NATIONAL BANK OF SERBIA
BANK SUPERVISION DEPARTMENT

FINANCIAL LEASING SECTOR IN SERBIA

Second Quarter Report 2017

September 2017

Contents:

1 Basic information about the Serbian financial leasing sector[1]

At end-Q2 2017, as in the previous period, 16 lessors operated in the Serbian financial leasing sector:

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 undergoing liquidation	15	VB Leasing d.o.o. Beograd
8	Piraeus Leasing d.o.o. Beograd	16	Zastava Istrabenz Lizing d.o.o. Beograd

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 thousands, in %, as at 30/6/2017)

Ownership structure by owner nationality (residence)	Number	Assets		Capital		Employees	
		Amount	Share	Amount	Share	Number	Share
Lessors in 100% or majority ownership of domestic entities	**8**	**55,093,831**	**78.6%**	**5,010,112**	**55.4%**	**258**	**71.1%**
Lessors in 100% or majority ownership of foreign legal entities	**8**	**14,985,907**	**21.4%**	**4,025,328**	**44.6%**	**105**	**28.9%**
Total	**16**	**70,079,738**	**100.0%**	**9,035,440**	**100.0%**	**363**	**100.0%**

Ownership structure of lessors by founder's residence remained unchanged compared to the prior quarter. Namely, eight lessors in total were in 100% or majority ownership of foreign legal entities, while other eight lessors were in 100% or majority ownership of domestic entities (of which seven were owned by domestic banks in foreign ownership) (Table 1).

[1] All data contained in the Report are based on reports submitted by lessors to the NBS for Q2 2017 in accordance with regulations. The accuracy of data in the reports was not subject to on-site supervision of the NBS.

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

Table 2 – **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	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	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	48.19
		Zoran Tanasić	48.19
		Sandra Džodić	3.11
		Milorad Milić	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 undergoing liquidation	Nova Ljubljanska Banka d.d. Ljubljana, Slovenia	100
8	Piraeus Leasing d.o.o. Beograd	Piraeus Bank s.a. Athens, Greece	51.00
		Piraeus Bank a.d. Beograd	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	100
12	S-Leasing d.o.o. Beograd	Steiermarkishe Bank und Sparkassen Aktiengesellschaft, Graz, Austria	25
		Erste Bank a.d. Novi Sad	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 bank Srbija a.d Beograd	100
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	95.2
		Group Zastava Vehicles a.d. Kragujevac – undergoing restructuring	4.8

Source: NBS.

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. Fourteen lessors were founded by banks, banking group members or other financial institutions, while only two lessors were in majority ownership of non-banking sector entities.

At the end of the quarter, **the number of employees** in the financial leasing sector was 363, down by 9 from the prior quarter.

Total balance sheet assets of the financial leasing sector equalled RSD 70.1 bn (increasing by 6.5% compared to the end of the previous quarter).

Total capital equalled RSD 9.0 bn (rising by 5.7% compared to end of the previous quarter).

As in the previous quarter, total balance sheet assets of four lessors show that their share in the financial leasing market was as much as 56.8%, another three lessors held individual shares of below 10.0%, while individual market shares of the remaining nine lessors were less than 5.0%.

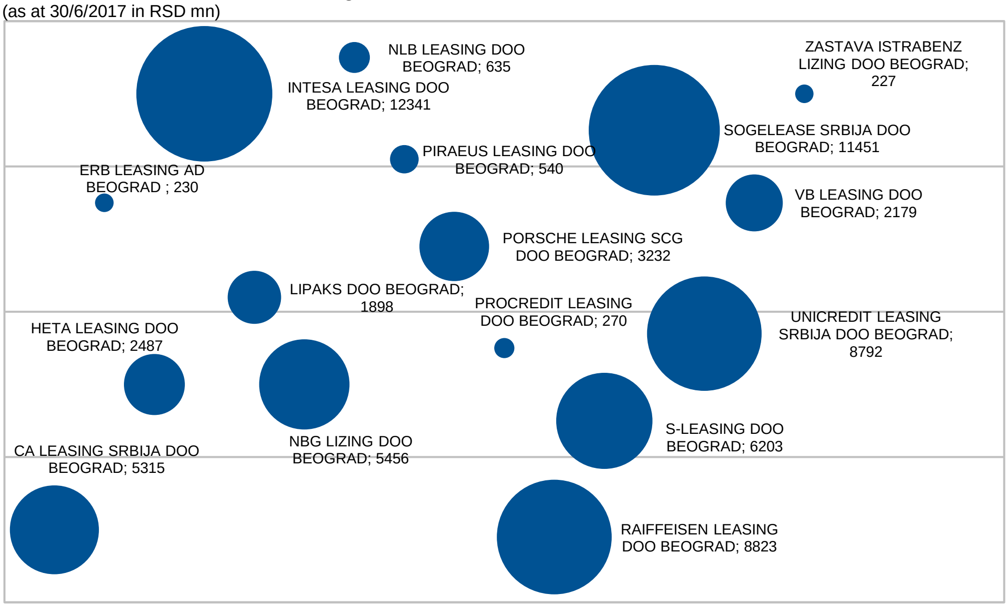
Financial leasing sector is profitable – ROA as at 30 June 2017 amounted to 1.48%, while ROE was 11.59%.

Financial leasing sector has a very low share of non-performing investment in total lease investment. The share of uncollected receivables past due more than 90 days is relatively low relative to both gross and net financial lease receivables.

As at 30 June 2017, gross receivables past due more than 90 days made up 6.8% of total gross receivables, while net receivables past due more than 90 days accounted for only 0.6% of total net receivables under financial leasing.

The data on the percent of individual lessors on the Serbian financial leasing market by total balance sheet assets and by the amount of receivables (portfolio) are contained in the second part of this report which refers to the balance sheet structure.

Chart - 1 **Balance sheet total of leasing sector**
(as at 30/6/2017 in RSD mn)



Source: National Bank of Serbia.

Net profit at end-Q2 2017 reached RSD 504.0 mn. Of the total of 16 lessors, six lessors had a negative net result.

At the end of Q2 2017, seven lessors (*Intesa Leasing d.o.o. Beograd*, *NBG Lizing d.o.o. Beograd*, *CA Leasing d.o.o. Beograd*, *Sogelease Srbija d.o.o. Beograd*, *VB Leasing d.o.o. Beograd*, S-*Leasing d.o.o. Beograd* and *UniCredit Leasing d.o.o. Beograd)* had previous consent of the NBS for rendering insurance agency services, though the share of income generated on this account does not represent a significant item in their total income.

One lessor is undergoing voluntary liquidation, approved by the NBS. There is an ongoing process of consent granting by the NBS for voluntary liquidation of one more lessor.

2 Balance sheet structure

2.1 Balance sheet

On 30 June 2017, balance sheet assets of the leasing sector totalled RSD 70.1 bn, increasing by 6.5% relative to the previous quarter.

The largest share of total balance sheet assets was that of financial lease receivables (portfolio) (87.4%). These receivables amounted to RSD 61.2 bn or 5.9% more than in the previous quarter.

Lessors' current assets recorded an increase by 9.4%. The increase was mostly driven by a rise in short-term financial assets by 43.9% compared to the end of the previous quarter.

At end-Q2 2017, the capital of all lessors amounted to RSD 9.0 bn, with a 12.9% share in total balance sheet liabilities. Total capital increased by 5.7% relative to the end of the prior quarter.

As at 30 June 2017, long-term liabilities accounted for the largest share of lessors' total balance sheet liabilities – 72.1%. Long-term loans from foreign creditors made up the dominant share of long-term liabilities (a 61.6% share of total liabilities). Incidentally, in the majority of cases, foreign creditors of leasing companies were either their founders or legal entities operating within the same banking group.

As at 30 June 2017, total long-term liabilities increased by 0.8% relative to 31 March 2017.

Long-term foreign borrowing made up the dominant share of long-term liabilities (a 61.6% share of total liabilities). At end-Q2 2017, long-term domestic loans held a 10.5% share in total balance sheet liabilities, up by 19.0% relative to the previous quarter.

As at 30 June 2017, the share of short-term liabilities in total balance sheet liabilities went up from 8.5% to 14.0% compared to 31 March 2017. The bulk of short-term liabilities are made of domestic short-term loans (83.1%). The total short-term liabilities as at 30 June 2017 reached RSD 9.8 bn, which represents a 75.2% increase relative to the previous quarter (RSD 5.6 bn).

The bulk of lessors' balance sheet assets were foreign currency indexed receivables (86.6%), while the majority of balance sheet liabilities were foreign currency denominated (61.9%), which is in line with the structure of debt, given the creditors' residence.

The comparative balance sheet of lessors in RSD thousands as at 31 December 2016 and 30 June 2017 is presented in Table 3.

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

Number	ITEM	31 December 2016		30 June 2017		% growth 30 June 2017/ 31 December 16
		Amount	%	Amount	%	
ASSETS		**66,270,193**	**100.0**	**70,079,7383**	**100.0**	**5.7**
1	**FIXED ASSETS**	**58,239,540**	**87.9**	**62,529,869**	**89.2**	**7.4**
1.1	Property, plant and equipment	219,305	0.3	204,639	0.3	-6.7
1.2	Financial lease receivables	56,912,588	85.9	61,231,663	87.4	7.6
1.3	Long-term financial assets	1,062,644	1.6	1,046,676	1.5	-1.5
1.4	Other fixed assets	45,003	0.1	46,891	0.1	4.2
2	**CURRENT ASSETS**	**8,030,653**	**12.1**	**7,549,869**	**10.8**	**-64.0**
2.1	Cash and cash equivalents	3,936,525	5.9	2,377,382	3.4	-39.6
2.2	Short-term financial lease receivables	126,630	0.2	144,878	0.2	14.4
2.3	Short-term financial assets	2,602,320	3.9	3,933,396	5.6	51.1
2.4	Other short-term receivables	376,680	0.6	251.273	0.4	-33.3
2.5	Other current assets and deferred tax assets	988,498	1.5	842,940	1.2	-14.7
LIABILITIES		**66,270,193**	**100.0**	**70,079,7383**	**100.0**	**5.7**
1	**CAPITAL**	**8,364,361**	**13.9**	**9,035,440**	**12.9**	**8.0**
1.1	Core capital	6,990,787	11.1	7,028,787	10.0	0.0
1.2	Reserves	40,151	0.1	40,151	0.1	0.0
1.3	Revaluation reserves	354	0.0	354	0.0	0.0
1.4	Net unrealised gains/losses	11,879	0.0	9,185	0.0	-22.7
1.5	Retained earnings	3,686,031	6.5	4,390,685	6.3	19.1
1.6	Loss	2,364,841	3.7	2,433,722	3.5	2.9
1.7	Purchased own shares and stakes	0	0.0	0	0.0	
2	**LONG-TERM PROVISIONING AND LIABILITIES**	**49,829,348**	**75.2**	**51,254,946**	**73.1**	**2.9**

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

Number	ITEM	31 December 2016		30 June 2017		% growth 30 June 2017/ 31 December 16
		Amount	%	Amount	%	
2.1	Long-term provisions	819,920	1.2	749,741	1.1	-2.1
2.2	Long-term liabilities	49,009,428	74.0	50,505,205	72.1	3.1
2.2.1	*Long-term domestic loans*	6,040,976	9.1	7,365,389	10.5	21.9
2.2.2.	*Long-term foreign loans*	42,943,758	64.8	43,139,816	61.6	0.5
2.2.3	*Other long-term liabilities*	24,694	0.0	0	0.0	-100.0
3	**SHORT-TERM LIABILITIES**	**8,076,484**	**12.2**	**9,789,352**	**14.0**	**21.2**
3.1	Short-term financial liabilities	6,464,271	9.8	8,208,181	11.7	27.0
3.1.1	*Short-term domestic loans*	6,398,679	9.7	8,134,861	11.6	27.1
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*	65,592	0.1	73,320	0.1	11.8
3.2	Financial lease liabilities	325,202	0.5	224,277	0.3	-31.0
3.3	Other liabilities and deferred tax liabilities	1,287,011	1.9	1,356,894	1.9	5.4

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** (in RSD thousands)	**Share**		**Lessor**	**Balance sheet assets** (in RSD thousands)	**Share**
1	Intesa Leasing d.o.o. Beograd	12,340,604	17.6%	9	VB Leasing d.o.o. Beograd	2,486,841	3.5%
2	Sogelease Srbija d.o.o. Beograd	11,451,106	16.3%	10	Heta Leasing d.o.o. Beograd	2,178,887	3.1%
3	Raiffeisen Leasing d.o.o. Beograd	8,823,361	12.6%	11	Lipaks Leasing d.o.o. Beograd	1,898,292	2.7%
4	UniCredit Leasing d.o.o. Beograd	8,792,424	12.5%	12	NLB Leasing. d.o.o. Beograd undergoing liquidation	635,080	0.9%
5	S-Leasing d.o.o. Beograd	6,202,998	8.9%	13	Piraeus Leasing d.o.o. Beograd	540,393	0.8%
6	NBG Lizing d.o.o. Beograd	5,455,698	7.8%	14	Procredit Leasing d.o.o. Beograd	270,409	0.4%

Table 4 **– Market share of lessors by balance sheet assets**

Ranking	Lessor	Balance sheet assets (in RSD thousands)	Share		Lessor	Balance sheet assets (in RSD thousands)	Share
7	CA Leasing Srbija d.o.o. Beograd	5,314,637	7.6%	15	Zastava Istrabenz Lizing d.o.o. Beograd	229,910	0.3%
8	Porsche Leasing SCG d.o.o. Beograd	3,232,391	4,6%	16	ERB Leasing a.d. Beograd	226,707	0.3%
	TOTAL	**70,079,738**	**100.0%**				

Source: NBS.

The first four ranked lessors, making up over half of the market, retained their positions held at the end of the previous quarter and previous year.

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

Ranking	Lessor	Portfolio (in RSD thousands)	Share		Lessor	Portfolio (in RSD thousands)	Share
1	Sogelease Srbija d.o.o. Beograd	11,172,823	18.2%	9	VB Leasing d.o.o. Beograd	2,066,149	3.4%
2	Intesa Leasing d.o.o. Beograd	10,794,959	17.6%	10	Lipaks Leasing d.o.o. Beograd	1,103,496	1,8%
3	Raiffeisen Leasing d.o.o. Beograd	8,094,319	13.2%	11	Heta Leasing d.o.o. Beograd	364,906	0,6%
4	UniCredit Leasing d.o.o. Beograd	7,820,473	12.8%	12	Piraeus Leasing d.o.o. Beograd	363,337	0,6%
5	S-Leasing d.o.o. Beograd	5,889,558	9.6%	13	Zastava Istrabenz Lizing d.o.o. Beograd	155,994	0.3%
6	NBG Lizing d.o.o. Beograd	5,219,786	8.5%	14	NLB Leasing, d.o.o. Beograd undergoing liquidation	50,301	0,1%
7	CA Leasing d.o.o. Beograd	4,944,022	8.1%	15	Procredit Leasing d.o.o. Beograd	18,174	0.0%
8	Porsche Leasing SCG d.o.o. Beograd	3,161,757	5.2%	16	ERB Leasing a.d.Beograd	11,609	0.0%
	TOTAL	**61,231,663**	**100.0%**				

Source: NBS.

Market share of lessors by portfolio changed insignificantly relative to the previous quarter.

Judging by the Herfindahl–Hirschman Index, which equalled 1,254.1 on 30 June 2017, the financial leasing market falls into the category of moderately concentrated markets.

2.3 Profit and loss account

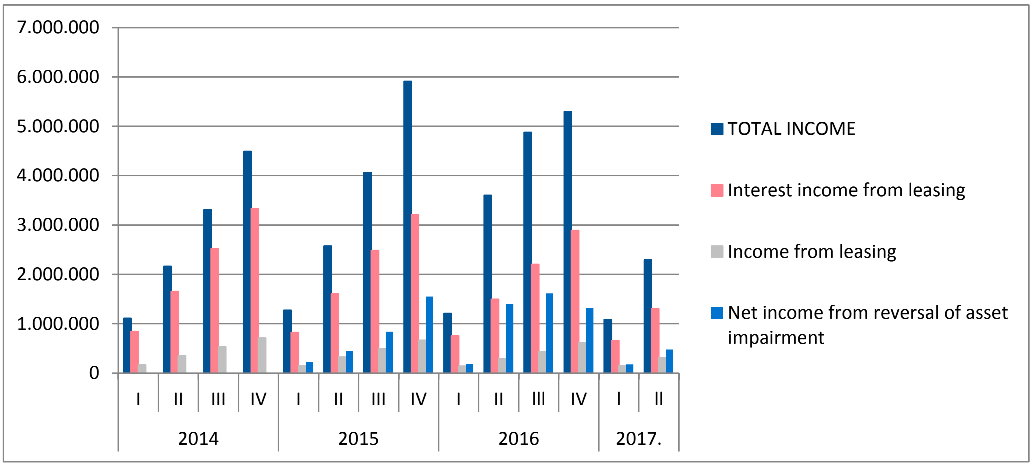
Total pre-tax profit of all lessors as at 30 June 2017 was positive, reaching RSD 504.0 mn. Of all lessors, six recorded a negative pre-tax result (RSD 76.3 mn), while others had a positive pre-tax result.

Profit of the financial leasing sector as at 30 June 2017 decreased by 30.3% compared to the second quarter of the last year when it stood at RSD 723.11 mn. Total income and gains as at 30 June 2017 decreased by 36.4% compared to 30 June 2016, while total expenses and losses decreased by 37.9%.

The most significant category of income was interest income from leasing (as primary income of lessors), with the share of 56.9% in total income as at 30 June 2017. Net income from impairment of assets had a 20.9% share in total income, followed by income from leasing (e.g. income from the performance of primary activities) – 13.5%, other gains and income (income from premiums, subsidies, grants, donations, income from the reversal of long-term provisions, etc.) – 6.2%. 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 2 – Structure of income.

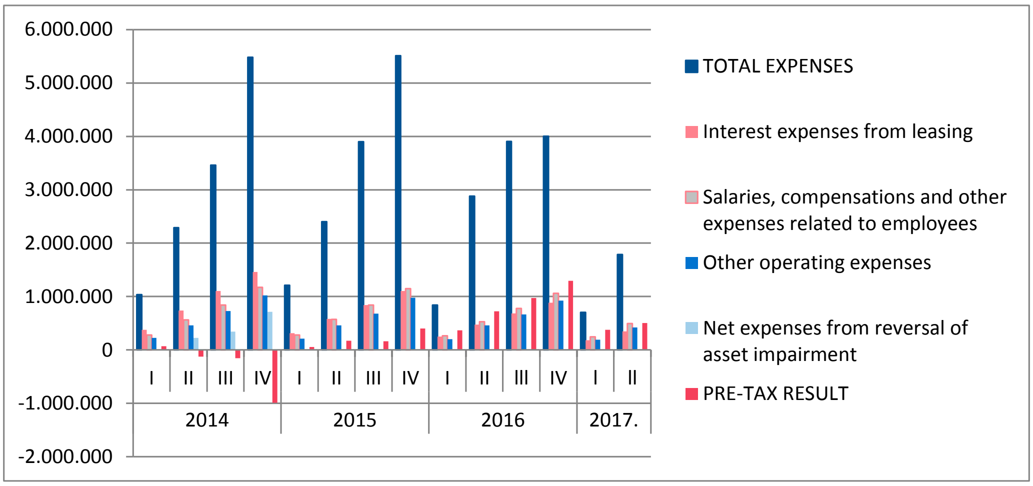
Chart 2 – Structure of income.



The largest share in the structure of total expenses was held by: salaries, salary compensations, and other employee-related expenses (21.5%), lease interest expenses (15.3), other operating expenses (18.3%), financial leasing expenses (5.2%), and depreciation and provisioning expenses (5.1%).

The structure of the most significant expenses is given in Chart 3 – Structure of expenses.

Chart 3 – Structure of expenses.



The aggregate profit and loss account of all lessors in RSD thousands on 30 June 2016 and 30 June 2017 is given in Table 6.

Table 6 **– Aggregate profit and loss account of all lessors** (in RSD thousands)

No	ITEM	31/6/2016	% of tot. inc.	31/6/2017	% of tot. inc.	% of growth, 2016/2017
	INCOME AND EXPENSES FROM REGULAR OPERATIONS					
	OPERATING INCOME AND EXPENSES					
1	Interest income from leasing	1,497,415	41.6	1.303.516	56.9	-12,9
2	Interest expenses from leasing	476,899	13.2	350.528	15.3	-26,5
3	Income from leasing	289,504	8.0	310.309	13.5	7,2
4	Expenses from leasing	110,182	3.1	118.260	5.2	7,3
I.	**BUSINESS RESULT**	**1,199,838**	**33.3**	**1.145.037**	**50.0**	**-4,6**
	OTHER INCOME AND EXPENSES					
5	Net income from other interest	18,875	0.5	39.145	1.7	107,4
6	Net expenses from other interest	0.0	0.0	0.0	0.0	-
7	Net income from exchange rate differences and currency clause effects	60,314	1.7	0.0	0.0	-
8	Net expenses from exchange rate differences and currency clause effects	0.0	0.0	80.724	3.5	-

Table 6 **– Aggregate profit and loss account of all lessors** (in RSD thousands)

No	ITEM	31/6/2016	% of tot. inc.	31/6/2017	% of tot. inc.	% of growth, 2016/2017
9	Net income from share in income 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	114,891	3.2	12.198	0.5	-89,4
12	Net losses from sale and lease	0.0	0.0	0.0	0.0	-
13	Salaries. salary compensations and other employee-related expenses	530,075	14.7	492.828	21.5	-7,0
14	Depreciation and provisioning	62,748	1.7	116.721	5.1	86,0
15	Other operating expenses	460,162	12,8	420.078	18.3	-8,7
16	Net income from sale of intangible investment. property. plant. equipment and other assets	22,760	0.6	4.279	0.2	-81,2
17	Net loss from sale of intangible investment. property. plant. equipment and other assets	0	0,0	0	0,0	-
18	Net income from sale of share in capital and securities	0	0,0	0	0,0	-
19	Net loss from sale of share in capital and securities	0	0,0	0	0,0	-
20	Net income from asset value adjustment	1,398,528	38.8	478.574	20.9	-65,8
21	Net expenses from asset value adjustment	0	0,0	0	0,0	-
22	Other income and gains	199,609	5.5	142.296	6.2	-28.7
2.3	Other expenses and losses	1,238,723	34.4	207.222	9.0	-83.3
II	**REGULAR OPERATING RESULT**	**723,107**	**20.1**	**503.956**	**22.0**	**-30.3**
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**	**723,107**	**20.1**	**503.956**	**22.0**	**-30.3**
26	PROFIT TAX					
26.1	1 Tax expense of the period	45,219	1.3	56.581	2.5	25.1
26.2	2 Deferred tax expenses of the period	9,701	0.3	0.0	0.0	-
26.3	3 Deferred tax income of the period	0.0	0.0	109	0.0	-
27	Paid personal income to employer	0	0,0	0	0,0	-
IV	**NET RESULT**	**668,187**	**18,6**	**447.484**	**19,5**	**-33.0**

Table 6 **– Aggregate profit and loss account of all lessors** (in RSD thousands)

No	ITEM	31/6/2016	% of tot. inc.	31/6/2017	% of tot. inc.	% of growth, 2016/2017
V.	**TOTAL INCOME AND PROFIT**	**3,601,896**	**100.0**	**2.290.317**	**100.0**	**-36.4**
VI.	**TOTAL EXPENSES AND LOSSES**	**2,878,789**	79.9	**1.786.361**	**78.0**	**-37.9**

Source: NBS.

3 Structure of investment and asset quality

3.1 Structure of financial lease investment

In Q2 2017, as in years before, the bulk of share in the lease investment structure, by lessee, (83.8%) went to corporate financial leasing outside the financial sector.

At end-Q2 2017, by lease asset, financing of freight vehicles, minibuses, and buses (34.4%) continued to account for the largest share of financial lease, as well as passenger vehicles with 30.9%. As in the previous periods, the share of other lease assets continued to account for close to or below 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 – 28.9%. Trade also accounted for a significant share with 17.8%, as did manufacturing, mining and water supply with 13.4%.

3.2 Asset quality

The value of financial lease receivables as at 30 June 2017 was RSD 61.2 bn, which represents a 7.6% increase relative to end-2016 (RSD 56.9 bn).

At end-Q2 gross receivables past due equalled RSD 5.5 bn, making up 8.3% of gross financial lease receivables. Relative to end-2016 (RSD 5.8 bn), these receivables recorded a fall. It can be noticed that the amount of receivables past due relative to the end-2015 significantly decreased (RSD 7.4 bn).

The net carrying value of past due receivables was RSD 929.1 bn, with a share in the portfolio of 1.4%. The net carrying value of past due receivables compared to the end of the previous year (2016) is down by 2.3%, while compared to the end of 2015, these receivables amounted to RSD 1.5 bn, down by 38.1%.

Net receivables past due were relatively low (10.3%) compared to the capital of the financial leasing sector as at 30 June 2017.

At end-Q2 2017, receivables past due more than 90 days made up the largest share of total receivables past due. These receivables amounted to RSD 4.6 bn as at 30 June 2017. The share of these receivables in total financial lease gross receivables stood at 6.4%. The net carrying value of receivables past due more than 90 days made up 0.6% of the total net portfolio, as at the end of the previous year, but decreasing from end-2015 (1.4%).

Value adjustments of receivables due and not due came at RSD 5.8 bn as at 30 June 2017and their share in total gross financial lease receivables was 8.7%, while at the end of the previous year it was 10.7%. However, that is significantly less than at end-2015 when value adjustments amounted to RSD 9.7 bn, with the share of 15.5% in total gross receivables.

In Q2 2017 the amount of financial lessors' returned lease assets stood at RSD 1.5 bn, which, combined with the assets carried over from previous years, reached RSD 1.8 bn or 2.9% of the portfolio. Of the total value of returned lease assets, lessors re-leased 9.8%, sold 78.7%, activated for own use 0.02, while 9.0% remained idle. As at 30 June 2017, net carrying value of returned lease assets amounted to RSD 157.4 mn, or 0.3% of the portfolio.

4 Performance indicators

At end-Q2 2017, ROA and ROE recorded a decrease relative to the end of the same quarter in 2016. ROA fell relative to 30 June 2016 from 2.37% to 1.48%, while ROE stood at 11.59% at end-Q2 2017, negligibly less than in the same quarter in 2016 (17.90%).

Net interest margin was 3.36% (at end-Q2 2016 it amounted to 3.87%). The average lending rate fell slightly at end-Q1 2017, to 4.64% (from 5.79% at end Q2-2016), as did the average deposit rate, equalling 1.33% at end-Q2 2017 (2.03% at end-Q2 2016).