



**NATIONAL BANK OF SERBIA**

**BANK SUPERVISION DEPARTMENT**

# **FINANCIAL LEASING SECTOR IN SERBIA**

**Second Quarter Report 2015**

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## 1. Market participants

### 1.1. Number of lessors

At end-Q2 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 Q2 2015, the total number of employees in the financial leasing sector was 433.

**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
30/06/2015	433

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 June 2015 balance sheet assets of the leasing sector totalled RSD 56.8 bln, down by 13.1% relative to 31 December 2014. The bulk of assets was foreign currency clause indexed (90.3%), while the majority of liabilities was foreign currency denominated (75.0%).

The largest share of total assets was that of financial lease receivables, which increased from 85.8% at end-2014 to 87.9% at end-Q2 2015.

Relative to 2014, current assets decreased by 26.7%, reflecting chiefly a fall in short-term financial assets (27.2%) and cash and cash equivalents (25.1%). The share of short-term financial assets in total balance sheet assets decreased from 7.3% in 2014 to 6.1%, while the share of cash and cash equivalents in total balance sheet assets inched down from 3.0% to 2.6%. The share of other current assets and deferred tax assets declined from 1.8% in 2014 to 1.5%.

At end-Q2 2015, the capital of all lessors amounted to RSD 7.1 bln, indicating a 0.3% growth relative to end-2014. The share of capital in total balance sheet liabilities increased from 10.7% (in 2014) to 12.4%.

As at 30 June 2015, long-term liabilities accounted for the largest share of total liabilities – 81.1%, down by 15.2% from 2014. The share of long-term foreign credits went up from 76.9% (in 2014) to 74.7%, whereas the share of long-term domestic credits inched up from 6.2% in 2014 to 6.4%. 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 slightly, from 5.3% in 2014 to 5.2% on 30 June 2015. Short-term domestic credits accounted for 3.6% 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 (0.5%) of total liabilities. The aggregate profit and loss account of all lessors in RSD 000 on 31 December 2014 and 30 June 2015 is given in Table 3.

Table 3 – Aggregate balance sheet of all lessors (in RSD 000)						
No	ITEM	31 Dec 2014		30 June 2015		% growth
		amount	%	amount	%	30/06/15/ 31/12/14
ASSETS		65,439,515	100.0	56,827,472	100.0	-13.1
1	FIXED ASSETS	56,605,450	86.5	50,351,024	88.6	-11.0
1.1	Property, plant and equipment	368,650	0.6	320,398	0.6	-13.1
1.2	Financial lease receivables	56,087,162	85.8	49,924,617	87.9	-11.0
1.3	Long-term financial assets	45,709	0.1	15,426	0.0	-66.3
1.4	Other fixed assets	103,929	0.2	90,583	0.2	-12.8
2	CURRENT ASSETS	8,834,065	13.5	6,476,448	11.4	-26.7
2.1	Cash and cash equivalents	1,950,054	3.0	1,460,410	2.6	-25.1
2.2	Short-term financial lease receivables	533,687	0.8	353,143	0.6	-33.8
2.3	Short-term financial assets	4,772,573	7.3	3,473,898	6.1	-27.2
2.4	Other short-term receivables	373,078	0.6	324,356	0.6	-13.1
2.5	Other current assets and deferred tax assets	1,204,673	1.8	864,641	1.5	-28.2
LIABILITIES		65,439,515	100.0	56,827,472	100.0	-13.1
1	CAPITAL	7,029,192	10.7	7,052,156	12.4	0.3
1.1	Core capital	7,318,616	11.2	6,037,768	10.6	-17.5
1.2	Reserves	40,052	0.1	40,052	0.1	0.0
1.3	Revaluation reserves	36	0.0	36	0.0	0.0
1.4	Net unrealised gains/losses	-10,427	0.0	6,015	0.0	-157.7
1.5	Retained earnings	3,225,344	4.9	3,255,437	5.7	0.9
1.6	Loss	3,544,429	5.4	2,287,152	4.0	-35.5
1.7	Purchased own shares and stakes	0	0.0	0	0.0	-
2	LONG-TERM PROVISIONING AND LIABILITIES	54,924,526	84.0	46,801,283	82.4	-14.8
2.1	Long-term provisions	575,132	0.9	687,461	1.2	19.5
2.2	Long-term liabilities	54,349,394	83.1	46,113,822	81.1	-15.2
2.2.1	Long-term domestic credits	4,045,105	6.2	3,650,349	6.4	-9.8

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

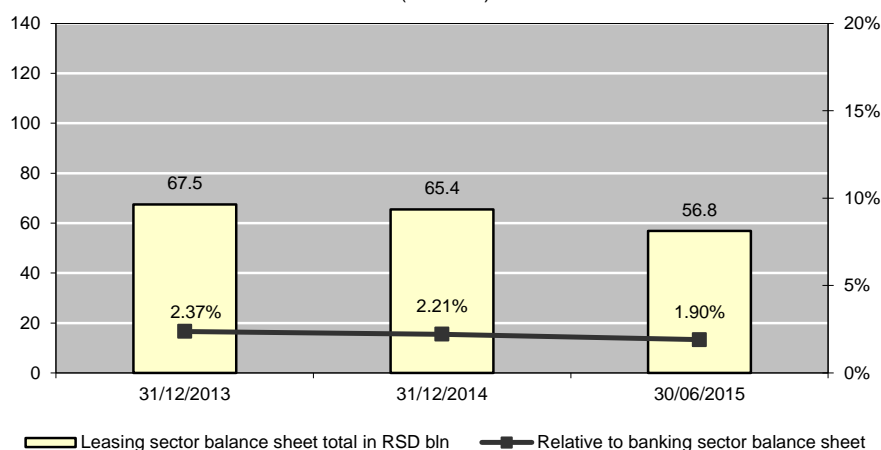
No	ITEM	31 Dec 2014		30 June 2015		% growth 30/06/15/ 31/12/14
		amount	%	amount	%	
2.2.2	Long-term foreign credits	50,268,002	76.9	42,439,352	74.7	-15.6
2.2.3	Other long-term liabilities	36,287	0.1	24,121	0.0	-33.5
<b>3</b>	<b>SHORT-TERM LIABILITIES</b>	<b>3,485,797</b>	<b>5.3</b>	<b>2,974,033</b>	<b>5.2</b>	<b>-13.8</b>
3.1	Short-term financial liabilities	2,634,285	4.0	2,084,158	3.7	-20.9
3.1.1	Short-term domestic credits	2,582,009	3.9	2,026,733	3.6	-21.5
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	57,425	0.1	9.8
3.2	Financial lease liabilities	255,852	0.3	271,093	0.5	6.0
3.3	Other liabilities and deferred tax liabilities	595,660	0.9	618,782	1.1	3.9

Source: National Bank of Serbia.

## 2.2. Balance sheet total of lessors and banks

As at 30 June 2015, the ratio of balance sheet total of the leasing sector (RSD 56.8 bln) to banking sector balance sheet total equalled 1.9% (banking sector balance sheet total amounted to RSD 2,984.7 bln). This fact should also be viewed in the context of legal regulations, according to which core activity of financial lessors may only be financial leasing (as already mentioned, financial lease receivables made up 87.9% 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.

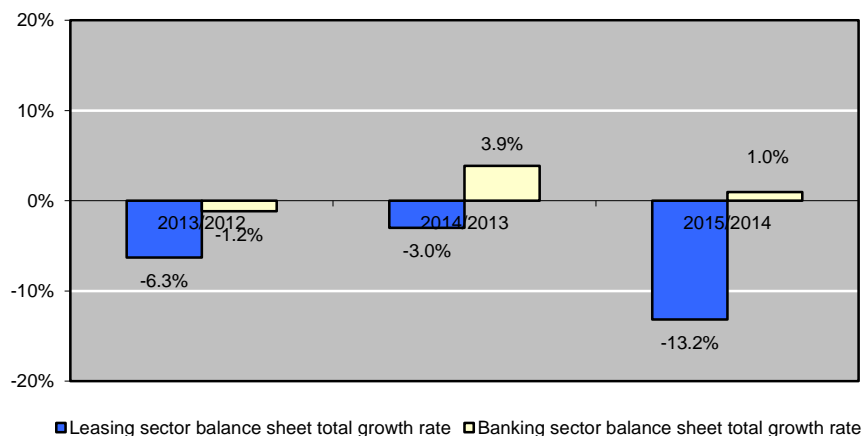
**Chart 1 – Balance sheet total of lessors and banks**  
(RSD bln)



Source: NBS.

From 31 December 2014 to 30 June 2015, leasing sector balance sheet total shrunk by 13.1%, while banking sector balance sheet total increased by 1.0%.

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	7,437,244	13.1%	13.1%	1
2	Heta Leasing d.o.o. Beograd	7,911,845	12.1%	25.9%	2	Intesa Leasing d.o.o. Beograd	7,428,319	13.1%	26.2%	4
3	UniCredit Leasing Srbija d.o.o. Beograd	7,232,350	11.1%	37.0%	3	VB Leasing d.o.o. Beograd	6,065,222	10.7%	36.8%	2
4	VB Leasing d.o.o. Beograd	6,079,927	9.3%	46.2%	4	Sogelease Srbija d.o.o. Beograd	5,823,481	10.2%	47.1%	3
5	Sogelease Srbija d.o.o. Beograd	5,297,611	8.1%	54.3%	5	Raiffeisen Leasing d.o.o. Beograd	5,196,553	9.1%	56.2%	5
6	Raiffeisen Leasing d.o.o. Beograd	4,999,521	7.6%	62.0%	6	NBG Leasing d.o.o. Beograd	4,544,344	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	3,887,295	6.8%	71.1%	7



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
8	CA Leasing Srbija d.o.o. Beograd	3,918,755	6.0%	75.0%	8	S-Leasing d.o.o. Beograd	3,553,080	6.3%	77.3%	8
9	S-Leasing d.o.o. Beograd	3,410,550	5.2%	80.2%	9	Heta Leasing d.o.o. Beograd	2,929,494	5.2%	82.5%	9
10	NLB Leasing d.o.o. Beograd	2,527,318	3.9%	84.1%	10	Porsche Leasing SCG d.o.o. Beograd	2,251,319	4.0%	86.4%	10
11	Porsche Leasing SCG d.o.o. Beograd	2,385,516	3.6%	87.8%	11	Lipaks d.o.o. Beograd	1,740,035	3.1%	89.4%	14
12	Piraeus Leasing d.o.o. Beograd	2,086,623	3.2%	90.9%	12	NLB Leasing d.o.o. Beograd	1,707,921	3.0%	92.5%	12
13	LIPAKS d.o.o. Beograd	1,931,316	3.0%	93.9%	13	Piraeus Leasing d.o.o. Beograd	1,532,198	2.7%	95.2%	11
14	Procredit Leasing d.o.o. Beograd	1,800,471	2.8%	96.6%	14	Procredit Leasing d.o.o. Beograd	1,368,812	2.4%	97.6%	13
15	ERB Leasing a.d. Beograd	1,734,394	2.7%	99.3%	15	ERB Leasing a.d. Beograd	921,715	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	440,440	0.8%	100.0%	16
<b>TOTAL</b>		<b>65,439,515</b>	<b>100.0%</b>	<b>-</b>	<b>TOTAL</b>		<b>56,827,472</b>	<b>100.0%</b>	<b>-</b>	
<b>Herfindahl–Hirschman Index</b>		<b>844.4</b>			<b>Herfindahl–Hirschman Index</b>		<b>871.5</b>			

Source: National Bank of Serbia.

Judging by the Herfindahl–Hirschman Index, which equalled 871.5 on 30 June 2015, the financial leasing market falls into the category of competitive (no concentration) markets.

As illustrated in Table 4, the ranking of lessors by market share of lessors' balance sheet assets changed somewhat at end-Q2 2015 relative to end-2014.

Compared to end-2014, the biggest change in market share based on the size of balance sheet assets as at 30 June 2015, was recorded by Heta Leasing d.o.o. Beograd (moving from 2<sup>nd</sup> to 9<sup>th</sup> place, as a result of a contraction in its market share from 12.1% to 5.2%) and UniCredit Leasing Srbija d.o.o. Beograd (rising from 3<sup>rd</sup> to 1<sup>st</sup> place, as a result of a rise in its market share from 11.1% to 13.1%).

## 2.4. Profit and loss account

End-Q2 2015, total pre-tax profit of all financial lessors surged massively and came positive at RSD 171.4 mln (–RSD 987.4 mln in 2014). It is important to underline that as many as thirteen lessors recorded positive pre-tax profit in the amount of RSD 357.8 mln, while three lessors had a negative pre-tax result (RSD 186.4 mln). In y-o-y terms, total annualised income and gains picked up by 14.6%, while total annualised expenses and losses dropped by 12.3% during the review period.

Interest income from financial leasing took up the lion's share of total income, which nonetheless decreased from 74.2% in 2014 to 62.3% in 2015. In the structure of total income, a significant share was taken by 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) – 12.6% and net income from impairment of assets – 17.5%, while net income from other interest accounted for 1.4% and other income and gains for 5.1%.

Interest expenses arising from financial leasing operations accounted for the largest share of total expenses (24.4%) and total income (22.7%). Next were salaries, compensations and other expenses related to employees with a 23.8% share in total expenses and 22.2% in total income. They were followed by other operating expenses, which held a 19.2% share in total expenses and 17.9% in total income. Other losses and expenses accounted for 21.6% of total expenses and 20.2% of total income. Expenses from financial leasing accounted for 4.8% of total expenses (4.4% of total income), while depreciation and provisioning took up 3.3% of total expenses (3.1% 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- 30/06/15	% of total income	% growth 2015/ 2014
<b>INCOME AND EXPENSES FROM REGULAR OPERATIONS</b>						
OPERATING INCOME AND EXPENSES						
1	Interest income from leasing	3,332,326	74.2	1,602,650	62.3	-3.8
2	Interest expenses from leasing	1,461,852	32.5	585,135	22.7	-19.9
3	Income from leasing	710,964	15.8	325,323	12.6	-8.5
4	Expenses from leasing	280,299	6.2	114,550	4.4	-18.3
<b>I</b>	<b>BUSINESS RESULT</b>	<b>2,301,139</b>	<b>51.2</b>	<b>1,228,288</b>	<b>47.7</b>	<b>6.8</b>
OTHER INCOME AND EXPENSES						
5	Net income from other interest	121,116	2.7	36,381	1.4	-39.9
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	72,112	2.8	-
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- 30/06/15	% 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	25,451	1.0	-
12	Net loss from sale and lease	15,293	0.3	0	0.0	-100.0
13	Salaries, compensations and other expenses related to employees	1,173,008	26.1	570,902	22.2	-2.7
14	Depreciation and provisioning	190,545	4.2	79,801	3.1	-16.2
15	Other operating expenses	1,019,563	22.7	460,562	17.9	-9.7
16	Net gains from sale of intangible investment, property, plant, equipment and other assets	4,290	0.1	2,901	0.1	35.2
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 asset valuation adjustment	0	0.0	449,297	17.5	-
21	Net expenses from asset valuation adjustment	713,925	15.9	0	0.0	-100.0
22	Other gains and income	189,638	4.2	132,340	5.1	39.6
23	Other losses and expenses	625,574	13.9	519,895	20.2	66.2
<b>II</b>	<b>REGULAR OPERATING RESULT</b>	<b>-987,371</b>	<b>-22.0</b>	<b>171,386</b>	<b>6.7</b>	<b>-134.7</b>
24	NET GAIN FROM DISCONTINUED OPERATIONS	0	0,0	0	0.0	-
25	NET LOSS FROM DISCONTINUED OPERATIONS	0	0,0	0	0.0	-100.0
<b>III</b>	<b>PRE-TAX RESULT</b>	<b>-987.371</b>	<b>-22,0</b>	<b>171,386</b>	<b>6.7</b>	<b>-134.7</b>
26	PROFIT TAX					
26.1	1. Tax expense of the period	112.534	2,5	62,652	2.4	11.1
26.2	2. Deferred tax expenses of the period	17.274	0,4	211	0.0	-97.6
26.3	3. Deferred tax income of the period	900	0,0	7,085	0.3	1536.3
27	Paid personal income to employer	0	0,0	0	0.0	-
<b>IV</b>	<b>NET RESULT</b>	<b>-1.116.279</b>	<b>-24,8</b>	<b>115,608</b>	<b>4.5</b>	<b>-120.7</b>
<b>V</b>	<b>TOTAL INCOME AND GAINS</b>	<b>4.492.688</b>	<b>100,0</b>	<b>2,574,343</b>	<b>100</b>	<b>14.6</b>
<b>VI</b>	<b>TOTAL EXPENSES AND LOSSES</b>	<b>5.480.059</b>	<b>122,0</b>	<b>2,402,957</b>	<b>93.3</b>	<b>-12.3</b>

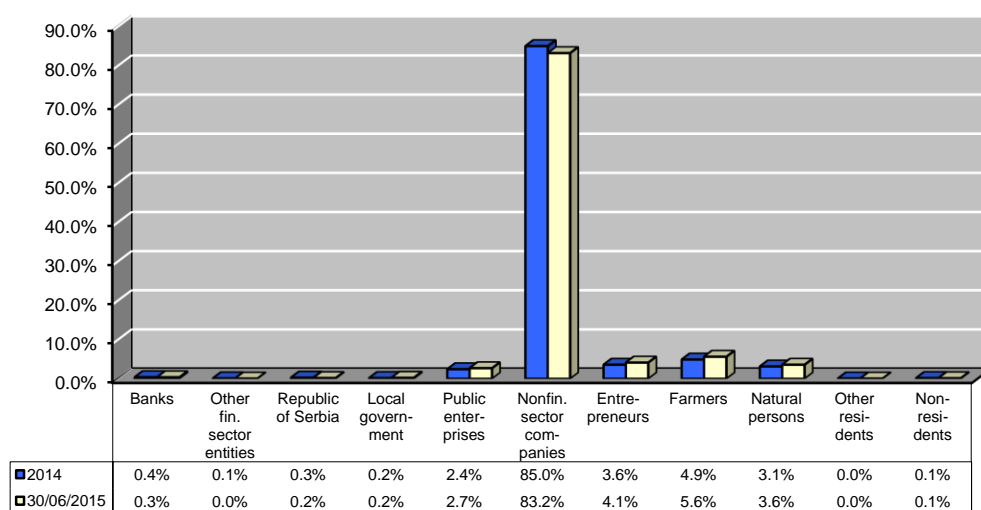
Source: National Bank of Serbia.

### 3. Structure of investments and assets quality

#### 3.1. Lessees

At end-Q2 2015, like at end-2014, most financial lease arrangements (Chart 3) were approved to non-financial sector companies (83.2%).

Chart 3 - Investment structure by lessee



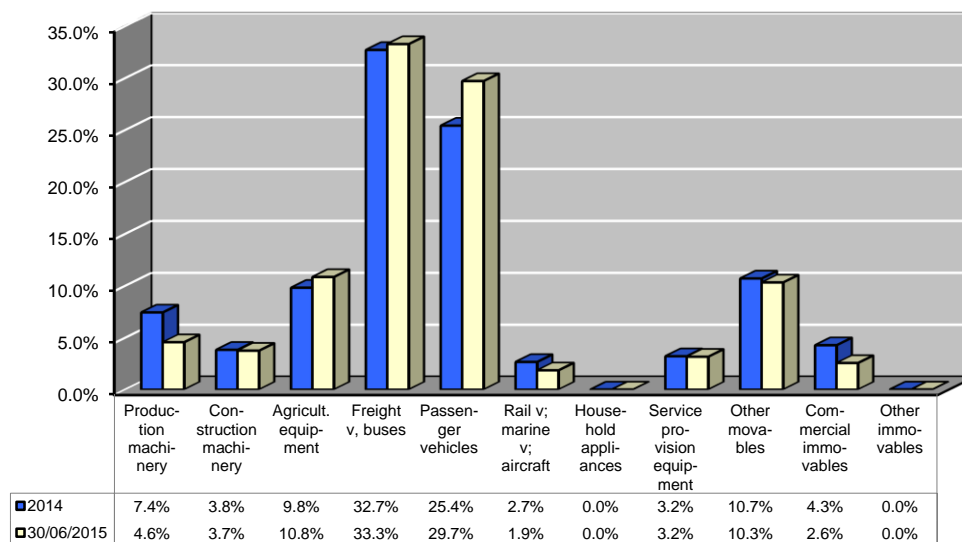
Source: NBS.

The share of other lessees is significantly smaller. The share of farmers was 5.6%, entrepreneurs – 4.1%, natural persons – 3.6% and public enterprises – 2.7%.

#### 3.2. Lease assets

There were no significant changes in the structure of lease investments by the lease asset in early 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 33.3% (vs. 32.7% in 2014). Next in size was the financing of passenger vehicles – 29.7% compared to 25.4% in 2014.

Chart 4 - Investment structure by lease object



Source: NBS.

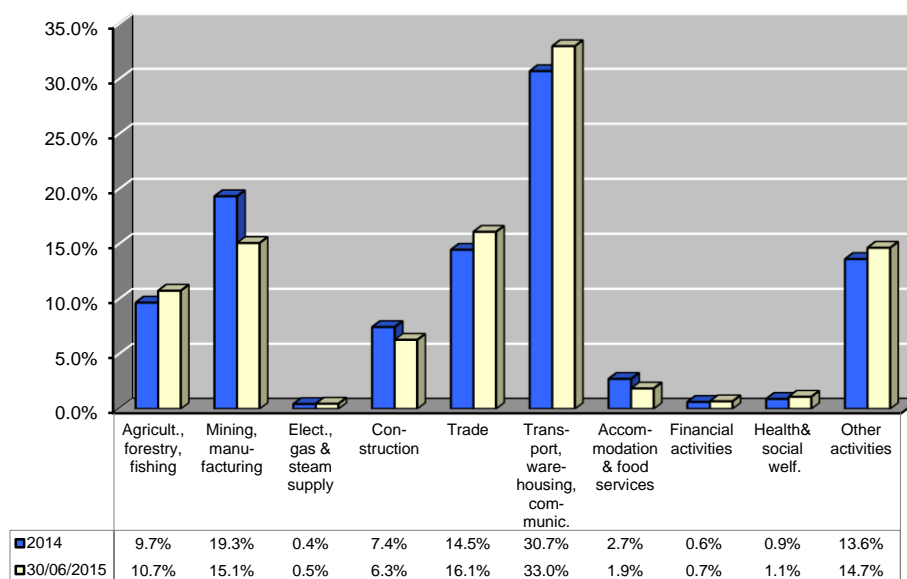
The financing of other movables fell from 10.7% in 2014 to 10.3%, as did the financing of production machinery and equipment (7.4% to 4.6%). At the same time, the financing of agricultural machinery and equipment rose from 9.8% to 10.8%.

### 3.3. Investment structure by sector

As at 30 June 2015, the most significant share in total financial lease investments (Chart 5) was that of transport, warehousing, information and communications – 33.0% (vs. 30.7% in 2014) and that of trade – 16.1% (vs. 14.5% in 2014).

A significant share was also held by manufacturing together with mining and water supply – 15.1% (vs. 19.3% in 2014), other activities – 14.7% (vs. 13.6% in 2014), agriculture, forestry and fishing – 10.7% (vs. 9.7% in 2014) and construction – 6.3% (vs. 7.4% in 2014).

Chart 5 - Investment structure by sector



Source: NBS.

### 3.4. Asset quality

On 30 June 2015, the value of financial lessors' portfolio was RSD 49.9 bln, which represents an 11.0% decline relative to end-2014 (RSD 56 bln).

Past due gross receivables equalled RSD 9.2 bln, making up 14.9% 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 19.9% (34.9% in 2014).

At end-Q2 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 12.8% 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 11.8 bln on 30 June 2015, while its share in total gross financial lease receivables was 19.1%, which is an increase relative to end-2014, when it equalled 12.7%.

In H1 2015, the value of returned lease assets was RSD 518 mln which, together with outstanding balances from previous years, came to almost RSD 1.3 bln or 2.5% of the portfolio and 17.9% of capital (vs. 5.1% and 40.0% at end-2014, respectively). Of the returned lease assets, lessors re-leased 19.5%, sold 37.5%, and rented 1.5%, while 30.6% (after valuation adjustment of 11.0%) remained unemployed. As at 30 June 2015, the stock of returned lease assets came at RSD 386.3 mln or 0.77% of the portfolio and 5.5% 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 June 2015
Return on assets (ROA)	-1.49%	0.56%
Return on equity (ROE)	-15.18%	4.87%
Net interest margin	3.62%	3.98%
Average lending rate	6.48%	6.36%
Average deposit rate	2.69%	2.40%
Coverage of interest expenses	0.37x	1.27x
Operating expenses to average investment	4.33%	4.19%
Total debt to equity	8.31x	7.06x
Long-term debt to equity	7.81x	6.64x

Source: National Bank of Serbia.

At end-Q2 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 total debt and long-term debt to equity decreased, and capital remained almost unchanged from previous reporting periods, solvency in the financial leasing market improved.