

# **FINANCIAL LEASING SUPERVISION**

**Third Quarter Report 2008**

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## Market Participants

### Number of lessors

As at 30 September 2008, the list of licensed financial leasing providers included:

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

### Number of employees

Total employment in the financial leasing sector increased to 536 on 30 September 2008. The average number of employees per leasing provider was 31.5, which is an increase on 31 December 2007 (28.1). Table 1 below shows total employment in the financial leasing sector at end-2005, end-2006, end-2007 and end-Q3 2008:

**Table no.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
30 Sep 2008	536

### Ownership structure

#### Domestic vs. foreign ownership

- 11 leasing providers are in 100% or majority ownership of foreign legal entities;
- 5 leasing providers are in 100% or majority ownership of domestic entities (of which 4 are owned by domestic banks with a share of foreign capital);

- 1 leasing provider is jointly owned by a domestic bank with a share of foreign capital and a foreign legal entity, each holding a 50% stake in the leasing provider's capital.

#### Financial vs. non-financial sector

- Two financial leasing providers (LIPAKS d.o.o. Beograd and Zastava Istrabenz Lizing d.o.o. Beograd) were founded by non-financial sector entities. Porsche Leasing SCG d.o.o. Beograd may also be classified in the same group, as it was founded by a Porsche Group member – a bank specialized in financing Porsche Group products;
- The remaining 14 leasing providers were set up by banks, banking group members or other financial institutions.

Table 2 gives an overview of the ownership structure of leasing providers.

**Table 2 – Ownership structure of leasing providers**

No.	Leasing provider	Owner	Ownership percentage
1.	UniCredit Leasing Srbija d.o.o. Beograd	UniCredit Global Leasing S.p.A, Vienna branch, Austria	100
2.	Hypo Alpe-Adria-Leasing d.o.o. Beograd	Hypo-Alpe-Adria-Leasing Holding AG, Klagenfurt, Austria	100
3.	Intesa Leasing d.o.o. Beograd	Banka Intesa a.d. Beograd CIB Leasing LTD, Budapest, Hungary	51 49
4.	OTP Leasing d.o.o. Novi Sad	Merkantil Bank ZRT, Budapest, Hungary OTP banka Srbija a.d. Novi Sad	70 30
5.	LIPAKS d.o.o. Beograd	Mirko Žeželj Zoran Tanasić "Industrija mašina i traktora " AD Beograd under restructuring Industry of agricultural machinery "Zmaj" AD Zemun – Beograd under restructuring Corporation "Fabrika automobila Priboj" AD, Priboj "Zastava kamioni" d.o.o. Kragujevac Joint stock company for specialized and multipurpose vehicles production and trade "Zastava specijalni automobili", Sombor Sandra Džodić Joint stock company "Ikarbus", Beograd-Zemun Milorad Milić	30.40 30.40 9.52 9.52 9.52 4.76 2.38 2.00 1.19 0.33
6.	NLB Leasing d.o.o. Beograd	NLB Leasing DOO, Ljubljana, Slovenia	100
7.	Porsche Leasing SCG d.o.o. Beograd	Porsche Bank AG, Salzburg, Austria	100
8.	Procredit Leasing d.o.o. Beograd	ProCredit Bank a.d. Beograd	100

No.	Leasing provider	Owner	Ownership percentage
9.	Raiffeisen Leasing d.o.o. Beograd	Raiffeisenbank a.d. Beograd Raiffeisen - Leasing International GmbH, Wien, Austria	50 50
10.	S-Leasing d.o.o. Beograd	Steiermarkische Bank und Sparkassen Aktiengesellschaft, Graz, Austria Immorent International Holding GmbH, Wien, Austria	50 50
11.	Sogelease Srbija d.o.o. Beograd	Societe Generale Banka Srbija a.d. Beograd	100
12.	NBG Lizing d.o.o. Beograd	National bank of Greece s.a. Athens, Greece	100
13.	VB Leasing d.o.o. Beograd	VB-Leasing International Holding GmbH, Wien, Austria Volksbank a.d. Beograd	51 49
14.	Zastava Istrabenz Lizing d.o.o. Beograd	Istrabenz D.D. Koper, Slovenia AD Grupa Zastava vozila, Kragujevac	95.2 4.8
15.	EFG Leasing a.d. Beograd	EFG New Europe Holding b.v, Amsterdam, Holland Eurobank EFG štedionica a.d. Beograd EFG Eurobank Ergasias s.a, Athens, Greece	48.63 25.56 25.81
16.	Meridian Leasing d.o.o. Beograd	Meridian Bank Credit Agricole Group a.d. Novi Sad	100
17.	Piraeus Leasing d.o.o. Beograd	Piraeus Bank s.a. Athens, Greece	100

## Balance Sheet Structure

### Balance sheet

On 30 September 2008, total balance sheet assets of the leasing sector stood at RSD 106.1 billion, up by 11.4% relative to 2007 (RSD 95.3 billion). Both assets and liabilities of the financial leasing sector were for their major part (94.5% and 93%, respectively) foreign currency denominated or foreign currency indexed.

The share of receivables in total assets of 79.1% was lower than in either of the prior two years (85.6% in 2006 and 79.5% in 2007). Relative to the previous year, financial leasing receivables rose by 10.9%. Receivables due for payment accounted for 2% of the total (of which 42.2% were past due up to 30 days and 1.14% were past due over 30 days).

The share of item 'cash and cash equivalents' in total balance sheet assets increased from 14.5% at end-2007 to 14.8% at end-Q3 2008 (9.1% in 2006). Reserves against credits, other loans and supplementary payments from abroad (other than payments for share capital increases), which are included in item

'cash and cash equivalents', added up to 78.6% of its value as at 30 September 2008.

Long-term obligations accounted for the highest share of lessor liabilities – 88.5% (90.1% in 2006 and 89.8% in 2007), of which long-term foreign credits took up 81.7% (83.6% in 2006) and long-term domestic credits 6.7% (6.3% in 2006 and 3.6% in 2007).

Short-term obligations accounted for 5.4% of total liabilities (3.7% in 2006 and 3.9% in 2007), of which 2.4% referred to short-term domestic credit (1% in 2006 and 1.6% in 2007). In the first three quarters of 2008 relative to 2007, total liabilities increased more (11.4%) than capital (7.4%). As a result, the share of capital in total liabilities edged down from 6.2% in 2007 to 6.0% (5.8% in 2006). In terms of composition, the largest portion of capital was taken up by the share capital, followed by reserves and retained earnings.

Table 3 shows aggregate balance sheet of all leasing providers (in thousand dinars) as at 31 December 2006, 31 December 2007 and 30 September 2008.

**Table 3 – Aggregate balance sheet of all leasing providers**

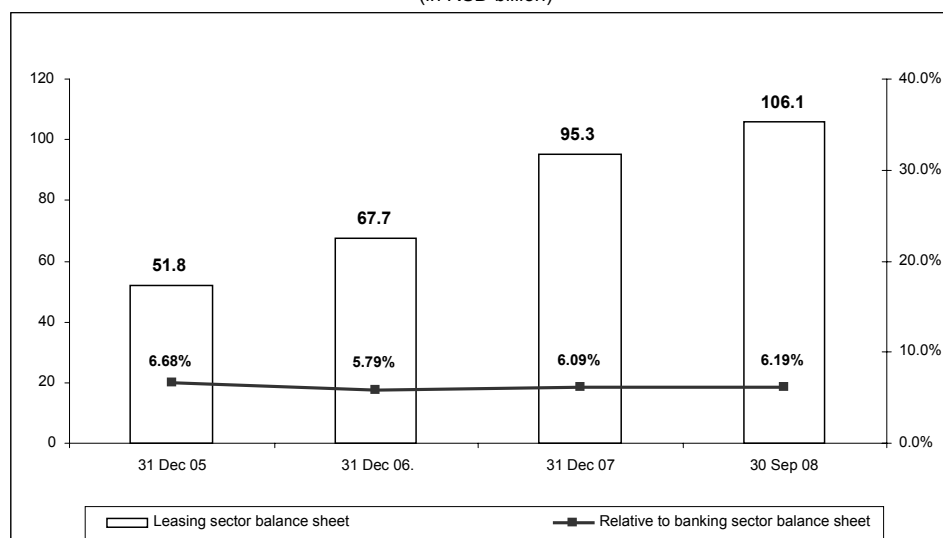
(in 000 RSD)

No.	ITEM	31 Dec 2006		31 Dec 2007		30 Sep 2008		% growth	
		amount	%	amount	%	amount	%	31 Dec 07/ 31 Dec 06	30 Sep 08/ 31 Dec 07
	<b>ASSETS</b>	<b>67,702,703</b>	<b>100.0</b>	<b>95,265,098</b>	<b>100.0</b>	<b>106,127,217</b>	<b>100.0</b>	<b>40.7</b>	<b>11.4</b>
<b>1</b>	<b>FIXED ASSETS</b>	<b>59,417,517</b>	<b>87.8</b>	<b>78,165,000</b>	<b>82.0</b>	<b>86,532,838</b>	<b>81.5</b>	<b>31.6</b>	<b>10.7</b>
1.1	Property, plant and equipment	1,309,297	1.9	1,190,833	1.3	1,008,631	1.0	-9.0	-15.3
1.2	Receivables under financial leasing	57,958,183	85.6	75,764,518	79.5	83,990,374	79.1	30.7	10.9
1.3	Other long-term financial investments	90,232	0.1	1,155,571	1.2	1,477,469	1.4	1180.7	27.9
1.4	Other fixed assets	59,805	0.1	54,078	0.1	56,364	0.1	-9.6	4.2
<b>2</b>	<b>CURRENT ASSETS</b>	<b>8,285,186</b>	<b>12.2</b>	<b>17,100,098</b>	<b>18.0</b>	<b>19,594,379</b>	<b>18.5</b>	<b>106.4</b>	<b>14.6</b>
2.1	Cash and cash equivalents	6,164,135	9.1	13,853,074	14.5	15,677,853	14.8	124.7	13.2
2.2	Short-term financial investment and receivables	596,401	0.9	1,289,783	1.4	1,267,297	1.2	116.3	-1.7
2.3	Other current assets	1,524,650	2.3	1,957,241	2.1	2,649,229	2.5	28.4	35.4
	<b>LIABILITIES</b>	<b>67,702,703</b>	<b>100.0</b>	<b>95,265,098</b>	<b>100.0</b>	<b>106,127,217</b>	<b>100.0</b>	<b>40.7</b>	<b>11.4</b>
<b>1</b>	<b>CAPITAL</b>	<b>3,910,832</b>	<b>5.8</b>	<b>5,901,680</b>	<b>6.2</b>	<b>6,339,400</b>	<b>6.0</b>	<b>50.9</b>	<b>7.4</b>
1.1	Share capital	1,904,609	2.8	2,656,205	2.8	2,771,160	2.6	39.5	4.3
1.2	Subscribed uncalled capital	0	0.0	0	0.0	0	0.0	-	-
1.3	Reserves	779,426	1.2	1,281,114	1.3	2,369,893	2.2	64.4	85.0
1.4	Revaluation reserves	0	0.0	0	0.0	0	0.0	-	-
1.5	Retained earnings	1,661,771	2.5	2,579,978	2.7	1,982,861	1.9	55.3	-23.1

No.	ITEM	31 Dec 2006		31 Dec 2007		30 Sep 2008		% growth	
		amount	%	amount	%	amount	%	31 Dec 07/ 31 Dec 06	30 Sep 08/ 31 Dec 07
1.6	Losses	434,974	0.6	615,617	0.6	784,514	0.7	41.5	27.4
1.7	Purchased own shares	0	0.0	0	0.0	0	0.0	-	-
<b>2</b>	<b>LONG-TERM PROVISIONING AND LIABILITIES</b>	<b>61,320,533</b>	<b>90.6</b>	<b>85,630,081</b>	<b>89.9</b>	<b>94,044,702</b>	<b>88.6</b>	<b>39.6</b>	<b>9.8</b>
2.1	Long-term provisions	291,916	0.4	79,981	0.1	80,258	0.1	-72.6	0.3
2.2	Long-term liabilities	61,028,617	90.1	85,550,100	89.8	93,964,444	88.5	40.2	9.8
2.2.1	Long-term domestic credit	4,292,567	6.3	3,405,318	3.6	7,145,292	6.7	-20.7	109.8
2.2.2	Long-term foreign credit	56,587,279	83.6	81,987,630	86.1	86,674,860	81.7	44.9	5.7
2.2.3	Other long-term liabilities	148,771	0.2	157,152	0.2	144,292	0.1	5.6	-8.2
<b>3</b>	<b>SHORT-TERM LIABILITIES</b>	<b>2,471,338</b>	<b>3.7</b>	<b>3,733,337</b>	<b>3.9</b>	<b>5,743,115</b>	<b>5.4</b>	<b>51.1</b>	<b>53.8</b>
3.1	Short-term financial liabilities	647,589	1.0	1,517,343	1.6	3,534,426	3.3	134.3	132.9
3.1.1	Short-term domestic credit	646,327	1.0	1,502,716	1.6	2,537,861	2.4	132.5	68.9
3.1.2	Short-term foreign credit	0	0.0	0	0.0	995,764	0.9	-	-
3.1.3	Other short-term financial liabilities	1,262	0.0	14,627	0.0	801	0.0	1059.0	-94.5
3.2	Other	1,823,749	2.7	2,215,994	2.3	2,208,689	2.1	21.5	-0.3

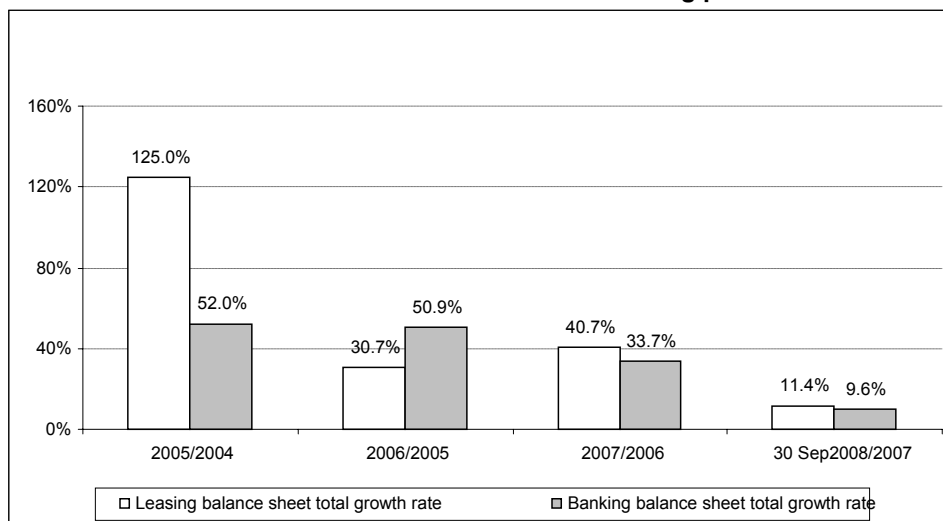
As at 30 September 2008, the ratio of the balance sheet total of leasing providers to banking sector balance sheet total equalled 6.19%.

Chart 1 Balance sheet total of banks and leasing providers  
(in RSD billion)



From 31 December 2007 until 30 September 2008, balance sheet total of leasing providers rose by 11.4%, while banking sector balance sheet total went up by 9.6%.

Chart 2 Growth rates of the balance sheet total of leasing providers and banks



## Market share

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

Table 4 – Market share of leasing providers

Position	Leasing provider	Balance sheet assets (in 000 RSD)	Share in 2007	Cumulativ e share in 2007	Position	Leasing provider	Balance sheet assets (in 000 RSD)	Share in 2008	Cumulative share in 2008
1.	Hypo Alpe-Adria-Leasing d.o.o. Beograd	27,988,895	29.4%	29.4%	1.	Hypo Alpe-Adria-Leasing d.o.o. Beograd	32,072,103	30.2%	30.2%
2.	Raiffeisen Leasing d.o.o. Beograd	16,623,828	17.5%	46.9%	2.	Raiffeisen Leasing d.o.o. Beograd	16,152,412	15.2%	45.4%
3.	NLB Leasing d.o.o. Beograd	10,235,315	10.7%	57.6%	3.	NLB Leasing d.o.o. Beograd	10,552,764	9.9%	55.3%
4.	S-Leasing d.o.o. Beograd	8,979,995	9.4%	67.0%	4.	S-Leasing d.o.o. Beograd	8,866,854	8.4%	63.7%
5.	VB Leasing d.o.o. Beograd	5,974,661	6.3%	73.3%	5.	VB Leasing d.o.o. Beograd	7,283,396	6.9%	70.6%
6.	UniCredit Leasing Srbija d.o.o. Beograd	5,399,305	5.6%	78.9%	6.	Intesa Leasing d.o.o. Beograd	4,655,238	4.4%	75.0%



Position	Leasing provider	Balance sheet assets (in 000 RSD)	Share in 2007	Cumulative share in 2007	Position	Leasing provider	Balance sheet assets (in 000 RSD)	Share in 2008	Cumulative share in 2008
7.	Porsche Leasing SCG d.o.o. Beograd	4,057,495	4.3%	83.2%	7.	UniCredit Leasing Srbija d.o.o. Beograd	4,248,781	4.0%	79.0%
8.	Intesa Leasing d.o.o. Beograd	3,585,755	3.8%	87.0%	8.	Porsche Leasing SCG d.o.o. Beograd	3,821,843	3.6%	82.6%
9.	LIPAKS d.o.o. Beograd	3,569,782	3.7%	90.7%	9.	EFG Leasing a.d. Beograd	3,623,548	3.4%	86.0%
10.	Procredit Leasing d.o.o. Beograd	2,167,650	2.3%	93.0%	10.	LIPAKS d.o.o. Beograd	3,399,497	3.2%	89.2%
11.	EFG Leasing a.d. Beograd	1,882,511	2.0%	95.0%	11.	NBG Lizing d.o.o. Beograd	3,239,051	3.1%	92.3%
12.	Sogelease Srbija d.o.o. Beograd	1,773,021	1.8%	96.8%	12.	Sogelease Srbija d.o.o. Beograd	2,732,965	2.5%	94.8%
13.	NBG Lizing d.o.o. Beograd	1,494,225	1.6%	98.4%	13.	Procredit Leasing d.o.o. Beograd	2,613,817	2.5%	97.3%
14.	Zastava Istrabenz Lizing d.o.o. Beograd	567,664	0.6%	99.0%	14.	Piraeus Leasing d.o.o. Beograd	1,203,964	1.1%	98.4%
15.	Meridian Leasing d.o.o. Beograd	558,401	0.6%	99.6%	15.	Meridian Leasing d.o.o. Beograd	1,064,209	1.0%	99.4%
16.	Piraeus Leasing d.o.o. Beograd	314,358	0.3%	99.9%	16.	Zastava Istrabenz Lizing d.o.o. Beograd	511,927	0.5%	99.9%
17.	OTP Leasing d.o.o. Novi Sad	92,237	0.1%	100.0%	17.	OTP Leasing d.o.o. Novi Sad	84,848	0.1%	100.0%
<b>TOTAL</b>		<b>95,265,098</b>	<b>100.0%</b>	<b>-</b>	<b>TOTAL</b>		<b>106,127,217</b>	<b>100.0%</b>	<b>-</b>
<b>Herfindahl-Hirschman index</b>			<b>1,505.6</b>		<b>Herfindahl-Hirschman index</b>			<b>1,455.4</b>	

As Table 4 shows, there were no significant changes in the ranking of leasing providers by market share. In 2008, the top four leasing providers (Hypo Alpe-Adria-Leasing d.o.o. Beograd, Raiffeisen Leasing d.o.o. Beograd, NLB Leasing d.o.o. Beograd and S-Leasing d.o.o. Beograd) accounted for around two-thirds of the market.

The financial leasing market in Serbia is moderately concentrated. The level of competition has been steadily rising, as indicated by the HHI which declined from 1,505.6 in 2007 to 1,455.4 at end-Q3 2008.

The most significant ranking changes were recorded for the following leasing providers:

- Intesa Leasing d.o.o. Beograd, ranked eighth in 2007 and sixth in the first three quarters of 2008, with its market share up from 3.8% to 4.4%,

- EFG Leasing a.d. Beograd, ranked eleventh in 2007 and ninth on 30 September 2008, with its market share up from 2.0% to 3.4%,
- NBG Lizing d.o.o. Beograd, ranked thirteenth in 2007 and eleventh in the first three quarters of 2008, with its market share up from 1.6% to 3.1%,
- Piraeus Leasing d.o.o. Beograd, ranked sixteenth in 2007 and fourteenth on 30 September 2008, with its market share up from 0.3% to 1.1%,
- Procredit Leasing d.o.o. Beograd, ranked tenth in 2007 and thirteenth in the first three quarters of 2008, although its market share rose from 2.3% to 2.5%,
- Zastava Istrabenz Lizing d.o.o. Beograd, ranked fourteenth in 2007 and sixteenth on 30 September 2008, with its market share down from 0.6% to 0.5%.

### Profit and loss account

In the first three quarters of 2008, total profit before tax of all financial leasing providers taken together came to RSD 464,600 thousand, down by 58.7% (year-on-year) from 2007 when it stood at RSD 1,501,664 thousand.

Exchange rate gains were the most significant category of lessor income, accounting for 69.0% (61.4% in 2006 and 70.0% in 2007). Interest income accounted for 25.4% (33.2% in 2006 and 24.7% in 2007), and operating income for 2.7% (3.7% in 2006 and 2.7% in 2007).

Exchange rate losses took up the largest share of total expenses – 71.8% (66.7% in 2006 and 72.2% in 2007), accounting for 70.4% of total income. Other major expense items were interest expenses – 16.8% of total expenses (16.8% in 2006 and 14.9% in 2007) or 16.4% of total income, and operating expenses – 8.6% of total expenses (13.9% in 2006 and 8.9% in 2007) or 8.4% of total income.

Relative to 2007, total income increased by 14.2% (exchange rate gains by 12.7% and interest income by 17.2%) and total expenses – by 18.4% (exchange rate losses by 17.8% and interest expenses by 32.8%). As a result, the share of net profit before tax in total income decreased from 5.5% in 2007 to 2.0% at end-Q3 2008.

Table 5 shows the aggregate profit and loss account of all leasing providers (in thousand dinars) as at 31 December 2006, 31 December 2007 and 30 September 2008.

Table 5 – Aggregate profit and loss account of leasing providers

(in 000 RSD)

No.	ITEM	1 Jan- 31 Dec 06	% of total income	1 Jan- 31 Dec 07	% of total income	1 Jan- 30 Sep 08	% of total income	% of growth 2007/	% of growth 30 Sep
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*Financial Leasing Supervision*

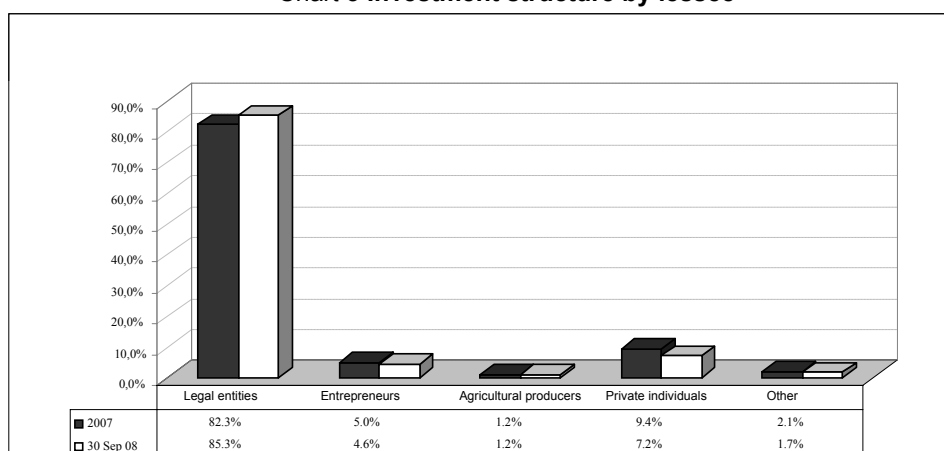
	<b>OPERATING INCOME</b>	<b>586,586</b>	<b>3.7</b>	<b>735,969</b>	<b>2.7</b>	<b>637,289</b>	<b>2.7</b>	<b>25.5</b>	<b>15.5</b>
1	Net sales income	307,076	1.9	473,895	1.7	433,627	1.9	54.3	22.0
2	Other operating income	279,510	1.7	262,074	1.0	203,662	0.9	-6.2	3.6
	<b>OPERATING EXPENSES</b>	<b>2,099,039</b>	<b>13.1</b>	<b>2,272,822</b>	<b>8.4</b>	<b>1,962,969</b>	<b>8.4</b>	<b>8.3</b>	<b>15.2</b>
3	Earnings, fees, salaries and other personal expenses	536,672	3.4	631,483	2.3	615,618	2.6	17.7	30.0
4	Depreciation and provisioning	463,178	2.9	303,524	1.1	206,160	0.9	-34.5	-9.4
5	Other operating expenses	1,099,189	6.9	1,337,815	4.9	1,141,191	4.9	21.7	13.7
<b>I</b>	<b>OPERATING RESULT</b>	<b>-1,512,453</b>	<b>-9.4</b>	<b>-1,536,853</b>	<b>-5.7</b>	<b>-1,325,680</b>	<b>-5.7</b>	<b>1.6</b>	<b>15.0</b>
	<b>FINANCIAL INCOME</b>	<b>15,179,013</b>	<b>94.8</b>	<b>25,752,643</b>	<b>94.8</b>	<b>21,972,998</b>	<b>94.5</b>	<b>69.7</b>	<b>13.8</b>
6	Interest income	5,312,294	33.2	6,708,586	24.7	5,896,549	25.4	26.3	17.2
7	Exchange rate gains	9,825,021	61.4	18,999,341	70.0	16,053,810	69.0	93.4	12.7
8	Other	41,698	0.3	44,716	0.2	22,639	0.1	7.2	-32.5
	<b>FINANCIAL EXPENSES</b>	<b>12,616,849</b>	<b>78.8</b>	<b>22,367,810</b>	<b>82.4</b>	<b>20,218,074</b>	<b>86.9</b>	<b>77.3</b>	<b>20.5</b>
9	Interest expenses	2,539,633	15.9	3,834,943	14.1	3,821,012	16.4	51.0	32.8
10	Exchange rate losses	10,053,966	62.8	18,527,738	68.2	16,371,078	70.4	84.3	17.8
11	Other	23,250	0.1	5,129	0.0	25,984	0.1	-77.9	575.5
<b>II</b>	<b>FINANCIAL RESULT</b>	<b>2,562,164</b>	<b>16.0</b>	<b>3,384,833</b>	<b>12.5</b>	<b>1,754,924</b>	<b>7.5</b>	<b>32.1</b>	<b>-30.9</b>
12	Other income	247,879	1.5	670,928	2.5	647,323	2.8	170.7	28.6
13	Other expenses	364,917	2.3	1,017,231	3.7	611,967	2.6	178.8	-19.8
<b>III</b>	<b>REGULAR OPERATING RESULT</b>	<b>932,673</b>	<b>5.8</b>	<b>1,501,677</b>	<b>5.5</b>	<b>464,600</b>	<b>2.0</b>	<b>61.0</b>	<b>-58.7</b>
14	Extraordinary income	871	0.0	0	0.0	0	0.0	-100.0	-
15	Extraordinary expenses	345	0.0	13	0.0	0	0.0	-96.2	-100.0
<b>IV</b>	<b>RESULT WITH RESPECT TO EXTRAORDINARY ITEMS</b>	<b>526</b>	<b>0.0</b>	<b>-13</b>	<b>0.0</b>	<b>0</b>	<b>0.0</b>	<b>-102.5</b>	<b>-100.0</b>
<b>V</b>	<b>PRE-TAX RESULT</b>	<b>933,199</b>	<b>5.8</b>	<b>1,501,664</b>	<b>5.5</b>	<b>464,600</b>	<b>2.0</b>	<b>60.9</b>	<b>-58.7</b>
16	Income tax	74,280	0.5	188,937	0.7	35,282	0.2	154.4	-75.1
17	Income from deferred tax assets/liabilities	51847	0.3	17,196	0.1	152	0.0	-66.8	-98.8
<b>VI</b>	<b>NET RESULT (V-16+17)</b>	<b>910,766</b>	<b>5.7</b>	<b>1,329,923</b>	<b>4.9</b>	<b>429,470</b>	<b>1.8</b>	<b>46.0</b>	<b>-56.9</b>
	<b>TOTAL INCOME</b>	<b>16,014,349</b>	<b>100.0</b>	<b>27,159,540</b>	<b>100.0</b>	<b>23,257,610</b>	<b>100.0</b>	<b>69.6</b>	<b>14.2</b>
	<b>TOTAL EXPENSES</b>	<b>15,081,150</b>	<b>94.2</b>	<b>25,657,876</b>	<b>94.5</b>	<b>22,793,010</b>	<b>98.0</b>	<b>70.1</b>	<b>18.4</b>

## Structure of Investments

### Lessees

The structure of financial lease investment by lessee (Chart 3) in the first three quarters of 2008 was broadly unchanged from 2007 – legal entities accounted for a major share of total financial lease investments (85.3%), while private individuals held 7.2%. The share of investments to legal entities rose steadily, mainly at the expense of investments to private individuals.

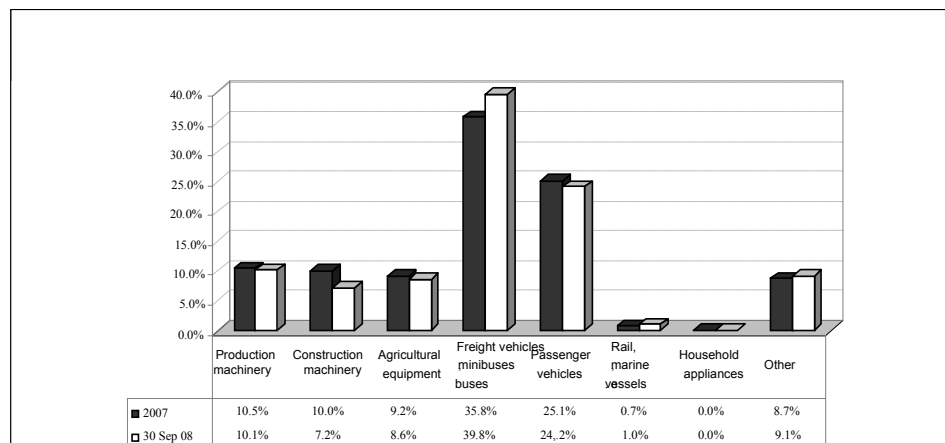
Chart 3 Investment structure by lessee



### Object of financing

The structure of financial lease investment by lease object (Chart 4) reveals that the share of financing of freight vehicles, minibuses and buses continued up, reaching 39.8% at end-Q3 2008 (35.8% in 2007). Relative to 2007, the financing of passenger vehicles dropped from 25.1% to 24.2%. The sharpest decline was recorded for the financing of construction machinery (from 10.0% to 7.2%), agricultural equipment (from 9.2% to 8.6%) and production machinery (from 10.5% to 10.1%).

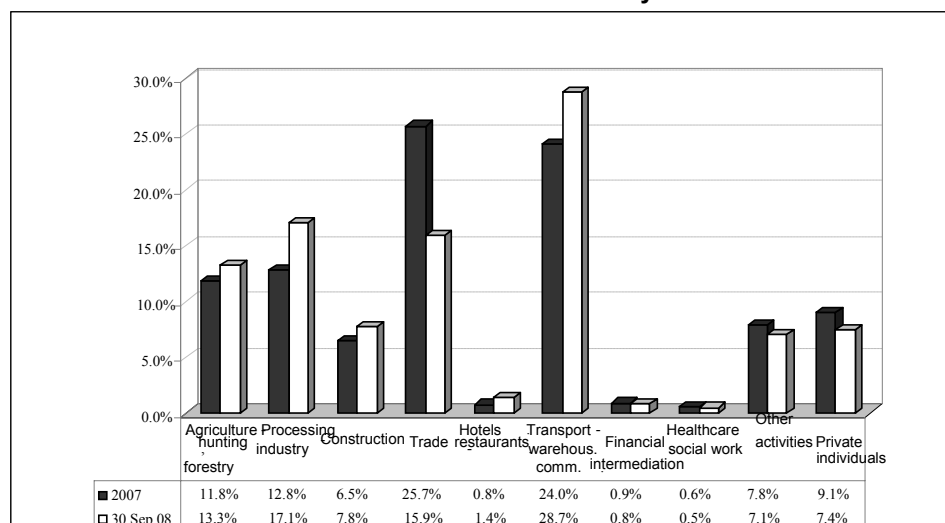
Chart 4 Investment structure by lease object



## Sector

The structure of financial lease investment by sector (Chart 5) changed relative to 2007. The most significant share referred to transport, warehousing and communications (28.7%), followed by the processing industry (17.1%), trade sector (15.9%), agriculture, hunting and forestry (13.3%), construction (7.8%), private individuals (7.4%) and other activities (7.1%).

Chart 5 Investment structure by sector



## Performance Indicators

Table 6 shows performance indicators for financial leasing providers.

Table 6 – Performance indicators

PERFORMANCE INDICATOR	31 Dec 2007	30 Sep 2008
Return on assets (ROA)	1.84%	0.62%
Return on equity (ROE)	30.61%	10.12%
Net interest margin	4.30%	3.46%
Average lending rate	10.03%	9.84%
Average deposit rate	5.16%	5.52%
Coverage of interest expenses	1.39x	1.12x
Operating expenses to average investment	3.40%	3.28%
Total debt to equity	15.14x	15.74x
Long-term debt to equity	14.51x	14.83x

As indicated by both ROA and ROE, the profitability of financial leasing providers deteriorated relative to 2007. Average lending rate declined, while average deposit rate went up, resulting in the contraction of net interest margin.

The ratio of operating expenses to average lease investment declined in the first three quarters of 2008 relative to 2007, reflecting a steady increase in the efficiency of the financial leasing sector.

### Sources of Financing and Reserve Balances

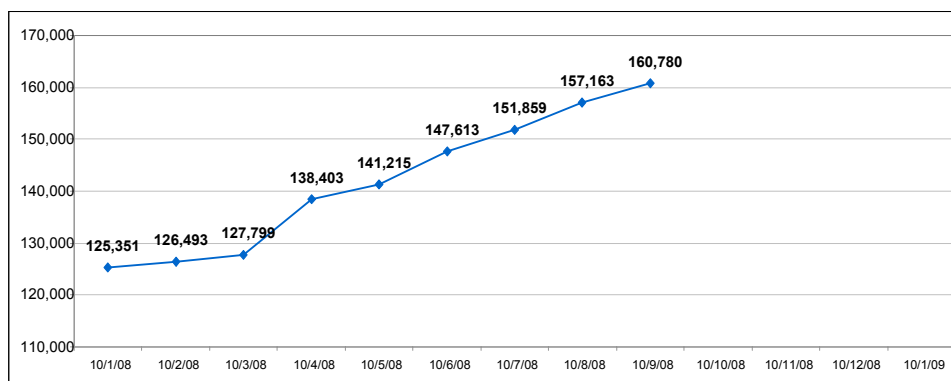
Balance sheet structure indicates that the largest portion of financial leasing investment was financed from foreign borrowing – as at 30 September 2008, foreign credit obligations made up 82.6% of total liabilities, while financial leasing investment accounted for 79.1% of total assets. The share of long-term domestic credits rose relative to 2007, from 3.6% to 6.7% of total liabilities. In the majority of cases, foreign creditors of financial leasing providers are either their founders or legal entities operating within the same banking group.

The reserving base as at 30 September 2008 (against which allocation was made on 10 October 2008) increased relative to 31 January 2006 (against which the first calculation and allocation was made on 10 February 2006) almost 16 times to reach EUR 834 million. The above base for calculating and allocating reserves against credits, other loans and supplementary payments from abroad (other than payments for share capital increases) used and/or received by leasing providers from 10 December 2005 onwards was equal to 72.86% of total credits used and/or received from abroad by leasing providers.

Since the introduction of the reserve requirement, allocations to reserves rose from one maintenance period to the next as borrowing abroad was rising steadily.

Changes in total reserves allocated by leasing providers in the first three quarters of 2008 (in thousand euros) are illustrated by Chart 6 below.

**Chart 6 Total allocated reserves of leasing providers**  
(in EUR thousand)



The increase in reserving base on the preceding month, which varied in the first three quarters of 2008 from one maintenance period to another, is illustrated in Chart 7 below.

**Chart 7 Reserving base growth rate**  
(relative to the preceding month)

