

FINANCIAL LEASING SUPERVISION

First Quarter Report 2010

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Market participants

Number of lessors

As at 31 March 2010, the list of licensed lessors included:

- | | |
|--|---|
| 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 | |

Number of employees

After rising steadily from year to year, in 2009 the number of employees in the financial leasing sector recorded a downturn, falling down to 477 on 31 March 2010. The average number of employees per lessor came to around 28. Table 1 below shows total employment in the financial leasing sector by years:

Table 1 – Number of employees in the financial leasing sector

Date	Number of employees
31 Dec 2005	329
31 Dec 2006	388
31 Dec 2007	478
31 Dec 2008	516
31 Dec 2009	489
31 Mar 2010	477

Ownership structure

Domestic vs. foreign ownership

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

Financial vs. non-financial sector

- 14 leasing providers were founded by banks, banking group members or other financial institutions;
- 2 leasing providers (LIPAKS d.o.o. Beograd and Zastava Istrabenz Lizing d.o.o. Beograd) were founded by non-financial sector entities. Porche Leasing SCG d.o.o. Beograd may also be said to belong to this group, as it was founded by a Porsche Group member – a bank specialized for financing Porsche Group products.

Table 2 gives an overview of the lessor ownership structure.

Table 2 – Lessor ownership structure

No.	Lessor	Owner	Ownership percentage
1.	UniCredit Leasing Srbija d.o.o. Beograd	UniCredit Leasing S.P.A, Bologna, Italy	100

No.	Lessor	Owner	Ownership percentage
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	Banca Intesa a.d. Beograd CIB Leasing LTD, Budapest, Hungary	98.7 1.3
4.	OTP Leasing d.o.o. Novi Sad	Merkantil Bank ZRT, Budapest, Hungary OTP banka Srbija a.d. Novi Sad	70 30
5.	LIPAKS d.o.o. Beograd	Mirko Žeželj Zoran Tanasić "Industrija mašina i traktora" AD Beograd under restructuring Agricultural machinery industry "Zmaj" AD Zemun-Beograd Financial leasing company DOO Lipaks, Beograd Sandra Džodić Milorad Milić	31 31 9.52 9.52 16.63 2.00 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, Vienna, Austria	50 50
10.	S-Leasing d.o.o. Beograd	Steiermarkische Bank und Sparkassen Aktiengesellschaft, Graz, Austria Immorent International Holding GmbH, Vienna, 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, Vienna, 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, Holland Eurobank EFG a.d. Beograd EFG Eurobank Ergasias s.a, Athens, Greece	48.63 25.56 25.81
16.	Meridian Leasing d.o.o. Beograd	Credit Agricole Banka Srbija a.d. Novi Sad	100
17.	Piraeus Leasing d.o.o. Beograd	Piraeus Bank s.a. Athens, Greece	100

* As of April 2010, the owner of NLB Leasing d.o.o. is Nova Ljubljanska banka d.d. Ljubljana, Slovenia.

Balance sheet structure

Balance sheet

On 31 March 2010, total balance sheet assets of the leasing sector came to RSD 111.9 billion, up by 0.5% relative to 31 December 2009 (RSD 111.3 billion). The bulk of assets and liabilities of leasing providers was either foreign currency denominated or foreign currency clause indexed (94.7% of total assets and 90.7% of total liabilities).

Notwithstanding a 1.1% fall at end-Q1 2010 relative to end-2009, financial lease receivables continued to account for the largest share of total assets. Of total balance sheet assets, financial lease receivables accounted for 73.8%, which is a decrease relative to both 2009 and 2008 (75.1% and 78.1%, respectively).

The share of cash and cash equivalents in total balance sheet assets dropped from 18.1% at end-2009 to 17.1% (14.6% in 2008). The share of reserves against credits, other loans and supplementary payments from abroad, included in item 'cash and cash equivalents', rose from 70.7% at end-2009 to 72.8% on 31 March 2010.

The share of short-term financial investment and receivables rose from 3.6% at end-2009 to 5.7% at end-Q1 2010, while the share of other current assets increased from 2.4% to 2.6% in the same period.

As at 31 March 2010, long-term obligations accounted for the largest share of total liabilities – 88.8%, down by 0.9% from 2009 (90.9% in 2008 and 90.1% in 2009). The share of long-term foreign credits subsided from 86.2% in 2009 to 85.3% (86.8% in 2008). The share of long-term domestic credits also fell from 3.9% in 2009 to 3.5% (4.0% in 2008).

As at 31 March 2010, the share of short-term obligations in total liabilities rose from 1.7% in 2009 to 2.8% (3.9% in 2008), of which 0.3% referred to short-term domestic credits (2.0% in 2008 and 0.2% in 2009), 0.8% referred to other short-term financial obligations, while item 'other' accounted for 1.7%.

Capital gained 4.1% in 2010 relative to 2009 mostly on account of an increase on item 'retained earnings'. As capital growth outstripped growth in the balance sheet total, the share of capital in total liabilities rose from 8.1% in 2009 to 8.3% in 2010 (5.1% in 2008).

Table 3 shows the aggregate balance sheet of all lessors (in RSD thousand) as at 31 December 2008, 31 December 2009 and 31 March 2010.

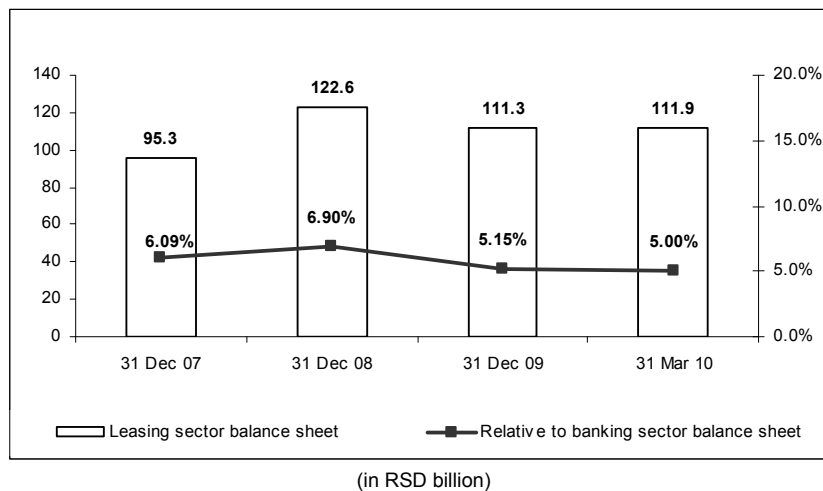
Table 3 – Aggregate balance sheet of all lessors

(in RSD thousand)

No.	ITEM	31 Dec 2008		31 Dec 2009		31 Mar 2010		% of growth	
		amount	%	amount	%	amount	%	31 Dec 09/ 31 Dec 08	31 Mar 10/ 31 Dec 09
ASSETS		122,550,536	100.0	111,313,931	100.0	111,899,102	100.0	-9.2	0.5
1	FIXED ASSETS	97,276,541	79.4	84,474,525	75.9	83,507,608	74.6	-13.2	-1.1
1.1	Property, plant and equipment	952,585	0.8	701,953	0.6	667,431	0.6	-26.3	-4.9
1.2	Receivables under financial leasing	95,688,354	78.1	83,548,501	75.1	82,610,186	73.8	-12.7	-1.1
1.3	Other long-term financial investments	574,952	0.5	158,009	0.1	164,723	0.1	-72.5	4.2
1.4	Other fixed assets	60,650	0.0	66,062	0.1	65,268	0.1	8.9	-1.2
2	CURRENT ASSETS	25,273,995	20.6	26,839,406	24.1	28,391,494	25.4	6.2	5.8
2.1	Cash and cash equivalents	17,986,197	14.6	20,102,370	18.1	19,059,083	17.1	11.8	-5.2
2.2	Short-term financial investment and receivables	4,769,249	3.9	3,964,327	3.6	6,404,133	5.7	-16.9	61.5
2.3	Other current assets	2,518,549	2.1	2,772,709	2.4	2,928,278	2.6	10.1	5.6
LIABILITIES		122,550,536	100,0	111.313.931	100,0	111.899.102	100,0	-9.2	0.5
1	CAPITAL	6,224,605	5.1	8,947,216	8.1	9,311,740	8.3	43.7	4.1
1.1	Share capital	2,816,976	2.3	3,438,445	3.1	3,438,445	3.1	22.1	0.0
1.2	Subscribed uncalled capital	0	0.0	0	0.0	0	0.0	-	-
1.3	Reserves	2,369,893	1.9	2,730,229	2.5	2,730,229	2.4	15.2	0.0
1.4	Revaluation reserves	0	0.0	0	0.0	0	0.0	-	-
1.5	Retained earnings	2,316,891	1.9	3,525,730	3.2	3,902,139	3.5	52.2	10.7
1.6	Losses	1,279,155	1.0	745,517	0.7	757,402	0.7	-41.7	1.6
1.7	Purchased own shares	0	0.0	1,671	0.0	1,671	0.0	-	0.0
2	LONG-TERM PROVISIONING AND LIABILITIES	111,582,929	91.0	100,397,529	90.2	99,460,705	88.9	-10.0	-0.9
2.1	Long-term provisions	125,132	0.1	151,685	0.1	152,008	0.1	21.2	0.2
2.2	Long-term liabilities	111,457,797	90.9	100,245,844	90.1	99,308,697	88.8	-10.1	-0.9
2.2.1	Long-term domestic credit	4,841,274	4.0	4,296,175	3.9	3,887,344	3.5	-11.3	-9.5
2.2.2	Long-term foreign credit	106,474,201	86.8	95,929,648	86.2	95,400,556	85.3	-9.9	-0.6
2.2.3	Other long-term liabilities	142,322	0.1	20,021	0.0	20,797	0.0	-85.9	3.9
3	SHORT-TERM LIABILITIES	4,743,002	3.9	1,969,186	1.7	3,126,657	2.8	-58.5	58.8
3.1	Short-term financial liabilities	2,443,702	2.0	255,193	0.2	1,285,152	1.1	-89.6	403.6
3.1.1	Short-term domestic credit	2,423,673	2.0	238,195	0.2	357,377	0.3	-90.2	50.0
3.1.2	Short-term foreign credit	0	0.0	0	0.0	0	0.0	-	-
3.1.3	Other short-term financial liabilities	20,029	0.0	16,998	0.0	927,775	0.8	-15.1	5,358.1
3.2	Other	2,299,300	1.9	1,713,993	1.5	1,841,505	1.7	-25.5	7.4

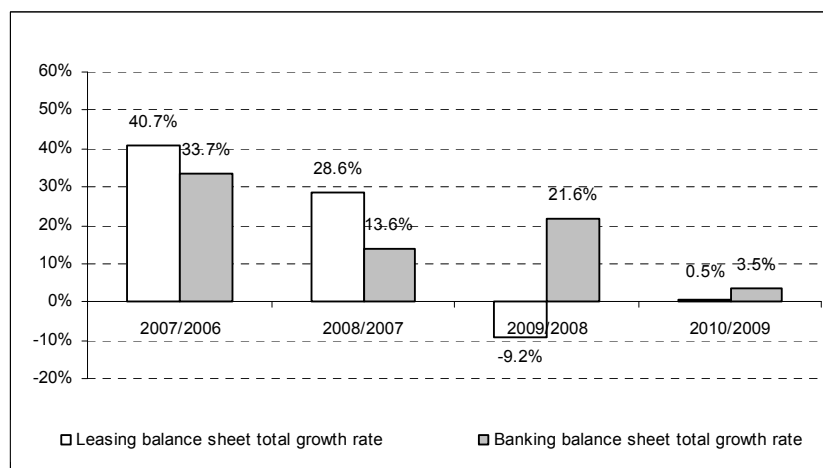
As at 31 March 2010, the ratio of balance sheet total of the leasing sector (RSD 111.9 billion) to banking sector balance sheet total equalled 5.0%.

Chart 1 - Balance sheet total of banks and leasing providers



From 31 December 2009 to 31 March 2010, leasing sector balance sheet total rose by 0.5%, while banking sector balance sheet total went up by 3.5%.

Chart 2 - Growth rates of the balance sheet total of lessors and banks



Market share

In order to analyse the structure of the financial leasing market and the level of competition among different lessors, calculations were made of individual and cumulative market shares of lessors' balance sheet totals, as well as of the Herfindahl-Hirschman index (HHI).

Table 4 – Market share of lessors

Position	Lessor	Balance sheet assets (in 000 RSD)	Share in 2009	Cumulative share in 2009	Position	Lessor	Balance sheet assets (in 000 RSD)	Share in 2010	Cumulative share in 2010
1.	Hypo Alpe-Adria-Leasing d.o.o. Beograd	33,159,401	29.8%	29.8%	1.	Hypo Alpe-Adria-Leasing d.o.o. Beograd	35,870,855	32.1%	32.1%
2.	Raiffeisen Leasing d.o.o. Beograd	14,900,868	13.4%	43.2%	2.	Raiffeisen Leasing d.o.o. Beograd	14,725,259	13.2%	45.2%
3.	NLB Leasing d.o.o. Beograd	11,035,543	9.9%	53.1%	3.	NLB Leasing d.o.o. Beograd	10,620,469	9.5%	54.7%
4.	S-Leasing d.o.o. Beograd	7,408,422	6.7%	59.7%	4.	VB Leasing d.o.o. Beograd	6,948,110	6.2%	60.9%
5.	VB Leasing d.o.o. Beograd	6,850,598	6.2%	65.9%	5.	Intesa Leasing d.o.o. Beograd	5,952,138	5.3%	66.2%
6.	Intesa Leasing d.o.o. Beograd	5,981,111	5.4%	71.3%	6.	S-Leasing d.o.o. Beograd	5,420,882	4.8%	71.1%
7.	NBG Lizing d.o.o. Beograd	5,128,733	4.6%	75.9%	7.	EFG Leasing a.d. Beograd	5,404,824	4.8%	75.9%
8.	EFG Leasing a.d. Beograd	5,037,050	4.5%	80.4%	8.	NBG Lizing d.o.o. Beograd	5,060,766	4.5%	80.4%
9.	Sogelease Srbija d.o.o. Beograd	4,044,828	3.6%	84.0%	9.	Sogelease Srbija d.o.o. Beograd	4,178,093	3.8%	84.2%
10.	UniCredit Leasing Srbija d.o.o. Beograd	4,030,702	3.6%	87.6%	10.	UniCredit Leasing Srbija d.o.o. Beograd	3,899,514	3.5%	87.7%
11.	LIPAKS d.o.o. Beograd	3,847,532	3.5%	91.1%	11.	LIPAKS d.o.o. Beograd	3,697,295	3.3%	91.0%
12.	Procredit Leasing d.o.o. Beograd	2,908,537	2.6%	93.7%	12.	Procredit Leasing d.o.o. Beograd	3,073,587	2.7%	93.7%
13.	Porsche Leasing SCG d.o.o. Beograd	2,795,645	2.5%	96.2%	13.	Porsche Leasing SCG d.o.o. Beograd	2,750,241	2.5%	96.2%
14.	Meridian Leasing d.o.o. Beograd	2,087,174	1.9%	98.1%	14.	Meridian Leasing d.o.o. Beograd	2,172,493	1.9%	98.1%
15.	Piraeus Leasing d.o.o. Beograd	1,517,875	1.4%	99.5%	15.	Piraeus Leasing d.o.o. Beograd	1,544,683	1.4%	99.5%
16.	Zastava Istrabenz Lizing d.o.o. Beograd	494,229	0.4%	99.9%	16.	Zastava Istrabenz Lizing d.o.o. Beograd	494,219	0.4%	99.9%
17.	OTP Leasing d.o.o. Novi Sad	85,683	0.1%	100.0%	17.	OTP Leasing d.o.o. Novi Sad	85,674	0.1%	100.0%
	TOTAL	111,313,931	100.0%	-		TOTAL	111,899,102	100.0%	-
	Herfindahl-Hirschman index		1,374.6			Herfindahl-Hirschman index		1,481.4	

The HHI of 1,481.4 on 31 March 2010 points to moderate concentration of the Serbian financial leasing market.

As Table 4 shows, the ranking of lessors by market share changed only marginally in Q1 2010 relative to 2009. The first three ranking lessors (Hypo

Alpe-Adria-Leasing d.o.o. Beograd, Raiffeisen Leasing d.o.o. Beograd, NLB Leasing d.o.o. Beograd) retained their top positions in 2010 and their market share (54.7%) was higher than that of all other lessors taken together.

As at 31 March 2010, the most significant ranking and market share changes relative to 2009 were recorded for the following lessors:

- VB Leasing d.o.o. Beograd, ranked fifth in 2009 and fourth at end-Q1 2010, with its market share unchanged at 6.2%,
- Intesa Leasing d.o.o. Beograd, ranked sixth in 2009 and fifth at end-Q1 2010, with its market share down from 5.4% to 5.3%,
- EFG Leasing a.d. Beograd, ranked eighth in 2009 and seventh at end-Q1 2010, with its market share up from 4.5% to 4.8%,
- S-Leasing d.o.o. Beograd, ranked fourth in 2009 and sixth at end-Q1 2010, with its market share down from 6.7% to 4.8%,
- NBG Lizing d.o.o. Beograd, ranked seventh in 2009 and eight at end-Q1 2010, with its market share down from 4.6% to 4.5%.

Profit and loss account

Total profit before tax of all financial lessors came to RSD 387,983 thousand in Q1 2010, or, calculated at annual level, 24.4% less relative to end-2009 (RSD 2,053,993 thousand). In the period under review, total expenses rose by 10.5% and total income by 8.1%, resulting in a drop in the share of profit before tax in total income from 6.8% to 4.8%.

Exchange rate gains accounted for the major part of total income, with their share rising from 62.6% in 2009 to 67.8% in 2010 (79.1% in 2008). Interest income had a share of 22.3% of total income (16.8% in 2008 and 28.7% in 2009), while the share of operating income was 2.9% (1.7% in 2008 and 2.9% in 2009).

On the expenses side, financial expenses accounted for the largest share of total expenses – 80.3% (or 76.5% of total income). Exchange rate losses made up 71.5% of total expenses (79.0% in 2008 and 67.4% in 2009) and 68.1% of total income. Interest expenses came to 8.7% of total expenses (11.4% in 2008 and 12.1% in 2009) and 8.3% of total income, while operating expenses made up 7.6% of total expenses (5.9% in 2008 and 9.3% in 2009) and 7.2% of total income.

Calculated at annual level, in Q1 2010 relative to 2009, the fall in interest expenses (20.5%) was steeper than that in interest income (16.1%), while exchange rate gains and exchange rate losses rose by 17.2% each. Operating expenses declined by 10.6%, while operating income rose by 6.2%, with net sales income up by 21.3%.

Table 5 shows the aggregate profit and loss account of all lessors (in thousand dinars) as at 31 December 2008, 31 December 2009 and 31 March 2010.

Table 5 – Aggregate profit and loss account of lessors

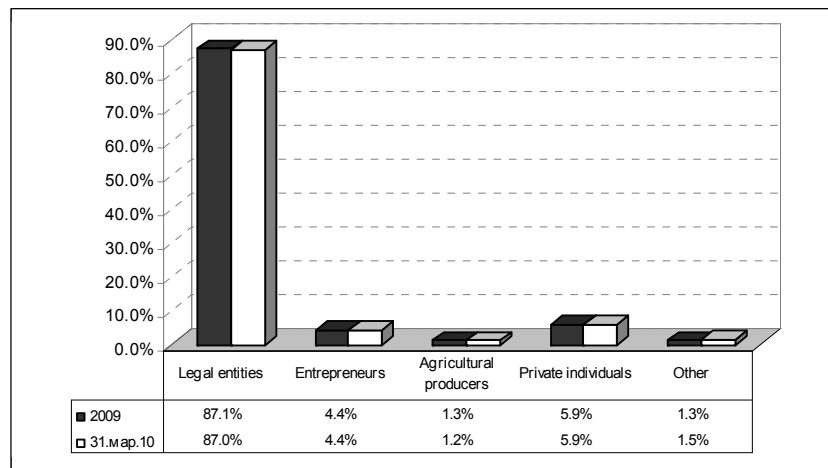
(in 000 RSD)									
No.	ITEM	1 Jan – 31 Dec 08	% of total income	1 Jan – 31 Dec 09	% of total income	1 Jan – 31 Mar 10	% of total income	% of growth 2009/ 2008	% of growth 2010/ 2009
	OPERATING INCOME	856,693	1.7	887,569	2.9	235,699	2.9	3.6	6.2
1	Net sales income	557,790	1.1	613,700	2.0	186,075	2.3	10.0	21.3
2	Other operating income	298,903	0.6	273,869	0.9	49,624	0.6	-8.4	-27.5
	OPERATING EXPENSES	2,838,900	5.8	2,616,364	8.7	584,876	7.2	-7.8	-10.6
3	Earnings, fees, salaries and other personal expenses	858,185	1.8	969,622	3.2	242,906	3.0	13.0	0.2
4	Depreciation and provisioning	394,366	0.8	228,992	0.8	40,582	0.5	-41.9	-29.1
5	Other operating expenses	1,586,349	3.2	1,417,750	4.7	301,388	3.7	-10.6	-15.0
I	BUSINESS RESULT	(1,982,207)	-4.1	(1,728,795)	-5.7	(349,177)	-4.3	-12.8	-19.2
	FINANCIAL INCOME	46,836,881	96.0	27,462,709	91.3	7,325,552	90.1	-41.4	6.7
6	Interest income	8,194,007	16.8	8,627,242	28.7	1,809,035	22.3	5.3	-16.1
7	Exchange rate gains	38,615,658	79.1	18,835,467	62.6	5,516,517	67.8	-51.2	17.2
8	Other	27,216	0.1	0	0.0	0	0.0	-100.0	-
	FINANCIAL EXPENSES	43,727,946	89.6	22,294,033	74.1	6,220,757	76.5	-49.0	11.6
9	Interest expenses	5,506,300	11.3	3,394,875	11.3	674,879	8.3	-38.3	-20.5
10	Exchange rate losses	38,186,487	78.2	18,888,899	62.8	5,534,259	68.1	-50.5	17.2
11	Other	35,159	0.1	10,259	0.0	11,619	0.1	-70.8	353.0
II	FINANCIAL RESULT	3,108,935	6.4	5,168,676	17.2	1,104,795	13.6	66.3	-14.5
12	Other income	1,105,160	2.3	1,739,514	5.8	569,080	7.0	57.4	30.9
13	Other expenses	1,755,573	3.6	3,125,390	10.4	936,715	11.5	78.0	19.9
III	REGULAR OPERATING RESULT	476,315	1.0	2,054,005	6.8	387,983	4.8	331.2	-24.4
14	Extraordinary income	139	0.0	873	0.0	0	0.0	528.1	-100.0
15	Extraordinary expenses	301	0.0	885	0.0	0	0.0	194.0	-100.0
IV	RESULT WITH RESPECT TO EXTRAORDINARY ITEMS	(162)	0.0	(12)	0.0	0	0.0	-92.6	-100.0
V	PRE-TAX RESULT	476,153	1.0	2,053,993	6.8	387,983	4.8	331.4	-24.4
16	Profit tax	156,489	0.3	218,407	0.7	22,824	0.3	39.6	-58.2
17	Income/expenses from deferred tax assets/liabilities	7,625	0.0	16,458	0.1	-36	0.0	115.8	-100.9
VI	NET RESULT (V-16+17)	327,289	0.7	1,852,044	6.2	365,123	4.5	465.9	-21.1
	TOTAL INCOME	48,798,873	100.0	30,090,665	100.0	8,130,331	100.0	-38.3	8.1
	TOTAL EXPENSES	48,322,720	99.0	28,036,672	93.2	7,742,348	95.2	-42.0	10.5

Structure of investments and asset quality

Lessees

The structure of investments by lessee (Chart 3) remained broadly unchanged in Q1 2010 relative to 2009.

Chart 3 – Investment structure by lessee

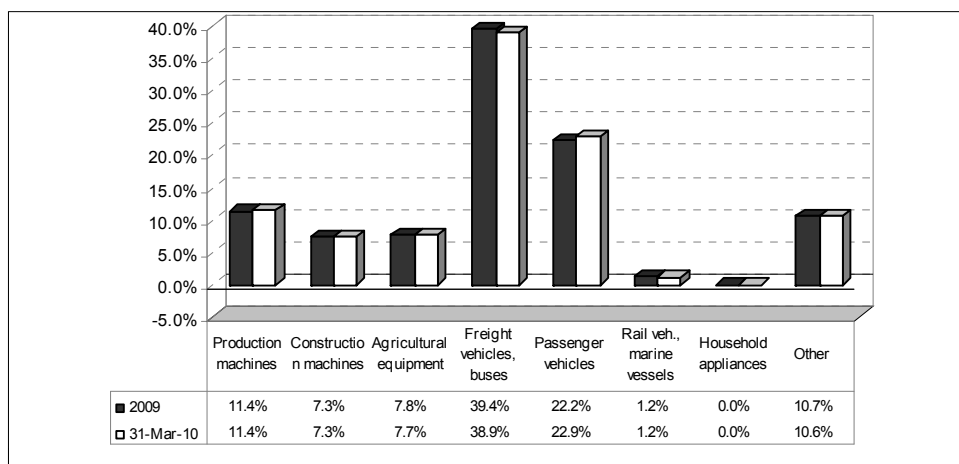


Most financial lease investments were granted to legal entities (87.0%), while private individuals and entrepreneurs accounted for 5.9% and 4.4%, respectively, of total investments.

Object of financing

As at end-2009, financing of freight vehicles, minibuses and buses had the highest share of 38.9% (39.4% in 2009) in the structure of investment by lease object (Chart 4) at end-Q1 2010. Relative to 2009, the share of financing of passenger vehicles rose from 22.2% to 22.9%, while the share of financing other types of lease objects remained broadly unchanged in Q1 2010 relative to 2009.

Chart 4 – Investment structure by lease object

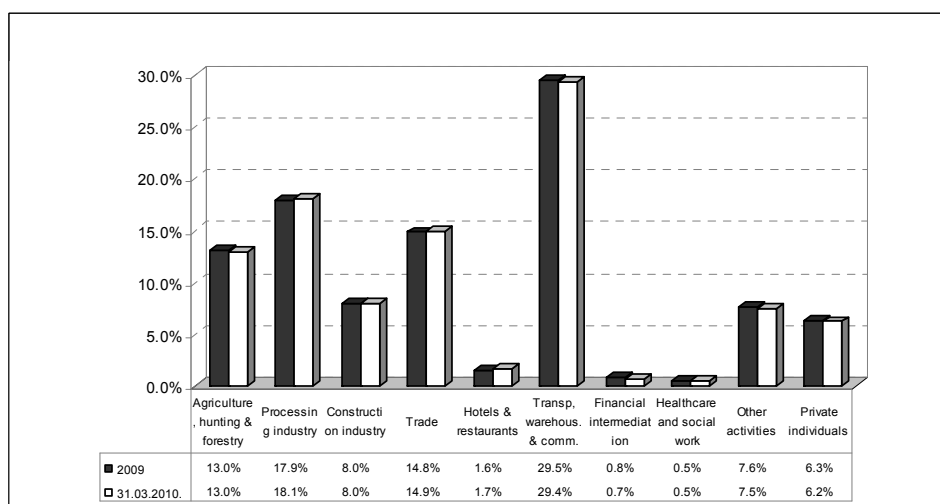


Sector

The structure of financial lease investment by sector (Chart 5) also remained broadly unchanged relative to 2009.

The most significant share was that of transport, warehousing and communications (29.4%), followed by the processing industry (18.1%), trade sector (14.9%), agriculture, hunting and forestry (13.0%). Individual shares of other sectors were less than 10%.

Chart 5 – Investment structure by sector



Asset quality

On 31 March 2010, the value of the financial leasing market portfolio was RSD 82.6 billion, down by 1.1% relative to end-2009 (RSD 83.5 billion). Past due receivables made up 45.8% of capital (42.9% in 2009) and 5.2% of total portfolio (4.6% in 2009). Receivables past due more than 30 days accounted for 31.7% of total past due receivables, while receivables past due more than 90 days accounted for 34.3%. The share of allowances for impairment of receivables in total receivables rose from 4.4% to 4.9%.

During Q1 2010, the value of returned lease objects was RSD 617 million, which, together with outstanding balances from previous years, came to over RSD 2 billion or 2.6% of the portfolio and 22.7% of capital. At end-2009, these figures came to 3.6% of the portfolio or 34.0% of capital. Of the above value of returned lease objects, lessors re-leased 10.4%, sold 10.9% while close to 80% remained unemployed. At end-Q1 2010, the stock of returned lease objects came to RSD 1.7 billion or 2.0% of the portfolio and 17.9% of capital (at end-2009, the stock of returned lease objects came to 1.8% of the portfolio and 16.8% of capital).

Performance indicators

Table 6 shows performance indicators for financial leasing providers.

Table 6 – Performance indicators

PERFORMANCE INDICATORS	31 Dec 2009	31 Mar 2010
Return on assets (ROA)	1.76%	1.39%
Return on equity (ROE)	27.08%	17.00%
Net interest margin	5.84%	5.46%
Average lending rate	9.63%	8.71%
Average deposit rate	3.17%	2.68%
Coverage of interest expenses	1.61x	1.57x
Operating expenses to average investment	2.92%	2.82%
Total debt to equity	11.44x	11.02x
Long-term debt to equity	11.22x	10.68x

The profitability of financial lessors decreased at end-Q1 2010 relative to end-2009 due to a drop in net profit before tax. This is indicated by a drop in ROA and ROE.

Both lending and deposit rates decreased relative to 2009, as did the net interest margin.

As equity went up and debt went down, solvency improved marginally in the financial leasing market. This is supported by the fact that total debt and long-term debt were 11.02 and 10.68 times higher than equity.

Sources of financing and reserve balances

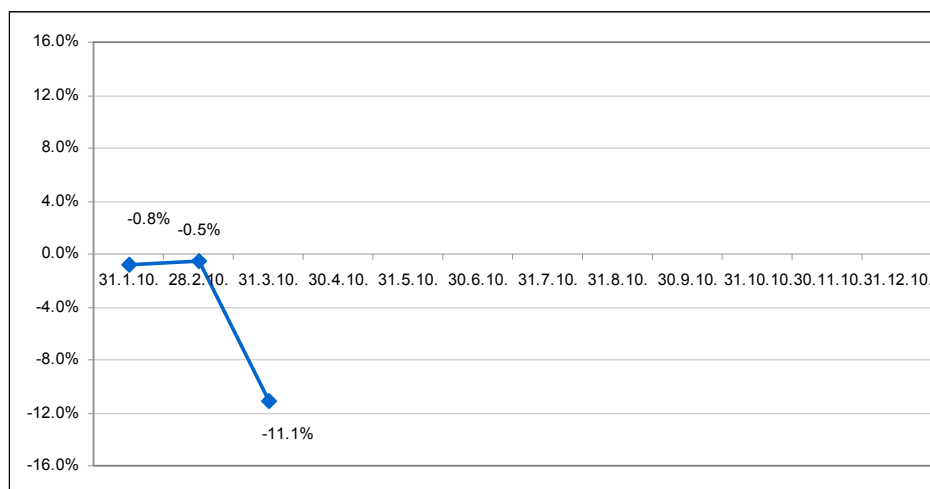
The balance sheet structure indicates that the largest portion of financial lease investment was financed from foreign borrowing – as at 31 March 2010, foreign credit obligations made up 85.3% of total liabilities, while financial lease investment accounted for 73.8% of total assets. The share of long-term domestic credits declined relative to 2009 from 3.9% to 3.5% of total liabilities, while the share of short-term domestic credits was only marginal (0.3%). In the majority of cases, foreign creditors of leasing companies were either their founders or legal entities operating within the same banking group.

The reserving base as at 31 March 2010 (against which allocation was made on 16 April 2010) increased 14 times relative to the reserving base as at 31 January 2006 (against which the first calculation and allocation were made on 10 February 2006) to reach EUR 744.3 million. The above reserving base was equal to 77.4% of total credits used and/or received from abroad by leasing providers.

As at 31 March 2010, the reserving base was reduced on account of obligations under loans from international financial organizations, governments and financial institutions founded by foreign governments by EUR 88.9 million or 9.2% of foreign credits disbursed and/or received by leasing providers.

Chart 6 shows changes in the reserving base relative to the previous month in the course of 2010.

Chart 6 – Changes in the reserving base
(relative to the previous month)



Changes in total reserves allocated by leasing providers in the course of 2010 (in EUR thousand) are illustrated in Chart 7 below.

Chart 7 – Total reserves allocated by leasing providers
(in EUR thousand)

