



**HYPO ALPE ADRIA**  
SA VAMA. UZ VAS. ZA VAS.

# **Annual Report for the year 2013**

Hypo Alpe-Adria-Bank a.d. Beograd

## Review of the most important data

RSD '000

	2013	2012	2011	2010	Change 2012-2013
Total assets	125,422,971	168,480,146	146,716,143	144,597,751	-43,057,175
Liabilities to clients	63,533,479	84,901,638	68,284,756	60,636,685	-21,368,159
Receivables from clients	94,731,552	131,725,765	115,974,856	103,476,808	-36,994,213
Capital	28,422,146	33,368,054	33,011,260	31,616,735	-4,945,908
<i>(initial capital)</i>	<i>18,028,694</i>	<i>24,053,980</i>	<i>30,731,463</i>	<i>30,644,889</i>	<i>-6,025,286</i>
Net interest income	3,824,306	4,871,325	5,881,525	5,477,757	-1,047,019
Operational income	6,259,262	7,609,126	9,106,107	8,363,268	-1,349,864
Operating loss	5,762,033	4,683,968	4,278,293	4,002,704	1,078,065
Operating result	497,229	2,925,158	4,827,814	4,360,564	-2,427,929
Results from regular business	(4,722,414)	1,787,912	1,498,366	384,506	289,546
Operating expenditures/ Operating incomes (CIR)	92.06%	61.56%	46.98%	47.86%	30.50%
Revenue on equity (ROE)	-15.92%	4.78%	3.96%	1.09%	-20.71%
Revenue on assets (ROA)	-3.35%	1.01%	0.88%	0.24%	-4.36%
Employee	831	836	872	816	-5

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## Members of the Executive Board



**Zoran Vojnović**  
Chairman of the Executive Board

**Responsibilities:**

- Corporate Finance Division
- Public Finance Department
- Sales Planning and Controlling Team
- Internal Audit Department
- Legal Team
- Compliance Team
- Anti Money Laundering and Counter Terrorism Financing (AMLICFT) Team
- Safety and Security and Fraud Prevention Team
- Human Resources Department
- Board Assistance Department
- Staff function: Advisory Officer
- Staff function: Economic Research
- Staff function: Corporate Communications



**Martin Kammermeier**  
Deputy Chairman of the Executive Board

**Responsibilities:**

- Risk Controlling Division
- Credit Management Division
- Retail Risk Management Division
- Task Force Rehabilitation Team
- Credit Processing Division
- Credit Rehabilitation Division



**Rade Vojnović**  
Member of the Executive Board

**Responsibilities:**

- Accounting and Reporting Department
- Financial Controlling Department
- Balance Sheet Management and Treasury Department
- Capital and RWA Controlling Team



**Mirko Španović**  
Member of the Executive Board

**Responsibilities:**

- Organization and Information Technology Division
- Real Estate Management Division
- Procurement Team
- Collection Division
- Operations Division
- Business Process Management Team



**Oliver Klesinger**  
Member of the Executive Board

**Responsibilities:**

- Distribution Channels Team
- Sales Management Division
- Individual Clients & Retail Products Department
- Affluent Team
- SME Team
- Marketing Team

**Note:**

- Internal Auditing Department and Compliance Team report to the Supervisor Board of the Bank.
- Organizational operations and activities relating working relationships of the Board Assistance Department, Internal Auditing Department and Compliance Team are performed by Zoran Vojnović, Chairman of the Executive Board.

## Letter of the Executive Board

Dear all,

Business operations of Hypo Alpe Adria bank in 2013 brought a series of changes and activities which significantly contributed to improvement of the relationship with clients and establishment of stable bases for achievement of further business goals.

During 2013, new branches and sub-branches were opened, and the number of ATM machines was increased, which made services of banks even more available for the citizens all around the country.

At the end of 2013, the business network of Hypo Alpe-Adria-Bank a.d. Beograd was comprised of 50 branches in 28 cities of Serbia, as well as 84 ATM machines.

In this year, a new information system was implemented, owing to which the speed and the quality of banking business were significantly improved.

An additional indicator of professional relationship with the clients is also the project "Service Quality Project" the realization of which, at the level of the entire Hypo Group, started in 2012 and continued throughout 2013.

As a result of sustained efforts aimed at enhancing the service quality, the clients of Hypo Alpe Adria bank were able to use a wide range of savings and credit products, debit and credit cards, e-banking and insurance. Thus, despite difficult market conditions and tightening of the credit policy, a stable base of more than 190,000 clients was created in the retail segment and the SME segment at the year-end.

Difficult economic conditions influenced corporate operations as well, and yet good business results were also achieved in this segment and the number of clients was kept at the same level as in the previous year. Reduction of credit activities in the local market, nominal fall of loans in the corporate segment with fur-

ther growth of uncollectible receivables, as well as intensification of liquidity problems in the real sector, affected functioning of the corporate sector, which, in such an environment, managed to adapt and adjust the offer to such new circumstances, and also adequately approach the clients.

In 2013, positive results were also achieved in the segment of operations with the public sector, particularly in terms of improvement of cooperation with the units of local self-government.

In 2013, the corporate website of Hypo Alpe Adria bank [www.hypo-alpe-adria.rs](http://www.hypo-alpe-adria.rs) got a new visual identity. It was functionally improved and created in accordance with the current trends and the needs of our clients.

Realization of socially responsible projects was one of the important elements of business of Hypo Alpe Adria bank in Serbia.

In accordance with the annual strategy, humanitarian projects were realized at both external and internal level, which significantly contributed to the development of the community in which the bank operates – education of the young and the talents, culture, assistance to the sick, and in similar fields.

In the year ahead, we expect new challenges and opportunities, but also further realization of objectives, in accordance with a clear business strategy and our previous experience.

Yours sincerely,

The Executive Board of Hypo Alpe-Adria-Bank a.d. Beograd

Members of the Executive Board of Hypo Alpe-Adria-Bank a.d. Beograd

Zoran Vojnović

Martin Kammermeier

Rade Vojnović

Mirko Španović

Oliver Klesinger

# Business Report

## 1. Macroeconomic Environment and the banking sector

### International Environment

Last year was marked, all over the world, with expansive monetary policies of key central banks, primarily the American Fed, which, owing to great creation of liquidity, in 2013, contributed to slight recovery of key world economies. It also contributed to stability of currencies in developing countries, including Serbia, because of intensified inflow of foreign portfolio investments into their treasury records and bonds.

However, in accordance with injection of business activities in the USA, Fed, in January 2014, started with gradual reduction of scope of programs by reducing quantitative facilities (i.e., purchase or securities), so from the beginning of the year, the growth of aversion towards the risk in the world was recorded. In the Euro-Zone (EZ), which is the main trade partner of Serbia, during 2013, the fall of GDP was stopped, while the index of sentiment of purchase managers in processing industry indicates to possible injection of economy growth during the following period.

However, the signs of recovery in the EZ are still fragile, which can be seen in strong deflation pressures caused by weak domestic demand at that time (inflation in the EZ, in 2013, reached only 0.8%, as compared to 2.2% in 2012).

### Economic activity

Economic activity in Serbia, measured by gross domestic product, in 2013 recorded actual growth of 2.5%.

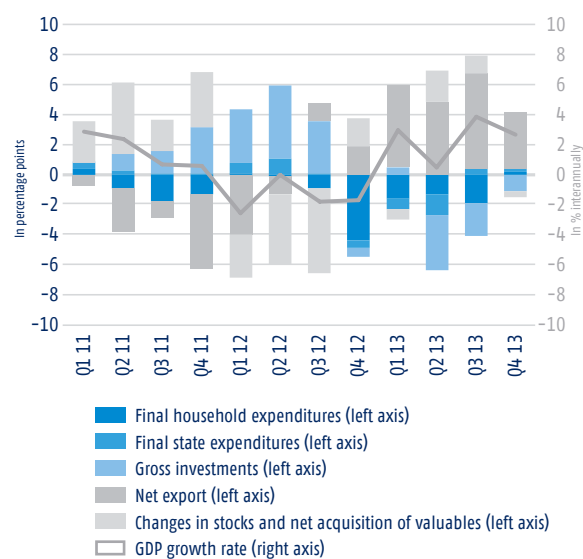
Such growth was also influenced and contributed by reduction of the trade deficit, while the investments, household expenditures and state expenditures gave negative contribution to the economic growth, Graph 1.

If observed by principles of production, the greatest positive influence to the growth of the GDP was given by agriculture and processing industry, while the biggest negative influence was given by the civil engineering sector, Table 1.

Although, by all odds, it will be continued in 2014, the effects of drastic narrowing of the trade deficit, such as the one 2013, most probably will not be possible, in the next year, while, possibly, the investments will give slight positive influence to the growth, mostly because of the effects of very low base in 2013.

On the other hand, the fall of domestic demand, by all odds, will be continued, so in 2014, only slight growth of the GDP, app. 1%, can be expected.

Contribution of key production aggregates to the growth of the GDP



Source: Republic Institute for Statistics

Turnover in retail trade, due to decrease in domestic demand, was decreasing from the middle of the year 2012, and this contraction, during the year 2013, was 5% interannually. In 2013, the trend of strong reduction in volumes of construction activities, and which started in the second half of the year 2012, continued, which seems to be conditioned by weak demand of households, enterprises and the state itself.

Industrial production, during 2013, recorded growing trend, so, last year, the volume of production was increased for 5.5% interannually, Graph 2.

Such trend was mainly influenced by strong growth in production of motor vehicles +140%.

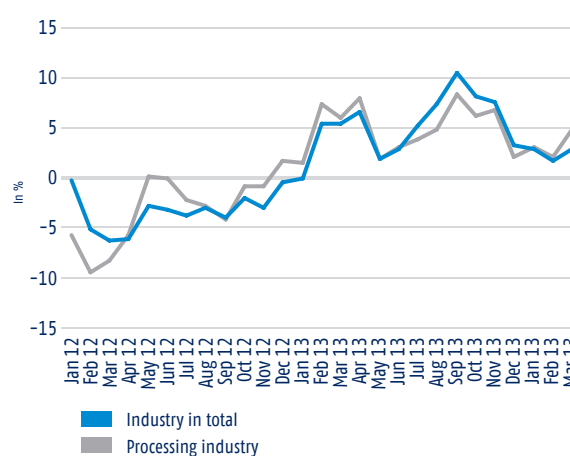
Interannually in 2013) and petroleum products (+50%), which is in accordance with initiation of serial production of FIAT cars, that is, expansion of capacities and modernization of NIS Oil Refinery in Pančevo.

The second half of 2013 recorded strong growth of production of electrical equipment and chemicals, which is obviously in accordance with the growth of production of vehicle equipment suppliers, but also, as it seems, with reactivation of production in certain plants of HIP Petrohemija (as the synthetic rubber plant in Elemir).



Besides, during the last months of 2013, food industry also recorded slight recovery, after contractions which took place at the end of 2012, and during the major part of 2013, and such recovery was influenced by good agricultural season in the said year, as well as the effect of very low base from the last months in 2012. Since August, basic metal production recorded strong growth, which is mainly the consequence of reactivation of production in Iron factory of Smederevo, in the first half of 2013, but also the effects of very low base (as the iron factory stopped the operation in July 2012). On the other hand, during the last months of 2013, non-metal minerals recorded sharp drop (i.e. construction material), by all odds, due to sharp drop in civil engineering activities in the country.

**Growth of volumes in industry production  
(Quartile moving average)**



Source: Republic Institute for Statistics

**Table 1. Actual growth of the GDP, by business activity**

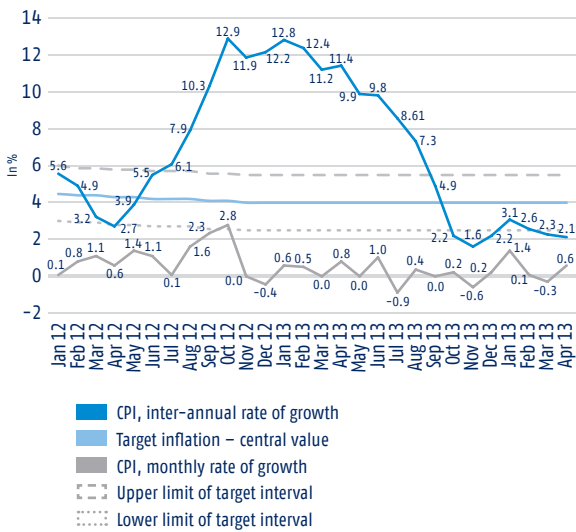
	2012	Q1 2013	Q2 2013	Q3 2013	Q4 2013
	u %				
Agriculture, forestry and fishing	-17.3	23.2	24.1	17.8	17.8
Mining	-1.8	7.0	2.3	8.3	3.9
Processing industry	1.1	4.4	3.2	8.7	3.2
Supply with electricity, gas and Department	-7.1	3.2	3.2	20.5	6.8
Supply with water and water management	1.3	4.2	3.6	3.6	3.6
Civil engineering	-0.8	-21.4	-37.2	-24.9	-17.3
Wholesale, retail and repairing of motor vehicles	0.2	-3.2	-4.0	-1.5	2.8
Traffic and storing	0.0	5.4	0.0	3.6	4.1
Accommodation and alimentary services	-2.0	0.7	0.7	0.4	-3.4
Information and communication	4.8	12.4	11.1	13.6	6.4
Financial and insurance activities	4.0	1.8	-0.6	-3.1	-3.1
Real estate operations	0.1	-0.2	-2.1	1.2	1.3
Technical, scientific innovations and technical activities	3.7	10.6	5.3	0.5	-4.4
Administrative and auxiliary services	2.0	-2.7	-0.8	-1.3	2.1
State administration and compulsory social insurance	3.1	3.6	2.6	1.5	0.4
Education	0.1	1.2	1.3	0.9	0.4
Health and social care	-1.2	-0.7	-0.6	-0.5	-0.5
Art, entertainment and recreation	0.7	3.8	3.0	-0.8	-3.1
Other services	1.5	-19.3	-27.8	-24.6	-23.0
Households as employers	0.0	-8.2	-15.7	-13.8	-12.6
Business activities - total	-1.3	2.9	0.6	3.6	2.5
Financial mediation indirectly measured	4.0	1.8	-1.7	-4.0	-5.2
Gross added value	-1.5	3.0	0.7	3.8	2.6
Net taxes	-1.6	3.0	-0.5	4.1	2.8
<b>GDP</b>	<b>-1.5</b>	<b>3.0</b>	<b>0.5</b>	<b>3.8</b>	<b>2.7</b>

Source: Republic Institute for Statistics

**Prices**

Last year recorded strong inflation slowdown, because of weak domestic demand, relatively stable value of dinar during the most of 2013, effects of good agricultural season to the prices of food, and lower global prices of raw material as compared with 2012, all with the effects of a very high base from 2012. So the average monthly growth of prices in 2013 was only 0.2% (1% in 2012), so the annual inflation, observing last year, reached 2.2% (12.2% in 2012), which is below the limit of the target corridor of the NBS, Graph 3.

**Interannual and monthly inflation (CPI) and target corridor of the NBS**



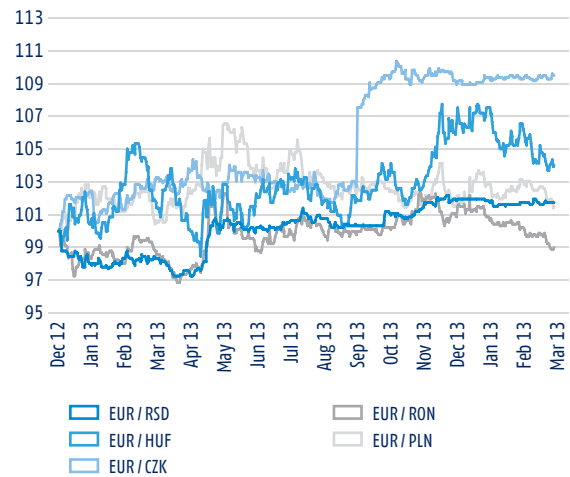
Source: Republic Institute for Statistics, The NBS

**Foreign exchange rate**

The value of dinar, during the most of 2013 was stable, primarily because of the said decrease of deficit of current accounts, together with good net inflows of portfolio investments into locally emitted dinar treasury bills and foreign direct investments, and which mainly exceeded depreciation pressures arising from getting rid of debts in private sectors, banks and the NBS. During the last months of 2013, appreciation pressures were additionally intensified, because of intensification of portfolio inflows into domestic debt market, which was, by all odds, contributed by yielding of external risks during the 4th quartile of 2013, as well as October announcement of new measures of fiscal consolidation in Serbia.

In order to alleviate those appreciation expenses, the NBS, during the 4<sup>th</sup> quartile, intervened through net purchase of 375 million euros at interbank market (observing the year 2013, total purchased amount was 170 million euros net).

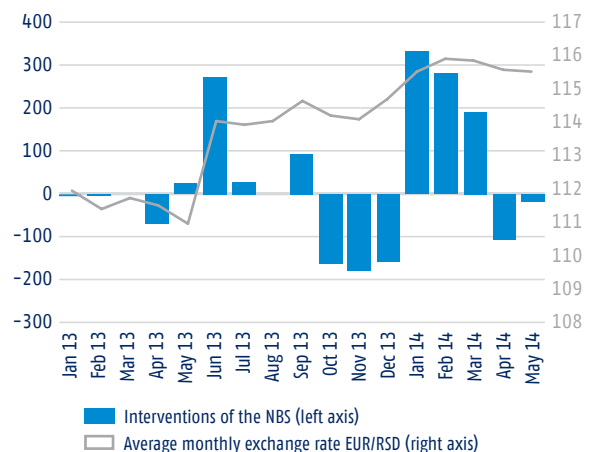
**Moving of exchange rate of regional currencies as compared to EUR (Index, 31<sup>st</sup> December, 2012 = 100)**



Source: Bloomberg, The NBS

**Interventions of the NBS at interbank foreign exchange market**

In EUR billion



Source: The NBS

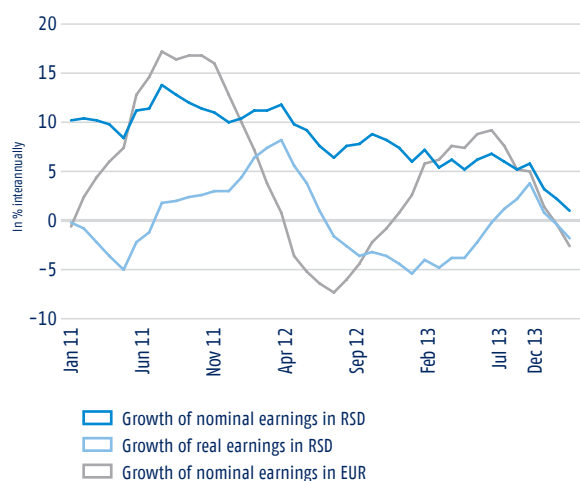
## Unemployment and earnings

Number of the unemployed in Serbia, according to the Survey about the labour force, of the Republic Institute for Statistics, between April 2013 and October 2013 was reduced for approximately 100,000, that is, from 24.1% to 20.1%, out of the total working active population, Table 5.

On the other hand, the data provided by the National Employment Service, indicate to drop in number of the unemployed, during the same period, for app. 30,000.

Average salaries, in December 2013 were increased for 8% interannually, in nominal amount in dinars, while, in actual amount the increase was 6%, and expressed in EUR, the increase was 7%, Graph 6.

## Quartile moving of average growth of monthly salaries in Serbia



Source: RZS

## Foreign trade and balance of payments

Last year was characterized by drastic growth of export, which, primarily, was influenced by serial production and export of FIAT vehicles (of which the export in 2013 reached 1.5 billion eur, as compared to 300 million in 2012), as well as, much less, growth of export of chemicals, rubber and plastics, electrical equipment and coke, and petroleum products.

During the last months of 2013, export growth rate recorded slowdown, mainly due to alleviating of effects of the law base in the car sector (as the serial production and export of FIAT vehicles started at the end of 2012). Export of foodstuff and agricultural

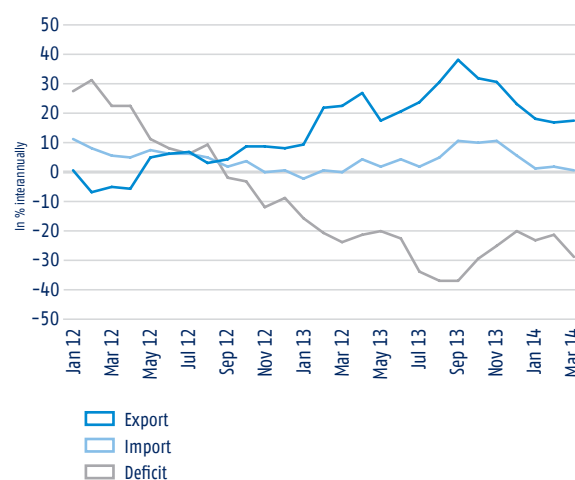
products, during the first half of 2013 recorded sharp drop, for 23% interannually, mainly due to low level of stocks resulting from the poor season in 2012, as well as drastic last year's drop of global prices as compared to 2012.

However, owing to the good season of last year, in the second half of 2013, export of foodstuff and agricultural products recorded recovery. Thus, the total export of products, in 2013, reached the amount of 11 billion euros, which means  $\frac{1}{4}$  increase as compared to 2012.

On the other hand, the growth in value of import was significantly limited, by all odds, due to weak domestic demand and the fall in global prices of raw material. Thus, the import in 2013 was increased for 5.1% interannually, reaching 15.5 billion euros, while the trade deficit was 4.5 billion euros, that is, 25% less than in 2012.

Because of reduced trade deficit and higher inflow of remittances, the deficit of current accounts in 2013 reached the figure of 1.6 billion euros (4.9% GDP), which is double less as compared to the same period last year, Table 2. At the same time, net inflows of capital (in portfolio investments, slightly less foreign direct investments) were for some 700 billion euros higher than net outflows (mostly from discharging of debt of banks, the NBS and enterprises), Graph 16.

## Interannual growth rate of export, import and deficit (Quartile moving cross-section)



Source: RZS

Table 2 Balance of Payments of Republic of Serbia

	Monthly		Cumulative from the beginning of the year	
	Mar 13	Mar 14	Dec 12	Dec 13
I CURRENT TRANSACTIONS	-333.9	-188.2	-3,176.5	-1,585.5
1. Goods	-446.4	-265.5	-5,479.9	-3,978.8
Export of goods	839.5	1,031.9	8,725.6	10,955.6
Import of goods	-1,285.9	-1,297.4	-14,205.5	-14,934.4
2. Services	11.2	23.9	155.9	334.4
Export of services	233.1	277.6	3,103.8	3,422.7
Import of services	-221.9	-253.7	-2,947.8	-3,088.2
3. Profit (net)	-153.4	-139.9	-799.5	-1,094.6
Revenues	27.2	25.4	538.9	485.5
Expenditures	-180.6	-165.3	-1,338.4	-1,580.1
4. Current transfers	254.7	193.3	2,947.0	3,153.4
of which: inflow of transfers	174.0	120.2	1,989.1	2,217.2
II CAPITAL TRANSACTIONS (net)	-1.0	0.1	-10.6	10.8
III FINANCIAL ACCOUNT	328.3	161.2	3,019.5	1,392.5
1. Direct investments (net)	64.4	52.5	241.9	768.5
2. Portfolio investments (net)	84.2	-48.3	1,720.5	1,916.6
3. Other investments	204.0	-212.3	-80.1	-595.9
3.1. Trade loans (net)	51.5	-13.2	517.9	400.9
3.2. Financial loans (net)*	-192.6	-84.1	-441.9	-1,224.3
NBS	-46.7	-64.5	-219.3	-658.0
Government	29.3	-56.7	209.3	433.3
Banks	-144.6	-14.0	-475.0	-713.6
Other sectors	-30.5	51.2	43.2	-286.0
3.3. Cash and deposits (net)	345.1	-115.0	-156.1	227.5
3.4. Other	0.0	0.0	0.0	0.0
3.5. Allocation of SPV	0.0	0.0	0.0	0.0
4. Reserve funds at the NBS**	-24.4	369.4	1,137.2	-696.7
IV ERRORS AND OMISSIONS (net)	6.6	26.8	167.6	182.2
V TOTAL BALANCE without reserve funds at the NBS	24.4	-369.4	-1,137.2	696.7

\* Included use and repayment of loans from the IMF

\*\* Reserves of NBS (reserve funds) and banks (cash and deposits): no cross-currency swings

Source: The NBS

### Foreign exchange reserves

Foreign exchange reserves, during 2013, were increased for approximately 260 million euros (the difference in terms of balance of payments refers to currency swings and changes in market values of reserves of certain components of foreign exchange reserves). During this period, net own reserves of the NBS were increased for almost 970 million euros, while the deposit of the state at the NBS was increased for 360 million euros, and the deposits of business banks were reduced for 230 million euros.

### External debt of Serbia

The total external debt of Serbia in 2013 was increased for approximately 120 million euros, to the amount of approximately 25.8 billion euros. Out of that amount, the external debt increased for almost 990 million euros while the debt in private sector decreased for 870 million euros (that is, banks for 700 million, and companies for 170 million), Table 3.

Table 3 External debt of Serbia

	Dec 09	Dec 10	Dec 11	Dec 12	Mar 13	Jun 13	Sep 13	Dec 13	Jan 14
	In EUR million								
State	7,764	9,076	10,773	12,187	13,483	12,914	12,786	13,173	13,274
Of that: IMF	1,532	1,978	2,077	1,841	1,700	1,526	1,330	1,131	1,126
Private sector	14,724	14,710	13,352	13,534	13,239	13,156	12,899	12,667	12,588
Banks	4,310	5,093	4,364	4,100	3,833	3,773	3,598	3,400	3,271
Enterprises	10,414	9,617	8,988	9,434	9,405	9,383	9,300	9,267	9,317
Total external debt of Serbia	22,487	23,786	24,125	25,721	26,721	26,070	25,684	25,840	25,862
	In % GDP								
State	26.8	32.4	34.2	40.7	44.2	41.5	40.2	40.6	40.9
Private sector	50.9	52.5	42.4	45.2	43.4	42.2	40.6	39.1	38.7
Banks	14.9	18.2	13.9	13.7	12.6	12.1	11.3	10.5	10.1
Enterprises	36.0	34.3	28.6	31.5	30.9	30.1	29.2	28.6	28.7
Total external debt of Serbia	77.7	84.9	76.7	85.8	87.7	83.7	80.8	79.7	79.6

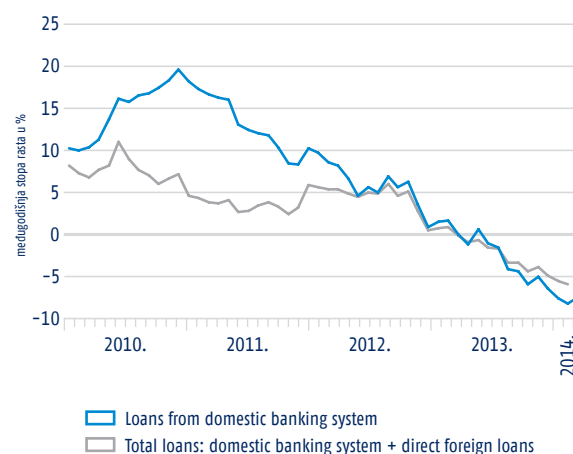
Source: The NBS

### Monetary sector

After recorded slowdown during the first seven months of 2013, nominal growth of monetary supplies M3 (which comprises circulating cash, transaction, dinar and foreign exchange deposits) started to accelerate from August, which, by all odds, comes as a result of fiscal deficit financed from the foreign borrowings. Also, the growth in November reached 5.9% interannually, that is realistically 4.2%. In accordance with the slowdown of annual inflation, as well as the stability of dinar, the NBS is reducing restrictiveness of the monetary policy, through bringing down REPO rate for 50 base points each, in October, November and December, to 9.50%.

The growth of loans (adjusted for the effects of changes in dinar foreign exchange rate to indexed loans) was slowing down from the beginning of 2013, and from July, it passed to the negative zone. Thus the level of loans in 2013 was reduced for 5% (after 3.5% growth during 2012). Savings of retail clients, during 2013 increased for 3.5%, that is, for 280 million euros, to 8.44 billion euros.

### Interannual growth of loans \* from domestic banking sector and direct foreign loans



Source: The NBS

\*Korigovan za efekat promene kursa dinara na indeksirane kredite, kao i za iznos nenaplativih plasmana Razvojne banke Vojvodine i Nove Agrobanke

Table 4 Consolidated balance sheet of commercial banks

	Account at the end of period (in EUR million)					
	Dec 11	Dec 12	Mar 13	Jun 13	Sep 13	Dec 13
<b>TOTAL ASSETS</b>	<b>27,732</b>	<b>27,775</b>	<b>28,043</b>	<b>27,675</b>	<b>27,840</b>	<b>27,485</b>
<b>Liquidated assets</b>	<b>8,228</b>	<b>7,799</b>	<b>7,851</b>	<b>8,004</b>	<b>8,361</b>	<b>8,365</b>
Cash and deposits at the NBS	4,635	4,431	4,468	4,465	4,311	4,340
of that: compulsory reserve (appropriated foreign exchange + calculated dinar reserve)	4,319	4,036	4,061	4,033	3,947	3,868
Foreign exchange liquid funds	1,208	1,489	1,209	1,383	1,571	1,184
Loans to repo, treasury bills of the NBS, and treasury bills of RS	2,384	1,879	2,173	2,156	2,479	2,842
<b>Loans</b>	<b>17,677</b>	<b>18,176</b>	<b>18,240</b>	<b>17,902</b>	<b>17,672</b>	<b>17,305</b>
Enterprises	10,644	10,762	10,745	10,295	10,020	9,684
Retail clients	5,751	5,739	5,799	5,852	5,911	5,876
Other	1,282	1,674	1,696	1,755	1,740	1,744
<b>Fixed and other assets</b>	<b>1,827</b>	<b>1,800</b>	<b>1,952</b>	<b>1,768</b>	<b>1,807</b>	<b>1,815</b>
<b>TOTAL LIABILITIES</b>	<b>27,732</b>	<b>27,775</b>	<b>28,043</b>	<b>27,675</b>	<b>27,840</b>	<b>27,485</b>
<b>Deposits</b>	<b>13,301</b>	<b>13,623</b>	<b>13,784</b>	<b>13,845</b>	<b>14,117</b>	<b>14,099</b>
State deposits	201	313	379	433	460	444
Transaction deposits	1,637	1,632	1,744	1,794	1,982	2,129
Dinar term deposits	1,856	1,513	1,494	1,441	1,405	1,407
Foreign exchange term deposits	9,607	10,166	10,167	10,176	10,271	10,119
<b>Foreign liabilities</b>	<b>5,234</b>	<b>5,109</b>	<b>4,750</b>	<b>4,701</b>	<b>4,519</b>	<b>4,301</b>
<b>Provisions for potential losses</b>	<b>2,059</b>	<b>1,986</b>	<b>2,052</b>	<b>1,945</b>	<b>2,000</b>	<b>2,082</b>
<b>Capital and reserves</b>	<b>5,447</b>	<b>5,377</b>	<b>5,689</b>	<b>5,446</b>	<b>5,487</b>	<b>5,429</b>
<b>Other liabilities</b>	<b>1,692</b>	<b>1,680</b>	<b>1,767</b>	<b>1,737</b>	<b>1,717</b>	<b>1,573</b>

Source: The NBS

### Fiscal flows

Budget revenues of the central state, during 2013, increased for 3%, and mainly owing to increased collection of taxes on luxury goods and the VAT, while the expenditures realized modest growth of 0.5% (which was mainly influenced by increase of interest expenditures), so the budget deficit, during last year was reduced for app. 10% (reaching the amount of 174 billion dinars, that is, app. 4.7% of GDP). At the same time, at consolidated state level, the deficit is approximately 180 billion dinars (i.e., app. 5% GDP), Table 13. In order to stabilize the system of public finances, the Government, since January 2014, has been implementing new measures of fiscal consolidation, which include, inter alia, increase of lower VAT rate, reduction of subventions, as well as freezing of pensions and the salaries of public sector.

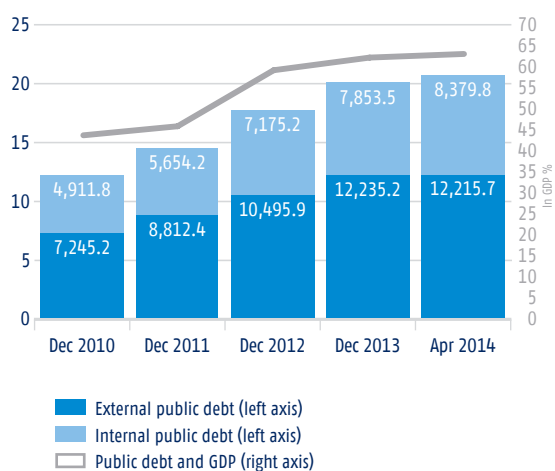
However, in spite of the said measures, in the first quarter of 2014, rather high fiscal deficit of central state was realized, for approximately 92 billion dinars (app. 7.4% GDP), which makes a half

of deficit planned for the whole year. Because of such execution of the budget, there is some space for making budget rebalance for 2014, (according to announcement, in July), as well as new wave of measures of consolidation.

The total needs of the state, in terms of financing of consolidated budget deficit and maturity of previously emitted debt in 2013, were approximately 5.5 billion euros, while in the current year, by all odds, they are increased to app. 5.5-6 billion euros. Such needs, in the last and current year, were mainly executed through borrowings at domestic and foreign debt market, through bilateral agreements with foreign governments and international financial institutions. In accordance with such way of financing financial requirements of the state, the public debt, during last year, increased for 2.4 billion euros, reaching in such way the amount of 20.1 billion euros, that is, 62% of the GDP, while in the current year, there is space for increase of the public debt towards the level of 67-68% GDP.

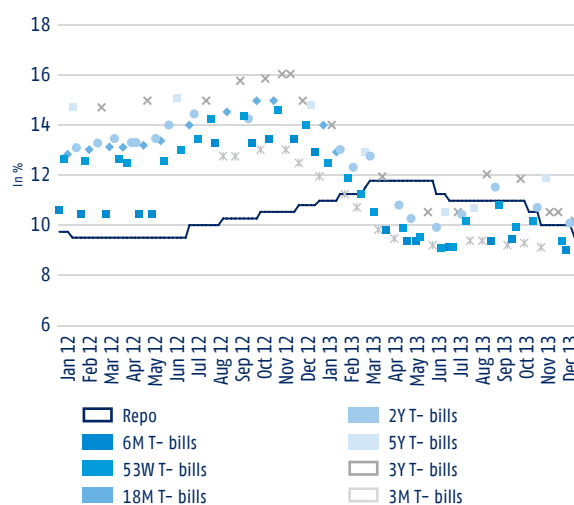
### Public debt of Republic of Serbia

In EUR billion



Source: The Ministry of Finance

### Repo rate and yield on treasury bills and bonds (Issued by 31<sup>st</sup> December, 2013)

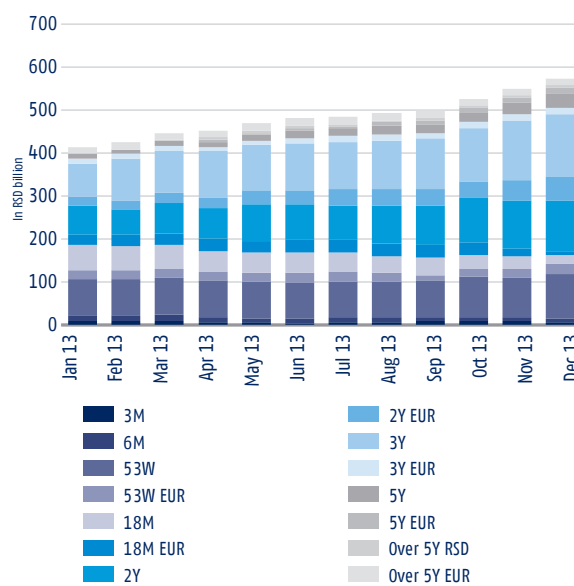


Source: The Ministry of Finance

Owing to increased interest of investors at domestic market, as compared to 2012, the Ministry of Finance, in 2013, emitted app. 400 billion dinars, which is for 140 billion dinars more than the total arrivals in the same period.

Also, the increased interest of investors was also recorded at the foreign debt market, so, last year, the Ministry of Finance issued two emissions of Euro-bonds, 1.5 billion dollars in February and billion dollars in November.

### Moving of flows of treasury bills and bonds (Issued by 31<sup>st</sup> December, 2013)



Source: The Ministry of Finance

### Banking sector of Serbia

The total balance sum of the banking sector in Serbia, at the end of 2013, was 24.6 billion euros, which caused the fall of 2.1% as compared to the end of 2012, expressed in euros, that is, the fall of 1.3% if expressed in dinars.

During 2012 and in the beginning of 2013, the credit growth was slowed down, and from the middle of last year it passed into negative zone. Namely, the fall of total loans to corporate and retail clients from domestic banking sector was adjusted with the change of the exchange rate and was 5% in 2013 (growth of 3.5% in 2012). The loans in retail segment increased for 2.6% in 2013 (2.5% in 2012), and the loans in corporate segment fell for 8.9% (4.1% growth in 2012).

The growth of loans into treasury bills of the NBS is continued during 2013. Thus, such loans of banks increased from 1.9 billion euros in 2012 to 2.8 billion euros in 2013.

At the end of 2013, the total savings in retail segment was 8.4 billion euros, which is for 280 million euros more as compared to the end of 2012. Monthly growth of savings during November, when the event "Savings Week" takes place, last year was only 45 million euros, which is significantly less as compared to growth recorded during the same month of the previous year (of 190 million euros in November 2012). Within the structure of the total savings, foreign exchange savings has a share of 96.5%, while dinar savings have only 3.8%.

Within the structure of aggregate liabilities in the banking sector, at the end of 2013, other deposits (time, savings and special-purpose deposits) are dominating with 43.1% and transaction deposits with 17.4% of the total liabilities. The capital makes 20.9% of the total liabilities and represents very high capitalization on the level of the banking sector. As compared to the end of 2012, the capital of the entire banking sector was approximately on the same level of 5.2 billion euros. The indicator of capital adequacy, by the end of the 3rd quartile of 2013, reached the level of 19.9%, that is, it stagnated, as compared to the level recorded at the end of 2012.

Banking sector of Serbia, during 2013, recorded total loss of app. 6 million euros, as compared to realized profit of 231 million euros in 2012. Positive results (profit) were achieved in 15 banks, in total amount of 287.7 million euros, while negative results were recorded in 14 banks, in the amount of 293.3 million euros. Out of such negative result, even 87 million euros refers to the loss of the NLB.

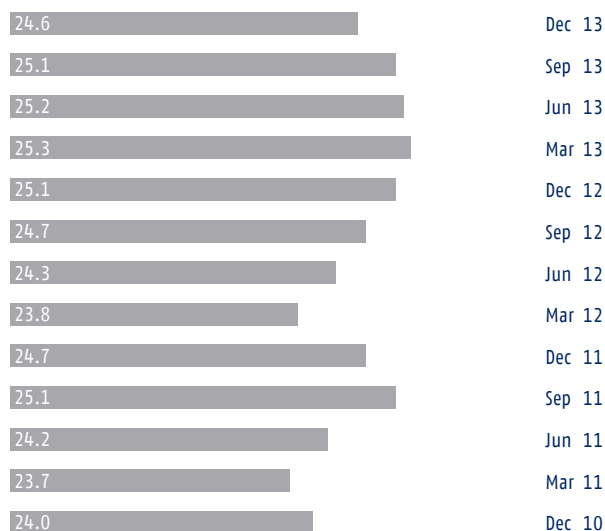
Profitability of the banking sector in 2012 was -0.11% measured by return on capital (ROE), that is, 0.02% measured by return

on assets (ROA), which is much less as compared to 2012, when ROE was 4.6%, and ROA 0.95%.

Non-performing loans (NPL) in Serbia, at the end of the 3rd quartile of 2013, were 21.1% out of total amount of loans (according to the records of the NBS), which is for 2.5 percentage points more than at the end of 2012. Provisions for potential losses at the end of 2013 were 1.66 billion euros (app. 1.44 billion euros at the end of 2012), which, as compared to gross loans for the entire sector, is 10.7% (8.6% in 2012).

Consolidation process in banking sector is continued in 2013 and the beginning of 2014, through revoking the working license of Razvojna banka Vojvodine, Privredna banka Beograd and Univerzal banka. Besides, the company Telenor, in April 2013, took over the ownership over the KBC bank, while the portfolio of clients in this bank went under the competence of Société Générale.

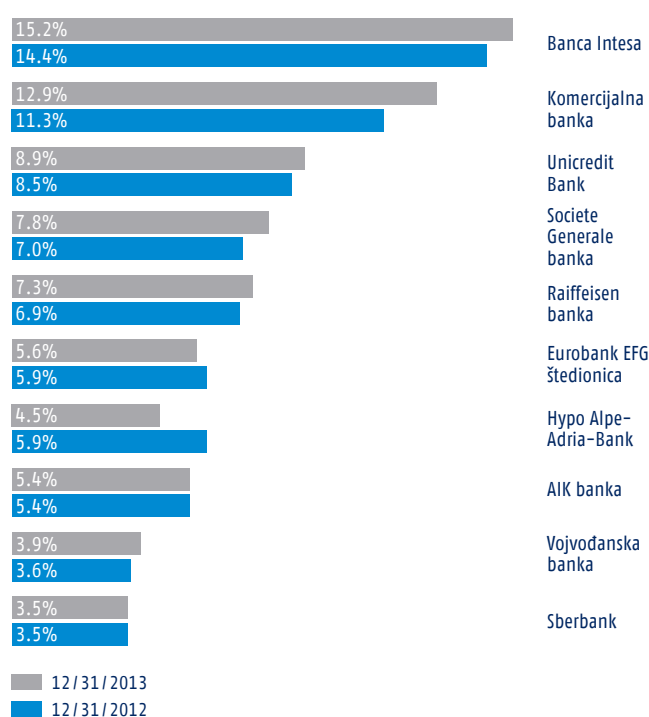
### Balance net assets in banking sector In EUR billion



Source: The NBS



## Market share of certain banks according to net assets



Source: The NBS

### 1.1. Hypo Alpe-Adria-Bank a.d. Beograd in the market

Hypo Alpe-Adria-Bank a.d. Beograd, if measured according to the total balance sum, at the end of 2013 fell for one position, to the 8<sup>th</sup> position, with the market share of 4.5%, which is for 1.45 percentage points less as compared to the end of 2012.

The share of Hypo Alpe-Adria-Bank a.d. Beograd in total granted loans from the entire banking sector fell for 1.5 percentage points to 5%, while, in total received loans and deposits, at the end 2012, the share was 5% (4.6% in 2011).

Last year recorded the loss of 42 million euros, after profit of 231 million euros in 2012.

## 2. Corporate Finance Division

Last year can be characterised as particular, with reduction of loan activities in domestic market, nominal fall of loans to corporate sector with further growth of uncoverable receivables, as well as sharpening of problems of liquidity in real sector. Risks embedded in domestic realistic sector as well as high level of uncertainties in corporate segment, resulting from slow recovery of economy which influenced them to be much more careful with borrowings, while passing important decisions in terms of investments and expansion of volume of business operations is "on hold".

It is exactly in such environment that the Department of Hypo bank managed, on one hand, to adapt and adjust their offer to new circumstances, and on the other hand, to approach the clients in appropriate way.

Giving priority to professional risk management and conservative credit policy, with constant programs and measures of optimization of operating process and the structure of debts, Corporate Sector managed to achieve good results in spite of difficult economic conditions.

In accordance with the aforesaid, the level of business activities was harmonized with the needs of the local market, we did so called "cleaning of portfolio", and this is the 5th year in a row that the Corporate Sector is taking part in attractive program for subsidized loans organized by the RS Government, and which make 12% of total new Hypo loans in 2013.

Quality sales approach and maintaining of long-term relationships with the clients, mutual loyalty and trust resulted in maintenance of number of corporate clients on the last year's level, which was mainly influenced by the fact that the clients recognize basic values of Hypo bank which, particularly in the year like 2013, was very important.

As the illiquidity of economy directly influences delays in repayment of loans and the increase in number of problematic loans, in 2013, market recorded continuation of negative trends.

However, Hypo corporate clients have slower trend with regard to the market, owing to proactive approach in resolving of due receivables.

On the other hand, process of portfolio diversification, by the branch of business activity, size of loans and rating through so called "Risk Cube", reflects in quality new loans and objectively influences reduction of risks that the bank is exposed to. On that base, in 2013, the share of new loans in problematic loans was on the very low level, only 2%.

Standard products and services of Corporate sector include: loans for operating assets; investment loans, that is, loans for purchase of machines, equipment, buildings, land and other fixed assets, loans for construction; framework loans (overdraft of current account, discount bill, revolving line), documentary operations (guarantees, letters of credit, buyout of receivables and collection), deposits, treasury products (spot transactions, forward, hedging instruments) payments in the country and abroad, VISA business cards and e-banking.

In the following period, the Corporate Sector will continue to continuously improve their business activities focusing on long-term and partnerships relationships with their clients.

Special accent will be put on offer of specific "tailor-made" products with expected recognizing of degree of risks contained in the application itself.

Also, intensified cooperation with the existing clients through so called "cross selling" approach, based primarily on quality, should provide extra trust and stability of business relationships which will certainly provide further growth of the most significant business indicators.

### 3. Public Finance Department

Public Sector Department, in 2013, placed 33.8 million euros. Average account of assets, in 2013, was 140 million euros.

Market share in 2013, in loans to public sector, was 8.11%, while the share in public sector deposits was 8.22%.

In 2013, cooperation of Public Sector Department and units of the local self-government was significantly increased. In 2013, the units deposited 1.9 billion dinars in total (16.3 million euros). At the same time, 4th position in the market was achieved, in terms of crediting units of the local self-government.

During the 2013, significant cooperation was realized/continued with the following clients: Telekom Srbija, JP Srbijagas / Public Utility Company Srbijagas, Građevinska direkcija Srbije / Construction Department of Serbia, JP Elektroprivreda Srbije / Public Utility Company Elektroprivreda Srbije, JP Pošta Srbije / Public Utility Company Serbian Post, Privredna komora Srbije / Serbian Chamber of Commerce, Aerodrom Nikola Tesla a.d / Nikola Tesla Airport Joint Stock Company, Državna lutrija Srbije /

Serbian State Lottery, and other state owned companies on central and local level, as well as with many units of the local self-government in Serbia.

In 2013, Public Sector Department realized positive results, and the following financial positions should be particularly emphasized:

• Loan interest revenue	8.8 EUR miliona
• Operating revenues	3 EUR miliona
• Net profit EUR	1.4 miliona.

In the period 2011 – 2013, Public Sector Department placed in total 140.7 million euros. In the same period, market share of loans to public sector increased from 5.4% to 8.11%. Total realized net profit in the said period is 5.8 million euros. The Public Sector is still seen as reliable segment of the finance market, which carries acceptable degree of risks. This is supported by the fact that the collection of receivables in Public Sector Department, in 2013, was 96%.

### 4. Sales Planning and Controlling Team

Sales Planning and Controlling Team, as a new organization unit, was formed in January, 2012, with the initial task to provide support for the Corporate Sector and Public Sector Department, and in terms of planning of strategic objectives and monitoring of their realization.

Basic operations of the team are preparation of various reports, analysis and control of sales, which adequately directs and helps relevant segments in domain of their business activities. Apart from that, the team provides support in quality maintenance of sales tools, so called Pipeline, RAP tool, as well as preparation of structured report on profitability per client, product, industry branch, etc.

Also, they are engaged in analysis of quality of data through systemic discovery of problems, they suggest corrective and preventive measure, in order to help their removal.

They operate as independent department, which directly reports to the Executive Board of the Bank, with the purpose of providing maximum level of all adequate analysis of business and planning of the said.

## 5. Individual Clients and Retail Products Department

Department for Individual Clients and Retail Products, in accordance with the needs of clients and the strategy of segment, in 2013, worked on introduction of new products and redesign of the existing products and services for the retail segment, as well as improvement of sales tools and quality standard of provided services.

Within the segment of depositary products, we continued with the strategy of price optimization and product offering.

In spite of declining trends in credit demand in the market, through sponsoring of the European basketball championship 2013 and promotions of cash credits, we tried to maintain not only the market share but also good reputation of the bank.

We developed the existing and established new cooperation with several insurance companies in the light of expanding of insurance products which are sold in bank branches.

Within the program of improvement of quality of services provided by the Bank (Service Quality Standards), Service Day was organized in all branches. In informal and relaxed atmosphere, proposals and suggestions were presented, and which met general approval of clients.

Also, in association with the colleagues from the Contact centre After Sales calls were organized, through which the clients bought some of the products that the bank is offering. The clients were asked questions in terms of their satisfaction with the quality of provided services. In the light of improvement of accessibility of offer to the clients, bank website was modernized in accordance with new standards of Hypo Group.

Apart from the aforesaid, the main accent of Department was taking part in business aspect of implementation of a new Bank system (T24) with the purpose of automatization of functionality.

With constant improvement of the existing and development of new products and services, we will continue to develop our business in retail sector as the foundation of future business activities.

## 6. Affluent Team

During 2013, successful development of business in domain of consultative banking was continued. Number of organizational parts, which provide services of personal banker, was expanded to 16 with the plan of further development in accordance with the trend of growth in number of clients in this segment. Business results in this segment, in 2013, were significantly improved as compared to results achieved in 2012, which clearly indicates to great potentials of further development of business as well as future contribution in total business results of the bank as a whole.

During the year, the offer for the clients of consultative banking was upgraded with expansion of the existing palette of products and services, but also with introduction of new bank information system T24 which created prerequisites for further development of facilities intended for these clients in the following period.

In the second half of 2013, a project Affluent 2.0 was initiated, focus on which is of further development of segmented business through numerous aspects that it is composed of, and with the clear objective to create the needed prerequisites for acceleration of further development, particularly in a period after successful privatization of banks, and to position the Bank as the market leader in this domain of business.

## 7. SME Team

Small and middle sized enterprises represent the most efficient segment of economy of each country, including Serbia. Individually observed, these enterprises realize the largest contribution to increase of employment, gross added value and circulation, because of which they are considered the framework of growth and development of national economies.

Their role is particularly significant in the transition countries such as Serbia, which is confronting with the problems of high unemployment, low degree of business activities, insufficient competitiveness and the lack of investments.

As different to huge systems and enterprises, SMEs adapt to needs and swift market moves more easily.

Understanding of the needs of clients and rather high level of services that the Department for transactions with small and middle sized enterprises offers, results in activities among which the following are singled out:

- Improvement of the existing and creation of new products;
- Monitoring and analysis of market and competition;
- Constant improvement of sales standards and approaches;
- Development and implementation of sales tools;
- Creation and management of direct campaigns;
- Managing the strategy and the price policy;
- Creation and participation in trainings of associates for work with SME clients;
- Continuous analysing, monitoring of sales results and taking part in sales management;
- Improvement and modification of processes and applications;
- Establishment of cooperation with the insurance companies in order to expand the offer;
- Activities in the projects within the bank.

Out of products that were at disposal of SME clients in 2013, we will single out the following:

- Loans for operating assets;
- Investment loans (loans for purchase of machines, equipment, buildings, land and other fixed assets, loans for construction);
- Framework loans (overdraft of current account, discount bill, revolving line);
- Subsidized loans (loans with subsidized interest rate for SME);
- Documentary transactions (guarantees and letters of credits);
- Depository transactions;
- Business payment cards and credit cards;
- Property insurance policies and personal insurance policies.

Quality providing of services to the existing clients with offer of products, acquisition of new clients as continuation of successful «cross selling» activities, were the basic tasks but also objectives that were successfully realized in 2013.

## 8. Distribution Channels Team

The basic task of Distribution Channels Team is development of distribution channels, particularly through expansion of the business network, as well as the use of self-service banking technologies, products and services with the purpose to increase the market share and presence in geographic regions which, at the moment, are not covered with the business network.

In 2013, the expansion of the business network continued, so the number of branches and sub-branches was increased for four new ones, in trade centre Stadion and settlement Stepa Stepanović in Belgrade, Vranje and Paraćin.

Apart from expansion of the business network, the Team for distribution channels continued to expand the network of ATM machines, particularly at locations out of branches and sub-branches. In 2013, number of ATM machines was increased with 17 new ones, out of which 14 ATM machines are at locations out of branch offices, primarily in Belgrade.

Face-lifting project was successfully completed in more than 80% of our business network, which provided old branches with brand new appearance, much like the one of new branches.

Among the first banks in Serbia, we implemented functionality of electronic invoices through the existing e-banking solution for legal entities, and at the beginning of 2013, we introduced m-banking application for all owners of mobile phones and tablets at Android platform.

## 9. Sales Management Division

Sales Management Division, as in previous period so in 2013, continues to work on collection of deposits, and all in accordance with the bank business strategy and taking into consideration clients' needs. The greatest volume of time deposits was realized during November and December, in regular activity "Savings Week" when 188 million euros of deposits were termed and in spite of unpredictable market influences, closing of banks, Hypo Bank managed to create their plans, offering loyalty and trust to their clients.

In accordance with the business strategy, quality portfolio management, Hypo Bank got rid of surplus of deposits of approximately 58.9 million euros taking care of their liquidity.

## Deposits

In EUR '000

383.749	Dec 13
385.162	Nov 13
420.763	Oct 13
425.302	Sep 13
426.294	Aug 13
425.764	Jul 13
426.694	Jun 10
430.452	May 13
434.897	Apr 13
438.567	Mar 13
441.518	Feb 13
442.729	Jan 13
442.042	Dec 12

Market of deposits was expanded for 3.7% and Hypo Bank recorded the fall of market share for approximately 0.89% (from 4.77% to 3.88%). Transfer to new information system and deleting of inactive clients from the database, resulted in fall in the number of clients. During 2013, the most numerous were the SME loans, making 70% of the total loans. During the year, the clients were offered the opportunity to use more favourable subsidized corporate loans, as well as the services of project financing wherewith the

## Number of clients

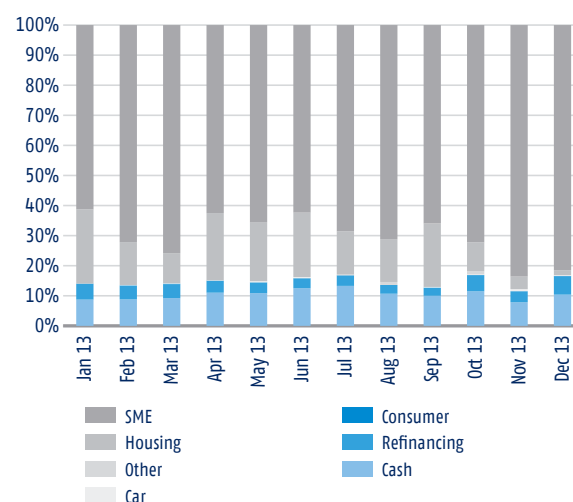
191.333	Jan 14
193.078	Dec 12
184.858	Dec 11
179.708	Dec 10

bank to a great extent eased the way to housing loans (Belville Complex, West, Stepa Stepanović).

During 2013, Hypo Bank actively worked on upgrading and improvement of applicative support and processes, increase of productivity, efficiency and quality of services, and all with the intention to increase the degree of satisfaction of clients.

Development of network of branches and sub-branches continues in 2013, when 4 new branch-offices were opened, which increased the number to 50. In the following period, the Sales Management Division will continue to provide their clients with the offer of products and services which will cover their needs as well as the needs of their jobs, thus creating firm, long-term and stable partnerships.

## Moving of Treasury bills and bonds (issued by 31<sup>st</sup> December, 2013)



## 10. Marketing Team

In 2013, the Marketing Team mainly followed the work of the Sales Management Division, in retail transactions. Majority of funds from Marketing Budget for 2013, some 60%, was spent on media campaign. Out of that amount, 80% referred to advertising of products and services intended for retail sector, taking into consideration the strategy of the bank which implies strengthening of market share in this segment of business. The bank is promoted as stable and safe financial institution, which offers to their clients very favourable conditions of crediting, saving, new products and services in accordance with their needs.

The Bank, throughout the year, worked on popularization of short-term retail loans, credit and debit cards, housing loans and savings.

Campaigns include combination of all communication channels, and were organized in continuity throughout the year. In the first quartile, promo-campaign for subsidized loans was organized.

At the end of the 2<sup>nd</sup> quartile, campaign for quick cash credits was initiated, which used the sponsorship of European Basketball Championship Slovenia 2013. They were, inter alia, intensively promoted through BTL activities.

The 3<sup>rd</sup> quartile was marked with "usage" campaign of VISA cards for natural and legal persons, with prize contest in duration of 2 months.

The 4<sup>th</sup> quartile is traditionally marked with a campaign covering the savings week. Deposit portfolio was successfully maintained.

The very end of the year, as a period of increased consumption, was used for additional promotion of these loans as well as prepaid gift cards.

Although 2013 was challenging in terms of economic opportunities and business environment in the country, the bank managed to realize their business plans. Focus on sales remains priority in 2014, as well as intensive support of implementation of all activities of the bank, and which will be directed to new products and services, but also current activities in domestic and international market of finances. Marketing team plans to continue to search for new means of communication with clients, particularly in retail segment and SME and entrepreneurs.

## 11. Legal Team

Legal Team, during 2013, was executing legal control of bank's documentation relating its legal status and its authorization in legal transactions, making entries into appropriate state data registers, relating the bank and the authorized persons relevant for legal transactions; their operations also included production and checking of templates of contracts on received deposits, issuing of business cards, opening of accounts, assignment of receivables, producing and control of individual contracts on bank's foreign borrowings, including related cover documentation, producing contracts on financial derivatives and financial cooperation of the bank with other banks, production and control of contracts of which the execution creates technical base and support for bank's operations.

Also, Legal Department executed preparation of material and documentation for summoning and holding of the session of the Assembly of the Bank, preparation of material in domain of their competence for the sessions of the Management Board, control of formal and legal regularity of any material prepared for the sessions of the Management Board, providing of legal opinion on various issues relating work of other organization segments of the bank; providing answers to legal questions asked by the controlling shareholder and their external legal consultants, they were participating in projects of Hypo Group by preparing appropriate documentation and giving explanations for all legal issues in their competence, they were obtaining prescribed consents, solutions and approvals of the National Bank of Serbia and other state authorities, including the consent of the National Bank of Serbia for change of the controlling shareholder of the Bank.

Legal Department was running judicial proceedings other than those relating collection of receivables from the clients of the bank, they were informing employees about the changes of the law and the by-laws from field of banking business transactions and which are significant for this business and executing other transactions by order of the Executive Board of the Bank.

## 12. Anti-Money Laundering and Counter-Terrorism Financing Team

Money laundering and terrorism financing are both global problems with ripple effects on economic, political, safety and social structures of the country. The consequences of money laundering and terrorism financing are: undermining the stability, transparency and efficiency of financial system of the country, economic disorders and instability, affecting programs of reforms, reduction of investments, losing reputation of the country and imperilment of national safety.

As one of the basic goals of financial division, in that sense, there is prevention of abuse of financial systems with the purpose of hiding and transfer of funds originating from criminal activities.

As a strategic commitment, Hypo Alpe-Adria-Bank a.d. Beograd is implementing obligation of duration of attention within their business activities, in order to prevent the money originating from criminal activities to enter the bank and in order to avoid transactions with criminal intentions. Implementation of standards resting on principles "know your customer", with active implementation and observing of regulations, as well as constant process of raising awareness of the employees, represent the base of such commitment.

Anti-Money Laundering and Counter-Terrorism Financing Team, as an independent Department, is directly reporting to the Top Management of the Bank; their basic task is establishment and developing of anti-money laundering and counter- terrorism financing system and initiation and proposals of appropriate measures for its upgrading, submitted to the management.

Within 2013, this Department continued to execute continuous supervision of transactions and activities of clients, respecting the approach based on risk and reporting to the Management for Anti-Money Laundering and Counter-Terrorism Financing in accordance with legal regulations and internal acts of the bank.

Department executed revision of internal procedures and their harmonization with the group standards. Significant activities are directed to participation in establishment and development of IT support in domain of Anti-Money Laundering and Counter-Terrorism Financing, primarily through implementation of new IT system, T24, as well as CRS module for classification of clients.

Anti-Money Laundering and Counter-Terrorism Financing Team focuses particular attention on activities and work in terms of raising awareness of the employees relating the issues from field of activities of the Department, through implementation of continuous trainings, organized as lectures for the employees as well as constant publishing of the presentations, experiences and material available to authorized persons.

## 13. Compliance Team

Reputation is of an immense significance for Hypo Alpe Adria bank. Observing of legal regulations, internal acts of the bank, implementation of ethical standards and good business practice is necessary requirement for maintenance of reputation and reduction of risks of sanctions of regulatory body and financial losses.

Requirements of Hypo Alpe Adria bank in terms to upgrading and dedication to stricter implementation of ethical standards and good business practice originates primarily from necessity to protect the interests of bank's clients and shareholders. Because of that, the Compliance Control Team during 2013 dedicated special attention to strengthening of functions of monitoring and communication with the state authorities, but also development of internal acts which additionally arrange ethical standards. In a year that is behind us, the Compliance Control Team, through organization of trainings for the employees also endeavoured to influence raising awareness of the employees in terms of the need to act in accordance with ethical standards and good business customs, which creates necessary prerequisites for improvement of general image about our institution.

Having on mind the aforesaid, Compliance Control Team is actively involved in all relevant business processes in accordance with good practice for execution of the function of compliance control, and with the purpose of implementation of standards and legal regulations within the competence of Compliance Control Team.

Just like in previous years, apart from particularly singled out activities on strengthening of ethical standards, Compliance Control Team continues to execute their role in accordance with the Compliance Program – identification, monitoring and management of compliance risks, implementation of control, reporting on established irregularities in relevant bank structures, proposal of plans for overcoming of the established irregularities and risks, providing opinion on compliance of policies, procedures and products of the bank, monitoring realization of proposed activities for removal of such irregularities, monitoring of advertising of bank's products, involvement in projects significant for the bank, and performing communication with regulatory and investigating authorities.

The said activities were executed with the purpose of legal running of business transactions and protection of interests of customers, shareholders, and accordingly, minimization of reputation risk, risk of sanctions of regulatory bodies and financial losses.

## 14. Safety and Security and Fraud Prevention Team

Security and Fraud Prevention Team puts the main accent on prevention, analysis and resolving of frauds (internal and external), they have daily cooperation with directors and managers, as well as with all HBS employees in terms of occurrence of suspicious persons and potential attacks (frauds) on the bank and taking the measures against them. Security and Fraud Prevention Team executes, on daily basis, update of data in the "Fraud list" base, and which contains the information on natural and legal entities identified as suspicions or potentially suspicious. No person may become the client of the Bank without previous control through the "Fraud list". The "Fraud list" is placed at Lotus notes portal of the Bank.

In 2013, the total number of entered legal and physical entities identified as suspicious and potentially suspicions was 240.

In 2013, cooperation with the members of the Forum for Prevention of Frauds of the Serbian Chamber of Commerce was successfully continued. Exchange of the appropriate data and the information between the members of the Forum is running in accordance with the General rules of use and acting with the data and the information from the Forum, and mutual informing about actual forms of frauds and abuse in procedure of granting and use of loans, contributed to reduction of frauds in 2013.

In 2013, following the order, 62 video recordings, recorded by cameras placed on various HBS locations, were reviewed and issued to MIA.

Pursuant to requests of HR Department, 124 safety controls were executed, of candidates for HBS, HLS, HRS and HETA.

Department executed 32 controls of validity of statements from current accounts, based on inquiries through Forum of banks (three statements were not valid).

In 2013, the total number of issued temporary and permanent IDs for approach control is 274.

8 criminal charges were raised against physical and legal entities.

Department for security and prevention of frauds, in 2013, organized regular trainings for all new employees in field of security and prevention of frauds.

Fraud Awareness Training, online training initiated by the Group, and according to Fraud Prevention Policy, was held in January 2013, for all the employees and according to which the employees finished the training, educated in the said field.

In May, 2013 Basic Security Training "Avoiding through prevention" and Training "Fraud prevention" were organized and carried out. "Avoiding through prevention" was performed by the long-employed consultant of HBInt, Mr Ariel Ohev-Ami, acting on behalf of "AOA Security" and with the following key purpose: to protect lives, as of employees so of customers, safe, with minimum damage, rais-

ing awareness of the employees and indicating to correct behaviour which contributes to higher sense of responsibility of the employees, in order to create and keep safe environment they work in.

Taking into account the success of trainings held in December 2012, training was also held for the employees from Niš, Novi Sad and Čačak. The training was attended by 80 employees, including directors and managers of branches, that is, branch offices. The same training was repeated for Belgrade and Kruševac, and was attended by 44 employees in total. Taking into account cost optimization in previous periods, as well as the entire situation, in terms of safety, as in Serbia so in the region, the Security and Fraud Prevention Team was of the opinion that the extra safety measures were necessary in order to raise awareness of the employees and avoid possible losses.

For 10 years of business in Serbia, HAAB has reported no robberies.

Fraud Threat Analysis for 2013 was successfully completed. The analysis was performed by the following: Accounting and Reporting Department, Human Resources Department, Procurement Department, Sales Management Division, Loan Rehabilitation Division, Compliance Control Team.

The analysis included the processes executed in the said divisions departments and Departments in HBS and HLSe.

Employees, appointed for Fraud Threat Analysis by their managers, filled in the questionnaires, from Fraud Prevention Policy, and on demand of the Group, after which they had the meeting with each of them, in order to check documentation, existence and observance of procedures and processes.

After interviews and chart analysis, we came to conclusion that the fraud risk (as internal so external), as compared to the previous year was drastically reduced.

With regular trainings from field of fraud prevention organized by Security and Fraud Prevention Team, as well as Retail Risk Management Division, we have a pleasure to report that the results of analysis indicate to significant raise of awareness of the employees, in terms of frauds and potential frauds, and on that basis, and in accordance with the procedures, they contribute to their repression. Upon request of GFPO (Group Fraud Prevention Offices), apart from the other, "SSO Report" and "FPO Report" were delivered, as well as "Check of new loan contracts + Check of cash handling process at the branches", and which are sent quarterly.

Also, "Business Partner Compliance Screening" Report was delivered, and which comprises of three parts and includes the data on processes and cooperation with the partners of HRS and HLS, mainly law offices representing the said entities.

GFPO was informing, on a weekly level, about the statuses of all the cases of abuses in HLS and HRS.



IN 2013, Security and Fraud Prevention Team actively cooperated on finding out the solution for 36 cases of frauds in HRSe/HLSe.

Since 2014, after disintegration with HRSe, HLSe and HETA, the cases were taken over by the Fraud Prevention Officer, appointed for the said entities.

Security and Fraud Prevention Team actively participated in processes of opening of new locations (Zaplanjska, Stepa Stepanović, Vranje and Paraćin), and closing of the existing ones (Ruski car), coordination of Security Department at locations, as well as security control of locations prior to choosing any.

At the last "FPO Group Meeting 2013 (Hypo Fraud Prevention Day 2013)", held on 10th December, 2013, HBSe was praised by the Group for the best contributions and results in fraud prevention activities in the region.

### Information security

2013 Key Activities:

- Completed project "Information Property Classification" – establishment of system of classification of information property, which implies assigning of ownership over information property, roles and responsibilities within the classification system, appropriate procedures and guidelines which ensure adequate level of information protection with the potential influence to their confidentiality, integrity and availability;
- Implementation of the special set of measures with the purpose of protection of the information system of the Bank, against potential attacks of hackers group "Anonymous" or other individual or organized attacks to Bank's infrastructure;
- Participation in implementation of a new central system Temenos T24 relating required controls according to security standards and principles;
- Education of the employees with the purpose of raising awareness in order to provide prevention of attacks by methods of social engineering;
- Control of new employees in HBSe, HLSe, Rent, Heta;
- Solving of requests for changes in security systems (changes of rights of access, data return, new approach to);
- Acting in relation to incidents of information security;
- IT Risk assessment – within the project "Harmonization with the Decision of the NBS in terms of minimal standards of IS Management in financial institutions";
- SIEM – implementation of the Log Management System and incidents in Bank's ISs – within the project "Harmonization with the Decision of the NBS in terms of minimal standards of IS Management in financial institutions".

## 15. Human Resources Department

Hypo Alpe-Adria-Bank a.d. Beograd, at the end of 2013, had 848 employees. As in previous years, the gender structure was in favour of women – 71% vs. 29%. The majority of the employees belong to the age group 31 to 40 years – 55%, and in terms of education degree, the majority of the employees have university degree – 57%, followed by 27% with secondary degree, out of the total number of the employees.

Human Resources Department, as a team, has a role to support administrative and developing tasks.

Constant changes in banking market and the economy in general require constant education and continuous work on development of the employees. Aware of this fact, Hypo Alpe-Adria-Bank a.d. Beograd makes strategic investments into human potentials, so the accent, in 2013, was on education, professional trainings and development of members of our team.

Changes in the existing bank application to a new application Temenos 24, implied training of all organization parts which need it in daily activities. That that was the most important and the most comprehensive training executed in HBSe so far, and implied the training in duration of several months. The training, by nature of the business, was the most comprehensive for the employees in Sales Management Division, and then, for all the employees. For the activities executed in the Sales Management Division, training was held by internal coaches educated by the IS Institute, and in other segments, those were team leaders or members from various sectors where the lecturers were the colleagues which have the best understanding for requirements they need to fulfil.

The strongest focus, in the second half of the year, was on group-wide project "Risk Academy", of which the purpose is improvement of knowledge of the employees in the Risk department.

The trainings were parallely held in training centres in Belgrade, Zagreb, Podgorica, Ljubljana, Sarajevo, Mostar, Vienna and Klagenfurt.

In our training centre in Belgrade, 12 courses within the Risk Academy were held with the foreign lecturers from London company "Risk Reward", training provider. So far, 86 attendees from Hypo Alpe-Adria-Bank a.d. Beograd finished Risk Academy, which will continue following the same tempo in 2014.

Employees were attending other trainings organized by the Group, such as: Six Sigma Belt, Financial Analysis, trainings organized in association with IEDC Bled School of Management:

Leading from the middle, for the managers directly reporting to the Executive Board and Achieving operational excellence for the next level of management and "high potentials".

Compliance Control Team, in association with the Group Compliance, held a training Code of Conduct, for the members of

the Executive Board and B1 and internal training for B2. The training for the members of the Executive Board and B1 was held by Group Compliance Officer, Mr Jan Ikena.

Taking into account our business focus, the majority of trainings were organized for the employees in Sales Management Division: Training of Consultative Banking, Internal Interactive Training for Service Day with the topic "Remote Control Bank", Execution of cash operations, Sales skills and training for live insurance, as well as taking exam for obtaining the insurance license within the NBS.

Apart from the said trainings, our employees also had the opportunity to expand their professional knowledge by attending seminars organized by the Association of Banks of Serbia, NBS Academy for banking and finances, MBA – Business Research Institute, Chamber of Commerce, MNG Centre, Paragraf, New Astakos, ACI courses, Economy Računovodstvo d.o.o. Beograd, etc.

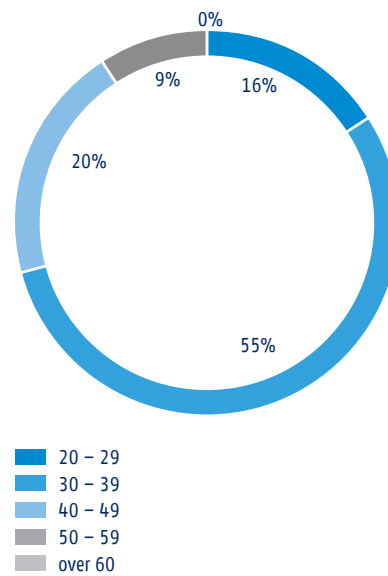
Apart from the said trainings, our employees attended and completed legally prescribed trainings such as Anti-Money Laundering and Counter-Terrorism Financing Team, Fire Protection, etc. Through the programs of socially responsible companies, we help the young, the students and students of schools of economy, by means of providing necessary practice.

The plan for 2014 includes internal, in house, trainings and development programs according to established needs of the group and the bank.

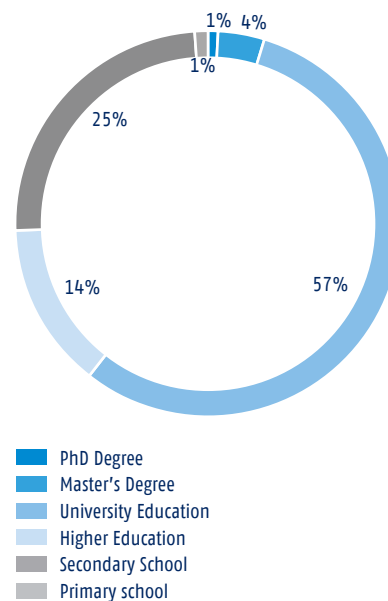
### Gender structure of the employees



### Age structure of the employees



### Structure of the employees according to education degree



## 16. Staff function: Economic research

“Economic researches” functions as an independent function, directly reporting to the Executive Board of the bank, with the intention to provide the management with the required analysis and the data used in the process of making decisions and plans.

The basic task of Economic research is to monitor macroeconomic flows and policies in the country and in the region, trends within the banking sector, as well as the trends and perspectives of certain economy sectors. Apart from monitoring flows, Economic research composes projections of future trends of key economic and financial sizes significant for the business of the bank.

Working processes include regular preparation of analysis of business activities in banking sector in Serbia, based on quartile data on bank balance statements, occasional short comments on current topics, as well as analysis of situation and perspectives in certain branches of economy, significant for the bank's portfolio.

Also, economic research prepare research and analytical material from their domain, about specific economic topics of general interest, and which are presented when the bank representatives are invited to get involved into public discussions in professional gatherings.

Apart from regular and ad-hoc material intended for internal use, Economic research also arrange and take part in preparation of several types of applications available for the public. Comments on events in the monetary market and in the foreign exchange market in Serbia are published on daily basis. Publications “Economic digest – a guide through financial and market trends” are published on monthly basis.

Further on, Economic research participate in production of regional quartile publication “SEE Macroeconomic Outlook”, in association with the Department for Economic Researches of Hypo Alpe Adria Bank in Croatia. This publication encloses reviews and forecasts of basic macroeconomic indicators and trends within the banking sector at the SEE market in which our Group is operating (Bosnia and Herzegovina, Montenegro, Croatia, Slovenia and Serbia).

In 2012 and 2013, Economic research, in association with the consulting office Altis capital and the weekly magazine NIN, prepared special annual publication “TOP 500”, which contains the top list of the largest enterprises in Serbia, as well as the analysis of economy by sectors, based on the segment of the largest.

## 17. Staff function: Corporate communications

Corporate communications operate as independent function directly reporting to the Executive Board of the Bank, and managing all processes of external and internal communications.

Communication activities in the field of media relations during 2013, resulted, on annual level, in the first position of Hypo Alpe-Adria-Bank a.d. Beograd, by total number of media publications, as compared to all other banks operating in the Serbian market, and in the first position by number of media publications in the segment of product and services communication, as well as communication of socially responsible projects.

Communication via social networks was continued in 2013. Number of “fans” at the official page of Hypo bank at the social network Facebook, at the end of 2013, was 8,951, while the number of followers at the social network Twitter was 357. Various video contents were uploaded to the social network YouTube.

Within the segment of corporate social responsibility, during 2013, a series of projects of support to community in which Hypo bank is operating was realized. Realization of projects of social responsibility was mainly directed to support to young talents and students, development of culture and education, as well as humanitarian activities, that is, support to destitute categories of population.

Corporate communication, in accordance with the principles of Global agreement of United Nations, of which Hypo bank is a signatory, prepared regular Progress Report, that is, detailed annual report on all realized socially responsible projects. Within the segment of internal communications, corporate communications created and distributed all information important for the employees, in accordance with the existing local and group procedures. Employees were continuously informed via Intranet portal, as well as via internal magazine Hypo News.

During 2013, two issues of printed edition of this internal magazine were published, and one issue of new electronic issue.

Corporate communications also coordinated preparation and publishing of publications of which the authors are employees in other organization units. Also, in 2013, a new website [www.hypo-prodaja.rs](http://www.hypo-prodaja.rs) was set and regularly updated (within the segment dealing with corporate communications).

## 18. Financial Controlling Department

Financial Controlling Department operates as independent department with the Executive Board of the Bank. This Department serves to provide regular process of reporting about realized results at all vertical levels, adequate process of planning of which the final product is the budget and a five year business plan, and also to develop various instruments with the purpose of measuring profitability and upgrading of processes of reporting with the purpose of more efficient bank management by the Executive Board.

Primary task of FC Department is monitoring of business activities of the bank, in terms of planned movements of credit portfolio, deposits and other sources of financing, structures of operating incomes /expenditures, new investments and cost control, as well as measuring of profitability and efficiency.

Financial Controlling Department offers support to all market sectors in domain of reporting, planning, production of various analysis and development of financial models. Communication with other organization units, as well as with Hypo Group, is also part of daily activities.

In 2013, on the level of the Bank, new IT system was introduced and which required from Financial Control Department to intensify their activities on adjustment of the existing and creation of new reports with the idea of further improvement of planning and reporting system.

## 19. BSM and Treasury Department

In 2013, Hypo Alpe-Adria-Bank a.d. Beograd kept stable position in financial and interbank market in Serbia. In domestic inter-bank currency market, dinar value, in 2013 was mainly influenced by parliamentary elections and constant interventions of the NBS.

Until May, 2013, domestic currency market was characterized by constant appreciation of dinar, with NBS buying EUR/RSD in order to stop the appreciation of the local currency.

In May, 2013, strong pressures to dinar depreciation started, so the NBS started to sell EUR/RSD in order to stop further growth of EUR/RSD.

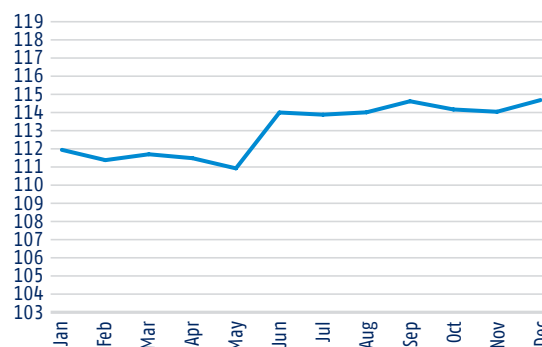
Initially, the reason of growth of exchange rate of EUR/RSD was the climate of political uncertainties and the wish of foreign participants to reduce the portfolio of dinar denominated securities as well as high local demand for purchase of euro, by local enterprises which, in the climate of constant appreciation of dinar, searched for the most favourable level for purchase of euro.

High demand for EUR/RSD lasted until the middle of September 2013, when local interbank market was stabilized between 113.91 – 115.25. From that moment and until the end of the year, the NBS, through purchase and sales of foreign currencies in interbank market, in opportune moments, kept the exchange rate within the aforesaid frames.

During 2013, the NBS intervened in interbank market, on both purchase and sales side.

The sales to commercial banks was 435 million euros, while the purchase from commercial banks was 615 million euros.

### Movements of exchange rate of EUR/RSD in 2013 (Average monthly values)



The biggest depreciation of dinar, with regard to euro, was recorded in September, and was 115.2674 (mean exchange rate of the NBS) which represented depreciation in the amount of 1.35% from the beginning of the year (as compared to last year depreciation in the amount of 13.79%).

The biggest appreciation was in April, when the exchange rate was 110.5424 which is 2.79% appreciation since the beginning of the year (in 2012 maximal appreciation was 0.38%).

Primarily as a result of constant intervention of the NBS, the exchange rate of EUR/RSD, during 2013 increased only for 0.81% with drastic drop of volatility in movements of EUR/RSD.

In 2013, cross-annual growth of retail prices was 2.2%.

During 2013, owing to continuance of interest of foreign banks for additional investing into dinar denominated securities and due to almost the same level of economy activities, the volume of trade in Serbian interbank market remained on approximately same level as in 2012.

In 2012, the volume of trade was 17.389 billion euros, while in 2013, the volume of trade was 17.706 billion euros.

Hypo Alpe-Adria-Bank a.d. Beograd, in 2013, managed to keep the position of one of the most important participants in interbank market. In total purchases, the bank, in interbank foreign exchange

market (IFEM) had a share of 3.89% while in total sales, the share was 4.81%. Collectively in IFEM, in 2013, the share was 4.35%<sup>1</sup>.

At the same time, in purchase from clients-residents, the bank realized the share of 5.09%, in sales of clients-residents 4.47%, with the total share in trade with clients-residents of 4.74%.

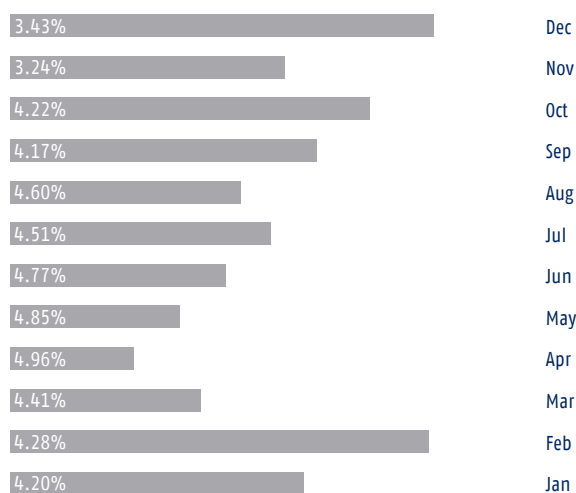
### Monetary policy of the national bank of Serbia

The National Bank of Serbia continued to strengthen market instruments of monetary policy through the policy of active participation in interbank market. In accordance with its policy, the National Bank of Serbia continued to influence movements of inflation rate, by means of monetary instruments (primarily through reduction of the reference interest rate), that is, bringing inflation into targeted frames.

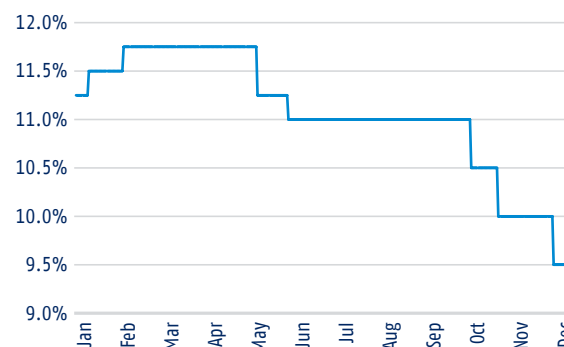
In 2013, due to obvious fall of aggregate demand, active policy of creating interest rates and offer/demand of foreign currencies in IFEM, the NBS lead to reduction of perception of volatility of exchange rate. As a result of the aforesaid factors, the increase of retail prices in 2013 was 2.2%, which is even below the lower targeted limit of inflation of the NBS (4%+1.5%).

In 2013, interventions of the NBS in interbank foreign exchange market were reduced from 1.347 billion euros in 2012 to 1.050 billion euros. The referent interest rate was moving from 11.75% to 9.5%.

### Monthly share of Hypo bank in interbank foreign exchange market in 2013



### Movement of repo rate in 2013



1) Volume indicators only in residential banks

**Capital market**

Trade in Belgrade Stock Market in 2013, recorded growth in realized trade volumes as compared to 2012. The total annual volume of trade of securities was increased in both segments, in dinar (20.71% growth as compared to 2012) and securities denominated in euros (20.50% growth as compared to 2012).

This resulted in growth of index of securities of Belgrade Stock Market. In 2013, Belex15 recorded growth of 6.51%, while Belex Line finished the year with increase of their value of 9.88%.

**Belex 15 Index**



**Belex Line Index**



Observing the situation in Serbian economy in 2013, and the fact that in 2013, both indexes recorded slight growth, 2013 could be named the year of light recovery in domestic capital market.

The trend of growth, started in 2012, was continued in 2013.

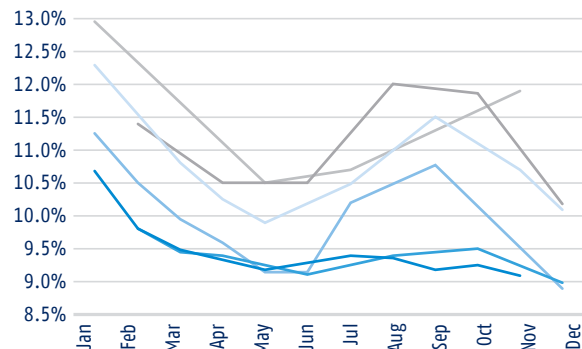
During 2013, growth of trade volumes was continued, as in primary so in secondary market of state securities of Republic of Serbia.

Yield rates at these securities recorded significant fall in the first few months of 2013. Correction of yield to increase started in the second half of the year and was clearly expressed for securities with longer maturity periods. Entering into Q4 2013 resulted in repeated fall in yields from state securities.

Exceptionally stable value of domestic currency and moving of the country towards the EU and opening of negotiations with the EU, were the additional impulses for growth of yield from domestic securities. Furthermore, drop of yield on dinar denominated securities was influenced by favourable situation in international financial market and successfully carried out sales of Serbian euro-brands at lower yield rates.

Successful sales of Serbian euro-brands, apart from making short-term financial position of the state comfortable, at the same time provided the Ministry of Finance with the opportunity to make additional pressure to yield from securities which were issued in domestic financial market.

**Moving of yields of treasury bills in 2013**



■ 3M Tills      ■ 24M Tills  
■ 6M Tills      ■ 36M coupon 10%  
■ 12M Tills      ■ 60M coupon 10%

## 20. Capital and Risk Weighted Assets Controlling Team

Capital and Risk Weighted Assets Control Team, operates as independent organization unit, reporting to Executive Board of the bank. Starting from the second quartile of 2014, the team was dealing with the tasks from domain of capital control and risk weighted assets control, as follows: monitoring, analysis, planning, execution, simulation, production of appropriate reports relating changes in regulatory / available internal capital, risks of weighted assets and indicators of capital adequacy (as well as other elements of capital management and risk pondered assets).

The team was informing numerous management bodies of the Bank about the said activities and tasks, including the following bodies: the Management Board, the Auditing Board, the Executive Board, Capital Management Board, and other bodies of the bank.

During 2013, with the purpose of raising capital and risk weighted assets control to higher level, number of analysis, reports, reviews, simulations that the Team is producing was significantly increased, and their contents became more complex / more detailed, which additionally raised the quality of the aforesaid reports.

In 2013, the Team actively worked on improvement and writing of new documents which the Team is competent for, and which regulate, in the Bank, control and management of capital and risk weighted assets.

The results are published new documents which regulate this segment in the bank activities.

Besides, processes of capital and risks weighted assets control are also upgraded.

The team was also very active in segment of realization of project in the bank and the Hypo Group.

The team regularly monitored, analysed and reported about the latest trends in segment of control of capital and risk weighted assets in the country and abroad, such as development of relevant regulations and plans for future period in that segment of operations of the National Bank of Serbia, Basel III standard and its implementation in the European Union / Hypo Group etc.

## 21. Risk Control Division

Risk Control Division, as one of the pillars directly controlled by a member of the Executive Board for business risks, responsible for identification, measuring, control, monitoring and reporting about significant risks on the level of the entire bank.

The work of the Division is organized within two Departments and one Team – Credit Control Department and Department for Control of Market Risk and the Liquidity Risk as well as the Team for Control of Operating Risks and Internal Control.

With continuous support of Hypo group of banks, Risk Control Division, during 2013, continued with development and implementation of methods, instruments and tools for measuring and evaluation of risks, as well as with development of more complex scenarios in the field of credit risks and liquidity risks, and more frequent reporting of the Executive Board and Hypo Group of Banks, about the risks that the bank is exposed to.

After, successful implementation of the process of Internal Capital Adequacy Assessment Process (ICAAP), in 2012, Risk Control Division continued to work on its improvement in 2013.

Just like in previous years, the Risk Control Division actively participated in work of relevant boards and working bodies of the bank, in activities of control of certain projects and coordination of such activities with Hypo Group of banks, of which the most important are Risk Control Board, Capital Control Board, as well as the Board for Control of Assets and Liabilities.

Thus, the Risk Control Division continued to act as one of the important factors in process of creation of risk control strategy, improvement of methods of risk analysis and the very process of control of bank risks.

## 22. Credit Management Division

Credit Risk Control Division is one of the key components in organization which has significant influence on the total success of the bank. Within the credit process, the Division is responsible for consistent identifying, assessment, monitoring and control of credit risks of the bank in corporate clients as well as the clients from the public sector and financial institutions. The said activities are executed in accordance with the regulations of the National Bank of Serbia, and based on recommendations, rules and guidelines of the Hypo Group.

Within the activities of Credit Risk Control, meetings of the Board for Monitoring of Corporate Clients are taking place on monthly basis, and they adopt defined or propose additional measures of prevention of increase or the credit risk with is of a great importance for functioning of the bank. Competences of the Board also include monitoring of movements of the existing unproblematic clients within the “Watchlist” category as well as defining of measures for prevention of increase of credit risks for these clients.

Also, the Board is adopting regular reports on risks in WL portfolio (“Watch list Portfolio Risk Report”) and gives proposals of appropriate decisions in competent credit boards.

The Division is organized through the following departments/teams:

- Credit Risk Assessment Department;
- Financial Analysis Department;
- Team for Monitoring of Credit Risks of Corporate Clients;
- Credit Support Function.

Efficient credit risk control as critical component of the comprehensive approach to risk control represents the most important objective of Credit Risk Control Division. That is particularly important in periods of economic crisis – slowdown of economy activities and deterioration of liquidity in the market.

Taking into consideration negative effects and consequences of the economic crisis, and the slow recovery of domestic economy, special attention is given to assessment of credit risks in new loans, as well as “review” of the existing loans as regular activity which includes analysis and assessment of financial, market and credit potential of clients.

Besides, the activities of monitoring of clients with the purpose of timely recognising of warning signals and taking adequate measures for maintaining of quality portfolio are regularly implemented. With the purpose of recognizing warning signals, operations include collection of information, identification and analysis of samples, problems and classification of clients into risk categories. Based on the aforesaid, the measures for prevention of increase of credit risk are being defined and implemented, and implementation is controlled.

The purpose of the aforesaid activities is timely collection of the information about potential risk factors, and the timely reaction of the bank with the purpose of prevention of affecting of the product portfolio.

At the same time, it provides further support of bank clients in stabilization and preserving of continuity of business, and enables further development and expansion of domestic economy.

## 23. Credit Processing Division

Credit Processing Division, as an independent organization segment of the Bank, is one of the important factors in credit processing which has the purpose to reduce the risks in operations of the Bank.

The basic responsibility and competence of the Division is production of contracts and collateral documentation for loans of the Bank, creation of loan contract templates, and other loans for all segments of clients, recording and monitoring of security instruments (apart of retail loans which are provided with bills of ex-

change, joint and several guarantees, life insurance and collaterals without value), recording of foreign credit transactions as well as processing of credit transactions with the clients of the Bank, apart from physical entities and banks.

The Division includes the following two Departments:

- Department of Credit and Collateral Administration and
- Support Department.

In 2013, the Sector Participated in Implementation of new Core system, T24, as well as in numerous projects, such as the project of construction and implementation of CPM base, which follows realization of the credit process, as well as in implementation of TnT tools for the needs of evaluation of collaterals and obtaining of statistical values.

In accordance with the implementation of a new core system Temenos T24, as the most significant project of the Bank in 2013, the Support Team and the Team of Collateral Administration continuously participated in the said project, as in the stage of testing and defining of requirements for process upgrade so in the stage of implementation of a new core system T24.

Credit Administration Team, within the Department of Credit and Collateral Administration, prepared, in accordance with the policy of HBSe contracts, new templates of standard contracts for credit products intended for segments of corporate business and the public sector, as well as new credit products of the Bank.

During 2013, Credit Administration Team executed revision of standard contracts for all credit products intended for retail segment.

In realization of the process of assignment of receivables, both Departments within the Sector took active participation – Department of Credit and Collateral Administration prepared the status of collateral as well as the contracts on assignment of receivables with compensation, while the Support Department prepared certificates on account of debt and executed booking of the said transactions.

Collateral Administration Team, within the Department of Credit and Collateral Administration took part in project of revision of assessment of value of real estates and moveable property, pledged in favour of the Bank. The said project included monitoring of assessment of values of the real estates, as residential (RRE) so commercial (CRE).

Within the said project, monitoring of assessments of the mortgaged real estates (in favour of the bank) was executed, as security instrument for loans in order to provide timely revision and to make sure that all mortgaged real estates are evaluated in appropriate way.

Together with the said projects, the Division continued with the activities on improvement of data quality in the system of collaterals, and improvement of the system of measuring and evalua-



tion of collaterals, as well as with timely update of insurance policies of the real estates mortgaged in favour of the Bank.

For the clients that have not delivered their insurance policies yet, the Bank has provided “group” insurance (“Umbrella Insurance”) in cases where commercial and residential real estates are without valid insurance policy.

During 2013, the Credit Processing Division prepared new versions of Administrative policy, Policy of Defining clients/debtors, Policy of Contracts, Policy of Control and Monitoring of Collaterals, and the Instructions for Control and Monitoring of Collaterals.

In monthly meetings of the Risk Management Board (RICO) of the Bank, where one of the basic objectives is to monitor Bank’s exposure to credit risks, the Division takes part in preparation of reports and presentation of quality of collaterals agreed with loans of the Bank.

In monthly meetings of the Board for Monitoring of Corporate Clients / Small Watch-list Board (WLC and JWLC), of which the objective is monitoring and minimization of exposure to credit risks, the Division actively participates in preparation of report the Review of Status Documentation and the Review of Collateral Documentation.

The Division successfully and timely realized the most important objectives set for 2013:

- Improved the work of Division;
- Participated in implementation of a new core system T24, improvement of applications and processes of reporting in new core system;
- Created standard templates of contracts for new products in accordance with the Policy of Contracts as well as new templates of loan contracts in segment of corporate and public sector transactions;
- Worked on improvement of acceptability of collaterals – monitoring of assessment of values of real estates and moveable property pledged in favour of the Bank;
- Successfully participated in realization of processes of assignment of Bank’s receivables.

## 24. Credit Rehabilitation Division

Credit Rehabilitation Division operates as an independent division within Hypo bank and represents a part of the Risk Stream. The key function of the Division is control of the NPL corporate portfolio, and related individuals.

In accordance with the existing organization there are the following organizational units:

- Restructuring Department;
- Enforced Collection Department;
- Portfolio and SRP Reporting Team.

After transfer of certain client into Credit Rehabilitation Division, the Restructuring Department executed comprehensive analysis of such client with the purpose of providing restructuring based on sustainable basis. In case of successfully executed restructuring of liabilities, and with the period of time which confirmed the sustainability of such restructuring, the client is shifted to PL portfolio.

In case of inability to execute sustainable restructuring, the Forced Collection Department initiates the procedure of enforcement over available collaterals, which is still actively supervised and executed with the purpose of achieving of maximally increased return of funds through forced collection.

Thereby, Portfolio and SRP Team is composing separate calculation of reservations on monthly level, in order to make the amount of provisions adequate, and in accordance with available collaterals and sustainable projections of collection for each individual client.

Further in the text, there is short description of activities of organization units within the Credit Rehabilitation Division:

### Restructuring department

Restructuring Department is responsible for the clients which have operating business and can generate cash flows which can cover relevant part of financial liabilities.

The basic activity of department is restructuring which implies:

- Preparation and presentation of opinions and proposals for each individual case of restructuring and preparation of new credit proposals with adequate explanation;
- Constant control of new measures, taken with the purpose of improvement financial situation of the client and further collection of receivables;
- Monitoring – after restructuring of the client, it can be decided (based on financial position of the client) not to return the client into regular status, that is, mother branch, but to keep them within supervised department, all until their financial condition is improved up to the level of regular settlement against the bank;
- Negotiations with potential buyers in case of sales of collaterals (real estates and/or moveable property);
- Reporting on status of the client in charge of the department.

### Forced Collection Department

Forced collection department is responsible for the clients where collection of receivables is mainly executed through realization of collaterals, bankruptcy procedure, etc. The basic activity is forced collection which includes:

- Analysis of legal status of collateral and the credit loans;
- Providing legal opinion upon proposal for rescheduling and restructuring of loans;
- Production of legal acts in accordance with the procedure of the Credit Rehabilitation Division and Forced Collection Department;
- Representation of the bank with the purpose of collection of receivables and in relation with the cases assigned to department;
- Supervision of work of external law companies;
- Production of report on status of cases for which judicial proceedings have been initiated;
- Negotiations with potential buyers in case of sales of collaterals (real estates and/or moveable property);
- Organization of process of sales of collaterals.

### Portfolio and SRP Reporting Team

The basic activity of this department is monthly identification of corporate clients for calculation of individual reservations, as well as calculation of the said, based on assumptions delivered by responsible managers; cooperation with other departments within the division and providing support.

Monitors and implements international (IFRS) and local regulations (NBS) from field of calculation of individual reservations, as well as other regulations from the operations of the Division. They control reports taken from the information system and prepare regular and special reports, according to the needs of the Sector and requirements of directors of the Sector and Executive Board of the Bank.

## 26. Retail Risk Mangement Division

Retail Risk Mangement Division was founded in January 2012, as a result of focusing of Hypo bank on operations in Retail Segment and the need to observe characteristics of this segment from specialized perspective.

When founding the division, the whole capacity for assessment of the credit risk of individual applications was taken from the Credit Risk Control Division and has been significantly developed during the last 2 years.

The Retail Risk Mangement Division is currently organized within the following structure:

- Retail Portfolio Control Department;
- Retail Portfolio Control Function;
- SME Portfolio Control Function;
- Retail Revision Function;
- Analytics and Reporting;
- Credit Risk Assessment Department and Department for restructuring of nonstandard applications within which the employees are divided into three basic roles: (i) credit risk assessment in nonstandard applications of individuals, (ii) credit risk assessment in nonstandard applications of SMEs, (iii) credit risk assessment in restructuring of retail loans;
- As well as independent Fraud Prevention Function in retail operations.

Basic objectives of the Division are maintenance of quality of new loans on a high level in accordance with standards of the Hypo Group, through defining of standardized processes which enable quality and quick processing of applications with complete compliance with regulations of the National Bank of Serbia, Group standards, internal bank regulations as well as reduction of the existing level of problematic loans.

During 2013, implementation of group policies was continued, together with the existing policies as well as constant monitoring and adjustment of internal acts with local regulations.

## 27. Staff function: Integrated Risk Control

The need of the Hypo bank to introduce higher operating standards, as well as a good business practice, imposed the need for more advanced approaches of assessment of the existing risks through establishment of function of Integrated Risk Control.

Integrated Risk Control was established as an independent function in accordance with the EBA (European Banking Authority) Article 39, which stipulates the existence of this way of overviewing the risks independently from functions of executed risks. Obligation of integrated risk control is to execute identification, measuring and reporting about all existing material risks within the Bank Risk Pillar, and with the purpose of providing the complete insight into the existing series of risks. The activities of the Integrated Risk Control, in 2013, were realized through the following activities:

- Implementation of concept of "Integrated Risk Control" within the parts of the Bank engaged in risks (in the structure and according to the components defined by the project of "Optimization of Organization");

- Support and enabling of introduction of rules and requirements of the Bank Group through local policies and directions (legal control);
  - Assistance in execution of managerial control - Executive Board of the bank through policies, committees, and management profiles (control, monitoring, operating instructions and implementation of the said);
  - Providing correct and valid implementation of prescribed local regulations through procedures and working instructions; through adjustment of all policies/procedures and working instructions between organizational parts of the Bank, and which are involved in management and risk control (establishment of overlapping and defects, as well as their resolving);
  - Providing of consolidated functioning of the Risk Control Division on the level of the bank and the Group;
  - Providing regular monitoring over established and defined rules within the organizational parts of risk control within the Bank;
  - Support to members of the Executive Board through control of the risk related projects significant for the Bank.
- Employees in the Early Collection Department treat clients in delay as clients, not as debtors, and remind them of payment delay. They use polite and friendly manner of communication;
  - The employee goal is to convince the client/debtor, co-debtor and guarantor to settle due liabilities;
  - Updating of alternative addresses, phone numbers (home, mobile, work) as well as numbers and addresses of employers they come by while talking to clients,
  - Updating of alternative residence addresses, phone numbers (home, cell, work), as well as employer phone numbers and addresses obtained in talks with the client;
  - Sending of reports about undertaken activities aimed at collection by phone to the reporting team which unifies the reports;
  - Offering of restructuring to eligible clients;
  - If a client cannot be contacted through phone numbers available in the database, the client is sent to skip tracing;
  - Employees in the Early Collection Department service all incoming calls.

Integrated Risk Control and their introduction into all relevant business processes, in accordance with the said practice, enables achievement of higher level of control of introduced systems of risk control and better comprehensive implementation of standards and local legal regulations.

## 28. Collection Division

The Collection Division is composed of the following departments and functions:

- Early Collection Department;
- Preventions Department;
- Loss Recovery Department;
- Administration Department;
- Legal and Repossession Department;
- Analysis Function.

Activities of the Early Collection Department:

- Employees in the Early Collection Department service clients /debtors, co-debtors and guarantors who are 1 to 30 days past due for the Bank and Leasing (private individuals, farmers and SMEs, covering all products in delay which belong to that segment) in line with the Group Collection Policy for Retail;

Activities of the Preventions Department:

- Employees in the Preventions Department service clients / debtors, co-debtors and guarantors who are 31 to 90 days past due for the Bank and Leasing (private individuals, farmers and SMEs, covering all products in delay which belong to that segment) in line with the Group Collection Policy for Retail;
- Employees in the Preventions Department treat clients differently than employees from the Early Collection Department. Communication with the client is more to the point, negotiations are more difficult. They treat clients in delay up to 60 days as clients, not as debtors. Over 60 days in default, clients are treated as debtors. Employees warn clients about the possibility of sending the case to external agencies, initiating court proceedings and repossessing collaterals;
- The employee goal is to convince the client/debtor, co-debtor and guarantor to settle due liabilities;
- Updating of alternative residence addresses, phone numbers (home, cell, work), as well as employer phone numbers and addresses obtained in talks with the client;
- Sending of reports about undertaken activities aimed at collection by phone to the reporting team which unifies the reports;
- Offering of restructuring to eligible clients;
- If a client cannot be contacted through phone numbers available in the database, the client is sent to skip tracing.

#### Activities of the Loss Recovery Department:

- Employees in the Loss Recovery Department service clients / debtors, co-debtors and guarantors who are 90 days past due for the Bank and Leasing (private individuals, farmers and SMEs, covering all products in delay which belong to that segment) in line with the Group Collection Policy for Retail;
- Employees in the Loss Recovery Department treat clients differently than employees from the Early Collection Department and Preventions Department. Communication with the client is strictly to the point and negotiations are even more difficult. They treat clients as debtors. Employees warm clients about the possibility of sending the case to external agencies, contract terminating, initiating court proceedings and repossessing collaterals;
- The employee goal is to convince the client/debtor, co-debtor and guarantor to settle due liabilities;
- They provide support to the Legal and Repossession Department in court proceedings;
- Updating of alternative residence addresses, phone numbers (home, cell, work), as well as employer phone numbers and addresses obtained in talks with the client;
- Sending of reports about undertaken activities aimed at collection by phone to the reporting team which unifies the reports;
- Offering of restructuring to eligible clients
- If a client cannot be contacted through phone numbers available in the database, the client is sent to skip tracing.

The Administration Department consists of three teams:

- Restructuring Team
- Administration Team
- Skip Tracing Team

#### Activities of the Restructuring Team:

- Development, implementation and management of products and processes for private individuals, agro and SMEs restructuring for the Bank and Leasing;
- Communication with clients who accepted restructuring;
- Control of obtained documents;
- Coordination and cooperation with other organizational units at the Bank and Leasing;
- Monitoring of client who were restructured;
- Cooperation with the National Corporation for Housing Loans Insurance.

#### Activities of the Administration Team:

- Activities related to forming and sending dunning letters and SMS messages to clients;
- Collection of return receipts, their delivery to the Skip Tracing Team for checking addresses and archiving;
- Coordination with external collection agencies.

#### Activities of the Skip Tracing Team:

- Finding of new contact phones and addresses of clients / debtors, co-debtors and guarantors (yellow pages and white pages, 988, election lists...) and updating of the database;
- Sending of reports about undertaken activities aimed at collection by phone to the reporting team which unifies the reports.

#### Activities of the Legal and Repossession Team:

- Checking of collateral status;
- Preparation of documents for initiating forced collection;
- Initiation of court proceedings (litigation, bankruptcy, executive and criminal);
- Initiation of off-court foreclosures;
- Coordination with external law offices;
- Repossession of movables and real estate (after the fulfilment of all legal requirements).

#### Activities of the Analysis and Reporting Team:

- Creation of call lists for operators in the Early Collection, Preventions and Loss Recovery departments;
- Collection of all reports from departments within the Division and forming of a unified Division report;
- Creation of reports at a request of the Group, Head of the Division and heads of departments;
- Creation of reports in the Bank's IT system in cooperation with the IT;
- Standardization of result measurement and KPIs.

Results achieved in 2012: In cooperation with the Retail Risk, in April 2012, the Collection Division created a catalogue of restructuring products for private individuals, as well as a catalogue for SME and agro clients in May 2012, resulting in an increase of restructuring cases from 30 on the average per month prior to the catalogue to app. 100 cases per month by the end of 2012.

The regular process of calling clients increased the number of clients without delay and stabilized the NPL. The new process in the Legal and Repossession Department increased the quality of files and the speed of execution. The number of sold collaterals (real estate) grew substantially so that at 2012 end, there were 48 sold collaterals totalling app. 2 million EUR relative to 12 sold collaterals in 2011. By introducing the analysis function, work of the Division became more transparent due to daily, weekly and monthly reports and improved control of the retail portfolio. An application which was created covered the complete process in the Division, with all necessary client information in one place.

### 2013 results

1. NPL was stable in 2013. As at 31.12.2013, the NPL stood at 101 million EUR, making a decrease of 8% compared to the figure on 31.12.2012 which was 114 million EUR;
2. The total volume of loan accounts without delay was increased to over 200 million EUR;
3. The average collection in 2013, excluding cancelled accounts, was 78%, making a growth of 20% y-o-y;
4. The total volume of restructured loans in 2013 was 12 million EUR, out of which figure, 1.7% came to default of over 90 days past due again;
5. The total number of sold collaterals in 2013 was 40 units totalling 1.7 million EUR.

## 29. Operations Division

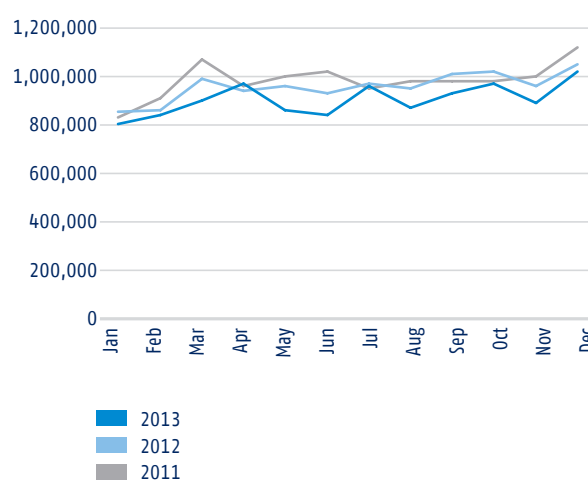
In 2013, the participation of the Operations Division in the implementation of the new core system T24 was substantial. The process of the centralisation of opening, closing and changing accounts of legal entities was successfully finalised and it is performed centrally within the Operations Division. The centralisation of the document management process was carried on through taking over additional activities from the Real Estate Management Division, as well as the centralisation of the card business, aimed at performance of all activities within a simpler and more uniform process.

### 1. Payments Department

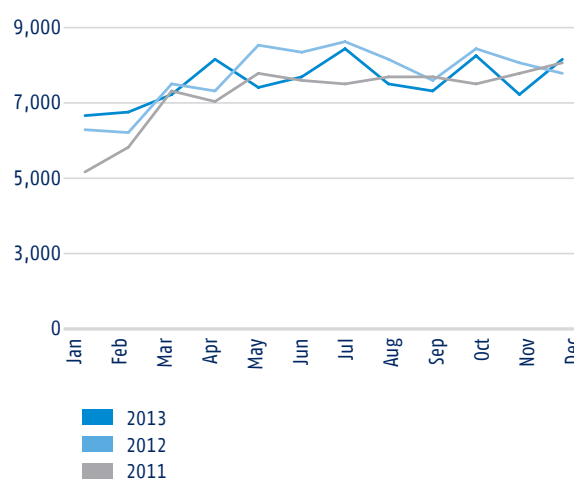
The Payments Department achieved the following results:

The number of transactions of domestic legal and natural persons in dinars in 2013 made the fall of 5.68% y-o-y, while the total turnover in domestic payments increased by 16% (due to an overnight deposit increase) in the same period.

Number of transactions in domestic payments.



Number of transactions in international payments



The number of foreign currency transactions realised through instruments of international payments in 2013 made the fall of 2.61% y-o-y, while the volume of international payments dropped by 26.31% in the same period.

In 2013, the total revenues from clients on the basis of domestic payments fees (legal and natural persons) stood at 402,726,303 RSD, being 10.77% smaller y-o-y.

In 2013, the total revenues from clients on the basis of international payments fees (legal and natural persons) amounted to 134,221,078 RSD, being 7.86% smaller y-o-y. December 2012 figure: 244,186; December 2013 figure: 263,615.

The turnover in cards issued by Hypo Alpe-Adria-Bank a.d. Beograd recorded the growth of app. 4%, i.e. from 1.174 billion RSD in December 2012 to 1.228 billion RSD in December 2013.

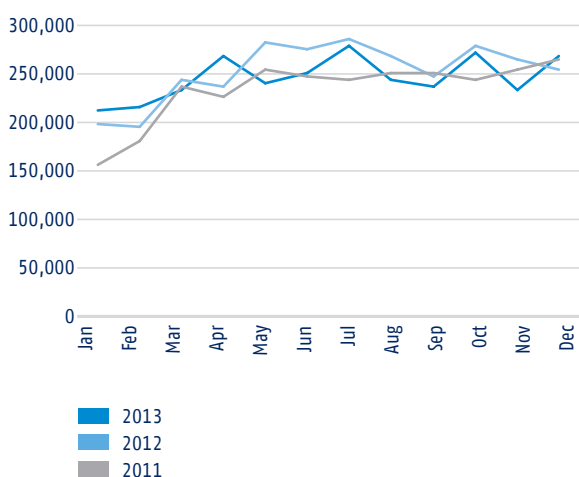
The Bank's ATM network covers 84 ATMs, implying the growth of 10.71% y-o-y.

## 2. Client and Account Administration Department

In 2013, one of the major tasks of the Client and Account Administration Department was the definition, testing, implementation and improvement of functionalities of the core banking system within the new platform Temenos T24. All functionalities of opening/closing and administering accounts and deposits of legal entities, book monitoring, adjustment of incoming dinar payments to the Bank's account, as well as the automation of write-off of receivables and the system of reporting toward authorities for a large number of reports within the Department were implemented. Further, teams in charge within the Department gave integral contribution and support to functioning of the e-banking interface with the new core system and a new version of private individuals e-banking improved by new functionalities was successfully launched and tested.

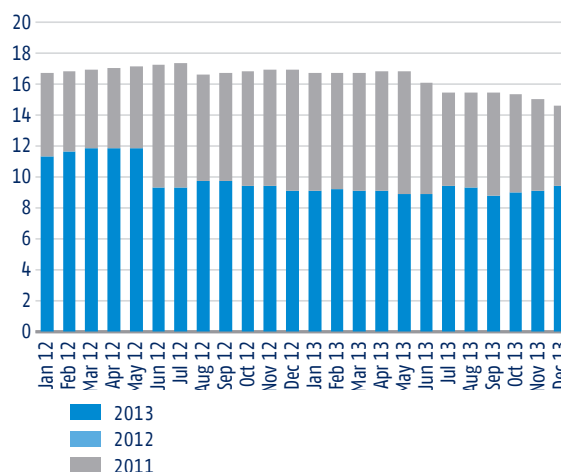
Furthermore, the Account Maintenance Team was the leader of the project of mass takeover of files of legal entities accounts in the course of which all files (app. 20,000), where the network and front divisions managed to obtain documentation in cooperation

### Number of card transactions



### Legal entities accounts within domestic payments 2012/2013

In '000



with clients, were controlled, the completeness was verified and the complete files were taken over. The project also implied the creation of a system for mass scanning and import of documents to the eDMS system, and the imported documents were archived in the Bank's central archive.

In July 2013, the Client and Account Administration Department successfully answered to all questions and documented its client identification procedure as a part of the NBS follow-up supervision of the identification of clients with opened accounts, which was positively assessed by the NBS.

E-banking transactions of legal persons had the share of 55.85% in the total number of non-cash transactions, and the share in the total turnover was 84.66% compared to all non-cash transactions within the domestic payments.

At 2013 end, the number of private individuals using the WEB e-banking and SMS services stood at 34,026 (WEB and SMS: 8,883, only WEB: 3,303, only SMS: 21,840), being 6.14% higher y-o-y. The number of e-banking transactions by private individuals increased by 17.49% in 2013.

### 3. Treasury Back Office Department

In 2013, the Treasury Back Office Department successfully implemented an interface between Reuters and T24 application. Moreover, the implementation of the T24 application was carried out successfully.

### 4. Contact Centre Department

In 2013, the Contact Centre Department was in charge of the following activities:

- Based on a presentation, it was decided that from February 2013, all calls to personal bankers would be forwarded to the Contact Centre after the third ring, which was achieved by forming a special Affluent group by training employees and precise definition of the process;
- Specific reporting based on the measurement of defined KPIs was implemented by introducing individual measurements of agents at daily/weekly and monthly level;
- Employees were trained and special organisation was implemented with the purpose of supporting clients in the course of their transfer to the new core system T24;

- A continual analysis was performed with the aim of finding additional common points between the sales and the Contact Centre for the purpose of potential encompassing additional activities;
- The basic set of reports within the field of Visual Management was defined and unified.
- A large number of outbound campaigns was realised:
  1. Follow-up campaign for Visa Black and Visa Gold cards – total number of contacted clients: 34
  2. Campaign of updating client data through clients – total number of contacted clients: 450
  3. Sales campaign “Current Account Upgrade” – total number of contacted clients: 5,582
  4. Additional cards – special offer for holders of Visa Classic/Revolving cards – total number of calls: 6,352
  5. Outbound campaign Client Satisfaction Survey – After Sales Calls – total number of contacted clients: 20,582

### 5. Document Centre Department

Aiming at the improvement of the document management process and achievement of potential synergies, i.e. better focus on a simpler and more uniform process, administrative functions were united to one central point, thus making changes of the internal organisation of the Document Centre Department.

With taking over the reception and distribution of mail from the Real Estate Management Division, the Operations Division was enlarged by a new organisational unit – Mail Reception and Distribution Team, and by merging the Archive Team and Scanning Team to one organisational unit, the Archive and Scanning Team was formed, both within the existing Document Centre Department.

### 6. Credit Back Office Department

In 2013, the Credit Back Office Department created a scorecard (for all products for private individuals) and the RAP tool for private individuals loans. Additionally, the Credit Back Office Department made considerable contribution to the implementation and realisation of BAN001 and BAN002 Recommendations of the NBS.

An interface between SRC and T24 application within the transfer to the new core system was successfully implemented.

### 30. Business Process Management Team

The Business Processes Management Team is an independent team reporting directly to the Executive Board. Its major goal is the improvement of business processes in the Bank through modelling the current state and setting up more efficient, more economical and more profitable processes. Duties within the Team are divided into four parts: creation of business processes, optimisation of business processes, coordination of the processes of the implementation of new products and services and coordination of the outsourcing process. In 2013, the Business Processes Management Team took an active part, among other activities, in the implementation of the new core IT system of the Bank, centralisation of the electronic and hard copy archive and improvement of the credit process for legal entities (corporate and SME).

### 31. Organisation and Information Technology Division (Orga/IT)

Within the Organisation and Information Technology Division, 2013 featured the continuation of the project of implementation of the new core banking system Temenos T24 and full transfer to the system in September 2013. The new core system replaced a set of legacy applications and brought a new, unified platform based on state-of-the-art technology.

The implementation complied with the Bank's business requirements. All data on clients, products and accounts were migrated to T24. Wherever possible, the system was integrated with other systems. The project also encompassed the implementation of adequate infrastructure for the new IT system. It was also accompanied by the reengineering of business processes due to changes resulting from the T24 system.

In parallel with the implementation of the new core system, the Bank implemented the new DWH and BI system as a modern reporting platform covering all reporting needs, both internal and external/regulatory. The centralised DWH makes a solid basis for the implementation of various analytically-oriented systems which could result in a significant comparative advantage in the future.

The projects of the implementation of the core banking and DWH & BI systems encompassed over 50 employees – experts in various business and IT fields. The project team was organised into a number of streams, some of them being led by the ORGA/IT staff.

During the entire project, full support was provided for the legacy core system and other satellite applications in the field of change and incident management, as well as the operational and consultancy support to the operation of the Bank. After the transfer to T24, Q4 2013 was marked by substantial post-go live support.

Two globally recognised software tools were introduced, improving also the level of services provided to the Bank's employees by the Division: the IBM TSM tool for managing requests for improving the T24 application, creating an improved automated process with the vendor in line with the best practice, and the IBM Tivoli Identity Manager software for managing the process of the assignment of user rights and user accounts in key banking applications. These improved security standards in the field of unauthorised access to the Bank's IT system.

Changes in the credit process made by business divisions resulted in the development of a new upgraded version of the CPM application for the credit process. Further, a number of solutions were developed for the purpose of the integration of T24 with other systems.

Moreover, the role of project portfolio managers in 12 projects active in 2013, five of which were strategic projects at the level of the Hypo Group, was significant.

The Service Desk and operational support of the Division processed 50,280 calls from users and solved 17,035 incidents and service requests. The equipment renewal process covered 30% workstations and 25 new servers were installed in a response to business requests of users and for the project of the implementation of the new core banking system.

The Division also started a change in the infrastructure due to the separation of the IT system of a number of subsidiaries in Serbia within the Alpe project.

As of 2013 end, there were 35 employees in the Division.



## 32. Procurement Team

The Procurement Team was formed on 30th June 2011, after the group-wide decision to make it an independent organisational unit reporting directly to the Executive Board, instead of being a part of the Service and Procurement Division.

The chief activity of the Procurement Team is the implementation of the complete process of procurement of goods, works and services for the Bank in line with relevant procedures, manuals and instructions, with emphasis on the principles of efficiency, economy and cost-saving.

In order to achieve the best possible conditions for the Bank, the Procurement Team continuously researches the market and maintains contact with suppliers for the purpose of providing the best possible quality of services and goods at the lowest prices.

In 2013, the Procurement Team achieved the following savings:

Controlled costs, 31 <sup>st</sup> December 2013						Calculation details	
Country	Budget*	Controlled costs target	Realised controlled costs with VAT	Controlled costs target in %	Realised controlled costs in %	Realised controlled costs without VAT	Comments / VAT in %
HBSe	24,551,000	14,730,600	17,535,552	60%	71%	14,612,960	20%

Realised savings, 31 <sup>st</sup> December 2013			
Country	Target savings TOTAL	Realised savings	Realised savings in %
HBSe	2,000,000	924,768	46%

In 2013, increased control of all costs stood at app. 71% relative to the 2012 figure of 40%:

- The Procurement Team realized [198] procurement initiatives (focusing on the largest initiatives in order to increase average savings per initiative);
- Management and supervision of the performance of procurement managers through the KPI methodology;
- Each procurement member achieved average annual savings of 230,000 EUR;
- Minimum realized tenders: 15% tenders with repeating costs and 20% for one-off costs;
- Provision of alignment with all countries and business partners; analysis of results in all subsidiaries, identification of unused potentials.

## 33. Real Estate Management Division

In 2013, the network optimisation project continued by opening of 4 new outlets:

- Sub-branch TC Stadion, opened on 25<sup>th</sup> April 2013
- Sub-branch Stepa Stepanović, opened on 25<sup>th</sup> November 2013
- Sub-branch Vranje, opened on 9<sup>th</sup> December 2013
- Sub-branch Paraćin, opened on 23<sup>rd</sup> December 2013
- Sub-branch Ruski Car was closed on 3<sup>rd</sup> October 2013

The 2013 CAPEX plan envisaged opening of five new outlets and a relocation of one existing outlet. The total 2013 CAPEX plan stood at 1,215,932.55 EUR, out of which sum, four new outlets were opened (one postponed to 2014), totalling 746,992 EUR.

The Division also carried out the full project of the adaptation of old outlets to the new look according to the new standard Hypo Book of Standards\_V02. The project 'Facelift' covered, with minimal expenses, redecoration of all old Bank's outlets built and equipped according to the standard V01, whose number was 37.

The Facility Management Department continued with the most important activity for the past two years – cost cutting. In the position rental expenses, savings totalling app. 20,000 EUR were achieved through successful negotiations with lessors at 12 locations in 2013 (Branch Vasina, Branch Jagodina, Sub-branch Uspenska Novi Sad, Sub-branch Gornji Milanovac, Branch Čačak, Branch Užice, Branch Vrbas, Branch Sombor, Branch Kikinda, Sub-branch NIS Novi Sad, Sub-branch IMMO Centar). This will result in the lowering of rental expenses by app. 112,000 EUR in 2014.

At 2013 end, the rental area of the Headquarters in Ušće was decreased after effective negotiations and organisation; an entire floor of app. 860m2 was vacated and this will lower costs for 2014 by app. 210,000 EUR for the rent and 37,000 EUR for rent-related expenses. Negotiations with the lessor of the Headquarters were continued.

In parallel, a number of tenders were initiated with the aim of continuing service rendering with similar quality and lower prices.

In 2013, the Real Estate Valuation Department, which operates within the Division since 2011 end, made 1,739 reports, out of which number, there were 391 real estate valuations, 940 verifications and 408 market value updating reports.

The Division also created and published, in cooperation with the Austrian headquarters, the second report on Serbian real estate trends.

In cooperation with the Austrian headquarters and colleagues from the local CP, the Division started statistical data updating – TNT tool. In 2013, 540 real estate market values were updated through the tool, and by May 2014, 1,540 market values were updated.

Hypo Alpe-Adria-Bank took an active part in designing the database of values of real estate encompassed by banking transactions. The project was realised in cooperation with the National Bank of Serbia, Association of Banks and the European Group of Values' Associations (TEGOVA).

In 2013, four employees of the Real Estate Valuation Department were granted the title 'Recognised European Valuer' by the European Group of Values' Associations (TEGOVA).

### 34. Hypo Alpe-Adria-Leasing d.o.o. Beograd and Hypo Alpe-Adria-Rent d.o.o. Beograd

The growth of economic activity in 2013 was not supported by the leasing industry growth. Negative trends from 2012 continued throughout 2013, reflecting as a fall of the total leasing on-balance sum and portfolio. The size of the leasing sector measured by the total on-balance sum at the end of Q3 2013 stood at 595.1 million EUR, making the real fall of 6% compared to 2012 end. For the first three quarters of 2013, the leasing portfolio narrowed by 38.9 million EUR, making the fall of 7.5% relative to 2012 end.

For the first nine months of 2013, the leasing sector made the negative result before tax of 3.8 million EUR which represents an extreme fall y-o-y when the result of the leasing sector was positive at 0.2 million EUR. At annual level, the total income and profit of the sector lowered y-o-y by 17%, while the total expenditure and loss grew by 73.2%. Due to the negative pre-tax result, profitability ratios were negative, so that the average ROE for 2013 was -7.87% and the average ROA was -0.83%, representing slumps y-o-y when these ratios were 0.24% and 0.03% respectively.

In 2013, the Serbian leasing industry financing totaled 268 million EUR, out of which sum, 223 million EUR were placed through financial leasing and 45 million EUR were financed through operative leasing. Compared to 2012, financial leasing placements made the mild growth of 0.7%, whereas operative leasing placements fell by 10.5%.

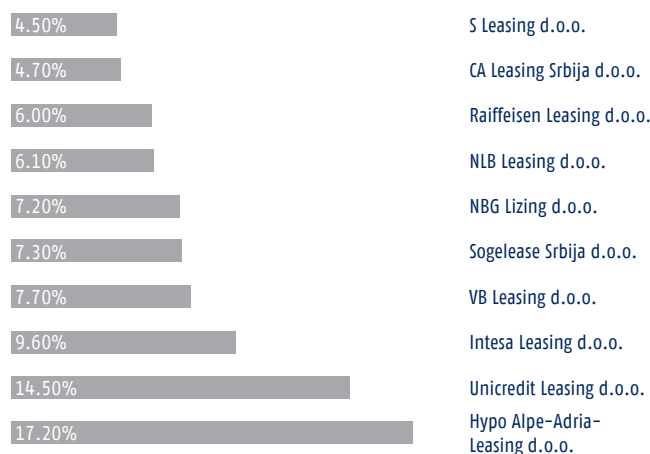
In spite of numerous challenges of the macroeconomic environment marking 2013, Hypo Alpe-Adria-Leasing d.o.o. Beograd and Hypo Alpe-Adria-Rent d.o.o. Beograd succeeded in preserving the leading position in the leasing market with the market share in on-balance sum of 17.2%.

From the beginning of its operations in Serbia until 2013, Hypo Leasing and Hypo Rent placed as much as nearly 1 billion EUR to the local market, which implied over 37 thousand contracts with over 16 thousand clients.

The on-balance sum of these two companies at 2013 stood at je 269.7 million EUR.

Observed by total on-balance sum, Hypo Alpe-Adria-Leasing d.o.o. Beograd is the leader in the market from the very beginning.

#### Market share in on-balance assets – top 10



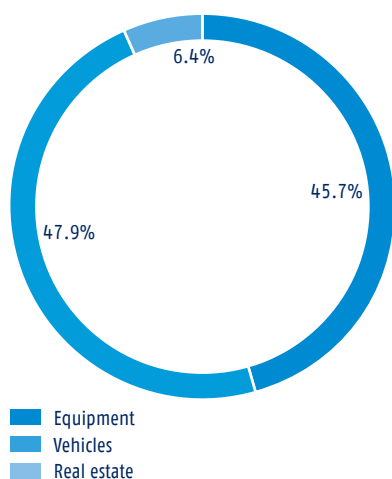
In the portfolio structure of Hypo Alpe-Adria-Leasing d.o.o. Beograd by financing object, motor vehicles take the largest share of 47.9%, followed by equipment with 45.7% and real estate financing with 6.4%. The majority of the portfolio – 79.1% of its total volume implies large companies, SMEs take 16.3%, public companies take 2.5%, private individuals take 2% and the remainder of 0.1% implies financial institutions.

In 2012, Hypo Alpe-Adria-Leasing d.o.o. Beograd registered its first financial leasing real estate, this being the first case of real estate financing through financial leasing in the local market.

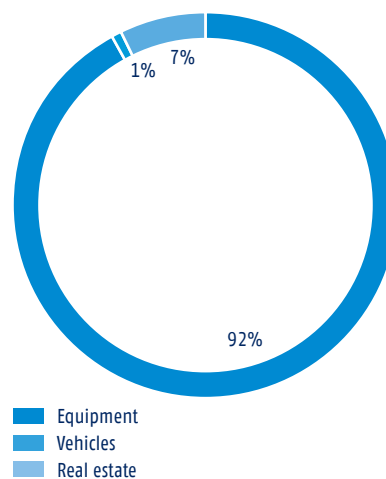
In the portfolio of Hypo Alpe-Adria-Rent d.o.o. Beograd, real estate dominate with 92%, motor vehicles take 7% of the total portfolio, and the remaining 1% implies equipment. In the total volume of the portfolio of Hypo Alpe-Adria-Rent d.o.o. Beograd, large companies take the share of 88%, financial institutions take 8%, SMEs take 3% and private individuals take 1%.

Hypo Alpe-Adria-Leasing d.o.o. Beograd and Hypo Alpe-Adria-Rent d.o.o. Beograd have the total of 101 employees operating at 6 locations in Serbia: Belgrade, Novi Sad, Niš, Kragujevac, Subotica and Čačak.

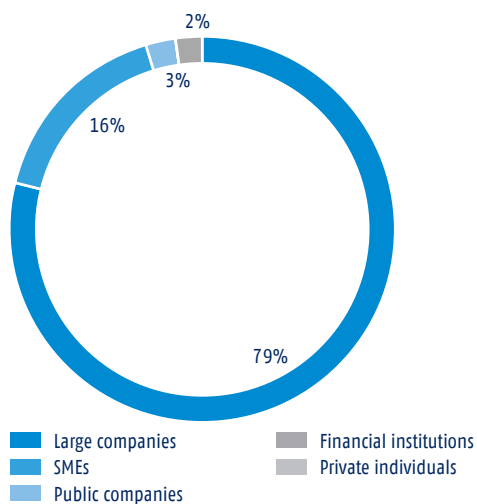
**Hypo Alpe-Adria-Leasing d.o.o. Beograd**  
Portfolio structure by financing object



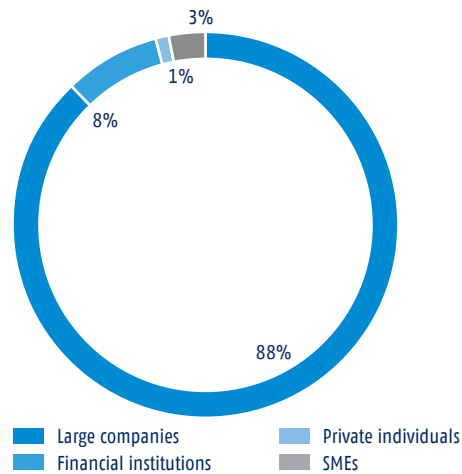
**Hypo Alpe-Adria-Rent d.o.o. Beograd**  
Portfolio structure by financing object



**Portfolio structure by client**



**Portfolio structure by client**





# 2013 Financial Report



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## INDEPENDENT AUDITOR'S REPORT

### To the Shareholders of Hypo Alpe-Adria Bank a.d. Beograd

We have audited the accompanying financial statements of Hypo Alpe-Adria Bank a.d. Beograd (the "Bank") which comprise the balance sheet as of 31 December 2013 and the income statement, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies, other explanatory notes and the statistical annex.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the requirements of the Law on Accounting and Auditing of the Republic of Serbia, Law on Accounting of the Republic of Serbia, regulations of the National bank of Serbia and Note 2 to these financial statements, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Hypo Alpe-Adria Bank a.d. Beograd as of 31 December 2013, and of its financial performance and its cash flows for the year then ended in accordance with the requirements of the Law on Accounting and Auditing of the Republic of Serbia, Law on Accounting of the Republic of Serbia, regulations of the National bank of Serbia and Note 2 to these financial statements.

### *Other Matter*

The financial statements of the Bank for the year ended 31 December 2012 were audited by another firm of auditors whose report, dated 20 March 2013, expressed an unmodified opinion on those statements. Our opinion is not qualified in respect of this matter.

Refer to the original signed  
Serbian version

Refer to the original signed  
Serbian version

Saša Todorović  
Licensed Auditor

Belgrade, 22 April 2014

PricewaterhouseCoopers d.o.o., Beograd

PricewaterhouseCoopers d.o.o., Omladinskih brigada 88a, 11070 Belgrade, Republic of Serbia  
T: +381 11 3302 100, F: +381 11 3302 101, [www.pwc.rs](http://www.pwc.rs)

This version of our report, the accompanying documents is a translation from the original which was prepared in Serbian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

## Income statement 31<sup>st</sup> December 2013

RSD '000

	2013	2012
1. Interest income and similar income	8,438,979	10,261,600
2. Interest expenditure and similar expenditure	(4,614,673)	(5,390,275)
<b>Net interest income</b>	<b>3,824,306</b>	<b>4,871,325</b>
3. Commission income from credit institutions	805	906
4. Commission expenditure for credit institutions	(11,209)	(58,259)
5. Commission income from clients	1,009,684	1,080,776
6. Commission expenditure for clients	(177,534)	(142,838)
7. Net FX gains and income from change of value of receivables and liabilities	1,509,346	1,641,436
8. Net income/expenditure from securities	323	4,648
9. Other operational income	103,541	211,132
<b>Total operating income</b>	<b>6,259,262</b>	<b>7,609,126</b>
10. General and administrative expenditure	(5,466,429)	(4,373,701)
11. Depreciation costs	(295,604)	(310,267)
<b>Operating expenditure</b>	<b>(5,762,033)</b>	<b>(4,683,968)</b>
<b>Operating result</b>	<b>497,229</b>	<b>2,925,158</b>
<b>Provisioning expenditure</b>	<b>(5,219,643)</b>	<b>(1,137,246)</b>
<b>Profit before tax</b>	<b>(4,722,414)</b>	<b>1,787,912</b>
<b>Profit tax</b>	<b>(197,575)</b>	<b>(200,935)</b>
<b>Profit after tax</b>	<b>(4,919,989)</b>	<b>1,586,977</b>

## Income statement 31<sup>st</sup> December 2013

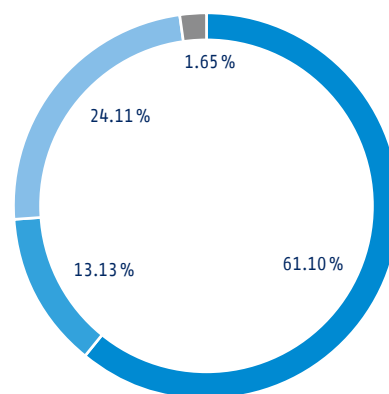
RSD '000

	2013	2012
<b>Interest income and similar income</b>		
From mandatory reserve and deposits with the central bank	186,945	143,421
From operations with National Bank of Serbia	177,978	154,410
From placements to banks	62,508	181,915
Interest and commissions from corporate loans	4,178,876	5,030,707
Interest and commissions from retail loans	2,513,136	2,920,521
From securities business	1,319,536	1,830,626
<b>Total interest income</b>	<b>8,438,979</b>	<b>10,261,600</b>
<b>b) Interest expenditure</b>		
Relations with the central bank	0	(98,021)
Liabilities to local banks	(62,321)	(198,498)
Liabilities to foreign banks	(1,373,172)	(1,589,369)
Corporate liabilities	(1,286,269)	(1,534,512)
Retail liabilities	(1,892,911)	(1,969,875)
<b>Total interest expenditure</b>	<b>(4,614,673)</b>	<b>(5,390,275)</b>
<b>Net interest income</b>	<b>3,824,306</b>	<b>4,871,325</b>
<b>Commission income and expenditure</b>		
<b>a) Commission income</b>		
Commissions from credit institutions	805	906
Commissions from issued guarantees and other warranties	95,652	116,849
Commissions from domestic payments	406,238	445,318
Commissions from international payments	133,103	143,968
Commissions from card business	152,231	151,014
Commissions from securities business	1,042	5,410
Other corporate commissions	58,932	65,831
Other retail commissions	163,528	157,796
<b>Total commission income</b>	<b>1,011,531</b>	<b>1,087,092</b>
<b>b) Commission expenditure</b>		
Commissions to credit institutions	(11,209)	(58,259)
Commissions for client business	(80,847)	(61,363)
Commissions from card business	(23,088)	(26,848)
Commissions from domestic payments	(38,432)	(28,670)
Commissions from international payments	(35,167)	(25,957)
Commissions from securities business	(719)	(762)
<b>Total commission income</b>	<b>(189,462)</b>	<b>(201,859)</b>
<b>Net commission income</b>	<b>822,069</b>	<b>885,233</b>
<b>Other operating income</b>		
Net effect of FX gains/losses	925,181	(7,414,570)
Change of value of assets and liabilities	63,863	8,110,090
Net income/expenditure from change of value of securities	520,302	945,916
Net gains from selling securities	0	0
<b>Net income from financial transactions</b>	<b>1,509,346</b>	<b>1,641,436</b>
Other income	103,541	211,132
<b>Total other operating income</b>	<b>1,612,887</b>	<b>1,852,568</b>
<b>Total operating income</b>	<b>6,259,262</b>	<b>7,609,126</b>

## Overview of operating income

	RSD '000
	2013
Net income from interest and similar income	3,824,306
Net income from commissions	822,069
Net income from financial transactions	1,509,346
Other income	103,541
	<b>6,259,262</b>

Structure of operating income



■ Net income from interest and similar income  
■ Net income from commissions  
■ Net income from financial transactions  
■ Other income

## Expenditure of indirect write-off of placements and provisions

	RSD '000	
	2013	2012
<b>Expenditure (income) from receivables value adjustment</b>	<b>(4,280,205)</b>	<b>(1,154,410)</b>
For placements to banks	3,195	(2,799)
For placements to clients	(4,486,653)	(1,071,517)
For interest and commission	141,870	(20,820)
For other assets	(208)	46
For securities	61,591	(59,320)
<b>Expenditure (income) from provisioning</b>	<b>(939,438)</b>	<b>17,164</b>
Expenditure (income) from provisions for issued L/Gs	44,176	84,612
Expenditure (income) from provisions for issued L/Cs	33	921
Expenditure (income) from provisions for taken long-term liabilities	(10,286)	1,924
Expenditure from provisions for other taken liabilities (IAS 37)	(965,932)	0
Expenditure (income) from provisions for employees (IAS 19)	(7,429)	(70,293)
<b>Total expenditure from write-offs and provisions</b>	<b>(5,219,643)</b>	<b>(1,137,246)</b>

## Other operating expenditure

RSD '000

	2013	2012
Net salaries	(1,131,657)	(1,129,342)
Taxes and contributions for salaries	(424,464)	(423,473)
Other personal expenses	(33,866)	(55,109)
Donations and grants	(29,239)	(21,618)
Rental and other expenses	(611,479)	(593,622)
Insurance premiums	(245,805)	(229,981)
Entertainment expenses	(23,453)	(25,323)
Advertising costs	(101,130)	(132,773)
Costs of using IT systems	(618,964)	(428,483)
Fuel and car maintenance costs	(20,494)	(20,138)
Postal services	(103,983)	(143,729)
Memberships in the country and abroad	(3,792)	(4,429)
Taxes and contributions not depending on result	(336,955)	(313,297)
Expertise, arbitrage and audit expenses	(10,851)	(18,465)
Other administrative expenses	(369,714)	(450,445)
Material expenses	(303,422)	(249,101)
Write-off of uncollectible receivables	(1,085,396)	(116,718)
Losses from write-off and sale of fixed assets	(2,786)	(268)
Depreciation	(295,604)	(310,267)
Other expenses	(8,979)	(17,387)
<b>Total expenses</b>	<b>(5,762,033)</b>	<b>(4,683,968)</b>

## Balance sheet 31<sup>st</sup> December 2013

RSD '000

	2013	2012
<b>Assets</b>		
Cash and cash equivalents	14,042,454	15,507,572
Deposits with the central bank	10,421,896	15,836,947
Placements to domestic and foreign credit institutions	349,235	2,579,038
Placements to clients	94,731,552	131,725,765
Value adjustment of receivables	(13,421,554)	(17,695,378)
Participation in capital and investments into securities	15,344,973	16,081,121
Fixed assets and intangible investments	2,373,664	2,262,073
Other assets	1,580,751	2,183,008
<b>Total assets</b>	<b>125,422,971</b>	<b>168,480,146</b>
<b>Liabilities</b>		
Transactional deposits	13,568,461	15,396,318
Other deposits	49,965,018	69,505,320
Taken loans and interest liabilities	14,369,700	22,966,024
Subordinated liabilities	17,576,912	23,149,166
Other liabilities	1,109,654	3,786,724
Tax liabilities	12,719	38,673
Provisions	387,011	253,943
Deferred tax liabilities	11,350	15,924
Equity capital	14,319,484	14,319,484
Issue premium	9,758,438	9,758,438
Reserves	9,264,213	7,703,155
Undistributed profit from the current year	(4,919,989)	1,586,977
<b>Total liabilities</b>	<b>125,422,971</b>	<b>168,480,146</b>

## Balance sheet 31<sup>st</sup> December 2013

RSD '000

	2013	2012
<b>Assets</b>		
<b>Cash and cash equivalents</b>		
Cash at hand	3,497,407	1,563,931
Assets in the drawing account	9,418,017	7,475,726
FX account with the NBS for trading in securities	0	0
FX accounts with foreign banks	1,127,030	6,467,915
<b>Total cash and cash equivalents</b>	<b>14,042,454</b>	<b>15,507,572</b>
<b>Deposits with the National Bank of Serbia</b>		
Mandatory reserve with the NBS	10,421,896	15,836,947
Placements to NBS for repo operations	0	0
<b>Total deposits with the National Bank of Serbia</b>	<b>10,421,896</b>	<b>15,836,947</b>
<b>Placements</b>		
Placements to local and foreign banks	349,235	2,579,038
Corporate placements	54,324,477	87,256,436
Retail placements	40,407,075	44,469,329
<b>Total gross placements</b>	<b>95,080,787</b>	<b>134,304,803</b>
Value adjustment of placements	(13,421,027)	(17,694,587)
<b>Net value of placements</b>	<b>81,659,760</b>	<b>116,610,216</b>
<b>Participations in capital and other securities</b>		
Securities for trading	0	0
Securities available for sale – shares	0	472
Investments into t-bills of the Republic of Serbia	15,344,973	16,080,649
<b>Total gross value of securities and participations in capital</b>	<b>15,344,973</b>	<b>16,081,121</b>
Value adjustment of securities	0	(472)
<b>Net value of securities and participations in capital</b>	<b>15,344,973</b>	<b>16,080,649</b>
<b>Other assets and balance brought forward</b>		
Receivables from employees	2,935	558
Given advances	81,090	69,719
Stocks	17,254	403
Other assets	111,926	149,673
Deferred expenses	509,934	1,389,149
Assets acquired through collection of receivables	168,884	65,643
Receivables for paid profit tax	374,615	0
Deferred tax assets	132,379	329,954
Other balance brought forward	181,734	177,909
<b>Total gross other assets and balance brought forward</b>	<b>1,580,751</b>	<b>2,183,008</b>
Value adjustment of other assets	(527)	(319)
<b>Net value of other assets and balance brought forward</b>	<b>1,580,224</b>	<b>2,182,689</b>
<b>Fixed assets and intangible investments</b>		
Buildings and other equipment	1,289,590	1,360,670
Intangible investments	1,084,074	901,403
<b>Total fixed assets and intangible investments</b>	<b>2,373,664</b>	<b>2,262,073</b>
<b>Total assets</b>	<b>125,422,971</b>	<b>168,480,146</b>

## Balance sheet 31<sup>st</sup> December 2013

RSD '000

	2013	2012
<b>Liabilities</b>		
<b>Deposits</b>	<b>63,533,479</b>	<b>84,901,638</b>
Transactional deposits of foreign banks	872,709	1,321,155
Transactional deposits of companies	6,421,385	9,367,890
Transactional deposits of natural persons	6,274,367	4,707,273
Other corporate deposits	15,908,273	26,797,300
Other retail deposits	34,056,745	42,708,020
<b>Other liabilities</b>	<b>33,467,346</b>	<b>50,210,454</b>
Taken loans	14,368,013	22,945,440
Liabilities for interest	1,687	20,584
Other financial liabilities	762,098	384,647
Liabilities from change of fair value of derivatives	15,528	2,594,027
Deferred income from loan commissions	332,028	808,050
Liabilities for profit tax	0	6,422
Liabilities for other taxes	12,719	32,251
Off-balance sheet provisions	66,804	100,727
Provisions for employees (IAS 19)	152,704	153,216
Provisions for other contingent liabilities	167,503	0
Deferred tax liabilities	11,350	15,924
Subordinated liabilities	17,576,912	23,149,166
<b>Total liabilities</b>	<b>97,000,825</b>	<b>135,112,092</b>
<b>Capital</b>		
Total equity capital	14,319,484	14,319,484
Issue premium	9,758,438	9,758,438
Reserve from profit	9,199,897	7,612,920
Revalued reserve	64,316	90,235
Undistributed profit from the current year	(4,919,989)	1,586,977
<b>Total capital</b>	<b>28,422,146</b>	<b>33,368,054</b>
<b>Total liabilities</b>	<b>125,422,971</b>	<b>168,480,146</b>



## Structure of the Bank's equity capital

Structure of the Bank's share capital	RSD '000		RSD '000	
	2013.	% of share	2012.	% of share
Hypo Alpe - Adria - Bank International AG Klagenfurt	14,319,338	99.999%	14,319,338	99.999%
Other shareholders	146	0.001%	146	0.001%
<b>Total equity capital</b>	<b>14,319,484</b>		<b>14,319,484</b>	

As of 31<sup>st</sup> December 2013, the Bank's subscribed and paid capital consisted of 7,159,742 ordinary shares (figure as of 31<sup>st</sup> December 2012: 7,159,742 shares) with individual nominal value of RSD 2,000 per share. Each share carries one vote. All issued shares were fully paid.

The shares were registered with the Securities Commission:

CFI code:       ESVUFR  
ISIN no:       RSHYPOE 68424

The issue premium was formed when issuing the shares and it represents the difference between the achieved sales value of the shares and their nominal value.

### Mandatory reserve

**Dinar mandatory reserve** represents the amount of funds which a bank must keep with the National Bank of Serbia. In 2013, dinar mandatory reserve was calculated in line with the Decision on mandatory reserve of banks kept with the National Bank of Serbia (Official Gazette of the Republic of Serbia no. 3/2011, 31/2012, 57/2012, 78/2012, 87/2012, 107/2012 and 62/2013). The rate of the mandatory reserve for dinar deposits and liabilities with the tenor of up to two years was 5% and for dinar liabilities with the tenor of over two years, the mandatory reserve rate was 0%. The basis for the calculation of the dinar mandatory reserve is comprised of average daily accounting balances of dinar liabilities from the previous calendar month, consisting of dinar deposits, loans and securities, as well as other dinar liabilities, except for dinar liabilities indexed in FX. The dinar mandatory reserve consists of a dinar part calculated for the dinar basis and dinar equivalent value of 32% of FX mandatory reserve calculated for FX liabilities with the tenor of up to two years and 24% of FX mandatory reserve calculated for FX liabilities with the tenor of over two years.

The Bank must maintain the average daily balance of the allocated dinar mandatory reserve at the amount of the calculated dinar mandatory reserve throughout the calculation period, providing that the daily balance of the allocated dinar reserve during the month may exceed or be smaller than the calculated mandatory reserve. For the calculation of the average daily balance of the allocated mandatory reserve, all days in the calculation period are to be taken into consideration.

In 2013, the average interest rate for the amount of the allocated dinar mandatory reserve not exceeding the amount of the calculated mandatory reserve was 2.5% p.a.

FX mandatory reserve is calculated on the basis made of FX deposits, loans, securities and other FX liabilities, as well as FX funds received from abroad for business done by the Bank in the name and for the account of third parties, including dinar liabilities indexed in FX. In the course of 2013, the National Bank of Serbia did not change rates for FX liabilities by term and dinar liabilities indexed in FX.

The FX mandatory reserve is calculated at the following rates:

- 29% – for the part of the FX basis made of liabilities with the agreed tenor of up to two years;
- 22% – for the part of the FX basis made of liabilities with the agreed tenor of over two years;
- 50% - for dinar liabilities indexed in FX regardless of the tenor.

Calculated FX mandatory reserve is allocated in FX in the following percents:

- 68% of the amount calculated for FX liabilities and for indexed liabilities with the agreed tenor of up to two years;
- 76% of the amount calculated for FX liabilities and for indexed liabilities with the agreed tenor of over two years.

Calculated mandatory reserve is allocated in euros to FX accounts of the National Bank of Serbia. The National Bank of Serbia does not pay any interest for the FX mandatory reserve.



## Headquarters Belgrade

### Hypo Alpe-Adria-Bank a.d. Beograd

Bulevar Mihajla Pupina 6  
11070 Novi Beograd  
Phone +381 11 22 26 000  
Fax +381 11 22 26 555  
www.hypo-alpe-adria.rs  
office@hypo-alpe-adria.rs

## Branches

### Regional branch – Beograd

Bulevar Mihajla Pupina 6  
11070 Novi Beograd  
Phone +381 11 22 26 000  
Fax +381 11 22 26 555

### Regional branch – Novi Sad

Bulevar oslobođenja 18  
21000 Novi Sad  
Phone +381 21 48 96 000  
Fax +381 21 48 96 052

#### Open on

Monday - Friday 08:00-19:00  
Saturday 08:00-13:00

### Regional branch – Niš

Cara Dušana bb  
18000 Niš  
Phone +381 18 29 31 11  
Fax +381 18 51 56 03

#### Open on

Monday - Friday 08:00-17:00  
Saturday 09:00-13:00

### Branch Ušće

Bulevar Mihajla Pupina 6  
11070 Novi Beograd  
Phone +381 11 22 26 034  
Fax +381 11 22 26 098

#### Open on

Monday - Friday 09:00-17:00

### Branch Hypo Plaza

Bulevar Zorana Đinđića 8a  
11070 Novi Beograd  
Phone +381 11 20 16 308  
Fax +381 11 20 16 399

#### Open on

Monday - Friday 08:00-19:00  
Saturday 09:00-13:00

### Branch Terazije

Terazije 45  
11000 Beograd  
Phone +381 11 33 46 501  
Fax +381 11 33 45 621

#### Open on

Monday - Friday 09:00-17:00

### Branch Vasina

Vasina 16  
11000 Beograd  
Phone +381 11 30 36 230  
Fax +381 11 32 85 669

#### Open on

Monday - Friday 08:00-19:00  
Saturday 09:00-13:00

### Branch Pančevo

Petra Drapšina 5  
13000 Pančevo  
Phone +381 13 35 44 00  
Fax +381 13 35 44 10

#### Open on

Monday - Friday 08:00-16:00

### Branch Vršac

Dvorska 1  
26300 Vršac  
Phone +381 13 83 55 05  
Fax +381 13 83 13 51

#### Open on

Monday - Friday 09:00-17:00

**Branch Požarevac**

Trg Radomira Vujovića 12  
12000 Požarevac  
Phone +381 12 21 01 54  
Fax +381 12 21 01 44

**Open on**

Monday - Friday 09:00-17:00

**Branch Sremska Mitrovica**

Kralja Petra I 46  
22000 Sremska Mitrovica  
Phone +381 22 61 77 00  
Fax +381 22 63 93 35

**Open on**

Monday - Friday 08:00-16:00

**Branch Zrenjanin**

Svetozara Markovića 2  
23000 Zrenjanin  
Phone +381 23 51 18 25  
Fax +381 23 51 18 24

**Open on**

Monday - Friday 08:00-16:00

**Branch Vrbas**

Maršala Tita 102  
21460 Vrbas  
Phone +381 21 70 09 04  
Fax +381 21 70 09 06

**Open on**

Monday - Friday 08:00-16:00

**Branch Bečej**

Trg oslobođenja 3  
21220 Bečej  
Phone +381 21 69 13 925  
Fax +381 21 81 55 61

**Open on**

Monday - Friday 08:00-17:00

**Branch Sombor**

Kralja Petra I 24  
25000 Sombor  
Phone +381 25 434 040  
Fax +381 25 422 745

**Open on**

Monday - Friday 08:00-16:00

**Branch Bačka Palanka**

Kralja Petra I 33  
21000 Bačka Palanka  
Phone +381 21 75 31 00  
Fax +381 21 75 48 85

**Open on**

Monday - Friday 08:00-16:00

**Branch Kikinda**

Kralja Petra I 41  
23300 Kikinda  
Phone +381 23 40 19 60  
Fax +381 23 32 757

**Open on**

Monday - Friday 08:00-16:00

**Branch Subotica**

Korzo 15  
24000 Subotica  
Phone +381 24 670 400  
Fax +381 24 558 600

**Open on**

Monday - Friday 08:00-17:00

## Branches

### Branch Šabac

Pop Lukina 2  
15000 Šabac  
Phone +381 15 349 448  
Fax +381 15 349 447

#### Open on

Monday - Friday 08:00-17:00

### Branch Užice

Dimitrija Tucovića 38  
31000 Užice  
Phone +381 31 500 326  
Fax +381 31 500 927

#### Open on

Monday - Friday 08:00-16:00

### Branch Leskovac

Bulevar Oslobođenja 53  
16000 Leskovac  
Phone +381 16 26 60 60  
Fax +381 16 26 08 30

#### Open on

Monday - Friday 09:00-17:00

### Branch Čačak

Pivarska 2  
32000 Čačak  
Phone +381 32 340 095  
Fax +381 32 344 324

#### Open on

Monday - Friday 08:00-17:00

### Branch Jagodina

Kneginje Milice 15  
35000 Jagodina  
Phone +381 35 244 346  
Fax +381 35 244 984

#### Open on

Monday - Friday 08:00-16:00

### Branch Kraljevo

Omladinska 6  
36000 Kraljevo  
Phone +381 36 33 65 40  
Fax +381 36 33 65 42

#### Open on

Monday - Friday 09:00-17:00

### Branch Kragujevac

Zorana Đinđića 11b  
34000 Kragujevac  
Phone +381 34 500 005  
Fax +381 34 338 875

#### Open on

Monday - Friday 09:00-17:00

### Branch Kruševac

Trg kosovskih junaka 1  
37000 Kruševac  
Phone +381 37 424 320  
Fax +381 37 424 590

#### Open on

Monday - Friday 08:00-16:00

### Branch Vranje

Lenjinova 12  
17500 Vranje  
Phone +381 17 42 01 90  
Fax +381 17 42 06 40

#### Open on

Monday - Friday 08:00-16:00



## Sub-branches

### Belgrade

Bežanijska Kosa, Partizanske avijacije 14 11000 Beograd Phone +381 11 22 89 860 Fax +381 11 22 80 567 <b>Open on</b> Monday - Friday	09:00-17:00	Vojvode Stepe, Vojvode Stepe 114-116 11000 Beograd Phone +381 11 30 98 387 Fax +381 11 39 10 203 <b>Open on</b> Monday - Friday	09:00-17:00	Lipov lad, Bul. kralja Aleksandra 248 11000 Beograd Phone +381 11 24 55 976 Fax +381 11 24 55 387 <b>Open on</b> Monday - Friday	09:00-17:00
Zemun, Glavna 12 11080 Beograd Phone +381 11 31 68 371 Fax +381 11 31 68 369 <b>Open on</b> Monday - Friday	09:00-17:00	Resavska, Resavska 26 11000 Beograd Phone +381 11 32 32 517 Fax +381 11 33 43 644 <b>Open on</b> Monday - Friday	09:00-17:00	Vidikovac, Patrijarha Joanikija 28b 11000 Beograd Phone +381 11 22 26 285 Fax +381 11 22 21 068 <b>Open on</b> Monday - Friday	09:00-17:00
Blok 67, Juriya Gagarina 14 (objekat PO1) 11070 Novi Beograd Phone +381 11 22 26 060 Fax +381 11 22 21 002 <b>Open on</b> Monday - Friday	09:00-17:00	Makedonska, Makedonska 21 11000 Beograd Phone +381 11 33 73 926 Fax +381 11 33 73 929 <b>Open on</b> Monday - Friday	09:00-17:00	Banovo brdo, Požeška 46 11030 Beograd Phone +381 11 22 26 295 Fax +381 11 35 73 992 <b>Open on</b> Monday - Friday	09:00-17:00
Immocentar, blok 64 11000 Beograd Phone +381 11 21 68 543 Fax +381 11 21 68 544 <b>Open on</b> Monday - Friday Saturday	09:00-19:00 09:00-14:00	Despota Stefana, Bul. despota Stefana 95 11000 Beograd Phone +381 11 27 61 832 Fax +381 11 27 61 749 <b>Open on</b> Monday - Friday	09:00-17:00	Borča, Ivana Milutinovića 26 11000 Beograd Phone +381 11 22 26 289 Fax +381 11 22 21 013 <b>Open on</b> Monday - Friday	09:00-17:00
Hypo Hill, Trgovačka 2 11000 Beograd, Čukarica Phone +381 11 20 50 105 Fax +381 11 20 50 130 <b>Open on</b> Monday - Friday	09:00-17:00	Kralja Aleksandra, Bul. kralja Aleksandra 100-104 11000 Beograd Phone +381 11 30 88 780 Fax +381 11 34 41 743 <b>Open on</b> Monday - Friday Saturday	08:00-19:00 09:00-13:00	Tržni centar Stadion, Zaplanjska 32 11000 Beograd Phone +381 11 22 26 980 Fax +381 11 22 21 019 <b>Open on</b> Monday - Friday Saturday	10:00-20:00 10:00-18:00



		<b>Loznica</b>		<b>Niš</b>	
Stepa Stepanović, Vojvode Stepe 415T 11000 Beograd Phone +381 11 22 26 084 Fax +381 11 22 21 022		Vojvode Mišića 2 15300 Loznica Phone +381 15 893 621 Fax +381 15 893 620		Dr. Zorana Đinđića 25 18000 Niš Phone +381 18 29 31 11 Fax +381 18 51 56 03	
<b>Open on</b>		<b>Open on</b>		<b>Open on</b>	
Monday - Friday	10:00-18:00	Monday - Friday	08:00-16:00	Monday - Friday	08:00-17:00
Lazarevac, Karađorđeva 45 11550 Lazarevac Phone +381 11 81 26 101 Fax +381 11 81 10 339		<b>Gornji Milanovac</b>		<b>Paraćin</b>	
		Karađorđeva 8-10 32300 Gornji Milanovac Phone +381 032 722 285 Fax +381 032 718 006		Kralja Petra I 30 35250 Paraćin Phone +381 35 56 64 76 Fax +381 35 56 64 93	
<b>Open on</b>		<b>Open on</b>		<b>Open on</b>	
Monday - Friday	09:00-17:00	Monday - Friday	09:00-17:00	Monday - Friday	08:00-16:00
Obrenovac, Miloša Obrenovića 129 11500 Obrenovac Phone +381 11 87 24 660 Fax +381 11 87 27 045		<b>Novi Sad</b>			
		NIS Naftagas Narodnog fronta 12 21000 Novi Sad Phone +381 21 67 42 188 Fax +381 21 67 42 180			
<b>Open on</b>		<b>Open on</b>			
Monday - Friday	09:00-17:00	Monday - Friday	09:00-17:00		
		Saturday	09:00-13:00		
		Uspenska 1 21000 Novi Sad Phone +381 21 420 824 Fax +381 21 420 823			
		<b>Open on</b>			
		Monday - Friday	08:00-17:00		

## **Responsible for contents**

### **Hypo Alpe-Adria-Bank a.d. Beograd**

Bulevar Mihajla Pupina 6

11070 Novi Beograd

Phone +381 11 222 6000, Fax +381 11 222 6555

[office@hypo-alpe-adria.rs](mailto:office@hypo-alpe-adria.rs)

[www.hypo-alpe-adria.rs](http://www.hypo-alpe-adria.rs)





**HYPO ALPE ADRIA**  
SA VAMA. UZ VAS. ZA VAS.