



NATIONAL BANK OF SERBIA

BANK SUPERVISION DEPARTMENT

FINANCIAL LEASING SECTOR IN SERBIA

Third Quarter Report 2015

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1. Market participants

1.1. Number of lessors

At end-Q3 2015, the list of licensed lessors in the Republic of Serbia included:

- | | |
|-------------------------------------|---|
| 1. CA Leasing Srbija d.o.o. Beograd | 9. Porsche Leasing SCG d.o.o. Beograd |
| 2. ERB Leasing a.d. Beograd | 10. Procredit Leasing d.o.o. Beograd |
| 3. Heta Leasing d.o.o. Beograd | 11. Raiffeisen Leasing d.o.o. Beograd |
| 4. Intesa Leasing d.o.o. Beograd | 12. S-Leasing d.o.o. Beograd |
| 5. LIPAKS d.o.o. Beograd | 13. Sogelease Srbija d.o.o. Beograd |
| 6. NBG Lizing d.o.o. Beograd | 14. UniCredit Leasing Srbija d.o.o. Beograd |
| 7. NLB Leasing d.o.o. Beograd | 15. VB Leasing d.o.o. Beograd |
| 8. Piraeus Leasing d.o.o. Beograd | 16. Zastava Istrabenz Lizing d.o.o. Beograd |

1.2. Number of employees

After rising steadily from year to year, in 2009 total employment in the financial leasing sector recorded a decline. The downward trend continued throughout 2010. Employment in the financial leasing sector varied in 2011, standing at 482 persons at year-end. The number of employees amounted to 426 at end-2012 and increased to 435 in 2013 and stayed the same in 2014. In Q3 2015, the total number of employees in the financial leasing sector was 428.

Table 1 – Number of employees in the financial leasing sector

Date	Number of employees
31/12/2009	489
31/12/2010	476
31/12/2011	482
31/12/2012	426
31/12/2013	435
31/12/2014	435
30/09/2015	428

Source: National Bank of Serbia.

1.3. Ownership structure

Domestic vs. foreign ownership

- Nine lessors were in 100% or majority ownership of foreign legal entities;

- Six lessors were in 100% or majority ownership of domestic entities (of which five were owned by domestic banks with foreign capital);
- One 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

- Fourteen lessors were founded by banks, banking group members or other financial institutions; Porsche Bank AG, Salzburg, Austria – the founder of Porsche Leasing SCG d.o.o. Belgrade – is specialised in financing Porsche Group products;
- Two lessors (LIPAKS d.o.o. Belgrade and Zastava Istrabenz Lizing d.o.o. Beograd) were founded by non-financial sector entities.

Table 2 – Lessor ownership structure

No	Lessor	Ownership	% of ownership
1	CA Leasing Srbija d.o.o. Beograd	Credit Agricole Banka Srbija a.d. Novi Sad	100
2	ERB Leasing a.d. Beograd	EFG New Europe Holding b.v, Amsterdam, The Netherlands EFG Eurobank Ergasias s.a, Athens, Greece Eurobank a.d. Beograd	48.63 25.81 25.56
3	Heta Leasing d.o.o. Beograd	HETA Asset Resolution GmbH, Klagenfurt, Austria	100
4	Intesa Leasing d.o.o. Beograd	Banca Intesa a.d. Beograd	100
5	LIPAKS d.o.o. Beograd	Mirko Žeželj Zoran Tanasić Sandra Džodić Milorad Milić	48.19 48.19 3.11 0.51
6	NBG Lizing d.o.o. Beograd	National Bank of Greece s.a. Athens, Greece	100
7	NLB Leasing d.o.o. Beograd	Nova Ljubljanska banka d.d. Ljubljana, Slovenia	100
8	Piraeus Leasing d.o.o. Beograd	Piraeus Bank s.a. Athens, Greece Piraeus Bank a.d. Beograd	51.00 49.00
9	Porsche Leasing SCG d.o.o. Beograd	Porsche Bank AG, Salzburg, Austria	100
10	Procredit Leasing d.o.o. Beograd	ProCredit Bank a.d Beograd	100
11	Raiffeisen Leasing d.o.o. Beograd	Raiffeisen banka a.d. Beograd Raiffeisenbank – Leasing International GmbH, Vienna, Austria	50 50
12	S-Leasing d.o.o. Beograd	Steiermarkische Bank und Sparkassen Aktiengesellschaft, Graz, Austria Erste Bank a.d. Novi Sad	25 75
13	Sogelease Srbija d.o.o. Beograd	Societe Generale Bank Srbija a.d Beograd	100
14	UniCredit Leasing Srbija d.o.o. Beograd	UniCredit Leasing S.P.A, Bologna, Italy	100

Table 2 – Lessor ownership structure

No	Lessor	Ownership	% of ownership
15	VB Leasing d.o.o. Beograd	VB-Leasing International Holding GmbH, Vienna, Austria	100
16	Zastava Istrabenz Lizing d.o.o. Beograd	Istrabenz D.D. Koper, Slovenia JSC for holding, consulting and management, Zastava vozila group, Kragujevac – undergoing restructuring	95.2 4.8

Source: National Bank of Serbia.

2. Balance sheet structure

2.1. Balance sheet

On 30 September 2015 balance sheet assets of the leasing sector totalled RSD 56.9 bln, down by 13.0% relative to 31 December 2014. The bulk of assets was foreign currency clause indexed (89.3%), while the majority of liabilities was foreign currency denominated (74.2%).

The largest share of total assets was that of financial lease receivables, which increased from 85.8% at end-2014 to 88.1% at end-Q3 2015.

Relative to 2014, current assets decreased by 28.3%, reflecting chiefly a considerable fall in short-term financial assets (44.0%) and short-term financial lease receivables. The share of short-term financial assets in total balance sheet assets decreased from 7.3% in 2014 to 4.7%, the share of other current assets and deferred tax assets declined from 1.8% in 2014 to 1.4%, while the share of cash and cash equivalents increased from 3.0% in 2014 to 4.1%.

At end-Q3 2015, the capital of all lessors amounted to RSD 7.4 bln, indicating a 5.3% growth relative to end-2014. The share of capital in total balance sheet liabilities increased from 10.7% (in 2014) to 13.0%.

As at 30 September 2015, long-term liabilities accounted for the largest share of total liabilities – 81.6%, down by 14.6% from 2014. The share of long-term foreign credits went down from 76.9% (in 2014) to 73.7%, whereas the share of long-term domestic credits inched up from 6.2% in 2014 to 7.8%. Incidentally, in the majority of cases, foreign creditors of leasing companies were either their founders or legal entities operating within the same banking group.

The share of short-term liabilities in total liabilities decreased from 5.3% in 2014 to 4.3% on 30 September 2015. Short-term domestic credits accounted for 2.6% of

total liabilities, while other liabilities and deferred tax liabilities made up 1.1% of total liabilities. Financial lease liabilities made up the smallest share (0.4%) in total liabilities. The aggregate balance sheet of all lessors in RSD 000 on 31 December 2014 and 30 September 2015 is given in Table 3.

Table 3 – Aggregate balance sheet of all lessors (in RSD 000)						
No	ITEM	31 Dec 2014		30 Sep 2015		% growth
		amount	%	amount	%	30/09/15/ 31/12/14
ASSETS		65,439,515	100.0	56,922,687	100.0	-13.0
1	FIXED ASSETS	56,605,450	86.5	50,617,280	88.9	-10.6
1.1	Property, plant and equipment	368,650	0.6	311,363	0.5	-15.5
1.2	Financial lease receivables	56,087,162	85.8	50,168,633	88.1	-10.6
1.3	Long-term financial assets	45,709	0.1	55,223	0.1	20.8
1.4	Other fixed assets	103,929	0.2	82,061	0.1	-21.0
2	CURRENT ASSETS	8,834,065	13.5	6,305,407	11.1	-28.3
2.1	Cash and cash equivalents	1,950,054	3.0	2,326,908	4.1	19.3
2.2	Short-term financial lease receivables	533,687	0.8	171,007	0.3	-68.0
2.3	Short-term financial assets	4,772,573	7.3	2,674,778	4.7	-44.0
2.4	Other short-term receivables	373,078	0.6	326,301	0.6	-14.4
2.5	Other current assets and deferred tax assets	1,204,673	1.8	806,413	1.4	-30.6
LIABILITIES		65,439,515	100.0	56,922,687	100.0	-13.0
1	CAPITAL	7,029,192	10.7	7,400,361	13.0	5.3
1.1	Core capital	7,318,616	11.2	6,421,925	11.3	-12.3
1.2	Reserves	40,052	0.1	40,151	0.1	0.2
1.3	Revaluation reserves	36	0.0	36	0.0	0.0
1.4	Net unrealised gains/losses	-10,427	0.0	3,692	0.0	-135.4
1.5	Retained earnings	3,225,344	4.9	3,455,867	6.1	7.1
1.6	Loss	3,544,429	5.4	2,521,310	4.4	-28.9
1.7	Purchased own shares and stakes	0	0.0	0	0.0	-
2	LONG-TERM PROVISIONING AND LIABILITIES	54,924,526	84.0	47,099,414	82.7	-14.2
2.1	Long-term provisions	575,132	0.9	676,018	1.2	17.5
2.2	Long-term liabilities	54,349,394	83.1	46,423,396	81.6	-14.6
2.2.1	Long-term domestic credits	4,045,105	6.2	4,450,287	7.8	10.0
2.2.2	Long-term foreign credits	50,268,002	76.9	41,945,567	73.7	-16.6
2.2.3	Other long-term liabilities	36,287	0.1	27,542	0.0	-24.1
3	SHORT-TERM LIABILITIES	3,485,797	5.3	2,422,912	4.3	-29.8
3.1	Short-term financial liabilities	2,634,285	4.0	1,594,698	2.8	-39.5

Table 3 – Aggregate balance sheet of all lessors
(in RSD 000)

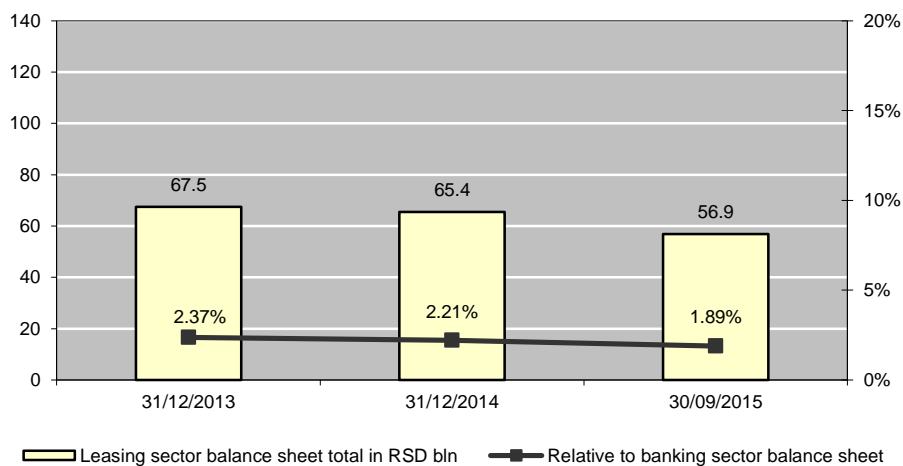
No	ITEM	31 Dec 2014		30 Sep 2015		% growth 30/09/15/ 31/12/14
		amount	%	amount	%	
3.1.1	Short-term domestic credits	2,582,009	3.9	1,492,077	2.6	-42.2
3.1.2	Short-term foreign credits	0	0.0	0	0.0	-
3.1.3	Liabilities under interest and other costs of financing	52,276	0.1	102,621	0.2	96.3
3.2	Financial lease liabilities	255,852	0.3	225,508	0.4	2.1
3.3	Other liabilities and deferred tax liabilities	595,660	0.9	602,706	1.1	1.2

Source: National Bank of Serbia.

2.2. Balance sheet total of lessors and banks

As at 30 September 2015, the ratio of balance sheet total of the leasing sector (RSD 56.9 bln) to banking sector balance sheet total equalled 1.89% (banking sector balance sheet total amounted to RSD 3,007.57 bln). This fact should also be viewed in the context of legal regulations, according to which the predominant activity of financial lessors may only be financial leasing (as already mentioned, financial lease receivables made up 88.1% of financial leasing sector balance sheet assets), while banks may perform all legally permissible operations, based on which receivables disclosed in total bank balance sheet assets arise.

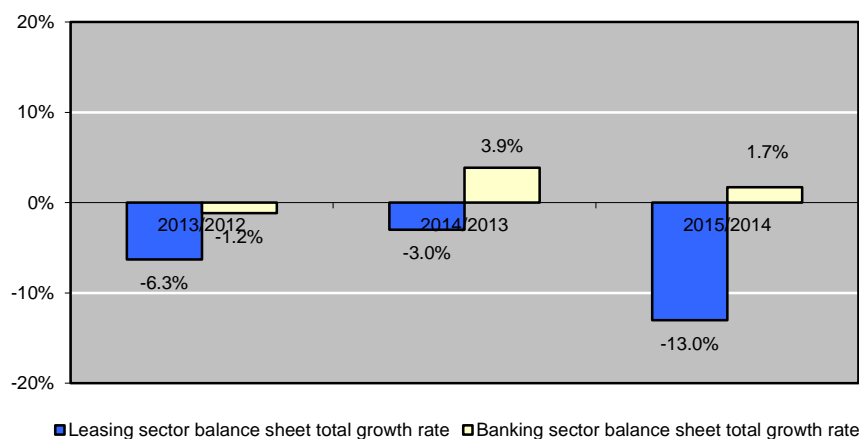
Chart 1 – Balance sheet total of lessors and banks
(RSD bln)



Source: NBS.

From 31 December 2014 to 30 September 2015, leasing sector balance sheet total shrunk by 13.0%, while banking sector balance sheet total increased by 1.7%.

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



Source: NBS.

2.3. Market share

For the purpose of monitoring the structure of the financial leasing market and the degree 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). Also, lessors were ranked based on the size of individual market share as determined by the level of receivables from financial leasing (portfolio).

Table 4 – Market share of lessors

Ranking	Lessor	Balance sheet assets (in RSD 000)	Share 2014	Cumul. share 2014	Ranking	Lessor	Balance sheet assets (in RSD 000)	Share 2015	Cumul. share 2015	Rank – portfolio 2015
1	Intesa Leasing d.o.o. Beograd	9,036,153	13.8%	13.8%	1	UniCredit Leasing Srbija d.o.o. Beograd	7,582,575	13.3%	13.3%	1
2	Heta Leasing d.o.o. Beograd	7,911,845	12.1%	25.9%	2	Intesa Leasing d.o.o. Beograd	7,192,312	12.6%	26.0%	3
3	UniCredit Leasing Srbija d.o.o. Beograd	7,232,350	11.1%	37.0%	3	Sogelease Srbija d.o.o. Beograd	5,990,295	10.5%	36.5%	2
4	VB Leasing d.o.o. Beograd	6,079,927	9.3%	46.2%	4	VB Leasing d.o.o. Beograd	5,927,317	10.4%	47.1%	4
5	Sogelease Srbija d.o.o. Beograd	5,297,611	8.1%	54.3%	5	Raiffeisen Leasing d.o.o. Beograd	5,503,739	9.7%	56.2%	5

Table 4 – Market share of lessors

Ranking	Lessor	Balance sheet assets (in RSD 000)	Share 2014	Cumul. share 2014	Ranking	Lessor	Balance sheet assets (in RSD 000)	Share 2015	Cumul. share 2015	Rank – portfolio 2015
6	Raiffeisen Leasing d.o.o. Beograd	4,999,521	7.6%	62.0%	6	NBG Leasing d.o.o. Beograd	4,503,208	8.0%	64.2%	6
7	NBG Leasing d.o.o. Beograd	4,628,317	7.1%	69.0%	7	CA Leasing Srbija d.o.o. Beograd	4,106,891	7.2%	71.1%	7
8	CA Leasing Srbija d.o.o. Beograd	3,918,755	6.0%	75.0%	8	S-Leasing d.o.o. Beograd	3,902,951	6.9%	77.3%	8
9	S-Leasing d.o.o. Beograd	3,410,550	5.2%	80.2%	9	Heta Leasing d.o.o. Beograd	2,467,467	4.3%	82.5%	10
10	NLB Leasing d.o.o. Beograd	2,527,318	3.9%	84.1%	10	Porsche Leasing SCG d.o.o. Beograd	2,341,421	4.1%	86.4%	9
11	Porsche Leasing SCG d.o.o. Beograd	2,385,516	3.6%	87.8%	11	Lipaks d.o.o. Beograd	1,826,816	3.2%	89.4%	14
12	Piraeus Leasing d.o.o. Beograd	2,086,623	3.2%	90.9%	12	NLB Leasing d.o.o. Beograd	1,601,581	2.8%	92.5%	12
13	LIPAKS d.o.o. Beograd	1,931,316	3.0%	93.9%	13	Piraeus Leasing d.o.o. Beograd	1,407,790	2.5%	95.2%	11
14	Procredit Leasing d.o.o. Beograd	1,800,471	2.8%	96.6%	14	Procredit Leasing d.o.o. Beograd	1,181,432	2.1%	97.6%	13
15	ERB Leasing a.d. Beograd	1,734,394	2.7%	99.3%	15	ERB Leasing a.d. Beograd	926,704	1.6%	99.2%	15
16	Zastava Istrabenz Lizing d.o.o. Beograd	458,848	0.7%	100.0%	16	Zastava Istrabenz Lizing d.o.o. Beograd	428,188	0.8%	100.0%	16
TOTAL		65,439,515	100.0%	-	TOTAL		56,922,687	100.0%	-	
Herfindahl–Hirschman Index		844.4			Herfindahl–Hirschman Index		879.9			

Source: National Bank of Serbia.

Judging by Herfindahl–Hirschman Index, which equalled 879.9 on 30 September 2015, the financial leasing market falls into the category of competitive (no concentration) market.

As illustrated in Table 4, the ranking of lessors by market share of lessors' balance sheet assets changed somewhat at end-Q3 2015 relative to end-2014.

Compared to end-2014, the biggest changes in market share based on the size of balance sheet assets as at 30 September 2015, were recorded by Heta Leasing d.o.o. Beograd (moving from 2nd to 9th place, its market share dropping from 12.1% to 4.3%) and UniCredit Leasing Srbija d.o.o. Beograd (moving from 3rd to 1st place, its market share rising from 11.1% to 13.3%).

2.4. Profit and loss account

End-Q3 2015, total pre-tax profit of all financial lessors increased and came positive at RSD 163.0 mln (in 2014, it was negative at RSD 987.4 mln). Broken down by lessor, it is important to underline that as many as thirteen lessors recorded positive

pre-tax profit in the amount of RSD 592.0 mln, while three lessors had a negative pre-tax result (RSD 429.0 mln). In y-o-y terms, total annualised income and gains picked up by 20.5%, while total annualised expenses and losses dropped by 5.2% during the review period.

Interest income from financial leasing made up the majority of total income, its share, however, coming down from 74.2% in 2014 to 61.2% in 2015. In the structure of total income, a significant share was taken by net income from impairment of assets – 20.6%, income from financial leasing operations (conclusion and implementation of financial lease contracts – processing of financing applications, over-invoiced costs, other costs arising from the non-settlement of lessor liabilities) – 12.2%, other income and gains – 4.7%, while net income from other interest accounted for 1.3%.

Other losses and expenses operations accounted for the largest share of total expenses (28.6%) and total income (27.4%). Next were interest expenses arising from financial leasing operations, which made up 21.6% of total expenses and 20.8% of total income. They were followed by salaries, compensations and other expenses related to employees with a 21.6% share in total expenses and 20.7% in total income. Other operating expenses held a 17.4% share in total expenses and 16.7% in total income. Expenses from financial leasing accounted for 4.4% of total expenses (4.2% of total income), and depreciation and provisioning took up 2.7% of total expenses (2.6% of total income).

Table 5 – Aggregate profit and loss account of all lessors
(in RSD 000)

No	ITEM	01/01- 31/12/14	% of total income	01/01- 30/09/15	% of total income	% growth 2015/ 2014
INCOME AND EXPENSES FROM REGULAR OPERATIONS						
OPERATING INCOME AND EXPENSES						
1	Interest income from leasing	3,332,326	74.2	2,484,735	61.2	-0.6
2	Interest expenses from leasing	1,461,852	32.5	843,150	20.8	-23.1
3	Income from leasing	710,964	15.8	493,645	12.2	-7.4
4	Expenses from leasing	280,299	6.2	171,733	4.2	-18.3
1	BUSINESS RESULT	2,301,139	51.2	1,963,497	48.4	13.8
OTHER INCOME AND EXPENSES						
5	Net income from other interest	121,116	2.7	51,874	1.3	-42.9
6	Net expenses from other interest	0	0.0	0	0.0	-
7	Net income from exchange rate gains and currency clause effects	134,061	3.0	0	0.0	-100.0
8	Net expenses from exchange rate losses and currency clause effects	0	0.0	131,208	3.2	-
9	Net income from share in income of subsidiary legal entities and joint ventures	285	0.0	0	0.0	-100.0

Table 5 – Aggregate profit and loss account of all lessors
(in RSD 000)

No	ITEM	01/01- 31/12/14	% of total income	01/01- 30/09/15	% of total income	% growth 2015/ 2014
10	Net expenses from share in losses of subsidiary legal entities and joint ventures	0	0.0	0	0.0	-
11	Net gains from sale and lease	0	0.0	0	0.0	-
12	Net loss from sale and lease	15,293	0.3	12,225	0.3	6.6
13	Salaries, compensations and other expenses related to employees	1,173,008	26.1	841,463	20.7	-4.4
14	Depreciation and provisioning	190,545	4.2	105,140	2.6	-26.4
15	Other operating expenses	1,019,563	22.7	679,440	16.7	-11.1
16	Net gains from sale of intangible investment, property, plant, equipment and other assets	4,290	0.1	2,753	0.1	-14.4
17	Net loss from sale of intangible investment, property, plant, equipment and other assets	0	0.0	0	0.0	-
18	Net gains from sale of share in capital and securities	8	0.0	0	0.0	-100.0
19	Net loss from sale of share in capital and securities	0	0.0	0	0.0	-
20	Net income from impairment of assets	0	0.0	838,088	20.6	-
21	Net expenses from impairment of assets	713,925	15.9	0	0.0	-100.0
22	Other gains and income	189,638	4.2	189,652	4.7	33.3
23	Other losses and expenses	625,574	13.9	1,113,349	27.4	137.3
II	REGULAR OPERATING RESULT	-987,371	-22.0	163,039	4.0	-122.0
24	NET GAIN FROM DISCONTINUED OPERATIONS	0	0.0	0	0.0	-
25	NET LOSS FROM DISCONTINUED OPERATIONS	0	0.0	0	0.0	00.0
III	PRE-TAX RESULT	-987,371	-22.0	163,039	4.0	-122.0
26	PROFIT TAX					
26.1	1. Tax expense of the period	112,534	2.5	85,982	2.1	1.7
26.2	2. Deferred tax expenses of the period	17,274	0.4	406	0.0	-96.9
26.3	3. Deferred tax income of the period	900	0.0	5,229	0.1	705.1
27	Paid personal income to employer	0	0.0	0	0.0	-
IV	NET RESULT	-1,116,279	-24.8	81,880	2.0	-109.8
V	TOTAL INCOME AND GAINS	4,492,688	100.0	4,060,747	100	20.5
VI	TOTAL EXPENSES AND LOSSES	5,480,059	122.0	3,897,708	96.0	-5.2

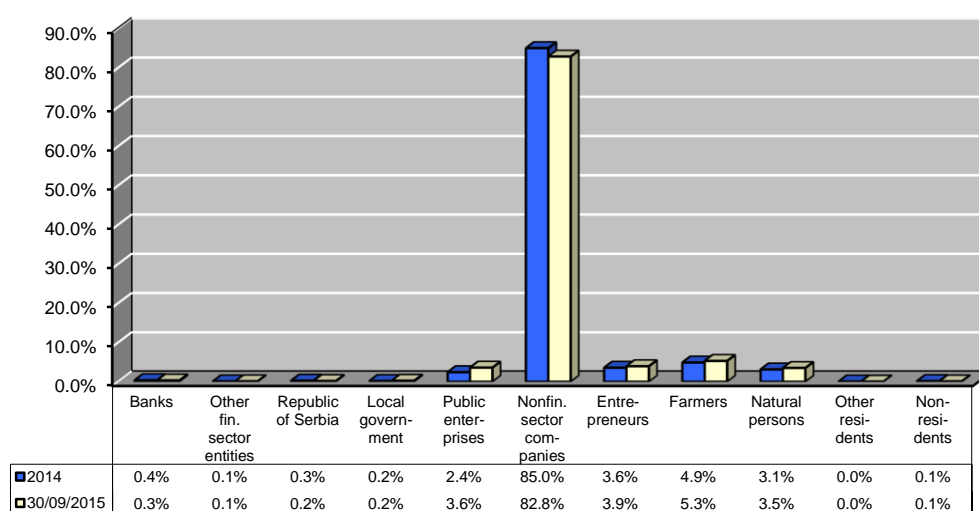
Source: National Bank of Serbia.

3. Structure of investments and assets quality

3.1. Lessees

At end-Q3 2015, like at end-2014, most financial lease arrangements (Chart 3) were approved to non-financial sector companies (82.8%).

Chart 3 - Investment structure by lessee



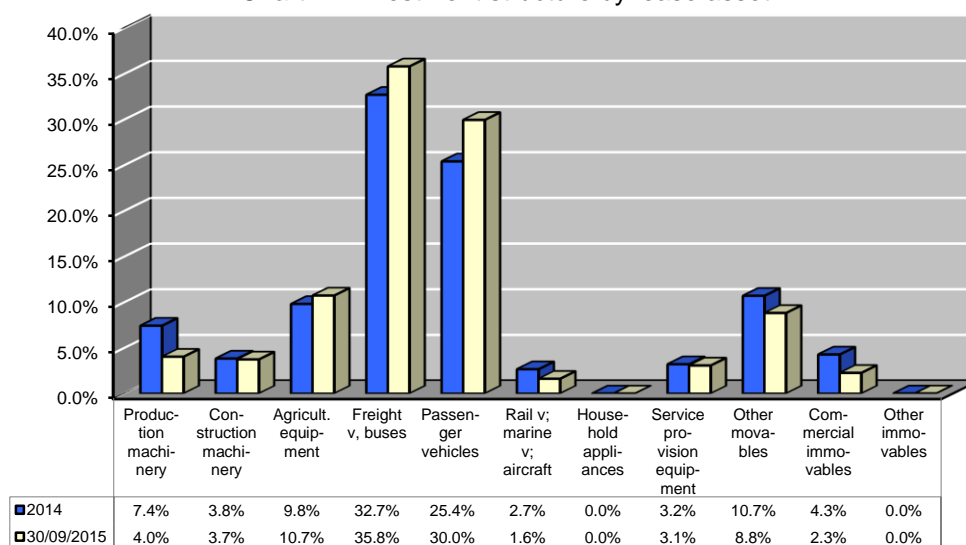
Source: NBS.

The share of other lessees was significantly smaller. The share of farmers was 5.3%, entrepreneurs – 3.9%, public enterprises – 3.6% and natural persons – 3.5%.

3.2. Lease assets

There were no significant changes in the structure of lease investments by lease asset at end-Q3 2015 relative to 2014 (Chart 4). The financing of freight vehicles, minibuses and buses continued to account for the largest share of lease investments with 35.8% (vs. 32.7% in 2014). Next in size was the financing of passenger vehicles – 30.0% compared to 25.4% in 2014.

Chart 4 - Investment structure by lease asset



Source: NBS.

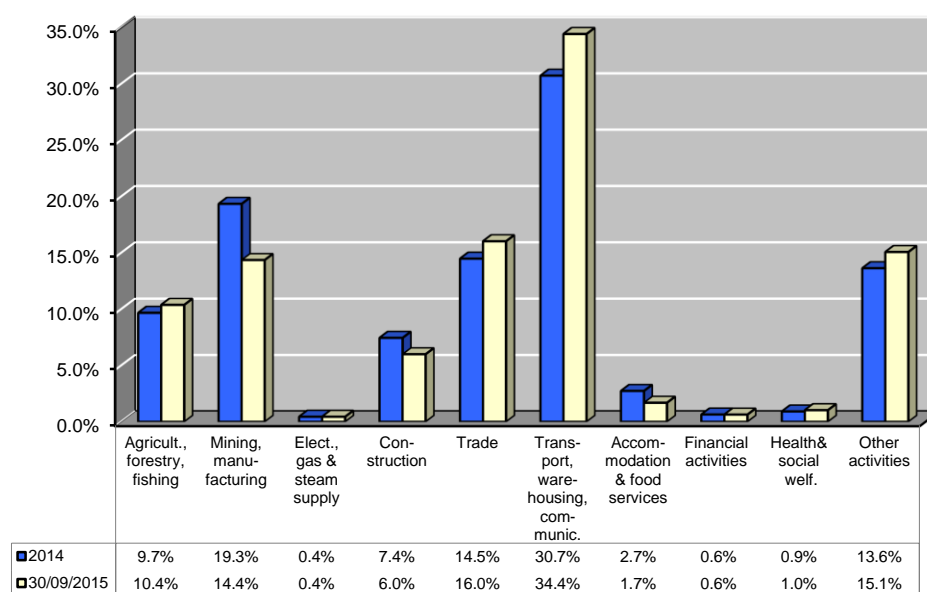
The financing of other movables fell from 10.7% in 2014 to 8.8%, as did the financing of production machinery and equipment (7.4% to 4.0%). At the same time, the financing of agricultural machinery and equipment rose from 9.8% to 10.7%.

3.3. Investment structure by sector

As at 30 September 2015, the most significant share in total financial lease investments (Chart 5) was that of transport, warehousing, information and communications – 34.4% (vs. 30.7% in 2014) and that of trade – 16.0% (vs. 14.5% in 2014).

A significant share was also noted at manufacturing together with mining and water supply – 14.4% (vs. 19.3% in 2014), other activities – 15.1% (vs. 13.6% in 2014), agriculture, forestry and fishing – 10.4% (vs. 9.7% in 2014) and construction – 6.0% (vs. 7.4% in 2014).

Chart 5 - Investment structure by sector



Source: NBS.

3.4. Asset quality

On 30 September 2015, the value of financial lessors' portfolio was RSD 50.2 bln, which represents a 10.6% decline relative to end-2014 (RSD 56.1 bln).

Past due gross receivables equalled RSD 8.1 bln, making up 13.3% of gross receivables in respect of financial leasing (15.1% in 2014), while the net book value of past due receivables was RSD 1.4 bln – its share in portfolio was 2.8% (4.4% in 2014), and in capital 18.8% (34.9% in 2014).

At end-Q3 2015, receivables past due more than 90 days made up the largest part of total past due receivables. In fact, their gross amount accounted for 11.5% of total gross financial lease receivables (down from 13.2% in 2014), while their net book value made up 1.4% of the total portfolio (2.7% in 2014).

The share of value adjustment of due and undue receivables came at RSD 10.6 bln on 30 September 2015, while its share in total gross financial lease receivables was 17.4%, which is an increase relative to end-2014, when it equalled 12.7%.

At end-Q3 2015, the value of returned lease assets was RSD 717.7 mln which, together with outstanding balances from previous years, came to almost RSD 1.5 bln or 2.9% of the portfolio and 19.8% of capital (vs. 5.1% and 40.0% at end-2014, respectively). Of the returned lease assets, lessors re-leased 18.8%, sold 48.4%, and rented 1.3%, while 24.9% (after value adjustment of 6.7%) remained unemployed. As at 30 September 2015, the stock of returned lease assets came at RSD 364.2 mln or 0.7% of the portfolio and 4.9% of capital (at end-2014, the stock of returned lease assets came at 1.2% of the portfolio and 9.6% of capital).

4. Performance indicators

Table 6 – Performance indicators

PERFORMANCE INDICATORS	31 Dec 2014	30 Sep 2015
Return on assets (ROA)	-1.49%	0.36%
Return on equity (ROE)	-15.18%	3.01%
Net interest margin	3.62%	4.25%
Average lending rate	6.48%	6.53%
Average deposit rate	2.69%	2.31%
Coverage of interest expenses	0.37x	1.18x
Operating expenses to average investment	4.33%	4.08%
Total debt to equity	8.31x	6.69x
Long-term debt to equity	7.81x	6.36x

Source: National Bank of Serbia.

At end-Q3 2015, performance indicators of financial leasing providers (ROA and ROE) were positive owing to the positive pre-tax result, unlike at end-2014, when both indicators were negative. As the average lending rate increased more than the average deposit rate, net interest margin increased. The coverage of interest expenses went up, while operating expenses relative to average investment went down.

As capital increased and total debt and long-term debt to equity decreased, solvency in the financial leasing market improved.