

FINANCIAL LEASING SUPERVISION

Report for Q1 2008

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Market Participants

Number of lessors

On 31 March 2008, the following lessors were licensed to perform financial leasing operations:

1	UniCredit Leasing Srbija d.o.o. Beograd	10	S-Leasing d.o.o. Beograd
2	Hypo Alpe-Adria-Leasing d.o.o. Beograd	11	Sogelease Srbija d.o.o. Beograd
3	Intesa Leasing d.o.o. Beograd	12	NBG Lizing d.o.o. Beograd
4	OTP Leasing d.o.o. Novi Sad	13	VB Leasing d.o.o. Beograd
5	LIPAKS d.o.o. Beograd	14	Zastava Istrabenz Lizing d.o.o. Beograd
6	NLB Leasing d.o.o. Beograd	15	EFG Leasing a.d. Beograd
7	Porsche Leasing SCG d.o.o. Beograd	16	Meridian Leasing d.o.o. Beograd
8	Procredit Leasing d.o.o. Beograd	17	Piraeus Leasing d.o.o. Beograd
9	Raiffeisen Leasing d.o.o. Beograd		

Total employment in the financial sector, as well as total assets per employee in the financial sector rose relative to earlier periods. On 31 March 2008, total assets per employee stood at RSD 178,965 thousand, up by 2.5% relative to 31 December 2007 (RSD 174,664 thousand). Average number of employees per a leasing provider was 30.1, which is an increase on end-2007 (28.1), while the number of employees per leasing providers ranges from 5 to 119 persons. Table below shows total number of employees in the financial leasing sector at end-2005, end-2006, end-2007 and end-Q1 2008:

Table 1 – Number of employees in the financial leasing sector

Date	Number of employees
31 December 2005	329
31 December 2006	388
31 December 2007	478
31 March 2008	511

Ownership structure

Domestic vs. foreign ownership

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

Financial vs. non-financial sector

- Two financial leasing providers (LIPAKS d.o.o. Beograd and Zastava Istrabenz Lizing d.o.o. Beograd) were founded by non-financial sector entities. Porsche Leasing SCG d.o.o. Beograd may also be 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 14 remaining leasing providers were set up by banks, banking group members or other financial institutions.

Table below gives an overview of the ownership structure of financial leasing providers.

Table 2 – Ownership structure of financial leasing providers

No.	Leasing provider	Owner	Ownership percentage
1	UniCredit Leasing Srbija d.o.o. Beograd	UniCredit Global Leasing S.p.A, Vienna branch, 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 CIB Leasing LTD, Budapest, Hungary	51% 49%
4	OTP Leasing d.o.o. Novi Sad	Merkantil Bank ZRT, Budapest, Hungary OTP banka Srbija a.d. Novi Sad	70% 30%

No.	Leasing provider	Owner	Ownership percentage
5	LIPAKS d.o.o. Beograd	Mirko Žeželj Zoran Tanasić "Industrija mašina i traktora" AD Beograd in restructuring Industry of agricultural machinery "Zmaj" AD Zemun - Beograd under restructuring proceedings Corporation "Fabrika automobila Priboj" AD, Priboj "Zastava kamioni" d.o.o, Kragujevac Joint stock company for specialized and multipurpose vehicles production and trade "Zastava specijalni automobili", Sombor Sandra Džodić Joint stock company "Ikarbus", Beograd - Zemun Milorad Milić	30.40% 30.40% 9.52% 9.52% 9.52% 4.76% 2.38% 2.00% 1.19% 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 Raiffeisen - Leasing International GmbH, Wien, Austria	50% 50%
10	S-Leasing d.o.o. Beograd	Steiermarkische Bank und Sparkassen Aktiengesellschaft, Graz, Austria Immorent International Holding GmbH, Wien, Austria	50% 50%
11	Sogelease Srbija d.o.o. Beograd	Societe Generale Banka Srbija a.d. Beograd	100%
12	NBG Lizing d.o.o. Beograd	National bank of Greece s.a. Athens, Greece	100%
13	VB Leasing d.o.o. Beograd	VB-Leasing International Holding GmbH, Wien, Austria Volksbank a.d. Beograd	51% 49%
14	Zastava Istrabenz Lizing d.o.o. Beograd	Istrabenz D.D. Koper, Slovenia AD Grupa Zastava vozila, Kragujevac	95.2% 4.8%
15	EFG Leasing a.d. Beograd	EFG New Europe Holding b.v, Amsterdam, Netherlands Eurobank EFG štedionica a.d. Beograd EFG Eurobank Ergasias s.a, Athens, Greece	48.63% 25.56% 25.81%
16	Meridian Leasing d.o.o. Beograd	Meridian Bank Credit Agricole Group a.d. Novi Sad	100%
17	Piraeus Leasing d.o.o. Beograd	Piraeus Bank s.a. Athens, Greece	100%

Balance Sheet Structure

Balance sheet

On 31 March 2008, total balance sheet assets held by financial leasing providers stood at RSD 101.5 billion, up by 6.5% on end-2007 (RSD 95.3 billion). Financial lease receivables accounted for 78.8% of total balance sheet assets, which is less than in the preceding two years (85.6% in 2006 and 79.5% in 2007). The share of cash and cash equivalents remained unchanged relative to end-2007 and accounted for 14.6% of total balance sheet assets (9.1% in 2006). Cash and cash equivalents include required reserves allocated against credit, other loans and supplementary payments from abroad (excluding payments for capital increase). On 31 March 2008, such reserves accounted for 71.3% of cash and cash equivalents.

Long-term obligations accounted for the highest share of lessor liabilities – 89.2% (90.1% in 2006 and 89.8% in 2007), of which foreign credit - 85.7% (83.6% in 2006 and 86.1% in 2007) and domestic credit – 3.3% (6.3% in 2006 and 3.6% in 2007). Short-term obligations participated with 4.7% (3.7% in 2006 and 3.9% in 2007), with domestic credit accounting for 2.1% (1% in 2006 and 1.6% in 2007). Higher growth in total liabilities in Q1 2008 (6.5%), than the one in capital (3.4), relative to 2007, resulted in a decline of the share of capital in total liabilities from 6.2% in 2007 to 6.0% (5.8% in 2006). The largest portion of capital was accounted for by retained earnings - 47.1%, and share capital - 43.9%. In Q1 2008, growth in capital was induced primarily by a rise in retained earnings (92.2%) and capital increase (7.9%).

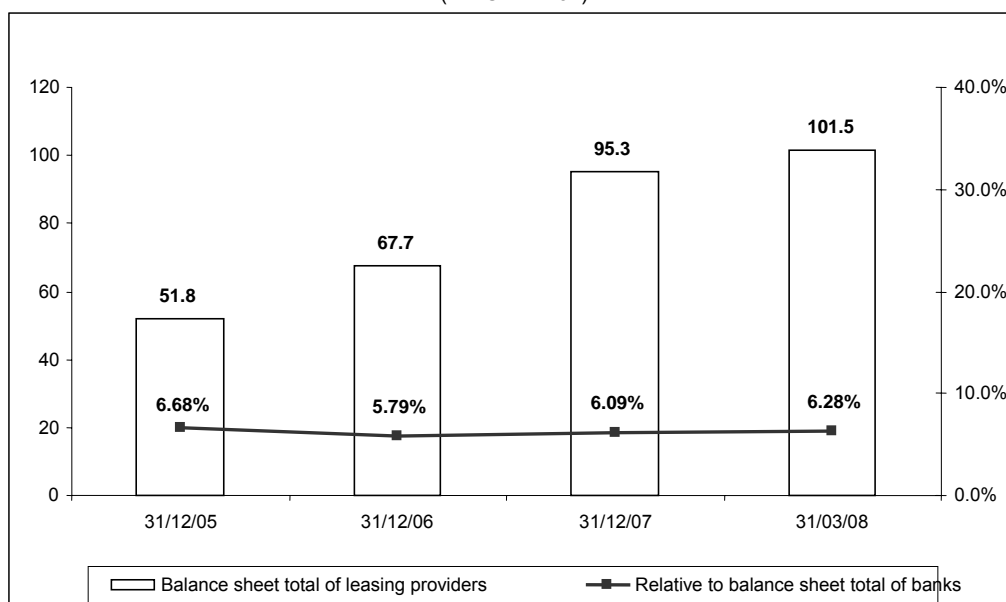
Table below shows aggregate balance sheet of all leasing providers (in thousand dinars) as at end-2006, end-2007 and end-March 2008.

Table 3 – Aggregate balance sheet of leasing providers (in RSD 000)

No.	ITEM	31/12/2006		31/12/2007		31/03/2008		% of growth	
		amount	%	amount	%	amount	%	31/12/07/ 31/12/06	31/03/08/ 31/12/07
	ASSETS	67,702,703	100.0	95,265,098	100.0	101,471,719	100.0	40.7	6.5
1	FIXED ASSETS	59,417,517	87.8	78,165,000	82.0	82,757,843	81.6	31.6	5.9
1.1	Property, plant and equipment	1,309,297	1.9	1,190,833	1.3	1,152,312	1.1	-9.0	-3.2
1.2	Receivables under financial leasing	57,958,183	85.6	75,764,518	79.5	79,951,981	78.8	30.7	5.5
1.3	Other long-term financial investments	90,232	0.1	1,155,571	1.2	1,601,579	1.6	1180.7	38.6
1.4	Other fixed assets	59,805	0.1	54,078	0.1	51,971	0.1	-9.6	-3.9
2	CURRENT ASSETS	8,285,186	12.2	17,100,098	18.0	18,713,876	18.4	106.4	9.4
2.1	Cash and cash equivalents	6,164,135	9.1	13,853,074	14.5	14,759,753	14.6	124.7	6.5
2.2	Short-term financial investments and receivables	596,401	0.9	1,289,783	1.4	963,369	0.9	116.3	-25.3
2.3	Other current assets	1,524,650	2.3	1,957,241	2.1	2,990,754	2.9	28.4	52.8
	LIABILITIES	67,702,703	100.0	95,265,098	100.0	101,471,719	100.0	40.7	6.5
1	CAPITAL	3,910,832	5.8	5,901,680	6.2	6,104,381	6.0	50.9	3.4
1.1	Share capital	1,904,609	2.8	2,656,205	2.8	2,681,315	2.6	39.5	0.9
1.2	Subscribed uncalled capital	0	0.0	0	0.0	0	0.0	-	-
1.3	Reserves	779,426	1.2	1,281,114	1.3	1,281,114	1.3	64.4	0.0
1.4	Revaluation reserves	0	0.0	0	0.0	0	0.0	-	-
1.5	Retained earnings	1,661,771	2.5	2,579,978	2.7	2,874,635	2.8	55.3	11.4
1.6	Losses	434,974	0.6	615,617	0.6	732,683	0.7	41.5	19.0
1.7	Purchased own shares	0	0.0	0	0.0	0	0.0	-	-
2	LONG-TERM PROVISIONING AND OBLIGATIONS	61,320,533	90.6	85,630,081	89.9	90,613,452	89.3	39.6	5.8
2.1	Long-term provisions	291,916	0.4	79,981	0.1	79,981	0.1	-72.6	0.0
2.2	Long-term liabilities	61,028,617	90.1	85,550,100	89.8	90,533,471	89.2	40.2	5.8
2.2.1	Long-term domestic credit	4,292,567	6.3	3,405,318	3.6	3,395,648	3.3	-20.7	-0.3
2.2.2	Long-term foreign credit	56,587,279	83.6	81,987,630	86.1	86,977,780	85.7	44.9	6.1
2.2.3	Other long-term liabilities	148,771	0.2	157,152	0.2	160,043	0.2	5.6	1.8
3	SHORT-TERM LIABILITIES	2,471,338	3.7	3,733,337	3.9	4,753,886	4.7	51.1	27.3
3.1	Short-term financial liabilities	647,589	1.0	1,517,343	1.6	2,241,945	2.2	134.3	47.8
3.1.1	Short-term domestic credit	646,327	1.0	1,502,716	1.6	2,116,347	2.1	132.5	40.8
3.1.2	Short-term foreign credit	0	0.0	0	0.0	124,060	0.1	-	-
3.1.3	Other short-term financial liabilities	1,262	0.0	14,627	0.0	1,538	0.0	1059.0	-89.5
3.2	Other	1,823,749	2.7	2,215,994	2.3	2,511,941	2.5	21.5	13.4

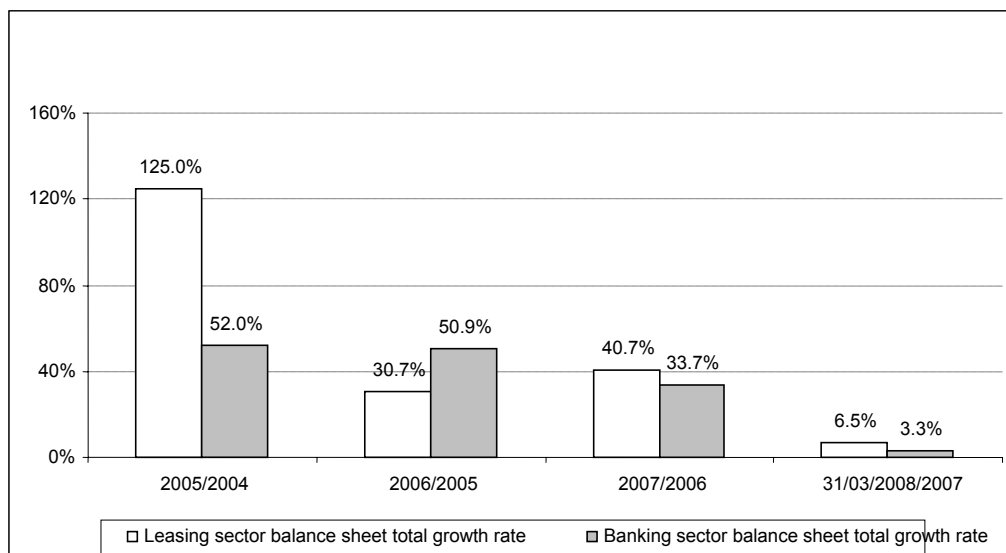
As at 31 March 2008, percentage ratio of the balance sheet total of leasing providers to the balance sheet total of the banking sector equalled 6.28%. Although this ratio declined in 2006 relative to 2005, a mild gradual increase was recorded in 2007 and Q1 2008, as illustrated by the chart below.

Chart 1 **Balance sheet total of banks and leasing providers**
(in RSD million)



From end-December 2007 to end-March 2008, balance sheet total of leasing providers rose by 6.5%, while banking sector balance sheet total went up by 3.3%. As a result, percentage ratio of the balance sheet total of leasing providers to the balance sheet total of the banking sector changed. The following chart shows balance sheet total growth rates for both leasing providers and the banking sector.

Chart 2 Balance sheet total growth rates of leasing providers and the banking sector



Market share

With a view to monitoring the structure of financial leasing market and competition among leasing providers, calculations were made of individual and cumulative market shares according to balance sheet totals of leasing providers, as well as of the Herfindahl-Hirschman index (HHI).

Table 4 – Market share of leasing providers

Position	Leasing provider	Balance sheet assets (in RSD 000)	Share in 2007	Cumulative share 2007	Position	Leasing provider	Balance sheet assets (in RSD 000)	Share in 2008	Cumulative share 2008
1	Hypo Alpe-Adria-Leasing d.o.o. Beograd	27,988,895	29.4%	29.4%	1	Hypo Alpe-Adria-Leasing d.o.o. Beograd	29,622,750	29.2%	29.2%
2	Raiffeisen Leasing d.o.o. Beograd	16,623,828	17.5%	46.9%	2	Raiffeisen Leasing d.o.o. Beograd	17,484,390	17.2%	46.4%
3	NLB Leasing d.o.o. Beograd	10,235,315	10.7%	57.6%	3	NLB Leasing d.o.o. Beograd	11,063,208	10.9%	57.3%
4	S-Leasing d.o.o. Beograd	8,979,995	9.4%	67.0%	4	S-Leasing d.o.o. Beograd	9,261,035	9.2%	66.5%
5	VB Leasing d.o.o. Beograd	5,974,661	6.3%	73.3%	5	VB Leasing d.o.o. Beograd	6,819,679	6.7%	73.2%
6	UniCredit Leasing Srbija d.o.o. Beograd	5,399,305	5.6%	78.9%	6	UniCredit Leasing Srbija d.o.o. Beograd	5,114,314	5.0%	78.2%

Position	Leasing provider	Balance sheet assets (in RSD 000)	Share in 2007	Cumulative share 2007	Position	Leasing provider	Balance sheet assets (in RSD 000)	Share in 2008	Cumulative share 2008
7	Porsche Leasing SCG d.o.o. Beograd	4,057,495	4.3%	83.2%	7	Porsche Leasing SCG d.o.o. Beograd	4,241,119	4.2%	82.4%
8	Intesa Leasing d.o.o. Beograd	3,585,755	3.8%	87.0%	8	Intesa Leasing d.o.o. Beograd	3,952,005	3.9%	86.3%
9	LIPAKS d.o.o. Beograd	3,569,782	3.7%	90.7%	9	LIPAKS d.o.o. Beograd	3,561,383	3.5%	89.8%
10	Procredit Leasing d.o.o. Beograd	2,167,650	2.3%	93.0%	10	EFG Leasing a.d. Beograd	2,545,784	2.5%	92.3%
11	EFG Leasing a.d. Beograd	1,882,511	2.0%	95.0%	11	Procredit Leasing d.o.o. Beograd	2,371,527	2.3%	94.6%
12	Sogelease Srbija d.o.o. Beograd	1,773,021	1.8%	96.8%	12	NBG Lizing d.o.o. Beograd	1,907,083	1.9%	96.5%
13	NBG Lizing d.o.o. Beograd	1,494,225	1.6%	98.4%	13	Sogelease Srbija d.o.o. Beograd	1,880,558	1.9%	98.4%
14	Zastava Istrabenz Lizing d.o.o. Beograd	567,664	0.6%	99.0%	14	Meridian Leasing d.o.o. Beograd	578,112	0.6%	99.0%
15	Meridian Leasing d.o.o. Beograd	558,401	0.6%	99.6%	15	Zastava Istrabenz Lizing d.o.o. Beograd	550,707	0.5%	99.5%
16	Piraeus Leasing d.o.o. Beograd	314,358	0.3%	99.9%	16	Piraeus Leasing d.o.o. Beograd	422,594	0.4%	99.9%
17	OTP Leasing d.o.o. Novi Sad	92,237	0.1%	100.0%	17	OTP Leasing d.o.o. Novi Sad	95,471	0.1%	100.0%
TOTAL		95,265,098	100.0%	-	TOTAL		101,471,719	100.0%	-
Herfindahl-Hirschman index		1,505.6			Herfindahl-Hirschman index		1,486.2		

As shown in Table 4, market positions of leasing companies were not significantly changed. In 2008, the top four leasing companies (Hypo Alpe-Adria-Leasing d.o.o. Beograd, Raiffeisen Leasing d.o.o. Beograd, NLB Leasing d.o.o. Beograd and S-Leasing d.o.o. Beograd) once again accounted for around two thirds of total market.

Financial leasing market may be classified as moderately concentrated. The level of competition in the leasing market is steadily increasing as indicated by the HHI index which fell from 1,505.6 in 2007 to 1,486.2 in Q1 2008.

Major changes in terms of ranking were recorded for the following leasing providers:

- EFG Leasing a.d. Beograd ranked eleventh in 2007 and tenth in Q1 2008, while its market share rose from 2.0% to 2.5%,
- Procredit Leasing d.o.o. Beograd ranked tenth in 2007 and eleventh in Q1 2008, retaining its market share of 2.3%,

- NBG Lizing d.o.o. Beograd ranked thirteenth in 2007 and twelfth in Q1 2008 as its market share rose from 1.6% to 1.9%,
- Sogelease Srbija d.o.o. Beograd ranked twelfth in 2007 and thirteenth in Q1 2008, retaining its market share of 1.9%,
- Meridian Leasing d.o.o. Beograd ranked fifteenth in 2007 and fourteenth in Q1 2008, retaining its market share of 0.6%,
- Zastava Istrabenz Lizing d.o.o. Beograd ranked fourteenth in 2007 and fifteenth in Q1 2008 and its market share declined from 0.6% to 0.5%.

Profit and loss account

In Q1 2008, total profit before tax of all financial leasing providers taken together came to RSD 195,949 thousand, down by 47.8% p.a., compared to 2007 when it stood at RSD 1,501,664 thousand.

The most significant category within lessor income were exchange rate gains – 69.7% (61.4% in 2006 and 70.0% in 2007). Interest income accounted for 25.2% (33.2% in 2006 and 24.7% in 2007), and operating income for 2.5% (3.7% in 2006 and 2.7% in 2007) of overall income.

Exchange rate losses provided the largest input to total expenses - 75.0% (66.7% in 2006 and 72.2% in 2007), and 73.3% of total income. Interest expenses came to 15.2% of total expenses (16.8% in 2006 and 14.9% in 2007), and 14.8% of total income. Operating expenses accounted for 7.6% of total expenses (13.9% in 2006 and 8.9% in 2007), and 7.5% of total income.

In Q1 2008 total income rose by 25.9%, whereas total expenses increased by 30.2% relative to the year before. As a result, the share of net profit before tax in total income declined from 5.5% in 2007 to 2.3% in Q1 2008.

Table below shows aggregate profit and loss account of leasing providers (in thousand dinars) as at end-2006, end-2007 and end-March 2008.

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

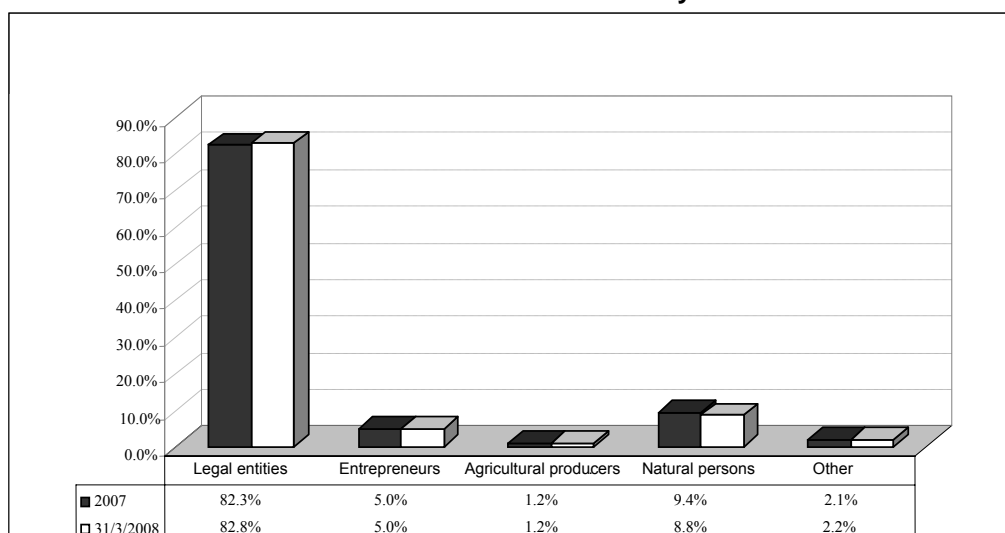
No.	ITEM	01/01- 31/12/06	% of total income	01/01- 31/12/07	% of total income	01/01- 31/03/08	% of total income	% of growth 2007/ 2006	% of growth 31/03/08/ 31/12/07 (per annum)
	OPERATING INCOME	586,586	3.7	735,969	2.7	214,575	2.5	25.5	16.6
1	Net sales income	307,076	1.9	473,895	1.7	148,354	1.7	54.3	25.2
2	Other operating income	279,510	1.7	262,074	1.0	66,221	0.8	-6.2	1,1
	OPERATING EXPENSES	2,099,039	13.1	2,272,822	8.4	638,171	7.5	8.3	12.3
3	Earnings, fees and other personal expenses	536,672	3.4	631,483	2.3	198,953	2.3	17.7	26.0
4	Depreciation and provisioning	463,178	2.9	303,524	1.1	72,028	0.8	-34.5	-5.1
5	Other operating expenses	1,099,189	6.9	1,337,815	4.9	367,190	4.3	21.7	9.8
I	OPERATING RESULT	-1,512,453	-9.4	-1,536,853	-5.7	-423,596	-5.0	1.6	10.3
	FINANCIAL INCOME	15,179,013	94.8	25,752,643	94.8	8,120,036	95.0	69.7	26.1
6	Interest income	5,312,294	33.2	6,708,586	24.7	2,158,126	25.2	26.3	28.7
7	Exchange rate gains	9,825,021	61.4	18,999,341	70.0	5,958,889	69.7	93.4	25.5
8	Other	41,698	0.3	44,716	0.2	3,021	0.0	7.2	-73.0
	FINANCIAL EXPENSES	12,616,849	78.8	22,367,810	82.4	7,534,945	88.1	77.3	34.7
9	Interest expenses	2,539,633	15.9	3,834,943	14.1	1,266,587	14.8	51.0	32.1
10	Exchange rate losses	10,053,966	62.8	18,527,738	68.2	6,267,995	73.3	84.3	35.3
11	Other	23,250	0.1	5,129	0.0	363	0.0	-77.9	-71.7
II	FINANCIAL RESULT	2,562,164	16.0	3,384,833	12.5	585,091	6.8	32.1	-30.9
12	Other income	247,879	1.5	670,928	2.5	213,303	2.5	170.7	27.2
13	Other expenses	364,917	2.3	1,017,231	3.7	178,849	2.1	178.8	-29.7
III	REGULAR OPERATING RESULT	932,673	5.8	1,501,677	5.5	195,949	2.3	61.0	-47.8
14	Extraordinary income	871	0.0	0	0.0	0	0.0	-100.0	-
15	Extraordinary expenses	345	0.0	13	0.0	0	0.0	-96.2	-100.0
IV	RESULT WITH RESPECT OF EXTRAORDINARY ITEMS	526	0.0	-13	0.0	0	0.0	-102.5	-100.0
V	PRE-TAX RESULT	933,199	5.8	1,501,664	5.5	195,949	2.3	60.9	-47.8
16	Income tax	74,280	0.5	188,937	0.7	18,398	0.2	154.4	-61.0
17	Income/expenses from deferred tax liabilities and funds	51,847	0.3	17,196	0.1	37	0.0	-66.8	-99.1
VI	NET RESULT (V-16)	910,766	5.7	1,329,923	4.9	177,588	2.1	46.0	-46.6
	TOTAL INCOME	16,014,349	100.0	27,159,540	100.0	8,547,914	100.0	69.6	25.9
	TOTAL EXPENSES	15,081,150	94.2	25,657,876	94.5	8,351,965	97.7	70.1	30.2

Structure of Investments

Lessees

The structure of investment by lessee (Chart 3) remained broadly unchanged from 2007 – the largest portion of financial leasing was approved to legal entities (82.8%), while natural persons accounted for 8.8% of total investments. It is important to note that the share of investment to legal entities is on a constant rise, mainly at the cost of declining share of investment to natural persons.

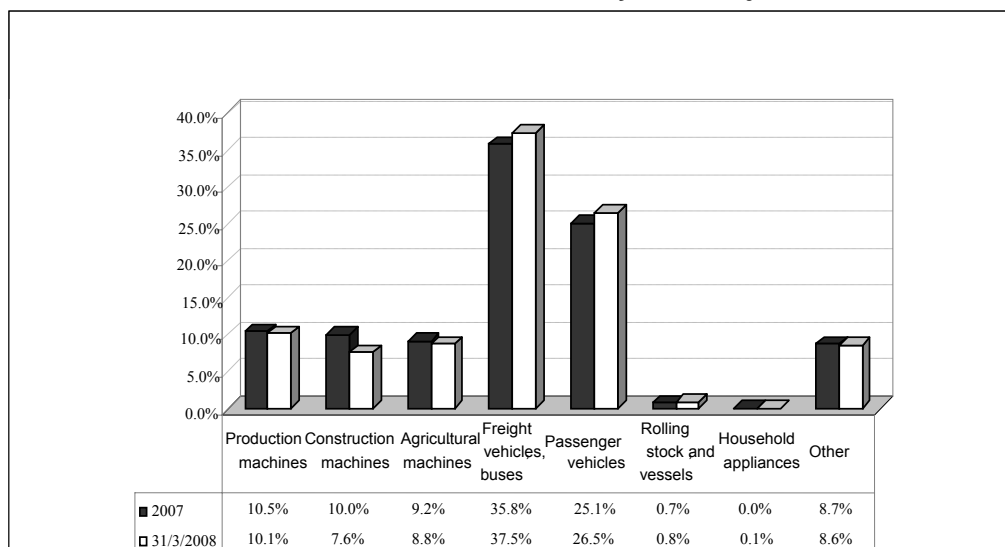
Chart 3 Investment structure by lessee



Object of financing

The structure of leasing investments by the lease object (Chart 4) shows further increase in the share of investments approved for leasing of freight vehicles, minibuses and buses, which in Q1 2008 stood at 37.5% (35.8% in 2007), while the share of investments approved for leasing of passenger vehicles rose from 25.1% to 26.5%. The most significant decline in the share of financial lease investments was recorded for construction machinery (from 10.0% to 7.6%), followed by production machinery (from 10.5% to 10.1%) and agricultural equipment (from 9.2% to 8.8%).

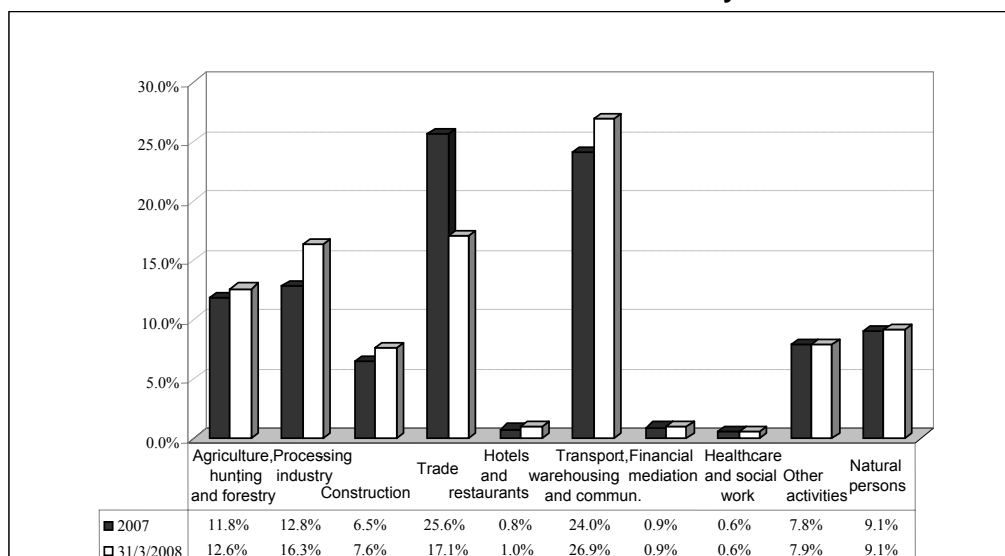
Chart 4 Investment structure by lease object



Sectoral breakdown

Structure of financial lease investments by sector (Chart 5) changed relative to 2007. The most significant share is related to transport, warehousing and communications (26.9%), followed by trade, (17.1%), processing industry (16.3%), agriculture, hunting and forestry (12.6%), and natural persons (9.1%). The difference in data for natural persons by sector compared to the structure of investment by lessee is due to the fact that some entrepreneurs were not classified according to their core activity, and were classified as natural persons instead.

Chart 5 Financial lease investments by sector



Performance Indicators

For the purpose of financial leasing market analysis, performance indicators were calculated in two ways. Table 6 shows average values of performance indicators calculated for individual leasing companies based on data presented in the LBS and LBU forms, while Table 7 shows aggregate performance indicators.

As suggested by the decline in the rate of return on average assets and return on average equity, financial leasing market has deteriorated compared to 2007 (as measured by overall market performance indicators).

Table 6 – Performance indicators – market average

PERFORMANCE INDICATOR	31/12/2007			31/3/2008		
	Market average	Min.	Max.	Market average	Min.	Max.
Return on average assets (ROA)	-0.1%	-6.2%	5.1%	0.9%	-5.9%	9.1%
Return on average equity (ROE)*	2.9%	-85.2%	63.7%	-14.3%	-327.4%	155.1%
Net interest margin	4.5%	1.5%	20.1%	6.4%	-3.4%	41.3%
Average lending rate	11.0%	5.9%	27.4%	13.5%	6.1%	47.9%
Average deposit rate**	6.7%	4.2%	19.8%	6.0%	3.5%	9.0%
Coverage of interest expenses**	1.0x	0.1x	2.3x	1.0x	-0.2x	2.2x
Operating expenses to average investments	4.9%	1.6%	10.2%	7.1%	1.3%	24.9%
Total debt to equity*	26.0x	0.0x	78.7x	30.3x	0.0x	122.5x
Long-term debt to equity*	22.2x	0.0x	48.7x	27.3x	0.0x	117.3x

* EFG Leasing a.d. Beograd was excluded from the calculation of indicators as at 31 December 2007 as its losses exceeded its equity in 2006.

** LIPAKS d.o.o. Beograd was excluded from the calculation of this indicator as at 31 December 2007 due to extreme values, while LIPAKS d.o.o. Beograd and OTP Leasing d.o.o. Novi Sad were excluded from the calculation of this indicator as at 31 March 2008.

Meridian Leasing d.o.o. Beograd and Piraeus Leasing d.o.o. Beograd were excluded from the calculation of all indicators for 2007 on account of extreme values attributable to the start-up of their business operations.

Table 7 – Performance indicators – aggregate data

PERFORMANCE INDICATOR	31/12/2007	31/3/2008
Return on average assets (ROA)	1.84%	0.80%
Return on average equity (ROE)	30.61%	13.06%
Net interest margin	4.30%	4.58%
Average lending rate	10.03%	11.09%
Average deposit rate	5.16%	5.63%
Coverage of interest expenses	1.39x	1.15x
Operating expenses to average investments	3.40%	3.28%
Total debt to equity	15.14x	15.62x
Long-term debt to equity	14.51x	14.84x

Based on overall market performance indicators, average lending rate recorded a grater increase than the average deposit rate and hence induced a rise in net interest margin.

Solvency risk exposure of lessors recorded an even grater increase relative to 2007. Total debt is 15.62 times higher than equity, while long-term debt is 14.84 times higher than equity. Unfavorable trends are also reflected in the fact that the share of long-term debt in total liabilities declines, whereas short-term debt goes up.

Operating expenses to average investments recorded a decline in Q1 2008 relative to 2007, which points to increased efficiency in the financial leasing sector. A rise in interest expenses and a decline in pre-tax result induced a decline in coverage of interest expenses relative to 2007.

Sources of Financing

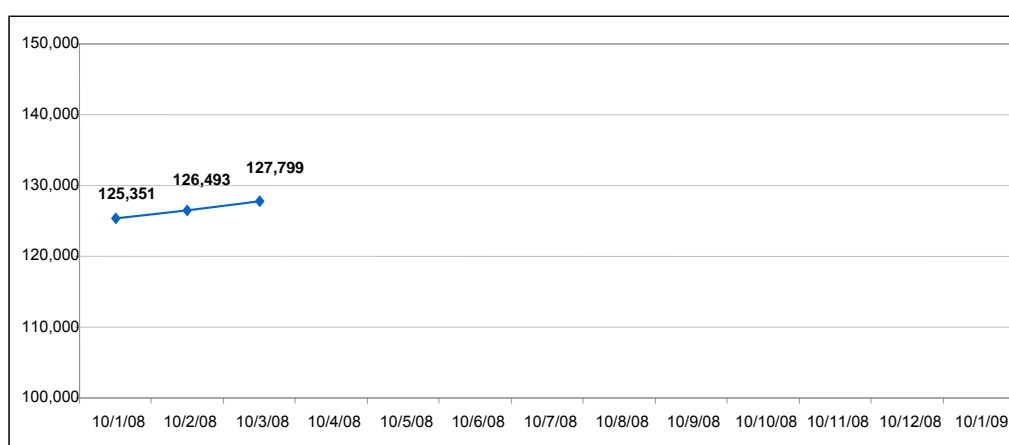
Balance sheet structure indicates that the largest portion of financial leasing investment is financed based on foreign borrowing – foreign credit obligations account for 85.8% of total liabilities, while financial leasing investment accounts for 78.8% of total assets. Long-term domestic credit declined from the preceding year to a mere 3.3% of total liabilities. Foreign creditors of financial leasing companies are in most cases 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 for capital increase) used from 10 December 2005. In April 2006, the reserve requirement ratio was raised from 10% to 20%.

Since the introduction of reserve requirements, the amount of allocated reserve balances rose from one maintenance period to another due to the ever increasing borrowing abroad. Movements in total reserve balances allocated by leasing companies in Q1 2008 are illustrated by the chart below:

Chart 6 Total required reserves allocated by leasing companies
(in EUR 000)



From 10 February 2006 to 10 March 2008, initial base for calculation of required reserves increased 12 times and came to EUR 639 million, which makes up 60.4% of total foreign credits disbursed by leasing companies.

Reserving base growth rates, which have been varying across different maintenance periods in Q1 2008, are illustrated in the chart below.

Chart 7 Reserving base growth rate
(relative to the preceding month)

