



NATIONAL BANK OF SERBIA
FINANCIAL LEASING SUPERVISION

Financial Leasing Supervision

Report for Q1 2007

June 2007

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Market Participants

Number of lessors

On 31 March 2007, the following lessors were licensed to perform financial leasing operations:

- | | |
|---|---|
| 1. HVB Leasing d.o.o. Beograd | 9. Raiffeisen Leasing d.o.o. Beograd |
| 2. Hypo Alpe-Adria-Leasing d.o.o. Beograd | 10. S-Leasing d.o.o. Beograd |
| 3. Intesa Leasing d.o.o. Beograd | 11. Sogelease Srbija d.o.o. Beograd |
| 4. KB Leasing d.o.o. Novi Sad | 12. NBG Lizing d.o.o. Beograd |
| 5. LIPAKS d.o.o. Beograd | 13. VB Leasing d.o.o. Beograd |
| 6. NLB Leasing d.o.o. Beograd | 14. Zastava Istrabenz Lizing d.o.o. Beograd |
| 7. Porsche Leasing SCG d.o.o. Beograd | 15. EFG Leasing a.d. Beograd |
| 8. Procredit Leasing d.o.o. Beograd | |

In Q1 2007, TBI Lizing d.o.o. Beograd changed both owner and name. This company now operates under the name NBG Lizing d.o.o. Beograd.

Total number of employees in the financial leasing sector climbed, just as total assets per employee. On 31 March 2007, average assets per employee equalled RSD 161,796 thousand, which is up by 7.9% on 31 December 2006 when it stood at RSD 149,881 thousand. Table below shows total number of employees in the financial leasing sector at end-2005, end-2006 and end-Q1 2007:

Table 1 – Number of employees in the financial leasing sector

Date	Number of employees
31 December 2005	329
31 December 2006	388
31 March 2007	400

Ownership structure

Domestic vs. foreign ownership

- 9 leasing companies are in 100% or majority ownership of foreign legal entities;
- 5 leasing companies are in 100% or majority ownership of domestic entities (of which 3 are owned by domestic companies with foreign capital);
- 1 leasing company is in the ownership of a domestic bank with foreign capital and foreign legal entity, each participating with a 50% share in the leasing company's capital.

Financial vs. non-financial sector

- Two financial leasing companies (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 classified in the group of non-financial sector entities as it was founded by a Porsche Group member – bank specialized in financing Porsche Group products.
- The 12 remaining leasing companies were set up by banks, banking group members or other financial institutions.

Table 2 – Ownership structure of financial leasing companies

No.	Leasing companies	Founder	Ownership percentage
1.	HVB Leasing d.o.o. Beograd	Bank Austria Creditanstalt Leasing GmbH, Wien, Austria	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	Banka Intesa a.d. Beograd	51%
		CIB Leasing, Budapest, Hungary	49%
4.	KB Leasing d.o.o. Novi Sad	Kulska banka a.d. Beograd	100%
5.	LIPAKS d.o.o. Beograd	Mirko Žeželj	24.96%
		Zoran Tanasić	24.96%
		"Industrija mašina i traktora " AD Beograd in restructuring	9.52%
		Industry of agricultural machinery "Zmaj" AD Zemun – Beograd in restructuring	9.52%
		Corporation "Fabrika automobila Priboj" AD, Priboj	9.52%
		Joint stock company "Ikarbus", Beograd-Zemun	4.76%
		Joint stock company for specialized and multipurpose vehicles production and trade "Zastava specijalni automobili", Sombor	4.76%
		"Zastava kamioni" d.o.o, Kragujevac	4.76%
		Sandra Džodić	4.33%
		"Neobus" Novosadska fabrika autobusa AD, Novi Sad	1.91%
		Goran Milaš and	0.67%
		Milorad Milić	0.33%
6.	NLB Leasing d.o.o. Beograd	NLB Leasing DOO, 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	Raiffeisenbank a.d. Beograd	50%
		Raiffeisen - Leasing International GmbH, Wien, Austria	50%
10.	S-Leasing d.o.o. Beograd	Steiermarkische Bank und Sparkassen Aktiengesellschaft, Graz, Austria	50%
		Immorent International Holding GmbH, Wien, Austria	50%
11.	Sogelease Srbija d.o.o. Beograd	Societe Generale Yugoslav Bank a.d. Beograd	100%

No.	Leasing companies	Founder	Ownership percentage
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, Wien, Austria	51%
		Volksbank a.d. Beograd	49%
14.	Zastava Istrabenz Lizing d.o.o. Beograd	Istrabenz D.D. Koper, Slovenia	95.2%
		AD Grupa Zastava vozila, Kragujevac	4.8%
15.	EFG Leasing a.d. Beograd	EFG EUROBANK ERGASIAS S.A, Athens, Greece	51.14%
		EFG Eurobank a.d. Beograd	48.86%

Balance Sheet Structure

Balance sheet

On 31 March 2007, total financial leasing sector balance sheet assets stood at RSD 73.9 billion. In the course of Q1 2007, total balance sheet assets of the sector went up by 9.2% (from 67.7 billion as at 31 December 2006 to 73.9 billion as at 31 March 2007). Claims in respect of financial leasing accounted for 83.2% of total balance sheet assets, which is actually less than in the preceding two years (91.3% in 2005 and 85.6% in 2006). The reason behind this decline is the increase of cash in total balance sheet assets to 10.9% (2.3% in 2005 and 9.1% in 2006), that came as a consequence of the introduction of obligatory allocation of reserves against credit, other loans and supplementary payments from abroad (excluding payments with respect to increasing share capital). Reserve balances accounted for as much as 65.79% of *cash and cash equivalents*.

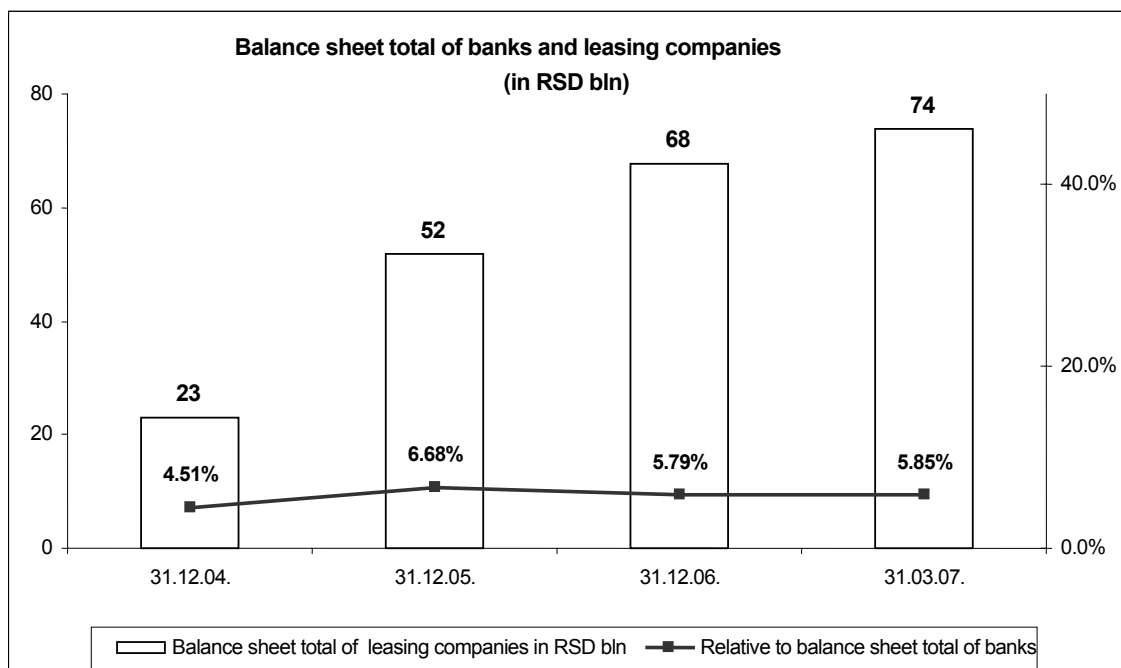
Long-term obligations accounted for the most significant share of lessor liabilities – 90.2% (88.4% in 2005 and 90.1% in 2006), of which foreign long-term credit – 85.0% (83.2% in 2005 and 83.6% in 2006) and domestic long-term credit – 5.0% (4.8% in 2005 and 6.3% in 2006). Short-term obligations participated with 3.7% in total liabilities (7.2% in 2005 and 3.7% in 2006), with domestic short-term credit accounting for 0.7% (4.5% in 2005 and 1% in 2006). Although the share of capital rose by 3.7% in Q1 2007 compared to 2006 due to increase in retained earnings, its share in total liabilities dwindled from 5.8% in 2006 to 5.5% (4.2% in 2005). It is important to note that the largest portion of capital refers to retained earnings (50.4%) and share capital (47%). In the course of Q1 2007, there was no increase in the share capital of leasing companies.

Table 3 – Aggregate financial leasing sector balance sheet (in RSD 000)

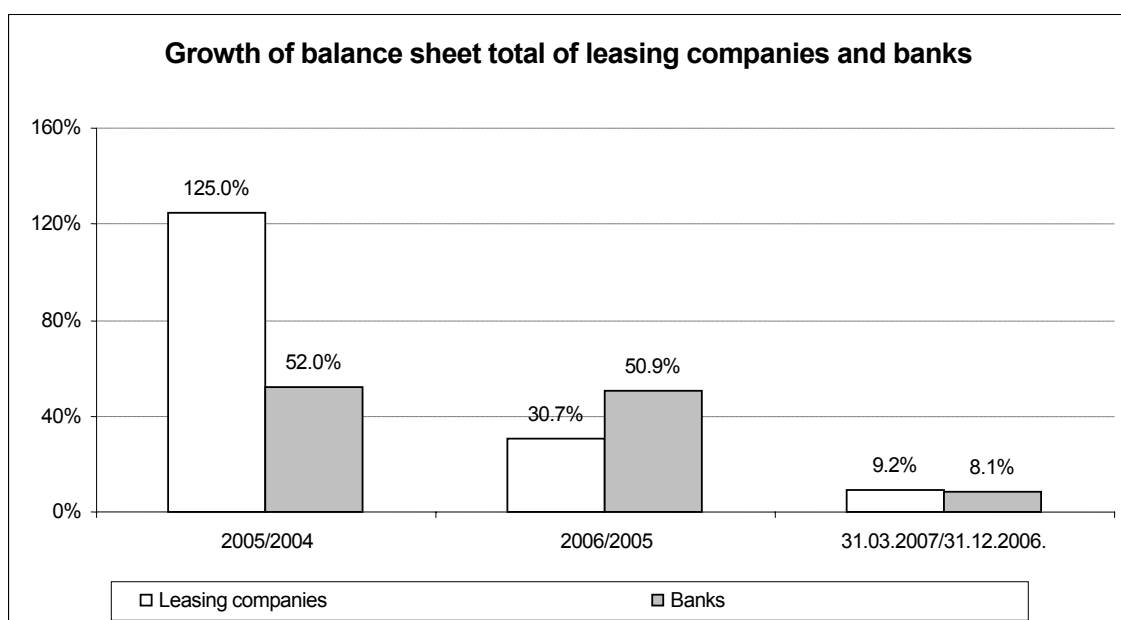
No.	ITEM	31/12/2005		31/12/2006		31/ 3/ 2007		% of growth	
		amount	%	amount	%	amount	%	31/12/06/ 31/12/05	31/03/07/ 31/12/06
	ASSETS	51,788,344	100.0%	67,702,703	100.0%	73,898,658	100.0%	30.7%	9.2%
1	FIXED ASSETS	48,686,970	94.0%	59,417,517	87.8%	62,953,703	85.2%	22.0%	6.0%
1.1	Property, plant and equipment	1,368,676	2.6%	1,309,297	1.9%	1,293,694	1.8%	-4.3%	-1.2%
1.2	Claims under financial leasing	47,275,973	91.3%	57,958,183	85.6%	61,508,876	83.2%	22.6%	6.1%
1.3	Other long-term financial investments	2,361	0.0%	90,232	0.1%	89,080	0.1%	3721.8%	-1.3%

No.	ITEM	31/12/2005		31/12/2006		31/ 3/ 2007		% of growth	
		amount	%	amount	%	amount	%	31/12/06/ 31/12/05	31/03/07/ 31/12/06
1.4	Other fixed assets	39,960	0.1%	59,805	0.1%	62,053	0.1%	49.7%	3.8%
2	CURRENT ASSETS	3,101,374	6.0%	8,285,186	12.2%	10,944,955	14.8%	167.1%	32.1%
2.1	Cash and cash equivalents	1,115,554	2.2%	6,164,135	9.1%	8,061,717	10.9%	452.6%	30.8%
2.2	Short-term financial investment and claims	684,409	1.3%	596,401	0.9%	350,041	0.5%	-12.9%	-41.3%
2.3	Other current assets	1,301,411	2.5%	1,524,650	2.3%	2,533,197	3.4%	17.2%	66.1%
	LIABILITIES	51,788,344	100.0%	67,702,703	100.0%	73,898,659	100.0%	30.7%	9.2%
1	CAPITAL	2,178,835	4.2%	3,910,832	5.8%	4,053,672	5.5%	79.5%	3.7%
1.1	Share capital	922,534	1.8%	1,904,609	2.8%	1,904,609	2.6%	106.5%	0.0%
1.2	Subscribed uncalled capital	0	0.0%	0	0.0%	0	0.0%	-	-
1.3	Reserves	297,718	0.6%	779,426	1.2%	779,426	1.1%	161.8%	0.0%
1.4	Revaluation reserves	0	0.0%	0	0.0%	0	0.0%	-	-
1.5	Retained earnings	1,164,764	2.2%	1,661,771	2.5%	2,043,165	2.8%	42.7%	23.0%
1.6	Losses	206,181	0.4%	434,974	0.6%	673,528	0.9%	111.0%	54.8%
1.7	Purchased own shares	0	0.0%	0	0.0%	0	0.0%	-	-
2	DEBT, PROVISIONING AND OBLIGATIONS	45,871,865	88.6%	61,320,533	90.6%	67,073,002	90.8%	33.7%	9.4%
2.1	Long-term provisions	71,593	0.1%	291,916	0.4%	444,754	0.6%	307.7%	52.4%
2.2	Long-term obligations	45,800,272	88.4%	61,028,617	90.1%	66,628,248	90.2%	33.2%	9.2%
2.2.1	Long-term domestic credit	2,478,811	4.8%	4,292,567	6.3%	3,688,425	5.0%	73.2%	-14.1%
2.2.2	Long-term foreign credit	43,105,703	83.2%	56,587,279	83.6%	62,789,434	85.0%	31.3%	11.0%
2.2.3	Other long-term obligations	215,758	0.4%	148,771	0.2%	150,389	0.2%	-31.0%	1.1%
3	SHORT-TERM OBLIGATIONS	3,737,644	7.2%	2,471,338	3.7%	2,771,985	3.7%	-33.9%	12.2%
3.1	Short-term financial obligations	2,309,176	4.5%	647,589	1.0%	539,614	0.7%	-72.0%	-16.7%
3.1.1	Short-term domestic credit	2,309,176	4.5%	646,327	1.0%	538,950	0.7%	-72.0%	-16.6%
3.1.2	Short-term foreign credit	0	0.0%	0	0.0%	0	0.0%	-	-
3.1.3	Other short-term financial obligations	0	0.0%	1,262	0.0%	664	0.0%	-	-47.4%
3.2	Other	1,428,468	2.8%	1,823,749	2.7%	2,232,371	3.0%	27.7%	22.4%

In somewhat more than three years, financial leasing companies posted a balance sheet total equal to 5.85% of the banking sector balance sheet total. In 2006, a drop was recorded in the percentual relationship of banking sector and leasing sector balance sheet totals from 31 December 2005. However, in Q1 2007 this perecentual relationship began picking up mildly, which is illustrated by the chart below:



Although stronger than growth in the banking sector balance sheet total (8.1%), the 9.2% growth of the leasing sector balance sheet total, measured 31 March 2007 to 31 December 2006, was not sufficient to change the percentual relationship of the banking and leasing sector balance sheet total significantly. This is illustrated by the following chart:



Market share

With a view to monitoring the structure of financial leasing market and the level of lessor competition, in addition to individual and cumulative market share according to the level of balance sheet total, we have also calculated the Herfindahl-Hirschman index (HHI).

Table 4 – Market share of leasing companies

Position	Leasing company	Balance sheet assets (in RSD 000)	Share 2006	Cumulative share 2006	Position	Leasing company	Balance sheet assets (in RSD 000)	Share 2007	Cumulative share 2007
1	Hypo Alpe-Adria-Leasing d.o.o. Beograd	20,073,993	29.7%	29.7%	1	Hypo Alpe-Adria-Leasing d.o.o. Beograd	21,277,210	28.8%	28.8%
2	Raiffeisen Leasing d.o.o. Beograd	14,379,441	21.2%	50.9%	2	Raiffeisen Leasing d.o.o. Beograd	15,017,982	20.3%	49.1%
3	S-Leasing d.o.o. Beograd	8,480,266	12.5%	63.4%	3	S-Leasing d.o.o. Beograd	9,421,630	12.8%	61.9%
4	NLB Leasing d.o.o. Beograd	5,058,496	7.5%	70.9%	4	NLB Leasing d.o.o. Beograd	5,726,244	7.7%	69.6%
5	Porsche Leasing SCG d.o.o. Beograd	3,917,088	5.8%	76.7%	5	Porsche Leasing SCG d.o.o. Beograd	4,550,578	6.2%	75.8%
6	HVB Leasing d.o.o. Beograd	3,875,323	5.7%	82.4%	6	HVB Leasing d.o.o. Beograd	4,085,239	5.5%	81.3%
7	VB Leasing d.o.o. Beograd	3,839,244	5.7%	88.1%	7	VB Leasing d.o.o. Beograd	4,045,357	5.5%	86.8%
8	LIPAKS d.o.o. Beograd	2,964,521	4.4%	92.5%	8	LIPAKS d.o.o. Beograd	3,185,362	4.3%	91.1%
9	Intesa Leasing d.o.o. Beograd	1,427,641	2.1%	94.6%	9	Intesa Leasing d.o.o. Beograd	1,924,131	2.6%	93.7%
10	Procredit Leasing d.o.o. Beograd	1,376,487	2.0%	96.6%	10	Procredit Leasing d.o.o. Beograd	1,862,745	2.5%	96.2%
11	TBI Lizing d.o.o. Beograd	640,483	1.0%	97.6%	11	TBI Lizing d.o.o. Beograd	916,385	1.2%	97.4%
12	Sogelease Srbija d.o.o. Beograd	631,937	0.9%	98.5%	12	Sogelease Srbija d.o.o. Beograd	627,449	0.9%	98.3%
13	Zastava Istrabenz Lizing d.o.o. Beograd	561,301	0.8%	99.3%	13	Zastava Istrabenz Lizing d.o.o. Beograd	611,102	0.8%	99.1%
14	EFG Leasing a.d. Beograd	348,736	0.5%	99.8%	14	EFG Leasing a.d. Beograd	518,052	0.7%	99.8%
15	KB Leasing d.o.o. Novi Sad	127,746	0.2%	100.0%	15	KB Leasing d.o.o. Novi Sad	129,192	0.2%	100.0%
TOTAL		67,702,703	100.0%	-	TOTAL		73,898,658	100.0%	-
Herfindahl-Hirschman index			1,671.9		Herfindahl-Hirschman index			1,598.2	

As shown in the above table, three leasing companies (Hypo Alpe-Adria-Leasing d.o.o. Beograd, Raiffeisen Leasing d.o.o. Beograd and S-Leasing d.o.o. Beograd) kept their leading market positions in Q1 2007. However, the cumulative share of these three leasing companies shrank compared to the preceding year from 63.4% to 61.9%.

Increase in the level of competition is also indicated by the decline in Herfindahl-Hirschman index (HHI) from 1,671.9 in 2006 to 1,598.1 in Q1 2007 which puts our financial leasing market in the category of moderately concentrated ones. In 2005, the HHI equaled as much as 1,859.1.

The following companies experienced the most significant changes in market positions:

- Porsche Leasing SCG d.o.o. Beograd which fell from the 5th place in 2006 to the 6th place in Q1 2007,
- HVB Leasing d.o.o. Beograd, which rose from the 6th place in 2006 to the 5th place in Q1 2007,
- Sogelease Srbija d.o.o. Beograd which moved from the 12th place in 2006 to the 11th place in Q1 2007,

- NBG Lizing d.o.o. Beograd, which fell from the 11th place in 2006 to the 12th place in Q1 2007.

Profit and loss account

Total profit before tax recorded at the level of financial leasing market in Q1 2007 came to RSD 157,282 thousand, down by 32.6% (year-on-year) compared to 2006 when it stood at RSD 933,199 thousand.

The most significant category within lessor income were exchange rate gains - 60.1% (56.6% in 2005 and 61.4% in 2006). Interest income accounted for 33.6% (27.9% in 2005 and 33.2% in 2006) and operating income for 4.1% (5.6% in 2005 and 3.7% in 2006) of the overall income.

Exchange rate losses provided the largest input to total expenses – 63.7% (66.9% in 2005 and 66.7% in 2006). The remaining portion of expenses was accounted for by interest expenses – 19.4% (13.1% in 2005 and 16.8% in 2006) and business, i.e. operating expenses – 14.6% (13.5% in 2005 and 13.9% in 2006).

At annual level, both total income and expenses recorded growth relative to 2006. However, total expenses increased more (11.1%) than total income (8.6%), which resulted in the decline of share of net profit in total income from 5.7% in 2006 to 3.3% in Q1 2007.

Table 5 – Aggregate profit and loss account of leasing companies (in RSD 000)

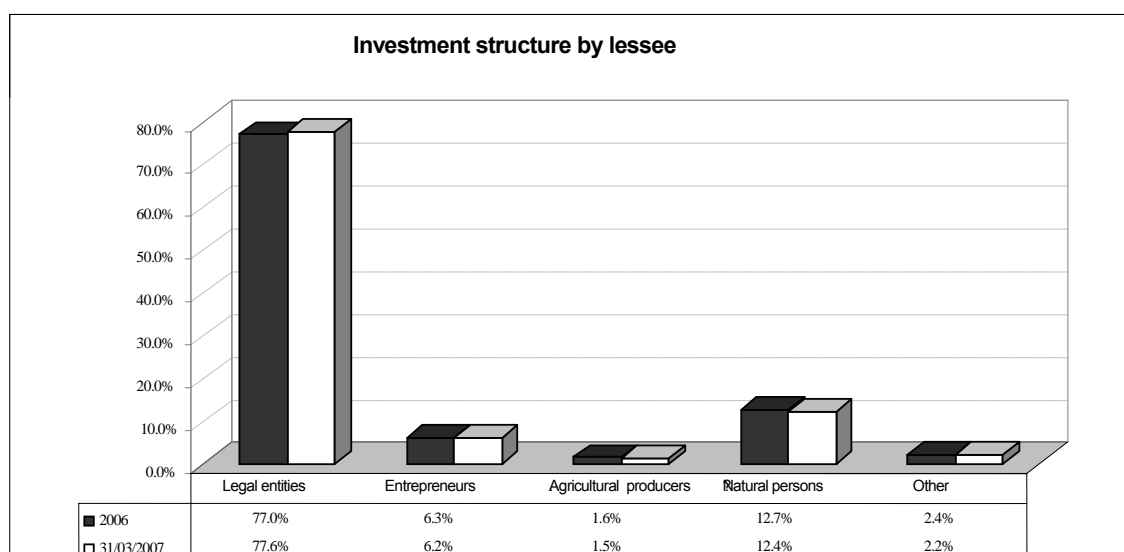
No.	ITEM	01/01- 31/12/05	% of total income	01/01/- 31/12/06	% of total incom.	01/01/- 31/03/07	% of total incom.	% of growth 2006/ 2005	% of growth 31/03/07/ 31/12/06 (p.a.)
	OPERATING INCOME	635,591	5.6%	586,586	3.7%	180,283	4.1%	-7.7%	22.9%
1.	Net sales income	456,264	4.0%	307,076	1.9%	109,156	2.5%	-32.7%	42.2%
2.	Other operating income	179,327	1.6%	279,510	1.7%	71,127	1.6%	55.9%	1.8%
	OPERATING EXPENSES	1,388,604	12.3%	2,099,039	13.1%	611,389	14.1%	51.2%	16.5%
3.	Earnings, fees, salaries and other personal expenses	364,223	3.2%	536,672	3.4%	143,857	3.3%	47.3%	7.2%
4.	Depreciation and provisioning	214,938	1.9%	463,178	2.9%	205,339	4.7%	115.5%	77.3%
5.	Other operating expenses	809,443	7.2%	1,099,189	6.9%	262,193	6.0%	35.8%	-4.6%
I.	OPERATING RESULT	(753,013)	-6.7%	(1,512,453)	-9.4%	(431,106)	-9.9%	100.9%	14.0%
	FINANCIAL INCOME	9,585,161	85.0%	15,179,013	94.8%	4,082,791	93.9%	58.4%	7.6%
6.	Interest income	3,143,739	27.9%	5,312,294	33.2%	1,459,767	33.6%	69.0%	9.9%
7.	Exchange rate gains	6,389,289	56.6%	9,825,021	61.4%	2,610,303	60.1%	53.8%	6.3%
8.	Other	52,133	0.5%	41,698	0.3%	12,721	0.3%	-20.0%	22.0%
	FINANCIAL EXPENSES	8,260,602	73.2%	12,616,849	78.8%	3,489,119	80.3%	52.7%	10.6%
9.	Interest expenses	1,348,341	12.0%	2,539,633	15.9%	811,357	18.7%	88.4%	27.8%
10.	Exchange rate losses	6,889,912	61.1%	10,053,966	62.8%	2,668,663	61.4%	45.9%	6.2%
11.	Other	22,349	0.2%	23,250	0.1%	9,099	0.2%	4.0%	56.5%
II.	FINANCIAL RESULT	1,324,559	11.7%	2,562,164	16.0%	593,672	13.7%	93.4%	-7.3%

No.	ITEM	01/01- 31/12/05	% of total income	01/01/- 31/12/06	% of total incom.	01/01/- 31/03/07	% of total incom.	% of growth 2006/ 2005	% of growth 31/03/07/ 31/12/06 (p.a.)
12.	Other income	1,062,000	9.4%	247,879	1.5%	83,756	1.9%	-76.7%	35.2%
13.	Other expenses	653,623	5.8%	364,917	2.3%	89,040	2.0%	-44.2%	-2.4%
III.	REGULAR OPERATING RESULT	979,923	8.7%	932,673	5.8%	157,282	3.6%	-4.8%	-32.5%
14.	Extraordinary income	0	0.0%	871	0.0%	0	0.0%	-	-
15.	Extraordinary expenses	0	0.0%	345	0.0%	0	0.0%	-	-
IV.	RESULT WITH RESPECT TO EXTRAORDINARY ITEMS	0	0.0%	526	0.0%	0	0.0%	-	-
V.	PRE-TAX RESULT	979,923	8.7%	933,199	5.8%	157,282	3.6%	-4.8%	-32.6%
16.	Income tax	51,178	0.5%	74,280	0.5%	14,440	0.3%	45.1%	-22.2%
VI.	NET RESULT (V-16)	928,745	8.2%	910,766	5.7%	142,898	3.3%	-1.9%	-37.2%
	TOTAL INCOME	11,282,752	100.0%	16,014,349	100.0%	4,346,830	100.0%	41.9%	8.6%
	TOTAL EXPENSES	10,302,829	91.3%	15,081,150	94.2%	4,189,548	96.4%	46.4%	11.1%

Structure of Investment

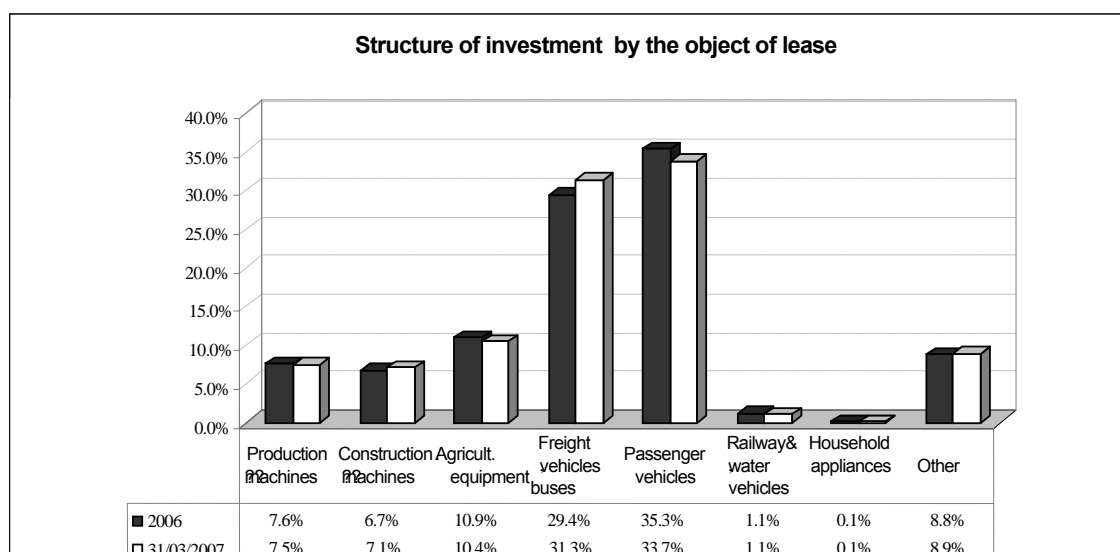
Lessees

The structure of investment by lessee remained broadly unchanged from 2006 – the largest portion of financial leasing was approved to legal entities (77.6%), while natural persons accounted for 12.4%.



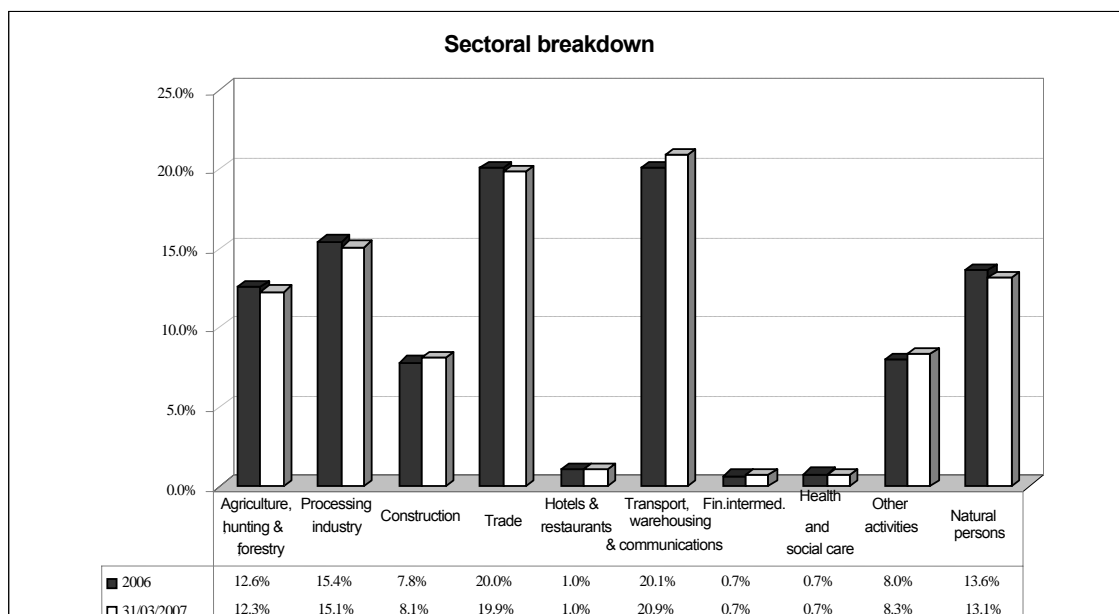
Object of financing

Bulk of investment was approved for the financing of passenger vehicles (33.7%) and freight vehicles, minibuses and autobuses (31.3%).



Sectoral breakdown

Sectoral breakdown of investment shows no major changes compared to 2006. The most significant share belongs to transport, warehousing and communications (20.9%), followed by trade (19.9%), processing industry (15.1%), natural persons (13.1%) and agriculture, hunting and forestry (12.3%). The difference in data for natural persons compared to the structure of investment by lessee is due to the fact that a part of entrepreneurs were not classified according to their main activity, and were classified as natural persons instead.



Performance Indicators

As shown in Table 6, return on average assets increased in Q1 2007 compared to the preceding year, but still remained negative (-0.3%; -0.7% in 2006). This is attributable to the fact that as many as eight leasing companies posted a negative result of RSD 238,552 thousand before tax, although a total result before tax was positive. Return on average equity was negative for the same reason.

Both average lending and deposit rates decreased from 2006. As average deposit rate recorded smaller decline in percentage terms, net interest margin recorded a minimal decline.

As equity increased less than debt, leverage rose relative to 2006. Although the indicators signal a decline in the lessors' solvency risk from 2006, in reality, solvency risk has actually risen. This mismatch is due to the exclusion of VB Leasing d.o.o. Beograd from the calculation of market average for Q1 2007 as its losses exceeded its equity. If we calculated the market average by taking the values reported by the above lessor on 31 December 2006, total debt to equity would be 31.5x and long-term debt to equity 29.6x, which only goes to confirm that the solvency risk increased in Q1 2007 relative to 2006. Apart from this, unfavourable trends are also reflected in the decline of long-term debt to equity at the expense of increase in short-term debt to equity.

A rise in operating expenses to average investments relative to 2006 indicates a decline in the financial leasing sector efficiency. Coupled with a 27.8% year-on-year rise in interest expenses in Q1 2007, increase in debt resulted in the decline of coverage of interest expenses from 1.4x to mere 0.7x.

Table 6 – Performance indicators – market average

Performance indicator	31/ 12/ 2006			31/ 03/ 2007		
	Market average	Min.	Max.	Market average	Min.	Max..
Return on average assets (ROA)	-0.7%	-15.4%	3.6%	-0.3%	-11.3%	6.4%
Return on average equity (ROE)*	11.4%	-67.9%	110.5%	-6.5%	-203.8%	58.2%
Net interest margin	4.5%	0.1%	7.3%	4.2%	1.6%	7.4%
Average lending rate	10.3%	5.0%	15.6%	10.0%	5.1%	16.8%
Average deposit rate**	5.8%	0.6%	9.0%	5.7%	1.4%	9.0%
Coverage of interest expenses**	1.4x	-1.9x	8.3x	0.7x	-3.9x	2.3x
Operating expenses to average investments	5.7%	1.6%	17.0%	6.1%	1.7%	18.3%
Total debt to equity*	27.9x	3.7x	111.2x	25.4x	4.3x	64.7x
Long-term debt to equity*	26.9x	2.3x	109.7x	23.5x	4.1x	62.7x

* VB Leasing d.o.o. Beograd and EFG Leasing a.d. Beograd were excluded from the calculation of this indicator for 31 March 2007, due to the fact that their losses were in excess of their equity.

** LIPAKS d.o.o Beograd was excluded from the calculation of this indicator for 31 March 2007 due to extreme values.

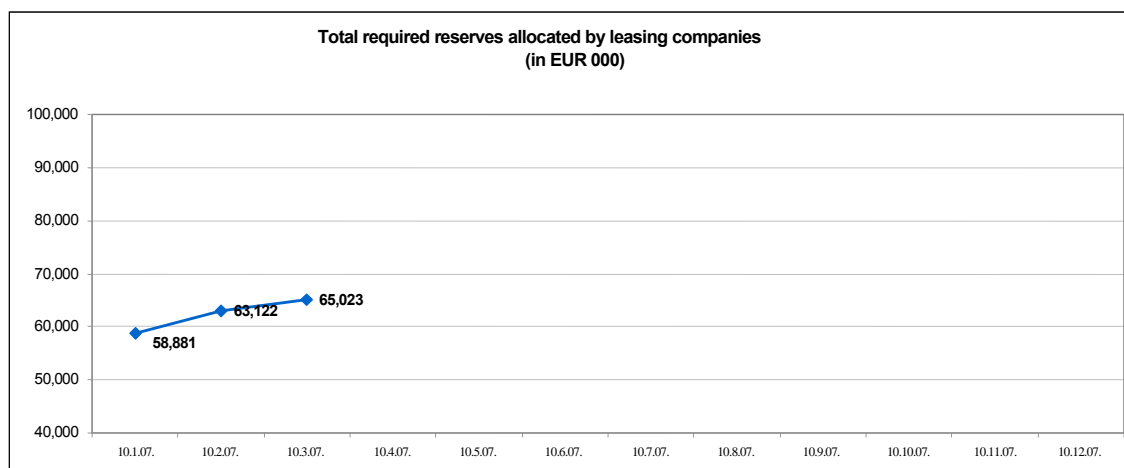
Soglease Srbija d.o.o Beograd and EFG Leasing a.d. Beograd were excluded from the calculation of all indicators for 2006 due to extreme values attributable to the onset of business operations.

Sources of Financing

Balance sheet structure indicates that almost the entire amount of financial leasing investment is financed based on foreign borrowing – foreign credit obligations account for 85% of total liabilities, while financial leasing investment accounts for 83.2% of total assets. Long-term domestic credits declined relative to 2006 and in Q1 2007 represented mere 5% of total liabilities. Foreign creditors of financial leasing companies are mostly their founders or legal entities operating within the same banking group.

In early December 2005, leasing companies were obligated to allocate reserves on credits, other types of borrowing and supplementary payments from abroad (excluding payments with respect to share capital) used from 10 December 2005. In April 2006, reserve requirement ratio was raised from 10% to 20% where it remained in Q1 2007.

The chart below illustrates movements in total balance of required reserves allocated by leasing companies:



From 31 January 2006 until 31 March 2007, initial base for the calculation of required reserves increased by more than six times. The chart below shows the growth of base for the calculation of required reserves relative to the preceding month. It is important to note that the growth rates show declining tendencies, which is very positive.

