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## Foreign Investors Expand Business in Serbia

*Most banks sold, mergers begin. – Insurance, a new attractive sector for foreign investments in Serbia. – Leasing and pension funds under the National Bank of Serbia's control. – Will the EBRD, as a banking leader, invest in insurance and pension funds in Serbia?*

Banke u Srbiji i dalje su privlačna i profitabilna mesta za ulaganja stranih investitora, mada se otvorio i novi, atraktivan teren za ulaganja - osiguravajuće kuće, lizing kompanije i penzioni fondovi.

Tome je, zapravo, kumovala izmena propisa i njihovo usklađivanje sa međunarodnim standardima poslovanja, jer su i osiguravajuće i lizing kompanije prešle pod nadzor Narodne banke Srbije. Centralna monetarna vlast je, kao pre nekoliko godina u bankarskom sektoru, uspela da ugasi nelikvidne i loše a ojača dobre i likvidne osiguravajuće kuće u Srbiji. Time je pokrenula i proces privatizacije i proces ukрупnjavanja u ovom sektoru, i praktično otvorila vrata stranim investitorima i u ovom delu finansijskog tržišta.

**Koliko se od prošle do ove godine promenio finansijski ambijent u Srbiji?**

- Sa jedne strane nastavio se proces dodatne konsolidacije, kao i prodaja pojedinih banaka. Alfa banka, koja je već imala afilijaciju u Srbiji, kupila je Jubanku, a Nova Ljubljanska banka, koja je imala Prvu preduzetničku banku, kupila je i Continental banku. Mađarska OTP banka kupila je Zepter

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## STRANI INVESTITORI ŠIRE POSLOVANJE U SRBIJI

*Banke uglavnom prodate, počelo ukрупnjavanje – Osiguranje – novi atraktivan sektor za strana ulaganja u Srbiji. - Lizing i penzioni fondovi pod kontrolom Narodne banke Srbije. - Da li će EBRD, kao bankarski lider, ulagati u osiguranje i penzione fondove Srbije?*

Banks in Serbia are still an attractive and profitable target for foreign investments, although a new, quite appealing terrain for investments has opened up – insurance companies, leasing companies and pension funds.

This has, actually, been contributed to by changes in regulations and their harmonization with international business standards, because both insurance and leasing companies have been placed under the supervision of the National Bank of Serbia (NBS). As they did a few years ago in the banking sector, the central monetary authorities have managed to close down illiquid and bad insurance companies in Serbia, and to strengthen the good and liquid ones. Thus, they have also initiated the process of privatization and mergers in this sector, and have practically opened up the door to foreign investors on this part of the financial market as well.

**How much has the financial environment in Serbia changed over the past year?**

- On the one hand, the process of additional consolidation, as well as the sale of certain banks, continued. Alpha

banku, a EFG, koja je imala svoju banku, kupila je Nacionalnu štedionicu - banku.

To znači da se broj banaka dodatno smanjuje, što je važno sa stanovišta kapitalne adekvatnosti, odnosno jačanja kapitalne baze. Očekujemo da će se taj proces nastaviti. Broj banaka treba da odredi tržište, a ne Narodna banka Srbije, a to dalje znači da će i banke biti prinudene da dolaze do efikasnosti poslovanja povećanjem konkurencije. To je jako dobro radi budućnosti i stabilnosti bankarskog sektora.

**Da li ima još prostora za strana ulaganja u banke ili će se taj proces zaustaviti na sadašnjem nivou?**

- Srbija sada ima oko 35 banaka, a oko 70 posto bankarskog sistema je u većinskom inostranom vlasništvu. Još ima banaka u državnom vlasništvu i postavlja se pitanje da li će lokalno da se ukрупnjavaju ili će tražiti nekog većinskog stranog vlasnika. Spajanje Srpske banke i Poštanske štedionice, koje je najavljeno, jeste primer lokalnog ukрупnjavanja zbog jačanja kapitalne baze, ali treba sačekati da se vidi šta dalje. Kada se završi prodaja Panonske i Vojvođanske banke, pitanje vlasničke strukture kod najvećih banaka u Srbiji biće završeno, ali kod srednjih i manjih banaka još ima prostora za promenu vlasničke strukture.

**Šta se dogodilo u drugim delovima finansijskog sektora i da li je on postao atraktivan za strane investitore?**

- U sektoru osiguranja, NBS je s jedne strane nastavila sa doslednim sprovođenjem svoje politike zatvaranja nesolventnih i nelikvidnih osiguravajućih društava, tako da se njihov broj smanjio sa 40 na 17. I u ovom sektoru pokrenut je proces privatizacije, ali ne samo od strane države koja je najavila prodaju osiguravajuće kuće DDOR do kraja godine, nego i od strane privatnih vlasnika. Neki su već prodali svoj većinski udeo u osiguravajućim kompanijama. Na primer, Delta osiguranje je prodato Generaliju, a Unika je kupila većinski udeo u Zepter osiguranju. Smatramo da će i u ovom sektoru doći do dodatne konsolidacije i smanjenja broja osiguravajućih društava.

Kod lizinga se, takođe, nastavio pozitivan razvoj, a isto tako očekujemo da će i kod dobrovoljnih penzionih fondova, već do polovine ove godine, doći do osnivanja prvih institucija zaduženih za upravljanje

**Da li NBS utiče na kamatne stope banaka i da li je to nepopularno sa stanovišta novih stranih ulaganja u bankarski sektor?**

- Paralelno sa pooštavanjem restriktivnosti monetarne politike NBS, raste i cena banaka u Srbiji. To znači da svi gledaju uspešnost svog posla na srednji i dugi rok, pa trenutni potezi od strane Narodne banke Srbije nisu uopšte uticali na cenu banaka koje se prodaju. Štaviše, imamo i nadalje veliko interesovanje za ulaganja u bankarski sektor.

Mi preduzimamo mere koje preduzimaju na isti način i naše kolege u inostranstvu da bi se suzbila inflacija. U svim zemljama centralne banke imaju obavezu da utiču na inflatorna kretanja i vode računa o cenovnoj stabilnosti, a i kod nas je propisano zakonom kakvu odgovornost ima Narodna banka Srbije u tom pogledu. Jasno nam je da ćemo zbog nekih mera koje donosimo da bismo ispunili ovu ulogu biti nepopularni, ali bolje je biti nepopularan i uspešan, nego popularan i neuspešan.

**Kakava će uloga biti NBS u novim regionalnim zadacima koji se nameću?**

- Veoma blisko i aktivno saradjujemo sa supervizorima iz



Bank, which had its affiliate in Serbia, purchased Jubanka, while Nova Ljubljanska Banka, already owning Prva Preduzetnička Banka, bought Continental Banka. The Hungarian OTP Bank purchased Zepter Banka, while EFG, which had a bank of its own, bought the National Savings Bank /Nacionalna štedionica – Banka/.

This means that the number of banks is being additionally reduced, which is important from the standpoint of capital adequacy, i.e. the strengthening of the capital base. We expect this process to continue. The number of banks should be determined by the market, and not by the National Bank of Serbia. This further means that banks will also be compelled to achieve business efficiency through increased competitiveness. This is very good for the future and stability of the banking sector.

**Is there still room for foreign investments in banks or will this process be halted at the present level?**

- Serbia now has around 35 banks, and about 70 percent of the banking system has majority foreign ownership. There are still state-owned banks, and the question is whether they will merge at the local level, or whether they will seek a majority foreign owner. The announced merger of Srpska Banka and the Postal Savings Bank /Poštanska štedionica/, is an example of local integration aimed at strengthening the capital base, but it is necessary to wait and see what will happen next. When the sale of Panonska Banka and Vojvođanska Banka is brought to an end, the issue of the ownership structure of the largest banks in Serbia will be completed, but there is still room for changing the ownership structures of small and medium-sized banks.

**What has happened in other parts of the financial sector and has it become attractive for foreign investors?**

- In the insurance sector, on the one hand, the NBS has continued consistently to implement its policy of closing down insolvent and illiquid insurance companies, so that their number has been reduced from 40 to 17. The privatization process has been launched in this sector as well, not only by the state, which has announced the sale of the DDOR insurance company by the end of the year, but by private owners as well. Some have already sold their majority stakes in insurance companies. For example, Delta Osiguranje has been sold to Generali, while Unika purchased the majority stake in Zepter Osiguranje. We believe additional consolidation and the reduction of the number of insurance companies will take place in this sector as well.

Positive developments also continue in the case of leasing, and we expect the first institutions in charge of management to be founded for voluntary pension funds, already by the middle of the year.

**Does the NBS influence bank interest rates and is this unpopular from the standpoint of new foreign investments in the banking sector?**

- The tightening of the NBS monetary policy restrictiveness has been coupled with the rise in the prices of banks in Serbia. This means that everyone is viewing the successfulness of their business operations on a medium-term and long-term basis, so the current moves by the National Bank of Serbia had absolutely no effect on the prices of the banks undergoing sale. Moreover, large interest in investing in the banking sector continues to be present. The measures we are taking are the same as the



zemalja iz kojih dolaze velike banke, kao što je Raiffeisen banka, HVB ili neke druge banke, kao i sa supervisorima iz okolnih zemalja. Danas je u bankarskom sektoru Srbije mnogo veći izazov konkurentnost, transparentnost, fer plej i saradnja sa inostranim supervisorima nego što je likvidnost i solventnost. Nama je najveći izazov ta saradnja, što prsnije uključivanje u EU i sve ove tokove. U ovom delu vidimo mnogo veći rizik sa stanovišta sistemskog karaktera nego što je rizik pojedinih kredita koji se odobravaju. Za mene je mnogo veći rizik šta rade te banke u inostranstvu, a neke od njih su aktivne i u desetak zemalja. Mi ovde treba da vidimo kakva je pozicija tih banaka i da napravimo celu sliku, jer je to, na kraju krajeva, sve povezano. Dakle, ja gledam kakav je odnos Slovenaca, Hrvata, Bosanaca i Italijana prema, na primer, Raiffeisen banci. Ali, pošto se zna da je Raiffeisen banka iz Austrije, to znači da njihovi supervizori u tome treba da vode glavnu reč, a mi svi da učestvujemo u stvaranju celokupne slike.

Banke su mnogo više međunarodne i multinacionalne nego što je proizvodnja i trgovina i one će iskazati liderstvo. One već sada povezuju sva tržišta u jugoistočnoj Evropi, jer su prisutne u svim tim zemljama.

**Kakav značaj za investicionu klimu i rejting zemlje ima uspešan završetak poslednjeg finansijskog aranžmana sa MMF-om, da li je to jedini pozitivni događaj do sada u ovoj godini ili ih ima još?**

- Od početka godine imamo više pozitivnih događaja u finansijskom sektoru. Došlo je do značajnog priliva deviznih sredstava, što je dovelo do privremene apresijacije dinara. Pošto smo uspešno završili finansijski aranžman sa MMF-om, samim tim smanjili smo naše obaveze prema Parijskom klubu poverilaca za oko 700 miliona dolara. Posle toga povećan nam je rejting na nivo BB, a uskoro ćemo znati da li će se menjati nabolje.

U ekonomiji Srbije kao veliki izazov i dalje ostaje potencijalna inflacija, kao što postoji i dosta političkih izazova, a stoji i pitanje da li ćemo ući u novi finansijski aranžman sa

measures being applied by our colleagues abroad for the purpose of curbing inflation. In all countries central banks are obliged to bear influence on inflationary trends and pay attention to price stability, and the law in our country prescribes the kind of responsibility the National Bank of Serbia has in this regard. It is clear to us that some of the measures we are adopting in order to fulfill this role will make us unpopular, but it is better to be unpopular and successful, than popular and unsuccessful.

**What will the role of the NBS be in the new regional tasks that are becoming inevitable?**

- We have very close and active cooperation with supervisors from the countries which large banks come from, like Raiffeisen Bank, HVB or some other banks, as well as with supervisors from countries in the region. A far greater challenge in Serbia's banking sector today is competitiveness, transparency, fair play and cooperation with foreign supervisors, than liquidity and solvency. The greatest challenge for us is precisely this cooperation, being included in the EU and all these trends as much as possible. In this segment we see a far greater risk from a systemic point of view than is the risk of certain credits that are being granted. What I consider a much greater risk is what these banks are doing abroad, and some of them are active in as much as about a dozen countries. We here need to see what the position of these banks is like and to create the whole picture, because, in the end, all this is connected. Therefore, I am observing what kind of attitude the Slovenes, Croats, Bosnians and Italians have towards, for instance, Raiffeisen Bank. However, since it is known that Raiffeisen bank is from Austria, this means that their supervisors should have the main say in this, while all of us should participate in the creation of an integral picture.

Banks are much more international and multi-national than production and trade and they will show leadership. Already now they are connecting all the markets in South Eastern Europe, since they are present in all of these countries.

**What is the importance of the successful completion of the latest financial arrangement with the IMF for the country's investment climate and rating, has this been the only positive development so far this year or where there any others?**

- We have had a number of positive developments in the financial sector since the beginning of the year. There was a significant inflow of foreign currency funds, which led to the dinar's temporary appreciation. Since we successfully completed the financial arrangement with the IMF, we reduced our obligations towards the Paris Club of creditors by around 700 million US dollars. Afterwards, our rating was increased to the BB level – and we will soon know whether it will improve. A big challenge in Serbia's economy is still potential inflation, just as there are quite a few political challenges, and there is also the question of whether we will enter a new financial arrangement with the IMF or not. The international financial public and the foreign companies that are already here are rightly expecting the country to conclude a new arrangement with the International Monetary Fund, and the key precondition for this will be the successfulness of the talks we will have in June as part of the post-monitoring program.

A financial arrangement with the IMF would also mean

MMF-om. Međunarodna finansijska javnost i strana preduzeća koja su već tu opravdano očekuju da država ponovo uđe u aranžman sa Međunarodnim monetarnim fondom, a ključni preduslov za to biće uspešnost razgovora koji će se obaviti u junu u okviru postmonitoring programa.

Novi finansijski aranžman sa MMF-om značio bi i međunarodno priznatu legitimaciju da se u Srbiji i dalje sprovodi reformski razvoj. Da li ćemo ući u novi program bukvalno zavisi od dve stvari - šta smo do sada uradili i šta su nam konkretni planovi i ciljevi koje želimo da postignemo.

**Kakva je uloga EBRD-a u investiranju u Srbiju?**

- EBRD je značajno doprineo razvoju bankarskog sektora kao vlasnik EKSIM banke, koja je u međuvremenu prodana HVB banci. Isto tako, EBRD obezbeđuje određene kreditne aranžmane pojedinim bankama koji takođe pospešuju dalji razvoj bankarskog sistema, ali poslednje ulaganje u Komercijalnu banku mnogo je više investicionog karaktera nego što ima ulogu podsticanja daljeg razvoja bankarskog sistema.

Ja vidim mnogo investicionih mogućnosti za EBRD. A ko želi da dokaže svoju spremnost da ulaže u zonu ograničenog rizika, ali i u zonu velikog prinosa, kakva je Srbija, da pokaže liderstvo, da pokaže da je sigurna u dalji razvoj celokupnog finansijskog sektora, onda treba da uloži u sferu osiguravajućih društava, jer će sigurno biti potrebno godinu, dve da u taj sektor dođu najveći svetski igrači.

EBRD može, takođe, da pokaže svoj pionirski karakter i svoje liderstvo ulaganjem u dobrovoljne penzione fondove. Ako je EBRD spreman da sve to pokaže, onda treba mnogo više da se fokusira na sektor osiguranja i dobrovoljnih penzionih fondova. Smatram da bi EBRD svoju razvojnu ulogu trebalo da pokaže pre svega u tim sektorima, pošto u bankarskom sektoru ima dovoljno srateških investitora, a ima već i jako atraktivnih cena.

**Koja je Vaša poruka stranim investitorima?**

- Pogledajte šta se dogodilo sa svim stranim investitorima koju su već došli – niko do sada nije otišao iz Srbije, ni u najtežim trenucima. Naše negativnosti nisu gore nego što su u nekim drugim zemljama. Dakle i to što je negativno, nije negativnije nego kod drugih. Srbija ima još mnogo štošta da uradi, ali je pozitivno ovo što smo do sada uradili.

Iako Srbija ima veći nivo rizika nego neke druge zemlje, postoje mogućnosti za dobit. Investitori koji su zainteresovani za region jugoistočnog Balkana ne mogu da zaobiđu Srbiju, ukoliko žele da pokriju region i ako žele da budu globalni igrači i da ponude svoje usluge u drugim zemljama. Ubeđen sam da će se svi oni politički izazovi koji su odlagani tokom ove godine pozitivno rešiti, što će sigurno dati značajan podstrek stranim direktnim investicijama u idućoj godini.

Ovde je mnogo učinjeno sa stanovišta strukturnih reformi i to veoma mnogo odgovara stranim investitorima. Nezavisno od stepena rizika, nivo marži je dovoljno atraktivan da ljudi prihvataju taj nivo rizika, i ne samo da ne odlaze, već i dodatno ovde razvijaju svoj biznis, što je pozitivno. To dokazuje i treću stvar - da nivo problema koji su strani investitori imali posle ulaska u Srbiju nije ništa veći nego što su ga imali isti ti investitori u nekim drugim zemljama, jer bi inače otišli.

international recognition of the fact that reform development is still being carried out in Serbia. Whether or not we will enter a new program literally depends on two things – what we have done so far and what our concrete plans and the goals we wish to achieve are.

**What is the EBRD's role in investments in Serbia?**

- The EBRD has considerably contributed to the development of the banking sector as the owner of EKSIM Banka, which was sold to HVB Bank in the meantime. Furthermore, the EBRD ensures certain credit arrangements for some banks that also stimulate the banking system's further development. However, the latest investment in Komercijalna Banka is much more of an investment nature, than it is of stimulating nature for the further development of the banking system.

I see many investment possibilities for the EBRD. And those who want to prove their readiness to invest in a zone of limited risk, but also in a zone of high yields, as is Serbia, to show leadership, to show that they are certain about the further development of the entire financial sector, should invest in the sphere of insurance companies, because it will quite certainly take a year or two for the largest world players to enter this sector.

The EBRD can also show its pioneer nature and its leadership by investing in voluntary pension funds. If the EBRD is ready to demonstrate all this, it should now focus much more on the sectors of insurance and voluntary pension funds. I believe the EBRD should show its development role primarily in these sectors, since there is a sufficient number of strategic investors in the banking sector, and there are also already very attractive prices.

**What is your message to foreign investors?**

- To take a look at what has happened with all the foreign investors who have already come – no one has left Serbia so far, not even in the most difficult times. Our negative sides are no worse than they are in some other countries. So, what is negative here is not more negative than it is in other places. Serbia still has many more things to do, but what we have done so far is quite positive.

Even though Serbia has a higher risk level than some other countries, it also offers possibilities for a profit. The investors who are interested in the region of the South Eastern Balkans cannot bypass Serbia if they wish to cover the region and if they want to be global players and to offer their services in other countries. I believe all those political challenges that kept being postponed this year will be positively resolved, which will quite certainly significantly encourage foreign direct investments next year.

A lot has been done here from the standpoint of structural reforms and this suits foreign investors very much. Regardless of the risk level, the level of the margins is sufficiently attractive for people to accept that risk level, and not only are they not leaving, but are additionally developing their businesses here, which is positive. This also proves a third thing – that the level of the problems which foreign investors were faced with after entering Serbia was no greater than the problems these same investors encountered in some other countries, otherwise they would have left.