan till 2010 it is projected to open 20 new branches, most of them on the territory of Vojvodina.

Especially important for the future development of the Bank are modern ways of performing transactions dinar and foreign currency e-banking, we started among the first banks in Serbia, SMS and WEB service.

Credy bank is starting insurance operations in cooperation with the leading insurance houses on our market, so as further development of investment banking and the cooperation with investment funds.

We have the certified system of quality as yet one more confirmation of our orientation to modern banking procedures



| 31.12.2007.          | RSD<br>(millions) | EUR<br>(millions) |
|----------------------|-------------------|-------------------|
| Balance Assets       | 7.830             | 99                |
| <b>Total Capital</b> | <b>1.707</b>      | <b>22</b>         |
| Equity Capital       | 1.427             | 18                |
| <b>Total Lending</b> | <b>3.360</b>      | <b>42</b>         |
| Total Deposits       | 5.938             | 75                |

|                        |        |
|------------------------|--------|
| Capital Adequacy Ratio | 28,79% |
| Return on Equity       | -      |

|                          |  |
|--------------------------|--|
| Number of Employees      | 670  |
| Organizational Structure | Head Office, 4 Main Branches, 11 Branches, 30 Branch Offices, 2 Business Units, 5 Agencies |

defined in accordance with all standards of banking services quality.

Credy bank is among few banks that reacted immediately on the decision of the National Bank of Serbia to withdraw from the work with the authorized currency exchanges and to leave those operations to the banks - that is why we already have over hundred signed contracts with authorized exchanges.

With the aim of further capital strengthening, share capital increase was performed in October 2007. It was performed by open share emission, so that the state kept being the major owner of the Bank.

**CREDY BANKA AD KRAGUJEVAC**

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**ČAČANSKA BANKA a.d.**  
**Č A Č A K**

## THE SEEDS OF SUCCESS

Čačanska banka has been continuously operating since 1956. Owing to its respect to strict banking principles, its fast and efficient banking services, Čačanska banka has been making excellent operating results in a high competition environment. RSD 389 million net profit has been made (40% growth), balance sheet potential has been increased by 105,69 %, deposits have grown over 237%, whereas net placements have risen by 96,22%, as compared to the end of 2006.

As a regional bank, it operates in Western and Central Serbia and the city of Belgrade. Through its branches in Novi Sad and Niš it is present in Vojvodina and the south of Serbia. The Bank is focused on cooperation with SMEs, but not neglecting operations with micro and retail clients. All branches and sub-branches are enabled to sell all products and services to corporate and retail customers.

The Bank renders all types of services to retail and corporate clients: it performs credit operations, accepts cash deposits, issues Visa and Dina cards, conducts exchange operations, domestic and foreign payment operations, as well as e-banking.

It was the first bank in Serbia to be granted JUS ISO 9001, a quality system certificate on provision of banking services in 1998. Such quality of banking services was confirmed in 2004. by SGS Swiss certifying authority which awarded the Bank ISO 9001:2000 a certificate for design and provision of banking services.

Under the slogan THE SEEDS OF SUCCESS, Čačanska banka will continue to offer high quality services in efficient and flexible manner.

| 31.12.2007.    | RSD<br>(millions) | EUR<br>(millions) |
|----------------|-------------------|-------------------|
| Balance Assets | 14.002            | 177               |
| Total Capital  | 3.620             | 46                |
| Equity Capital | 2.188             | 28                |
| Total Lending  | 7.682             | 97                |
| Total Deposits | 9.359             | 118               |

|                        |        |
|------------------------|--------|
| Capital Adequacy Ratio | 28,98% |
|------------------------|--------|

|                  |        |
|------------------|--------|
| Return on Equity | 11,35% |
|------------------|--------|

|                     |     |
|---------------------|-----|
| Number of Employees | 355 |
|---------------------|-----|

|                          |             |
|--------------------------|-------------|
| Organizational Structure | Head Office |
|--------------------------|-------------|



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# Eurobank EFG

## DEVELOPMENT OF MODERN AND FLEXIBLE BANKING PRODUCTS

Eurobank EFG group, a member of the Geneva-based European Financial Group, was established in 1990. With capitalization of EUR 10,5 billion and equity of EUR 2,65 billion at the end of 2006, Eurobank EFG is an international banking organization with a force of more than 21.000 people, which offers its products and services through 1.400 branches and points of sale.

Eurobank EFG Group is steadily included among the largest listed companies by market capitalisation on the Athens Stock Exchange (ASE). The Bank has over 280.000 shareholders, enjoying one of the largest shareholding bases in Greece.

In the wider region of Southeastern and Central Europe (New Europe), the Eurobank EFG group has already become a key player in the banking sectors of the countries in which it operates. More specifically, in the past few years the Group has deployed major operations in Romania, Serbia and Bulgaria, while in 2006 it expanded its presence in the banking markets of Poland, Ukraine and Turkey. In Serbia, Eurobank EFG group decided to proceed in 2003 with a greenfield-type of expansion by acquiring the local Post Bank (Postbanka). Eurobank EFG group first finalized the acquisition of 68.06% of the share capital of the Serbian Postbanka in March 2003. Then in 2004, the Bank raised its share in Post bank to 93.5% and renamed it to EFG Eurobank a.d. Beograd.

From the moment it started business in Serbia up to now, Eurobank EFG has invested 350 mil EUR in technical and operational infrastructure as well as in recruiting highly skilled staff, and in development modern banking products and services designed to satisfy client's needs.

| 31.12.2007.    | RSD<br>(millions) | EUR<br>(millions) |
|----------------|-------------------|-------------------|
| Balance Assets | 84.110            | 1.062             |
| Total Capital  | 22.564            | 285               |
| Equity Capital | 22.422            | 283               |
| Total Lending  | 51.955            | 656               |
| Total Deposits | 59.664            | 753               |

|                        |        |
|------------------------|--------|
| Capital Adequacy Ratio | 26,64% |
|------------------------|--------|

|                  |       |
|------------------|-------|
| Return on Equity | 6,94% |
|------------------|-------|

|                     |       |
|---------------------|-------|
| Number of Employees | 1.503 |
|---------------------|-------|

|                          |                                 |
|--------------------------|---------------------------------|
| Organizational Structure | Head Office, 120 Branch Offices |
|--------------------------|---------------------------------|



With recent purchase of 100% shares of National Savings Bank, Eurobank EFG became one of the top five banking groups by the market share, total assets, size of its network in the country and changed its name into Eurobank EFG Štedionica a.d. Beograd.

### EUROBANK EFG A.D. BEOGRAD

11000 Beograd, Kolarceva 3  
EURO phone: 0800/ 11 11 44  
office@eurobankefg.rs  
www.eurobankefg.rs

## DOUBLED VOLUME OF CREDIT OPERATIONS

Last year was a successful year for Erste Bank Serbia. „After a period of consolidation and transformation of the bank, we have managed to make a U-turn in our operations and achieve a profit. Investments and the effort put into modernization of the Bank are already yielding visible results. In addition to the positive financial results, which Erste Bank recorded for the first time since privatisation, the most important fact is



that in 2007 we almost doubled the volume of our loan operations, both in retail and corporate loans”, stated Sava Dalbokov, CEO of Erste Bank a.d. Novi Sad, on the results achieved in 2007.

In comparison to the last year, total assets grew by 65.3% and amounted to RSD 37.9 bn as of end 2007. The main growth drivers were retail loans (which grew over 90%), as well as activities on the domestic capital market. The retail segment showed particularly high growth, with retail loans more than doubling to RSD 7.7 bn compared to 2006. The Bank has increased its overall deposit volumes by more than 90% to RSD

| 31.12.2007.          | RSD<br>(millions) | EUR<br>(millions) |
|----------------------|-------------------|-------------------|
| Balance Assets       | 37.859            | 478               |
| <b>Total Capital</b> | <b>10.215</b>     | <b>129</b>        |
| Equity Capital       | 10.040            | 127               |
| <b>Total Lending</b> | <b>23.327</b>     | <b>294</b>        |
| Total Deposits       | 25.777            | 325               |

|                        |        |
|------------------------|--------|
| Capital Adequacy Ratio | 39,08% |
|------------------------|--------|

Return on Equity 2,31%

|                     |     |
|---------------------|-----|
| Number of Employees | 958 |
|---------------------|-----|

Organizational Structure Head Office, 7 Business Centres, 46 Bank Branches, 9 Branch Offices

23.8 bn, with significant growth in both retail and corporate sector.

The Bank has continued its activities in the field of Corporate Social Responsibility which has also been noticed by general public and so far Erste Bank has won several awards in that field - Virtus 2007, CSR Award 2007, Bizart Award for strategic partnership of design and business sector, and four awards granted by Serbian Public Relations Society - for internal communications, corporate social responsibility and for two projects: Centrifuga and Club 27.

### ERSTE BANK A.D. NOVI SAD

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Bulevar oslobođenja 5  
Phone: 0800 201 201  
Fax: 021 48 90 651  
info@erstebank.rs  
www.erstebank.rs

Banka je tamo gde ste Vi.

## THERE IS ONLY ONE THING YOU NEED FROM A BANK. EVERYTHING

Findomestic Banka is part of BNP Paribas, one of the largest banking groups in the world, and Gruppo Banca CR Firenze. Findomestic Banka operates in Serbia as a universal bank, offering a full range of products and service for all clients on the market. Findomestic Banka is also the only bank in the Serbian market specialized in consumer finance.

Our efficiency and tailor-made approach to each client represent the key competitive advantage of our bank. In line with this approach, a part of our standard offer to SME's and entrepreneurs is a special commitment to provide a final answer to all loan requests up to EUR 20.000 within 24 hours. This is a clear example that illustrates our efficiency and responsibility in our everyday operations.

Furthermore, we managed to localize our international know-how in order to meet all consumer finance standards of our Group. All answers to loan requests are given on the spot and immediately. Our network consists of more than 1.600 point of sales in Serbia. Besides our branch network that covers all major cities, we also began implementing a new and unique distribution channel in Serbia, called Kredit butik. Considering the fact that this form of mini-branch will be present in high-frequency locations nationwide providing an entire range of banking products we are convinced that this new type of distribution network will soon become a true innovation in the Serbian banking market.

We remain dedicated to fulfilling our

| 31.12.2007.          | RSD<br>(millions) | EUR<br>(millions) |
|----------------------|-------------------|-------------------|
| Balance Assets       | 8.095             | 102               |
| <b>Total Capital</b> | <b>2.660</b>      | <b>34</b>         |
| Equity Capital       | 3.035             | 38                |
| <b>Total Lending</b> | <b>4.576</b>      | <b>58</b>         |
| Total Deposits       | 5.232             | 66                |

|                        |        |
|------------------------|--------|
| Capital Adequacy Ratio | 36,34% |
| Return on Equity       | 9,87%  |

|                     |     |
|---------------------|-----|
| Number of Employees | 356 |
|---------------------|-----|

Organizational Structure Head Office, 23 Branch Offices, 24 Kredit butika



mission and to being true to our slogan „The Bank is wherever you are” offering the one thing needed from a bank: Everything.

### FINDOMESTIC BANKA A.D. BEOGRAD

11000 Beograd, Kosovska 10  
Phone: (381) 11 333 60 00  
info@findomestic.co.yu  
www.findomestic.rs

### UNIQUE “CROSS-BORDER” DEALS

Over the past half decade of existence and flourishing operation in Serbia, Hypo Alpe-Adria-Bank a.d. Beograd has grown to one of key foreign investors and the fourth largest financial institution in the country in total placements, taking the position of a reliable, farsseeing and most prominent financial partner with over 80,000 clients, 800 employees and the network of 38 branches in all large towns and economic centres.

Hypo Bank in Serbia is a member of Hypo Group Alpe Adria from Austria, an international financial group with the business tradition of over 110 years. Currently, the Group network consists of 7,000 employees serving as many as 1.2 million clients in more than 350 branches of the Bank and Leasing in 12 countries (Austria, Italy, Slovenia, Croatia, Bosnia and Herzegovina, Serbia, Montenegro, Germany, Hungary, Bulgaria, Macedonia and Ukraine). In October 2007, Bayerische Landesbank became the majority owner of Hypo Group Alpe Adria, which includes Hypo Bank in Serbia as well.

Since Hypo Alpe-Adria-Bank a. d. Beograd has had a large and stable financial potential from the very beginning of its operation in the Serbian market, it is

| 31.12.2007.    | RSD<br>(millions) | EUR<br>(millions) |
|----------------|-------------------|-------------------|
| Balance Assets | 133.459           | 1.684             |
| Total Capital  | 18.461            | 233               |
| Equity Capital | 15.016            | 189               |
| Total Lending  | 68.201            | 861               |
| Total Deposits | 44.374            | 560               |

|                        |        |
|------------------------|--------|
| Capital Adequacy Ratio | 27,09% |
|------------------------|--------|

Return on Equity 11,59%

|                     |     |
|---------------------|-----|
| Number of Employees | 803 |
|---------------------|-----|

Organizational Structure Head Office, 18 Bank Branches

oriented to long-term investment financing. Therefore, over the last five years, Hypo Alpe-Adria-Bank a. d. Beograd has become one of the most prominent incentive-providers to the economic growth and development in Serbia. In the domestic market, the Bank is unique for its specific financing of large projects from Austria through the so-called „cross-border” activities.

Moreover, the clients of Hypo Bank are offered the combined services of other Serbian companies - members of the Group, Hypo Leasing and Hypo Securities.



#### HYPOTANK ALPE-ADRIA-BANK AD BEOGRAD

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www.hypo-alpe-adria.rs



# JUBMES banka a.d. Beograd

## A SYNTHESIS OF THE UNIVERSAL AND SPECIALIZED BANKING AND INVESTMENT BANKING DEVELOPMENT

JUBMES banka a.d. was founded in 1979, as an export credit agency specialized for exports financing and insurance, and since 1997 it has been operating as a commercial bank. Combining positive experiences of an export credit agency and of a highly ranked commercial bank, the Bank situated its position in the market as a modern, adjustable financial institution, rendering wide scope of traditional banking products and services, as well as innovative ones, in order to meet the challenges of dynamic banking market. This orientation is followed by the development of risk management system, professional and skills improvement of the staff, modern information technology facilities, as well as the application of the concept of corporative social responsibility.

In accordance with new provisions regulating the local financial sector due to European integration process etc, the Bank is making a lot of efforts to keep a profile of a modern, competitive bank, active in a capital market, particularly by presenting new package of investment banking products, in cooperation with JUBMES Invest a. d. Asset Management Company and others.

The Bank focuses its development strategy towards the model of a traditional commercial bank, but specialized also for giving financial support to Serbian exports, for creating new products and services tailored to the specific client base needs, for rendering experts and technical assistance in collecting claims from foreign debtors etc. The Bank thereby merits a position of an important partner, ready for cooperation with financial

| 31.12.2007.    | RSD<br>(millions) | EUR<br>(millions) |
|----------------|-------------------|-------------------|
| Balance Assets | 5.122             | 64,6              |
| Total Capital  | 3.024             | 38,2              |
| Equity Capital | 1.290             | 16,3              |
| Total Lending  | 2.893             | 36,0              |
| Total Deposits | 2.099             | 26,5              |

|                        |        |
|------------------------|--------|
| Capital Adequacy Ratio | 68,82% |
|------------------------|--------|

Return on Equity 16,64%

Number of Employees 115

Organizational Structure Head Office



institutions from the region applying CEFTA and other trade agreements, giving its contributions to European integrations process implementation.

### JUBMES BANKA AD BEOGRAD

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Phone: (381) 11 2205 500  
Fax: (381) 11 311 0217  
[www.jubmes.co.yu](http://www.jubmes.co.yu)

## ASSETS TRIPLED IN SIZE

KBC Banka ad Beograd is the member of KBC Group, the leading financial concern in Europe. The KBC Bank and insurance group is geographically located in Europe and offers the services primarily to the retail clients, corporate clients and public institutions.

In the course of the last few years, KBC Group managed to achieve the leading position on the European market. KBC Group has a very significant and even the leading position on two local markets: Belgium and Central and Eastern Europe. After buying the 100% of shares of A Banka, in June 2007 it has been present on the Serbian market as well.

The Bank realized good results during the previous year, especially owing to the successful start of integration of A Banka into the KBC Group. In 2007, KBC Banka recorded the double increase in assets (total amount of assets 9.2 billion RSD). Compared to the last year, the credit and



| 31.12.2007.    | RSD<br>(millions) | EUR<br>(millions) |
|----------------|-------------------|-------------------|
| Balance Assets | 9.226             | 116,4             |
| Total Capital  | 2.207             | 27,8              |
| Equity Capital | 2.207             | 27,8              |
| Total Lending  | 3.561             | 44,9              |
| Total Deposits | 6.624             | 83,6              |

|                        |     |
|------------------------|-----|
| Capital Adequacy Ratio | 43% |
|------------------------|-----|

|                  |   |
|------------------|---|
| Return on Equity | - |
|------------------|---|

|                     |     |
|---------------------|-----|
| Number of Employees | 383 |
|---------------------|-----|

|                          |  |
|--------------------------|--|
| Organizational Structure | Head Office, 17 Bank Branches, 26 Branch Offices |
|--------------------------|--|

deposit balance sheet is on the increase. In addition, the trend of increase was also recorded in the retail credits by 81%, and in the deposits by 72%. The SME credits also rose by 65% and the deposits by as much as 170 percent.

The Chairman of the Executive Committee of KBC Banka Avram Milenkovic stressed that KBC Banka plans the increase of market share of KBC Banka on the Serbian market in the next three years, primarily in the field of mortgage and consumption loans and further development of the corporative segment of the Bank, especially in the domain of SMEs.

### KBC BANKA AD BEOGRAD

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[www.kbcbanka.rs](http://www.kbcbanka.rs)



# KOMERCIJALNA BANKA

## LEADER IN FOREIGN CURRENCY SAVINGS OF CITIZENS

Komercijalna Banka, in the course of previous 37 years, maintained the position of a strong, recognizable and esteemed financial institution, ranking itself among the very top institutions in the banking field of the region.

Due to a widespread network of business units the Bank renders a complete banking service in an efficient and qualitative manner for more than 700,000 clients in the country and abroad. The Bank is a 100% owner of Komercijalna Banka a.d. Budva, with the network of 14 branches across Montenegro, it is the owner of the Bank in Banja Luka with 14 branches in its network, it has a business unit in Frankfurt and a representative office in Zagreb.

The trust Komercijalna Banka enjoys among citizens is the main reason for continuous foreign currency savings growth which, at the end of 2007., exceeded the amount of EUR 800 million. In this way, the Bank once again proved its leading position in the area of foreign currency savings in Serbia.

A large number of loan programmes aimed at financing of small and medium size enterprises, as well as large corporate entities, make Komercijalna Banka one of the pillars of Serbian economy.

The offer to all types of clients has been completed starting from the most numerous – standard clients to the clients with quite specific requests for whom the Bank opened an exceptionally functional and contemporary equipped sub-branch which, as per many criteria, highly exceeds the standards set in the local area. Investment Funds Management Company has been established, as well.

| 31.12.2007.              | RSD<br>(millions)   | EUR<br>(millions) |
|--------------------------|---|-------------------|
| Balance Assets           | 147.203   | 1.858             |
| Total Capital            | 19.169  | 242               |
| Equity Capital           | 13.188  | 166               |
| Total Lending            | 93.750  | 1.183             |
| Total Deposits           | 124.611   | 1.573             |
| Capital Adequacy Ratio   | 13,56%  |                   |
| Return on Equity         | 22,35%  |                   |
| Number of Employees      | 3.053   |                   |
| Organizational Structure | Head Office, 25 Bank Branches, 265 Branch Offices, 2 Operating Units, 1 Representative Office |                   |



### KOMERCIJALNA BANKA A.D. BEOGRAD

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www.kombank.com



## IN SPITE OF DIFFICULTIES, BUSINESS IN LINE WITH REGULATORY FRAMEWORK

During the last eight years Kosovsko Metohijska bank a.d. Zvecan has been operating under the regime of the Resolution 1244 of the Security Counsel of UN in Kosovo and Metohija, in all major towns and smaller places where the rest of Serbian people and other citizens have been living.

There is a constant expectation of the share-holders, clients and the employees of the Bank that the organs of UMNİK should return possession of the usurped real estates in the amount of 21,0 milion of Euros. However UMNİK does not return the assets and real estates, nor it issues the guarantee for operation of the Bank based on the share-holders possession.

The usurpation of the assets caused that the deposits potentials of the Bank should be decreased, so it is highly necessary to provide credit potentials and normally the income for a normal operation, which altogether deepens the uncertainty and statics of balance of the Bank.

The approved amount of financial means in amount of 52 million dinar by NBJ, due to the fall of deposits in Kosovo and Metohija, for Force major, was kept on the



| 31.12.2007.    | RSD<br>(millions) | EUR<br>(millions) |
|----------------|-------------------|-------------------|
| Balance Assets | 570               | 7,2               |
| Total Capital  | 218               | 2,7               |
| Equity Capital | 209               | 2,6               |
| Total Lending  | 195               | 2,5               |
| Total Deposits | 333               | 4,2               |

|                        |        |
|------------------------|--------|
| Capital Adequacy Ratio | 87,85% |
|------------------------|--------|

|                  |       |
|------------------|-------|
| Return on Equity | 0,01% |
|------------------|-------|

|                     |    |
|---------------------|----|
| Number of Employees | 81 |
|---------------------|----|

|                          |                                    |
|--------------------------|------------------------------------|
| Organizational Structure | Head Office, 14<br>Operating Units |
|--------------------------|------------------------------------|

account of Beogradska bank a.d. Beograd untill its bankruptcy on 04.01.2002. Other two banks from K&M had the financial means approved for the same purpose on 30.12.1999, and transferred to their accounts, but Kosovsko Metohijska bank has not received any of these finances yet.

The bank had the promise by the competent authorities of a donation or a recapitalization, yet these promises were not realized. Payment operations and reporting to NBS have been functioning in accordance with regulations.

**KOSOVSKO METOHIJSKA BANKA  
AD ZVEČAN**

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komet\_ba@ptt.rs

www.kosmet-banka.com



# MARFIN BANK

## THE BANK OF NEW OPPORTUNITIES

Marfin Group is a robust financial organisation which enjoys high reputation for its professionalism internationally. It operates in Cyprus, Greece, Great Britain, Australia, Romania, Bulgaria, Ukraine, Estonia and its representative offices can be found all over the world.

Our Bank has been operating in Serbia since 2006. The investments and support of Marfin Bank are opening new business possibilities and further development on its way to become one of the leading banks on the Serbian market. Our Bank's business policy is based on dynamic changes and innovations which are tailor-made to the clients' needs.

Benefiting from the synthesis of tradition and the highest values of contemporary operations Marfin Bank has

| 31.12.2007.    | RSD<br>(millions) | EUR<br>(millions) |
|----------------|-------------------|-------------------|
| Balance Assets | 15.361            | 193,9             |
| Total Capital  | 3.401             | 43                |
| Equity Capital | 2.033             | 25,7              |
| Total Lending  | 8.789             | 111               |
| Total Deposits | 11.346            | 143               |

|                        |        |
|------------------------|--------|
| Capital Adequacy Ratio | 24,38% |
|------------------------|--------|

|                  |   |
|------------------|---|
| Return on Equity | - |
|------------------|---|

|                     |     |
|---------------------|-----|
| Number of Employees | 373 |
|---------------------|-----|

|                          |  |
|--------------------------|--|
| Organizational Structure | Head Office, 16 Bank Branches, 2 Operating Units, 2 Branch Offices |
|--------------------------|--|



been positioning itself on the local market to become a crucial factor in the banking sector in the whole region. Marfin Bank is a client-oriented bank, the fact which binds us even more to meet our clients' needs by restructuring the existing and tailor-making new banking products and services.

**MARFIN BANK AD  
BEOGRAD**

11000 Beograd,

Dalmatinska 22

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Fax: (381) 11 32 41 448

[www.marfinbank.rs](http://www.marfinbank.rs)

### SUPPORT TO DEVELOPMENT OF LOCAL COMMUNITY

Meridian Bank is operating on domestic market as a member of Crédit Agricole Group, the largest banking group in Europe, with companies in more than 70 countries worldwide.

Thanks to its size, strength, but also application of basic business principles, the Group represents strong support and provides numerous possibilities for further development of Meridian Bank Crédit Agricole Group in Serbia.

The Bank currently has a network of more than 100 strategically placed branches covering the complete country's territory.

For more than 180,000 clients - citizens, entrepreneurs and companies - apart from standard services, that encompass establishing and maintaining current RSD, foreign currency and other accounts, authorized overdraft and payment cards that can be used for payments in the



country and abroad, the Bank offers special conditions for RSD and foreign currency savings, as well as housing, consumer and cash loans.

Special offers are made for corporate clients, SBE and agricultural clients.

| 31.12.2007.          | RSD<br>(millions) | EUR<br>(millions) |
|----------------------|-------------------|-------------------|
| Balance Assets       | 32.105            | 405               |
| <b>Total Capital</b> | <b>6.405</b>      | <b>81</b>         |
| Equity Capital       | 6.405             | 96                |
| <b>Total Lending</b> | <b>20.050</b>     | <b>253</b>        |
| Total Deposits       | 22.868            | 289               |

|                        |        |
|------------------------|--------|
| Capital Adequacy Ratio | 35,28% |
|------------------------|--------|

|                  |   |
|------------------|---|
| Return on Equity | - |
|------------------|---|

|                     |     |
|---------------------|-----|
| Number of Employees | 957 |
|---------------------|-----|

|                          |   |
|--------------------------|---|
| Organizational Structure | Head Office, 99 Bank Branches, 3 Cash Offices, 8 Regional Centres |
|--------------------------|---|

Insurance services are offered by insurance company CA Life which has a license from NBS to sell insurance products on specially marked counters at branches of Meridian Bank Crédit Agricole Group.

Having in mind its responsibility towards the community, Meridian Bank Crédit Agricole Group has participated in numerous projects that support development of local community.

#### MERIDIAN BANK AD, NOVI SAD

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## GROWTH OF ASSETS, DEPOSITS AND PROFITS

The performance of METALS-BANKA AD Novi Sad has been successful since 1990, when the bank was established by 37 companies of metal business complex. Metals Banka provides all kinds of banking services within its widely spread network. Thus, the Bank pursues its policy to support development of enterprise, economy and agriculture, while providing enhancement to ever wider range of services in the field of retail operations.

The best proof of a stable organisation with a good perception in terms of finding excellent investment opportunities is the fact that Metals Banka AD Novi Sad ranks the second among the banks in Serbia according to all relevant indicators used to assess a bank performance (assets growth, net profit growth, deposits etc.). The Bank's shareholders are particularly satisfied with the Bank's performance since the profit generated last year amounts to EUR 12.5 million.

The results achieved during 2007 highlight the significance of considerable investments in further development of branch network. Thus, Metals Banka has the tenth largest network among Serbian banks, currently numbering for 105 business units throughout Serbia, from Palić to Pirot.

In addition to standard banking services, Metals Banka offers a special line of products called „Banka Plus“ which comprises facilities of stipulating life insurance policies of the renowned insurer DDOR Novi Sad a.d. as well as purchasing investment units of Fima ProActive and FocusPremium investment funds. The bank is authorised for broker-dealer operations and in November 2007 it obtained the licence for custody operations.

| 31.12.2007.    | RSD<br>(millions) | EUR<br>(millions) |
|----------------|-------------------|-------------------|
| Balance Assets | 18.504            | 234               |
| Total Capital  | 7.475             | 95                |
| Equity Capital | 4.188             | 53                |
| Total Lending  | 10.699            | 135               |
| Total Deposits | 10.682            | 135               |

|                        |        |
|------------------------|--------|
| Capital Adequacy Ratio | 32,72% |
|------------------------|--------|

|                  |     |
|------------------|-----|
| Return on Equity | 25% |
|------------------|-----|

|                     |     |
|---------------------|-----|
| Number of Employees | 548 |
|---------------------|-----|

|                          |  |
|--------------------------|--|
| Organizational Structure | Head Office, 21 Bank Branches, 59 Branch Offices |
|--------------------------|--|



### METALS BANKA AD NOVI SAD

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## AMBITIOUS PLANS FOR FURTHER EXPANSION

Prva preduzetnička banka a.d., Beograd was established in 1992, based on a concept of mixed ownership with prevailing participation of the private capital, marked, in particular, with presence of high percentage of foreign capital (46%). The long-term stable market position, noticeable trend of ever-expanding business activities, along with constant striving to satisfy the growing and more sophisticated needs of its clients laid the foundation for Bank's further growth and development, which, in mid 2003 led to significant changes in Bank's ownership status. Namely, by way of capital increase LHB Internationale Handelsbank AG, Frankfurt am Main became the Bank's new majority owner. In view of the afore said, it should be noted that LHB Bank Frankfurt operates as the member of Nova Ljubljanska banka, which represents one of the most successful banking groups in Europe, particularly in Southeastern Europe.

Today, LHB Banka operates as an integral part of the organizational scheme of LHB Bank Frankfurt, using complementary procedures tailored in line with specific requirements of the local market. As a modern bank, LHB Banka distinguishes itself through quality and diversification of its products and services, up-to-date technological solutions and the number of its clients. With its well expanded network of branches and ATMs, LHB Banka holds a significant position within the banking sector in Serbia, aiming, at the same time, at further expansion and improvement of its overall business performance.

The Bank possesses and implements the Certificate FS 39013 issued by the British Standards Institute, which confirms that LHB Banka has established and

| 31.12.2007.              | RSD<br>(millions)  | EUR<br>(millions) |
|--------------------------|--|-------------------|
| Balance Assets           | 17.236   | 217,5             |
| Total Capital            | 1.511  | 19                |
| Equity Capital           | 1.032  | 13                |
| Total Lending            | 8.315  | 105               |
| Total Deposits           | 14.768   | 186               |
| Capital Adequacy Ratio   | 19,04%   |                   |
| Return on Equity         | 19,66%   |                   |
| Number of Employees      | 471  |                   |
| Organizational Structure | Head Office, 16 bank Branches, 39 Branch Offices, 6 Cash Offices |                   |



implemented the quality management and control system in compliance with requirements set up by BS EN ISO 9001:2000.

### NLB LHB BANKA BEOGRAD A.D.

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# NLB Continental banka

## BROAD RANGE OF BANKING PRODUCTS

NLB Continental banka is a member of NLB Group which represents the largest banking-financial group in Slovenia. Wide business network of NLB Continental Banka consists of 73 subsidiaries and branch offices in the largest commercial centers in Vojvodina and Belgrade. NLB Continental banka a.d. Novi Sad operates as a universal bank which means that it provides its corporate and individual clients with a wide range of banking products according to their needs, requests and expectations.



All banking operations concerning retail clients, SMEs, entrepreneurs and also large corporate clients can be performed in business offices, and the bank's employees respond to all clients' requests within the shortest period of time, whether it concerns cash transactions or giving advice and answering clients' questions.

NLB group is the largest Slovenian international financial group operating in

| 31.12.2007.    | RSD<br>(millions) | EUR<br>(millions) |
|----------------|-------------------|-------------------|
| Balance Assets | 25.075            | 316               |
| Total Capital  | 4.193             | 53                |
| Equity Capital | 4.353             | 55                |
| Total Lending  | 14.186            | 179               |
| Total Deposits | 13.594            | 172               |

|                        |        |
|------------------------|--------|
| Capital Adequacy Ratio | 24,44% |
|------------------------|--------|

Return on Equity 10,2%

|                     |     |
|---------------------|-----|
| Number of Employees | 472 |
|---------------------|-----|

Organizational Structure Head Office, 9 Bank Branches, 27 Branch Offices, 27 Agencies

18 different markets. 61 members operate within NLB group. Comprising 16 banks, 11 leasing companies, 12 international financial transaction companies, 5 insurance companies, company in asset management and 16 other companies, this group is enabled to offer its most diverse financial services to its clients even the largest ones such as states and large corporations. NLB Group has 1500 correspondent connections in 140 states, employing 9000 people. Moody's Aa3, Fitch A- i Capital Intellience A are international solvency rates which enable NLB Group's access to the international monetary funds.

**NLB CONTINENTAL BANKA A.D  
NOVI SAD**

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[www.cont.co.yu](http://www.cont.co.yu)

## BANK THAT GIVES EVERYONE A CHANCE

2007 was a year of transformation of Opportunity Savings Bank founded in July 2002 into Opportunity Bank J.S.C. Novi Sad. Main business orientation of Opportunity Bank is to provide financial services to entrepreneurs and small enterprises, as well as agricultural producers in Serbia.

Opportunity Bank is a member of „Opportunity International” - global network of microfinancial organizations, founded in Chicago in 1971, which is active in 28 countries around the world. Opportunity Bank’s shareholders are Opportunity Transformation Investments Inc. with 63,51%, European Bank for Reconstruction and Development (EBRD) with 19,11%, as well as Dutch financial organizations FMO and Oikocredit. Main partner of Opportunity Bank in Serbia is the US Agency for International Development (USAID).

Since May 2007 Opportunity Bank doubled its lending portfolio to micro and small businesses and agricultural producers and raised over 9 million EUR in savings, as well as opened more than 4,000 bank accounts.

Lack of red tape, its lending methodology, personal approach, unique start-up loans and „mobile” Client Advisers, are just some of the special characteristics of Opportunity Bank, whose main goals are to support the development of entrepreneurship and provide opportunities for the unemployed and economically disadvantaged..

| 31.12.2007.          | RSD<br>(millions) | EUR<br>(millions) |
|----------------------|-------------------|-------------------|
| Balance Assets       | 2.326             | 29,35             |
| <b>Total Capital</b> | <b>1.132</b>      | <b>14,28</b>      |
| Equity Capital       | 1.107             | 14                |
| <b>Total Lending</b> | <b>1.485</b>      | <b>18,74</b>      |
| Total Deposits       | 735               | 9,28              |

|                        |        |
|------------------------|--------|
| Capital Adequacy Ratio | 66,87% |
|------------------------|--------|

|                  |   |
|------------------|---|
| Return on Equity | - |
|------------------|---|

|                     |    |
|---------------------|----|
| Number of Employees | 77 |
|---------------------|----|

|                          |   |
|--------------------------|---|
| Organizational Structure | Head Office, 4 Bank Branches, 7 Operating Units |
|--------------------------|---|



### OPPORTUNITY BANK J.S.C. NOVI SAD

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## CUSTOMERS ORIENTED, FOCUSED ON THEIR NEEDS

OTP banka Srbija is the member of the international OTP Group, the leading financial group in Hungary, which, through its subsidiaries in Bulgaria, Croatia, Montenegro, Russia, Romania, Slovakia and Ukraine, has become the key player on the banking market of Central and East Europe. The OTP Group currently serves about 11 million clients in nine countries, with around 33 thousand employees and around 1500 branches.

OTP banka Srbija is a client-oriented bank with open and straightforward communication. The Bank will try to establish different style from the rigid



financial cant, and at the same time, to be precise just as it should be, not violating the legal regulations. The Bank would like to communicate in a friendly manner. OTP banka Srbija has complex and fast customer-focused service, understanding clients' needs and providing simple, fast and convenient solutions. The advantage

| 31.12.2007.          | RSD<br>(millions) | EUR<br>(millions) |
|----------------------|-------------------|-------------------|
| Balance Assets       | 35.350            | 446               |
| <b>Total Capital</b> | <b>11.781</b>     | <b>149</b>        |
| Equity Capital       | 6.950             | 88                |
| <b>Total Lending</b> | <b>20.762</b>     | <b>262</b>        |
| Total Deposits       | 15.640            | 197               |

|                        |        |
|------------------------|--------|
| Capital Adequacy Ratio | 30,40% |
| Return on Equity       | 9,75%  |

|                     |       |
|---------------------|-------|
| Number of Employees | 1.126 |
|---------------------|-------|

|                          |   |
|--------------------------|---|
| Organizational Structure | Head Office, 15 Corporate Bank Branches, 44 Retail Bank Branches, 41 Branch Offices |
|--------------------------|---|

of OTP banka Srbija is also in the fact that it takes its roots in a European neighboring country that went through a similar transition process as the current Serbian transition. OTP banka Srbija offers Central European expertise and knowledge and banking experience from more advanced financial market in Hungary. Hungary's EU membership serves as a bridge between this region and Europe. Of course, local experience of Bank predecessors and solid client base means a lot. Competitive advantage of OTP banka Srbija is based on the quality of our diverse services and on trust of its customers.

### OTP BANKA AD NOVI SAD

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## DYNAMIC GROWTH

Piraeus Bank A.D. Belgrade, a member of Piraeus Bank Group, has been present on Serbian market since May 2005. With particular know-how and experience in corporate, retail and SME banking, Piraeus Bank business philosophy is to comply with the highest international standards and norms when providing banking products and services based on the cutting-edge techniques and technology.

Piraeus Bank A.D. Belgrade has recorded a continuous growth in all business segments. Key indicator of successful business in 2007 is the increase in total assets of 103.2% compared to total assets in late 2006.

This growth particularly resulted from the increased loan portfolio in retail, SME and corporate banking. Throughout 2007, the Bank increased its loan portfolio by 126.5%, compared to total loans approved by the end of 2006. In the same period, total deposit volume rose by 27.5%.

Orientation towards Serbian market and commitment to constant dynamic growth is confirmed by the fact that in 2007

| 31.12.2007.          | RSD<br>(millions) | EUR<br>(millions) |
|----------------------|-------------------|-------------------|
| Balance Assets       | 35.578            | 449               |
| <b>Total Capital</b> | <b>7.039</b>      | <b>89</b>         |
| Equity Capital       | 7.039             | 89                |
| <b>Total Lending</b> | <b>20.072</b>     | <b>253</b>        |
| Total Deposits       | 19.068            | 241               |

|                        |        |
|------------------------|--------|
| Capital Adequacy Ratio | 47,50% |
|------------------------|--------|

|                  |   |
|------------------|---|
| Return on Equity | - |
|------------------|---|

|                     |     |
|---------------------|-----|
| Number of Employees | 520 |
|---------------------|-----|

|                          |                               |
|--------------------------|-------------------------------|
| Organizational Structure | Head Office, 45 Bank Branches |
|--------------------------|-------------------------------|

Piraeus Bank capital was increased two times: in April by 39 million euros and in June by 25 million euros. In early 2008, the Bank additionally increased its capital by 25 million euros and realized total capital value of 113.4 million euros.

Three new companies: Piraeus Leasing, Piraeus Rent and Piraeus Real Estate were set up in 2007. with aim to further improve and extend our offer.



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PRIVREDNA BANKA BEOGRAD AD

*36 godina sa Nama*

## THE YEAR OF DEVELOPMENT AND MODERNISATION

Privredna Banka Beograd AD is a bank with 35 years of tradition. The prevailing banking products are loans, guarantees, demand and short-term deposits, and international payments.

The Bank is a member of the Serbian Central Securities Registry.

The Bank's shareholders include the Republic of Serbia, local companies and small businesses, but also an increasing number of foreign investors (over 17%) whose transactions make a significant portion of trading in the Bank's shares on the Belgrade Stock Exchange. The Bank's shares held by individuals account for over 12% of its capital. The shares of Privredna banka are among 10 most liquid shares traded on the Belgrade Stock Exchange.

The year of 2007 will be remembered as a year of intensive development and modernising efforts, both towards the expansion of the Bank's branch network and strengthened credit portfolio, upgraded corporate governance, technological and staff resources. The appropriately implemented steps in restructuring the Bank were best endorsed by the trust placed in it by international financial institutions (EIB, EBRD, EFSE) through agreements on long-term credit facilities to support retail

| 31.12.2007.    | RSD<br>(millions) | EUR<br>(millions) |
|----------------|-------------------|-------------------|
| Balance Assets | 11.888            | 150               |
| Total Capital  | 2.741             | 35                |
| Equity Capital | 2.342             | 29,5              |
| Total Lending  | 4.033             | 51                |
| Total Deposits | 7.758             | 98                |

|                        |        |
|------------------------|--------|
| Capital Adequacy Ratio | 63,81% |
|------------------------|--------|

Return on Equity 7,55%

|                     |     |
|---------------------|-----|
| Number of Employees | 349 |
|---------------------|-----|

Organizational Structure Head Office

and small business mortgage lending, financing SME investment projects, etc.

The Bank has been successfully extending its business in all directions: corporate, retail and small businesses while the year of 2008 will see its even more effectively launched activities in the area of fund management and investment banking. These will be the services provided to customers fully in compliance with international standards, and the adequate background has been created by the resolution to found an investment fund management company with the Slovenian partner Publikum.



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**PRIVREDNA BANKA  
A.D. PANČEVO  
1869**

## **DOUBLED SIZE OF RETAIL SECTOR CREDITING ACTIVITIES**

In 2007. Privredna banka a.d. Pancevo continually proceeded to maintain the tendency of good business results. In addition to the positive financial result, balance-sheet sum in 2007 incremented for 10 percent to 6 billion dinars. Deposits from the clients considerably increased for 47 percent, amounting to 1.7 billion dinars. The most efficient growth has been recorded with the citizen's deposits, which increased for 74 percent, resulting from the relatively high interest rates on domestic and foreign savings, as well as from the confidentiality and safety rendered from the Bank to its clients.

Placements to the clients have increased for 8 percent, now making 4.4 billion dinars. The most significant part of its funds the Bank has been allocating into



placements to the commercial entities, i.e. 3.8 billion dinars. Moreover, the Bank has been constantly reviewing needs of the citizens and therefore introduced new credit products, which, compared to those in 2006 more than doubled.

At the beginning of 2007 the Bank was granted a permission to conduct transactions of an authorized bank, which made it possible for the bank to offer its clients wide range of services regarding

| 31.12.2007.          | RSD<br>(millions) | EUR<br>(millions) |
|----------------------|-------------------|-------------------|
| Balance Assets       | 6.028             | 76                |
| <b>Total Capital</b> | <b>3.793</b>      | <b>48</b>         |
| Equity Capital       | 2.421             | 31                |
| <b>Total Lending</b> | <b>4.428</b>      | <b>56</b>         |
| Total Deposits       | 2.074             | 26                |

|                               |               |
|-------------------------------|---------------|
| <b>Capital Adequacy Ratio</b> | <b>43,08%</b> |
|-------------------------------|---------------|

Return on Equity 0,40%

|                            |            |
|----------------------------|------------|
| <b>Number of Employees</b> | <b>331</b> |
|----------------------------|------------|

Organizational Structure Head Office, 5 Operating Units, 8 Branch Offices, 2 Cash Offices

investment banking. Opening of the branch-office in Vrsac, enabled bank to cover the whole territory of the South Banat, and marked its business activities in 2007.

The Bank made its contribution to the improvement of the quality of life within its own business community, by investing in health care, culture, sport and education, as well as granting numerous donations, but at the same time, development of the Bank, caring of its customers and employees, also shows that pursuing profit is not the only objective we aim to, but indicates our clearly defined mission we actively execute in practice.

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# ProCredit Bank

## LEADER IN PROVIDING LOANS TO SMES AND THE AGRICULTURAL SECTOR

ProCredit Bank is a financial institution which is committed to the principle of responsible banking in all its operations. The bank, which has been in business for seven years, is part of an international network comprising a group of 22 banks that share the same system of values, corporate culture and orientation towards high-quality services.

ProCredit Bank currently operates through a network of 67 branches located in 43 cities throughout Serbia. At present, the ProCredit team is made up of over 1,700 responsible young professionals, dedicated to providing high-quality service to our clients, living out our corporate spirit and values, and creating an open and pleasant atmosphere in our branches.

As a reliable partner for small and medium enterprises, we try to understand our clients' needs and respond with tailor-made products and services. Based on our experience in working with this segment of the economy, we developed ProBiznis loans that can respond to all investment needs of SMEs. Besides the SME sector, ProCredit Bank also supports the development of the agricultural sector, including individual farmers, agricultural co-operatives and other rural enterprises. ProCredit Bank places special emphasis on the promotion of a savings culture and the financial education of its clients.

ProCredit Bank is currently the business partner of 60.000 enterprises and entrepreneurs throughout Serbia, and provides services to over 230.000 residents and their families.

| 31.12.2007.          | RSD<br>(millions) | EUR<br>(millions) |
|----------------------|-------------------|-------------------|
| Balance Assets       | 62.951            | 794               |
| <b>Total Capital</b> | <b>4.884</b>      | <b>62</b>         |
| Equity Capital       | 3.689             | 46                |
| <b>Total Lending</b> | <b>35.396</b>     | <b>447</b>        |
| Total Deposits       | 43.959            | 555               |

|                        |        |
|------------------------|--------|
| Capital Adequacy Ratio | 15,17% |
|------------------------|--------|

|                  |        |
|------------------|--------|
| Return on Equity | 13,35% |
|------------------|--------|

|                     |       |
|---------------------|-------|
| Number of Employees | 1.743 |
|---------------------|-------|

|                          |                                |
|--------------------------|--------------------------------|
| Organizational Structure | Head Office, 67 Branch Offices |
|--------------------------|--------------------------------|



### PROCREDIT BANK A.D. BELGRADE

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# Raiffeisen BANK

## MAJOR CREDITOR OF SERBIAN ECONOMY

Raiffeisen banka a.d. is a member of the Raiffeisen Banking Group, the leading banking group in Central and Eastern Europe. It began its operation in Serbia in 2001 and today, seven years afterwards, it is the leader in the banking industry.

The offer of retail banking services is one of the most varied and comprehensive in the local banking market. The know-how provided by Raiffeisenbanks in the region and the head office in Vienna is an invaluable asset when introducing new services. The bank has more than 500.000 clients in this sector, which is proof of confidence and professionalism.

Today, Raiffeisen banka is also the leading bank in corporate banking and the Raiffeisen Banking Group is the largest creditor in Serbia. However, the structure of credits has changed significantly when compared to the year 2006. In order to offer even more competitive credit conditions to corporate clients, the Raiffeisen Banking Group enabled the Serbian economy cross-border financing through Raiffeisen International Head Office (RIHO) in Vienna as an additional crediting possibility, apart from the existing financing through Raiffeisen banka a.d. from Belgrade. Because of this, the volume of the local credit portfolio has changed, although the total volume of credits issued by the Raiffeisen Banking Group to corporates grew significantly



| 31.12.2007.    | RSD<br>(millions) | EUR<br>(millions) |
|----------------|-------------------|-------------------|
| Balance Assets | 157.140           | 1.983             |
| Total Capital  | 34.797            | 439               |
| Equity Capital | 24.703            | 312               |
| Total Lending  | 83.133            | 1.049             |
| Total Deposits | 113.655           | 1.434             |

|                        |        |
|------------------------|--------|
| Capital Adequacy Ratio | 20,71% |
|------------------------|--------|

|                  |     |
|------------------|-----|
| Return on Equity | 22% |
|------------------|-----|

|                     |       |
|---------------------|-------|
| Number of Employees | 2.075 |
|---------------------|-------|

|                          |                               |
|--------------------------|-------------------------------|
| Organizational Structure | Head Office, 91 Bank Branches |
|--------------------------|-------------------------------|

compared to the previous year and, as at April 2008, exceeds 835 million euros, with more than 650 million euros of which have been issued through RIHO.

The Small Enterprises & Micro Division offers all-purpose credit facilities in order to follow up the dynamic needs of its clients. There are now more than 25.000 clients in this sector. The Treasury & Investment Banking Division offers to its clients high-standard products and services in dealing with the foreign currency market and money market, brokerage and custody business and is considered leading in its field.

### **RAIFFEISEN BANKA A.D. BEOGRAD**

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# SOCIÉTÉ GÉNÉRALE SRBIJA

## 30 YEARS IN SERBIA

Société Générale Serbia is the oldest bank with majority foreign capital in Serbia. Under a new name, it recently celebrated a unique jubilee - 30 years of its presence in Serbia, initially as Societe Generale Paris's rep office, and from 1991, as Société Générale Yugoslav Bank.

As a universal bank, Société Générale Serbia offers a full range of services to both large domestic and foreign companies and small and medium companies and entrepreneurs including, in addition to payment operations and documentary business, all forms of short-term loans for the working capital and various investment needs. Opting for organic growth, by year 2007, the Bank opened a total 88 branch offices and engaged more than 1.000 staff members servicing around 250.000 clients.

Of the numerous retail loan and deposit products, two especially marked last year: The VISA O-la-la card - the only bank on the market offering gifts and discounts to clients, and the equally unique housing loans with fixed interest rate and installments in Euros throughout the repayment period. The Bank also offers dealer, broker and custody services, private banking services, merger and acquisition counseling, as well as leasing services, whereas its voluntary pension fund and insurance company are in the process of being established.

The bank is part of Société Générale Group, into which more than 27.5 million clients have placed their trust in 82 world countries and which magazine Euromoney proclaimed bank of the year in France and

| 31.12.2007.    | RSD<br>(millions) | EUR<br>(millions) |
|----------------|-------------------|-------------------|
| Balance Assets | 66.989            | 845               |
| Total Capital  | 16.508            | 208               |
| Equity Capital | 12.897            | 163               |
| Total Lending  | 38.471            | 485               |
| Total Deposits | 39.834            | 503               |

|                        |        |
|------------------------|--------|
| Capital Adequacy Ratio | 31,06% |
|------------------------|--------|

|                  |        |
|------------------|--------|
| Return on Equity | 14,13% |
|------------------|--------|

|                     |       |
|---------------------|-------|
| Number of Employees | 1.071 |
|---------------------|-------|

|                          |                                |
|--------------------------|--------------------------------|
| Organizational Structure | Head Office, 88 Branch Offices |
|--------------------------|--------------------------------|



best private banking bank in the world in 2007.

### SOCIÉTÉ GÉNÉRALE SERBIA AD BEOGRAD

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## IMPECCABLE BANKING RATING

SRPSKA BANKA a.d. Belgrade is a bank with many years of experience in carrying out banking operations. It is a bank with a perfect credit solvency, high liquidity in both local and foreign currency, expert and experienced, as well as, young and inventive staff. The majority shareholder of Srpska Banka a.d. is the Government of the Republic of Serbia with a 96.52 percent stock shares.

With the aim of making our services available to a wider population in Serbia, we decided to expand our banking network. Last year, our business network was increased by 6 (six) new operational units and the expansion of the business network will be continued in the year 2008 with the opening of business units in Belgrade as well in other larger Serbian cities.

| 31.12.2007.    | RSD<br>(millions) | EUR<br>(millions) |
|----------------|-------------------|-------------------|
| Balance Assets | 10.035            | 126,6             |
| Total Capital  | 3.033             | 38,3              |
| Equity Capital | 1.617             | 20,4              |
| Total Lending  | 4.564             | 58                |
| Total Deposits | 6.760             | 85,4              |

|                        |        |
|------------------------|--------|
| Capital Adequacy Ratio | 53,55% |
|------------------------|--------|

|                  |      |
|------------------|------|
| Return on Equity | 1,1% |
|------------------|------|

|                     |     |
|---------------------|-----|
| Number of Employees | 380 |
|---------------------|-----|

|                          |                                   |
|--------------------------|-----------------------------------|
| Organizational Structure | Head Office, 8<br>Operating Units |
|--------------------------|-----------------------------------|



SRPSKA BANKA a.d. is offering a whole line of free of charge and favourable condition services to retail and corporate clients, as follows: free of charge opening of current account, regular term and extraordinary term issuance of series of cheques, issuance and forwarding of monthly statements of the account, paying of telephone, electricity and communal bills

by means of a permanent order, DinaCard debit card and Visa Electron card free of issuance and monthly maintenance charges, free of charge advising by SMS messages about all changes in balance on account, along with a DinaCard a gift Visa Card credit card that can be used in Serbia and abroad is provided free of issuance and monthly maintenance charges, two smart cards and card reader for e-banking for legal entities for the first year of use, etc.

### SRPSKA BANKA A.D. BEOGRAD

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# UniCredit Bank

## QUALITY OF SERVICES FURTHER UPGRADED

UniCredit Bank Serbia JSC is a member of UniCredit Group, one of the largest financial groups in Europe with a network of 9.000 branches and strong local roots in 23 countries.

International network is composed of branches, representative offices and banking subsidiaries through which 170,000 employees every day successfully serve more than 40 million clients. The Group's aim is to be recognized as a domestic player in every market in which it operates by placing a strong emphasis on its presence in local communities. Beside traditional markets in West Europe, UniCredit Group successfully operate banking business in local markets of Azerbaijan, Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Kazakhstan, Kyrgyzstan, Poland, Romania, Russia, Serbia, Slovakia, Slovenia, Tajikistan, Turkey and Ukraine. Therefore, UniCredit Bank can be called a truly first European bank.

In Serbia, UniCredit Group operates through UniCredit Bank Serbia JSC. Primarily as HVB Bank Serbia and Montenegro JSC Belgrade, the bank has been founded in 2001 since when it holds stable position as one of the biggest participants in the local foreign exchange



| 31.12.2007.    | RSD<br>(millions) | EUR<br>(millions) |
|----------------|-------------------|-------------------|
| Balance Assets | 73.070            | 922               |
| Total Capital  | 14.601            | 184               |
| Equity Capital | 10.220            | 122               |
| Total Lending  | 40.460            | 511               |
| Total Deposits | 54.972            | 694               |

|                        |        |
|------------------------|--------|
| Capital Adequacy Ratio | 17,77% |
|------------------------|--------|

|                  |        |
|------------------|--------|
| Return on Equity | 21,51% |
|------------------|--------|

|                     |     |
|---------------------|-----|
| Number of Employees | 777 |
|---------------------|-----|

|                          |                                |
|--------------------------|--------------------------------|
| Organizational Structure | Head Office, 50 Branch Offices |
|--------------------------|--------------------------------|

and money market. Local management has succeeded in building a universal bank from the bank that was on its foundation oriented mostly towards corporate clients, who still represent a significant share in total local business. Today, UniCredit Bank efficiently runs its business in 34 cities in Serbia through network of 50 branches, offering full banking service to retail and corporate clients. Business strategy for 2008 refers to continuance development of Retail sector by opening of new branches throughout Serbia, in aim to secure further service development.

### UNICREDIT BANK SERBIA JSC

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# UBB

## UNIVERZAL BANKA A.D.

### BEOGRAD

## THE LARGEST GROWTH OF BALANCE SHEET ASSETS IN THE BANKING SECTOR OF SERBIA

Univerzal bank ad Belgrade continuously achieves the above average results in its operating and development, whereas the competition grows on Serbian banking market, especially in the last two years, by enlargening its operating volume and by increasing the funds purely from domestic sources. The effects of such a growth are increase in the Bank's assets from 5 billion dinars in 2005. up to 9.9 billion dinars in 2006. ie 22.1 billion dinars as of 31.12.2007. Eventually, it brought to increase in our share in asset of total banking sector in Serbia from 0.65% at the end of 2005. up to 1.41% in 2007. In terms of the growth rate of assets (123.2%) in 2007. Universal bank is on the first place in comparison to the whole banking market of Serbia (33.80%).

Increase of Bank's market share in the previous year was followed by even more intense growth of loan portfolio and strengthening of credit activity which resulted in enlargement of number of clients. At the end of 2007. loans to clients exceeded 12 billion of dinars, growing for 150%, regarding the last year. The Bank capital reached almost 5 billion dinars ie. it is over 6 million of euros with 1500 shareholders, residents and non residents, legal and physical entities.

Operating profitability is on a very high level. Return on equity (ROE) is 12.11% which is 40.40% more than average of the Serbian banking sector (8.67%). Return on assets is 3.09% which is 81.1% more than in the whole banking sector (1.70%). For four years in a row Bank provides dividends for shareholders by issuing new shares on the basis of profits distribution. Univerzal bank shares has been traded on Belgrade Stock Exchange and have noticeable capital gain in spite of the crisis on the stock market

| 31.12.2007.    | RSD<br>(millions) | EUR<br>(millions) |
|----------------|-------------------|-------------------|
| Balance Assets | 22.080            | 278,7             |
| Total Capital  | 4.934             | 62,3              |
| Equity Capital | 4.077             | 51,5              |
| Total Lending  | 13.325            | 168,2             |
| Total Deposits | 14.786            | 186,6             |

|                        |        |
|------------------------|--------|
| Capital Adequacy Ratio | 35,56% |
|------------------------|--------|

Return on Equity 12,11%

|                     |     |
|---------------------|-----|
| Number of Employees | 425 |
|---------------------|-----|

Organizational Structure Head Office, 16 Bank Branches, 45 Branch Offices

with the price of 4 to 8 times higher than the nominal value.



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# Vojsodanska Banka

Member of NBG Group

## AS OF THE START OF 2008, ONE AND SINGLE BANK

Vojsodanska Banka is an institution with a long tradition and represents one of the most famous brand names in Serbia. At the end of 2006. the Bank was acquired by the National Bank of Greece, one of the leading international banking Groups in the area of South Eastern Europe and one of the biggest organizations in EU. Today Vojsodanska is a fully owned subsidiary of NBG and is the main pillar of the Group's business operations in Serbia.

In mid February 2008. Vojsodanska merged with the previously established NBG network in Serbia, NBG a.d. Belgrade, thus completing a key milestone for the Group.

The business strategy is focused on constantly improving services to the customers and the development of new products, notwithstanding the high standard risk management principles. Sizeable investments in infrastructure, refurbishment of branches, development of human resources, and upgrade of the

|                        | Vojsodanska Banka         |                   | NBG Belgrade             |                   |
|------------------------|---------------------------|-------------------|--------------------------|-------------------|
| 31.12.2007.            | RSD<br>(millions)         | EUR<br>(millions) | RSD<br>(millions)        | EUR<br>(millions) |
| Balance Assets         | 59.659                    | 753               | 28.273                   | 357               |
| Total Capital          | 13.919                    | 176               | 7.322                    | 92                |
| Equity Capital         | 8.918                     | 113               | 7.420                    | 94                |
| Total Lending          | 29.719                    | 375               | 16.994                   | 214               |
| Total Deposits         | 38.571                    | 487               | 20.386                   | 257               |
| Capital Adequacy Ratio | 25,79%                    |                   | 55,30%                   |                   |
| Return on Equity       | 21,43%                    |                   | 0,78%                    |                   |
| Number of Employees    | 2.337                     |                   | 443                      |                   |
| Network                | 169<br>Operating<br>Units |                   | 35<br>Operating<br>Units |                   |

operational platforms are all targeting to serve these objectives and to increase the operational efficiency.

Combining the background customer base, extensive network (3rd largest in the country) and the banking expertise of Vojsodanska Banka with the modern management tools and innovative banking offerings, with the strong support of the NBG Group, Vojsodanska is enhancing its position in the Serbian Banking market.



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### SPECIALISED IN INVESTMENT SOLUTIONS

In the fourth fiscal year Volksbank Serbia continued with its expansion in the Serbian market. With an increase in total assets of 44, 5% and more than 15.000 new customers, both retail and corporate, the VBS was among the 10 Serbian Banks with the strongest growth. The number of branches doubled in the year from 11 to 21.

During 2007 Volksbank Serbia continued with its attractive retail lending program. As the well known bank for mortgage loans in Serbia, Volksbank obtained 10% of market share in housing loans segment. The launch of agriculture loans started in the fourth quarter of 2006 and, although a latecomer in this market niche, Volksbank already achieved 13% of the market.

Establishment and first operations of various investment funds was a novelty in the Serbian financial market. VBS used the opportunity to be a pioneer in this segment and offer professional advice and expertise while selling investment units through its network. Volksbank is cooperating with 80% of fund management companies in Serbia.

In line with Volksbank mission statement, to be number one in client satisfaction, Volksbank Serbia implemented new communication channels with its clients and potential clients, like on-line support on the web site and efficient client feedback management policy.

| 31.12.2007.          | RSD<br>(millions) | EUR<br>(millions) |
|----------------------|-------------------|-------------------|
| Balance Assets       | 52.987            | 669               |
| <b>Total Capital</b> | <b>10.713</b>     | <b>135</b>        |
| Equity Capital       | 10.479            | 132               |
| <b>Total Lending</b> | <b>26.015</b>     | <b>328</b>        |
| Total Deposits       | 13.493            | 170               |

|                        |        |
|------------------------|--------|
| Capital Adequacy Ratio | 42,13% |
|------------------------|--------|

|                  |       |
|------------------|-------|
| Return on Equity | 2,80% |
|------------------|-------|

|                     |     |
|---------------------|-----|
| Number of Employees | 424 |
|---------------------|-----|

|                          |                                |
|--------------------------|--------------------------------|
| Organizational Structure | Head Office, 21 Branch Offices |
|--------------------------|--------------------------------|



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