National Bank of the Republic of Macedonia
Division of Supervision, Banking Regulations and Financial Stability
Financial Stability, Bank Regulations and Methodologies Department

REPORT ON THE BANKING SYSTEM OF THE REPUBLIC OF MACEDONIA IN THE FIRST QUARTER OF 2010

July 2010

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I. Banking system in the first quarter of 2010

1. Structure of the banking system

1.1. Number of banks and saving houses

As of March 31, 2010, the banking system of the Republic of Macedonia consists of eighteen banks and ten saving houses, which indicates that the situation has not changed compared to the end of 2009.

Banks have a dominant role in the banking system of the Republic of Macedonia. Due to the minor aggregate share of saving houses in the overall activities of the banking system (a share of 1.2% in the total assets of the banking system, 1.6% in the total credits and 0.4% in the total non-financial entities' deposits), the further analysis in the Report focuses only on the banks' operation.

In the first quarter of 2010, there was no change in the banks' ownership structure compared to the end of 2009. Fourteen banks are dominantly owned by foreign shareholders, where eight of these banks are subsidiaries of foreign banks, which is also an unchanged situation compared to December 31, 2009. The share of banks in dominant foreign ownership in the total assets and in the total funds of the banking system equals 93.3% and 87.6%, respectively.

1.2 Concentration and market share

The high level of concentration in the banking system of the Republic of Macedonia was also typical for the first quarter of 2010.

Table 1.1
Level of concentration in the banking system of the Republic of Macedonia

	Herfindahl index					CR5 indicator				
	31.03.2009	30.06.2009	30.09.2009	31.12.2009	31.03.2010	31.03.2009	30.06.2009	30.09.2009	31.12.2009	31.03.2010
Total assets	1,616	1,591	1,610	1,637	1,608	76.9%	76.7%	77.2%	77.4%	76.9%
Credits of households	2,013	1,989	2,043	2,064	2,087	80.7%	80.5%	80.9%	81.2%	81.3%
Credits to enterprises	1,932	1,967	1,931	1,937	1,956	80.4%	81.0%	80.8%	81.3%	81.6%
Deposits to households	2,098	2,101	2,096	2,098	2,103	84.8%	85.0%	85.4%	85.7%	85.4%
Deposits to enterprises	1,801	1,730	1,784	1,312	1,702	83.6%	83.6%	84.1%	84.9%	84.8%

Source: NBRM, based on data submitted by banks and saving houses.

Compared to the end of 2009, the level of concentration according to Herfindahl index[1], in general, registered a slight increase (with the exception of the decline of this

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[1] The Herfindahl index is calculated according to the equation $HI = \sum_{j=1}^{n} (S_j)^2$, where S denotes each bank's share in the total amount of the analyzed category (for example: total assets, total deposits, etc.), while n denotes the total number of

indicator calculated from the assets aspect). Only in two of the analyzed segments, the concentration level is in the framework of the "acceptable" concentration interval. The highest concentration, which is above the acceptable levels, is still present with households' credits and households' deposits. The concentration with the corporate deposits is close to the ceiling of the interval of acceptable limits of Herfindahl index and at the same time, it registers a significant increment relative to the preceding quarter. The level of concentration with corporate credits was maintained within the acceptable limits.

The CR5 indicator[2] **confirms the conclusion made about the increase of the already high level of concentration in the banking system of the Republic of Macedonia.** This indicator shows the same tendencies as the Herfindahl index with households' credits and corporate credits. On the other hand, marginal decrease of concentration with the households' deposits and corporate deposits was registered according to CR5 indicator relative to the preceding quarter.

Table 1.2
Market share of individual groups of banks

Groups of banks	Number of banks		Share in total assets		Share in total on-balance and off-balance sheet activities		Share in total credits		Share in total deposits	
	31.12.2009	31.03.2010	31.12.2009	31.03.2010	31.12.2009	31.03.2010	31.12.2009	31.03.2010	31.12.2009	31.03.2010
Large banks	3	3	67.5%	66.8%	67.5%	66.8%	70.1%	70.4%	74.5%	73.5%
Middle-size banks	8	8	27.6%	27.9%	27.6%	27.9%	27.8%	27.6%	22.9%	24.0%
Small-size banks	7	7	4.9%	5.2%	4.9%	5.2%	2.1%	2.0%	2.6%	2.5%
Total	**18**	**18**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Source: NBRM, based on data submitted by banks and saving houses.

On March 31, 2010, like in the preceding quarter, no changes were registered in the composition of the individual groups of banks[3]**, nor were there any significant changes in their market share.** The group of large banks continued to dominate all areas of activities, but its position in the part of total assets and total deposits mildly weakened at the expense of the strengthened share of the group of medium banks. The strengthened share in the total assets was also registered in the group of small banks. However, the group of small banks still plays a minor role in the overall banking system.

banks in the system. When the index ranges between 1.000 and 1.800 units, the level of concentration in the banking system is generally considered acceptable.

[2] The CR5 indicator represents the share of the assets (i.e. the category that is analyzed, e.g. corporate credits, corporate deposits, etc.) of the five banks with largest assets (i.e. analyzed category) in the total assets (i.e. analyzed category) of the banking system.

[3] The grouping of banks is made according to the size of their assets: the group of small banks consists of banks whose assets are less than MKD 5 billion, the group of medium banks consists of banks whose assets range between MKD 5 and MKD 20 billion and the group of large bans consists of banks with assets over MKD 20 billion. The limits between individual groups of banks are corrected annually, according to the average growth of total assets.

2. Bank activities

On March 31, 2010, the banking system activities continued to increase, but at a slower pace compared to the preceding quarter. Banks are still not much inclined to intensify the credit activity, despite the already relaxed monetary policy. Hence, during the first quarter of 2010, credits registered decreased rate of growth, whereas the deposits continued to grow at almost unchanged dynamics relative to the preceding quarter. Amid such circumstances, banks showed greatest interest for investing in non-risk instruments, i.e. Central Bank bills.

2.1. Balance sheet of banks

In the first quarter of 2010, the assets of the banking system registered slowdown relative to the preceding quarter (the quarterly growth rate declined by 3.6 percentage points), while the annual rate continued to show upward tendency (on March 31, 2010, it registered an increase by 2.6 percentage points).

Deposits of non-financial entities continued to grow; the quarterly growth rate is almost unchanged relative to the preceding quarter, whereas the annual growth rate has increased remarkably (from 3.8% to 9.5%). The growth of non-financial entities' deposits contributed the most for the growth of the liabilities of the banking system. Namely, in addition to deposits of non-financial entities, the equity and reserves, all other components of liabilities registered a decrease. The largest negative rate of change is registered with deposits from banks and other financial institutions.

Figure 2.1.1.
Annual growth of assets, credits and deposits of non-financial entities

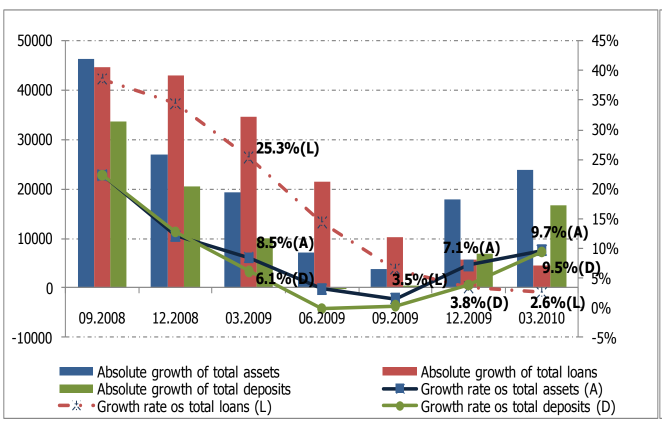
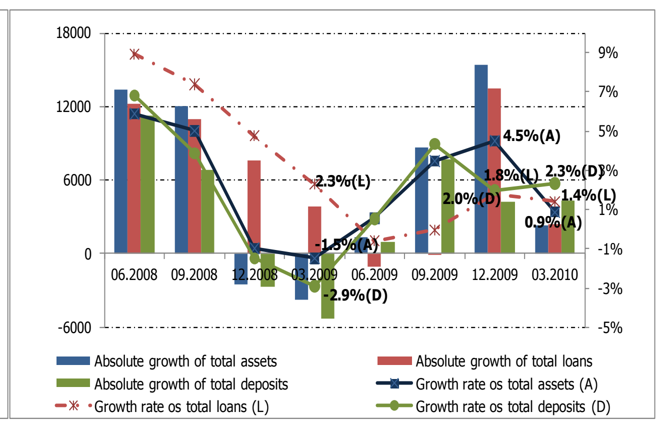


Figure 2.1.2.
Quarterly growth of assets, loans and deposits of non-financial entities



Loans to non-financial entities are calculated on the gross base.
Source: NBRM, based on data submitted by banks.

Opposite of the higher growth of deposit activity, the credit activity of banks during the first three months of 2010 registered slower dynamics. The quarterly rate, the same as the annual rate of credits, registered a slower growth, by 0.4 and 0.9 percentage points, respectively. In the structure of assets, the highest increase is registered in the portfolio of securities, whereas a decline is registered with the placements in other domestic and foreign banks. Actually, banks re-directed their placements in foreign banks to investments in domestic non-risk instruments. Hence, on March 31, 2010, the amount of written CB bills was higher relative to the end of 2009 by approximately seven billion Denars, i.e. by 44.8%.

Table 2.1.1
Structure of assets and liabilities at the level of the banking system

Balance sheet	Amount in millions of Denars		Structure		Change 31.03.2010/31.12.2009			
	31.12.2009	31.03.2010	31.12.2009	31.03.2010	In absolute amounts	In percent	In the structure (in percentage points)	Share in the change
Cash and balances wih the NBRM	32,224	30,935	12.0%	11.4%	-1,289	-4.0%	-0.6	-55.0%
Securities portfolio	30,639	37,508	11.4%	13.8%	6,869	22.4%	2.4	292.8%
Placements to banks	31,729	26,508	11.8%	9.8%	-5,221	-16.5%	-2.0	-222.6%
Placements to other financial institutions	2,125	2,036	0.8%	0.8%	-89	-4.2%	0.0	-3.8%
Loans to non-financial entities (net)*	157,128	158,562	58.5%	58.5%	1,434	0.9%	0.0	61.1%
Accrued interest and other assets	6,151	6,998	2.3%	2.6%	847	13.8%	0.3	36.1%
Fixed assets	8,547	8,517	3.2%	3.1%	-30	-0.3%	0.0	-1.3%
Unallocated loan loss provisions	0	-174	0.0%	-0.1%	174	0.0%	-0.1	7.4%
Total assets	**268,543**	**270,888**	**100.0%**	**100.0%**	**2,346**	**0.9%**	**0.0**	**100.0%**
Deposits from banks and other financial institutions	18,031	16,152	6.7%	6.0%	-1,879	-10.4%	-0.8	-80.1%
Deposits of non-financial entities	187,875	192,250	70.0%	71.0%	4,375	2.3%	1.0	186.5%
Borrowings (short-term and long-term)	24,020	23,666	8.9%	8.7%	-354	-1.5%	-0.2	-15.1%
Other liabilities	7,247	6,656	2.7%	2.5%	-591	-8.2%	-0.2	-25.2%
Provisions for off-balance sheet items	760	743	0.3%	0.3%	-17	-2.3%	0.0	-0.7%
Capital and reserves	30,609	31,421	11.4%	11.6%	812	2.7%	0.2	34.6%
Total liabilities	**268,543**	**270,888**	**100.0%**	**100.0%**	**2,346**	**0.9%**	**0.0**	**100.0%**

*Loans to non-financial entities are calculated on the net base, as for they are decreased for the allocated loan losses provisions.

Source: NBRM, based on data submitted by banks.

2.2.1. Balance sheet of the individual groups of banks

On March 31, 2010, no significant changes were registered from the aspect of the share of individual groups of banks in the assets on the level of the banking system. Although a minimum decline of assets of the group of large banks was registered, this group of bank still has the largest share in the assets of the banking system. The largest growth of assets was accomplished by the group of medium banks, which is also a result of the highest increase of deposits of non-financial entities with this group of banks. Deposits of non-financial entities with medium banks increased twice more relative to the deposits with large banks. The group of large banks is the carrier of the decrease of deposits of banks and other financial institutions.

Table 2.1.2
Market share and growth of total assets, credits and deposits by groups of banks

ITEMS	Amounts in millions of Denars		Structure		Change 31.03.10/31.12.09			
	31.12.2009	31.03.2010	31.12.2009	31.03.2010	In absolute amounts	In percentages	In the structure (in percentage points)	Share in the change
Total assets	**268,543**	**270,888**	**100.0%**	**100.0%**	**2,346**	**0.9%**		**100.0%**
- Large banks	181,398	181,085	67.5%	66.8%	(313)	-0.2%	-0.7	-13.3%
- Medium size banks	74,062	75,709	27.6%	27.9%	1,646	2.2%	0.4	70.2%
- Small size banks	13,082	14,094	4.9%	5.2%	1,012	7.7%	0.3	43.1%
Loans to non-financial entities	**157,128**	**158,581**	**100.0%**	**100.0%**	**1,454**	**0.9%**		**100.0%**
- Large banks	109,591	110,769	69.7%	69.9%	1,179	1.1%	0.1	81.1%
- Medium size banks	44,730	45,028	28.5%	28.4%	297	0.7%	-0.1	20.4%
- Small size banks	2,807	2,784	1.8%	1.8%	(23)	-0.8%	0.0	-1.6%
Deposits of non-financial entities	**187,875**	**192,250**	**100.0%**	**100.0%**	**4,375**	**2.3%**		**100.0%**
- Large banks	139,933	141,355	74.5%	73.5%	1,423	1.0%	-1.0	32.5%
- Medium size banks	43,007	46,086	22.9%	24.0%	3,078	7.2%	1.1	70.4%
- Small size banks	4,935	4,809	2.6%	2.5%	(126)	-2.5%	-0.1	-2.9%

Source: NBRM, based on data submitted by banks.

During the first three months of 2010, significant changes in the assets were registered with the group of large banks. The increased share of the portfolio of securities and the decreased share of cash and balances with NBRM in the total assets of each group of banks are the common characteristics for all three groups of banks. However, the largest increase of the portfolio of securities was registered by large banks at the expense of the decreased share of placements with foreign banks. Namely, these banks increased the investment in CB bills by MKD 4.153 million or by 51.3%, thus participating in the total growth on the level of the banking system with 58.6%, where the assets placed on accounts with foreign banks decreased by MKD 5.389 million or by 25.7%. Investments in CB bills were the fastest growing category in the assets of the group of medium banks. On the other hand, the large banks achieved higher growth in loans to non-financial entities relative to the group of medium banks, whereas the loans of small banks registered a decline (the share of large banks in the growth of credits on the level of the banking system is 81.1%).

Figure 2.1.3.
Structure of assets by group of banks

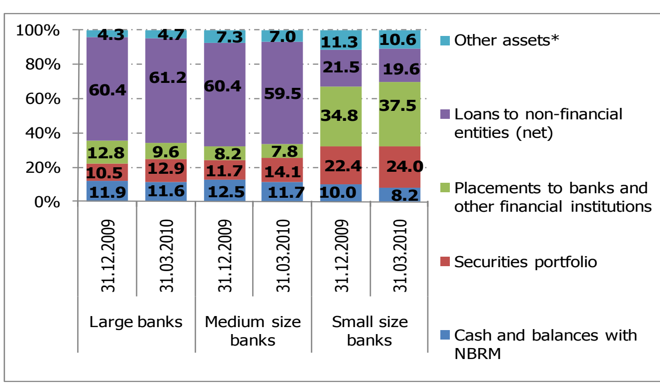
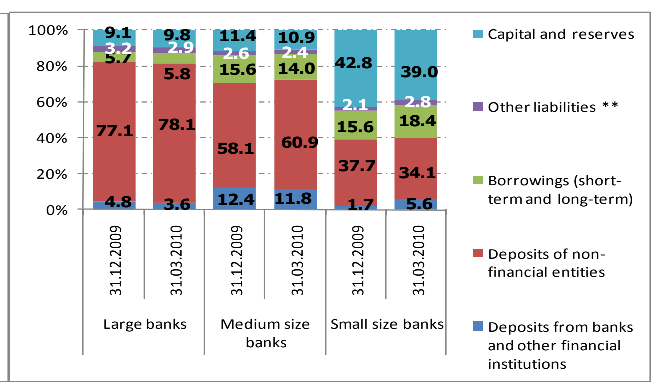


Figure 2.1.4.
Structure of liabilities by group of banks



Source: NBRM, based on data submitted by banks.

Table 2.1.3
Assets and liabilities by group of banks

ITEMS	Large banks			Medium size banks			Small size banks		
	As of 31.03.2010 in millions of Denars	Absolute change March 2010/December 2009	Rate of change March 2010/December 2009	As of 31.03.2010 in millions of Denars	Absolute change March 2010/December 2009	Rate of change March 2010/December 2009	As of 31.03.2010 in millions of Denars	Absolute change March 2010/December 2009	Rate of change March 2010/December 2009
Cash and balances with NBRM	20,924	-740	-0,4	8,851	-394	-0,8	1,159	-155	-1,8
Securities portfolio	23,450	4,381	2,4	10,675	2,035	2,4	3,383	452	1,6
Placements to banks and other financial institutions	17,376	-5,868	-3,2	5,875	-187	-0,4	5,292	746	2,7
Loans to non-financial entities (net)	110,769	1,179	0,8	45,028	297	-0,9	2,765	-42	-1,7
Other*	8,566	736	0,4	5,280	-105	-0,3	1,495	11	-0,8
Total assets	**181,085**	**-313**		**75,709**	**1,647**		**14,094**	**1,012**	
Deposits from banks and other financial institutions	6,433	-2,190	-1,2	8,924	-261	-0,6	795	573	3,9
Deposits of non-financial entities	141,355	1,423	0,9	46,086	3,078	2,8	4,809	-126	-3,6
Borrowings (short-term and long-term)	10,433	9	0,0	10,635	-918	-1,6	2,599	555	2,8
Other **	5,164	-667	-0,4	1,839	-59	-0,1	395	118	0,7
Capital and reserves	17,700	1,113	0,6	8,225	-193	-0,5	5,496	-108	-3,8
Total liabilities	**181,085**	**-313**		**75,709**	**1,647**		**14,094**	**1,012**	

* "Other" includes accrued interest, non current assets held for sale, foreclosures, net commission relations ant other assets.

** "Other" includes provisions and other liabilities.

Source: NBRM, based on data submitted by banks

Certain changes have been registered in the structure of liabilities of individual groups of banks, predominantly with the group of small banks. Although this group of banks finances its activities from own resources, during this quarter, the loans[4] and deposits of banks and other financial institutions[5] registered an increase. The decrease of equity and reserves is a consequence of non-profitable operation of small banks, however, in this quarter the deposits of non-financial entities also registered a decline. Contrary to small banks whose major characteristic is the high level of capitalization, the group of medium banks uses the deposits of non-financial entities as the dominant source of financing its activities. The growth with medium banks contributed the most for the growth of the overall activities in the banking system.

[4] The increase of loans with the group of small banks is almost entirely a result of loans from abroad taken by the Macedonian Bank for Development Promotion AD Skopje. Namely, MBDP is a development bank, which conducts its activities mainly by placing foreign credit lines in the country.

[5] The increase of deposits of banks mostly is the result of paid assets from a foreign bank (for very short time) for purchasing a small domestic bank.

2.3 Banks' lending activity

On March 31 2010, the gross loans to non-financial entities reached MKD 176,161 million. The permanent decline of annual growth rates of lending activity registered during 2009 was also typical for the first quarter of 2010. However, the decline of annual growth rates of lending activity is moderate relative to the preceding periods.

This conclusion is confirmed by the information and projections of banks about the second quarter of 2010[6]. Most of the banks do not expect any significant changes in terms of the credit conditions, where more than one-third of the banks point even to a possible partial relaxation of conditions for extending corporate and households credits. From the aspect of credit demand, banks expect increase in the demand of housing and consumer credits.

Figure 2.3.1
Quarterly changes of overall loans to non-financial entities

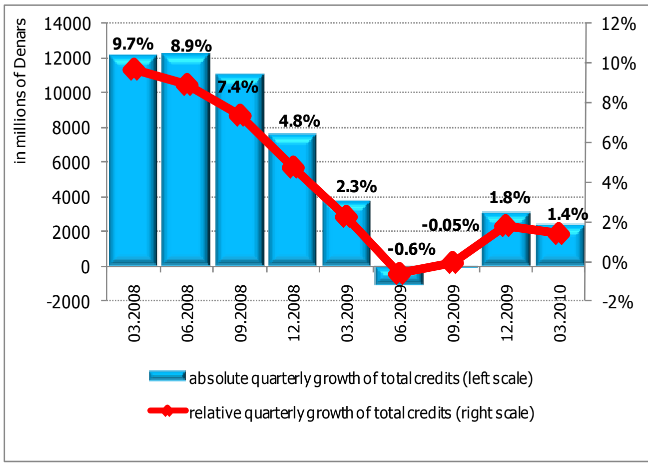
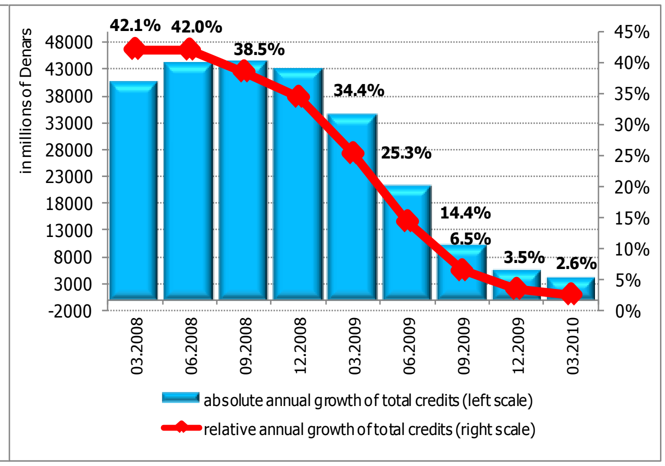


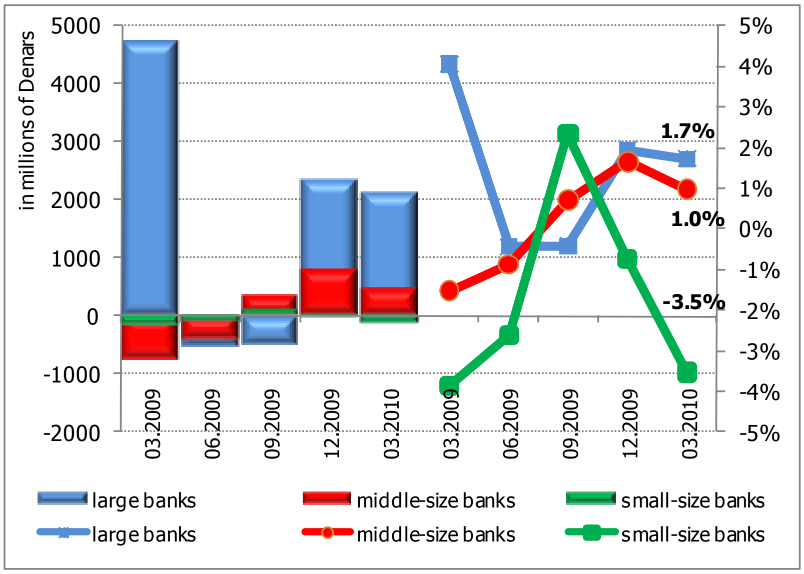
Figure 2.3.2
Annual changes of overall loans to non-financial entities



Source: NBRM, based on data submitted by banks

[6]Source: Lending survey of NBRM of April 2010.

Figure 2.3.3
Absolute and relative annual change of overall loans to non-financial entities, by group of banks



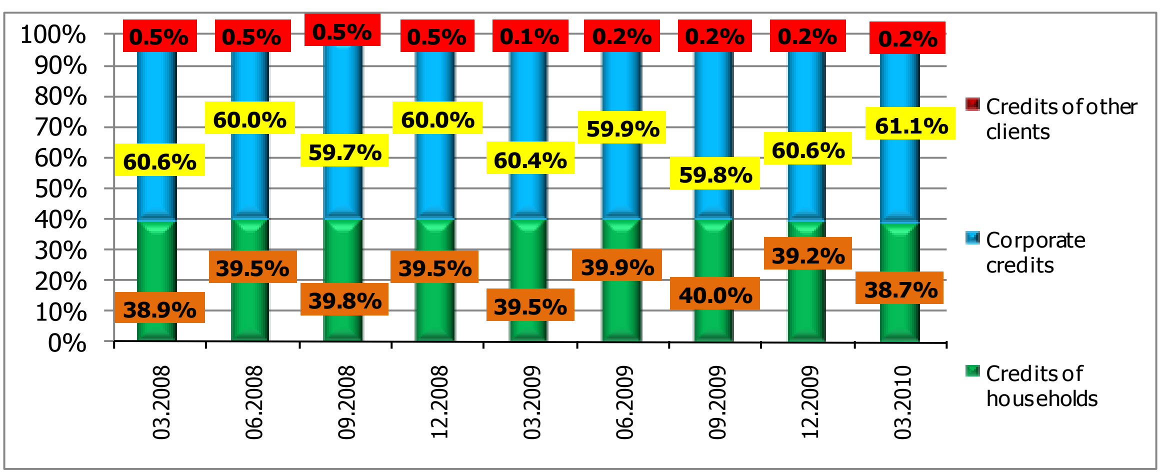
Source: NBRM, based on data submitted by banks

During the first quarter of 2010, decline in the lending activity was registered only in the group of small banks.

2.3.1 Structure of gross-credits to non-financial entities (by sector, maturity and currency)

During the first quarter of 2010, the minimum growth of household and corporate credits also contributed for insignificant changes in the structure of overall credits by sector.

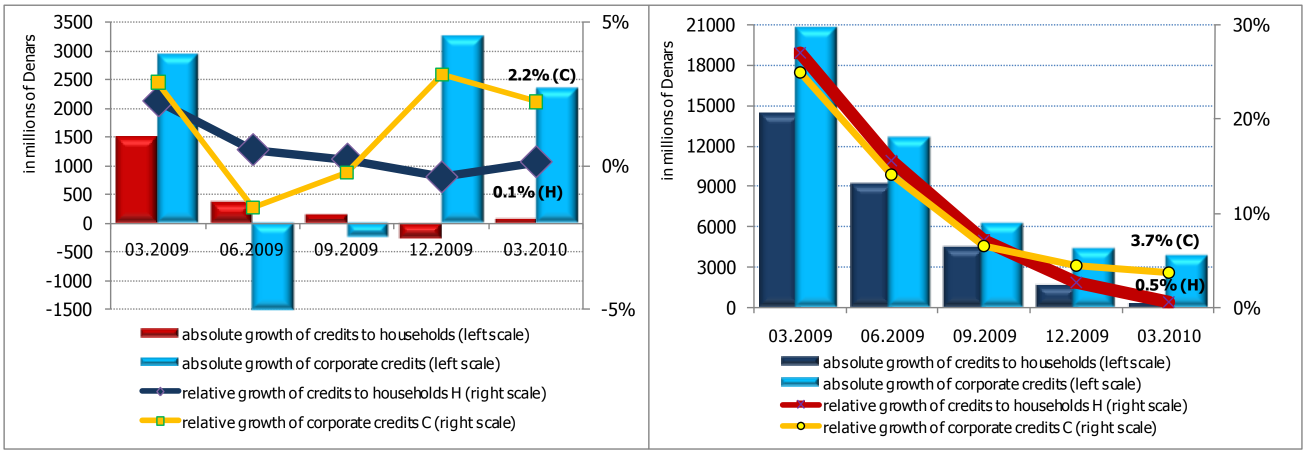
Figure 2.3.4
Structure of overall credits to non-financial entities, by sector



Source: NBRM, based on data submitted by banks

Corporate credits maintained their dominant share in the structure of the total credits. Although they were growing at a slower dynamics, these credits were the main driving force and formed 95.9% of the quarterly and 87.6% of the annual growth of overall credits to non-financial entities.

Figure 2.3.5
Quarterly growth (left) and annual growth (right) of overall credits to non-financial entities, by sector

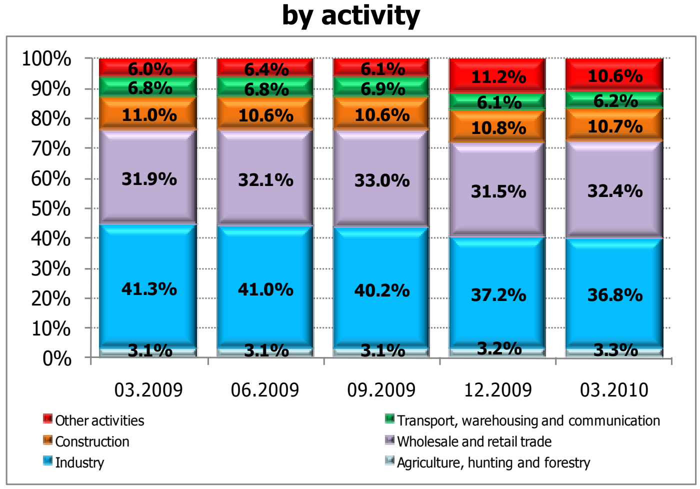


Source: NBRM, based on data submitted by banks

As in the previous period, households credit registered lower quarterly (by MKD 89 million) and annual (by MKD 347 million) growth relative to the quarterly (by MKD 2,350 million) and annual (by 3,897 million) growth of corporate credits. Such dynamics of credit activity towards households contributed with only 3.6% to the quarterly growth of overall credits, whereas to the annual growth of overall credits with 7.8%. Credits to other clients had marginal share in the structure and changes of overall credits during this quarter, as well.

In the first quarter of 2010, no significant structural changes were registered in corporate credits and other clients, by individual activity. Exposure to the activities "industry" and "wholesale and retail trade" dominated in the structure of the overall credit exposure. Despite this, the exposure by individual activity registered various movements, starting with an increase of exposure ("wholesale and retail trade", "industry" and "transportation, warehousing and communications"), continuing with slowdown of the growth ("agriculture, hunting and forestry") and ending with decrease of exposure ("construction").

Figure 2.3.6
Structure of corporate credits and other clients, by activity



Source: NBRM, based on data submitted by banks

Figure 2.3.7
Structure of credit exposure towards households, by credit product

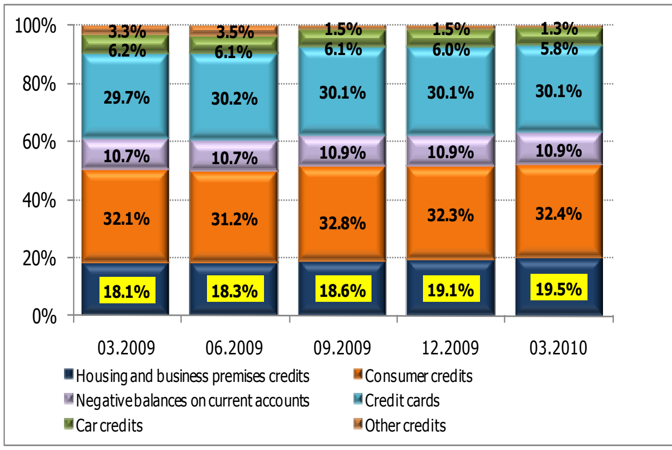
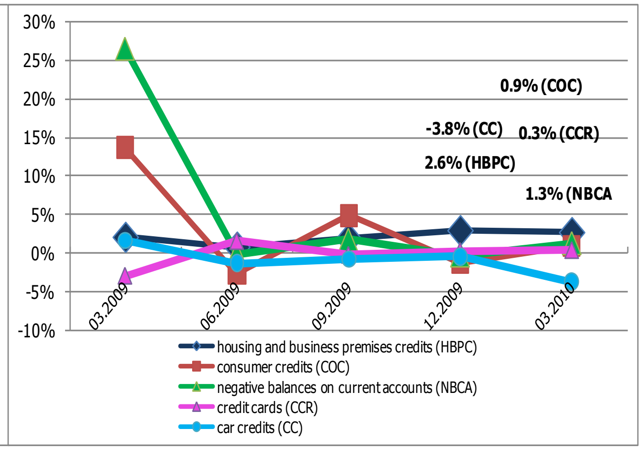


Figure 2.3.8
Quarterly dynamics of credit exposure towards households, by credit product

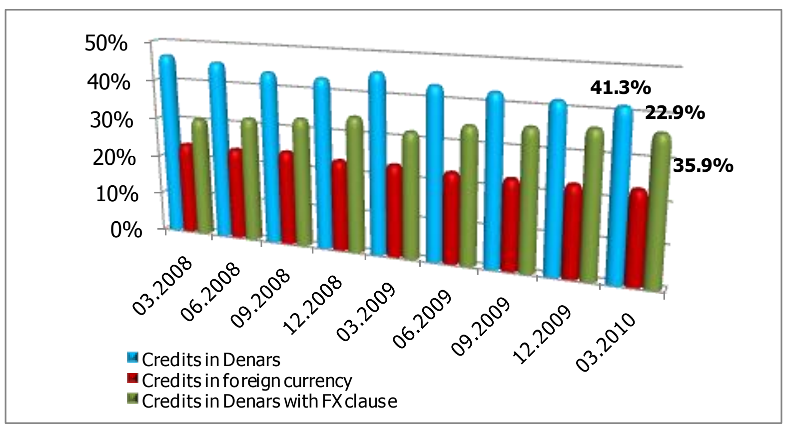


Source: NBRM, based on data submitted by banks

In the structure of total exposure to households in this quarter, consumer credits and credit cards are still the most significant credit products offered by banks in this sector. The highest absolute increase on quarterly basis was achieved by housing credits and business premises credits and the negative balance on current accounts.

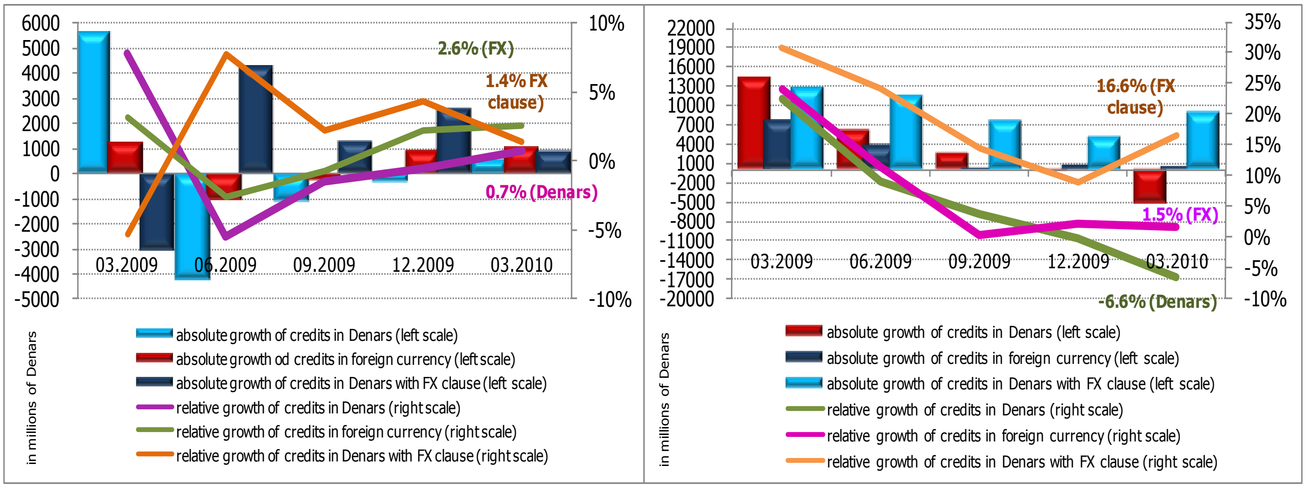
No significant changes were registered in the currency structure of the total credits to non-financial entities in this quarter, as well. As in the previous period, on March 31, 2010, credits with currency component (in foreign currency and in Denars with FX clause), participated with a larger share in the structure of total credits compared to the credits extended in Denars. Thus, the credits in foreign currency registered the highest quarterly growth and contributed the most to the quarterly growth of total credits to non-financial entities. Credits in Denars registered insignificant quarterly increase, whereas the annual rate of change of credits in Denars maintained the negative value.

Figure 2.3.9
Currency structure of total credits to non-financial entities



Source: NBRM, based on data submitted by banks

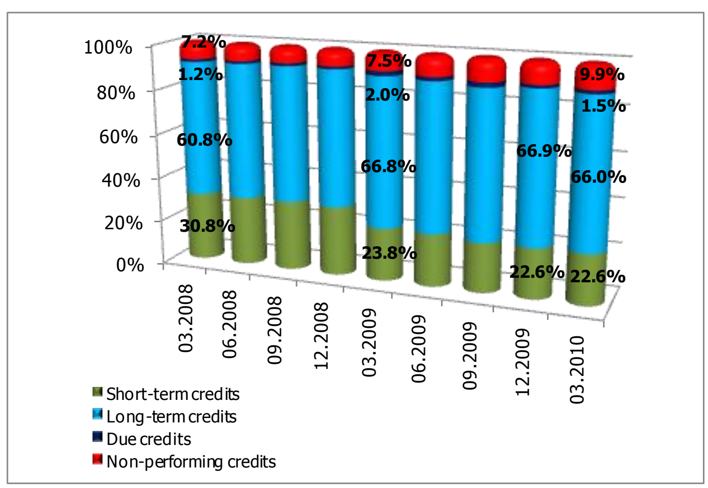
Figure 2.3.10
Quarterly growth (left) and annual growth (right) of total credits to non-financial entities, by currency



Source: NBRM, based on data submitted by banks

Analyzed by sector, on March 31, 2010, the credits in Denars had the largest share (54.5%) in the currency structure of total credits of the sector "households". Hence, these credits registered higher quarterly growth rate compared to credits in foreign currency and credits in Denars with FX clause. In the sector "companies and other clients", almost equal distribution was registered in the currency structure of total credits. However, credits in foreign currency provided the greatest credit support to this sector (33.8%) and along with the credits in Denars with FX clause were growing at a faster pace compared to credits in Denars.

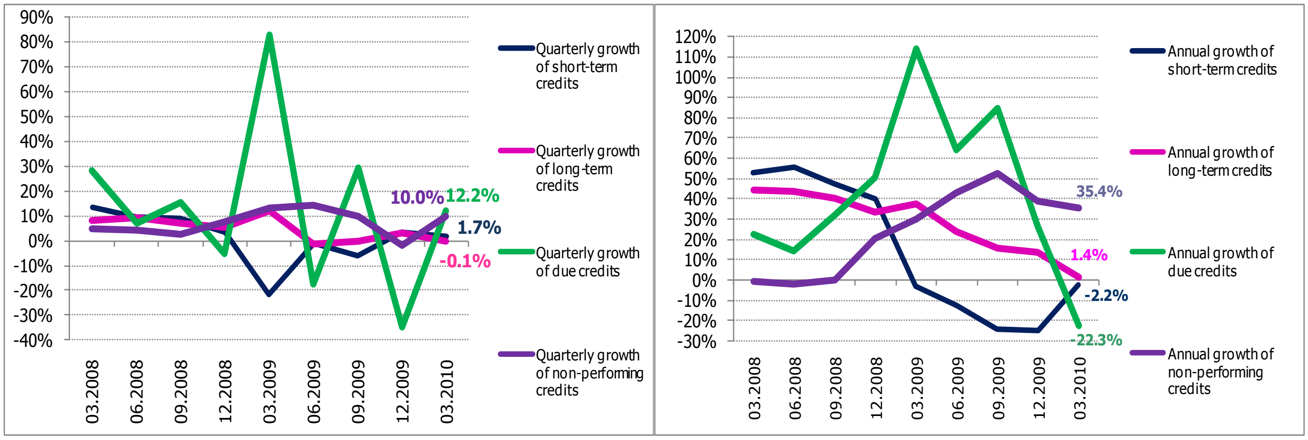
Figure 2.3.11
Maturity structure of total credits to non-financial entities



Source: NBRM, based on data submitted by banks

During the first quarter of 2010, no significant changes were registered in the maturity structure of the total credits to non-financial entities. As in the preceding quarter, long-term credits were dominant in the structure of total credits despite the fact that the quarterly rate of change of these credits was negative. Short-term credits registered growth at a slower pace on quarterly level, compared to the growth rate at the end of 2009. Contrary to this, due and non-performance credits registered quarterly growth of 12.2% and 10%, respectively (opposite of the negative quarterly changes in the fourth quarter of 2009). The increase of non- performing credits was most prominent in the sector "companies and other clients", whereas the quarterly decline of long-term credits was most prominent in the sector "households". It is quite realistic to expect that the increase of matured claims, in the short run, may result with increase of non-performance claims.

Figure 2.3.12
Quarterly growth (left) and annual growth (right) of total credits to non-financial entities, by maturity



Source: NBRM, based on data submitted by banks

In the first quarter of 2010, no significant changes were registered in the structure of total credits by sector, maturity and currency in all groups of banks (Annex 4 - Distribution of credits to non-financial entities, by individual groups of banks). As in the previous quarter, the long-term credits and credits to the sector of "companies" were dominant in all groups of banks. The Denar credits prevailed in the groups of large and small banks, whereas the credits in Denars with FX clause prevailed in the group of small banks (Annex 4 - Structural characteristics of total credits to non-financial entities, by individual groups of banks).

2.4. Deposit activity

Deposits of the banking system continued to grow and at the end of the first quarter of 2010, they equaled MKD 192,250 million. The annual growth rate of deposits resumed to increase with accelerated dynamics for two subsequent quarters (increased growth rate by 5.6 percentage points), whereas the quarterly growth rate remained almost unchanged.

Figure 2.4.1
Dynamics of total deposits of non-financial entities, by currency structure

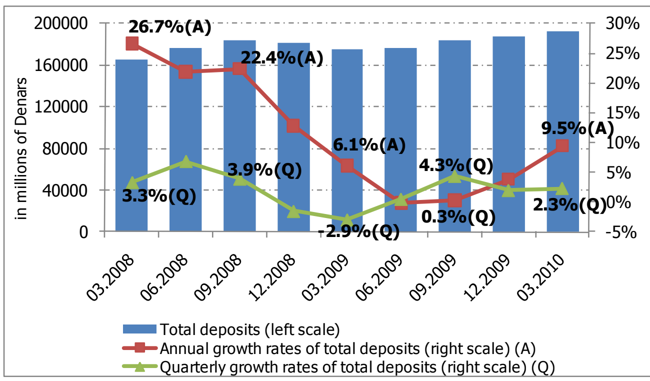
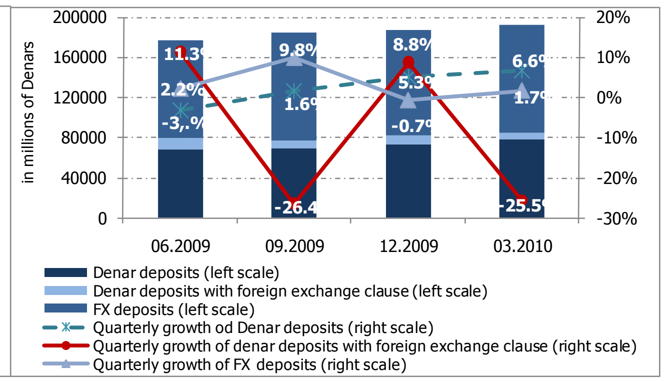


Figure 2.4.2
Change of total deposits of non-financial entities

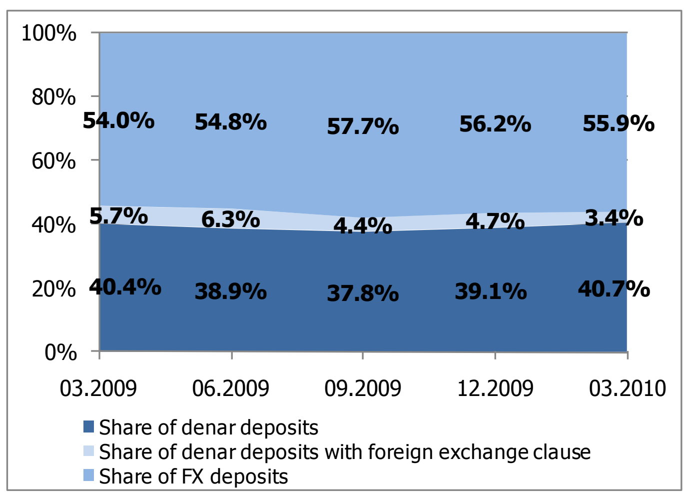


Source: NBRM, based on data submitted by banks.

2.4.1. Deposit dynamics by currency structure

In the second quarter of 2010, contraction of strengthened currency transformation was registered, which had been prominent until the middle of 2009. Denar deposits with FX clause show unstable dynamics, whereas the Denar and foreign currency deposits resumed the growth trend. However, the growth rate of Denar deposits kept on increasing for three subsequent quarters, whereas in currency deposits, fluctuations in the growth dynamics were registered. On the other hand, Denar deposits with FX clause showed the largest and rapid quarterly changes, with even negative rates of change. Because of the rapid decline of these deposits in the first quarter of 2010, their share in total deposits of non-financial entities declined as well. Corporate deposits made the highest contribution to the decline of Denar deposits with FX clause, whereas the household deposits made the highest contribution to the increase of Denar and currency deposits.

Figure 2.4.3
Currency structure of total deposits of non-financial entities

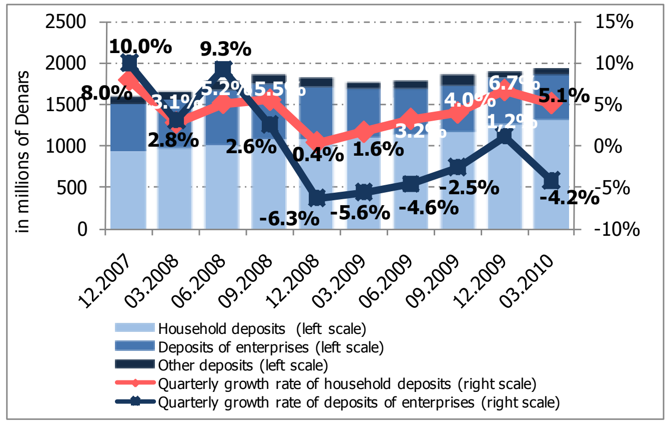


Source: NBRM, based on data submitted by banks.

2.4.2. Deposit dynamics by sector structure

On March 31, 2010, household deposits resumed the trend of quarterly increase, which has been present in the last subsequent quarters. On the other hand, corporate deposits registered a decline. Namely, as of the end of 2008, corporate deposits have been showing negative quarterly rates of change, until the last quarter of 2009, when a growth was registered by 1.2%. However, in the first quarter of 2010, the corporate deposits in banks declined again by high 4.2%. Conversely, the annual rate of change of these deposits showed a slowdown of the decline. Household deposits, on March 31, 2010, registered quarterly and annual growth of 5.1% and 20.4%, respectively. Thus, the household deposits completely determine the growth of total deposits in the analyzed quarter.

Figure 2.4.4.
Dynamics of total deposits of non-financial entities, by sector structure

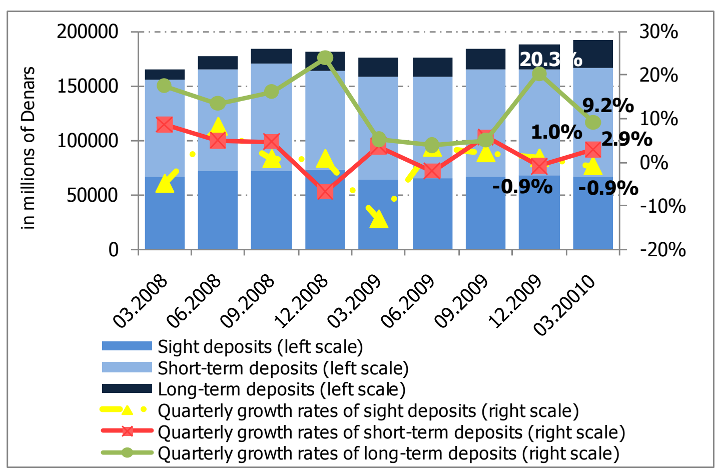


Source: NBRM, based on data submitted by banks.

2.4.2. Deposit dynamics by maturity structure

In the first quarter of 2010, sight deposits resumed the trend of continual slowdown of their growth rate, while in the case of short-term and long-term deposits a change in the dynamics of growth was registered relative to the preceding quarter. Long-term deposits, which during the last quarter of 2009 had shown rapid quarterly growth, during the first quarter of 2010 showed slowdown of their growth (by 11.1 percentage points).

Figure 2.4.5.
Dynamics of total deposits of non-financial entities, by maturity structure



Source: NBRM, based on data submitted by banks.

Table 2.4.1
Distribution of deposits by group of banks, on March 31, 2010

Groups of banks	Sectoral structure				Maturity structure				Currency structure			
	Enterprises	Households	Other clients	Total	Sight deposits	Short-term deposits	Long-term deposits	Total	Denar deposits	Denar deposits with foreign exchange clause	FX deposits	Total
Large banks	24.7%	71.5%	3.8%	100.0%	35.3%	52.4%	12.3%	100.0%	41.0%	2.6%	56.4%	100.0%
Medium-size banks	34.4%	61.5%	4.2%	100.0%	32.6%	51.8%	15.7%	100.0%	37.8%	5.7%	56.5%	100.0%
Small-size banks	36.7%	52.7%	10.6%	100.0%	46.3%	42.8%	10.9%	100.0%	58.5%	8.0%	33.5%	100.0%

Source: NBRM, based on data submitted by banks.

The group of large banks has a dominant share in both the structure by sector and the maturity as well as in the currency structure of deposits. Noticeable structural changes in deposits by group of banks were registered only from the aspect of currency structure of deposits. The group of large banks reduced the share of deposits in Denars with FX clause (by 20.1 percentage points) at the expense of the increased share of the group of medium banks in these deposits (by 19.2 percentage points).

Table 2.4.2
Structure of deposits by group of banks, on March 31, 2010

Groups of banks	Sectoral structure			Maturity structure			Currency structure		
	Enterprises	Households	Other clients	Sight deposits	Short-term deposits	Long-term deposits	Denar deposits	Denar deposits with foreign exchange clause	FX deposits
Large banks	66.5%	76.6%	68.7%	74.3%	74.1%	69.2%	74.1%	54.8%	74.2%
Medium-size banks	30.1%	21.5%	24.7%	22.4%	23.9%	28.7%	22.3%	39.4%	24.3%
Small-size banks	3.4%	1.9%	6.6%	3.3%	2.1%	2.1%	3.6%	5.8%	1.5%
Total	27.3%	68.6%	4.1%	34.9%	52.0%	13.1%	40.7%	3.4%	55.9%

Source: NBRM, based on data submitted by banks.

In the structure of deposits, the household deposits still have the largest share in the total deposits with all three groups of banks. In terms of the maturity, the short-term deposits are most frequent deposits with large and medium banks and the sight deposits have the largest share in the total deposits with small banks. On March 31, 2010, the same as in the previous quarter, the analysis by currency structure did not show any important changes. Thus, the currency deposits still dominate in the currency structure of the groups of large and medium banks, which is opposite of small banks where the Denar deposits dominate.

3. Bank risks

3.1. Credit risk

3.1.1 Dynamics and structures of the credit risk exposure

In the first quarter of 2010, banks continued to apply increased prudential measures when undertaking credit risks. At the end of the first quarter of 2010, the credit risk exposure of the banking system equaled Denar 281,203 million. Compared to March 31, 2009, the credit risk exposure registers an increase by Denar 18,304 million, or by 7.0%. An increase of the credit risk exposure is also registered on quarterly basis by Denar 4,794 million, or by 1.7%. The moderate increase of the credit risk exposure in the first quarter of 2010 confirms the presence of conservatism and selectiveness in the placement of assets. The uncertainty on global level related to the events with public finances of some countries from the Euro zone and their influence on the Macedonian economy had additional impact on this situation.

Banks' refraining from undertaking additional credit risk from companies and the almost complete restraint concerning household credits can be confirmed through the annual and quarterly changes in the sector structure of credit risk exposure. Thus, the banks' focus on increasing the liquidity potential through increased low-risk investments in treasury bill and state bonds, on March 31, 2010, resulted with the highest growth rate of the credit exposure to the sector "financial institutions and state" by 28.3% in the sector structure of the credit risk exposure. This sector showed the most dynamic growth and generated 56.2% of the quarterly growth of the total exposure. Concerning the exposure to companies and households, only moderate annual rates of change were registered.

In the first quarter of 2010, the foreign currency assets in foreign banks were transformed in Denar placements particularly in treasury bills issued by NBRM. Viewed from annual perspective, the exposure to Denars with FX clause registered the most intensive growth, which is predominantly the result of the written state bonds with FX clause in Euros, the issue of which had begun during the second half of 2009.

Table 3.1.1
Structure of credit risk exposure with quarterly and annual absolute and relative change

Credit risk exposure	Share in structure of credit risk exposure, in %			Absolute quarterly change, in millions of denars	Quarterly change rate, in %	Absolute annual change, in millions of denars	Annual change rate, in %
	31.03.2009	31.12.2009	31.03.2010				
SECTOR STRUCTURE OF CREDIT RISK EXPOSURE							
Enterprises and other clients	48.9%	47.1%	46.9%	1,789	1.4%	3,607	2.8%
Natural persons and sole proprietors	31.2%	29.6%	29.2%	304	0.4%	-128	-0.1%
Financial institutions and state	19.9%	23.3%	23.9%	2,701	4.2%	14,838	28.3%
CURRENCY STRUCTURE OF CREDIT RISK EXPOSURE							
Denars	46.6%	43.3%	45.0%	7,011	5.9%	4,137	3.4%
Denars with FX clause	24.3%	28.2%	28.4%	1,893	2.4%	15,936	24.9%
Foreign currency	29.1%	28.5%	26.6%	-4,110	-5.2%	-1,756	-2.3%
STRUCTURE OF CREDIT RISK EXPOSURE BY ITEMS							
Regular claims - credits and interest	72.2%	69.7%	67.0%	-4,385	-2.3%	-1,506	-0.8%
Nonperforming credits	5.0%	5.8%	6.2%	1,583	9.9%	4,477	34.2%
Off-balance sheet items	13.9%	13.2%	13.1%	456	1.3%	247	0.7%
Other claims and other type of credit risk exposure	8.9%	11.3%	13.7%	7,140	22.8%	15,099	64.8%

Source: NBRM, based on data submitted by banks

The increased investment in treasury bills of the National Bank determined the dynamic quarterly growth of the exposure category "other claims". Furthermore, during the first quarter of 2010, the strengthened migration of claims to claims with non-performance status has continued. Hence, non-performance credits registered quarterly growth by Denar 1,583 million or by 10% relative to the decline of regular claims based on credits and interest by Denar 4,385 million or by 2.3%. Non-performance credits to the sector "companies and other clients" registered quarterly growth by 12.3% and participated with 78.9% in the quarterly growth of total non-performance credits, relative to non-performance credits to the sector "natural persons and sole proprietors" which registered a moderate quarterly growth by 5.4%.

During the first quarter of 2009, growth of credit risk exposure was registered in all groups of banks. It is worth to mention that the group of large banks registered the lowest absolute and relative quarterly growth of credit risk exposure, where the groups of medium-sized banks, on March 31, 2010 generated 62.1% of the total quarterly growth of the credit risk exposure. The group of small-sized banks also registered significant quarterly growth of the credit risk exposure.

Table 3.1.2
Quarterly and annual absolute and relative change of credit risk exposure by group of banks on March 31, 2010

Group of banks	Credit risk exposure (in millions of denars)			Annual change (31.03.2009 - 31.03.2010)			Quarterly change (31.12.2009 - 31.03.2010)		
	31.03.2009	31.12.2010	31.03.2010	Absolute change (in millions of Denars)	Change rate (in %)	Share in change (in %)	Absolute change (in millions of Denars)	Change rate (in %)	Share in change (in %)
Large banks	184,617	195,422	196,167	11,550	6.3%	63.1%	745	0.4%	15.5%
Medium-sized banks	66,363	69,238	72,213	5,850	8.8%	32.0%	2,975	4.3%	62.1%
Small-sized banks	11,920	11,749	12,823	903	7.6%	4.9%	1,074	9.1%	22.4%
TOTAL	**262,900**	**276,409**	**281,203**	**18,303**	**7.0%**	**100.0%**	**4,794**	**1.7%**	**100.0%**

Source: NBRM, based on data submitted by banks

3.1.2. Credit risk exposure quality in the banking system

In the first quarter of 2010, the migration of credit risk exposure resumed to higher risk categories. The increase of credit risk exposure classified in higher risks categories has been registered both on quarterly and annual level, which actually reflects the contracted conditions for operation in the real sector, followed by reduced liquidity of economic entities. Such deterioration of the credit risk exposure quality is usual in conditions of slowdown of the credit activity expansion, which was being present during the preceding years. Distribution by sector shows that 56.6% of the quarterly growth of the higher risk credit exposure stems from the exposure to the sector of "companies and other client", 41.4% from the exposure to the sector of "natural persons and sole proprietors" and 2.3% to the sector of "financial institutions and state". At the same time, the calculated correction of the value and special reserve[7] registered quarterly growth with equal dynamics as the exposure classified in higher risk categories.

Table 3.1.3
Quarterly and annual change of exposure classified in the risk categories "C", "D" and "E" and of the calculated correction of value and special reserve

Credit risk exposure	Amount (in millions of Denars)			Quarterly change		Annual change	
	31.03.2009	31.12.2009	31.03.2010	absolute	relative	absolute	relative
Credit risk exposure classified in risk category „C“	7,377	8,721	8,838	117	1.3%	1462	19.8%
Credit risk exposure classified in risk category „D“	3,205	3,010	3,576	566	18.8%	371	11.6%
Credit risk exposure classified in risk category „E“	7,512	10,117	10,685	568	5.6%	3173	42.2%
Total exposure classified in risk categories „C“, „D“ and „E“	18,094	21,848	23,099	1,251	5.7%	5005	27.7%
Calculated impairment losses and special reserves by banks	16,353	17,996	19,222	1,226	6.8%	2868	17.5%

Source: NBRM, based on data submitted by banks

In circumstances of moderate growth of total credit risk exposure and accelerated migration of the existing exposure to categories with higher risk level, indicators for the credit risk level showed unfavorable dynamics also in the first quarter of 2010. The share of exposure classified in the risk categoris "C", "D" and "E" in the total credit risk exposure increased by 0.3 percentage points on quarterly basis and on March 31, 2010, it equaled 8.2%. In case of need for full coverage of the non-performance credits (by using the calculated impairment and special reserve), approximately 14.6% would be absorbed from banks' own funds, which is by 1.4 percentage points higher compared to December 31, 2009. Hence, the capital adequacy of the banking system would drop form the current 16.8% to 14.4%.

[7] On March 31, 2010, 0.9% of the total identified and calculated impairment value and special reserve were not allocated and recognized as expense in the income statement.

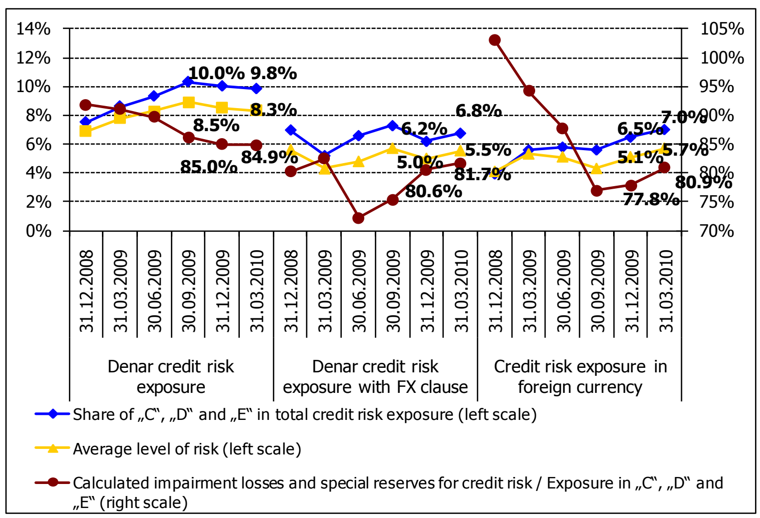
Table 3.1.4
Indicators for the risk level of the credit risk exposure of the banking system

Credit risk indicators	31.03.2009	31.12.2009	31.03.2010
Average level of risk	6.2%	6.5%	6.8%
Calculate impairment losses and special reserves / Own funds	47.3%	51.3%	53.2%
% of „C“, „D“ and „E“ in total credit risk exposure	6.9%	7.9%	8.2%
% of „E“ in total credit risk exposure	2.9%	3.7%	3.8%
Coverage of „C“, „D“ and „E“ with allocated impairment losses and special reserves	88.4%	82.4%	82.5%
Coverage of nonperforming credits with calculated impairment losses for nonperforming credits	n.a.	70.9%	70.1%
% of „C“, „D“ and „E“ in own funds	52.3%	62.2%	64.0%
% of „E“ in own funds	21.7%	28.8%	29.6%
% of nonperforming credits, net of calculated impairment losses for nonperforming credits in own funds	n.a.	13.2%	14.6%
% of „C“, „D“ and „E“ net of calculated impairment losses and special reserves, in own funds	20.6%	23.0%	23.0%

Source: NBRM, based on data submitted by banks

The average level of risk[8] of the total credit risk sexposure on March 31, 2010, equaled 6.8%, which is by 0.3 percentage points hihger than at the end of 2009. As concers the part of exposure which is classified on individual basis, the average risk level on March 31, 2010, equaled 7.7% and relative to the end of 2009, it is higher by 0.3 percentage points. By individual risk categories, the average risk level at the end of the first quarter of 2010 equaled 1.0% for "A", 10.7% for "B", 26. 9% for "C", 66.0% for "D" and 93.5% for "E". On March 31, 2010, 17.4% of the total credit risk exposure was classified on a group basis. The largest part of the exposure classified on group basis, or 88.6%, has been classified as a portfolio of small credits, whose average risk on March 31, 2010 was 2.9%. The average risk of the remaining part of the exposure on group basis, which is classified in homogenous portfolios of similar financial instruments which have not been imparied on individual basis equaled 0.5% on March 31, 2010. The relatively low level of impairment and special reserve regarding the exposure classified on group basis represents particularly important factor of risk for banks and possible source of additional losses due to impairment of funds intended for credit risk,

Figure 3.1.1
Credit risk indicators according to currency structure of exposure



Source: NBRM, based on data submitted by banks

[8] The average risk level is the ratio of the calculated impairment and the special reserve to the total credit risk exposure.

especially bearing in mind the modest experience of the domestic banking system in measuring the credit losses through statistical models.

Analysis of the credit risk exposure according to the currency structure in the first quarter of 2010, showed deterioration of credit risk indicators for the Denar exposure with FX clause and the foreign currency exposure. Regarding the Denar exposure with FX clause, the growth of higher risk was the carrier of this process ("C", "D" and "E"), which equaled 12.2% on quarterly basis (Denar 592 million), thus contributing with 47.3% in the total quarterly growth of higher risk exposure. Regarding the foreign currency exposure, the deterioration of risk indicators mainly stems from the decline of assets placed in foreign banks, for which the identified impairment is relatively small. Hence, parallel with the quarterly growth of foreign currency exposure classifeid in the higher risk catgories by 3.3% or Denar 168 million, the average risk level and the share of exposure classified in the risk categories "C", "D" and "E" registered increase on quarterly basis. As concerns the exposure to credit risk in Denars, risk indicators registered an improvement, which is predominantly a result of the increased investments of banks in treasury bills. The Denar exposure classified in the risk categories "C", "D" and "E" registered a quarterly growth by Denar 492 million, or by 4.1%. Furthermore, in the case of exposure to credit risk in Denars, the average risk level and the share of exposure classified in the risk categories "C", "D" and "E" (by 8.3% and 9.8%, respectively), were on a higher level on March 31, 2010, compared to the exposure in Denars with FX clause.

In the first quarter of 2010, the amount of written-off claims by the banks did not have any signficiant impact on the risk indicators for credit risk expposure. Thus, in the first quarter of 2010, banks made written-off of claims in amount of Denar 385 million, which represents 0.1% of the total credit risk exposure on December 12, 2009. During the same period, banks collected previously written-off claims in amount of Denar 24 million. Compared to the first quarter of 2009, the amount of written-off claims is almost twice lower, or lower by Denar 365 million. In the sector structure of written-off claims, claims from non-financial legal entities have dominant position, covering 98.0% of written-off claims, where in the currency structure, the denar claims dominate with 99,0%. Most of the written-off claims in the first quarter of 2010 referred to claims based on credits (57.5% share), followed by claims based on interest (43.5% share). If the banks did not make written-off of claims, the share of exposure classified in the risk categories "C", "D" and "E" would be 8.3% (instead of 8.2%), on March 31, 2010.

The increased risk of the credit risk exposure in the first quarter of 2010 was obvious in the groups of small-sized and medium-sized banks, whereas in the case of small-sized banks, some positive movements were registered in the area of credit risk indicators. This is mainly a result of the more dynamic quartery growth of the exposure of the group of small-sized banks, as well as of the fact that this group of banks during the period of credit expansion registered moderate growth of credit risk exposure to the private sector. In the group of small-sized banks, the level of risk on March 31, 2010, equaled 8.3% and it is by 1.6 percentage points lower compared to the level at the end of 2009. Contrary to this, the average risk level of the groups of small-sized and medium-sized banks on March 31, 2010 was higher compared to December 31, 2009 by 0.5 and 0.3 percentage points, respectively. The coverage of exposure classified in the risk categories "C", "D" and "E" with identified impairment and special reserve is the lowest in the groups od medium-sized banks. At the same time, in eventual complete inability of medium-sized banks to cover the losses caused by the exposure classified in the risk categoris "C", "D" and "E", they would need 39.0% of own funds, and relative to the end of 2009, this indicator registered an inrease only in the case of this group of banks.

Table 3.1.5
Credit risk exposure quality indicators by group of banks

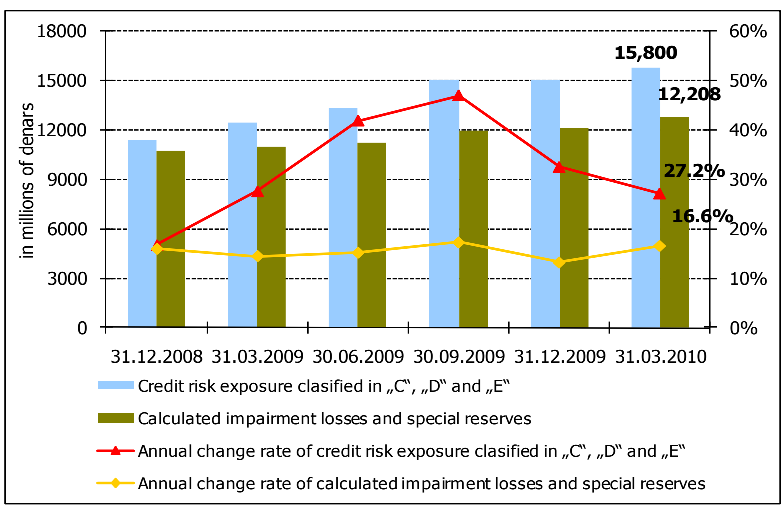
Credit risk indicators	Large banks			Medium-sized banks			Small-sized banks		
	31.03.2009	31.12.2009	31.03.2010	31.03.2009	31.12.2009	31.03.2010	31.03.2009	31.12.2009	31.03.2010
Average level of risk	6.6%	6.6%	7.1%	4.6%	5.6%	5.9%	10.3%	9.9%	8.3%
Calculated impairment losses and special reserves / Own funds	58.8%	63.3%	63.8%	33.2%	40.5%	45.4%	25.1%	23.0%	21.4%
% of „C", „D" and „E" in total credit risk exposure	6.8%	7.1%	7.5%	6.5%	9.7%	10.0%	10.9%	11.0%	9.1%
% of „E" in total credit risk exposure	3.1%	3.6%	3.8%	1.4%	3.0%	3.2%	7.7%	8.6%	7.3%
Coverage of „C", „D" and „E" with allocated impairment losses and special reserves	97.2%	93.8%	94.9%	62.6%	57.4%	56.1%	89.7%	90.5%	91.2%
Coverage of nonperforming credits with calculated impairment losses for nonperforming credits	n.a.	76.3%	77.0%	n.a.	55.0%	52.5%	n.a.	86.8%	87.3%
% of „C", „D" and „E" in own funds	60.8%	67.4%	67.3%	47.1%	70.4%	77.7%	26.6%	25.4%	23.5%
% of „E" in own funds	27.5%	34.3%	34.3%	10.3%	21.7%	24.5%	18.8%	19.8%	18.7%
% of nonperforming credits, net of calculated impairment losses for nonperforming credits in own funds	n.a.	12.2%	12.0%	n.a.	21.2%	27.3%	n.a.	2.5%	2.3%

Source: NBRM, based on data submitted by banks

3.1.3 Quality of credit risk exposure to "companies and other clients"

Contraction of the economic activity, followed by reduced liquidity, limited capacity for finding new sources of financing and the prudent credit policy of banks created conditions for further deterioration of the quality of exposure to the sector of "companies and other clients". Exposure classified in the categoris "C", "D" and "E" on March 31 2010, registered annual growth rate by 27.2%, which is lowest annual growth rate during the past five quarters. In the first quarter of 2010, the exposure to this sector classified in riskier categories registered a growth by Denar 708 million, or by 4.7%, where the calculated impairment and special reserve registered a quarterly growth by Denar 669 million, or by 5.5%. The most prominent quarterly growth of the exposure clasified under"C", "D" and "E" was registered in the activity "wholesale and retail trade" by Denar

Figure 3.1.2
Exposure classified under "C", "D" and "E" and the calculated impairment and special reserve for the credit risk exposure to the sector of "companies and other clients"



Source: NBRM, based on data submitted by banks

261 or by 8.6%, followed by the exposure to the activity of "industry" with qurterly growth by Denar 153 million and the exposure to the activity of "transportation, storage and communications" with growht by Denar 106 million. At the same time, these three activities generated 73.5% of the total quarterly growth of higher risk exposure to this sector (Annex 7 - Quarterly and annual change of exposure to companies and other clients, classified in the risk categories "C", "D" and "E" and of the calculated impairment and sepcial resrve).

Indicators for the credit risk exposure to the sector of "enterprises and other clients" registered deterioration in the first quarter of 2010. Thus, the average risk level and the share of exposure under the risk categories "C", "D" and "E" in the total exposure to this sector regsitered quarterly inrease by 0.4 percetnage points. On the other hand, the accelerated quarterly growth of calculated impairment and special reserve contributed that the coverage of exposure classified under the risk categories "C", "D" and "E" increase on quarterly basis by 0.7 percentage points. By individual activity, on March 31, 2010, the highest risk exposure was regitered towards activities "industry" and "hotels and restaurants", whereas on quarterly basis, the most accelerated deterioraion of the risk level was registered in the exposite towards the activity "real estate activities".

Table 3.1.6
Indicators for the risk level of credit risk exposure to the sector "companies and other clients", by individual activity

Credit risk indicators by activities	Date	Industry	Agriculture, hunting and forestry	Construction	Wholesale and retail trade	Transport, storage and communication	Hotels and restaurants	Real estate activities	Total credit risk exposure to enterprises and other clients
Share in total credit risk exposure to „enterprises and other clients“	31.03.2009	39.2%	2.9%	10.4%	30.3%	6.5%	3.0%	5.1%	100.0%
	31.12.2009	37.2%	3.2%	10.9%	31.5%	6.1%	2.9%	5.5%	100.0%
	31.03.2010	36.8%	3.3%	10.7%	32.4%	6.2%	3.0%	4.6%	100.0%
Average level of risk	31.03.2009	10.9%	16.4%	7.1%	6.7%	6.2%	7.1%	4.4%	8.6%
	31.12.2009	12.7%	13.3%	5.4%	7.3%	6.9%	12.8%	5.8%	9.3%
	31.03.2010	13.3%	12.4%	6.2%	7.5%	6.9%	13.3%	7.0%	9.7%
Share of „C“, „D“ and „E“ in total credit risk exposure	31.03.2009	12.9%	19.5%	7.7%	7.3%	8.9%	7.7%	2.4%	9.7%
	31.12.2009	16.2%	16.6%	6.6%	7.4%	9.2%	26.9%	8.6%	11.6%
	31.03.2010	16.5%	15.2%	7.1%	7.7%	10.2%	27.5%	10.6%	12.0%
Allocated impairment losses for nonperforming credits / nonperforming credits	31.12.2009	73.8%	72.0%	78.8%	77.4%	70.9%	65.0%	58.5%	74.4%
	31.03.2010	73.5%	73.9%	74.5%	76.8%	62.7%	46.6%	37.8%	71.2%
Impairment losses and special reserves / Credit risk exposure classified in „C“, „D“ and „E“	31.03.2009	84.5%	84.3%	92.3%	92.4%	70.1%	92.9%	184.1%	88.5%
	31.12.2009	78.2%	80.4%	82.0%	99.2%	75.4%	47.6%	68.0%	80.4%
	31.03.2010	80.5%	81.7%	88.4%	96.9%	67.3%	48.3%	65.4%	81.1%

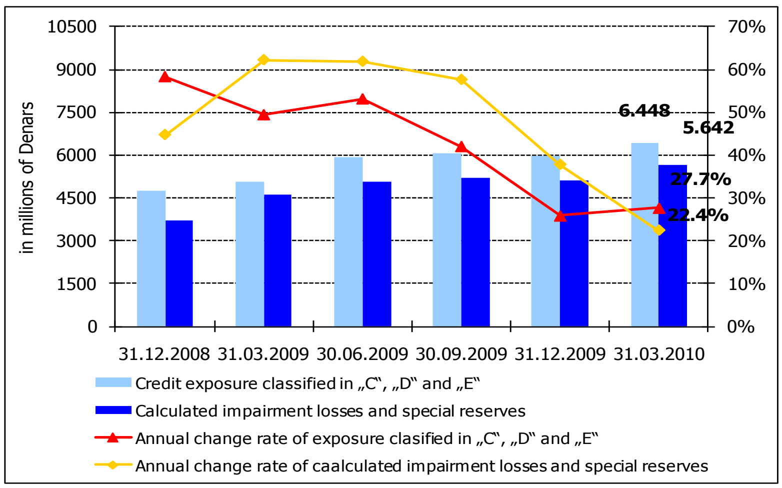
Source: NBRM, based on data submitted by banks

Analyzed by individual group of banks, the most prominent quarterly growth of exposure classified under the risk categories "C", "D" and "E" by Denar 590 million or by 5.7% was registered in the group fo large banks. The quarterly growth of higher risk exposure in the group of medium-sized banks was Denar 243 million, or by 6.0%, whereas in the case of the group of small-sized banks, it registered a decline by Denar 125 million or by 15.9%. Significant differences are registered in certain indicators for the credit risk by individual group of banks, which are particularly obvious in the indicator for the coverage of exposure clssified under the categories "C", "D" and "E" with identified impairment and special reserve. Thus, this coverage is 52.5% in the group of meium banks, while in the case of the groups of large and small-sized banks, this coverage is 91.9% and 86.2%, rspectively (Annex 9 - Indicators for the credit risk by individual sectors or credit products, by group of banks, on March 31, 2010). These differences indicate the existence of larger differences between individual banks in the manner of risk assessment, which refelcts on the classificaiton of exposure and the calculation of the impairment and special reserve for the credit risk. In conditions of expansion and in normal economic situtation, these diferences would cover the impact of the idiosyncratic element present in the expposures of individual groups of banks. However, in conditions of unfavorable general economic situation, and particularly in circumstances of contracted economic activities in the domestic real sector and reduced liquidity of the econoic entities, the difference in the coverage of higher risk exposure with impairment and sepcial reserve among banks should be lower, which actually shows that the used risk assessment approach by medium-sized banks might not completely encopass the impact of systematic factors.

3.1.4 Quality of credit risk exposure to "natural person" sector

The growth of exposure classified under the higher risk categories, in conditions of higher prudence of the banks for household lending in the first quarter of 2010 resulted with deterioration of quality indicators for exposure to natural persons. The average risk exposure to the sector of "natural persons" continued to grow. Also, the exposure classified in the risk categories "C", "D" and "E" registered a quarterly growth by Denar 485 million, or by 8.1%. Thus, the share of exposure classified under the risk categories "C", "D" ad "E" on March 31, 2010 equaled 8.2% or an annual growth by 1.7 percentage points. The identified and calculated impairment and special reserve for the exposure to the sector of natural persons regsitered a quarterly growth by Denar 525 million, or by 103%. The more dynamic quarterly growth of the calculated impairment and special reserve than the credit exposure to natural persons classified under the risk categories "C", "D" and "E" enabled an increase of the coverage of higher risk exposure with the impairment and special reserve in the first quarter of 2010.

Figure 3.1.3
Credit risk exposure classified under "C", "D" and "E" and the calculated impairment and special reserve for the credit risk exposure to the sector of "natural persons"



Source: NBRM, based on data submitted by banks

By individaul credit products offered to households, the most significant growth of the credit risk exposure was registered in the area of consumer credits by Denar 306 million, or by 10.8%, followed by the exposure classified under "C", "D" and "E" in the are of credit cards, which registered a quarterly growth by Denar 151 million, or by 9.6% (Annex 8 - Quarterly and annual change of exposure to natural persons, classified under the risk categories "C", "D" and "E" and the calculated impairment and sepcial resrve). The increase of the exposure classified under the riskier categories towards the sector of natural persons generally stems from the deteriorated conditions for operation of domestic economic entities, as a consequene of the global eonomic disturbances. However, as an important element that determins the risk exposure to natural persons, the expansive growth of crediting of this sector during the past several years must be taken into consideration, where the standards for originating the credit risk exposure were more relaxed and the risk assessment approaach was with lower level of prudence.

Table 3.1.7
Indicators for the risk level of credit risk exposure to the sector "natural persons", by credit product

Credit risk indicators	Date	Residential and commercial real estate credits	Consumer credits	Overdrafts	Credit cards	Car credits	Total exposure to natural persons
Share in credit risk exposure to „natural persons“	31.03.2009	18.1%	32.1%	10.7%	29.7%	6.2%	100.0%
	31.12.2009	19.1%	32.3%	10.9%	30.1%	6.1%	100.0%
	31.03.2010	19.5%	32.4%	10.9%	30.1%	5.8%	100.0%
Share of „C“, „D“ and „E“ in total credit risk exposure	31.03.2009	4.0%	10.1%	3.3%	4.9%	5.8%	6.5%
	31.12.2009	3.8%	11.3%	4.0%	6.7%	5.7%	7.7%
	31.03.2010	4.5%	12.4%	4.1%	7.3%	6.1%	8.2%
Average level of risk	31.03.2009	3.5%	7.4%	6.2%	5.8%	4.2%	5.9%
	31.12.2009	3.1%	8.5%	6.2%	6.4%	4.5%	6.6%
	31.03.2010	3.7%	9.7%	6.3%	7.0%	5.0%	7.2%
Allocated impairment losses for nonperforming credits / nonperforming credits	31.12.2009	52.7%	58.5%	86.8%	74.5%	61.1%	64.1%
	31.03.2010	58.1%	62.5%	88.6%	75.9%	64.3%	67.2%
Impairment losses / Credit risk exposure clasified in „C“, „D“ and „E“	31.03.2009	86.5%	73.8%	187.5%	116.8%	72.0%	91.2%
	31.12.2009	81.5%	75.6%	155.6%	95.7%	78.5%	85.8%
	31.03.2010	81.9%	78.5%	153.3%	95.2%	82.7%	87.5%

Source: NBRM, based on data submitted by banks

Analyzed by individual credit products, on March 31, 2010, the average level of risk and the share of exposure classified under the riskier categories was the highest in the consumer credits, which at the same time had the largest share in the structure of credit risk exposure to natural persons. The least coverage of non-performance credits with adequately identified impairment and sepcial reserve by 58.1% was registered in the housing credits and credits for business premisses.

On March 31, 2010, the highest share of exposure classified under the risk categories "C", "D" and "E" to natural persons o 14.5% was registered in the group of medium-sized banks. The same time, the coverage of exposure in the group of medium-sized banks under the higher risk categories with the impairment and special resrve equaled 56.8% on March 31, 2010, which is a significantly lower than the level of coverage in the group of large and small-sized banks that equaled 102.3% and 88.1%, respectively, on March 31, 2010. This discrepancy in the level of coverage of the credit rsk exposure under the categories "C", "D" annd "E" with identified impairment and special reserve confirms the existence of sgnificant differences in the assessment of expected losses from the credit risk, and thereby of the risks in credit portfolios among individual banks (Annex 9 - Indicators for the credit risk by individual sectors or credit products, by group of banks, on March 31, 2010).

Stress-test simulation[9] for the resilience of the banking system to the deterioration of the quality of credit risk exposure to the sector of "companies and other clients and to the sector of "natural persons"

The stress-test simulation for the resilience of the banking system to the potential deterioration of credit risk exposure to nonfinancial entities relies on the assumption for migration of a certain credit risk exposure percentage of each risk category to the two next categories with higher risk level, distributed equally. Moreover, the simulation assumes average risk for each of the five risk categories identical to the one before the exposure migration. **The purpose of this simulation is to determine the potential adverse effect of the credit risk exposure migration (for both the total exposure and the exposure by sector and activity) from the existing to higher risk categories on the capital adequacy and the exposure risk.**

Under the assumption of simultaneous redistribution of 10% and 30% of the credit risk exposure to the sectors of natural persons and corporations and other clients, from lower to higher risk categories, the capital adequacy of the banking system would go down by 2.0 and 6.0 percentage points, respectively. At such migration, the share of exposure classified in "C", "D" and "E" risk categories in the total credit risk exposure in the banking system would be 12.0% and 19.8% (8.2% prior to the simulation). Analysis of the results by activity shows that the assumed exposure migration would cause the fastest deterioration of the quality of exposure to the sectors of "hotels and restaurants", "agriculture, hunting and forestry", and "industry". Observing the credit products offered to natural persons, the consumer credits, followed by the exposure to credit cards, would have the highest risk level after the simulation. On the other hand, the banks' capital adequacy shows the highest sensitiveness in the migration of the credit risk exposure to the sectors of "industry" and "wholesale and retail trade", then the sector of "companies and other clients and the exposure to the sector of "natural persons", for credit card and consumer credits. By individual groups of banks, the largest decrease of capital adequacy would be registered in the group of large banks, where it would get closer to the legally prescribed minimum level of 8%.

[9] The stress-test simulation has been conducted by using data from the Credit Register as of March 31, 2010.

3.2 Liquidity risk

3.2.1 Indicator for the banks' liquidity[10]

The slower increase in the liquid assets during the first quarter of 2010 decelerated also the positive trend with some of the banks' liquidity indicators. In comparison with the end of 2009, the coverage of the households' deposits with liquid assets went down by 2.3 percentage points, while the share of the liquid assets in the total assets insignificantly reduced. Oppositely, the higher coverage of the short-term liabilities with liquid assets is due to the decrease in the short-term liabilities, opposite to the minimal quarterly increase in the liquid assets (Annex 10 - Indicators for the banks' liquidity). **However, as regards the liquidity indicators at the end of March 2009, they registered improvement,** which is due to the larger volume of liquid assets. The prudent regulatory measure of NBRM had large contribution to the qualitative strengthening of the liquidity position of the banking sector, which introduced the banks requirement for maintaining minimum liquidity rates (starting from March 2009), for both Denar and foreign currency positions (Annex 11 - Survey of the fulfillment of the liquidity ratio up to 30 and 180 days). Thus within one year period, after the introduction of this measure, the liquid assets registered an upward trend and as of the end of March 2010, it reached the amount of Denar 67,974 million, thus registering an increase of 39%.

Figure 3.2.1
Monthly movement of banks' liquidity indicators

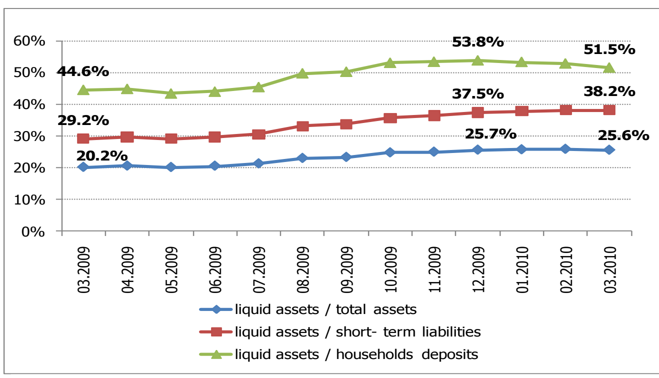
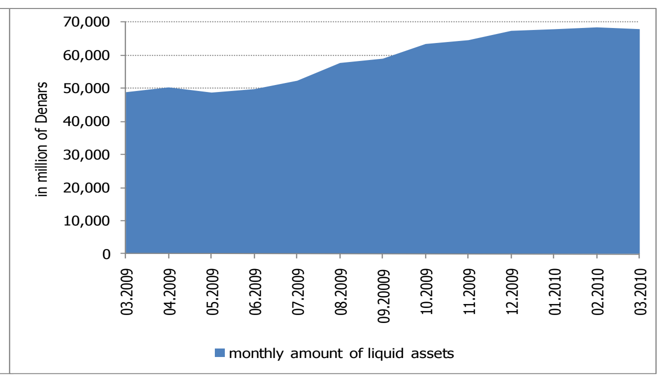


Figure 3.2.2
Movement of banks' liquid assets



Sources: NBRM, based on data submitted by the banks

The increase in the liquid assets is totally due to the rise in the CB bills, which buffers the quarterly drop of all other elements of the liquid assets. Despite the downward trend of the basic interest rate of NBRM during the first quarter of 2010, the CB bills registered quarterly growth of Denar 7,092 million, or of 44.8%, which strengthened their structural share in the liquid assets. All other elements of the liquid assets registered negative quarterly growth rate, which conditioned also decrease in their structural share in the liquid assets.

[10] The calculation of the individual components for analysis of the banks' liquidity position do not take into consideration the deposits with and the credits of the domestic banks (assets components), i.e. the deposits of and the borrowings from domestic banks (liabilities components).

Figure 3.2.3
Monthly movement of banks' liquid assets components

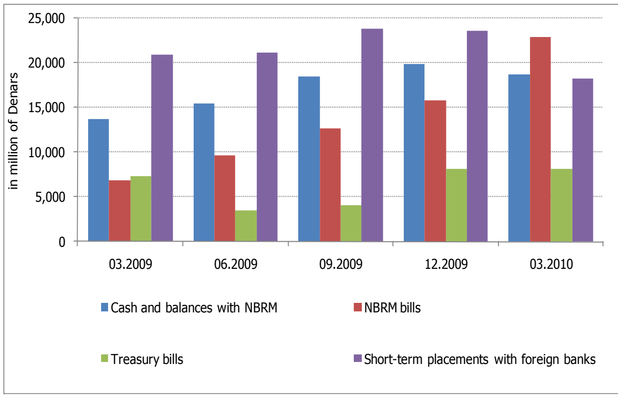
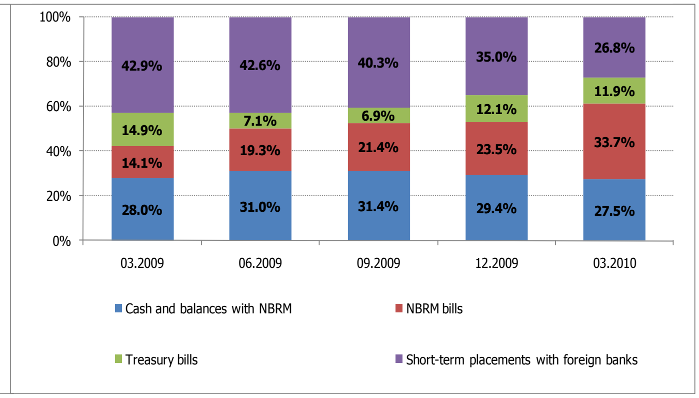


Figure 3.2.4
Structure of the banks' liquid assets by components

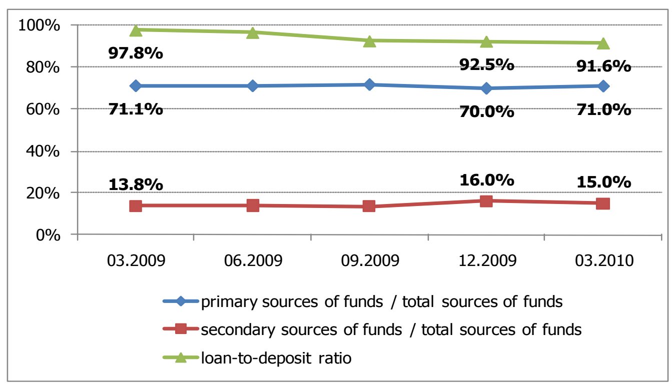


Sources: NBRM, based on data submitted by the banks

3.2.2 Sources of financing of the activities

At the end of the first quarter of 2010, the structure of the sources of financing is almost unchanged, in comparison with the preceding quarter and with the first quarter of 2009. The banking system of the Republic of Macedonia finances its activities mostly from the deposits, while the secondary sources of funds take approximately 15% of the total sources of funds. Such structure of the sources conditions the indicator for the loan-to-deposit-ratio to be constantly over 90%.

Figure 3.2.5
Relative significance of the individual sources of funds and loan-to-deposit ratio



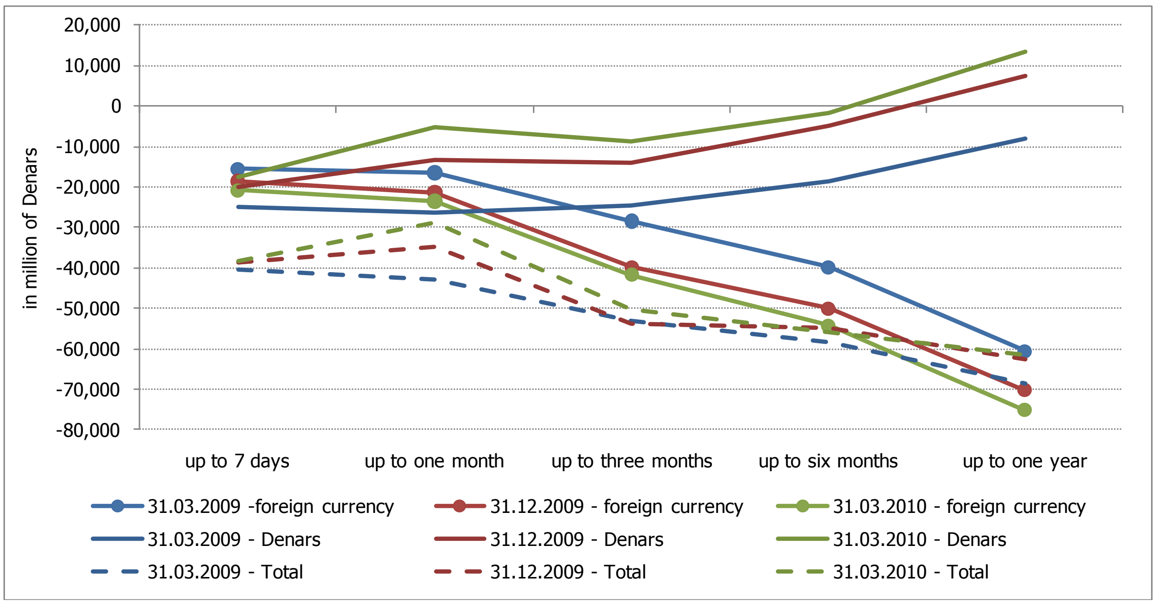
Sources: NBRM, based on data submitted by the banks

3.2.3 Maturity structure of the banks' assets and liabilities

At the end of the first quarter of 2010, further deepening of the maturity gap between assets and liabilities in foreign currency was registered, opposite to the deepening in the positions in domestic currency. The negative gap between the assets and liabilities, from the aspect of their contractual maturity, continued to decline. This is mostly related to the slower credit activity of the banks, as well as the changes in the assets structure, towards maintenance of higher level of liquid assets with shorter maturity, which corresponds to the short maturities characteristic for most of the liabilities. Despite the mismatch in the assets and liabilities' contractual maturity structure, **according to the banks' expectations,**

there is compliance between the maturity of the assets and liabilities, primarily as a result of the high degree of stability of the short-term sources of funds, in accordance with their expectations (Annex 12 and 13 - Contractual and anticipated maturity structure of the assets and liabilities of the banking system on March 31, 2010). **On March 31, 2010, according to the banks' expectations, the level of stable deposits is high (77.7%),** despite the significant decrease of 5.4 percentage points relative to the end of 2009.

Figure 3.2.6
Cumulative contractual residual maturity (mis)match of the assets and liabilities of the banking system by currency and total (cumulative by maturity segments)



Sources: NBRM, based on data submitted by the banks

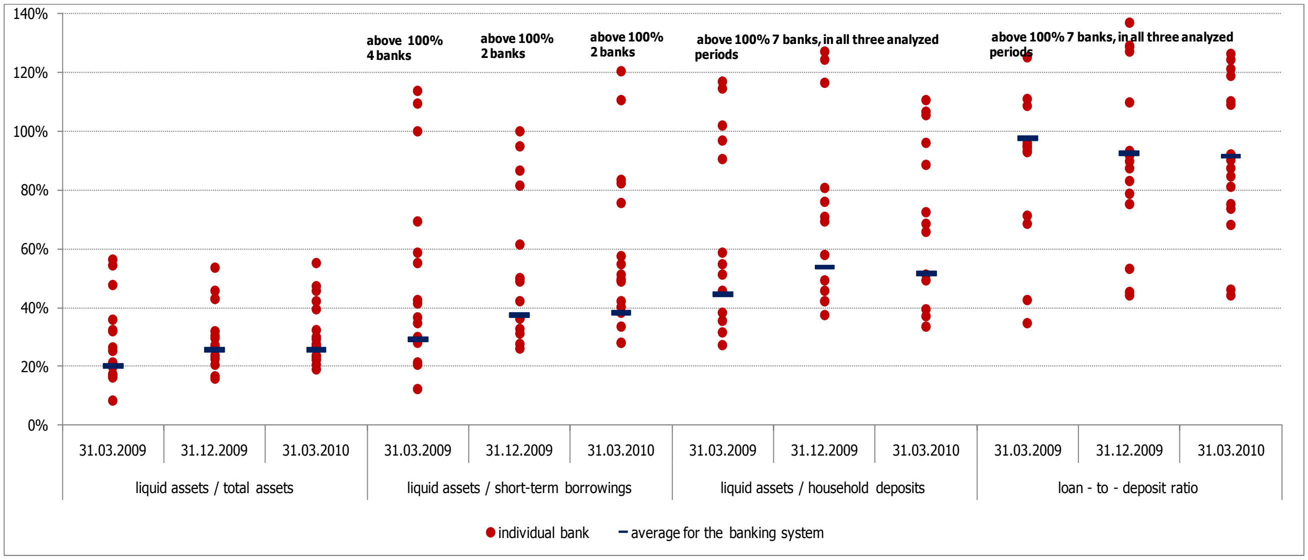
3.2.4 Liquidity by individual banks[11]

The liquidity indicators by individual banks indicate that part of them follows the trend at the level of the banking system, while the other registered opposite movements. During all three analyzed periods, larger number of banks have higher share of the liquid assets in the total assets, than at the level of the banking system. This indicator registers an improvement with most of the banks in comparison with December 31,2009 and relative to the same quarter of the preceding year. With few banks, the coverage of the households' deposits with liquid assets moves around, even below, the average level of the banking system. This indicates that most of the banks register high liquidity, i.e. they have higher level of liquid assets than the level of collected deposits from households. The high share of the credits in the total deposits proves the role of the deposits as the main source of financing of the banks' activities. With some of the banks full utilization of the deposits is evident, which points to the fact that those banks finance their activity also from other sources of funds (capital and borrowings). With few banks, the correlation between extended loans

[11] The analysis of the liquidity by banks does not include "MBPR" AD Skopje, because of the specific nature and the absence of certain categories necessary in the calculation of the liquidity indicators.

and accepted deposits is below 50%, which points to their significantly smaller credit activity, and consequently to their moderate contribution for financial intermediation.

Figure 3.2.7
Liquidity indicators by individual banks

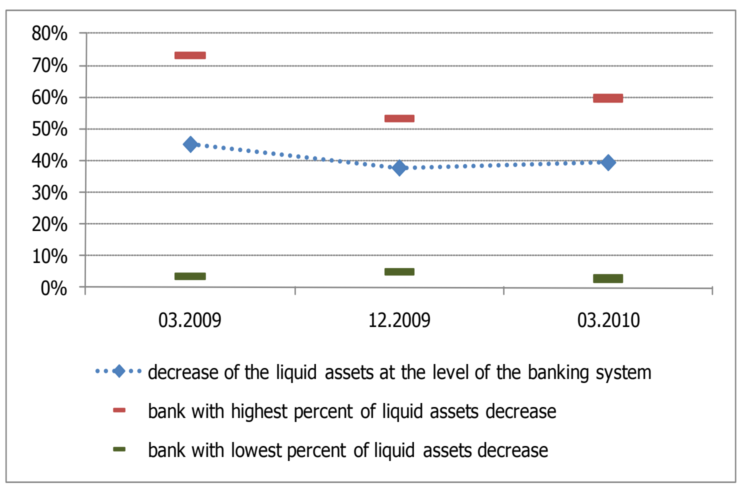


Sources: NBRM, based on data submitted by the banks

Assessment of the resistance of the banking system to liquidity shocks

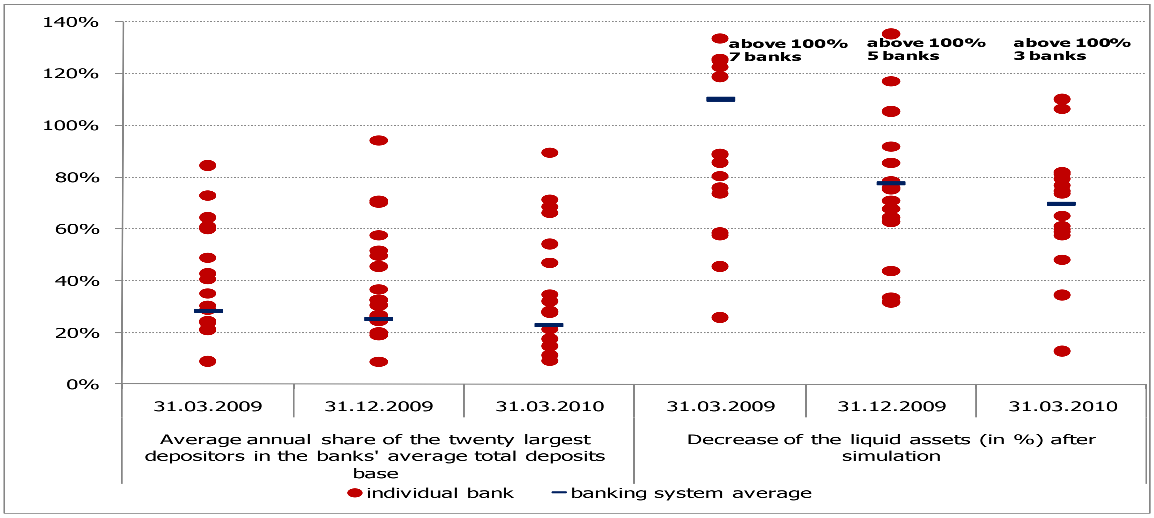
Simulations for the assessment of the resistance of the banking system to shocks on the side of liquidity show that the banks are less sensitive to the withdrawal of 20% of the households' deposits (all banks have enough liquid assets), than to the outflow of deposits of the twenty largest depositors of each bank individually (three banks registered lack of liquid assets for covering the liabilities for the outflow of deposits of the twenty largest depositors, which is less by two banks relative to December 31,2009, i.e. by four banks in comparison with March 31,2009).

Figure 3.2.8
Results of the stress-test simulation of withdrawal of 20% of the households' deposits outside the banking system



Sources: NBRM, based on data submitted by the banks

Figure 3.2.9
Results of the stress-test simulation of withdrawal of the deposits of the twenty largest depositors of each bank individually



Sources: Stress-testing is based on data submitted by the banks

This points to the high concentration of the banks' deposit base and emphasize the risks it poses. By individual banks, the share of the twenty largest depositors in the total deposits, by banks ranges from 9.2% to high 89.5%. In comparison with the preceding two analyzed periods, these end-values decreased, as well as the average at the level of the banking system. Simultaneously, the results from this scenario for the first quarter of 2010 indicates bigger resistance of the banking system to shock, i.e. lower exposure to liquidity risk, in comparison with the end of 2009 and the first quarter of 2010.

3.3. Currency risk

The reduced placements of the domestic banks in foreign banks and simultaneous decrease in the amount of collected deposits in Denars with FX clause caused lower share of the foreign currency component in the banks' balance sheets. The higher quarterly decrease in the assets with foreign currency component, in comparison with the decrease in the liabilities with foreign currency component resulted in narrowing of their gap, i.e. their bigger compliance. In the first quarter of 2010, the banks were managing the currency risk within the prescribed limits for the aggregate foreign currency position.

On March 31, 2010 the gap between the assets and the liabilities with currency component, relative to the end of 2009 registers a decrease of 37.6% (or Denar 1,844 million). This decrease, parallel to the increase in the banks' own funds, caused downward trend of their ratio from 14.6% on December 31,2009 to 8.9% on March 31,2010. The contraction of the gap between the assets and liabilities with foreign currency component arises from the more apparent decrease in the assets with foreign currency component (quarterly drop by Denar 4,858 million, or 3.2%), in comparison with the decrease in the liabilities with currency component (Denar 3,014 million, or of 2.1%). Such movements, in the first quarter of 2010 caused decrease in the share of the foreign currency component in the total banks' assets and liabilities of 2.3 and 1.6 percentage points, respectively (the share of the assets with foreign currency component in the total assets plunged from 56.5% on December 31,2009, to 54.2% on March 31,2010, while the share of the liabilities with foreign currency component in the total liabilities dropped by 54.7% at the end of 2009, to 53.1% at the end of the first quarter of 2010)[12].

Figure 3.3.1
Structure of the gap between the assets and the liabilities with currency component

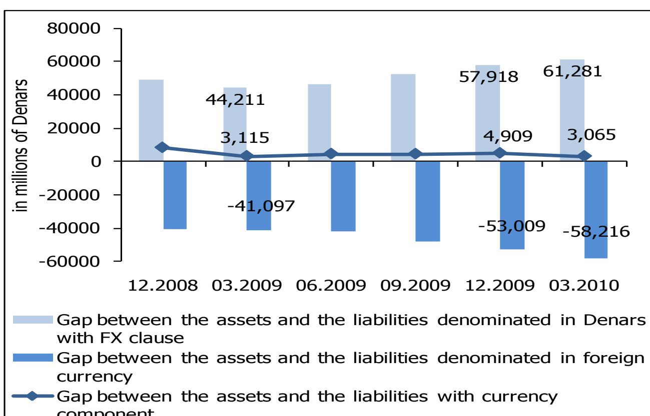
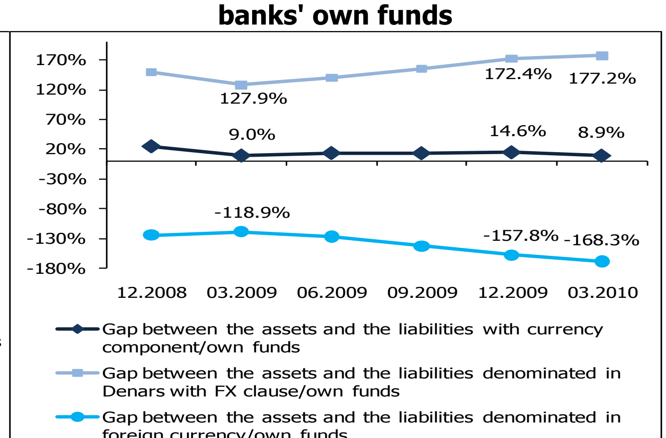


Figure 3.3.2
Share of the gap between the assets and the liabilities with currency component in the banks' own funds



Source: NBRM, based on data submitted by the banks.

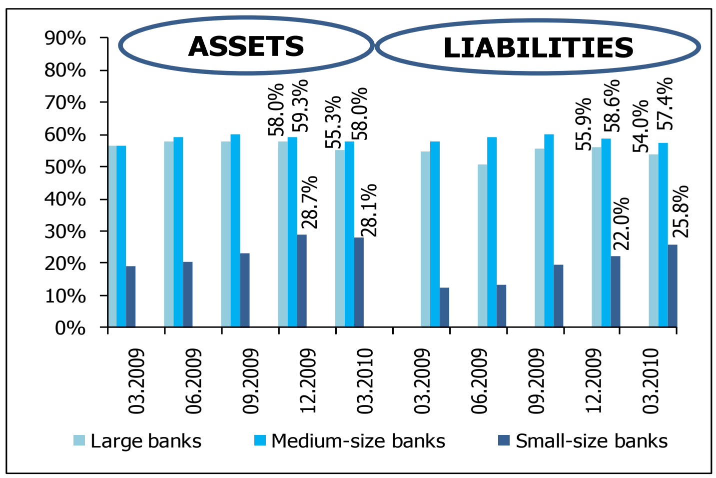
[12] In contrast to the foreign currency component in the first quarter of 2010, the Denar component of the total assets and liabilities of the banks registered an increase. The Denar assets augmented by Denar 7,378 million (or by 6.3%), as a result of the increased placements of the banks in CB bills, while the Denar liabilities incremented by Denar 5,535 million (or 4.6%), which mostly arises from the increase in the amount of the households' Denar deposits.

The analysis of the gap structure of the assets and liabilities with foreign currency component showed deepening of the negative gap between the banks' assets and the liabilities in foreign currency and widening of the positive gap between assets and liabilities in Denars with FX clause. Thus in the first three months of 2010, the negative gap between the assets and the liabilities in foreign currency incremented by additional Denar -5,207 million (or by 9.8%). The deepening of this negative gap arises fully from the quarterly decrease in the foreign currency assets (of Denar 5,208, or 6.5%) as a result of the reduced placements of the domestic into foreign banks. On the other hand, in the first three months of 2010, the positive gap between the assets and the liabilities in Denars with FX clause incremented by Denar 3,363 million (or by 5.8%). The gap widening between the items in Denars with FX clause results from the quarterly decrease in the liabilities in Denars with FX clause (of Denar 3,013 million, or 22.5%), which mostly arises from the decrease in the Denar deposits with FX clause of the enterprises.

The quarterly decrease in the share of the foreign currency component in the total assets and liabilities of the banking system was evidenced with almost all groups of banks. The share of the foreign currency component in the total assets and liabilities is still the highest with the group of medium-size banks.

The currency structure of the assets and liabilities with foreign currency component and their gap registers no changes of higher significance. The share of the Euro in the banks' balance sheets is still the largest. The gap between the assets and liabilities with currency component at the level of the banking system is positive in all currencies, except to the US Dollar.

Figure 3.3.3
Share of the assets and liabilities with currency component in the total assets and liabilities, by groups of banks



Source: NBRM, based on data submitted by the banks.

Table 3.3.1

Currency	31.12.2009			31.03.2010		
	Currency structure of the assets with currency component	Currency structure of the liabilities with currency component	Currency structure of the gap between the assets and the liabilities with currency component	Currency structure of the assets with currency component	Currency structure of the liabilities with currency component	Currency structure of the gap between the assets and the liabilities with currency component
Euro	89.9%	89.8%	90.3%	89.4%	89.3%	95.1%
US Dollar	6.9%	7.3%	-5.9%	7.3%	7.8%	-15.0%
Swiss franc	1.8%	1.4%	13.4%	1.7%	1.4%	18.7%
Other	1.5%	1.4%	2.2%	1.5%	1.5%	1.3%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Currency structure of the assets and liabilities with currency component and their gap

Source: NBRM, based on data submitted by the banks.

The ratio between the open currency position by currency and own funds, with most of the banks ranges to 5%, while none of the banks register a ratio over 30%.

Table 3.3.2
Open currency position by individual currencies/own funds

Open currency position by currency/own funds	Number of banks							
	Euro		US Dollar		Swiss franc		Other	
	Long	Short	Long	Short	Long	Short	Long	Short
under 5%	5	2	13	3	11	4	14	2
from 5% to10%	2	2						
from 10% to 20%	2	1						
from 20% to 30%	3							

Source: NBRM, based on data submitted by the banks.

The banks maintain the exposure to currency risk within the prescribed limit for the aggregate currency position (maximum 30% of the own funds).

Table 3.3.3
List of banks according to the share of the aggregate foreign currency position in the own funds

Aggregate currency position/own funds	Number of banks	
	Aggregate long position	Aggregate short position
under 5%	4	4
from 5% to 15%	5	1
from 15% to 30%	3	

Source: NBRM, based on data submitted by the banks.

3.4. Insolvency risk

In the first quarter of 2010, both the solvency and the capitalization of the banking system indicators improved, which was fully concentrated with the group of large banks. Such movements with large banks are due to the profit distribution for 2009 into reserves and retained gain. On the other hand, the activities with the group of large banks registered a quarterly decrease, which is additional reason for the improvement in the solvency and capitalization indicators with this group of banks. Opposite to such movements, the solvency and the capitalization indicators with the group of medium and small banks registered certain worsening, which is due to the presented loss with these groups of banks in the first quarter of 2010.

3.4.1. Indicators for the solvency and capitalization of the banking system

The banks have relatively solid solvent position. On March 31,2010, the capital adequacy ratio at the level of the banking system equaled 16.8%, which is quarterly growth of 0.4 percentage points. The quarterly rise of this rate arises from the increase in the capital adequacy with the group of large banks (from 13.8% on December 31,2009 to 14.7% on March 31, 2010). With the group of both medium and small banks, the capital adequacy ratio registered quarterly decrease of 0.6 percentage points, each.

Figure 3.4.1
Movement of the capital adequacy ratio

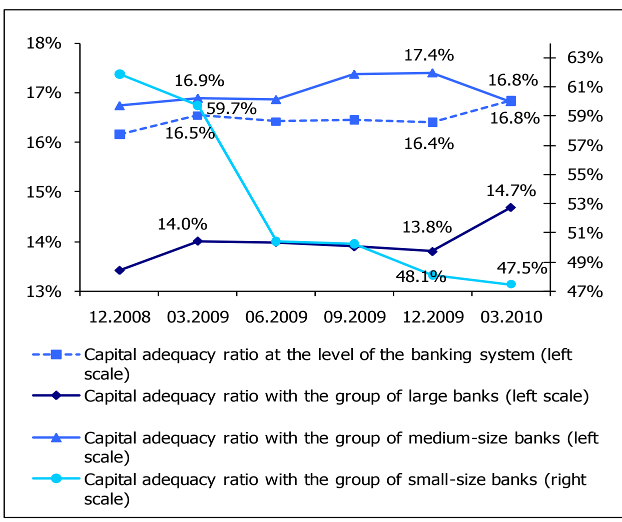
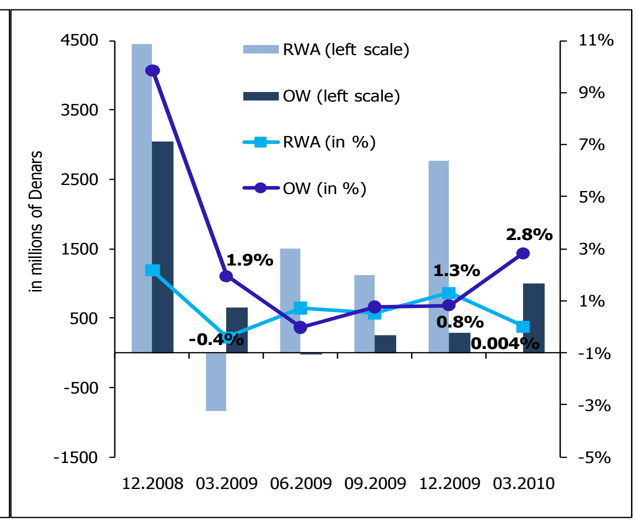


Figure 3.4.2
Quarterly change of the own funds and the risk weighted assets



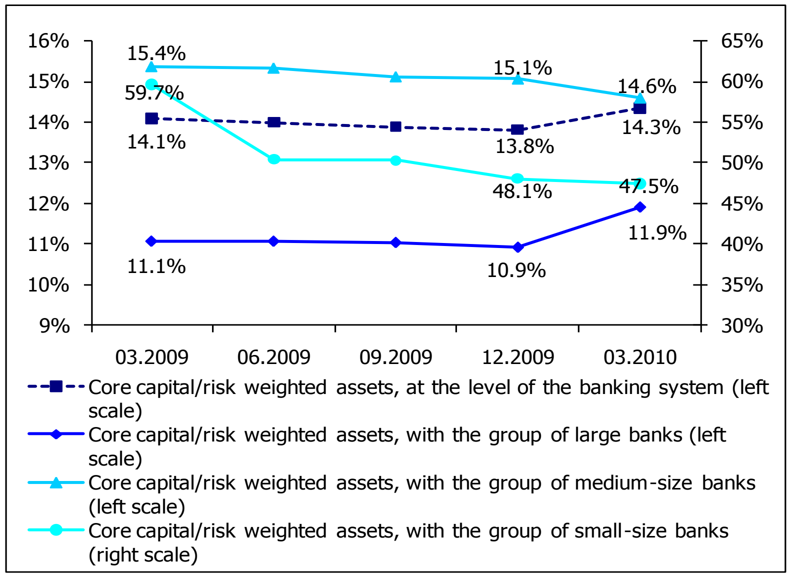
Source: NBRM, based on data submitted by the banks.
Note: RWA: Risk weighted assets; OF: own funds.

The quarterly rise in the capital adequacy ratio originate from the increase in the own funds of the banking system, given the almost unchanged level of the risk weighted assets. On March 31,2010, the banks' own funds amounted Denar 36,109 million, which is an increase of 2.8% in comparison with the end of 2009. **The increase in the own funds is due to the core capital growth, i.e. the gain distribution for 2009 in reserves and**

retained gain by part of the banks (of the group of the large banks). On the other hand, at the end of the first quarter of 2010 the risk weighted assets equaled Denar 211,420 million, and in comparison with December 31,2009, it registered minimal growth of 0.004%, or of Denar 9 million (Annex 17 - Capital adequacy ratio, by groups of banks). The risk weighted assets augmented by Denar 429 million (or by 0.2%), while the currency risk weighted assets continued to decrease (decline of Denar 420 million, or 3.6%).

The indicator for the share of the core capital[13] in the risk weighted assets (Tier -1 ratio), calculated at the level of the banking system, registers an increase, which fully arises from the improvement of this ratio with the group of large banks. The quarterly increase in the share of the core capital in the risk weighted assets with the group of large banks (of 1 percentage point) results from the increase in the core capital with this group of banks, given simultaneous decrease in the risk weighted assets. The increase in the core capital with the group of large banks arises from the profit distribution for 2009 in reserves and retained gain. With the group of medium banks, the decrease in the core capital in conditions of increase in the risk weighted assets, caused worsening of the Tier-1 indicator by 0.5 percentage points. The decline in the core capital with the group of medium banks results from the realized operating loss, for the first three months of 2010 (including also the non-allocated impairment and the special reserve as a result of the accounting delay). Quarterly decrease in the share of the core capital in the risk weighted assets with the group of small banks (of 0.6 percentage points) arises from the faster decrease in the core capital, with this group of banks, in comparison with the decrease in the risk weighted assets. The decrease in the banks' core capital results from the shown loss in the first quarter of 2010 (Annex 16 - Own funds by groups of banks).

Figure 3.4.3
Movement of the indicator for the share of the core capital in the risk weighted assets

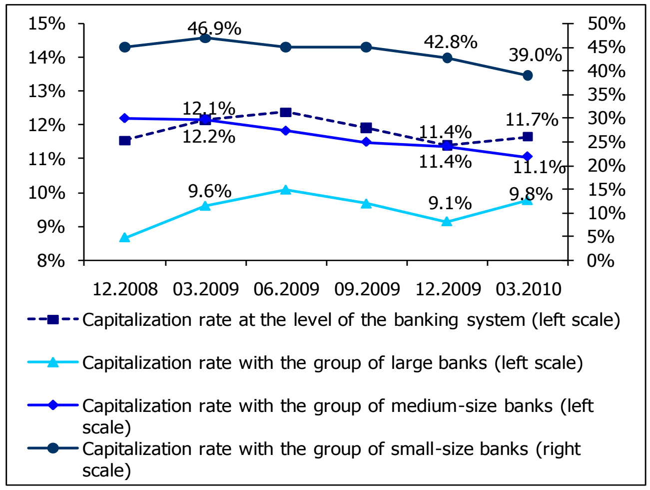


Source: NBRM, based on data submitted by the banks

[13] The calculation uses the core capital reduced by the deductible items (line IV of the Report for the bank's own funds, in conformity with the Instructions for the implementation of the Decision on the methodology for determining the capital adequacy - "Official Gazette of RM" no. 43/2009).

In the first quarter of 2010, similar movements also with the capitalization rate[14] **of the banking system were registered (increase with the group of large banks and decrease with the group of medium and small banks).** On March 31,2010, the capitalization rate of the banking system equaled 11.7%, which is an increase of 0.3 percentage points in comparison with the end of 2009.

Figure 3.4.4
Movement of the capitalization rate



Source: NBRM, based on data submitted by the banks

Stress test simulations for resistance of the banking system to hypothetical shocks as of March 31,2010

On March 31,2010, the conducted stress test simulations[1] **for the resistance of the banking system and the individual banks in the Republic of Macedonia to possible external shocks showed that the banking system and the individual banks are still relatively resistant to the influence of these shocks.** However, in case more extreme simulations are applied, decrease in the capital adequacy below 8% is evidenced, not only with individual banks, but at the level of the banking system, as well. The results improved in comparison with December 31,2009.

Table 3.4.1
Results from the stress test simulations for the resistance of the banking system and individual banks to hypothetical shocks as of March 31,2010

No. of simulation	CAR at the level of the banking system, before simulation	CAR at the level of the banking system, after simulation	Number of banks with a result (CAR after simulation) below the CAR of the overall banking system after simulation
1	16.8%	16.2%	2 (l); 3 (m)
2	16.8%	14.8%	2 (l); 4 (m)
3	16.8%	13.4%	2 (l); 4 (m)
4	16.8%	14.8%	2 (l); 3 (m)
5	16.8%	13.3%	2 (l); 4 (m)
6	16.8%	13.3%	2 (l); 4 (m)
7	16.8%	16.7%	2 (l); 4 (m)
8	16.8%	14.2%	2 (l); 3 (m)

Source: internal NBRM calculations on the basis of the data submitted by the banks.
Note: (l) - large banks; (m) - medium bank; (s) - small bank.

[1] This stress test analysis is based on the implementation of eight hypothetical simulations, of which:

[14] The capitalization rate represents a correlation between the banks' capital and reserves and their assets.

- three simulations for isolated credit shock (increase in the credit risk exposure classified in the risk categories C, D and E of 10%, 30% and 50%),
- fourth simulation as a combination of the credit and interest rate shock (increase in the credit exposure in the risk categories C, D and E of 30% and increase in the domestic interest rates of 5 percentage points),
- fifth scenario as a combination of credit and foreign exchange shock (increase in the credit exposure in the risk categories C, D and E of 50% and depreciation in the Denar exchange rate compared to the Euro and the US Dollar of 20%),
- sixth simulation as a combination of shocks on the side of the credit risk, the foreign exchange risk and the interest rate risk (increase in the credit exposure in the risk categories C, D and E of 50%, depreciation of the Denar exchange rate compared of the Euro and the US Dollar of 20% and increase in the domestic interest rates of 5 percentage points),
- seventh simulation, appreciation of the Denar exchange rate relative to the Euro and the US Dollar in the amount of 20%,
- eighth simulation, simultaneous reclassification in the risk category C of the five largest credit exposures to non-financial entities (including also the connected entities).

3.5. Profitability

In the first quarter of 2010, the banking system registered gain in the amount of Denar 88 million, which is lower by Denar 47 million, or by 35% relative to the same period of 2009. Relative to March 2009, the number of banks that have shown loss in their operating also increased. The lower profitability results from the higher impairment[15] due to the worsened quality of the credit portfolio, but it is due also to the significant growth deceleration of the total regular income[16] of the banks. Such movements resulted in further decrease in the basic profitability indicators, return on assets and capital.

Table 3.5.1
Profitability indicators

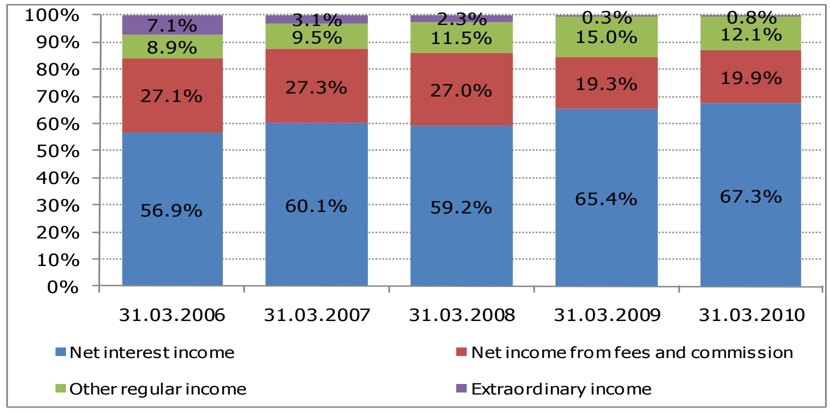
Indicator	Banking system		Large banks		Medium-size banks		Small-size banks	
	03.2009	03.2010	03.2009	03.2010	03.2009	03.2010	03.2009	03.2010
Rate of return of average assets (ROAA)	0.2%	0.1%	1.2%	0.7%	-1.5%	-0.9%	-2.8%	-0.9%
Rate of return of average equity (ROAE)	1.8%	1.1%	12.8%	6.9%	-12.1%	-8.4%	-6.1%	-2.3%
Cost-to-income ratio	62.9%	62.4%	50.3%	52.0%	88.8%	78.3%	96.3%	112.2%
Non-interest expenses / Total regular income	66.7%	67.6%	53.2%	55.3%	93.8%	84.0%	105.8%	140.9%
Labour costs / net interest income	37.2%	37.0%	30.1%	31.1%	48.0%	45.2%	68.2%	66.7%
Impairment losses / Net interest income	51.4%	53.3%	49.3%	55.3%	51.9%	56.7%	77.0%	6.2%
Net interest income / Average assets	4.0%	4.0%	3.9%	3.9%	4.1%	4.3%	4.0%	3.9%
Net interest income / Total regular income	65.6%	67.8%	63.1%	66.6%	72.5%	70.1%	63.3%	70.2%
Net interest income / Non-interest expenses	98.2%	100.3%	118.5%	120.4%	77.2%	83.5%	59.8%	49.8%
Financial result / Total regular income	3.6%	2.2%	18.7%	11.2%	-25.9%	-15.4%	-44.9%	-16.5%
Number of banks with negative financial result	7	8	0	0	3	3	4	5
Interest rate spread-denar	3.5	3.2	2.5	2.6	5.6	6.0	5.1	4.6
Interest rate spread -denar with fx clause	4.7	5.0	4.3	4.7	5.5	5.0	4.3	9.2
Interest rate spread-foreign currency	4.2	4.1	4.0	3.9	4.5	4.6	7.1	7.0

Source: NBRM, based on data submitted by banks.

[15] The impairment includes the impairment of the financial assets and the non-financial assets on a net basis.
[16] The total regular income includes: net interest income, net income from commissions and other regular income. Other regular income includes: net income from trading, net income from other financial instruments recorded at fair value, net income based on dividends and capital investments, gain from sale of financial instruments available for sale, capital gain realized from sale of assets, release of other provisioning, income on other basis and the losses from sale of financial assets available for sale.

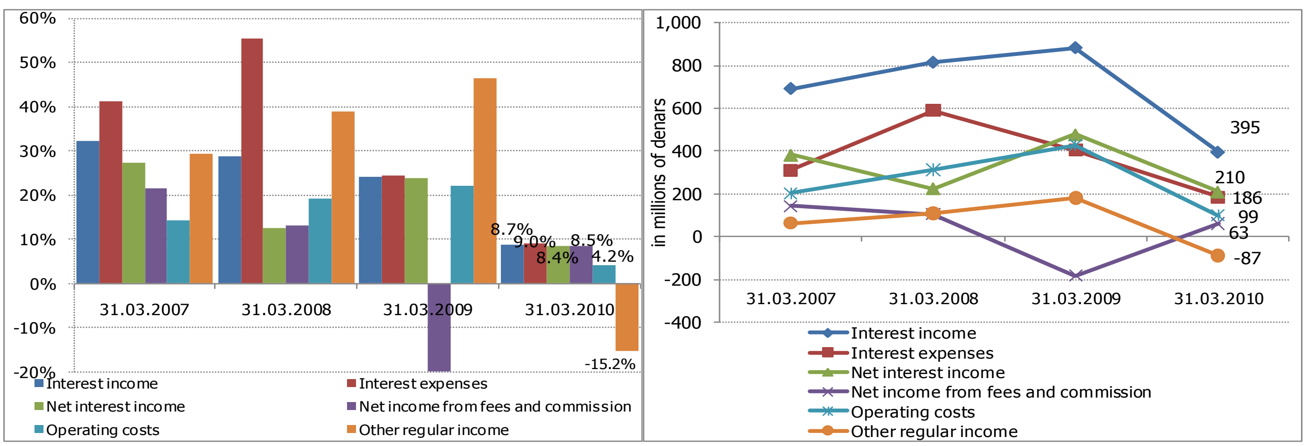
The twice higher increase in the interest rate income (of Denar 395 million, in comparison with the first quarter of 2009), relative to the increase in the interest rate expenditures (of Denar 186 million, compared to the first quarter of 2009), contributed to the rise in the net interest income, which strengthened its position in the structure of the total regular income of the banks. The annual increase in the interest income contributed to further maintenance of favorable structure of the total income of the banking system, in which the regular income takes the largest share with 99.2%. The income generated from the banking system is sufficient for covering the operating costs and the allocated impairment. In addition, at the end of March, the annual growth rate of the operating costs[17] decelerated, as a tendency that began at the end of 2009.

Figure 3.5.1
Structure of total income of banks



Source: NBRM, based on data submitted by banks.

Figure 3.5.2
Annual relative (left) and absolute (right) growth of the main components of the profitability

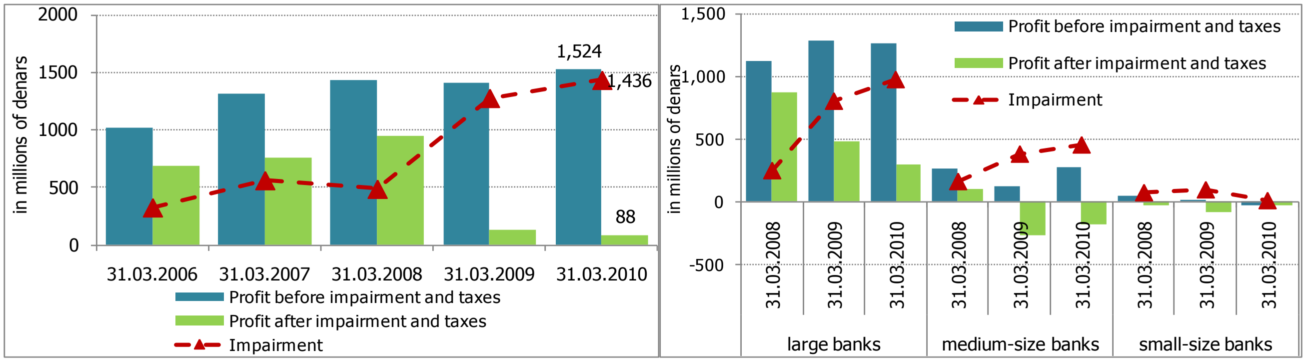


Source: NBRM, based on data submitted by banks.

At the level of the banking system, no structural disruptions in the profitable operation was registered, having in mind the movement of the gain before allocation of the impairment.

[17] Operating costs encompass: costs for employees, depreciation, general and administrative costs, deposits insurance premiums, other provisioning and other expenditures of the activity, except extraordinary expenditures. The most significant item within the operating costs, with a share of 40.2%, is the costs for employees.

Figure 3.5.3
Dynamics of impairment and profit on the level of banking system (left) and at the separate groups of banks (right)

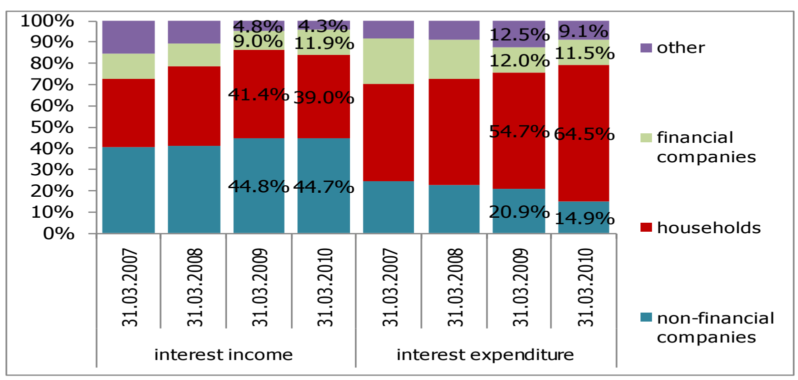


Source: NBRM, based on data submitted by banks.

The profitable operations of the banking system are mainly based on the performances of the group of large banks. This group of banks ended the first quarter of 2010 with a profit of Denar 295 million, which is lower by 39.1% of the same period of the previous year (Annex 2 - Profit and Loss Account). The group of medium and small banks operates with loss in the first quarter of 2010, which is smaller by Denar 86 and 56 million, respectively, in comparison with March 2009. With all three groups of banks, the main driving force of the profitability was the net interest income, which registered annual growth of 8.1%, 9.2% and 18.3% with the groups of large, medium and small size banks, respectively. High annual growth of the allocated impairment with the large and medium banks (of 21.3% and 19.1%, respectively) is registered. Significantly smaller amount (by - 91.3%) of the allocated impairment was registered only with the group of small banks.

Within the banks' interest expenditures, also in this quarter, the largest portion accounts for the non-financial companies and households. However, the highest annual growth (of 45.1%) in the interest income, according to the sector structure of their source was registered with the income from financial companies. In the expenditures structure, the largest portion accounts for the interest expenditures for households, as the main depositor in the banks.

Figure 3.5.4
Sector structure of total interest income and interest expenditure



Source: NBRM, based on data submitted by banks.

From the aspect of the interest rates, approximation between lending and deposit interest rates in Denars and in foreign currency is registered, opposite to the widening of this gap with the interest rates with currency clause (see Table 3.5.1). The squeezing of the spread with the Denar and the foreign exchange rates, to large part, is due to the increase in the interest rates on the deposits. The downward trend of the interest rates on the deposits with FX clause caused widening of this interest rate spread.

ANNEX

Balance Sheet - ASSETS **Annex 1**

in millions of Denars

ASSETS	Large banks	Medium-size banks	Small-size banks	Total
CASH AND BALANCES WITH NBRM	20,924	8,851	1,159	**30,935**
FINANCIAL ASSETS HELD FOR TRADING	590	253	0	**843**
DERIVATIVES HELD FOR TRADING AT FAIR VALUE	0	5	0	**5**
FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT AND LOSS	0	0	0	**0**
FINANCIAL ASSETS HELD-TO-MATURITY	5,371	2,033	1,222	**8,626**
FINANCIAL ASSETS AVAILABLE FOR SALE	17,309	8,384	1,909	**27,603**
PLACEMENTS TO THE CENTRAL BANK	0	0	0	**0**
PLACEMENTS TO FINANCIAL INSTITUTIONS (NET)	17,376	5,875	5,292	**28,544**
PLACEMENTS TO NONFINANCIAL ENTITIES (NET)	110,769	45,028	2,765	**158,562**
ACCRUED INTEREST	870	447	42	**1,359**
INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES	180	0	252	**431**
OTHER ASSETS	1,726	741	136	**2,602**
FORECLOSURES	1,840	982	417	**3,240**
INTANGIBLE ASSETS	307	412	153	**872**
FIXED ASSETS (PROPERTY, PLANT AND EQUIPMENT)	3,846	2,873	927	**7,646**
NON CURRENT ASSETS HELD FOR SALE	0	0	58	**58**
NET COMMISSION RELATIONS	-22	-1	-239	**-261**
UNRECOGNIZED IMPAIRMENT	0	-174	0	**-174**
TOTAL ASSETS (NET)	**181,085**	**75,709**	**14,094**	**270,888**

Balance Sheet - LIABILITIES

in millions of Denars

LIABILITIES	Large banks	Medium-size banks	Small-size banks	Total
INSTRUMENTS FOR TRADING AND FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT AND LOSS	1	0	0	**1**
DERIVATIVES HELD FOR HEDGING	0	0	0	**0**
DEPOSITS OF FINANCIAL INSTITUTIONS	6,433	8,924	795	**16,152**
SIGHT DEPOSITS OF NONFINANCIAL ENTITIES	49,872	15,001	2,228	**67,102**
SHORT TERM DEPOSITS OF NONFINANCIAL ENTITIES	74,038	23,855	2,057	**99,950**
LONG TERM DEPOSITS OF NONFINANCIAL ENTITIES	17,446	7,229	524	**25,199**
DEBT SECURITIES IN ISSUE	634	300	0	**934**
BORROWINGS	5,906	9,189	2,599	**17,693**
LIABILITY COMPONENT OF HYBRID INSTRUMENTS	0	185	0	**185**
SUBORDINATED DEBT AND CUMULATIVE PREFERRED SHARES	4,527	1,261	0	**5,789**
INTEREST LIABILITIES	912	507	65	**1,484**
OTHER LIABILITIES	2,702	858	256	**3,816**
PROVISIONS	620	111	11	**743**
CAPITAL AND RESERVES	17,700	8,225	5,496	**31,421**
GROSS PROFIT*	295	63	63	**422**
TOTAL LIABILITIES	**181,085**	**75,709**	**14,094**	**270,888**

* The sum of the financial result of the banks that have profit. The total loss of the banks is deducted item from the capital and reserves.

Annex 2

in millions of Denars

STATEMENT OF COMPREHENSIVE INCOME	Large banks		Medium-size banks		Small-size banks		Total	
	03.2009	03.2010	03.2009	03.2010	03.2009	03.2010	03.2009	03.2010
INTEREST INCOME	3,025	3,339	1,354	1,423	167	179	**4,546**	**4,941**
INTEREST EXPENSES	-1,395	-1,576	-621	-624	-44	-46	**-2,060**	**-2,246**
NET INTEREST INCOME	1,630	1,762	732	800	123	133	**2,486**	**2,695**
NET FEES AND COMMISSION INCOME	509	558	184	207	40	31	**733**	**796**
NET TRADING INCOME	62	6	0	20	6	0	**68**	**26**
NET INCOME FROM FINANCIAL INTRUMENTS DESIGNATED AT FAIR VALUE	0	0	0	0	0	0	**0**	**0**
NET (GAINS - LOSSES) FROM FOREIGN EXCHANGE DIFFERENCES	125	138	54	51	12	17	**192**	**206**
OTHER OPERATING INCOME	262	180	49	94	13	9	**324**	**283**
NET IMPAIRMENT LOSSES (PROVISIONS) OF FINANCIAL ASSETS	-803	-974	-380	-447	-95	-8	**-1,278**	**-1,429**
IMPAIRMENT LOSSES OF NON-FINANCIAL ASSETS	0	0	-1	-6	0	0	**-1**	**-6**
EMLOYEES EXPENSES	-490	-548	-352	-362	-84	-89	**-926**	**-998**
DEPRECIATION	-132	-148	-101	-107	-18	-28	**-251**	**-284**
OTHER OPERATING EXPENSES	-679	-680	-448	-425	-85	-96	**-1,211**	**-1,200**
CURRENT PROFIT/LOSS	**484**	**295**	**-261**	**-176**	**-87**	**-31**	**136**	**88**

Annex 3

Credit structure of nonfinancial entities

in millions of Denars

Date	Description	Total	Total			Enterprises			Households			Other clients		
			Denar	FX clause	FX	Denar	FX clause	FX	Denar	FX clause	FX	Denar	FX clause	FX
31.12.2009	Due credits	2,414	1,586	501	327	620	363	309	964	135	18	2	2	0.3
	Short-term credits	39,229	23,441	7,555	8,233	18,493	7,365	8,221	4,930	170	8	18	20	4
	Long-term credits	116,290	38,795	51,135	26,360	11,400	25,514	22,851	27,360	25,515	3,325	35	106	184
	Nonperforming credits	15,777	8,315	3,141	4,321	4,649	1,596	3,889	3,656	1,495	432	10	50	0.5
	Total credits	**173,710**	**72,137**	**62,332**	**39,242**	**35,162**	**34,838**	**35,270**	**36,910**	**27,315**	**3,783**	**65**	**179**	**189**
	Accumulated amortization	-528												
	Impairment losses	-16,054												
	Total net credits	**157,128**												
31.03.2010	Due credits	2,708	1,380	771	557	406	616	536	973	154	21	1	2	0.2
	Short-term credits	39,886	23,694	8,041	8,150	18,663	7,905	8,135	5,011	125	11	21	12	5
	Long-term credits	116,206	38,428	50,687	27,092	11,208	25,169	23,577	27,186	25,393	3,331	34	124	183
	Nonperforming	17,361	9,171	3,734	4,456	5,240	2,147	4,017	3,921	1,536	436	10	51	3
	Total credits	**176,161**	**72,673**	**63,233**	**40,255**	**35,517**	**35,837**	**36,265**	**37,090**	**27,207**	**3,799**	**65**	**188**	**191**
	Accumulated amortization	-561												
	Impairment losses	-17,038												
	Total net credits	**158,562**												
Increase 31.03.2010 / 31.12.2009	Absolute increase in total credits	2,451	536	901	1,014	355	1,000	995	181	-108	16	0	10	2
	Increase in %	1.4%	0.7%	1.4%	2.6%	1.0%	2.9%	2.8%	0.5%	-0.4%	0.4%	0.7%	5.3%	1.3%
	Growth structure		21.9%	36.8%	41.4%	14.5%	40.8%	40.6%	7.4%	-4.4%	0.7%	0.0%	0.4%	0.1%

Annex 4

Distribution of credits to nonfinancial entities, by groups of banks

Structure of credits		31.12.2009				31.03.2010			
		Large banks	Middle-size banks	Small-size banks	Total	Large banks	Middle-size banks	Small-size banks	Total
Sector structure	Enterprises	71.4%	26.7%	1.9%	60.6%	71.3%	26.9%	1.7%	60.9%
	Households	68.3%	29.3%	2.4%	39.2%	68.8%	28.8%	2.4%	38.7%
	Other clients	54.4%	44.8%	0.9%	0.2%	51.1%	48.1%	0.8%	0.4%
Maturity structure	Short-term	72.5%	26.1%	1.4%	22.6%	74.3%	24.2%	1.5%	22.6%
	Long-term	70.0%	28.2%	1.8%	66.9%	70.0%	28.3%	1.8%	66.0%
	Due	64.7%	31.3%	4.1%	1.4%	63.1%	34.1%	2.8%	1.5%
	Nonperforming	66.4%	28.1%	5.5%	9.1%	65.2%	30.3%	4.5%	9.9%
Currency structure	Denar	78.1%	18.5%	3.5%	41.5%	79.2%	17.6%	3.3%	41.3%
	Denar with FX clause	58.9%	39.4%	1.7%	35.9%	58.6%	39.7%	1.8%	35.9%
	FX	73.4%	26.4%	0.1%	22.6%	73.0%	27.0%	0.1%	22.9%

Structural features of credits to nonfinancial entities, by groups of banks

Structure of credits		31.12.2009			31.03.2010		
		Large banks	Middle-size banks	Small-size banks	Large banks	Middle-size banks	Small-size banks
Sector structure	Enterprises	61.7%	58.3%	54.5%	61.8%	59.3%	53.2%
	Households	38.1%	41.3%	45.4%	37.8%	40.2%	46.7%
	Other clients	0.2%	0.4%	0.1%	0.2%	0.4%	0.1%
	Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Maturity structure	Short-term	23.3%	21.3%	15.2%	23.9%	19.8%	17.2%
	Long-term	66.8%	68.0%	58.4%	65.6%	67.5%	58.5%
	Due	1.3%	1.6%	2.7%	1.4%	1.9%	2.2%
	Nonperforming	8.6%	9.2%	23.7%	9.1%	10.8%	22.1%
	Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Currency structure	Denar	46.2%	27.6%	68.9%	46.4%	26.2%	67.3%
	Denar with FX clause	30.1%	50.9%	29.5%	29.9%	51.5%	31.9%
	FX	23.7%	21.5%	1.6%	23.7%	22.3%	0.8%
	Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Annex 5

Deposit structure of non-financial entities

in millions of Denars

Sector	Currency	Sight deposits	Restricted deposits	Short term deposits	Long-term deposits	Total
Enterprises	Denar	17,634	330	7,880	1,430	27,273
	Denar deposits with foreign exchange clause	0	3	6,139	210	6,352
	FX Deposits	7,467	1,982	9,087	371	18,908
	Total	**25,101**	**2,315**	**23,106**	**2,011**	**52,533**
Households	Denar deposits	15,405	54	24,610	7,030	47,099
	Denar deposits with foreign exchange clause	0	0	0.1	5	5
	FX Deposits	19,542	87	49,991	15,195	84,815
	Total	**34,948**	**141**	**74,601**	**22,230**	**131,919**
State	Denar deposits	953	4	250	10	1,217
	Denar deposits with foreign exchange clause	0	0	0	0	0
	FX Deposits	15	0	0	0	15
	Total	**968**	**4**	**250**	**10**	**1,232**
Other clients	Denar deposits	1,503	48	910	195	2,657
	Denar deposits with foreign exchange clause	0	0	258	7	265
	FX Deposits	1,920	154	824	746	3,645
	Total	**3,423**	**202**	**1,993**	**948**	**6,567**
Total	Denar deposits	35,496	436	33,649	8,665	78,245
	Denar deposits with foreign exchange clause	0	3	6,398	222	6,623
	FX Deposits	28,944	2,223	59,903	16,312	107,383
	Total	**64,440**	**2,662**	**99,950**	**25,199**	**192,250**

Annex 6

Structural characteristics of credit risk exposure by group of banks (sector, currency and items)

Structures of credit risk exposure (in millions of denars)		31.12.2009			31.03.2010			Quarterly change		
		Large banks	Medium-size banks	Small-size banks	Large banks	Medium-size banks	Small-size banks	Large banks	Medium-size banks	Small-size banks
Sector structure of credit risk exposure	Enterprises and other clients	94,634	33,361	2,231	95,437	34,440	2,138	803	1,079	-93
	Natural persons and sole proprietors	58,176	21,540	1,962	58,860	21,186	1,935	684	-354	-27
	Financial institutions and state	42,612	14,337	7,556	41,869	16,587	8,750	-743	2,250	1,194
	TOTAL	**195,422**	**69,238**	**11,749**	**196,166**	**72,213**	**12,823**	**744**	**2,975**	**1,074**
Currency structure of credit risk exposure	Denar exposure	86,187	27,928	5,430	90,876	29,705	5,975	4,689	1,777	545
	Denar exposure with FX clause	50,657	24,565	2,786	51,999	25,032	2,870	1,342	467	84
	Foreign currency exposure	58,578	16,745	3,533	53,291	17,476	3,978	-5,287	731	445
	TOTAL	**195,422**	**69,238**	**11,749**	**196,166**	**72,213**	**12,823**	**744**	**2,975**	**1,074**
Credit risk exposure by items of exposure	Regular credits	134,533	49,725	7,229	129,947	49,164	7,909	-4,586	-561	680
	Nonperforming credits	10,507	4,499	980	11,333	5,342	893	826	843	-87
	Other claims and regular interest	20,211	9,432	2,904	24,640	11,760	3,369	4,429	2,328	465
	Off-balance sheet items	30,171	5,582	636	30,246	5,947	652	75	365	16
	TOTAL	**195,422**	**69,238**	**11,749**	**196,166**	**72,213**	**12,823**	**744**	**2,975**	**1,074**

Structures of credit risk exposure (in percentage)		31.12.2009			31.03.2010			Quarterly change of structural share (in percentage points)		
		Large banks	Medium-size banks	Small-size banks	Large banks	Medium-size banks	Small-size banks	Large banks	Medium-size banks	Small-size banks
Sector structure of credit risk exposure	Enterprises and other clients	48.4%	48.2%	19.0%	48.7%	47.7%	16.7%	0.3	-0.5	-2.3
	Natural persons and sole proprietors	29.8%	31.1%	16.7%	30.0%	29.3%	15.1%	0.2	-1.8	-1.6
	Financial institutions and state	21.8%	20.7%	64.3%	21.3%	23.0%	68.2%	-0.5	2.3	3.9
	TOTAL	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**0.0**	**0.0**	**0.0**
Currency structure of credit risk exposure	Denar exposure	44.1%	40.3%	46.2%	46.3%	41.1%	46.6%	2.2	0.8	0.4
	Denar exposure with FX clause	25.9%	35.5%	23.7%	26.5%	34.7%	22.4%	0.6	-0.8	-1.3
	Foreign currency exposure	30.0%	24.2%	30.1%	27.2%	24.2%	31.0%	-2.8	0.0	0.9
	TOTAL	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**0.0**	**0.0**	**0.0**
Credit risk exposure by items of exposure	Regular credits	68.8%	71.8%	61.5%	66.2%	68.1%	61.7%	-2.6	-3.7	0.2
	Nonperforming credits	5.4%	6.5%	8.3%	5.8%	7.4%	7.0%	0.4	0.9	-1.3
	Other claims and regular interest	10.3%	13.6%	24.7%	12.6%	16.3%	26.3%	2.2	2.7	1.4
	Off-balance sheet items	15.4%	8.1%	5.4%	15.4%	8.2%	5.1%	0.0	0.1	-0.3
	TOTAL	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**0.0**	**0.0**	**0.0**

Annex 7

Credit risk exposure to enterprises and other clients, by activities

Credit risk exposure to enterprises and other clients, by activities	Credit risk exposure classified in „C“, „D“ and „E“ (in millions of denars)			Impairment losses and special reserves, calculated by banks (in millions of denars)			Absolute quarterly changes (in millions of denars)		Relative quarterly changes (in %)		Absolute annual changes (in millions of denars)		Relative annual changes (in %)	
	31.03.2009	31.12.2009	31.03.2010	31.03.2009	31.12.2009	31.03.2010	Exposure in „C“, „D“ and „E“	Impairment losses and special reserves	Exposure in „C“, „D“ and „E“	Impairment losses and special reserves	Exposure in „C“, „D“ and „E“	Impairment losses and special reserves	Exposure in „C“, „D“ and „E“	Impairment losses and special reserves
Industry	6,475	7,847	8,000	5,471	6,135	6,441	153	306	1.9%	5.0%	1,525	970	23.6%	17.7%
Agriculture, hunting and forestry	727	684	665	614	550	543	-19	-7	-2.8%	-1.3%	-62	-71	-8.5%	-11.6%
Construction	1,031	937	996	952	768	881	59	113	6.3%	14.7%	-35	-71	-3.4%	-7.5%
Wholesale and retail trade	2,839	3,027	3,288	2,622	3,002	3,186	261	184	8.6%	6.1%	449	564	15.8%	21.5%
Transport, storage and communications	739	728	834	518	549	561	106	12	14.6%	2.2%	95	43	12.9%	8.3%
Hotels and restaurants	297	1,021	1,097	276	486	530	76	44	7.4%	9.1%	800	254	269.4%	92.0%
Real estate activities	156	608	651	287	413	425	43	12	7.1%	2.9%	495	138	317.3%	48.1%
Other activities	159	240	269	249	236	241	29	5	12.1%	2.1%	110	-8	69.2%	-3.2%
TOTAL	**12,423**	**15,092**	**15,800**	**10,989**	**12,139**	**12,808**	**708**	**669**	**4.7%**	**5.5%**	**3,377**	**1,819**	**27.2%**	**16.6%**

Annex 8

Credit risk exposure to natural persons, by products

Credit risk exposure to natural persons, by products	Credit risk exposure classified in „C“, „D“ and „E“ (in millions of denars)			Impairment losses and special reserves, calculated by banks (in millions of denars)			Absolute quarterly changes (in millions of denars)		Relative quarterly changes (in %)		Absolute annual changes (in millions of denars)		Relative annual changes (in %)	
	31.03.2009	31.12.2009	31.03.2010	31.03.2009	31.12.2009	31.03.2010	Exposure in „C“, „D“ and „E“	Impairment losses and special reserves	Exposure in „C“, „D“ and „E“	Impairment losses and special reserves	Exposure in „C“, „D“ and „E“	Impairment losses and special reserves	Exposure in „C“, „D“ and „E“	Impairment losses and special reserves
Residential and commercial real estate loans	567	568	693	491	463	567	125	104	22.0%	22.5%	126	76	22.2%	15.5%
Consumer credits	2,518	2,827	3,133	1,859	2,136	2,458	306	322	10.8%	15.1%	615	599	24.4%	32.2%
Overdrafts	275	335	354	516	522	542	19	20	5.7%	3.8%	79	26	28.7%	5.0%
Credit cards	1,144	1,571	1,722	1,337	1,504	1,639	151	135	9.6%	9.0%	578	302	50.5%	22.6%
Car credits	279	269	275	200	211	228	6	17	2.2%	8.1%	-4	28	-1.4%	14.0%
Other credit risk exposure	268	393	271	205	281	208	-122	-73	-31.0%	-26.0%	3	3	1.1%	1.5%
TOTAL	**5,051**	**5,963**	**6,448**	**4,608**	**5,117**	**5,642**	**485**	**525**	**8.1%**	**10.3%**	**1,397**	**1,034**	**27.7%**	**22.4%**

Annex 9

Credit risk indicators by sectors or credit products to natural persons, by group of banks on 31.03.2010

Sector / Activity or credit product	Large banks			Medium-sized banks			Small-sized banks		
	Share of „C", „D" and „E" in total credit risk exposure	Average level of risk	Impairment losses and special reserves / Exposure in „C", „D" and „E"	Share of „C", „D" and „E" in total credit risk exposure	Average level of risk	Impairment losses and special reserves / Exposure in „C", „D" and „E"	Share of „C", „D" and „E" in total credit risk exposure	Average level of risk	Impairment losses and special reserves / Exposure in „C", „D" and „E"
Industry	16.5%	14.2%	86.4%	15.4%	8.8%	56.8%	30.6%	25.5%	83.2%
Agriculture, hunting and forestry	12.1%	13.1%	108.3%	21.1%	10.6%	50.0%	28.7%	21.7%	75.5%
Construction	7.1%	6.6%	92.8%	5.7%	4.1%	72.7%	31.4%	27.7%	88.2%
Wholesale and retail trade	7.1%	7.9%	110.0%	6.9%	4.6%	66.7%	42.4%	37.3%	87.9%
Transport, storage and communication	10.0%	8.1%	81.1%	10.2%	4.9%	48.2%	16.5%	12.7%	76.8%
Hotels and restaurants	23.5%	14.0%	59.8%	34.8%	11.9%	34.2%	20.0%	17.6%	87.7%
Real estate activities	4.0%	6.4%	160.3%	30.5%	8.7%	28.6%	4.1%	5.0%	121.2%
Total credit risk exposure to enterprises and other clients	**11.4%**	**10.5%**	**91.9%**	**12.4%**	**6.5%**	**52.5%**	**30.9%**	**26.7%**	**86.2%**
Residential and commercial real estate credits	3.3%	3.3%	99.3%	7.8%	4.9%	62.7%	5.1%	5.8%	114.8%
Consumer credits	8.9%	8.5%	96.2%	20.0%	12.4%	62.0%	9.0%	7.7%	85.8%
Overdrafts	3.6%	6.0%	166.1%	4.8%	6.9%	144.6%	12.3%	10.7%	86.0%
Credit cards	6.6%	6.4%	98.2%	13.1%	10.7%	81.9%	15.0%	14.9%	99.4%
Car credits	4.3%	4.4%	102.9%	9.5%	6.2%	65.2%	7.8%	9.2%	117.3%
Total credit risk exposure to natural persons	**6.2%**	**6.4%**	**102.3%**	**14.5%**	**9.7%**	**56.8%**	**11.0%**	**9.7%**	**88.1%**
Total credit risk exposure to sole proprietors	**17.2%**	**16.5%**	**95.6%**	**9.5%**	**6.2%**	**64.7%**	**23.2%**	**19.4%**	**83.5%**

Annex 10

Liquidity indicators

Indicators	03.2009	04.2009	05.2009	06.2009	07.2009	08.2009	09.2009	10.2009	11.2009	12.2009	01.2010	02.2010	03.2010
Liquid assets / Total assets	20.2%	20.6%	20.1%	20.5%	21.3%	23.0%	23.3%	24.8%	25.0%	25.7%	25.8%	25.9%	25.6%
Liquid assets / Total liabilities	23.3%	23.8%	23.3%	23.8%	24.7%	26.6%	26.9%	28.6%	28.8%	29.5%	29.3%	29.5%	29.2%
Liquid assets / Short-term liabilities	29.2%	29.7%	29.2%	29.7%	30.6%	33.1%	33.8%	35.8%	36.5%	37.5%	37.8%	38.1%	38.2%
Liquid assets / Total deposits of non-financial entities	27.8%	28.4%	27.8%	28.2%	29.2%	31.3%	32.0%	33.9%	34.3%	35.9%	35.8%	36.1%	35.4%
Liquid assets / Household deposits	44.6%	44.9%	43.5%	44.1%	45.5%	49.7%	50.2%	53.0%	53.3%	53.8%	53.3%	52.8%	51.5%
Loan - to - value deposits	97.8%	97.0%	97.7%	96.7%	95.4%	92.7%	92.6%	91.4%	91.6%	92.5%	91.7%	92.1%	91.6%

Annex 11

Survey of fulfillment of the liquidity ratio up to 30 and 180 days

Number of banks	Maturity segment up to 30 days										Maturity segment up to 180 days									
	in Denars					in foreign currency					in Denars					in foreign currency				
	28.02.2009	30.06.2009	30.09.2009	31.12.2009	31.03.2010	28.02.2009	30.06.2009	30.09.2009	31.12.2009	31.03.2010	28.02.2009	30.06.2009	30.09.2009	31.12.2009	31.03.2010	28.02.2009	30.06.2009	30.09.2009	31.12.2009	31.03.2010
liquidity ratio > 1	14	17	17	17	18	12	17	16	17	18	9	11	16	16	16	8	10	10	10	10
liquidity ratio < 1	4	1	1	1	0	6	1	2 (1)*	1	0	9	7 (3)*	2	2	2	10	8 (1)*	8 (3)*	8 (1)*	8 (2)*

* Note: the number in the brackets denotes the number of banks with liquidity ratio below 1 that failed to register the required minimal level of the liquidity ratio set for the specific date.

Annex 12

CONTRACTUAL MATURITY STRUCTURE OF THE ASSETS AND LIABILITIES as of 31.03.2010

in millions of Denars

Number	Description		up to 7 days	from 8 to 30 days	from 31 to 90 days	from 91 to 180 days	from 181 to 365 days	TOTAL
Assets								
1	Cash, cash equivalents, gold and precisious metals		23,059	0	6	0	0	23,066
2	Financial instruments held for trading		39	358	73	38	1	509
		Money Market instruments	0	0	64	0	0	64
		other debt instruments	30	358	1	38	1	429
		equity instruments	9	0	8	0	0	16
3	Derivatives for trading		0	0	0	5	0	5
4	Embeded derivatives and derivatives held for hedging		0	0	0	0	0	0
5	Financial instruments at fair value through profit and loss, identified as such at initial recognition		0	0	0	0	0	0
		Money Market instruments	0	0	0	0	0	0
		other debt instruments	0	0	0	0	0	0
		equity instruments	0	0	0	0	0	0
		credits	0	0	0	0	0	0
6	Financial instruments held to maturity		1,332	3,906	188	552	338	6,316
		Money Market instruments	1,084	3,906	0	420	0	5,410
		other debt instruments	248	0	188	132	338	906
7	Financial instuments available for sale		5,483	13,674	3,166	3,645	42	26,010
		Money Market instruments	5,396	13,674	2,888	3,645	0	25,603
		other debt instruments	35	0	279	0	32	346
		equity instruments	52	0	0	0	9	61
		other instruments	0	0	0	0	0	0
8	Credits and claims		14,184	13,301	12,494	17,294	38,673	95,946
		interbank transactions	9,506	5,702	368	506	44	16,126
		deposits	5	0	0	0	0	5
		financial leasing	0	0	0	0	0	0
		credits	4,620	7,565	12,082	16,757	38,608	79,632
		other claims	53	34	44	31	21	183
9	Interest receivables		921	440	51	14	237	1,663
10	Commission and fees receivables		100	33	0	1	0	133
11	Other on-balance sheet assets		984	969	87	17	37	2,095
12	**Total Assets (1+2+3+4+5+6+7+8+9+10+11)**		46,102	32,682	16,066	21,566	39,327	155,743
Liabilities								
13	Transaction accounts		56,600	0	0	0	0	56,600
14	Financial liabilities at fair value through profit and loss		0	0	0	0	0	0
		Money Market instruments	0	0	0	0	0	0
		other debt instruments	0	0	0	0	0	0
		equity instruments	0	0	0	0	0	0
		deposits	0	0	0	0	0	0
		liabilities from credits	0	0	0	0	0	0
		subordinated instruments	0	0	0	0	0	0
15	Derivatives for trading		0	0	1	0	0	1
16	Embeded derivatives and derivatives held for hedging		0	0	0	0	0	0
17	Deposits		19,794	20,483	35,099	22,588	36,717	134,681
		sight deposits	12,606	0	0	0	0	12,606
		term deposits	7,189	20,483	35,099	22,588	36,717	122,075
18	Liabilities from credits		693	247	452	826	3,249	5,468
19	Issued debt securities		0	0	0	0	300	300
20	Interest payable		530	464	131	113	180	1,418
21	Commissions and fees payable		0	6	0	0	0	6
22	Financial leasing		6	0	0	0	1	7
23	Other on-balance sheet liabilities		1,699	1,040	14	4	3	2,760
24	**Total Liabilities (13+14+15+16+17+18+19+20+21+22+23)**		79,323	22,240	35,697	23,531	40,450	201,241
Off-Balance sheet items								
25	Off-balance sheet assets		478	27	61	15	236	817
26	Off-balance sheet liabilities		5,656	733	2,107	3,435	4,929	16,860
27	**Net off-balance sheet items (25-26)**		-5,178	-706	-2,046	-3,420	-4,693	-16,043
28	**Gap (12-24+27)**		-38,398	9,736	-21,677	-5,385	-5,815	-61,541
29	**Cummulative gap**		-38,398	-28,663	-50,340	-55,725	-61,541	0

Annex 13

ANTICIPATED MATURITY STRUCTURE OF THE ASSETS AND LIABILITIES as of 31.03.2010

in million of Denars

Number	Description		Anticipated maturity (on-balance sheet and off-balance sheet items)			Anticipated maturity (future activities)		
			up to 7 days	from 8 to 30 days	from 31 to 90 days	up to 7 days	from 8 to 30 days	from 31 to 90 days
	Assets							
1	Cash, cash equivalents, gold and precisious metals		20,656	46	6	0	0	0
2	Financial intruments held for trading		39	358	73	0	0	0
		Money Market instruments	0	0	64	0	0	0
		other debt instruments	30	358	1	0	0	0
		equity instruments	9	0	8	0	0	0
3	Derivatives for trading		0	0	0	0	0	0
4	Embeded derivtives and derivatives held for hedging		0	0	0	0	0	0
5	Financial instruments at fair value through profit and loss, identified as such at initial recognition		0	0	0	0	0	0
		Money Market instruments	0	0	0	0	0	0
		other debt instruments	0	0	0	0	0	0
		equity instruments	0	0	0	0	0	0
		credits	0	0	0	0	0	0
6	Financial instruments held to maturity		1,570	3,906	230	-230	-130	0
		Money Market instruments	1,364	3,906	0	-230	-130	0
		other debt instruments	206	0	230	0	0	0
7	Financial instuments available for sale		4,976	13,433	2,963	720	378	-472
		Money Market instruments	4,911	13,424	2,685	720	378	-472
		other debt instruments	26	9	279	0	0	0
		equity instruments	39	0	0	0	0	0
		other instruments	0	0	0	0	0	0
8	Credits and claims		12,605	11,715	10,335	62	-2,687	-1,045
		interbank transactions	9,355	5,575	344	0	100	0
		deposits	0	0	0	0	0	0
		financial leasing	0	0	0	0	0	0
		credits	3,213	6,120	9,968	62	-2,787	-1,045
		other claims	38	20	23	0	0	0
9	Interest receivables		667	544	323	64	158	361
10	Commission and fees receivables		96	25	3	4	13	36
11	Other on-balance sheet assets		724	961	87	1	0	0
12	**Total Assets (1+2+3+4+5+6+7+8+9+10+11)**		41,332	30,988	14,022	621	-2,268	-1,121
	Liabilities							
13	Transaction accounts		12,436	4,810	962	5,744	884	976
14	Financial liabilities at fair value through profit and loss		10	0	0	0	0	0
		Money Market instruments	0	0	0	0	0	0
		other debt instruments	0	0	0	0	0	0
		equity instruments	0	0	0	0	0	0
		deposits	0	0	0	0	0	0
		liabilities from credits	10	0	0	0	0	0
		subordinated intruments	0	0	0	0	0	0
15	Derivatives for trading		0	0	1	0	0	1
16	Embeded derivatives and derivatives held for hedging		0	0	0	0	0	0
17	Deposits		4,637	7,962	16,020	1,164	3,839	8,244
		sight deposits	1,234	33	43	220	32	72
		term deposits	3,403	7,928	15,977	944	3,807	8,171
18	Liabilities from credits		680	247	447	0	1,735	664
19	Issued debt securities		0	0	0	0	0	0
20	Interest payable		288	463	131	6	200	123
21	Commissions and fees payable		0	6	0	0	9	6
22	Financial leasing		6	0	0	0	0	0
23	Other on-balance sheet liabilities		1,308	1,012	11	1	0	0
24	**Total Liabilities (13+14+15+16+17+18+19+20+21+22+23)**		19,365	14,499	17,572	6,915	6,667	10,013
	Off-Balance sheet items							
25	Off-balance sheet assets		291	26	45	0	31	112
26	Off-balance sheet liabilities		794	360	816	6	14	35
27	**Net off-balance sheet items (25-26)**		-503	-334	-772	-6	16	76
28	**Gap (12-24+27)**		21,464	16,156	-4,322	-6,300	-8,919	-11,058
29	**Cummulative gap**		21,464	37,620	33,298	-6,300	-15,220	-26,277

Annex 14

Structure of on-balance sheet assets and off-balance sheet assets in foreign currency and in Denars with FX clause, as of 31.03.2010

No.	Item	Amount (in millions of Denars)	Structure (in %)
1	Cash, cash equivalents, gold and precious metals	**18,823**	**12.7%**
2	Financial instruments for trading	**520**	**0.4%**
3	Derivatives for trading	**5**	**0.0%**
4	Embedded derivatives and derivatives held for risk management	**0**	**0.0%**
5	Financial instruments at fair value through profit and loss as such at initial recognize	**0**	**0.0%**
5.1	in foreign currency	0	0.0%
5.2	in Denars with FX clause	0	0.0%
6	Financial instruments held to maturity	**3,521**	**2.4%**
6.1	in foreign currency	0	0.0%
6.2	in Denars with FX clause	3,521	2.4%
7	Financial instruments available for sale	**9,170**	**6.2%**
7.1	in foreign currency	202	0.1%
7.2	in Denars with FX clause	8,968	6.0%
8	Credits and claims in foreign currency	**55,134**	**37.2%**
8.1	deposits	17,542	11.8%
8.2	financial leasing	0	0.0%
8.3	credits	41,022	27.7%
8.4	other claims	65	0.0%
8.5	impairment	-3,495	-2.4%
9	Credits and claims in Denars with FX clause	**58,651**	**39.5%**
9.1	deposits	308	0.2%
9.2	financial leasing	0	0.0%
9.3	credits	60,622	40.9%
9.4	other claims	6	0.0%
9.5	impairment	-2,284	-1.5%
10	Interest receivables in foreign currency	**267**	**0.2%**
10.1	accrued interest	476	0.3%
10.2	impairment	-209	-0.1%
11	Interest receivables in Denars with FX clause	**489**	**0.3%**
11.1	accrued interest	814	0.5%
11.2	impairment	-324	-0.2%
12	Commissions and fees receivables	**1**	**0.0%**
12.1	accrued commissions and fees	3	0.0%
12.2	impairment	-2	0.0%
13	Investments	**0**	**0.0%**
14	Other non-mentioned on-balance sheet assets	**397**	**0.3%**
15	**Total on-balance sheet assets (1+2+3+4+5+6+7+8+9+10+11+12+13+14)**	**146,979**	**99.1%**
16	Off-balance sheet assets	**1,324**	**0.9%**
17	**Total on-balance sheet assets and off-balance sheet assets in foreign currency and in Denars with FX clause (15+16)**	**148,302**	**100.0%**

Annex 15

Structure of on-balance sheet and off-balance sheet liabilities in foreign currency and in Denars with FX clause, as of 31.03.2010

No.	Item	Amount (in millions of Denars)	Structure (in %)
1	Current accounts	**22,975**	**16.0%**
2	Financial liabilities at fair value through profit and loss	**0**	**0.0%**
2.1	in foreign currency	0	0.0%
2.2	in Denars with FX clause	0	0.0%
3	Derivatives for trading	**0**	**0.0%**
4	Embedded derivatives and derivatives held for risk management	**0**	**0.0%**
5	Deposits in foreign currency	**91,533**	**63.7%**
5.1	financial institutions	1,451	1.0%
5.2	nonfinancial institutions	9,465	6.6%
5.3	natural persons	74,538	51.9%
5.4	non-residents	6,069	4.2%
5.5	other clients	9	0.0%
6	Deposits in Denars with FX clause	**7,338**	**5.1%**
6.1	financial institutions	832	0.6%
6.2	nonfinancial institutions	6,271	4.4%
6.3	natural persons	5	0.0%
6.4	non-residents	50	0.0%
6.5	other clients	180	0.1%
7	Liabilities from credits	**14,144**	**9.8%**
7.1	in foreign currency	11,180	7.8%
7.2	in Denars with FX clause	2,964	2.1%
8	Issued debt securities	**634**	**0.4%**
9	Interest payable in foreign currency	**730**	**0.5%**
10	Interest payable in Denars with FX clause	**45**	**0.0%**
11	Commissions and fees payable	**0**	**0.0%**
12	Financial leasing	**4**	**0.0%**
13	Hybrid and subordinated instruments in foreign currency	**5,835**	**4.1%**
14	Hybrid and subordinated instruments in Denars with FX clause	**0**	**0.0%**
15	Other non-mentioned on-balance sheet liabilities	**674**	**0.5%**
16	**Total on-balance sheet liabilities (1+2+3+4+5+6+7+8+9+10+11+12+13+14+15)**	**143,913**	**100.2%**
17	Off-balance sheet liabilities	**-241**	**-0.2%**
18	**Total on-balance sheet and off-balance sheet liabilities in foreign currency and in Denars with FX clause (16+17)**	**143,673**	**100.0%**

Annex 16

Own funds by groups of banks

in millions of Denars

No	Description	31.12.2009				31.03.2010			
		Large banks	Medium-size banks	Small-size banks	Total	Large banks	Medium-size banks	Small-size banks	Total
	CORE CAPITAL								
1	Paid in and subscribed common and non-cumulative preference shares and premiums based on these shares	8,747	7,007	5,491	21,245	8,747	7,007	5,491	21,245
1.1	Nominal value	6,364	5,738	5,488	17,589	6,364	5,738	5,488	17,589
1.1.1	Nominal value of common shares	6,364	5,734	5,399	17,497	6,364	5,734	5,399	17,497
1.1.2	Nominal value of non-cumulative preference share	0	4	89	93	0	4	89	93
1.2	Premium	2,383	1,269	3	3,656	2,383	1,269	3	3,656
1.2.1	Premium based on common shares	2,383	1,269	3	3,656	2,383	1,269	3	3,655
1.2.2	Premium based on non-cumulative preference shares	0	0	0	0	0	0	1	1
2	Reserve and retained profit/loss	7,784	2,015	146	9,944	9,168	1,408	-133	10,443
2.1	Reserve fund	5,091	1,230	441	6,762	5,786	1,230	441	7,457
2.2	Retained profit restricted to distribution to shareholders	2,693	1,074	0	3,767	2,693	1,074	12	3,779
2.3	Accumulated loss from previous years	0	-289	-296	-585	0	-896	-586	-1,483
2.4	Current profit	0	0	0	0	690	0	0	690
2.5	Unrealized loss on equities available for sale	0	0	0	0	0	0	0	0
3	Positions arising from consolidation	0	0	0	0	0	0	0	0
3.1	Minority interest	0	0	0	0	0	0	0	0
3.2	Reserves from exchange rate differentials	0	0	0	0	0	0	0	0
3.3	Other differentials	0	0	0	0	0	0	0	0
4	Deductions	77	752	293	1,122	74	314	113	501
4.1	Loss at the end of the year, or current loss	0	685	278	963	0	75	95	170
4.2	Own shares	0	0	0	0	0	0	0	0
4.3	Intangible assets	77	59	15	151	74	54	18	146
4.4	Net negative revaluation reserves	0	7	0	7	0	10	0	10
4.5	Difference between the amount of required and made impairment/special reserve	0	0	0	0	0	0	0	0
4.6	Amount of unallocated impairment and special reserve as a result of accounting time lag	0	0	0	0	0	174	0	174
5	Common shares, reserves and retained profit and deductions	16,454	8,266	5,255	29,975	17,841	8,097	5,156	31,094
6	Amount of other positions that may be included in the core capital	0	4	89	93	0	4	90	93
I	**CORE CAPITAL**	**16,454**	**8,270**	**5,344**	**30,067**	**17,841**	**8,101**	**5,245**	**31,187**
	SUPPLEMENTARY CAPITAL 1								
7	Paid-in and subscribed cumulative preference shares and premium on such shares	107	51	0	158	107	51	0	158
7.1	Nominal value	107	16	0	122	107	16	0	122
7.2	Premium	0	35	0	36	0	35	0	36
8	Revaluation reserves	64	6	0	70	45	6	0	52
9	Hybrid capital instruments	0	184	0	184	0	185	0	185
10	Subordinated instruments	4,118	1,223	0	5,341	4,055	984	0	5,039
11	Amount of subordinated instruments that may be included in the additional capital I	4,118	1,029	0	5,147	4,055	984	0	5,039
II	**SUPPLEMENTARY CAPITAL 1**	**4,289**	**1,269**	**0**	**5,558**	**4,207**	**1,226**	**0**	**5,433**
	DEDUCTIONS FROM CORE CAPITAL AND SUPPLEMENTARY CAPITAL 1								
12	Capital investments in other banks or financial institutions of over 10% of the capital of such institutions	49	15	256	319	49	15	256	319
13	Investments in subordinated and hybrid capital instruments and other instruments of institutions referred to in 12	0	0	0	0	0	0	0	0
14	Aggregate amount of investments in capital, subordinated and hybrid instruments and other instruments exceeding 10% of (I+II)	0	0	0	0	0	0	0	0
15	Direct capital investments in insurance and reinsurance companies and pension fund management undertakings	183	1	7	192	183	1	7	192
16	Investments in financial instruments issued by the insurance and reinsurance companies and pension fund management undertakings	0	0	0	0	0	0	0	0
17	Amount of excess of limits on investments in nonfinancial institutions	0	0	0	0	0	0	0	0
18	Positions arising from consolidation (negative amounts)	0	0	0	0	0	0	0	0
III	**Deductions from the core capital and supplementary capital 1**	**232**	**16**	**263**	**511**	**232**	**16**	**263**	**511**
IV	**CORE CAPITAL AFTER DEDUCTIONS**	**16,286**	**8,254**	**5,081**	**29,621**	**17,673**	**8,085**	**4,982**	**30,741**
V	**SUPPLEMENTARY CAPITAL 1 AFTER DEDUCTIONS**	**4,225**	**1,268**	**0**	**5,493**	**4,143**	**1,225**	**0**	**5,368**
	SUPPLEMENTARY CAPITAL 2								
19	Subordinated instruments of supplementary capital 2	0	0	0	0	0	0	0	0
20	Supplementary capital 1 and 2	4,225	1,268	0	5,493	4,143	1,225	0	5,368
21	Allowed amount of supplementary capital 1 and 2	4,225	1,268	0	5,493	4,143	1,225	0	5,368
21.1	Supplementary capital 1	4,225	1,268	0	5,493	4,143	1,225	0	5,368
21.2	Supplementary capital 2	0	0	0	0	0	0	0	0
22	Core capital	4,360	3,873	4,235	12,468	5,786	3,658	4,143	13,587
22.1	Excess core capital (150%)	6,540	5,810	6,353	18,702	8,680	5,487	6,214	20,381
22.2	Excess core capital (250%)	10,900	9,683	10,588	31,171	14,466	9,146	10,357	33,968
VI	**Allowed amount of supplementary capital 2**	0	0	0	0	0	0	0	0
	OWN FUNDS								
VII	Core capital	16,286	8,254	5,081	29,621	17,673	8,085	4,982	30,741
VIII	Supplementary capital 1	4,225	1,268	0	5,493	4,143	1,225	0	5,368
IX	Supplementary capital 2	0	0	0	0	0	0	0	0
X	**OWN FUNDS**	**20,511**	**9,523**	**5,081**	**35,115**	**21,816**	**9,310**	**4,982**	**36,109**

Annex 17

Capital adequacy ratio, by groups of banks

in millions of Denars

No	Description	31.12.2009				31.03.2010			
		Large banks	Medium-size banks	Small-size banks	Total	Large banks	Medium-size banks	Small-size banks	Total
I	CREDIT RISK WEIGHTED ASSETS								
1	On-balance sheet credit risk weighted assets	120,833	48,952	7,584	177,369	120,902	49,335	7,744	177,981
2	Off-balance sheet credit risk weighted assets	20,835	4,003	469	25,307	20,449	4,185	490	25,125
3	**Credit risk weighted assets (1+2)**	**141,668**	**52,955**	**8,054**	202,676	**141,351**	**53,520**	**8,234**	203,105
4	Capital requirement for credit risk	11,333	4,236	644	16,214	11,308	4,282	659	16,248
II	CURRENCY RISK WEIGHTED ASSETS								
5	Aggregate currency position	7,408	1,814	2,514	11,735	7,237	1,818	2,260	11,314
6	Net-position in gold	0	0	0	0	0	0	0	0
7	**Currency risk weighted assets (5+6)**	**7,408**	**1,814**	**2,514**	11,735	**7,237**	**1,818**	**2,260**	11,314
8	Capital requirement for currency risk	593	145	201	939	579	145	181	905
III	RISK WEIGHTED ASSETS (3+7)	149,075	54,769	10,568	214,411	148,588	55,338	10,494	214,420
9	Capital requirement for risks (4+8)	11,926	4,381	845	17,153	11,887	4,427	840	17,154
IV	OWN FUNDS	20,511	9,523	5,081	35,115	21,816	9,310	4,982	36,109
V	CAPITAL ADEQUACY RATIO (IV/III)	13.8%	17.4%	48.1%	16.4%	14.7%	16.8%	47.5%	16.8%

Annex 18

Groups of banks as of 31.03.2010

	Large banks		Medium-size banks		Small-size banks
1	Komercijalna banka AD Skopje	1	Alfa banka AD Skopje	1	Eurostandard banka AD Skopje
2	NLB Tutunska banka AD Skopje	2	Izvozna i kreditna banka AD Skopje	2	Ziraat banka AD Skopje
3	Stopanska banka AD Skopje	3	Investbanka AD Skopje	3	Kapital banka AD Skopje
		4	Ohridska banka AD Ohrid	4	Macedonian Bank for Development Promotion AD Skopje
		5	Prokredit banka AD Skopje	5	Postenska banka AD Skopje
		6	Stopanska banka AD Bitola	6	Stater banka AD Kumanovo
		7	TTK banka AD Skopje	7	Centralna kooperativna banka AD Skopje
		8	UNI banka AD Skopje		

* Banks are in alphabetical order