

# ANNUAL REPORT 2010



Agricultural bank Agrobanka JSC Belgrade, 2010

# Agrobanka

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



**Agrobanka**

**ANNUAL REPORT**

**2010**

AGRICULTURAL BANK AGROBANKA JSC  
Belgrad, Sremska 3-5  
Telephone: +381 11 20-21-000

Belgrade, june 2011

## Letter of the Chairman of the Executive Board of Agrobanka for the Annual Report for the Year 2010

Esteemed Shareholders, Clients and Business Partners of Agrobanka,

On behalf of the Executive Board and the Management of Agrobanka, it is my honor and pleasure to briefly make you familiar with the business results of the Bank, achieved during the year 2010, as well as with the goals of the business policy in the year 2011.

Agrobanka has been operating for eighty-two years now and is the oldest bank in Serbia. In its long history, the Bank has changed its name but never has the Bank changed its professionalism, the quality of its services, its good and host relationship with its clients. For that reason, Agrobanka is the biggest domestic banking brand.

Almost everything that has been built in the agriculture of the state of Yugoslavia since the year 1929 until today – ranging from farms, complexes to irrigation ditches and small husbandries – all the afore mentioned has been built by means of credits granted by Privileged Agrarian Bank, then by Yugoslav Agricultural Bank, and, recently – Agrobanka. For the duration of its longtime business operations, Agrobanka has successfully realized many big projects in agriculture and the food industry, such as the loan granted by the International Bank for Reconstruction and Development, funds of social reproduction, funds of the village revitalization, funds for the develop-

ment of cattle breeding and expert services, as well as funds for the arrangement of the agricultural land. For decades, the Bank has been enhancing its brand and reputation, and its clients' trust. It has always done its best to find solutions to real clients' needs and to provide them with reliable and efficient banking services.

For Agrobanka, the business year 2010 was a successful one according to the key parameters of banking operations: the balance-sheet sum, deposits, capital and placements. The engagement of the management and employees of the Bank resulted in achieving a greater growth than it had been planned in the above mentioned business operations segments, which improved the Bank's rating in the system of the Republic of Serbia. Agrobanka is number 12 bank according to the balance-sheet sum, number 10 bank according to the capital and received deposits, number 9 bank according to the achieved financial result, and number 15 according to the given credits among 33 banks operating in the Republic of Serbia.

For the duration of the year 2010, Agrobanka increased its balance-sheet assets by 26% at the beginning of the year, so that the total balance-sheet assets at the end of the year 2010 were 74.4 billion RSD. The given credits and deposits were in total 43.5 billion RSD, which represented an increase by 20%. The deposit potential

reached the amount of 54.2 billion RSD, which, compared with the year of 2009, accounted for an increase by 31.6%. The liabilities according to all bases at the end of the year totaled 56.8 billion RSD, and were increased by 33%, mostly thanks to the growth of deposits, first of all to the growth of foreign currency deposits of the retail sector (an increase by 86 million EUR). The value of the capital was increased by 7%, so that, at the end of the year 2010, it was 17.6 billion RSD. Eventually, the gained profits in the year 2010 were 1.15 billion RSD, which accounted for a confirmation of its rational business doing in more difficult conditions of the macroeconomic activity as well.

The achieved return on the assets of the Bank (ROA) in the year 2010 was 1.8%, whereas it was 1.1% in the banking sector. In the same time period, the achieved return on the equity of the Bank (ROE) was 7.0%, whereas it was 5.4% in the banking sector. The capital adequacy was 19.9% at level of the banking sector, too, at the end of the year.

During the year 2010, the Bank continued to implement the ISO standards (ISO 9001:2008 – Quality Management System and 27001:2005 ISMS – Information Security Management System). After the regular annual checking of all the processes of the international certification body had been conducted, it was confirmed that Agrobanka was consistently implementing the adopted standards in its business operations.

The banking activities in the last year were carried out through the very well-developed business network of the Bank, which is among the biggest ones in the Serbian banking sector, and which consists of 15 branches, 104 branch offices and 28 desks, or in total 147 organizational parts – only in the year 2010, the network was enlarged by 9 organizational parts.

The image of the Bank was significantly improved by intensifying marketing activities, continued cooperation with the Football Association of Serbia and the leading football teams in the country, as well as by sponsoring numerous sporting and cultural events of a national importance.

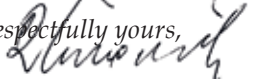
The number of employees and qualifications structure, as well as specialist training and improving knowledge are always complied with the scope, type and complexity of activities as well as technical and technological innovations. Out of the total of 880 employees, 337 of them account for university qualifications, 127 for col-

lege qualifications, 397 for high-school qualifications and 19 workers account for other qualifications.

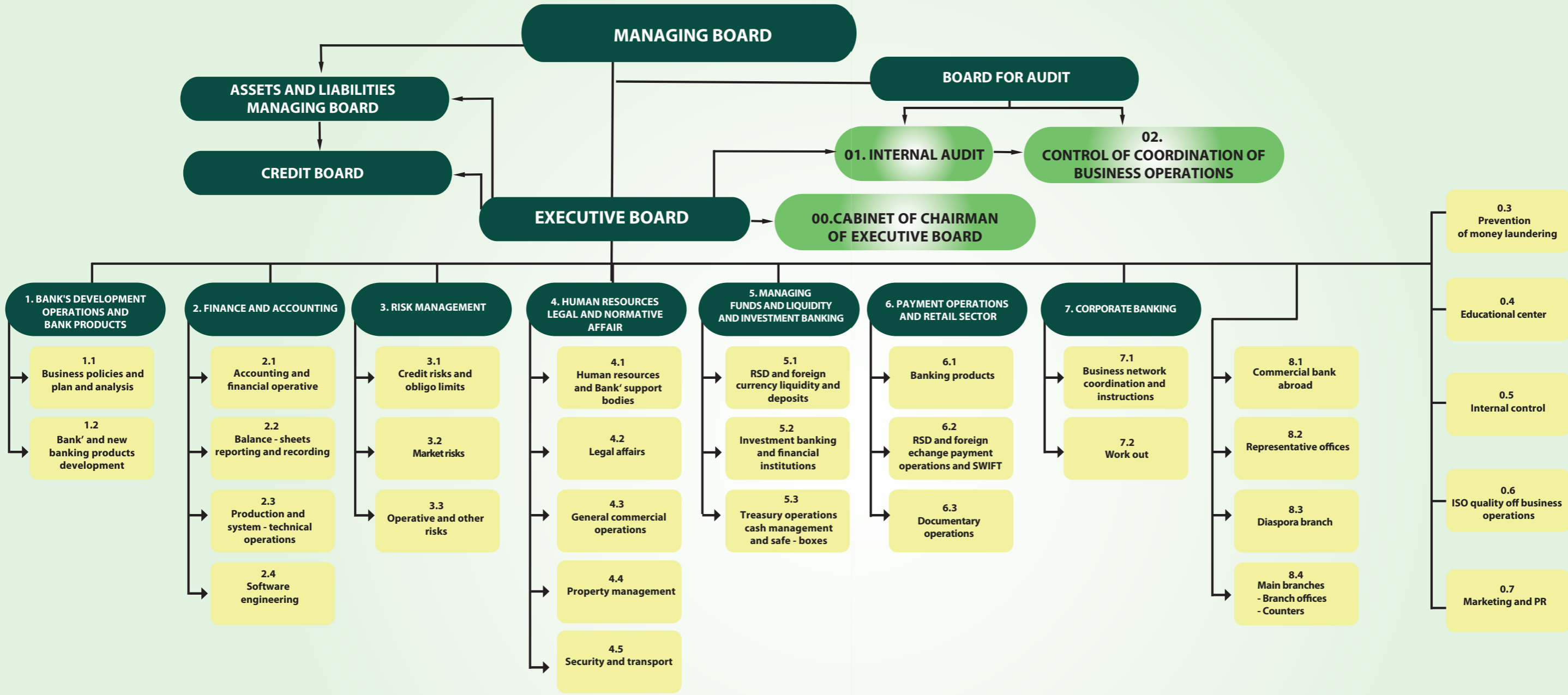
Agrobanka has planned a tendency of achieving better results within all business operations segments in the year 2011, too. Having that as an aim, it has defined several key goals of the business policy which are related to: the improvement of the market position within business banking, the maintenance and enhancement of the principle of liquidity, security and profitability, the achievement of profits at least to the extent of the planned ones, an increase in deposits, with a special focus on increasing transactional deposits, the strengthening of its own capital base through a new issuance of shares, an increase in placements according to new credits, first of all through projects of investing in the development of small and middle enterprises, the reduction of potential risks to the optimal level, the development of new banking products and services, first of all in operations with retail, entrepreneurs, small and middle enterprises, a further implementation of information systems in order to reach a higher degree of the automation of the existing ones, as well as the introduction of new business processes and the continuation of the realisation of the long-term project Agrobanka – Bank of Diaspora.

Also, the year 2011 will bear special importance because, around mid-2011, it is expected that Agrobanka JSC Banja Luka – the first organizational part of the Bank outside Serbia – will start to operate, and there are plans for opening several new organizational parts in the country as well.

I express my sincere conviction that the shareholders and clients of Agrobanka will, on the basis of the achieved results in the year 2010, recognize our shared interests and give their support to our plans for the year 2011. Agrobanka sees itself as one among the leaders in the financial market within the corporate sector and the sector of agriculture, and, from that point, the main strategic goal of Agrobanka is to achieve a 5% market share in the total assets of the banking system in Serbia by the end of the year 2012. Once this has been done, the brand of Agrobanka will become even more recognizable and more empowered at the international level as well.

Respectfully yours,  


Chairman of Executive Board of Agrobanka  
 Dusan Antonic, M.Sc.



**MANAGING BOARD**

**ASSETS AND LIABILITIES MANAGING BOARD**

**CREDIT BOARD**

**EXECUTIVE BOARD**

**BOARD FOR AUDIT**

**01. INTERNAL AUDIT**

**02. CONTROL OF COORDINATION OF BUSINESS OPERATIONS**

**00. CABINET OF CHAIRMAN OF EXECUTIVE BOARD**

**1. BANK'S DEVELOPMENT OPERATIONS AND BANK PRODUCTS**

**1.1 Business policies and plan and analysis**

**1.2 Bank' and new banking products development**

**2. FINANCE AND ACCOUNTING**

**2.1 Accounting and financial operative**

**2.2 Balance - sheets reporting and recording**

**2.3 Production and system - technical operations**

**2.4 Software engineering**

**3. RISK MANAGEMENT**

**3.1 Credit risks and oblige limits**

**3.2 Market risks**

**3.3 Operative and other risks**

**4. HUMAN RESOURCES LEGAL AND NORMATIVE AFFAIR**

**4.1 Human resources and Bank' support bodies**

**4.2 Legal affairs**

**4.3 General commercial operations**

**4.4 Property management**

**4.5 Security and transport**

**5. MANAGING FUNDS AND LIQUIDITY AND INVESTMENT BANKING**

**5.1 RSD and foreign currency liquidity and deposits**

**5.2 Investment banking and financial institutions**

**5.3 Treasury operations cash management and safe - boxes**

**6. PAYMENT OPERATIONS AND RETAIL SECTOR**

**6.1 Banking products**

**6.2 RSD and foreign echange payment operations and SWIFT**

**6.3 Documentary operations**

**7. CORPORATE BANKING**

**7.1 Business network coordination and instructions**

**7.2 Work out**

**8. COMMERCIAL BANKING**

**8.1 Commercial bank abroad**

**8.2 Representative offices**

**8.3 Diaspora branch**

**8.4 Main branches - Branch offices - Counters**

**0.3 Prevention of money laundering**

**0.4 Educational center**

**0.5 Internal control**

**0.6 ISO quality off business operations**

**0.7 Marketing and PR**

## Executive Board



Dusan Antonic, M.Sc. Chairman  
Slavoljub Koricanac Deputy Chairman



Bojan Simonovic Member  
Branislav Pesic Member  
Bojan Zaric Member



CHAIRMAN OF THE ASSEMBLY

Andjelko Brzulja  
FMP Group  
Belgrade



PRESIDENT OF THE MANAGING BOARD

Rajko Latinovic  
PKB IMES JSC  
Belgrade



CHAIRMAN OF THE SUPERVISORY BOARD

Marko Backovic  
D.Sc. Profesor  
Faculty of Economics  
University of Belgrade

## Management Board

Rajko Latinovic, PKB IMES JSC, Belgrade, Chairman  
Aleksandar Ilic, PE SRBIJASUME, Belgrade, Deputy Chairman  
Vera Mihatovic, ACH-Stock Company, Ljubljana, Slovenia, Member  
Danilo Sukovic, Ph.D.(Econ.), Center for Economic Research, Belgrade, Member  
Mirko Vasiljevic, Ph.D. professor, Faculty of Law, Belgrade, Member  
Marko Backovic, Ph.D. professor, Faculty of economics, Belgrade, Member  
Zvonimir Nikezic, VODA VODA, Belgrade (Representative of the Republic of Serbia)  
Goran Mrdakovic, Prokuplje City Council (Representative of the Republic of Serbia)  
Srdjan Mihajlovic, JP TRANSNAFTA



## 1. Agobanka's operating results achieved in 2010

The results achieved in 2010 and their dynamics in relation to 2009, reported as follows:

- Balance sheet total amounted to EUR 705.2 million, an increase of 26% compared to 2009, and compared to the plan for 2010, an increase by 6%.
- Capital was EUR 166.8 million, an increase of 7% compared to 2009.
- Obligations on all grounds amounted to EUR 538.4 million, an increase of 33% (mostly based on deposits) compared to 2009.
- Agrobanka's total deposits amounted to EUR 513.8 million, an increase of 32% compared to 2009. In a breakdown by sectors, deposits were increased from 60% to 67%. If viewed by the currency, the dinar deposits amounted to 24%, and foreign exchange currencies amounted to 76%. The structure of transaction deposits upon maturity, consisted of deposits and deposits on sight in the amount of 16%, and 84% of term deposits. In the structure of term deposits, long-term sources amounted to 48%, an increase of 28% compared to 2009.
- Cash, deposits with NBS (Central Bank) and placements with banks, amounted to EUR 169.7 million, an increase of 13% compared to 2009.
- Loans and advances to customers increased by 20% compared to 2009, and amounted to EUR 412.3 million, while the securities dropped by 23% to EUR 10.4 million.
- Placements on the basis of intangible and fixed assets, amounted to EUR 67.3 million as compared to 2009, an increase of 151%.
- The achieved revenues amounted to EUR 180.1 million, and expenses of RSD 168.7 million, giving a positive financial result of RSD 11.4 million.
- In comparison to 2009, the volume of payment transactions have increased, including: the dinar by 30%, and 20% for foreign exchange currencies, and amounted to EUR 531.2 million.
- In 2010, 9 new organizational units were opened, and two organizational units were closed. Business network consisted of 147 organizational units (15 main branches, 104 branches and 28 counters). Acceptor network consisted of 135 ATMs and 554 POS terminals.
- Of the total number of employees, 337 refers to an university degree, 127 higher, secondary 307, and 19 employees to other qualifications. In comparison to 2009, the number of employees increased by 26, so that on 2010/12/31 it amounted to 880 employees. Share of Agrobanka in the structure of employees in the banking sector was 2.8%.





## 2. Balance Sheet

### Liabilities

(in million EUR)

LIABILITIES – POSITION	31 Dec. 2009	31 Dec. 2010	Index (3/2*100)	Plan 2010.	Index (3/5*100)
1	2	3	4	5	6
Transactional deposits	52.4	54.6	104.2	57.0	95.7
Other deposits	338.1	459.5	135.9	380.3	120.8
Received credits	1.0	3.7	372.1	0.6	576.1
Liabilities from interests and fees	0.6	0.6	113.2	0.7	93.9
Provisions	2.6	4.3	168.6	5.3	82.1
Liabilities for taxes	0.3	0.9	316.8	0.3	267.2
Liabilities from profit	0.1	0.0	69.6	0.1	34.5
Deferred tax liabilities	0.0	0.3		0.0	
Other liabilities	8.0	14.2	176.7	11.9	119.3
<b>TOTAL LIABILITIES</b>	<b>403.0</b>	<b>538.1</b>	<b>133.5</b>	<b>456.3</b>	<b>117.9</b>
Capital	138.1	138.1	100.0	183.1	75.4
Reserves from profit	6.2	18.1	293.1	8.3	217.4
Revaluation reserves	0.1	0.1	97.8	0.1	97.8
Profit	12.0	11.0	91.7	16.6	66.2
<b>TOTAL CAPITAL</b>	<b>156.4</b>	<b>167.3</b>	<b>107.0</b>	<b>208.2</b>	<b>80.4</b>
<b>TOTAL LIABILITIES</b>	<b>559.4</b>	<b>705.4</b>	<b>126.1</b>	<b>664.5</b>	<b>106.2</b>

### Assets

(in million EUR)

ASSETS – POSITION	31 Dec. 2009	31 Dec. 2010	Index (3/2*100)	Plan 2010	Index (3/5*100)
1	2	3	4	5	6
Cash and cash equivalents	83.1	71.6	86.1	67.2	106.5
Revocable deposits and credits	67.0	98.8	147.4	58.9	167.7
Receivables from interests, fees, sale and other receivables	10.7	24.4	227.1	17.2	141.8
Given credits and deposits	343.9	412.3	119.9	450.2	91.6
Securities (without own shares)	13.4	10.0	74.5	17.7	56.2
Shares (Stakes)	3.2	1.4	42.8	4.3	32.0
Other placements	6.8	12.7	185.2	11.7	108.3
Intangible investments	0.7	0.6	85.2	0.7	94.8
Fixed assets and investment real estate	26.9	67.7	251.2	26.6	254.7
Deferred tax assets	0.6	0.6	108.7	0.7	97.7
Other assets	2.8	5.3	186.9	9.3	56.9
<b>TOTAL ASSETS</b>	<b>559.4</b>	<b>705.4</b>	<b>126.1</b>	<b>664.5</b>	<b>106.2</b>



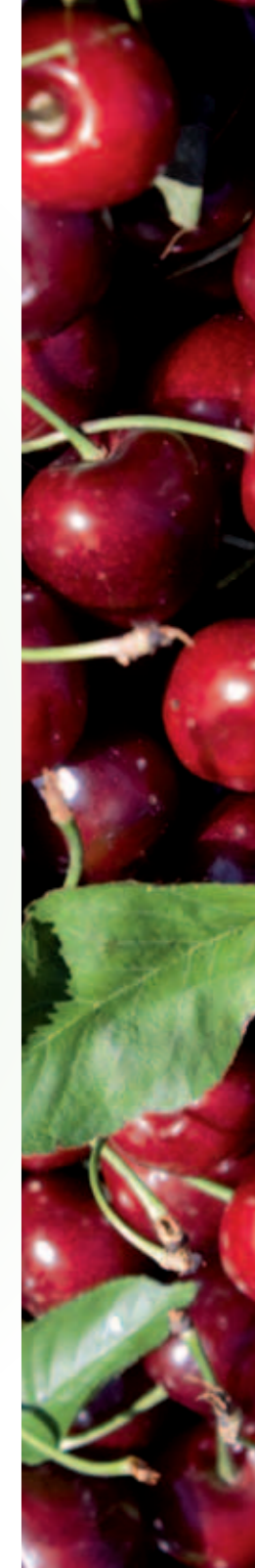
# 3. Income statement

(in 000 EUR)

INCOMES						
REF.	NAME OF GROUP	2009/12/31	2010/12/31	Index (4/3*100)	Plan 2010	Index (4/6*100)
1	2	3	4	5	6	7
A	INCOMES FROM BUSINESS	165,713.1	141,815.1	85.6		
1	Incomes from interest from	56,078.3	65,746.9	117.2	61,579.2	106.8
1.1.	Banks and other financial organizations	291.1	71.6	24.6		
1.2.	NB of Serbia	1,039.1	1,184.1	114.0		
1.3.	Enterprises	50,372.8	61,091.7	121.3		
1.4.	Public sector	9.0	9.0	100.2		
1.5.	Retail	2,033.2	2,113.4	103.9		
1.6.	Foreign persons/entities	176.9	274.9	155.4		
1.7.	Other clients	0.0	0.2	2,200.0		
1.8.	On securities	2,156.1	1,002.0	46.5		
2	Incomes from fees from	8,136.4	9,067.8	111.4	11,016.3	82.3
2.1	Enterprises according to the credit activity	71.0	66.5	93.6		
2.2.	Enterprises according to issued guarantees and avals	2,701.6	2,980.8	110.3		
2.3.	Retail	1,393.1	1,529.2	109.8		
2.4.	Dinar payment operations	3,427.4	4,091.0	119.4		
2.5.	Foreign exchange	536.3	392.2	73.1		
2.6.	Fees for authorized bank's activities	7.0	8.0	114.9		
3	Other financial incomes	33,746.7	7,199.9	21.3		
3.1.	Dividends and incomes from investments	211.9	73.3	34.6		
3.2.	Positive exchange rate differences	33,070.5	6.9	0.0		
3.3.	Gains from sale of securities and investments	464.3	233.0	50.2		
4	Incomes from operating business	67,751.8	59,800.5	88.3		
4.1.	From abolishing provisioning	67,563.6	59,340.1	87.8		
4.1.1.	From balance-sheet assets	60,052.3	53,537.8	89.2		
4.1.2.	From off-balance-sheet assets	7,511.2	5,802.3	77.2		
4.2.	From rent	73.9	238.6	323.0		
4.3.	Other incomes from operating business	114.3	221.8	193.9		
B	NON-BUSINESS AND EXTRAORDINARY INCOMES	19,837.9	38,713.5	195.1	75,859.4	51.0
1	Collected written-off receivables	15.7	6.1	39.0		
1.1.	For legal entities	8.1	1.9	23.6		
1.1.1.	Collected written-off principal	4.9	0.0	0.2		
1.1.2.	Collected written-off interest	0.6	0.0	0.0		
1.1.3.	Collected written-off fee	0.7	0.7	95.8		
1.1.4.	Collected other written-off receivables	1.9	1.3	65.5		
1.2.	For natural persons	7.5	4.2	55.7		
1.2.1.	Collected written-off receivables from natural persons	7.5	4.2	55.7		
2	Gains from sale of fixed assets	1,003.8	809.9	80.7		
3	Incomes from reduced liabilities	2.9	0.3	11.6		
4	Other incomes	156.4	303.7	194.3		
5	Incomes from change in value of fixed assets and intangible investments	-	341.5	-	8,587.8	
6	Incomes from change in value of placements, securities and receivables	17,476.8	36,059.6	206.3		419.9
7	Incomes from change in value of liabilities	1,182.4	1,192.3	100.8		
	<b>TOTAL INCOMES</b>	<b>185,551.0</b>	<b>180,528.6</b>	<b>97.3</b>	<b>157,042.7</b>	<b>115.0</b>

(in 000 EUR)

EXPENSES						
REF.	NAME OF GROUP	2009/12/31	2010/12/31	Index (3/4*100)	Plan 2010	Index (3/6*100)
1	2	3	4	5	6	7
A	EXPENSES FROM BUSINESS	163,419.2	54,401.7	94.5		
1	Expenses from interest from	22,033.3	27,712.1	125.8	24,905.8	111.3
1.1.	Banks and other financial organizations	3,213.5	4,245.1	132.1		
1.2.	NB of Serbia	59.8	0.9	1.5		
1.3.	Enterprises	4,512.1	4,035.1	89.4		
1.4.	Public sector	1,000.8	866.4	86.6		
1.5.	Retail	12,549.9	17,693.7	141.0		
1.6.	Foreign persons/entities	103.7	371.1	357.9		
1.7.	Other clients	593.6	499.8	84.2		
1.8.	On securities	-	-			
2	Other expenses	42,326.1	28,026.6	66.2		
2.1.	Expenses from fees and charges:	592.6	597.3	100.8	731.9	81.6
2.1.1.	Payment operations in the country	439.2	467.4	106.4		
2.1.2.	Payment operations abroad	11.0	15.5	141.0		
2.1.3.	Other fees and charges	142.3	114.4	80.4		
2.2.	Negative exchange rate differences	41,730.6	27,429.2	65.7	5,369.4	510.8
2.3.	Losses from sale of securities and investments	3.0	-			
	Expenses from operating business	99,059.9	98,663.1	99.6		
1	Costs of salaries, fringe benefits and other personal expenses	9,534.9	10,727.3	112.5	10,947.7	98.0
1.1.	Net salaries	3,508.3	3,975.1	113.3		
1.2.	Net fringe benefits	2,911.7	3,238.3	111.2		
1.3.	Taxes on salaries and fringe benefits	1,014.8	1,121.9	110.6		
1.4.	Contributions to salaries and fringe benefits	1,531.4	1,612.8	105.3		
1.5.	Other personal expenses	568.7	779.3	137.0		
2	Other costs of business	11,041.0	13,613.1	123.3	12,068.7	112.8
2.1.	Costs of materials	797.0	1,031.8	129.5		
2.2.	Costs of production services	3,282.0	3,810.3	116.1		
2.3.	Costs of amortization	1,391.6	1,469.2	105.6		
2.4.	Intangible costs	2,518.7	3,903.3	155.0		
2.5.	Costs of tax	1,031.6	1,292.8	125.3		
2.6.	Costs of contributions	1,962.9	2,041.7	104.0		
2.7.	Other costs	57.2	63.9	111.7		
3	Expenses from indirectly written-off placements, provisioning for long-term risks	78,484.0	74,322.7	94.7	86,380.5	86.0
3.1.	Indirect writing-off of placements-balance-sheet positions	71,987.4	66,843.6	92.9		
3.2.	Indirect writing-off of placements-off-balance-sheet positions	6,496.6	7,479.1	115.1		
B	NON-BUSINESS AND EXTRAORDINARY EXPENSES	10,446.5	14,871.4	142.4		
1	Writing off of uncollectible receivables from legal entities and natural persons	248.9	1.3	0.5		
2	Losses from expenses and writing-off of fixed assets Intangible investments	32.3	-			
3	Losses from sale of fixed assets	-	2.4			
4	Shorts, damages and other expenses	7.9	642.9			
5	Expenses from change in value of fixed assets and Intangible investments	144.9	-			
6	Expenses from change in value of placements and securities	8,578.8	12,618.7	147.1		
7	Expenses from change in value of liabilities	1,433.6	1,606.1	112.0		
	<b>TOTAL EXPENSES</b>	<b>173,865.7</b>	<b>169,273.2</b>	<b>97.4</b>		<b>120.6</b>
	<b>DIFFERENCE BETWEEN INCOMES AND EXPENSES</b>	<b>11,685.3</b>	<b>11,255.4</b>	<b>96.3</b>	<b>140,404.0</b>	<b>67.6</b>
	Tax on profit	-76.9	-118.1	153.7	16,638.7	-71.0
	Deferred taxation assets/liabilities	394.5	-209.7	-53.2	166.4	
	<b>TOTAL RESULT</b>	<b>12,002.9</b>	<b>10,927.6</b>	<b>91.0</b>	<b>16,472.3</b>	<b>66.3</b>



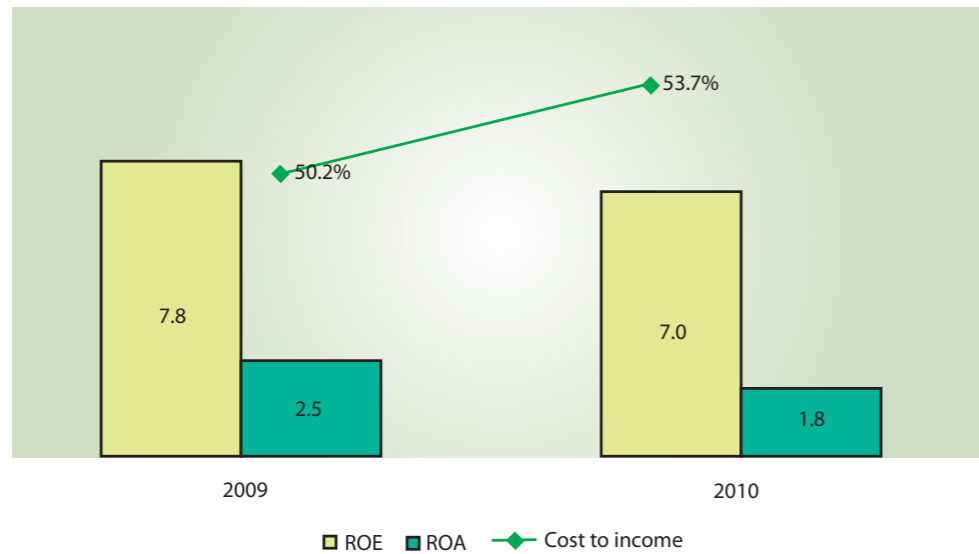


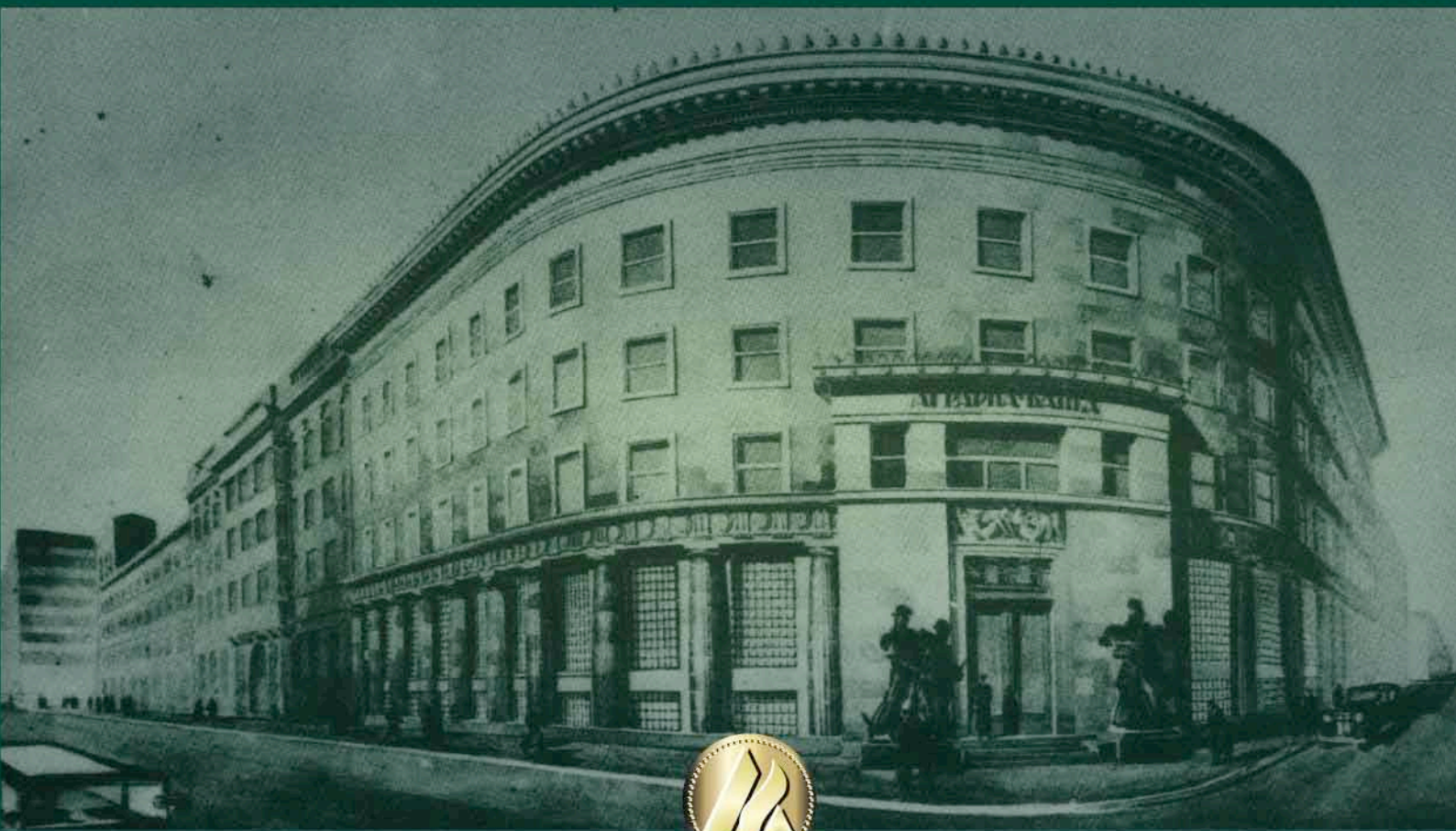
**INDICATORS OF PROFITABILITY**

	Banks 2009	Banks 2010	Agrobanka 2009	Agrobanka 2010
NIMA (% of average total assets)	5.1%	4.6%	7.3%	6.0%
Net incomes from interests/operating expenses	108.8%	110.3%	163.2%	152.2%
Net incomes from interests and fees/operating expenses	143.0%	143.7%	199.3%	186.1%
Cost to Income*	70.0%	69.7%	50.2%	53.7%
ROE**	4.6%	5.4%	7.8%	7.0%
ROA**	1.0%	1.1%	2.5%	1.8%
Leverage***	4.5	5.0	3.1	3.9

\* Operating expenses/Net incomes from interests and fees  
 \*\* Profits prior to taxation/Average total capital i.e. assets  
 \*\*\* ROE/ROA

**RoA, RoE, cost-to-income (%)**





Privileged Agricultural Bank Belgrade, 1934

# Agrobanka