

# **FINANCIAL LEASING SUPERVISION**

**Third Quarter Report 2010**

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## **Market participants**

### **Number of lessors**

As at 30 September 2010, the list of licensed lessors included:

- |   |   |
|---|---|
| 1. EFG Leasing a.d. Belgrade              | 10. Porsche Leasing SCG d.o.o.Belgrade      |
| 2. Hypo Alpe-Adria-Leasing d.o.o.Belgrade | 11. Procredit Leasing d.o.o.Belgrade        |
| 3. Intesa Leasing d.o.o.Belgrade          | 12. Raiffeisen Leasing d.o.o.Belgrade       |
| 4. LIPAKS d.o.o.Belgrade                  | 13. S-Leasing d.o.o.Belgrade                |
| 5. Meridian Leasing d.o.o.Belgrade        | 14. Sogelease Srbija d.o.o.Belgrade         |
| 6. NBG Lizing d.o.o.Belgrade              | 15. UniCredit Leasing Srbija d.o.o.Belgrade |
| 7. NLB Leasing d.o.o.Belgrade             | 16. VB Leasing d.o.o.Belgrade               |
| 8. OTP Leasing d.o.o.Novi Sad             | 17. Zastava Istrabenz Lizing d.o.o.Belgrade |
| 9. Piraeus Leasing d.o.o.Belgrade         |   |

### **Number of employees**

After rising steadily from year to year, in 2009 total employment in the financial leasing sector recorded a downturn. The downward trend continued in 2010 as well – at end-Q3 the number of employees reached 478. The average number of employees per lessor came to around 28. Table 1 below shows total employment in the financial leasing sector by years and as at 30 September 2010:

**Table 1 – Number of employees in the financial leasing sector**

Date	Number of employees
31 Dec. 2005	329
31 Dec. 2006	388
31 Dec. 2007	478
31 Dec. 2008	516
31 Dec. 2009	489
30 Sep. 2010	478

## Ownership structure

### Domestic vs. foreign ownership

- 11 lessors were in 100% or majority ownership of foreign legal entities;
- 5 lessors were in 100% or majority ownership of domestic entities (of which 4 were owned by domestic banks with foreign capital);
- 1 lessor was jointly owned by a domestic bank with foreign capital share and a foreign legal entity, each holding a 50% capital stake in the lessor.

### Financial vs. non-financial sector

- 14 lessors were founded by banks, banking group members or other financial institutions;
- 2 lessors (LIPAKS d.o.o. Belgrade and Zastava Istrabenz Lizing d.o.o. Beograd) were founded by non-financial sector entities. Porsche Leasing SCG d.o.o. Belgrade also belongs to this group, as it was founded by a Porsche Group member – a bank specialised for financing Porsche Group products.

Table 2 gives an overview of the lessor ownership structure.

**Table 2 – Lessor ownership structure**

No	Lessor	Owner	Ownership percentage
1.	EFG Leasing a.d. Belgrade	EFG New Europe Holding b.v, Amstedram, Holland	48.63
		Eurobank EFG a.d. Belgrade	25.56
		EFG Eurobank Ergasias s.a, Athens, Greece	25.81
2.	Hypo Alpe-Adria-Leasing d.o.o. Belgrade	Hypo-Alpe-Adria-Leasing Holding AG, Klagenfurt, Austria	100
3.	Intesa Leasing d.o.o. Belgrade	Banca Intesa a.d. Belgrade	98.7
		CIB Leasing LTD, Budapest, Hungary	1.3

No	Lessor	Owner	Ownership percentage
4.	LIPAKS d.o.o. Belgrade	Mirko Žeželj	37.18
		Zoran Tanasić	37.18
		"Industrija mašina i traktora" AD Belgrade u restrukturiranju	11.42
		Doo za finansijski lizing „Lipaks“, Belgrade	11.42
		Sandra Džodić	2.40
		Milorad Milić	0.40
5.	Meridian Leasing d.o.o. Belgrade	Credit Agricole Banka Srbija a.d. Novi Sad	100
6.	NBG Lizing d.o.o. Belgrade	National bank of Greece s.a. Athens, Greece	100
7.	NLB Leasing d.o.o. Belgrade	Nova Ljubljanska banka d.d. Ljubljana, Slovenia	100
8.	OTP Leasing d.o.o. Novi Sad	Merkantil Bank ZRT, Budapest, Hungary	70
		OTP banka Srbija a.d. Novi Sad	30
9.	Piraeus Leasing d.o.o. Belgrade	Piraeus Bank s.a. Athens, Greece	72.73
		Piraeus Bank a.d. Belgrade	27.27
10.	Porsche Leasing SCG d.o.o. Belgrade	Porsche Bank AG, Salzburg, Austria	100
11.	Procredit Leasing d.o.o. Belgrade	ProCredit Bank a.d. Belgrade	100
12.	Raiffeisen Leasing d.o.o. Belgrade	Raiffeisen banka a.d. Belgrade	50
		Raiffeisenbank – Leasing International GmbH, Vienna, Austria	50
13.	S-Leasing d.o.o. Belgrade	Steiermarkische Bank und Sparkassen Aktiengesellschaft, Graz, Austria	50
		Immorent International Holding GmbH, Vienna, Austria	50
14.	Sogelease Srbija d.o.o. Belgrade	Societe Generale Banka Srbija a.d. Belgrade	100
15.	UniCredit Leasing Srbija d.o.o. Belgrade	UniCredit Leasing S.P.A, Bologna, Italy	100
16.	VB Leasing d.o.o. Belgrade	VB-Leasing International Holding GmbH, Vienna, Austria	51
		Volksbank a.d. Belgrade	49
17.	Zastava Istrabenz Lizing d.o.o. Belgrade	Istrabenz D.D. Koper, Slovenia	95.2
		AĐ for holding, consulting and management, Zastava vozila group, Kragujevac – undergoing restructuring	4.8

## Balance sheet structure

### Balance sheet

On 30 September 2010, total balance sheet assets of the leasing sector came to RSD 111.9 bln, up by 0.6% relative to 31 December 2009 (RSD 111.3 bln). The bulk of assets and liabilities of lessors was either foreign currency denominated or foreign currency clause indexed (87.6% of total assets and 89.5% of total liabilities).

Notwithstanding a 4.5% fall at end-Q3 2010 relative to end-2009, financial lease receivables accounted for the largest share of total assets. Of total balance sheet assets, financial lease receivables accounted for 71.3%, which is a decrease relative to both 2009 and 2008 (78.1% and 75.1% respectively).

The share of cash and cash equivalents in total balance sheet assets dropped from 18.1% at end-2009 to 13.3% (14.6% in 2008). The share of reserves against credits, other loans and supplementary payments from abroad, included in the item 'cash and cash equivalents' rose from 70.7% at end-2009 to 77.2% on 30 September 2010.

The share of short-term financial investment and receivables rose from 3.6% at end-2009 to 11.5% at end-Q3 2010, while the share of other current assets and deferred tax assets rose from 2.4% to 3.1% in the same period. As it is not possible to invest in financial leasing, some lessors termed with banks their excess financial assets under unpaid leasing fee instalments and reduced reserving rate.

As at 30 September 2010, long-term obligations accounted for the largest share of total liabilities – 88.7% (by contrast to previous reporting periods, they declined by the amount of obligations under interest), down by 0.8% from 2009 (90.8% in 2008 and 89.9% in 2009). The share of long-term foreign credits subsided from 86.1% in 2009 to 85.3% (86.7% in 2008). The share of long-term domestic credits also fell from 3.8% in 2009 to 3.4% (4.0% in 2008).

As at 30 September 2010, the share of short-term obligations in total liabilities rose from 1.9% in 2009 to 3.0% (4.0% in 2008), of which 0.4% referred to short-term domestic credits (2.0% in 2008 and 0.2% in 2009), 0.2% referred to obligations under interest and other costs of financing (0.1% both in 2008 and 2009), while the share of item 'other obligations and deferred tax obligations' rose relative to 2009 from 1.6% to 2.4% of total liabilities (1.9% in 2008).

Capital gained 3.0% in 2010 relative to 2009 on account of an increase on item 'retained earnings' and share capital. As growth in capital was higher than in the balance sheet total, the share of capital in total liabilities picked up from 8.1% in 2009 to 8.2% on 30 September 2010 (5.1% in 2008).

Table 3 shows the aggregate balance sheet of all lessors (in RSD thousand) as at 31 December 2008, 31 December 2009 and 30 September 2010.

Table 3 – Aggregate balance sheet of all lessors

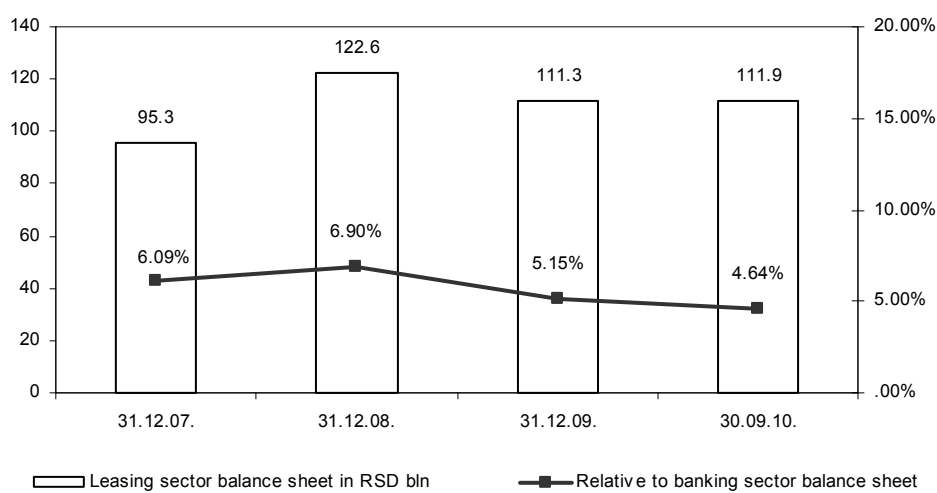
(in RSD thousand)

No	ITEM	31 Dec. 2008		31 Dec. 2009		30 Sep. 2010		% of growth	
		amount	%	amount	%	amount	%	31.12.09/ 31.12.08	30.09.10/ 31.12.09
	<b>ASSETS</b>	<b>122,550,536</b>	<b>100,0</b>	<b>111,313,931</b>	<b>100,0</b>	<b>111,929,984</b>	<b>100,0</b>	<b>-9.2</b>	<b>0.6</b>
<b>1</b>	<b>FIXED ASSETS</b>	<b>97,276,541</b>	<b>79.4</b>	<b>84,474,525</b>	<b>75.9</b>	<b>80,677,562</b>	<b>72.1</b>	<b>-13.2</b>	<b>-4.5</b>
1.1	Property, plant and equipment	952,585	0.8	701,953	0.6	617,187	0.6	-26.3	-12.1
1.2	Receivables under financial leasing	95,688,354	78.1	83,548,501	75.1	79,808,797	71.3	-12.7	-4.5
1.3	Other long-term financial investments	574,952	0.5	158,009	0.1	173,727	0.1	-72.5	9.9
1.4	Other fixed assets	60,650	0.0	66,062	0.1	77,851	0.1	8.9	17.8
<b>2</b>	<b>CURRENT ASSETS</b>	<b>25,273,995</b>	<b>20.6</b>	<b>26,839,406</b>	<b>24.1</b>	<b>31,252,422</b>	<b>27.9</b>	<b>6.2</b>	<b>16.4</b>
2.1	Cash and cash equivalents	17,986,197	14.6	20,102,370	18.1	14,848,773	13.3	11.8	-26.1
2.2	Short-term financial investment and receivables	4,769,249	3.9	3,964,327	3.6	12,984,236	11.5	-16.9	227.5
2.3	Other current assets and deferred tax assets	2,518,549	2.1	2,772,709	2.4	3,419,413	3.1	10.1	23.3
	<b>LIABILITIES</b>	<b>122,550,536</b>	<b>100,0</b>	<b>111,313,931</b>	<b>100,0</b>	<b>111,929,984</b>	<b>100,0</b>	<b>-9.2</b>	<b>0.6</b>
<b>1</b>	<b>CAPITAL</b>	<b>6,224,605</b>	<b>5.1</b>	<b>8,947,216</b>	<b>8.1</b>	<b>9,217,443</b>	<b>8.2</b>	<b>43.7</b>	<b>3.0</b>
1.1	Share capital	2,816,976	2.3	3,438,445	3.1	3,523,525	3.2	22.1	2.5
1.2	Reserves	2,369,893	1.9	2,730,229	2.5	2,694,694	2.4	15.2	-1.3
1.3	Revaluation reserves	0	0.0	0	0.0	0	0.0	-	-
1.4	Net unrealized gains/losses	0	0.0	0	0.0	0	0.0	-	-
1.5	Retained earnings	2,316,891	1.9	3,525,730	3.2	3,964,009	3.5	52.2	12.4
1.6	Losses	1,279,155	1.0	745,517	0.7	963,650	0.9	-41.7	29.3
1.7	Purchased own shares	0	0.0	1,671	0.0	1,135	0.0	-	-32.1
<b>2</b>	<b>LONG-TERM PROVISIONING AND LIABILITIES</b>	<b>111,461,209</b>	<b>90.9</b>	<b>100,265,797</b>	<b>90.0</b>	<b>99,414,472</b>	<b>88.8</b>	<b>-10.0</b>	<b>-0.8</b>
2.1	Long-term provisions	125,132	0.1	151,685	0.1	149,053	0.1	21.2	-1.7
2.2	Long-term liabilities	111,336,077	90.8	100,114,112	89.9	99,265,419	88.7	-10.1	-0.8
2.2.1	Long-term domestic credit	4,841,274	4.0	4,296,175	3.8	3,848,457	3.4	-11.3	-10.4
2.2.2	Long-term foreign credit	106,352,481	86.7	95,797,916	86.1	95,414,922	85.3	-9.9	-0.4
2.2.3	Other long-term liabilities	142,322	0.1	20,021	0.0	2,040	0.0	-85.9	-89.8
<b>3</b>	<b>SHORT-TERM LIABILITIES</b>	<b>4,864,722</b>	<b>4.0</b>	<b>2,100,918</b>	<b>1.9</b>	<b>3,298,069</b>	<b>3.0</b>	<b>-56.8</b>	<b>57.0</b>
3.1	Short-term financial liabilities	2,545,393	2.1	369,927	0.3	668,304	0.6	-85.5	80.7
3.2.1	Short-term domestic credit	2,423,673	2.0	238,195	0.2	471,088	0.4	-90.2	97.8
3.2.2	Short-term foreign credit	0	0.0	0	0.0	0	0.0	-	-
3.2.3	Liabilities under interest and other costs of financing	121,720	0.1	131,732	0.1	197,216	0.2	8.2	49.7
3.2	Other liabilities and deferred tax liabilities	2,319,329	1.9	1,730,991	1.6	2,629,765	2.4	-25.4	51.9

### Balance sheet total of lessors and banks

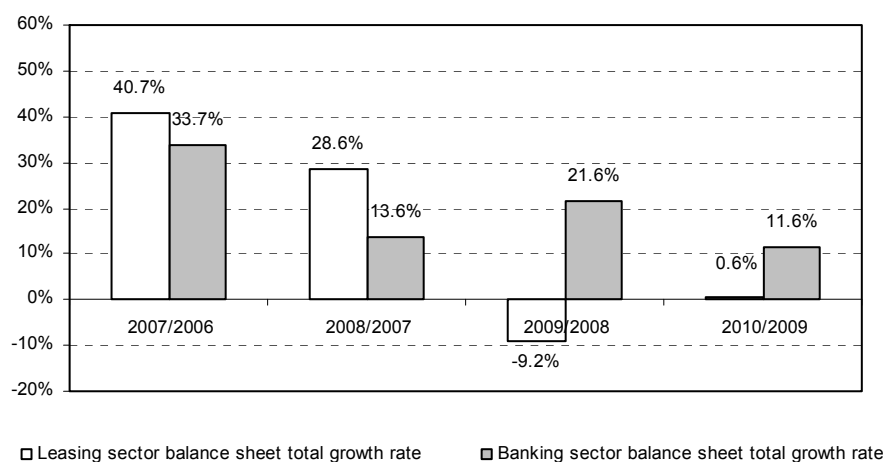
As at 30 September 2010, the ratio of balance sheet total of the leasing sector (RSD 111.9 bln) to banking sector balance sheet total equalled 4.64%, as illustrated in Chart 1 below.

Chart 1 – Balance sheet total of lessors and banks  
(in RSD bln)



From 31 December 2009 to 30 September 2010, leasing sector balance sheet total increased by 0.6%, while banking sector balance sheet total went up by 11.6% in the same period (Chart 2).

Chart 2 – Growth rates of the balance sheet total of lessors and banks



## Market share

In order to analyse the structure of the financial leasing market and the level of competition among different lessors, calculations were made of individual and cumulative market shares of lessors' balance sheet totals, as well as of the Herfindahl-Hirschman index (HHI).

Table 4 – Market share of lessors

Position	Lessor	Balance sheet assets (in 000 RSD)	Share in 2009	Cumulat. share in 2009	Position	Lessor	Balance sheet assets (in 000 RSD)	Share in 2010	Cumulative share in 2010
1.	Hypo Alpe-Adria-Leasing d.o.o. Belgrade	33,159,401	29.8%	29.8%	1.	Hypo Alpe-Adria-Leasing d.o.o. Belgrade	37,447,228	33.5%	33.5%
2.	Raiffeisen Leasing d.o.o. Belgrade	14,900,868	13.4%	43.2%	2.	Raiffeisen Leasing d.o.o. Belgrade	12,212,485	10.9%	44.4%
3.	NLB Leasing d.o.o. Belgrade	11,035,543	9.9%	53.1%	3.	NLB Leasing d.o.o. Belgrade	11,068,267	9.9%	54.3%
4.	S-Leasing d.o.o. Belgrade	7,408,422	6.7%	59.7%	4.	VB Leasing d.o.o. Belgrade	6,591,087	5.9%	60.2%
5.	VB Leasing d.o.o. Belgrade	6,850,598	6.2%	65.9%	5.	Intesa Leasing d.o.o. Belgrade	6,088,009	5.4%	65.6%
6.	Intesa Leasing d.o.o. Belgrade	5,981,111	5.4%	71.3%	6.	EFG Leasing a.d. Belgrade	5,954,299	5.3%	70.9%
7.	NBG Lizing d.o.o. Belgrade	5,128,733	4.6%	75.9%	7.	NBG Lizing d.o.o. Belgrade	5,109,744	4.6%	75.5%
8.	EFG Leasing a.d. Belgrade	5,037,050	4.5%	80.4%	8.	UniCredit Leasing Srbija d.o.o. Belgrade	4,778,544	4.2%	79.7%
9.	Sogelease Srbija d.o.o. Belgrade	4,044,828	3.6%	84.0%	9.	S-Leasing d.o.o. Belgrade	4,250,530	3.8%	83.5%
10.	UniCredit Leasing Srbija d.o.o. Belgrade	4,030,702	3.6%	87.6%	10.	Sogelease Srbija d.o.o. Belgrade	4,222,143	3.8%	87.3%
11.	LIPAKS d.o.o. Belgrade	3,847,532	3.5%	91.1%	11.	ЛИПАКС d.o.o. Belgrade	3,509,978	3.1%	90.4%
12.	Procredit Leasing d.o.o. Belgrade	2,908,537	2.6%	93.7%	12.	Procredit Leasing d.o.o. Belgrade	3,192,306	2.9%	93.3%
13.	Porsche Leasing SCG d.o.o. Belgrade	2,795,645	2.5%	96.2%	13.	Porsche Leasing SCG d.o.o. Belgrade	2,682,588	2.4%	95.7%
14.	Meridian Leasing d.o.o. Belgrade	2,087,174	1.9%	98.1%	14.	Meridian Leasing d.o.o. Belgrade	2,644,972	2.4%	98.1%
15.	Piraeus Leasing d.o.o. Belgrade	1,517,875	1.4%	99.5%	15.	Piraeus Leasing d.o.o. Belgrade	1,552,533	1.3%	99.4%
16.	Zastava Istrabenz Lizing d.o.o. Belgrade	494,229	0.4%	99.9%	16.	Zastava Istrabenz Lizing d.o.o. Belgrade	535,223	0.5%	99.9%
17.	OTP Leasing d.o.o. Novi Sad	85,683	0.1%	100.0%	17.	OTP Leasing d.o.o. Novi Sad	90,048	0.1%	100.0%
<b>TOTAL</b>		<b>111,313,931</b>	<b>100.0%</b>	<b>-</b>	<b>TOTAL</b>		<b>111,929,984</b>	<b>100.0%</b>	<b>-</b>
<b>Herfindahl-Hirschman Index</b>			<b>1,374.6</b>		<b>Herfindahl-Hirschman Index</b>			<b>1,527.9</b>	

The HHI of 1,527.9 on 30 September 2010 points to moderate concentration of the Serbian financial leasing market.

As Table 4 shows, the ranking of lessors by market share changed only marginally at end-Q3 2010 relative to end-2009. The first three lessors (Hypo Alpe-Adria-Leasing d.o.o. Belgrade, Raiffeisen Leasing d.o.o. Belgrade, NLB Leasing d.o.o. Belgrade) retained their top positions and their market share (54.3%) was higher than that of all other lessors taken together.

As at 30 September 2010, the most significant ranking and market share changes relative to 2009 were recorded for the following lessors:

- EFG Leasing a.d. Belgrade ranked eighth in 2009 and sixth at end-Q3 2010, with its market share up from 4.5% to 5.3%,
- UniCredit Leasing Srbija d.o.o. Belgrade ranked tenth in 2009 and eighth at end-Q3 2010, with its market share up from 3.6% to 4.2%,
- S-Leasing d.o.o. Belgrade ranked fourth in 2009 and ninth at end-Q3 2010, with its market share down from 6.7% to 3.8%.

## **Profit and loss account**

Total profit before tax of all financial lessors came to RSD 392,841 thousand in the first three quarters of 2010, or, calculated at the annual level, 74.5% less relative to end-2009 (RSD 2,053,993 thousand). In the period under review, total expenses rose by 31.9% and total income by 9.5%, resulting in a drop in the share of profit before tax in total income from 21.1% to 4.9%.

Interest income accounted for the major part of total income, with its share declining from 88.6% in 2009 to 60.2% in 2010 (87.4% in 2008). Operating income had a significant share of 19.1% of total income, followed by other income and gains with 9.7% and net income from other interest (interest on term deposits) with 7.6%.

On the expenses side, net expenses arising from asset value adjustment accounted for the largest share of total expenses – 30.3%, followed by interest expenses arising from leasing operations (down from 34.9% in 2009 to 26.1% in 2010, vs. 58.8% in 2008). Expenses arising from leasing operations accounted for 13.5% of total income, other operating expenses accounted for 11.3% and earnings, fees, salaries and other personal expenses for 9.6%.

Table 5 shows the aggregate profit and loss account of all lessors (in thousand dinars) as at 31 December 2008, 31 December 2009 and 30 September 2010.

**Table 5 – Aggregate profit and loss account of lessors**

(in RSD thousand)

No	ITEM	1 Jan.-31 Dec.08	% of total inco me	1 Jan.-31 Dec.09	% of total inco me	1 Jan.-30 Sep.10	% of total income	% of growth 2009/ 2008	% of growth 2010/ 2009
<b>INCOME AND EXPENSES FROM REGULAR OPERATIONS</b>									
OPERATING INCOME AND EXPENSES									
1	Interest income from leasing	8,194,007	87.4	8,627,242	88.6	4,808,733	60.2	5.3	-25.7
2	Interest expenses from leasing	5,506,227	58.8	3,393,615	34.9	2,086,222	26.1	-38.4	-18.0
3	Income from leasing	465,462	5.0	555,625	5.7	1,526,121	19.1	19.4	266.2
4	Expenses from leasing	1,380,724	14.7	1,212,787	12.5	1,078,128	13.5	-12.2	18.5
<b>I</b>	<b>BUSINESS RESULT</b>	<b>1,772,518</b>	<b>18.9</b>	<b>4,576,465</b>	<b>47.0</b>	<b>3,170,504</b>	<b>39.7</b>	<b>158.2</b>	<b>-7.6</b>
OTHER INCOME AND EXPENSES									
5	Net income from other interest	0	0.0	0	0.0	608,981	7.6	-	-
6	Net expenses from other interest	73	0.0	1,260	0.0	0	0.0	1,626.0	-100.0
7	Net income from exchange rate differentials and currency clause effects	427,890	4.6	333,988	3.4	208,775	2.6	-21.9	-16.7
8	Net expenses from exchange rate differentials and currency clause effects	0	0.0	0	0.0	0	0.0	-	-
9	Net income from share in income of related legal entities and joint investment	0	0.0	0	0.0	0	0.0	-	-
10	Net expenses from share in losses of related legal entities and joint investment	7,943	0.1	10,259	0.1	0	0.0	29.2	-100.0
11	Net income from sale and lease	265,908	2.8	190,693	2.0	55,745	0.7	-28.3	-61.0
12	Net losses from sale and lease	0	0.0	0	0.0	0	0.0	-	-
13	Earnings, fees, salaries and other personal expenses	858,185	9.2	969,622	10.0	763,579	9.6	13.0	5.0
14	Depreciation and provisioning	394,366	4.2	228,992	2.4	112,631	1.4	-41.9	-34.4
15	Other operating expenses	81,176	0.9	63,725	0.7	902,271	11.3	-21.5	1,787.8
16	Net income from sale of intangible investment, property, plant, equipment and other assets	14,284	0.2	18,421	0.2	8,955	0.1	29.0	-35.2
17	Net loss from sale of intangible investment, property, plant, equipment and other assets	0	0.0	0	0.0	0	0.0	-	-
18	Net income from sale of share in capital and securities	75	0.0	0	0.0	0	0.0	-100.0	-
19	Net loss from sale of share in capital and securities	0	0.0	0	0.0	0	0.0	-	-
20	Net income from asset value adjustment	0	0.0	0	0.0	0	0.0	-	-
21	Net expenses from asset value adjustment	658,973	7.0	1,769,605	18.2	2,421,148	30.3	168.5	82.4
22	Other income and gains	2,519	0.0	9,486	0.1	775,676	9.7	276.6	10,802.7
23	Other expenses and losses	6,325	0.1	31,597	0.3	236,246	3.0	399.6	896.9
<b>II</b>	<b>REGULAR OPERATING RESULT</b>	<b>476,153</b>	<b>5.1</b>	<b>2,053,993</b>	<b>21.1</b>	<b>392,761</b>	<b>4.9</b>	<b>331.4</b>	<b>-74.5</b>
24	NET GAIN FROM DISCONTINUED OPERATIONS	0	0.0	0	0.0	92	0.0	-	-
25	NET LOSS FROM DISCONTINUED OPERATIONS	0	0.0	0	0.0	12	0.0	-	-
<b>III</b>	<b>PRE-TAX RESULT</b>	<b>476,153</b>	<b>5.1</b>	<b>2,053,993</b>	<b>21.1</b>	<b>392,841</b>	<b>4.9</b>	<b>331.4</b>	<b>-74.5</b>

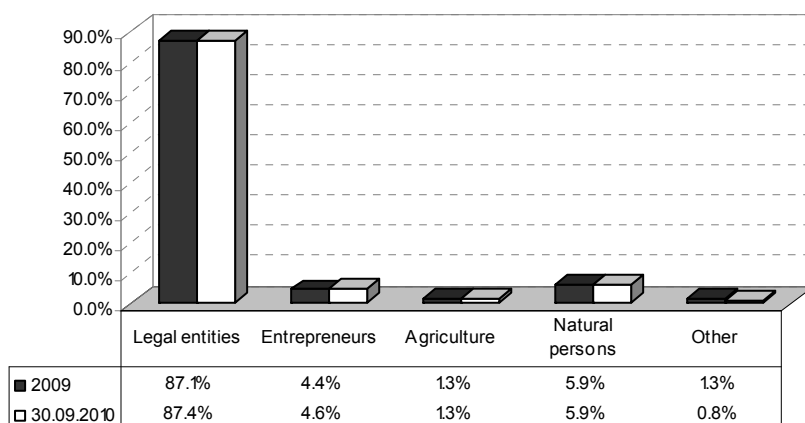
No	ITEM	1 Jan.-31 Dec.08	% of total inco me	1 Jan.-31 Dec.09	% of total inco me	1 Jan.-30 Sep.10	% of total income	% of growth 2009/ 2008	% of growth 2010/ 2009
26	PROFIT TAX								
26.1	1. Tax expense of the period	156,489	1.7	218,407	2.2	96,235	1.2	39.6	-41.3
26.2	2. Deferred tax expenses of the period	15,172	0.2	7,201	0.1	6,336	0.1	-52.5	17.3
26.3	3. Deferred tax income of the period	22,797	0.2	23,659	0.2	147	0.0	3.8	-99.2
27	Paid personal income to employer	0	0.0	0	0.0	0	0.0	-	-
<b>IV</b>	<b>NET RESULTS</b>	<b>327,289</b>	<b>3.5</b>	<b>1,852,044</b>	<b>19.0</b>	<b>290,417</b>	<b>3.6</b>	<b>465.9</b>	<b>-79.1</b>
<b>V</b>	<b>TOTAL INCOME</b>	<b>9,370,145</b>	<b>100.0</b>	<b>9,735,455</b>	<b>100.0</b>	<b>7,993,078</b>	<b>100.0</b>	<b>3.9</b>	<b>9.5</b>
<b>VI</b>	<b>TOTAL EXPENSES</b>	<b>8,893,992</b>	<b>94.9</b>	<b>7,681,462</b>	<b>78.9</b>	<b>7,600,237</b>	<b>95.1</b>	<b>-13.6</b>	<b>31.9</b>

## Structure of investments and asset quality

### Lessees

The structure of investments by lessee (Chart 3) remained broadly unchanged in the first three quarters of 2010 relative to 2009.

Chart 3 – Investment structure by lessee

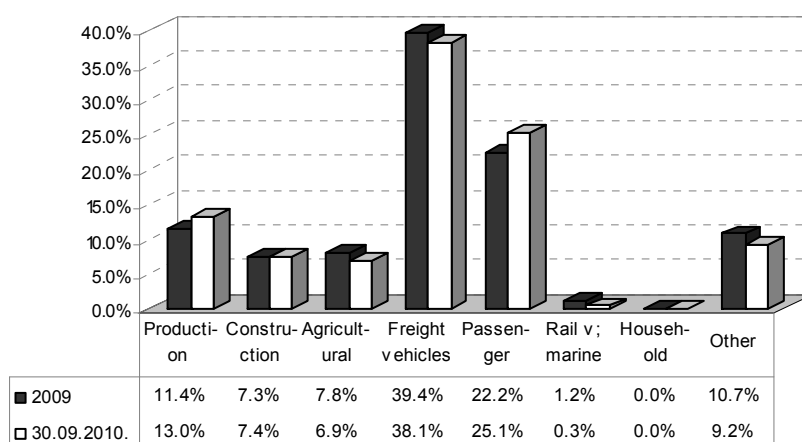


Most financial lease investments were granted to legal entities (87.4%), while private individuals and entrepreneurs accounted for 5.9% and 4.6% respectively.

## Object of financing

At end-Q3 2009, the financing of freight vehicles, minibuses and buses had a high share of 38.1% (39.4% in 2009) in the structure of investment by lease object (Chart 4). Relative to 2009, the share of financing of passenger vehicles rose from 22.2% to 25.1%, the share of financing of production machinery rose as well – from 11.4% to 13.0%, while the share of financing of agricultural machinery (from 7.8% to 6.9%) and other types of lease objects (from 10.7% to 9.2%) declined.

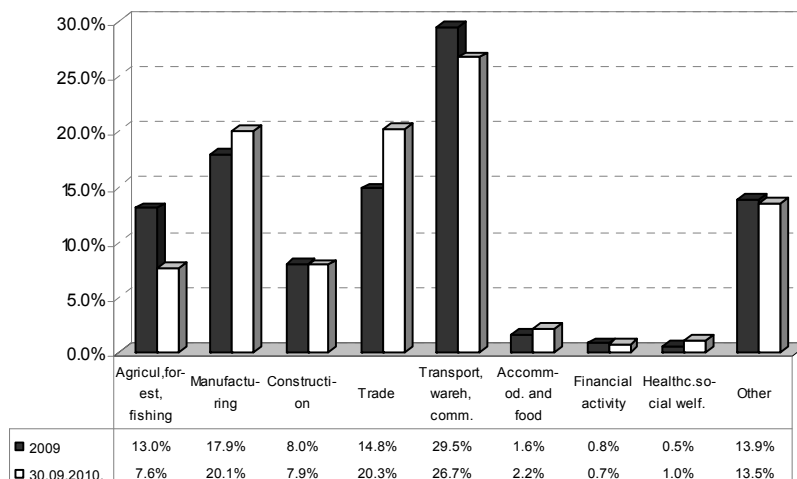
Chart 4 – Investment structure by lease object



## Structure by sector

The structure of financial lease investment by sector is shown in Chart 5.

Chart 5 – Investment structure by sector



The most significant share was that of transport, warehousing and communications (26.7% vs. 29.5% in 2009), followed by trade (20.3% vs. 14.8% in 2009), manufacturing with mining and water supply (20.1% vs. 17.9%). The share of agriculture, forestry and fishing declined from 13% to 7.6%, while individual shares of other sectors were less than 10%.

### **Asset quality**

On 30 September 2010, the value of the financial leasing market portfolio was RSD 79.8 bln, down by 4.5% relative to end-2009 (RSD 83.5 bln). Past due receivables made up 37.2% of capital (42.9% in 2009), while at the same time accounting for 4.3% of total portfolio (4.6% in 2009). Receivables past due more than 30 days accounted for 36.1% of total past due receivables, while receivables past due more than 90 days accounted for 39.2%. The share of allowances for impairment of receivables in total receivables rose from 4.4% to 7.1%.

In the first three quarters of 2010, the value of returned lease objects was RSD 2.9 bln, which, together with outstanding balances from previous years, came to RSD 4.4 bln or 5.6% of the portfolio and 48.2% of capital. At end-2009, these figures came to 3.6% of the portfolio and 34.0% of capital. Of the above value of the returned lease objects, lessors re-leased 26.2%, sold 30.0%, while over 41% remained unemployed. At end-Q3 2010, the stock of returned lease objects came to RSD 1.8 bln or 2.3% of the portfolio and 19.9% of capital (at end-2009, the stock of returned lease objects came to 1.8% of the portfolio and 16.8% of capital).

### **Performance indicators**

Table 6 shows performance indicators for financial leasing providers.

The profitability of financial lessors decreased at end-Q3 2010 relative to end-2009 due to a drop in net profit before tax. This is indicated by a drop in ROA and ROE.

Both lending and deposit rates decreased relative to 2009, as did the net interest margin.

As growth in equity outstripped that in debt, solvency improved marginally in the financial leasing market. This is supported by the fact that total debt and long-term debt were 11.14 and 10.79 times higher than equity respectively.

**Table 6 – Performance indicators**

<b>PERFORMANCE INDICATORS</b>	<b>31 Dec. 2009</b>	<b>30 Sep. 2010</b>
Return on assets (ROA)	1.76%	0.47%
Return on equity (ROE)	27.08%	5.77%
Net interest margin	5.84%	5.44%
Average lending rate	9.63%	8.85%
Average deposit rate	3.17%	2.78%
Coverage of interest expenses	1.61x	1.19x
Operating expenses to average investment	2.92%	2.90%
Total debt to equity	11.44x	11.14x
Long-term debt to equity	11.22x	10.79x

### **Sources of financing and reserve balances**

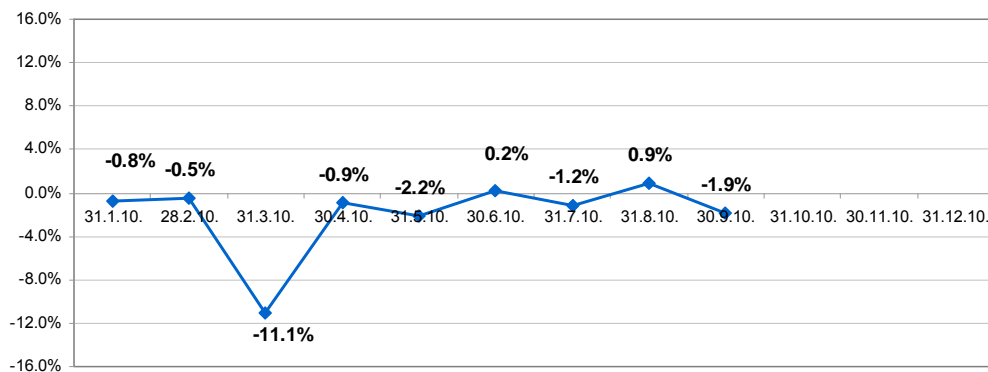
The balance sheet structure indicates that the largest portion of financial lease investment was financed from foreign borrowing – as at 30 September 2010, foreign credit obligations made up 85.3% of total liabilities, while financial lease investment accounted for 71.3% of total assets. The share of long-term domestic credits declined relative to 2009 from 3.8% to 3.4% of total liabilities, while the share of short-term domestic credits rose from 0.2% to 0.4%. In the majority of cases, foreign creditors of leasing companies were either their founders or legal entities operating within the same banking group.

The reserving base as at 30 September 2010 (against which allocation was made on 18 October 2010) increased 13.5 times relative to the reserving base as at 31 January 2006 (against which the first calculation and allocation were made on 10 February 2006) to reach EUR 706.6 mln. The above reserving base was equal to 78.6% of total credits used and/or received from abroad by leasing providers.

Starting from 31 March 2010, reserve balances are not calculated against obligations under credits received from international financial institutions, governments and financial institutions founded by foreign governments. In that regard, on 30 September 2010, the calculation of reserve balances was not made in regard to EUR 78.4 mln or 8.7% of foreign credits disbursed and/or received by leasing providers.

Chart 6 shows changes in the reserving base relative to the previous month in the course of 2010.

**Chart 6 – Changes in the reserving base**  
(relative to the previous month)



As of 17 September 2010, the reserving base was reduced from 20% to 15%, which impacted on the reduction in total allocated reserve balances.

Changes in total reserves allocated by leasing providers in the course of 2010 (in EUR thousand) are illustrated in Chart 7 below.

**Chart 7 – Total reserves allocated by lessors**  
(in EUR thousand)

