



NATIONAL BANK OF SERBIA
BANK SUPERVISION DEPARTMENT

FINANCIAL LEASING SECTOR IN SERBIA

Third Quarter Report 2019

February 2020

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1 Basic information about the Serbian financial leasing sector¹

At end-Q3 2019, 17 lessors operated in the Serbian financial leasing sector:

1	CA Leasing Srbija d.o.o. Beograd	10	Porsche Leasing SCG d.o.o. Beograd
2	ERB Leasing a.d. Beograd undergoing liquidation	11	Procredit Leasing d.o.o. Beograd undergoing liquidation
3	Intesa Leasing d.o.o. Beograd	12	Raiffeisen Leasing d.o.o. Beograd
4	LIPAKS d.o.o. Beograd	13	Scania Leasing RS d.o.o. Krnješevci
5	NDM Leasing d.o.o. Beograd	14	S-Leasing d.o.o. Beograd
6	NLB Leasing d.o.o. Beograd undergoing liquidation	15	UniCredit Leasing Srbija d.o.o. Beograd
7	OTP Leasing Srbija d.o.o. Beograd	16	Vantage Leasing d.o.o. Beograd
8	OTP Lizing d.o.o. Beograd	17	Zastava Istrabenz Lizing d.o.o. Beograd
9	Piraeus Leasing d.o.o. Beograd undergoing liquidation		

1.1 Overview of the basic parameters relevant to the financial leasing sector

(number of employees, total balance sheet assets, total capital – by residence of the lessor's founder and total amount)

Table 1 **Overview of basic parameters**
(in RSD thousand, in %, as at 30 September 2019)

Ownership structure by owner nationality (residence)	Number	Assets		Capital		Employment	
		Amount	Share	Amount	Share	Number	Share
Lessors in 100% or majority ownership of domestic entities	10	89,359,191	90.0%	7,063,843	74.1%	295	84.0%
Lessors in 100% or majority ownership of foreign legal entities	7	9,951,618	10.0%	2,474,481	25.9%	56	16.0%
Total	17	99,310,809	100.0%	9,538,324	100.0%	351	100.0%

Namely, seven lessors were in 100% or majority ownership of foreign legal entities, while ten other lessors were in 100% or majority ownership of domestic entities (of which eight were owned by domestic banks with foreign capital) (Table 1 – Overview of basic parameters).

Specification of lessors with percentage of owners' share in the lessors' capital is shown in Table 2.

¹ All data presented in the report are based on the data which the National Bank of Serbia collected in off-site supervision of lessors in Q3 2019.

Table 2 Financial lessor ownership structure

No	Lessor	Owner	% 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 undergoing liquidation	EFG New Europe Holding b.v, Amsterdam, the Netherlands	48.63
		EFG Eurobank Ergasias s.a. Athens, Greece	25.81
		Eurobank a.d. Beograd	25.56
3	NDM Leasing d.o.o. Beograd	KAPPA STAR LIMITED, Cyprus	100
4	Intesa Leasing d.o.o. Beograd	Banca Intesa a.d. Beograd	100
5	LIPAKS d.o.o. Beograd	Mirko Žeželj	48.19
		Zoran Tanasić	48.19
		Sandra Džodić	3.11
		Milorad Milić	0.51
6	OTP Lizing d.o.o. Beograd	Vojvođanska banka a.d. Novi Sad	60
		MERKANTIL BANK ZRT, Budapest, Hungary	40
7	NLB Leasing d.o.o. Beograd undergoing liquidation	Nova Ljubljanska Banka d.d. Ljubljana, Slovenia	100
8	Piraeus Leasing d.o.o. Beograd undergoing liquidation	Direktna Banka ad Kragujevac;	100
9	Porsche Leasing SCG d.o.o. Beograd	Porsche Bank AG, Salzburg, Austria	100
10	ProCredit Leasing d.o.o. Beograd undergoing liquidation	ProCredit Bank a.d. Beograd	100
11	Raiffeisen Leasing d.o.o. Beograd	Raiffeisen Bank a.d. Beograd	100
12	S-Leasing d.o.o. Beograd	Steiermarkische Bank und Sparkassen Aktiengesellschaft, Graz, Austria	25
		Erste Bank a.d. Novi Sad	75
13	OTP Leasing Srbija d.o.o. Beograd	OTP banka Srbija a.d. Beograd	100
14	UniCredit Leasing Srbija d.o.o. Beograd	UniCredit bank Srbija a.d Beograd	100
15	Vantage Leasing d.o.o. Beograd	VB-Leasing International Holding GmbH, Vienna, Austria	100
16	Zastava Istrabenz Lizing d.o.o. Beograd	Istrabenz D.D. Portorož, Slovenia	95.2
		Grupa Zastava vozila a.d. Kragujevac – undergoing resolution	4.8
17	Scania Leasing RS d.o.o. Krnješevci	Scania CV ACTIEBOLAG, Södertälje, Sweden	100

The classification of lessors by sector of the founder (banking/non-banking sector) has not changed since the establishment of a regulated financial leasing market in Serbia. Thirteen lessors were founded by banks, banking group members or other financial institutions, while four lessors were in majority ownership of non-banking sector entities.

At the end of this quarter, **the number of employees** in the financial leasing sector was 351, the same as in the prior quarter.

Total balance sheet assets of the financial leasing sector equalled RSD 99.3 bn (up by 1.9% compared to the end of the previous quarter).

Total capital equalled RSD 9.5 bn (down by 2.3% q-o-q).

Five lessors made up as much as 73.1% of the financial leasing market in terms of their total balance sheet assets, while, on the other hand, three other lessors held individual shares of below 10.0%. The remaining nine lessors held individual market shares of less than 5.0%.

Financial leasing sector is profitable. Return on assets (ROA) of the financial leasing sector amounted to 1.12%, while return on equity (ROE) equalled 10.73% as at 30 September 2019.

Financial leasing sector has a relatively low share of non-performing assets in the total portfolio (financial leasing receivables).

As at 30 September 2019, financial lease receivables from financial lease past due more than 90 days accounted for 2.5% of gross financial lease receivables at the level of the financial leasing sector. The net carrying value of these receivables accounted for 0.1% of the total net portfolio.

Net profit at end-Q3 2019 reached RSD 607.0 mn. Of the total of 17 lessors, six had a negative net result.

At end-Q3 2019, seven lessors (*Intesa Leasing d.o.o. Beograd, OTP Lizing d.o.o. Beograd, CA Leasing Srbija d.o.o. Beograd, OTP Leasing Srbija d.o.o. Beograd, Vantage Leasing d.o.o. Beograd, S-Leasing d.o.o. Beograd and Porsche Leasing SCG d.o.o. Beograd*) had prior consent of the NBS for carrying out insurance agency services, though the share of income generated on this account does not represent a significant item in their total income.

Four lessors are undergoing voluntary liquidation, approved by the NBS.

2 Balance sheet structure

2.1 Balance sheet

As at 30 September 2019, balance sheet assets of all financial lessors totalled RSD 99.3 bn, up by 1.9% relative to the previous quarter.

The largest share (91.7%) of total balance sheet assets was that of financial lease receivables (portfolio). These receivables amounted to RSD 91.1 bn, which is an increase of 2.2% relative to the previous quarter.

Lessors' current assets declined by 0.9%. The decrease was mostly driven by a decline in item Short-term financial assets.

At end-Q3 2019, the capital of all lessors amounted to RSD 9.5 bn, with a 9.6% share in total balance sheet liabilities. Total capital decreased by 2.3% relative to the end of the prior quarter.

As at 30 September 2019, long-term liabilities accounted for the largest share of lessors' total balance sheet liabilities. Long-term loans from foreign creditors made up the dominant share of long-term liabilities. In the majority of cases, foreign creditors of lessors were either their founders or legal entities operating within the same banking group.

As at 30 September 2019, total long-term liabilities increased by 2.1% relative to 30 June 2019.

Long-term foreign borrowing made up the dominant share of long-term liabilities (69.8%). As at end-Q3 2019, long-term domestic loans held a 10.0% share in total balance sheet liabilities, down by 14.9% relative to the previous quarter.

As at 30 September 2019, the share of short-term liabilities in total balance sheet liabilities edged up from 9.5% to 9.8% compared to 30 June 2019. The bulk of short-term liabilities are made of domestic short-term loans (85.6%). The total short-term liabilities as at 30 September 2019 reached RSD 9.8 bn, which represents a 5.3% increase relative to the previous quarter (RSD 9.3 bn).

The bulk of lessors' balance sheet assets were foreign currency indexed receivables (90.6%), while the majority of balance sheet liabilities were foreign currency denominated (73.0%), which is in line with the structure of debt, given the creditors' residence.

The comparative balance sheet of lessors in RSD thousand as at 31 December 2018 and 30 September 2019 is presented in Table 3.

Table 3 **The comparative balance sheet of financial lessors** (in RSD thousand)

Number	ITEM	31/12/2018		30/9/2019		% growth
		Amount	%	Amount	%	
	ASSETS	86,737,658	100.0	99,310,809	100.0	14.5
1	FIXED ASSETS	78,365,673	90.3	91,865,766	92.5	17.2
1.1	Property, plant and equipment	178,961	0.2	405,880	0.4	126.8
1.2	Financial leasing receivables	77,778,928	89.7	91,067,101	91.7	17.1
1.3	Long-term financial assets	314,329	0.4	300,606	0.3	-4.4
1.4	Other fixed assets	93,455	0.1	92,179	0.1	-1.4
2	CURRENT ASSETS	8,371,985	9.7	7,445,043	7.5	-11.1
2.1	Cash and cash equivalents	3,946,774	4.6	2,542,681	2.6	-35.6
2.2	Short-term financial leasing receivables	94,839	0.1	116,126	0.1	22.4
2.3	Short-term financial assets	3,239,712	3.7	3,717,792	3.7	14.8
2.4	Other short-term receivables	255,895	0.3	231,961	0.2	-9.4
2.5	Other current assets and deferred tax assets	834,765	1.0	836,493	0.8	0.2

LIABILITIES		86,737,658	100.0	99,310,809	100.0	14.5
1	CAPITAL	9,662,751	11.1	9,538,324	9.6	-1.3
1.1	Core capital	7,416,790	8.6	7,452,198	7.5	0.5
1.2	Reserves	40,151	0.0	40,151	0.0	0.0
1.3	Revaluation reserves	177	0.0	177	0.0	0.0
1.4	Net unrealised gains/losses	3,982	0.0	27,013	0.0	578.4
1.5	Retained earnings	4,789,255	5.5	4,623,934	4.7	-3.5
1.6	Loss	2,587,604	3.0	2,605,149	2.6	0.7
1.7	Purchased own shares and stakes	0	0.0	0	0.0	-
2	LONG-TERM PROVISIONING AND LIABILITIES	69,102,261	79.7	79,994,195	80.5	15.8
2.1	Long-term provisions	376,841	0.4	474,914	0.5	26.0
2.2	Long-term liabilities	68,725,420	79.2	79,519,281	80.1	15.7
2.2.1	Long-term domestic loans	9,301,647	10.7	9,934,272	10.0	6.8
2.2.2	Long-term foreign loans	59,423,773	68.5	69,353,542	69.8	16.7
2.2.3	Other long-term liabilities	0	0.0	231,467	0.2	-
3	SHORT-TERM LIABILITIES	7,972,646	9.2	9,778,290	9.8	22.6
3.1	Short-term financial liabilities	6,891,087	7.9	8,558,501	8.6	24.2
3.1.1	Short-term domestic loans	6,793,593	7.8	8,408,491	8.5	23.8
3.1.2	Short-term foreign loans	0	0.0	0	0.0	0.0
3.1.3	Liabilities under interest and other costs of financing	97,494	0.1	150,010	0.2	53.9
3.2	Financial lease liabilities	339,615	0.4	606,544	0.6	78.6
3.3	Other liabilities and deferred tax liabilities	741,944	0.9	613,245	0.6	-17.3

Source: NBS.

2.2 Market share

For the purpose of monitoring the structure of the financial leasing market and the degree of competition among 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 by balance sheet assets

Ranking	Lessor	Balance sheet assets		Lessor	Balance sheet assets		
		(RSD thousand)	Share		(RSD thousand)	Share	
1	OTP Leasing Srbija d.o.o. Beograd	17,441,142	17.6%	10	Lipaks Leasing d.o.o. Beograd	1,898,606	1.9%
2	Intesa Leasing d.o.o. Beograd	15,986,942	16.1%	11	NDM Leasing d.o.o. Beograd	1,061,764	1.1%
3	UniCredit Leasing d.o.o. Beograd	14,048,307	14.1%	12	NLB Leasing d.o.o. Beograd undergoing	709,312	0.7%

Table 4 Market share of lessors by balance sheet assets

Ranking	Lessor	Balance sheet assets (RSD thousand)	Share	Lessor	Balance sheet assets (RSD thousand)	Share	
4	Raiffeisen Leasing d.o.o. Beograd	13,685,734	13.8%	13	Vantage Leasing d.o.o. Beograd	243,059	0.2%
5	S-Leasing d.o.o. Beograd	11,427,423	11.5%	14	Zastava Istrabenz Lizing d.o.o. Beograd	217,342	0.2%
6	OTP Lizing d.o.o. Beograd	8,277,653	8.3%	15	Procredit Leasing d.o.o. Beograd undergoing liquidation	217,010	0.2%
7	CA Leasing Srbija d.o.o. Beograd	6,336,158	6.4%	16	ERB Leasing a.d. Beograd undergoing liquidation	111,732	0.1%
8	Porsche Leasing SCG d.o.o. Beograd	5,231,589	5.3%	17	Pireus Leasing d.o.o. Beograd undergoing liquidation	40,216	0.0%
9	Scania Leasing d.o.o. Krnješevci	2,376,822	2.4%				
	TOTAL	99,310,809	100.0%				

Source: NBS.

The four top-ranked lessors, whose assets make up over half of the market, retained their positions held at the end of the previous year.

Also, the market share of lessors by portfolio changed insignificantly relative to the previous quarter.

Judging by the Herfindahl–Hirschman Index, which equalled 1,239.1 on 30 September 2019, the financial leasing market falls into the category of moderately concentrated markets.

Table 5 Market share of lessors by financial lease receivables (portfolio)

Ranking	Lessor	Portfolio (in RSD thousand)	Share	Lessor	Portfolio (in RSD thousand)	Share	
1	OTP Leasing Srbija d.o.o. Beograd	17,187,764	18.9%	10	Lipaks Leasing d.o.o. Beograd	1,259,817	1.4%
2	Intesa Leasing d.o.o. Beograd	14,926,910	16.4%	11	Zastava Istrabenz Lizing d.o.o. Beograd	129,314	0.1%
3	Raiffeisen Leasing d.o.o. Beograd	13,251,075	14.6%	12	Vantage Leasing d.o.o. Beograd	116,787	0.1%
4	UniCredit Leasing d.o.o. Beograd	12,578,435	13.8%	13	NDM Leasing d.o.o. Beograd	48,502	0.1%
5	S-Leasing d.o.o. Beograd	10,714,650	11.8%	14	Pireus Leasing d.o.o. Beograd undergoing liquidation	1,482	0.0%

Table 5 Market share of lessors by financial lease receivables (portfolio)

Ranking	Lessor	Portfolio (in RSD thousand)	Share	Lessor	Portfolio (in RSD thousand)	Share	
6	OTP Lizing d.o.o. Beograd	7,684,521	8.4%	15	Procredit Leasing d.o.o. Beograd undergoing liquidation	00	0.0%
7	CA Leasing Srbija d.o.o. Beograd	6,061,078	6.7%	16	NLB Leasing d.o.o. Beograd undergoing liquidation	0.0	0.0%
8	Porsche Leasing SCG d.o.o. Beograd	5,013,484	5.5%	17	ERB Leasing a.d. Beograd undergoing liquidation	0.0	0.0%
9	Scania Leasing d.o.o. Krnješevci	2,093,282	2.3%				
	TOTAL	91,067,101	100.0%				

Source: NBS.

2.3 Income statement

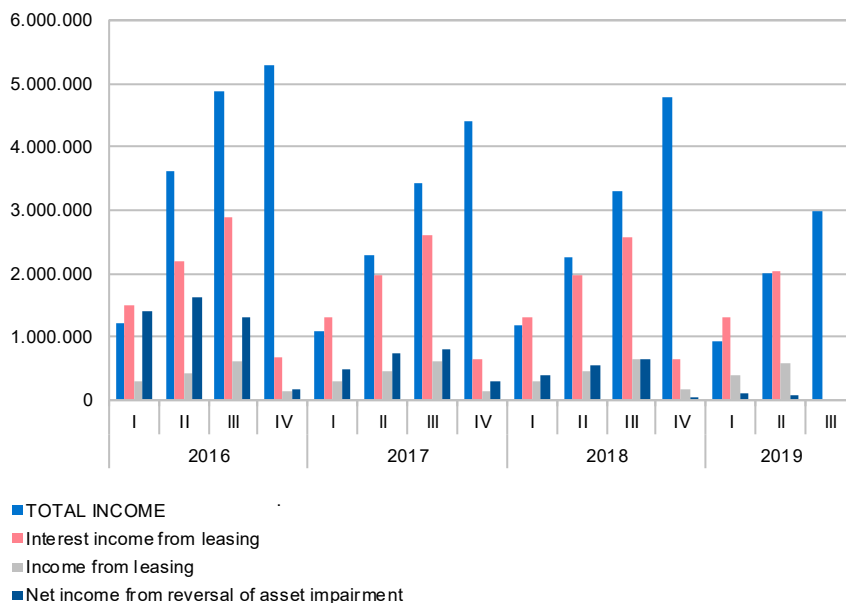
Total pre-tax profit of the financial leasing sector as at 30 September 2019 was positive and equalled RSD 740.6 mn. Of the total number of lessors, six recorded a negative pre-tax result (RSD 169.8 mn), while others had a positive pre-tax result.

As at 30 September 2019, total income and profit equalled RSD 3 bn (down by 10.1% relative to the same quarter of 2018) and total expenses and losses stood at RSD 2.2 bn (up by 3.6% from the same quarter of 2018).

The most significant category of income was interest income from leasing (as primary income of lessors) with the share of 68.2% in total income as at 30 September 2019. Income from leasing (income from the performance of primary activities) had a 20.1% share in total income, followed by net income from the impairment of assets – 2.1%. Other gains and income (income from premiums, subsidies, grants, donations, income from the reversal of long-term provisions, etc.) had a 7.6% share in total income. The share of other categories of income in the structure of total income changed negligibly.

The structure of the most significant income is given in Chart 1 – Structure of income.

Chart 1 Structure of revenue

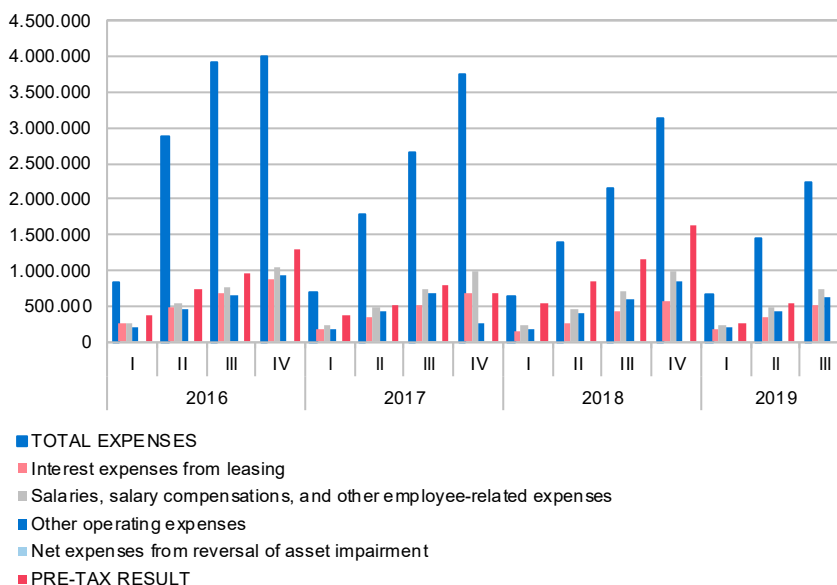


Source: National Bank of Serbia.

The largest share in the structure of total expenses was held by: salaries, salary compensations, and other employee-related expenses (33.6%), followed by other operating expenses (27.5%), lease interest expenses (23.4%), financial leasing expenses (7.7%), and depreciation and provisioning expenses (4.8%).

The structure of the most significant expenses is given in Chart 2 – Structure of expenses.

Chart 2 Structure of expenses



Source: National Bank of Serbia.

The comparative aggregate profit and loss account of all lessors in RSD thousand as at 30 September 2018 and 30 September 2019 is presented in Table 6.

Table 6 Aggregate profit and loss account of all lessors
(in RSD thousand)

No	ITEM	30/9/ 2018	% of tot. inc.	30/9/ 2019	% of tot. inc.	% growth 2018/2019
INCOME AND EXPENSES FROM REGULAR OPERATIONS						
OPERATING INCOME AND EXPENSES						
1	Interest income from leasing	1,963,120	59.4	2,027,161	68.2	3.3
2	Interest expenses from leasing	415,562	12.6	522,735	17.6	25.8
3	Income from leasing	465,399	14.1	596,914	20.1	28.3
4	Expenses from leasing	144,008	4.4	172,151	5.8	19.5
1	BUSINESS RESULT	1,868,949	56.6	1,929,189	64.9	-3.2
OTHER INCOME AND EXPENSES						
5	Net income from other interest	71,758	2.2	52,574	1.8	-26.7
6	Net expenses from other interest	0	0.0	0	0.0	–
7	Net income from exchange rate differences and currency clause effects	10,449	0.3	0	0.0	-100
8	Net expenses from exchange rate differences and currency clause effects	0	0.0	19,365	0.7	-
9	Net income from share in the profit of subsidiary legal entities and joint ventures	0	0.0	0	0.0	–
10	Net expenses from share in losses of subsidiary legal entities and joint ventures	0	0.0	0	0.0	–
11	Net income from sale and lease	4,413	0.1	4,128	0.1	-6.5
12	Net losses from sale and lease	0.0	0.0	0	0.0	–
13	Salaries, compensations and other expenses related to employees	698,770	21.2	748,449	25.2	7.1
14	Depreciation and provisioning	124,206	3.8	106,219	3.6	-14.5
15	Other operating expenses	601,369	18.2	614,181	20.7	2.1
16	Net income from the sale of intangible investment, property, plant, equipment and other assets	3,198	0.1	1,713	0.1	-46.4
17	Net loss from the sale of intangible investment, property, plant, equipment and other assets	0	0.0	0	0.0	–
18	Net income from the sale of the share in capital and securities	1,258	0.0	0	0.0	-100
19	Net loss from the sale of the share in capital and securities	0	0.0	0	0.0	–
20	Net income from impairment of assets	539,237	16.3	62,456	2.1	-88.4
21	Net expenses from impairment of assets	0	0.0	0	0.0	–
22	Other income and gains	244,477	7.4	225,932	7.6	-7.6
23	Other expenses and losses	169,646	5.1	47,221	1.6	-72.2

Table 6 Aggregate profit and loss account of all lessors
(in RSD thousand)

No	ITEM	30/9/ 2018	% of tot. inc.	30/9/ 2019	% of tot. inc.	% growth 2018/2019
II	REGULAR OPERATING RESULT	1,149,748	34.8	740,557	24.9	-35.6
24	NET GAIN FROM DISCONTINUED OPERATIONS	0	0.0	0	0.0	–
25	NET LOSS FROM DISCONTINUED OPERATIONS	0	0.0	0	0.0	–
III	PRE-TAX RESULT	1,149,748	34.8	740,557	24.9	-35.6
26	PROFIT TAX					
26.1	1 Tax expense of the period	96,193	2.9	118,073	4.0	22.8
26.2	2 Deferred tax expenses of the period	6,627	0.2	19,445	0.7	193.4
26.3	3 Deferred tax income of the period	129	0.0	3,965	0.1	2973.6
27	Paid personal income to employer	0	0.0	0	0.0	–
IV	NET RESULT	1,047,057	31.7	607,004	20.4	-42.0
V	TOTAL INCOME AND PROFIT	3,303,309	100.0	2,970,878	100.0	-10.1
VI	TOTAL EXPENSES AND LOSSES	2,153,561	65.2	2,230,321	75.1	3.6

Source: NBS.

3 Structure of investment and asset quality

3.1 Structure of financial lease investment

In Q3 2019, as in the years before, the bulk of share in the lease investment structure, by lessee (84.2%) referred to corporate financial leasing outside the financial sector.

At end-Q3 2019, by lease asset, the financing of freight vehicles, minibuses and buses continued to account for the largest share (40.0%), followed by passenger vehicles (36.7%). Other lease assets had a share of less than 10.0%.

In this quarter, by sector structure of investment, the most significant share in total financial lease investment was that of transport, warehousing, information and communications – 28.3%. Trade also accounted for a significant share with 15.6%, followed by manufacturing, mining, and water, electricity, gas and steam supply with 14.1%, and the construction sector with 11.5%. Other activities accounted for a 21.6% share.

3.2 Asset quality

The value of financial leasing receivables as at 30 September 2019 was RSD 91.1 bn, an increase of 2.3% q-o-q (RSD 89.1 bn).

At end-Q3 2019, gross receivables past due equalled RSD 3.2 bn, making up 3.4% of gross financial leasing receivables. Compared to September 2018, when these receivables were negligibly higher, and relative to the same quarter of 2017 when they

stood at RSD 5.3 bn, the positive trend is evidently continuing as these receivables are on the decline.

The net carrying value of past due receivables was RSD 794.2 mn, with a share in portfolio of 0.9%. Relative to September 2018, as well as to the same quarter of 2017, the net carrying value of past due receivables edged down.

Relative to the capital of the financial leasing sector as at 30 September 2019, net receivables past due were relatively low (8.3%).

At end-Q3 2019, receivables past due more than 90 days made up the largest share of total receivables past due. As at 30 September 2019, these receivables amounted to RSD 2.3 bn. Their share in total gross receivables from leasing accounted for 2.5%. The net carrying value of receivables past due more than 90 days made up 0.1% of the total net portfolio.

Allowances for impairment of receivables due and not due came at RSD 2.9 bn as at 30 September 2019 and their share in total gross financial leasing receivables was 3.1%, while at 30 September 2018 it equalled 3.9%. This is a significant decrease compared to Q3 2017 when allowances for impairment amounted to RSD 5.3 bn, with a share of 7.7% in total gross receivables.

In Q3 2019, lessors' returned lease assets were worth RSD 501.8 mn, which, combined with the assets carried over from previous years, amounted to RSD 723.5 mn or 0.8% of the portfolio. Of the total value of returned lease assets, lessors released 43.9%, sold 23.7%, while 16.9% remained idle. As at 30 September 2019, net carrying value of returned lease assets amounted to RSD 122.4 mn, or 0.1% of the portfolio.

4 Performance indicators

At end-Q3 2019, ROA declined from 1.93% in Q3 2018 to 1.12% and ROE from 15.80% to 10.73%.

Net interest margin was 2.48% (3.09% at end-Q3 2018). At end-Q3 2019, the average lending interest rate was 3.35%, which is a decrease from the same quarter of 2018 when it stood at 3.92%. At end-Q3 2019, the average deposit interest rate stood at 0.90% (0.85% at end-Q3 2018).

Financial lessors' main sources of funds are loans and borrowing. The share of borrowed assets in total lessors' sources of funds is 90%. The liabilities to banks and other credit institutions account for the bulk of total liabilities of the financial leasing sector.