

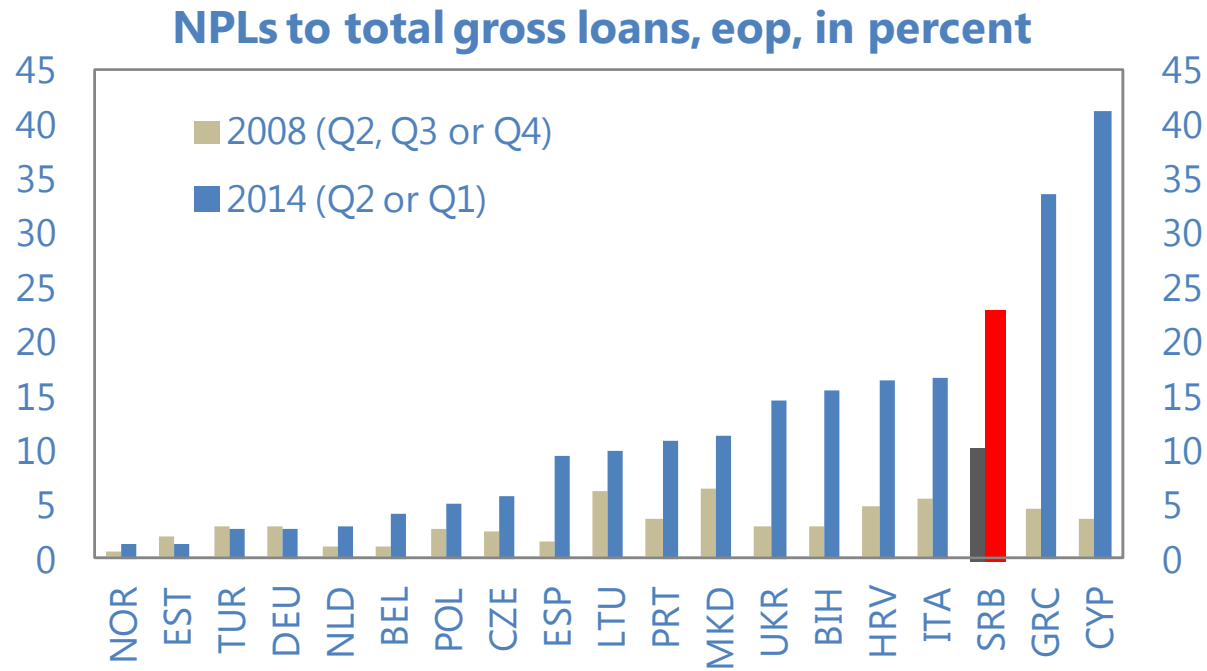
# Key Drivers for High NPLs in Serbia and the Best Way Forward

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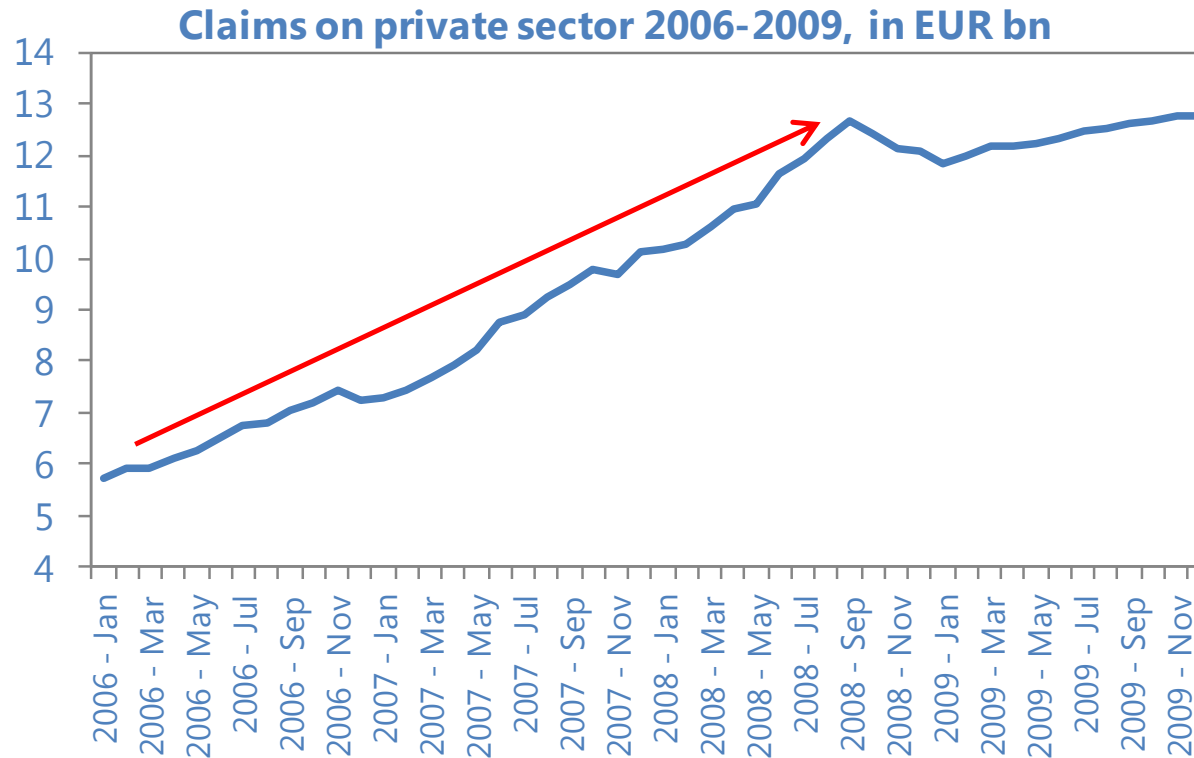


# NPLs in Serbia: 2008 vs. 2014



Source: IMF

# Key Drivers for High NPLs-Sharp Rise of Indebtedness



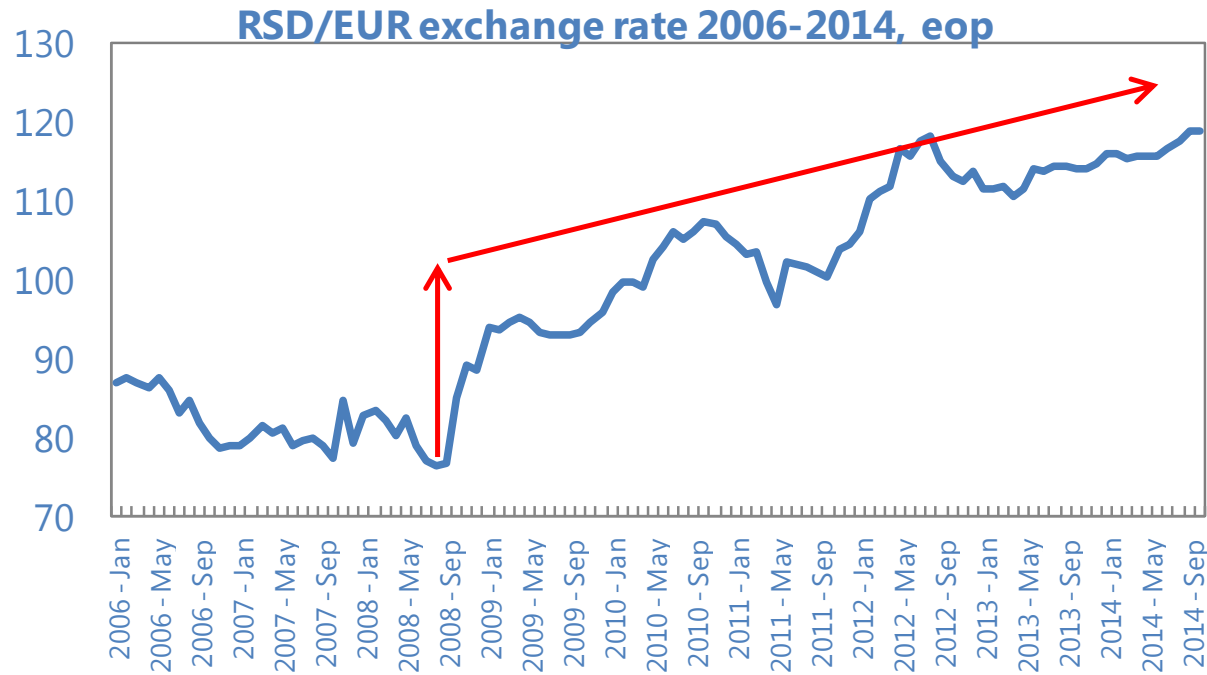
Source: IMF

# Key Drivers-Significant and Protracted Slowdown of Growth



Source: IMF

# Key Drivers-Large Depreciation



Source: IMF

# Other Key Drivers

- **Weak corporate governance**
- **Weak resolution mechanism and incentive misalignment among stakeholders**

# Best Way Forward

- **NPL resolution is needed** to improve credit growth and buttress financial sector stability.
- **Comprehensive reform** is needed:
  - Given the complexity and multidimensional nature of the problem, NPL resolution would require **strong collaboration of all stakeholders**.
  - Defer to other panelist on the discussion about **specific areas for improvement**
  - **IFIs with relevant expertise** would stand ready to support these efforts.