



NATIONAL BANK OF SERBIA
BANK SUPERVISION DEPARTMENT

FINANCIAL LEASING SECTOR IN SERBIA

Fourth Quarter Report 2020

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1 Basic information about the Serbian financial leasing sector¹

At end-2020, 16 lessors operated in the Serbian financial leasing sector:

¹ All data presented in this Report are based on the data collected by the National Bank of Serbia in off-site supervision of lessors in Q4 2020.

1	CA Leasing Srbija d.o.o. Beograd	9	Porsche Leasing SCG d.o.o. Beograd
2	ERB Leasing a.d. Beograd undergoing liquidation	10	Procredit Leasing d.o.o. Beograd undergoing liquidation
3	Intesa Leasing d.o.o. Beograd	11	Raiffeisen Leasing d.o.o. Beograd
4	LIPAKS d.o.o. Beograd	12	Scania Leasing RS d.o.o. Krnješevci
5	NDM Leasing d.o.o. Beograd	13	S-Leasing d.o.o. Beograd
6	NLB Leasing d.o.o. Beograd undergoing liquidation	14	UniCredit Leasing Srbija d.o.o. Beograd
7	OTP Leasing Srbija d.o.o. Beograd	15	Vantage Leasing d.o.o. Beograd
8	OTP Lizing 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 thousand, in %, as at 31 December 2020)

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	9	102,700,737	89.1%	6,677,956	71.9%	301	86.5%
Lessors in 100% or majority ownership of foreign legal entities	7	12,614,832	10.9%	2,614,617	28.1%	47	13.5%
Total	16	115,315,569	100.0%	9,292,573	100.0%	348	100.0%

Namely, seven lessors were in 100% or majority ownership of foreign legal entities, while nine 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 main parameters).

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

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

Table 2 – Financial lessor ownership structure

No	Lessor	Owner	% of ownership
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 Zoran Tanasić Sandra Džodić Milorad Milić	48.19 48.19 3.11 0.51
6	OTP Leasing Srbija d.o.o. Beograd	OTP banka Srbija a.d. Beograd	100
7	OTP Lizing d.o.o. Beograd	Vojvodanska banka a.d. Novi Sad	60
		MERKANTIL BANK ZRT, Budapest, Hungary	40
8	NLB Leasing d.o.o. Beograd undergoing liquidation	Nova Ljubljanska Banka d.d. Ljubljana, Slovenia	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	Scania Leasing RS d.o.o. Krnješevci	Scania CV ACTIEBOLAG, Södertälje, Sweden 100	100
13	S-Leasing d.o.o. Beograd	Steiermarkische Bank und Sparkassen Aktiengesellschaft, Graz, Austria	25
		Erste Bank a.d. Novi Sad	75
14	UniCredit Leasing Srbija d.o.o. Beograd	UniCredit bank Srbija a.d. Beograd	100
15	Vantage Leasing d.o.o. Beograd	APS Quattro Holding S.á.r.l. Luxembourg	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

Classification of lessors by sector of their founder (banking/non-banking sector) has changed since the previous quarter. Eleven lessors were founded by banks/banking groups, while five lessors were in majority ownership of non-banking sector entities.

At the end of 2020, **the number of employees** in the financial leasing sector was 348.

Total balance sheet assets of the sector stood at RSD 115.3 bn.

Total capital of the sector amounted to RSD 9.3 bn.

Five lessors made up as much as 73.3% of the financial leasing market in terms of their total balance sheet assets, while six other lessors held individual shares of below 10%. The remaining five lessors held individual market shares of less than 1%.

Financial leasing sector is profitable. Return on assets (ROA) of the financial leasing sector amounted to 0.56%, while return on equity (ROE) equalled 6.58% as at 30 December 2020.

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

On 31 December 2020, receivables from financial lease past due more than 90 days accounted for 1.6% of gross financial lease receivables at the level of the sector. The net carrying value of these receivables was 0.1% of the total net portfolio.

Net profit at end-Q4 2020 reached RSD 371 mn. Of the total of 16 lessors, seven had a negative net result.

At end-2020, six 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, 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.

Three lessors are undergoing voluntary liquidation, approved by the NBS, while one lessor had its liquidation completed at the beginning of Q4.

2 Balance sheet structure

2.1 Balance sheet

As at 31 December 2020, balance sheet assets of all financial lessors totalled RSD 115.3 bn, up by 3.6% relative to the previous quarter.

The largest share (88.2%) of total balance sheet assets was that of financial lease receivables (portfolio). These receivables amounted to RSD 101.7 bn, which is a decrease of 0.8% relative to the previous quarter.

Lessors' current assets rose by 62.5% q-o-q. The increase was mostly driven by the rise in items Cash and cash equivalents (102.6% q-o-q) and short-term financial assets (48.9% q-o-q).

At end-Q4 2020, the capital of all lessors amounted to RSD 9.3 bn, with the 8.1% share in total balance sheet liabilities. Total capital decreased by 5.1 relative to the end of the prior quarter.

At end-2020, long-term liabilities accounted for the largest share of lessors' total balance sheet liabilities (88.5%) with the dominance of long-term loans from foreign creditors (75.3%). In most cases, foreign creditors of lessors were either their founders or legal entities operating within the same banking group.

As at 31 December 2020, total long-term liabilities increased by 4.8% relative to 30 September 2020.

Long-term foreign borrowing made up the dominant share of long-term liabilities (75.3% share of total liabilities). At end 2020, long-term domestic loans held a 13% share in total balance sheet liabilities.

Total short-term liabilities amounted to RSD 3.7 bn at end-Q4 2020, which is a 3.4% decrease from the previous quarter. The bulk of short-term liabilities were domestic short-term loans – RSD 2.5 bn.

The bulk of lessors' balance sheet assets were foreign currency indexed receivables (88.2%), while most balance sheet liabilities were foreign currency denominated (75.5%), 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 2019 and 31 December 2020 is presented in Table 3.

Table 3 The comparative balance sheet of financial lessors						
(In RSD thousand)						
No	ITEM	31 Dec. 2019		31 Dec. 2020		% growth
		Amount	%	Amount	%	
ASSETS		102,915,063	100.0	115,315,569	100.0	12.0
1	FIXED ASSETS	94,699,256	92.0	102,715,201	89.1	8.5
1.1	Property, plant and equipment	434,087	0.4	424,526	0.4	-2.2
1.2	Financial leasing receivables	93,807,266	91.2	101,734,531	88.2	8.5
1.3	Long-term financial assets	360,757	0.4	442,879	0.4	22.8
1.4	Other fixed assets	97,146	0.1	113,265	0.1	16.6
2	CURRENT ASSETS	8,215,807	8.0	12,600,368	10.9	53.4
2.1	Cash and cash equivalents	3,210,173	3.1	5,839,282	5.1	81.9
2.2	Short-term financial leasing receivables	161,350	0.2	111,806	0.1	-30.7
2.3	Short-term financial assets	4,026,249	3.9	5,736,597	5.0	42.5
2.4	Other short-term receivables	239,005	0.2	208,582	0.2	-12.7
2.5	Other current assets and deferred tax assets	579,030	0.6	704,101	0.6	21.6
LIABILITIES		102,915,063	100.0	115,315,569	100.0	12.0
1	CAPITAL	9,428,931	9.2	9,292,573	8.1	-1.4
1.1	Core capital	7,502,198	7.3	7,247,472	6.3	-3.4
1.2	Reserves	143,519	0.1	338,197	0.3	135.6
1.3	Revaluation reserves	76	0.0	175	0.0	130.3
1.4	Net unrealised gains/losses	29,476	0.0	17,959	0.0	-39.1
1.5	Retained earnings	4,294,100	4.2	3,751,636	3.3	-12.6
1.6	Loss	2,540,438	2.5	2,062,866	1.8	-18.8
1.7	Purchased own shares and stakes	-	0.0	-	0.0	-
2	LONG-TERM PROVISIONING AND LIABILITIES	84,321,050	81.9	102,269,522	88.7	21.3
2.1	Long-term provisions	433,345	0.4	229,585	0.2	-47.0
2.2	Long-term liabilities	83,887,705	81.5	102,039,937	88.5	21.6
2.2.1	Long-term domestic loans	11,278,117	11.0	14,977,075	13.0	32.8
2.2.2	Long-term foreign loans	72,333,515	70.3	86,793,193	75.3	20.0
2.2.3	Other long-term liabilities	276,073	0.3	269,669	0.2	-2.3
3	SHORT-TERM LIABILITIES	9,165,082	8.9	3,753,474	3.3	-59.0
3.1	Short-term financial liabilities	8,154,900	7.9	2,692,997	2.3	-67.0
3.1.1	Short-term domestic loans	8,005,751	7.8	2,485,594	2.2	-69.0
3.1.2	Short-term foreign loans	-	0.0	-	0.0	-
3.1.3	Liabilities under interest and other costs of financing	149,149	0.1	207,403	0.2	39.1
3.2	Financial lease liabilities	412,712	0.4	411,311	0.4	-0.3
3.3	Other liabilities and deferred tax liabilities	597,470	0.6	649,166	0.6	8.7

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 thousand)	Share	Ranking	Lessor	Balance sheet assets (in RSD thousand)	Share
1	Intesa Leasing d.o.o. Beograd	21,824,429	18.9%	9	Scania Leasing d.o.o. Krnješevci	3,651,987	3.2%
2	OTP Leasing Srbija d.o.o. Beograd	20,651,456	17.9%	10	LIPAKS d.o.o. Beograd	1,918,627	1.7%
3	UniCredit Leasing d.o.o. Beograd	14,432,940	12.5%	11	NDM-Leasing d.o.o. Beograd	1,124,583	1.0%
4	Raiffeisen Leasing d.o.o. Beograd	13,840,295	12.0%	12	NLB Leasing d.o.o. Beograd	703,479	0.6%
5	S-Leasing d.o.o. Beograd	13,825,358	12.0%	13	Zastava Istrabenz Lizing d.o.o. Beograd	215,079	0.2%
6	OTP Lizing d.o.o. Beograd	8,664,870	7.5%	14	Procredit Leasing d.o.o. Beograd	208,703	0.2%
7	CA Leasing d.o.o. Beograd	7,334,059	6.4%	15	Vantage Leasing d.o.o. Beograd	162,480	0.1%
8	Porsche Leasing SCG d.o.o. Beograd	6,655,907	5.8%	16	ERB a.d. Beograd	101,317	0.1%
Total:		115,315,569	100.0%				

Source: NBS.

The five top-ranked lessors, whose assets make up close to three quarters of the market, retained their positions.

Judging by the Herfindahl–Hirschman Index, which equalled 1,267.8 points at end-2020, 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	18,689,525	18.4%	9	Scania Leasing d.o.o. Krnješevci	3,524,949	3.5%
2	Intesa Leasing d.o.o. Beograd	17,339,991	17.0%	10	LIPAKS d.o.o. Beograd	1,477,043	1.5%
3	Raiffeisen Leasing d.o.o. Beograd	13,467,575	12.1%	11	NDM-Leasing d.o.o. Beograd	791,399	0.8%
4	S-Leasing d.o.o. Beograd	13,177,576	12.0%	12	Zastava Istrabenz Lizing d.o.o. Beograd	123,141	0.1%
5	UniCredit Leasing d.o.o. Beograd	12,344,363	12.0%	13	Vantage Leasing d.o.o. Beograd	3,343	0.0%
6	OTP Lizing d.o.o. Beograd	7,434,230	7.3%	14	Procredit Leasing d.o.o. Beograd	0	0.0%
7	CA Leasing d.o.o. Beograd	6,972,153	6.9%	15	NLB Leasing d.o.o. Beograd	0	0.0%
8	Porsche Leasing SCG d.o.o. Beograd	6,389,243	6.3%	16	ERB a.d. Beograd	0	0.0%
Total:		101,734,531	100.0%				

Source: NBS.

2.3 Income statement

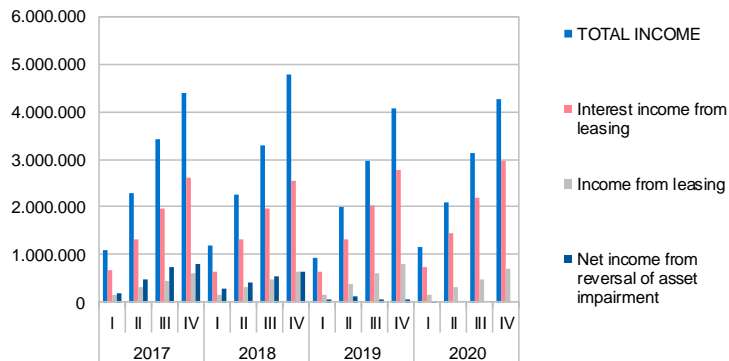
Total pre-tax profit of the financial leasing sector as at 31 December 2020 was positive and equalled RSD 616.1 mn (net profit: RSD 371 mn), down by 40.3% y-o-y (end-2019: pre-tax profit: RSD 1 bn, net profit: RSD 805 mn). Of the total number of lessors, seven had a negative pre-tax result.

As at 31 December 2020, total income and profit equalled RSD 4.3 bn (up by 4.8% from 31 December 2019) and total expenses and losses stood at RSD 3.7 bn (up by 20.1% from 31 December 2019).

The most significant category of income was interest income from leasing (as primary income of lessors), with the share of 69.7% in total income as at 31 December 2020. Income from leasing (income from the performance of primary activities) had a 16.2% share in total income, followed by income from share in the profit of subsidiary legal entities and joint ventures (4.1%) and net income from other interest (1.0 %). Other gains and income (income from premiums, subsidies, grants, donations, income from the reversal of long-term provisions, etc.) had the 8.9% 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 income

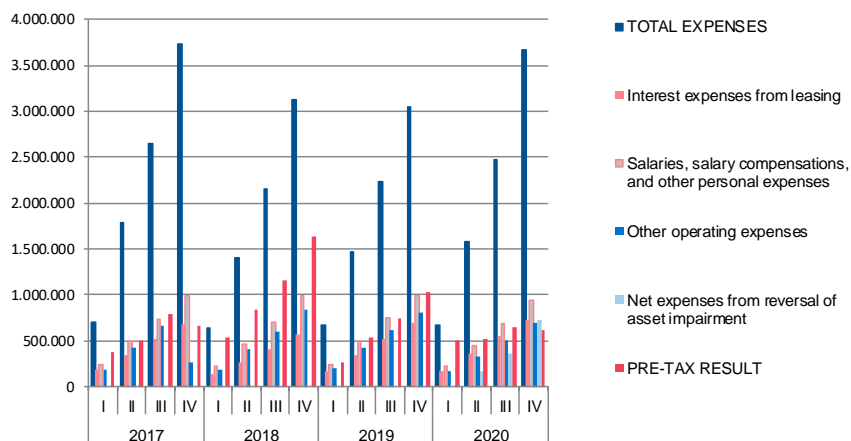


Source: NBS.

The largest share in the structure of total expenses was held by: salaries, salary compensations, and other personal expenses (25.8%), followed by lease interest expenses (20.0%), net expenses from impairment of assets (20.0%), other operating expenses (19.1%), financial leasing expenses (6%), depreciation and provisioning expenses (4.5%) and other losses and expenses (3.6%).

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

Chart 2 Structure of expenses



Source: NBS.

The comparative aggregate income statement of lessors in RSD thousand as at 31 December 2019 and 31 December 2020 is presented in Table 6.

Table 6 Aggregate income statement of all lessors
(in RSD thousand)

No	ITEM	31 Dec. 2019	% of total income	31 Dec. 2020	% of total income	% of growth 2019/2020
1	Interest income from leasing	2,763,968	67.7	2,981,002	69.7	7.9
2	Interest expenses from leasing	701,968	17.2	732,871	17.1	4.4
3	Income from leasing	808,434	19.8	694,750	16.2	-14.1
4	Expenses from leasing	233,703	5.7	218,064	5.1	-6.7
I	BUSINESS RESULT	2,636,731	64.6	2,724,817	63.7	3.3
	OTHER INCOME AND EXPENSES					
5	Net income from other interest	66,141	1.6	43,911	1.0	-33.6
6	Net expenses from other interest	0	0.0	0	0.0	-
7	Net income from exchange rate differences and currency clause effects	0	0.0	0	0.0	-
8	Net expenses from exchange rate differences and currency clause effects	33,244	0.8	37,067	0.9	11.5
9	Net income from share in the profit of subsidiary legal entities and joint ventures	0	0.0	176,000	4.1	-
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	5310	0.1	0	0.0	-100.0
12	Net losses from sale and lease	0	0.0	2,675	0.1	-
13	Salaries, salary compensations and other personal expenses	985,219	24.1	942,921	22.0	-4.3
14	Depreciation and provisioning	194,780	4.8	163,788	3.8	-15.9
15	Other operating expenses	802,075	19.7	699,199	16.3	-12.8
16	Net income from the sale of intangible investment, property, plant, equipment and other assets	2,762	0.1	0	0.0	-100.0
17	Net loss from the sale of intangible investment, property, plant, equipment and other assets	0	0.0	503	0.0	-
18	Net income from the sale of the share in capital and securities	8	0.0	885	0.0	10962.5
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	43,898	1.1	0	0.0	-100.0
21	Net expenses from impairment of assets	0	0.0	731,304	17.1	-
22	Other income and gains	389,465	9.5	380,442	8.9	-2.3
23	Other expenses and losses	97,709	2.4	132,482	3.1	35.6
II	REGULAR OPERATING RESULT	1,031,288	25.3	616,116	14.4	-40.3

Table 6 Aggregate income statement of all lessors
(in RSD thousand)

No	ITEM	31 Dec. 2019	% of total income	31 Dec. 2020	% of total income	% of growth 2019/2020
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	1,031,288	25.3	616,116	14.4	-40.3
26	PROFIT TAX					
26.1	1 Tax expense of the period	211,798	5.2	233,851	5.5	10.4
26.2	2 Deferred tax expenses of the period	19,891	0.5	14,379	0.3	-27.7
26.3	3 Deferred tax income of the period	5,398	0.1	3115	0.1	-42.3
27	Paid personal income to employer	0	0.0	0	0.0	-
IV	NET RESULT	804,997	19.7	371,001	8.7	-53.9
V	TOTAL INCOME AND PROFIT	4,079,986	100.0	4,276,990	100.0	4.8
VI	TOTAL EXPENSES AND LOSSES	3,048,698	74.7	3,660,874	85.6	20.1

Source: NBS.

3 Structure of investment and asset quality

3.1 Structure of financial lease investment

At end-2020, as in the previous years, the largest share in the structure of lease investment, by lessee (82.9%), referred to corporate financial leasing outside the financial sector.

At end-2020, by lease asset, the financing of freight vehicles, minibuses and buses continued to account for the largest share (39.5%), followed by passenger vehicles (38%). Other lease assets accounted for less than 10.0%.

In Q4, by sector structure of investment, the most significant share in total financial lease investment was that of transport, warehousing, information and communications – 26.4%. Trade also accounted for a significant share with 16.7%, followed by manufacturing, mining, and water, electricity, gas and steam supply with 14.3%, as did the construction sector with 11.8%. Other activities accounted for 22.1%.

3.2 Asset quality

The amount of financial leasing receivables as at 31 December 2020 was RSD 101.7 bn, an increase of 8.5% y-o-y (RSD 93.8 bn at end-2019). At end-2020, gross receivables past due equalled RSD 2.5 bn, making up 2.4% of gross financial leasing

receivables. This is a decline of 5.8% relative to end-2019, when these receivables amounted to RSD 2.7 billion. At end-2020, the net carrying value of past due receivables was RSD 676.2 mn, with a share in the portfolio of 0.6%. Relative to the same quarter of 2019, as well as to the same quarter of 2018, the net carrying value of past due receivables edged up.

Net receivables past due were relatively low (7.3%) compared to the capital of the financial leasing sector at end-2020.

As at 31 December 2020, total receivables past due, most of which past due more than 90 days, amounted to RSD 1.7 bn, with 1.6% share in total gross receivables. On 31 December 2019, these receivables stood at RSD 2 bn (2% share in total gross receivables) and on 31 December 2018 they amounted to RSD 2.3 bn (2.8% share in total gross receivables).

The net carrying value of receivables past due more than 90 days made up 0.1% of the total net portfolio as at 31 December 2020.

Allowances for impairment of receivables due and not due came at RSD 3.5 bn as at 31 December 2020 and their share in total gross financial leasing receivables equalled 3.3%. Compared to the same period in 2019, the percentage of these receivables in total financial leasing gross receivables increased to 2.9% and compared to 2018 decreased negligibly (3.7%).

In 2020, lessors' returned lease assets were worth RSD 776.1 mn, which, combined with the assets carried over from previous years, amounted to RSD 949.8 mn or 0.9% of the portfolio. Of the total value of returned lease assets, lessors re-leased 41.5%, sold 26.7%, rented 12.9%, while 9% remained idle. As at 31 December 2020, the net carrying value of returned lease assets amounted to RSD 85.4 mn, or 0.1% of the portfolio.

4 Performance indicators

At end-2020, ROA declined from 1.15% to 0.56%, and ROE from 11.27% to 6.58%, relative to Q4 2019.

Net interest margin was 2.34% (at the end of the same quarter in 2019 it amounted to 2.51%). At end-Q4 2020, the average lending interest rate was 3.13%, which is a decrease from the same quarter in 2019 when it stood at 3.36%. At end-Q4 2020, the average deposit interest rate stood at 0.77% (end-Q4 2019: 0.088%).

Financial lessors' main sources of funds are loans and borrowing. The share of borrowed assets in total lessors' sources of funds was 98.5%. The liabilities to banks and other credit institutions accounted for the bulk of total liabilities of the financial leasing sector.