

# **FINANCIAL LEASING SUPERVISION**

**Second Quarter Report 2010**

## Contents

<b>Market participants.....</b>	<b>3</b>
Number of lessors .....	3
Number of employees .....	3
Ownership structure .....	4
<b>Balance sheet structure .....</b>	<b>5</b>
Balance sheet .....	5
Balance sheet total of lessors and banks .....	7
Market share .....	9
Profit and loss account .....	10
<b>Structure of investments and asset quality.....</b>	<b>12</b>
Lessees.....	<b>Error! Bookmark not defined.</b>
Object of financing.....	13
Sector.....	14
Asset quality.....	14
<b>Performance indicators.....</b>	<b>15</b>
<b>Sources of financing and reserve balances .....</b>	<b>15</b>

## Market participants

### Number of lessors

As at 30 June 2010, the list of licensed lessors 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

After rising steadily from year to year, in 2009 total employment in the financial leasing sector recorded a downturn. The downward trend continued in Q1 2010 as well, but was reversed in Q2 2010 when total employment picked up to reach 483 as at 30 June 2010. 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 June 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 Jun 2010	483

### Ownership structure

#### Domestic vs. foreign ownership

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

#### Financial vs. non-financial sector

- 14 leasing providers were founded by banks, banking group members or other financial institutions;
- 2 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 said to belong to this group, as it was founded by a Porsche Group member – a bank specialized 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.	UniCredit Leasing Srbija d.o.o. Beograd	UniCredit Leasing S.P.A, Bologna, Italy	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	Banca Intesa a.d. Beograd CIB Leasing LTD, Budapest, Hungary	98.7 1.3

No.	Lessor	Owner	Ownership percentage
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 Agricultural machinery industry "Zmaj" AD Zemun-Beograd Sandra Džodić Milorad Milić	37.18 37.18 11.42 11.42 2.40 0.40
6.	NLB Leasing d.o.o. Beograd	Nova Ljubljanska banka d.d. 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
9.	Raiffeisen Leasing d.o.o. Beograd	Raiffeisen banka a.d. Beograd Raiffeisenbank - Leasing International GmbH, Vienna, Austria	50 50
10.	S-Leasing d.o.o. Beograd	Steiermarkische Bank und Sparkassen Aktiengesellschaft, Graz, Austria Immorent International Holding GmbH, Vienna, 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, Vienna, 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 a.d. Beograd EFG Eurobank Ergasias s.a, Athens, Greece	48.63 25.56 25.81
16.	Meridian Leasing d.o.o. Beograd	Credit Agricole Banka Srbija a.d. Novi Sad	100
17.	Piraeus Leasing d.o.o. Beograd	Piraeus Bank s.a. Athens, Greece Piraeus Bank a.d. Beograd	72.73 27.27

## Balance sheet structure

### Balance sheet

On 30 June 2010, total balance sheet assets of the leasing sector came to RSD 113.4 billion, up by 1.9% relative to 31 December 2009 (RSD 111.3 billion). The bulk of assets and liabilities of leasing providers was either foreign

currency denominated or foreign currency clause indexed (93.8% of total assets and 90.1% of total liabilities).

Notwithstanding a 0.7% fall at end-Q2 2010 relative to end-2009, financial lease receivables continued to account for the largest share of total assets. Of total balance sheet assets, financial lease receivables accounted for 73.2%, which is a decrease relative to both 2009 and 2008 (75.1% and 78.1%, respectively).

The share of cash and cash equivalents in total balance sheet assets dropped from 18.1% at end-2009 to 15.5% (14.6% in 2008). The share of reserves against credits, other loans and supplementary payments from abroad, included in item 'cash and cash equivalents', rose from 70.7% at end-2009 to 75.6% on 30 June 2010.

The share of short-term financial investment and receivables rose from 3.6% at end-2009 to 7.6% at end-Q2 2010, while the share of other current assets increased from 2.4% to 2.9% in the same period.

As at 30 June 2010, long-term obligations accounted for the largest share of total liabilities – 88.7%, down by 0.4% from 2009 (90.9% in 2008 and 90.1% in 2009). The share of long-term foreign credits subsided from 86.2% in 2009 to 85.1% (86.8% in 2008). The share of long-term domestic credits also fell from 3.9% in 2009 to 3.6% (4.0% in 2008).

As at 30 June 2010, the share of short-term obligations in total liabilities rose from 1.7% in 2009 to 3.1% (3.9% in 2008), of which 1.1% referred to short-term domestic credits (2.0% in 2008 and 0.2% in 2009), 0.5% referred to other short-term financial obligations, while the share of item 'other' remained unchanged from 2009 at 1.5% of total liabilities (1.9% in 2008).

Capital gained 2.5% in 2010 relative to 2009 mostly on account of an increase on item 'retained earnings' and share capital. As growth in capital was only slightly higher than that in the balance sheet total, the share of capital in total liabilities remained unchanged from 2009 at 8.1% (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 June 2010.

Table 3 – Aggregate balance sheet of all lessors

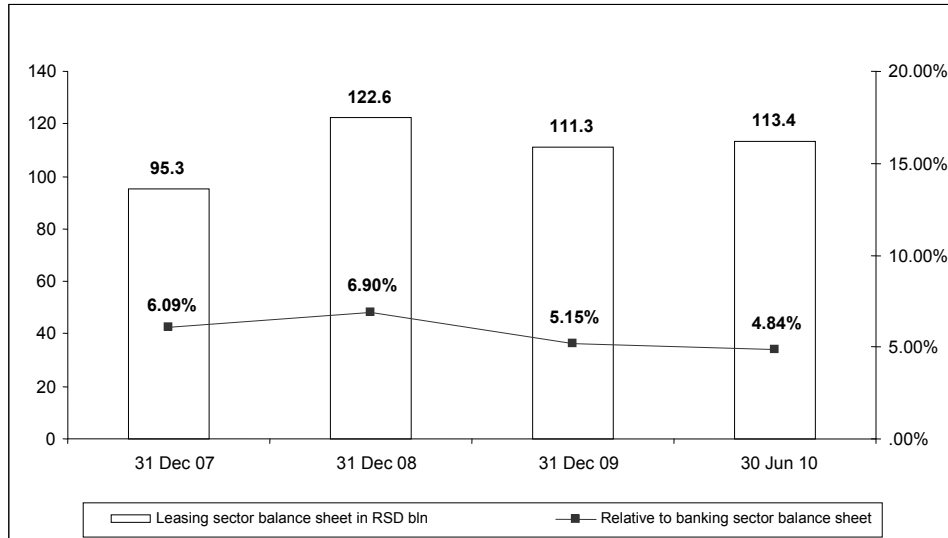
(in RSD thousand)

No.	ITEM	31 Dec 2008		31 Dec 2009		30 Jun 2010		% of growth	
		amount	%	amount	%	amount	%	31 Dec 09/ 31 Dec 08	30 Jun 10/ 31 Dec 09
	<b>ASSETS</b>	<b>122,550,536</b>	<b>100.0</b>	<b>111,313,931</b>	<b>100.0</b>	<b>113,420,277</b>	<b>100.0</b>	<b>-9.2</b>	<b>1.9</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>83,872,548</b>	<b>73.9</b>	<b>-13.2</b>	<b>-0.7</b>
1.1	Property, plant and equipment	952,585	0.8	701,953	0.6	638,974	0.6	-26.3	-9.0
1.2	Receivables under financial leasing	95,688,354	78.1	83,548,501	75.1	82,993,026	73.2	-12.7	-0.7
1.3	Other long-term financial investments	574,952	0.5	158,009	0.1	171,238	0.2	-72.5	8.4
1.4	Other fixed assets	60,650	0.0	66,062	0.1	69,310	0.1	8.9	4.9
<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>29,547,729</b>	<b>26.1</b>	<b>6.2</b>	<b>10.1</b>
2.1	Cash and cash equivalents	17,986,197	14.6	20,102,370	18.1	17,603,923	15.5	11.8	-12.4
2.2	Short-term financial investment and receivables	4,769,249	3.9	3,964,327	3.6	8,655,371	7.6	-16.9	118.3
2.3	Other current assets	2,518,549	2.1	2,772,709	2.4	3,288,435	2.9	10.1	18.6
	<b>LIABILITIES</b>	<b>122,550,536</b>	<b>100.1</b>	<b>111,313,931</b>	<b>100.0</b>	<b>113,420,277</b>	<b>100.0</b>	<b>-9.2</b>	<b>1.9</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>9,171,061</b>	<b>8.1</b>	<b>43.7</b>	<b>2.5</b>
1.1	Share capital	2,816,976	2.3	3,438,445	3.1	3,523,525	3.1	22.1	2.5
1.2	Subscribed uncalled capital	0	0.0	0	0.0	0	0.0	-	-
1.3	Reserves	2,369,893	1.9	2,730,229	2.5	2,728,558	2.4	15.2	-0.1
1.4	Revaluation reserves	0	0.0	0	0.0	0	0.0	-	-
1.5	Retained earnings	2,316,891	1.9	3,525,730	3.2	3,839,357	3.4	52.2	8.9
1.6	Losses	1,279,155	1.0	745,517	0.7	920,379	0.8	-41.7	23.5
1.7	Purchased own shares	0	0.0	1,671	0.0	0	0.0	-	-100.0
<b>2</b>	<b>LONG-TERM PROVISIONING AND LIABILITIES</b>	<b>111,582,929</b>	<b>91.0</b>	<b>100,397,529</b>	<b>90.2</b>	<b>100,753,885</b>	<b>88.8</b>	<b>-10.0</b>	<b>0.4</b>
2.1	Long-term provisions	125,132	0.1	151,685	0.1	148,343	0.1	21.2	-2.2
2.2	Long-term liabilities	111,457,797	90.9	100,245,844	90.1	100,605,542	88.7	-10.1	0.4
2.2.1	Long-term domestic credit	4,841,274	4.0	4,296,175	3.9	4,108,888	3.6	-11.3	-4.4
2.2.2	Long-term foreign credit	106,474,201	86.8	95,929,648	86.2	96,475,713	85.1	-9.9	0.6
2.2.3	Other long-term liabilities	142,322	0.1	20,021	0.0	20,941	0.0	-85.9	4.6
<b>3</b>	<b>SHORT-TERM LIABILITIES</b>	<b>4,743,002</b>	<b>3.9</b>	<b>1,969,186</b>	<b>1.7</b>	<b>3,495,331</b>	<b>3.1</b>	<b>-58.5</b>	<b>77.5</b>
3.1	Short-term financial liabilities	2,443,702	2.0	255,193	0.2	1,775,965	1.6	-89.6	595.9
3.1.1	Short-term domestic credit	2,423,673	2.0	238,195	0.2	1,166,477	1.1	-90.2	389.7
3.1.2	Short-term foreign credit	0	0.0	0	0.0	0	0.0	-	-
3.1.3	Other short-term financial liabilities	20,029	0.0	16,998	0.0	609,488	0.5	-15.1	3,485.6
3.2	Other	2,299,300	1.9	1,713,993	1.5	1,719,366	1.5	-25.5	0.3

## Balance sheet total of lessors and banks

As at 30 June 2010, the ratio of balance sheet total of the leasing sector (RSD 113.4 billion) to banking sector balance sheet total equalled 4.84%, as illustrated in Chart 1 below.

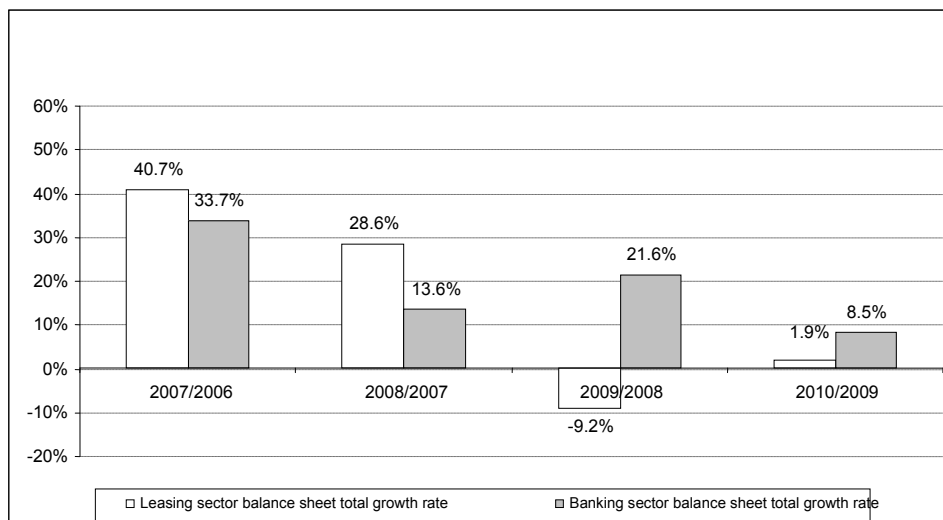
Chart 1 – Balance sheet total of banks and lessors  
(in RSD billion)



From 31 December 2009 to 30 June 2010, leasing sector balance sheet total increased by 1.9%, while banking sector balance sheet total went up by 8.5% 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	Cumulative 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. Beograd	33,159,401	29.8%	29.8%	1.	Hypo Alpe-Adria-Leasing d.o.o. Beograd	38,142,571	33.6%	33.6%
2.	Raiffeisen Leasing d.o.o. Beograd	14,900,868	13.4%	43.2%	2.	Raiffeisen Leasing d.o.o. Beograd	11,983,004	10.6%	44.2%
3.	NLB Leasing d.o.o. Beograd	11,035,543	9.9%	53.1%	3.	NLB Leasing d.o.o. Beograd	10,915,187	9.6%	53.8%
4.	S-Leasing d.o.o. Beograd	7,408,422	6.7%	59.7%	4.	VB Leasing d.o.o. Beograd	7,078,014	6.2%	60.0%
5.	VB Leasing d.o.o. Beograd	6,850,598	6.2%	65.9%	5.	Intesa Leasing d.o.o. Beograd	6,092,897	5.4%	65.4%
6.	Intesa Leasing d.o.o. Beograd	5,981,111	5.4%	71.3%	6.	EFG Leasing a.d. Beograd	5,831,750	5.2%	70.6%
7.	NBG Lizing d.o.o. Beograd	5,128,733	4.6%	75.9%	7.	S-Leasing d.o.o. Beograd	5,538,953	4.9%	75.5%
8.	EFG Leasing a.d. Beograd	5,037,050	4.5%	80.4%	8.	NBG Lizing d.o.o. Beograd	5,321,703	4.7%	80.2%
9.	Sogelease Srbija d.o.o. Beograd	4,044,828	3.6%	84.0%	9.	Sogelease Srbija d.o.o. Beograd	4,479,065	3.9%	84.1%
10.	UniCredit Leasing Srbija d.o.o. Beograd	4,030,702	3.6%	87.6%	10.	UniCredit Leasing Srbija d.o.o. Beograd	3,922,272	3.5%	87.6%

Position	Lessor	Balance sheet assets (in 000 RSD)	Share in 2009	Cumulative share in 2009	Position	Lessor	Balance sheet assets (in 000 RSD)	Share in 2010	Cumulative share in 2010
11.	LIPAKS d.o.o. Beograd	3,847,532	3.5%	91.1%	11.	LIPAKS d.o.o. Beograd	3,656,452	3.2%	90.8%
12.	Procredit Leasing d.o.o. Beograd	2,908,537	2.6%	93.7%	12.	Procredit Leasing d.o.o. Beograd	3,074,115	2.7%	93.5%
13.	Porsche Leasing SCG d.o.o. Beograd	2,795,645	2.5%	96.2%	13.	Porsche Leasing SCG d.o.o. Beograd	2,883,804	2.5%	96.0%
14.	Meridian Leasing d.o.o. Beograd	2,087,174	1.9%	98.1%	14.	Meridian Leasing d.o.o. Beograd	2,271,702	2.0%	98.0%
15.	Piraeus Leasing d.o.o. Beograd	1,517,875	1.4%	99.5%	15.	Piraeus Leasing d.o.o. Beograd	1,628,393	1.4%	99.4%
16.	Zastava Istrabenz Lizing d.o.o. Beograd	494,229	0.4%	99.9%	16.	Zastava Istrabenz Lizing d.o.o. Beograd	512,803	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	87,592	0.1%	100.0%
<b>TOTAL</b>		<b>111,313,931</b>	<b>100.0%</b>	<b>-</b>	<b>TOTAL</b>		<b>113,420,277</b>	<b>100.0%</b>	<b>-</b>
<b>Herfindahl-Hirschman index</b>		<b>1,374.6</b>			<b>Herfindahl-Hirschman index</b>		<b>1,533.3</b>		

The HHI of 1,533.3 on 30 June 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-Q2 2010 relative to end-2009. The first three ranking lessors (Hypo Alpe-Adria-Leasing d.o.o. Beograd, Raiffeisen Leasing d.o.o. Beograd, NLB Leasing d.o.o. Beograd) retained their top positions and their market share (53.8%) was higher than that of all other lessors taken together.

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

- VB Leasing d.o.o. Beograd, ranked fifth in 2009 and fourth at end-Q2 2010, with its market share unchanged at 6.2%,
- Intesa Leasing d.o.o. Beograd, ranked sixth in 2009 and fifth at end-Q2 2010, with its market share unchanged at 5.4%,
- EFG Leasing a.d. Beograd, ranked eighth in 2009 and sixth at end-Q2 2010, with its market share up from 4.5% to 5.2%,
- S-Leasing d.o.o. Beograd, ranked fourth in 2009 and seventh at end-Q2 2010, with its market share down from 6.7% to 4.9%,
- NBG Lizing d.o.o. Beograd, ranked seventh in 2009 and eight at end-Q2 2010, although its market share rose from 4.6% to 4.7%.

### Profit and loss account

Total profit before tax of all financial lessors came to RSD 275,092 thousand in the first half of 2010, or, calculated at annual level, 73.2% less

relative to end-2009 (RSD 2,053,993 thousand). In the period under review, total expenses rose by 30.4% and total income by 23.3%, resulting in a drop in the share of profit before tax in total income from 6.8% to 1.5%.

Exchange rate gains accounted for the major part of total income, with their share rising from 62.6% in 2009 to 72.7% in 2010 (79.1% in 2008). Interest income had a share of 19.7% of total income (16.8% in 2008 and 28.7% in 2009), while the share of operating income was 2.0% (1.7% in 2008 and 2.9% in 2009).

On the expenses side, financial expenses accounted for the largest share of total expenses – 82.0% (or 80.8% of total income). Exchange rate losses made up 74.2% of total expenses (79.0% in 2008 and 67.4% in 2009) and 73.2% of total income. Interest expenses came to 7.6% of total expenses (11.4% in 2008 and 12.1% in 2009) and 7.5% of total income, while operating expenses made up 6.8% of total expenses (5.9% in 2008 and 9.3% in 2009) and 6.7% of total income.

Calculated at annual level, in the first half of 2010 relative to 2009, the fall in interest expenses (17.6%) was steeper than that in interest income (15.1%), while exchange rate gains and exchange rate losses increased by 43.1% and 43.7%, respectively. Operating expenses declined by 4.3%, while operating income went down by 18.2%.

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 June 2010.

Table 5 – Aggregate profit and loss account of lessors

(in 000 RSD)

No.	ITEM	01 Jan – 31 Dec 08	% of total income	01 Jan – 31 Dec 09	% of total income	01 Jan – 30 Jun 10	% of total income	% of growth 2009/ 2008	% of growth 2010/ 2009
	<b>OPERATING INCOME</b>	<b>856,693</b>	<b>1.7</b>	<b>887,569</b>	<b>2.9</b>	<b>362,989</b>	<b>2.0</b>	<b>3.6</b>	<b>-18.2</b>
1	Net sales income	557,790	1.1	613,700	2.0	256,977	1.4	10.0	-16.3
2	Other operating income	298,903	0.6	273,869	0.9	106,012	0.6	-8.4	-22.6
	<b>OPERATING EXPENSES</b>	<b>2,838,900</b>	<b>5.8</b>	<b>2,616,364</b>	<b>8.7</b>	<b>1,251,651</b>	<b>6.7</b>	<b>-7.8</b>	<b>-4.3</b>
3	Earnings, fees, salaries and other personal expenses	858,185	1.8	969,622	3.2	502,002	2.7	13.0	3.5
4	Depreciation and provisioning	394,366	0.8	228,992	0.8	77,472	0.4	-41.9	-32.3
5	Other operating expenses	1,586,349	3.2	1,417,750	4.7	672,177	3.6	-10.6	-5.2
<b>I</b>	<b>BUSINESS RESULT</b>	<b>-1,982,207</b>	<b>-4.1</b>	<b>-1,728,795</b>	<b>-5.7</b>	<b>-888,662</b>	<b>-4.8</b>	<b>-12.8</b>	<b>2.8</b>
	<b>FINANCIAL INCOME</b>	<b>46,836,881</b>	<b>96.0</b>	<b>27,462,709</b>	<b>91.3</b>	<b>17,141,319</b>	<b>92.4</b>	<b>-41.4</b>	<b>24.8</b>

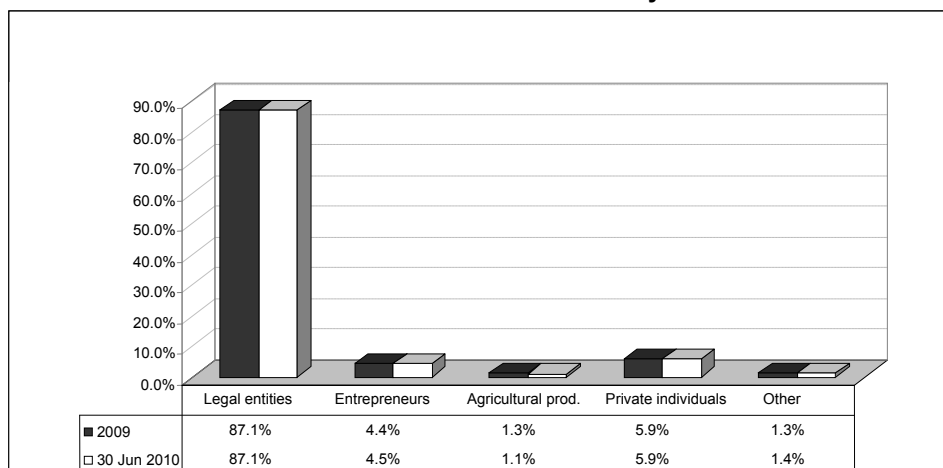
No.	ITEM	01 Jan – 31 Dec 08	% of total income	01 Jan – 31 Dec 09	% of total income	01 Jan – 30 Jun 10	% of total income	% of growth 2009/ 2008	% of growth 2010/ 2009
6	Interest income	8,194,007	16.8	8,627,242	28.7	3,660,640	19.7	5.3	-15.1
7	Exchange rate gains	38,615,658	79.1	18,835,467	62.6	13,480,679	72.7	-51.2	43.1
8	Other	27,216	0.1	0	0.0	0	0.0	-100.0	-
	<b>FINANCIAL EXPENSES</b>	<b>43,727,946</b>	<b>89.6</b>	<b>22,294,033</b>	<b>74.1</b>	<b>14,987,264</b>	<b>80.8</b>	<b>-49.0</b>	<b>34.5</b>
9	Interest expenses	5,506,300	11.3	3,394,875	11.3	1,398,337	7.5	-38.3	-17.6
10	Exchange rate losses	38,186,487	78.2	18,888,899	62.8	13,571,333	73.2	-50.5	43.7
11	Other	35,159	0.1	10,259	0.0	17,594	0.1	-70.8	243.0
<b>II</b>	<b>FINANCIAL RESULT</b>	<b>3,108,935</b>	<b>6.4</b>	<b>5,168,676</b>	<b>17.2</b>	<b>2,154,055</b>	<b>11.6</b>	<b>66.3</b>	<b>-16.6</b>
12	Other income	1,105,160	2.3	1,739,514	5.8	1,049,877	5.7	57.4	20.7
13	Other expenses	1,755,573	3.6	3,125,390	10.4	2,040,213	11.0	78.0	30.6
<b>III</b>	<b>REGULAR OPERATING RESULT</b>	<b>476,315</b>	<b>1.0</b>	<b>2,054,005</b>	<b>6.8</b>	<b>275,057</b>	<b>1.5</b>	<b>331.2</b>	<b>-73.2</b>
14	Extraordinary income	139	0.0	873	0.0	151	0.0	528.1	-65.4
15	Extraordinary expenses	301	0.0	885	0.0	116	0.0	194.0	-73.8
<b>IV</b>	<b>RESULT WITH RESPECT TO EXTRAORDINARY ITEMS</b>	<b>-162</b>	<b>0.0</b>	<b>-12</b>	<b>0.0</b>	<b>35</b>	<b>0.0</b>	<b>-92.6</b>	<b>-683.3</b>
<b>V</b>	<b>PRE-TAX RESULT</b>	<b>476,153</b>	<b>1.0</b>	<b>2,053,993</b>	<b>6.8</b>	<b>275,092</b>	<b>1.5</b>	<b>331.4</b>	<b>-73.2</b>
16	Profit tax	156,489	0.3	218,407	0.7	67,777	0.4	39.6	-37.9
17	Income/expenses from deferred tax assets/liabilities	7,625	0.0	16,458	0.1	-2,562	0.0	115.8	-131.1
<b>VI</b>	<b>NET RESULT (V-16+17)</b>	<b>327,289</b>	<b>0.7</b>	<b>1,852,044</b>	<b>6.2</b>	<b>204,753</b>	<b>1.1</b>	<b>465.9</b>	<b>-77.9</b>
	<b>TOTAL INCOME</b>	<b>48,798,873</b>	<b>100.0</b>	<b>30,090,665</b>	<b>100.0</b>	<b>18,554,336</b>	<b>100.0</b>	<b>-38.3</b>	<b>23.3</b>
	<b>TOTAL EXPENSES</b>	<b>48,322,720</b>	<b>99.0</b>	<b>28,036,672</b>	<b>93.2</b>	<b>18,279,244</b>	<b>98.5</b>	<b>-42.0</b>	<b>30.4</b>

## Structure of investments and asset quality

### Lessees

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

Chart 3 – Investment structure by lessee

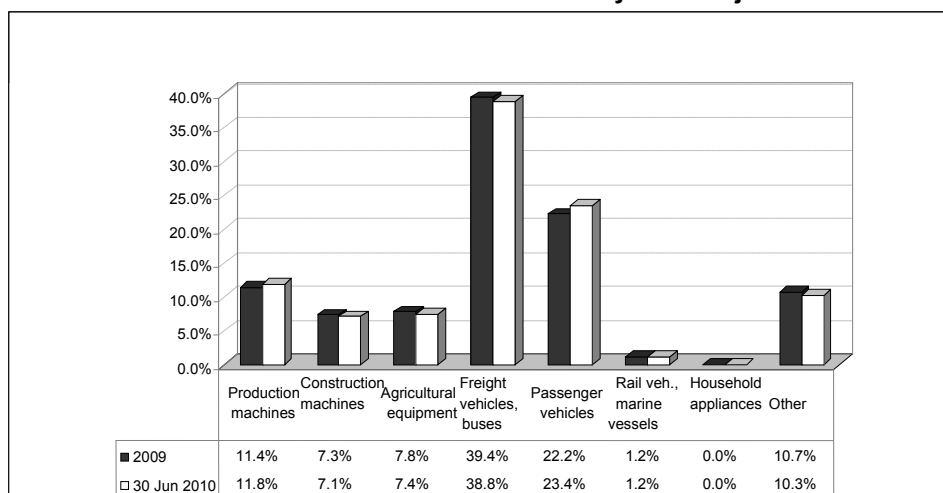


Most financial lease investments were granted to legal entities (87.1%), while private individuals and entrepreneurs accounted for 5.9% and 4.5%, respectively, of total investments.

### Object of financing

As at end-2009, financing of freight vehicles, minibuses and buses had a high share of 38.8% (39.4% in 2009) in the end-Q2 structure of investment by lease object (Chart 4). Relative to 2009, the share of financing of passenger vehicles rose from 22.2% to 23.4%, while the share of financing other types of lease objects remained broadly unchanged in the first half of 2010 relative to 2009.

Chart 4 – Investment structure by lease object

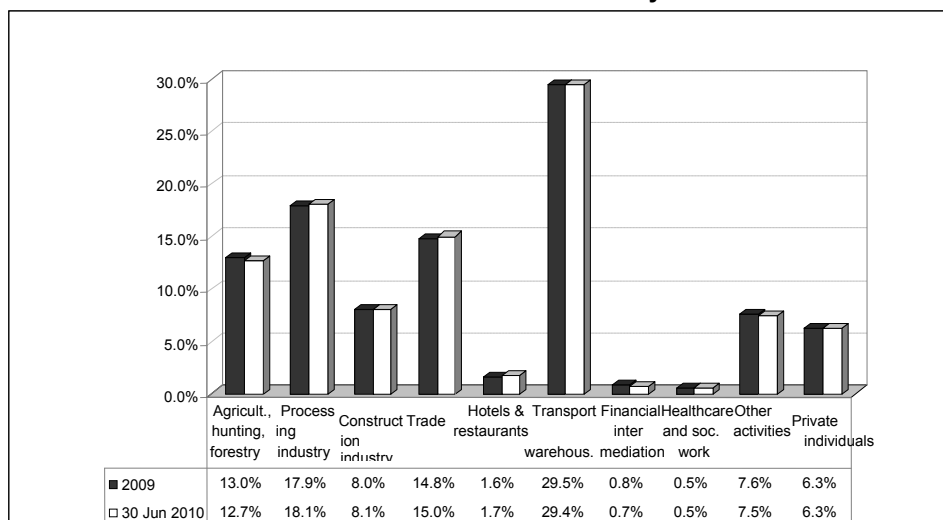


## Sector

The structure of financial lease investment by sector (Chart 5) also remained broadly unchanged relative to 2009.

The most significant share was that of transport, warehousing and communications (29.4%), followed by the processing industry (18.1%), trade sector (15.0%), agriculture, hunting and forestry (12.7%). Individual shares of other sectors were less than 10%.

Chart 5 – Investment structure by sector



## Asset quality

On 30 June 2010, the value of the financial leasing market portfolio was RSD 83.0 billion, down by 0.7% relative to end-2009 (RSD 83.5 billion). Past due receivables made up 42.9% of capital (unchanged from 2009), while at the same time accounting for 4.7% of total portfolio (4.6% in 2009). Receivables past due more than 30 days accounted for 31.8% of total past due receivables, while receivables past due more than 90 days accounted for 36.2%. The share of allowances for impairment of receivables in total receivables rose from 4.4% to 5.9%.

In the first half of 2010, the value of returned lease objects was RSD 1.7 billion, which, together with outstanding balances from previous years, came to RSD 3.3 billion or 3.9% of the portfolio and 35.8% 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 19.9%, sold 21.5%, while close to 36% remained unemployed. At end-Q2 2010, the stock of returned lease objects came to RSD 1.9 billion or 2.3% of the portfolio and 20.8% 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.

Table 6 – Performance indicators

PERFORMANCE INDICATORS	31 Dec 2009	30 Jun 2010
Return on assets (ROA)	1.76%	0.49%
Return on equity (ROE)	27.08%	6.07%
Net interest margin	5.84%	5.43%
Average lending rate	9.63%	8.79%
Average deposit rate	3.17%	2.76%
Coverage of interest expenses	1.61x	1.20x
Operating expenses to average investment	2.92%	3.01%
Total debt to equity	11.44x	11.37x
Long-term debt to equity	11.22x	10.99x

The profitability of financial lessors decreased at end-Q2 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 (by 2.5%) outstripped that in debt (by 1.8%), solvency improved marginally in the financial leasing market. This is supported by the fact that total debt and long-term debt were 11.37 and 10.99 times higher than equity, respectively.

## 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 June 2010, foreign credit obligations made up 85.1% of total liabilities, while financial lease investment accounted for 73.2% of total assets. The share of long-term domestic credits declined relative to 2009 from 3.9% to 3.6% of total liabilities, while the share of short-term domestic credits came to 1.0%. In the majority of

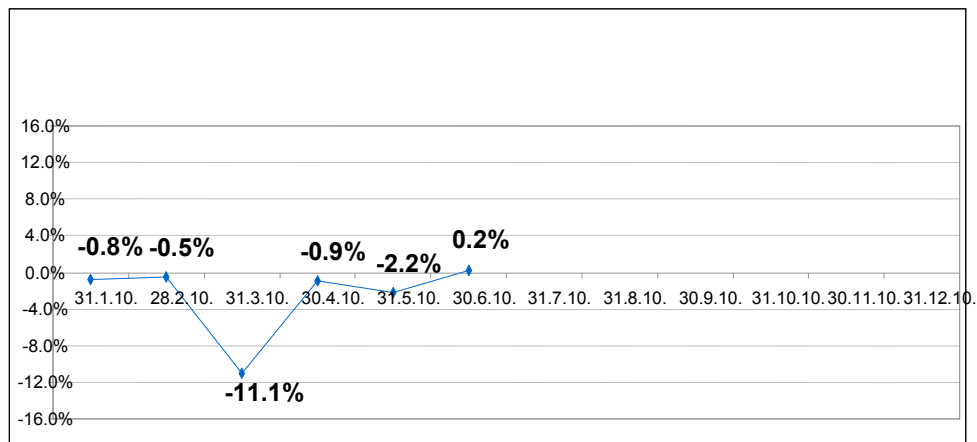
cases, foreign creditors of leasing companies were either their founders or legal entities operating within the same banking group.

The reserving base as at 30 June 2010 (against which allocation was made on 16 July 2010) increased close to 14 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 722.9 million. The above reserving base was equal to 78.2% of total credits used and/or received from abroad by leasing providers.

As at 30 June 2010, the reserving base was reduced on account of obligations under loans from international financial organizations, governments and financial institutions founded by foreign governments by EUR 88.1 million or 9.5% 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)



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)

