QUARTERLY REVIEW OF THE DYNAMICS OF FINANCIAL STABILITY INDICATORS FOR THE REPUBLIC OF SERBIA

Second Quarter 2020

September 2020
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### 6.4. Indebtedness of the Republic of Serbia

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<td>7.14.</td>
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### Definitions

(41)
1. Financial soundness indicators
Chart 1.1.

Financial soundness of Serbian banking sector compared to regional average

Note: Lower values indicate at less risk.
Source: GFSR and National Bank of Serbia.
Overview of key macroeconomic risks

* Share of FX and FX-indexed loans in total loans of corporate and households.
Note: Lower values indicate at less risk.
Source: National Bank of Serbia.
### Table 1.1. Serbia: Key Macroprudential Indicators

<table>
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<th>Year</th>
<th>Capital Adequacy</th>
<th>Asset Quality</th>
<th>Liquidity</th>
<th>Earnings and Profitability</th>
<th>Sectoral Distribution of Loans</th>
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**Notes:**
- IFRS provision for NPLs to gross NPLs
- Sectoral distribution of loans to total loans - Households and NBFIs of which mortgage loans to total loans
- Sectoral distribution of loans to total loans - Foreign sector
- IFGS provision of total loans to gross NPLs
- IFGS provision of total loans to gross NPLs
- Return on assets
- Liquid assets to total assets
- Core liquidity assets to total assets
- Core liquid assets to short-term liabilities
- Liquid assets to total assets
- Liquidity ratio
- Sensitivity to market risk
- Market-based indicators
- Credit rating
- Reserve ratio
- Liquidity
- Country's risk premium
- International reserve adequacy indicators
- Nominal imports
- Net international reserves
- Net international reserves
- Net international reserves
- National income and expenditure
- International reserves
- International reserves
- International reserves
- International reserves

**Source:** National Bank of Serbia.

Data downloaded and used are all official. NBS does not guarantee for the accuracy and completeness of the information.
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<td>0.9</td>
<td>1,230</td>
<td>66</td>
<td>75</td>
<td>1,181</td>
<td>100</td>
<td>77</td>
<td>2,638</td>
<td>116</td>
<td>75</td>
<td>3,116</td>
<td>100</td>
<td>72</td>
<td>1,669</td>
<td>90.5</td>
<td>26</td>
<td>1,074</td>
<td>90.0</td>
<td>26</td>
<td>4,132</td>
<td>85.8</td>
<td>26</td>
<td>4,870</td>
<td>85.2</td>
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</table>

Source: National Bank of Serbia.

Data download and use are allowed. NBS does not guarantee for the accuracy and completeness of the information.
2. Banking sector

2.1. Capital adequacy
Chart 2.1.
Capital adequacy ratio and Tier 1 capital to risk-weighted assets*

* Up to Q4 2011 modified Tier 1 regulatory capital is shown.
Source: National Bank of Serbia.

Chart 2.2.
Distribution of Tier 1 to risk-weighted assets
(number of banks in each category)

Source: National Bank of Serbia.

Chart 2.3.
Leverage indicators

Source: National Bank of Serbia.
2. Banking sector

2.2. Asset and funding quality
Chart 2.4. FX-claims to total banking sector claims on corporate sector and households

Source: National Bank of Serbia.

Chart 2.5. FX-deposits to total deposits

Source: National Bank of Serbia.

Chart 2.6. New FX-loans to total new loans

Source: National Bank of Serbia.

Chart 2.7. New FX-deposits to total new deposits

Source: National Bank of Serbia.

Chart 2.8. Bank claims on corporate sector by sectoral structure

Source: National Bank of Serbia.

Chart 2.9. Non-performing loans

Source: National Bank of Serbia.

Chart 2.10. Non-performing loans to capital

Source: National Bank of Serbia.

Chart 2.11. Non-performing loans coverage

Source: National Bank of Serbia.
Chart 2.12.

Categories D and E

<table>
<thead>
<tr>
<th>(%)</th>
<th>(%)</th>
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<td>20</td>
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<td>20</td>
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<tr>
<td>20</td>
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<tr>
<td>10</td>
<td>0</td>
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</tbody>
</table>

Share in total classified assets (lhs) 
Share in equity** (rhs)

* Shareholders’ equity, government and other capital.
Source: National Bank of Serbia.

Chart 2.13.

Risk-weighted assets and total assets movement

(index, September 2008 = 100)

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<tbody>
<tr>
<td>100</td>
<td>120</td>
<td>140</td>
<td>160</td>
<td>180</td>
<td>200</td>
<td>220</td>
<td>240</td>
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<td>280</td>
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<td>360</td>
<td>380</td>
<td>400</td>
<td>420</td>
<td>440</td>
<td>460</td>
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Risk-weighted assets 
Total assets

Source: National Bank of Serbia.

Chart 2.14.

Funding sources

<table>
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<tr>
<th>(RSD bn)</th>
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<tbody>
<tr>
<td>70</td>
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<tr>
<td>75</td>
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<td>80</td>
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<td>85</td>
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<tr>
<td>1,200</td>
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<td>1,600</td>
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<td>2,800</td>
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<tr>
<td>3,200</td>
</tr>
<tr>
<td>3,600</td>
</tr>
<tr>
<td>4,000</td>
</tr>
</tbody>
</table>

Liabilities (lhs) 
Equity (lhs) 
Liabilities to total sources (rhs)

Source: National Bank of Serbia.

Chart 2.15.

Total assets structure

<table>
<thead>
<tr>
<th>(%)</th>
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<tbody>
<tr>
<td>100</td>
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<tr>
<td>90</td>
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<td>80</td>
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<td>20</td>
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<td>10</td>
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<tr>
<td>0</td>
</tr>
</tbody>
</table>

Foreign assets 
Claims on government 
Claims on NBS 
Claims on other sectors 
Other assets

Source: National Bank of Serbia.

Chart 2.16.

Liabilities structure

<table>
<thead>
<tr>
<th>(%)</th>
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<tbody>
<tr>
<td>100</td>
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<tr>
<td>90</td>
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<td>80</td>
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<td>20</td>
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<tr>
<td>10</td>
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<tr>
<td>0</td>
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</tbody>
</table>

Foreign liabilities 
Total deposits 
Equity and reserves 
Other

Source: National Bank of Serbia.

Chart 2.17.

Quarterly breakdown of the sector’s long and short FX position (in EUR) and foreign exchange risk ratio

<table>
<thead>
<tr>
<th>(RSD bn)</th>
<th>(y %)</th>
</tr>
</thead>
<tbody>
<tr>
<td>25</td>
<td>7</td>
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<tr>
<td>20</td>
<td>6</td>
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<tr>
<td>15</td>
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<td>10</td>
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<td>3</td>
</tr>
<tr>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td>0</td>
<td>1</td>
</tr>
</tbody>
</table>

Long EUR (lhs) 
Short EUR (rhs) 
FX risk indicator (rhs)

Source: National Bank of Serbia.
2. Banking sector

2.3. Profitability
### Profitability indicators

**Chart 2.18.**

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

Source: National Bank of Serbia.

### Banks that have encountered losses

**Chart 2.19.**

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

Source: National Bank of Serbia.

### Net operating income structure

**Chart 2.20.**

*Net income from fees and commissions*  
*Net interest margin*  
*Net gain*  
*Other*  

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

Source: National Bank of Serbia.

### Contributions to net operating income growth

**Chart 2.21.**

*(y-o-y growth, pp)*  

*Net operating income growth*  
*Income from fees and commissions*  
*Income from trading in securities and dividends*  

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

Source: National Bank of Serbia.

### Banks w/ ROE below 5%

**Chart 2.22.**

*Net income from fees and commissions*  
*Net interest margin*  
*Net gain*  

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

Source: National Bank of Serbia.

### Gain/loss before taxes

**Chart 2.23.**

*Gain before taxes*  
*Loss before taxes*  
*Net gain*  
*Other*  

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

Source: National Bank of Serbia.

### Interest rates on RSD loans

**Chart 2.24.**

*Households*  
*Enterprises*  
*Total*  

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

Source: National Bank of Serbia.
Chart 2.26.
Interest rates on EUR loans
(households and enterprises, new business)
(%)  
* EUR-denominated and EUR-indexed loans.
Source: National Bank of Serbia.

Chart 2.27.
Interest rates on RSD saving deposits
(households and enterprises, new business)
(%)  
Source: National Bank of Serbia.

Chart 2.28.
Interest rates on EUR saving deposits
(households and enterprises, new business)
(%)  
* EUR-denominated and EUR-indexed deposits.
Source: National Bank of Serbia.
2. Banking sector

2.4. Liquidity
Chart 2.29
LTD ratio
(loans to deposits)

Source: National Bank of Serbia.

Chart 2.30
Average monthly liquidity ratio

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

Chart 2.31.
Average monthly narrow liquidity ratio

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

Chart 2.32.
Liquid assets

* Narrow liquidity indicator.
Source: National Bank of Serbia.

Chart 2.33.
Household and corporate deposits to monetary aggregates

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

Chart 2.34.
Banks' FX-reserves to household and corporate FX-deposits

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

3.1. Insurance sector
**Chart 3.1.**

**Total premium per capita in 2019**

(USD)

*Latest Data Available
Source: sigma world insurance database

**Chart 3.2.**

**Total premium to GDP in 2019**

(%) 

*Latest Data Available
Source: sigma world insurance database

**Chart 3.3.**

**Ownership structure of insurance companies**

(June 2020, %)

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

**Chart 3.4.**

**Coverage structure of technical reserves in life insurance**

(June 2020, %)

Source: National Bank of Serbia.

**Chart 3.5.**

**Coverage structure of technical reserves in non-life insurance**

(June 2020, %)

Source: National Bank of Serbia.

**Chart 3.6.**

**Profitability indicators for life insurance companies**

(%) 

*Annual data
Source: National Bank of Serbia.

**Chart 3.7.**

**Profitability indicators for non-life insurance companies**

(%) 

*Annual data
Source: National Bank of Serbia.

**Chart 3.8.**

**Combined insurance ratio**

(%) 

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

3.2. Voluntary pension funds sector
Chart 3.9.

Total VPF* net assets and index FONDex

(RSD bn) (index, 15.11.2006 = 1000)

![Graph showing net assets growth and net contributions to VPF](image)

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

Chart 3.11.

VPF asset structure

(Republic of Serbia, %)

<table>
<thead>
<tr>
<th>Asset Type</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate bonds</td>
<td>3.3%</td>
</tr>
<tr>
<td>Shares</td>
<td>9.8%</td>
</tr>
<tr>
<td>Deposits</td>
<td>7.2%</td>
</tr>
<tr>
<td>Other</td>
<td>0.7%</td>
</tr>
<tr>
<td>Republic of Serbia T-bonds</td>
<td>78.6%</td>
</tr>
</tbody>
</table>

Source: National Bank of Serbia.

Chart 3.10.

Net assets growth and net contributions to VPF

(RSD m)

![Graph showing net assets growth and net contributions to VPF](image)

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

3.3. Leasing sector
Chart 3.12.

Investment structure by lessee

(June 2020, %)

Companies 83.2%

Other* 1.9%

Farms 2.0%

Legal entities in bankruptcy 0.1%

Public companies 2.7%

Entrepreneurs 5.9%

Natural persons 4.2%

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

Source: National Bank of Serbia.

Chart 3.13.

Investment structure by leasing object

(June 2020, %)

Trucks, buses 40.4%

Cars 37.7%

Production machinery 2.8%

Construction machinery 7.3%

Other 2.3%

Agricultural equipment 5.9%

Equipment for services 2.5%

Commercial real estate 1.5%

Rail vehicles, vessels 0.1%

Source: National Bank of Serbia.
4. Corporate sector
**Chart 4.1.**

**Industrial production index***

(index, 2018 = 100)

* Seasonally adjusted data.

Source: National Bank of Serbia.

**Chart 4.2.**

**Growth of corporate loans***

(\(\text{y-o-y growth rates, \%}\))

* Adjusted for exchange rate movements.

Source: National Bank of Serbia.

**Chart 4.3.**

**Currency structure of bank claims on corporates**

(RSD bn) (%)

* FX loans to total loans.

Source: National Bank of Serbia.

**Chart 4.4.**

**Enforced collection**

(Number of blocked accounts (lhs)*

(Amount of money in blocked accounts (rhs)

* End of period.

Source: National Bank of Serbia.
5. Household sector
### Table 5.1.
Household sector performance indicators
(%, unless indicated otherwise)

<table>
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</thead>
<tbody>
<tr>
<td><strong>Total bank claims on households</strong></td>
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</tr>
<tr>
<td><strong>RSD bn</strong></td>
<td>571.2</td>
<td>601.7</td>
<td>652.7</td>
<td>673.7</td>
<td>724.6</td>
<td>759.1</td>
<td>838.6</td>
<td>904.2</td>
<td>1,017.3</td>
<td>1,111.4</td>
<td>1,130.3</td>
<td>1,183.7</td>
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<tr>
<td><strong>EUR m</strong></td>
<td>5,414.3</td>
<td>5,750.5</td>
<td>5,739.5</td>
<td>5,876.2</td>
<td>5,990.6</td>
<td>6,240.9</td>
<td>6,802.8</td>
<td>7,589.4</td>
<td>8,600.8</td>
<td>9,455.6</td>
<td>9,614.1</td>
<td>10,067.0</td>
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<td><strong>FX deposits to FX bank claims</strong></td>
<td>72.4</td>
<td>67.4</td>
<td>65.0</td>
<td>62.1</td>
<td>59.0</td>
<td>57.2</td>
<td>52.8</td>
<td>48.3</td>
<td>46.4</td>
<td>44.7</td>
<td>44.9</td>
<td>44.2</td>
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<td><strong>FX to total deposits</strong></td>
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<td>90.7</td>
<td>92.1</td>
<td>89.4</td>
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<td>87.1</td>
<td>85.1</td>
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<td>79.0</td>
<td>78.6</td>
<td>76.1</td>
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<td><strong>FX deposits to FX loans</strong></td>
<td>177.2</td>
<td>171.2</td>
<td>214.7</td>
<td>233.4</td>
<td>233.9</td>
<td>241.0</td>
<td>246.2</td>
<td>241.3</td>
<td>248.1</td>
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<td><strong>Short-term bank claims to total claims</strong></td>
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<td>14.3</td>
<td>15.3</td>
<td>9.1</td>
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<td>5.1</td>
<td>3.0</td>
<td>3.0</td>
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<td><strong>LTV ratio</strong></td>
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<td>65.8</td>
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<td>70.2</td>
<td>71.0</td>
<td>71.9</td>
<td>72.0</td>
<td>73.1</td>
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<tr>
<td><strong>Average loan per resident</strong></td>
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</tr>
<tr>
<td><strong>RSD thousand</strong></td>
<td>76.0</td>
<td>81.0</td>
<td>88.2</td>
<td>91.4</td>
<td>100.4</td>
<td>105.9</td>
<td>118.5</td>
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<td>145.3</td>
<td>158.9</td>
<td>161.5</td>
<td>168.8</td>
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<td><strong>EUR</strong></td>
<td>720.6</td>
<td>773.9</td>
<td>775.7</td>
<td>797.3</td>
<td>830.3</td>
<td>870.4</td>
<td>959.9</td>
<td>1,078.0</td>
<td>1,229.3</td>
<td>1,350.9</td>
<td>1,374.4</td>
<td>1,435.6</td>
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<tr>
<td><strong>Average loan amount</strong></td>
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<tr>
<td><strong>RSD thousand</strong></td>
<td>427.6</td>
<td>439.6</td>
<td>460.4</td>
<td>489.9</td>
<td>511.1</td>
<td>472.2</td>
<td>486.7</td>
<td>519.0</td>
<td>527.2</td>
<td>535.7</td>
<td>547.1</td>
<td></td>
</tr>
<tr>
<td><strong>EUR</strong></td>
<td>4,053.8</td>
<td>4,301.4</td>
<td>4,049.0</td>
<td>4,273.1</td>
<td>4,225.3</td>
<td>3,882.5</td>
<td>3,957.6</td>
<td>4,085.1</td>
<td>4,391.4</td>
<td>4,482.9</td>
<td>4,558.7</td>
<td>4,653.3</td>
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<tr>
<td><strong>Average loan per user</strong></td>
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</tr>
<tr>
<td><strong>RSD thousand</strong></td>
<td>509.0</td>
<td>530.9</td>
<td>570.1</td>
<td>612.0</td>
<td>644.7</td>
<td>614.6</td>
<td>641.0</td>
<td>650.8</td>
<td>705.4</td>
<td>731.9</td>
<td>742.1</td>
<td>769.3</td>
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<tr>
<td><strong>EUR</strong></td>
<td>4,824.9</td>
<td>5,073.9</td>
<td>5,012.9</td>
<td>5,338.8</td>
<td>5,329.8</td>
<td>5,053.1</td>
<td>5,191.4</td>
<td>5,462.3</td>
<td>5,967.8</td>
<td>6,223.9</td>
<td>6,315.1</td>
<td>6,543.3</td>
</tr>
</tbody>
</table>


FX loans and deposits include FX-indexed loans and deposits.

For loans insured with National Mortgage Insurance Corporation.

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6. Macroeconomic environment

6.1. International macroeconomic environment
Chart 6.1.
Regional sovereign credit ratings dynamics

Source: Standard & Poor's.

Chart 6.2.
Sovereign credit ratings dynamics of home countries of banks whose subsidiaries operate in Serbia

Source: Standard & Poor's.

Chart 6.3.
CDS spreads on bonds of home countries of parent banks whose subsidiaries operate in Serbia*

Source: Bloomberg.

Chart 6.4.
Sovereign bond yields: Serbia and CEE region*

Source: J.P. Morgan.

Chart 6.5.
Sovereign bond yields: Serbia and home countries of parent banks whose subsidiaries operate in Serbia*

Source: J.P. Morgan.

Chart 6.6.
Emerging Market Bond Index: EMBI Serbia and EMBI Global

Source: J.P. Morgan.

Chart 6.7.
ECB interest rates and EONIA

Source: ECB, Bloomberg.
Risk premium on the interbank money market

Source: Bloomberg.

CDS spreads on bonds issued by Greek parent banks whose subsidiaries operate in Serbia*

Source: Bloomberg.

CDS spreads on bonds issued by Italian parent banks whose subsidiaries operate in Serbia*

Source: Bloomberg.

Stock price dynamics of Greek parent banks whose subsidiaries operate in Serbia

Index, 1.6.2007 = 100

Source: Bloomberg.

Stock price dynamics of Italian parent banks whose subsidiaries operate in Serbia

Index, 1.6.2007 = 100

Source: Bloomberg.
Chart 6.17.  
Stock price dynamics of Austrian parent banks whose subsidiaries operate in Serbia  
(index, 1.6.2007 = 100)  
Source: Bloomberg.

Chart 6.18.  
Stock price dynamics of Hungarian parent banks whose subsidiaries operate in Serbia  
(index, 2.1.2007 = 100)  
Source: Bloomberg.

Chart 6.19.  
Ownership structure of banks in Serbia*  
June 2020.  
(%)  
Source: National Bank of Serbia.

Chart 6.20.  
BIS member banks’ gross exposure towards emerging markets  
(index, December 2006 = 100)  
Source: Bank for International Settlements.
6. Macroeconomic environment

6.2. Domestic macroeconomic environment
Chart 6.21. Contributions to real GDP growth by production-side components (y-o-y growth rates, pp)

Source: National Bank of Serbia.

Chart 6.22. Contributions to real GDP growth by expenditure-side components (y-o-y growth rates, pp)

Source: National Bank of Serbia.

Chart 6.23. Industrial production index (index, 2018 = 100)

Source: National Bank of Serbia.

Chart 6.24. Unemployment rate*

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


Chart 6.25. Consumer price index (y-o-y growth rate, %)

Source: National Bank of Serbia.

Chart 6.26. Contributions to CPI changes (y-o-y growth rates, pp)

Source: National Bank of Serbia.

Chart 6.27. NBS key policy rate and BEONIA (%)

Source: National Bank of Serbia.

Chart 6.28. BELIBOR interest rates (monthly averages, %)

Source: National Bank of Serbia.
Chart 6.29.
Exchange rate dynamics of national currencies against the euro
(index, 31.12.2010 = 100)

Source: National Bank of Serbia and other central banks.

Chart 6.30.
Dynamics of the RSD exchange rate against EUR, CHF and USD
(index, December 2007 = 100)

Source: National Bank of Serbia.

Chart 6.31.
Dynamics of the RSD exchange rate against EUR and NBS interventions on the interbank FX market

Source: National Bank of Serbia.

Chart 6.32.
Current account deficit*

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

**NBS estimate, August 2020
Source: Statistical Office of the Republic of Serbia and NBS.

Chart 6.33.
Net foreign direct investments*

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

**NBS estimate, August 2020
Source: Statistical Office of the Republic of Serbia and NBS.
6. Macroeconomic environment

6.3. FX reserves adequacy indicators
Chart 6.34.

Coverage of imports by FX reserves

(mos of imports)

Source: National Bank of Serbia.

Chart 6.35.

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

(%) * Latest Data Available

Source: National Bank of Serbia.

Chart 6.36.

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

(%)

Source: National Bank of Serbia.

Chart 6.37.

Coverage of M1 monetary aggregate by FX reserves

(%) Source: National Bank of Serbia.
6. Macroeconomic environment

6.4. Indebtedness of the Republic of Serbia
Chart 6.38. **Fiscal result***

<table>
<thead>
<tr>
<th>( % of GDP )</th>
<th>( % of GDP )</th>
<th>( % of GDP )</th>
</tr>
</thead>
</table>

*Ratio of 12m moving sums.

Source: NBS according to MoF data.

---

Chart 6.39. **Public revenues and expenditures***

<table>
<thead>
<tr>
<th>( % of GDP )</th>
<th>( % of GDP )</th>
</tr>
</thead>
</table>

*Ratio of 4Q moving sums.

Source: NBS according to MoF data.

---

Chart 6.40. **Public debt dynamics**

<table>
<thead>
<tr>
<th>EUR bn</th>
<th>( % of GDP )</th>
</tr>
</thead>
</table>

Source: Ministry of Finance of the Republic of Serbia.

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Chart 6.41. **Public debt by currency**

<table>
<thead>
<tr>
<th>( % )</th>
</tr>
</thead>
</table>

Source: Ministry of Finance of the Republic of Serbia.

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Chart 6.42. **Internal and external component of public debt**

<table>
<thead>
<tr>
<th>( % )</th>
</tr>
</thead>
</table>

Source: Ministry of Finance of the Republic of Serbia.

---

Chart 6.43. **Government securities sold on the primary market by buyers**

<table>
<thead>
<tr>
<th>( EUR bn )</th>
</tr>
</thead>
</table>

Source: Ministry of Finance of the Republic of Serbia.
7. Financial markets and real estate market
Chart 7.1.
**Primary market demand for RSD government bonds***

*(primary auction)*

(RSD bn)

*Latest Data Available
Source: Ministry of Finance of the Republic of Serbia.

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

(RSD bn)

*Latest Data Available
Source: Ministry of Finance of the Republic of Serbia.

Chart 7.3.
**Interest rates on treasury bills, primary market***

(monthly averages, %)

Source: Ministry of Finance of the Republic of Serbia.

Chart 7.4.
**Interest rates on zero coupon RSD government securities***

(auctions, weighted monthly averages, %)

Source: Ministry of Finance of the Republic of Serbia.

Chart 7.5.
**RSD government securities, outstanding stock***

(nominal value)

(RSD bn)

Source: Ministry of Finance of the Republic of Serbia.

Chart 7.6.
**RSD government bonds investors structure***

(RSD bn)

*Custodian banks, insurance co, VPF, natural pers, and other legal ent.
Source: Central Securities Depository and Clearing House

Chart 7.7.
**Euro-denominated government bonds, outstanding stock***

(nominal values)

(EUR mn)

Source: Ministry of Finance of the Republic of Serbia.

Chart 7.8.
**RSD government bonds, annual turnover***

(RSD bn)

Source: Ministry of Finance of the Republic of Serbia.
Chart 7.9.  
**Maturity of RSD government securities until 2032**  
(securities issued up to 30.6.2020, nominal value of the stock outstanding, RSD bn)  
Source: Ministry of Finance of the Republic of Serbia.

Chart 7.10.  
**Belgrade Stock Exchange market capitalisation**  
Source: Belgrade Stock Exchange and National Bank of Serbia.

Chart 7.11.  
**Stock markets' indices**  
(index, 15.11.2007 = 100)  
Source: Bloomberg.

Chart 7.12.  
**Real estate index DOMex**  
(index, average 2002-2010 = 100)  

Chart 7.13.  
**Indices of the number of newly issued building permits**  
(index, 2019 = 100)  

Chart 7.14.  
**Price-to-income**  
(in number of years)  
*Latest Data Available*  
Source: NBS, based on SO and NMIC data.
Definitions

1. Financial soundness indicators

| Chart 1.1. | Greater distance from the center of the “net” indicates greater risk. Standardised values of key financial soundness indicators are shown: CAR – capital adequacy ratio (regulatory capital to risk-weighted assets), C/A – capital to assets, NPL – gross non-performing loans to total gross loans. Provisions/NPL – total provisions to gross NPL, ROA – return on assets, ROE – return on equity. The region encompasses the following countries: Bosnia and Herzegovina, Bulgaria, Hungary, North Macedonia, Poland, Romania, Turkey and Croatia. Indicators that refer to the region were obtained as non-weighted averages of corresponding indicators of the countries listed above. |
| Chart 1.2. | Increasing distance from the center indicates an increase in the specific risk. Increasing area indicates an increase in the overall macroeconomic vulnerability of the country. |

2. Banking sector

| Chart 2.1. | The capital adequacy ratio is the ratio between regulatory capital and risk-weighted assets. Tier 1 capital of the bank is the sum of Common Equity Tier 1 capital and Additional Tier 1 capital. |
| Chart 2.3. | Indicators of leverage show the extent to which banks finance their assets from their own funds. |
| Chart 2.4. | Foreign currency loans refer to foreign currency denominated loans and domestic currency denominated loans that are indexed in foreign currency. |
| Chart 2.5. | Foreign currency deposits refer to foreign currency denominated deposits and domestic currency denominated deposits that are indexed in foreign currency. |
| Chart 2.9. | Non-performing loans represent the stock of overall remaining debt (including the amount past due) with payment overdue for longer than 90 days, or with principal or interest payments that are past due for 90 days or more; if at least 90 days of interest payments have been capitalised, refinanced or delayed; if the payment of loan is not late, but the bank has reasons to doubt that payment will be made in full. |
| Chart 2.11. | Balance sheet provisions are made for the part of a loan that a bank considers unlikely to be collected. |
| Chart 2.12. | The main criteria for classification in categories A, B, C, D and E is regularity of client’s payments. Categories D and E represent assets with the lowest quality or that are past due for more than 90 days. |
| Chart 2.16. | Subordinated debt is the last to be paid in case of default, which allows it to be considered part of the capital. |
| Chart 2.17. | The net open FX position is the sum of maximum of absolute value of the total long position and absolute value of the total short position in foreign currency, plus the absolute value of position in gold. The total long (total short) foreign currency position of the banking sector is the sum of its net long (net short) positions by foreign currencies. |
| Chart 2.18. | Return on assets (return on equity) is the ratio between profit before taxation made during the period and average assets (equities) during that period. |
| Chart 2.21. | Net operating income (operating gain) is profit from bank’s main activity (it excludes extraordinary gains and losses). As domestic banking sector’s activity is mainly related to traditional jobs involving loans and deposits and not to investment banking, the major element of the operating gain is net interest margin, that is the difference between interest incomes and expenditures. Income from trade in securities is negligible. |
| Chart 2.29. | The LtD ratio (loans to deposits) indicates the ability of the bank to finance its loans by deposits. The value of this indicator greater than 1 could be seen as the lack of bank’s ability to react to shocks. |
| Chart 2.30. | The liquidity ratio of a bank is the ratio of the sum of level 1 and level 2 liquid receivables of the bank and the sum of liabilities payable on demand or with no agreed maturity and liabilities falling due within a month from the date of liquidity ratio calculation. According to the Decision on liquidity risk management by banks, the average monthly liquidity ratio should not be lower than 1, the liquidity ratio should not be lower than 0.9 longer than 3 days, and it should not be lower than 0.8 if calculated for one business day only. |
| Chart 2.31. | The narrow liquidity ratio is the ratio of level 1 liquid receivables of a bank and the sum of liabilities payable on demand or with no agreed maturity and liabilities falling due within a month from the date of liquidity ratio calculation. According to the Decision on liquidity risk management by banks, the average monthly narrow liquidity ratio should not be lower than 0.7, the narrow liquidity ratio should not be lower than 0.6 longer than 3 days, and it should not be lower than 0.5 if calculated for one business day only. |
| Chart 2.32. | Liquid assets are the sum of bank’s liquid first and second-degree receivables, as on the last day of the month. More restrictive definition defines liquid assets as liquid first-degree receivables on the last day of the month. |
| Chart 2.33. | High-power money consists of cash in circulation and banks' deposits in dinars with the National Bank of Serbia. |

3. Non-banking financial sector

| Charts 3.6. and 3.7. | Profitability indicators are available in annual frequency. |
| Chart 3.8. | The combined indicator is sum of the two ratios shown on chart. The value greater than 100% means that insurance companies mainly depend on the result of their investment activities in financial markets, instead on results of their basic activities. |
| Chart 3.9. | The fondex daily value is obtained by multiplying the value of index for the previous day by the weighted average of chain index values of investment units for every fund. |

6. International macroeconomic environment
<table>
<thead>
<tr>
<th>Chart</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>6.3.</td>
<td>Credit default swap (CDS) is a financial derivative designed to hedge its holder against the default of the issuer of an underlying bond. CDS spread is a price the owner of CDS has to pay for the provided protection. An increase in this insurance premium is an indicator of the increase in the credit risk of an underlying bond.</td>
</tr>
<tr>
<td>6.6.</td>
<td>The emerging market bond index (EMBI) is the difference between the premium investors require for holding public debt of the market considered and the premium required for holding US Treasury bonds.</td>
</tr>
<tr>
<td>6.36.</td>
<td>According to the IMF definition, FX reserves consist of those external assets that are readily available to and controlled by monetary authorities for direct financing of payments imbalances, for indirectly regulating the magnitude of such imbalances through intervention in exchange markets to affect the currency exchange rate, and/or for other purposes. Gross FX reserves consist of foreign securities, deposits on accounts abroad, effective foreign money, gold, and special drawing rights. Net FX reserves are gross FX reserves minus banks’ deposits and special drawing rights related to gross FX reserves.</td>
</tr>
<tr>
<td>6.40.</td>
<td>According to the Law on Public Debt, public debt of the Republic of Serbia is defined as debt of the Republic, based on agreements concluded by the Republic; debt of the Republic based on issuing securities; debt of the Republic based on contracts/agreements according to which obligations of the Republic, pursuant to previously concluded agreements, have been rescheduled; debt of the Republic, based on the guarantee issued by the Republic and/or based on the counter-guarantee issued by the Republic; debt of local government and legal entities for which the Republic has issued guarantees.</td>
</tr>
<tr>
<td>7.1.</td>
<td>The bid-to-cover ratio is defined as the ratio between the nominal value of total submitted bids and the nominal value of sold securities.</td>
</tr>
<tr>
<td>7.14.</td>
<td>The availability of an average housing unit to an average household in Republic of Serbia measured by the price-to-income ratio, calculated as the ratio of the price of a 60m² apartment to the average disposable income of an average household in Republic of Serbia.</td>
</tr>
</tbody>
</table>

7. Financial markets and real estate market