



**NATIONAL BANK OF SERBIA**

**BANK SUPERVISION DEPARTMENT**

# **FINANCIAL LEASING SECTOR IN SERBIA**

**First Quarter Report 2018**

June 2018

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## 1 Basic information about the Serbian financial leasing sector<sup>1</sup>

At end-Q1 2018, as in the previous period, 16 lessors operated in the Serbian financial leasing sector:

1	CA Leasing Srbija d.o.o. Beograd	9	Porsche Leasing SCG d.o.o. Beograd
2	ERB Leasing a.d. Beograd	10	Procredit Leasing d.o.o. Beograd
3	Heta Leasing d.o.o. Beograd	11	Raiffeisen Leasing d.o.o. Beograd
4	Intesa Leasing d.o.o. Beograd	12	S-Leasing d.o.o. Beograd
5	LIPAKS d.o.o. Beograd	13	Sogelease Srbija d.o.o. Beograd
6	OTP Lizing d.o.o. Beograd	14	UniCredit Leasing Srbija d.o.o. Beograd
7	NLB Leasing d.o.o. Beograd undergoing liquidation	15	VB Leasing d.o.o. Beograd
8	Piraeus Leasing d.o.o. Beograd	16	Zastava Istrabenz Lizing d.o.o. Beograd.

### 1.1 Overview of the basic parameters relevant to the financial leasing sector

(*employment, 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 31/3/2018)

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	65,662,575	88.3%	5,844,326	61.1%	276	78.4%
Lessors in 100% or majority ownership of foreign legal entities	7	8,684,964	11.7%	3,719,763	38.9%	76	21.6%
<b>Total</b>	<b>16</b>	<b>74,347,543</b>	<b>100.0%</b>	<b>9,564,089</b>	<b>100.0%</b>	<b>352</b>	<b>100.0%</b>

Ownership structure of lessors by founder's residence remained unchanged compared to the prior quarter. Namely, seven lessors were in 100% or majority ownership of foreign legal entities, while other 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 basic parameters*).

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

<sup>1</sup> All data presented in the report are based on the data which the NBS collected in off-supervision of lessors in Q1 2018.

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	EFG New Europe Holding b.v, Amsterdam, the Netherlands EFG Eurobank Ergasias s.a. Athens, Greece Eurobank a.d. Beograd	48.63 25.81 25.56
3	Heta Leasing d.o.o. Beograd	HETA Asset Resolution GmbH, Klagenfurt, Austria	100
4	Intesa Leasing d.o.o. Beograd	Banca Intesa a.d. Beograd	100
5	LIPAKS d.o.o. Beograd	Mirko Žeželj Zoran Tanasić Sandra Džodić Milorad Milić	48.19 48.19 3.11 0.51
6	OTP Lizing d.o.o. Beograd	OTP banka Srbija a.d. Novi Sad	100
7	NLB Leasing d.o.o. Beograd undergoing liquidation	Nova Ljubljanska Banka d.d. Ljubljana, Slovenia	100
8	Piraeus Leasing d.o.o. Beograd	Piraeus Bank s.a. Athens, Greece Piraeus Bank a.d. Beograd	51.00 49.00
9	Porsche Leasing SCG d.o.o. Beograd	Porsche Bank AG, Salzburg, Austria	100
10	Procredit Leasing d.o.o. Beograd	ProCredit Bank a.d. Beograd	100
11	Raiffeisen Leasing d.o.o. Beograd	Raiffeisen banka a.d. Beograd	100
12	S-Leasing d.o.o. Beograd	Steiermarkische Bank und Sparkassen Aktiengesellschaft, Graz, Austria Erste Bank a.d. Novi Sad	25 75
13	Sogelease Srbija d.o.o. Beograd	Societe Generale Bank Srbija a.d. Beograd	100
14	UniCredit Leasing Srbija d.o.o. Beograd	UniCredit bank Srbija a.d Beograd Beograd	100
15	VB Leasing d.o.o. Beograd	VB-Leasing International Holding GmbH, Vienna, Austria	100
16	Zastava Istrabenz Lizing d.o.o. Beograd	Istrabenz D.D. Koper, Slovenia Grupa Zastava vozila a.d. Kragujevac – undergoing resolution	95.2 4.8

Source: NBS.

The classification of lessors by sector of the founder (banking/non-banking sector) has not changed since the establishment of a regulated financial leasing market in **Serbia**. Fourteen lessors were founded by banks, banking group members or other financial institutions, while only two lessors were in majority ownership of non-banking sector entities.

At the end of this quarter, **employment** in the financial leasing sector came at 352 persons, down by 9 from the prior quarter.

**Total balance sheet assets** of the sector stood at RSD 74.3 bn (down by 1.3% q-o-q).

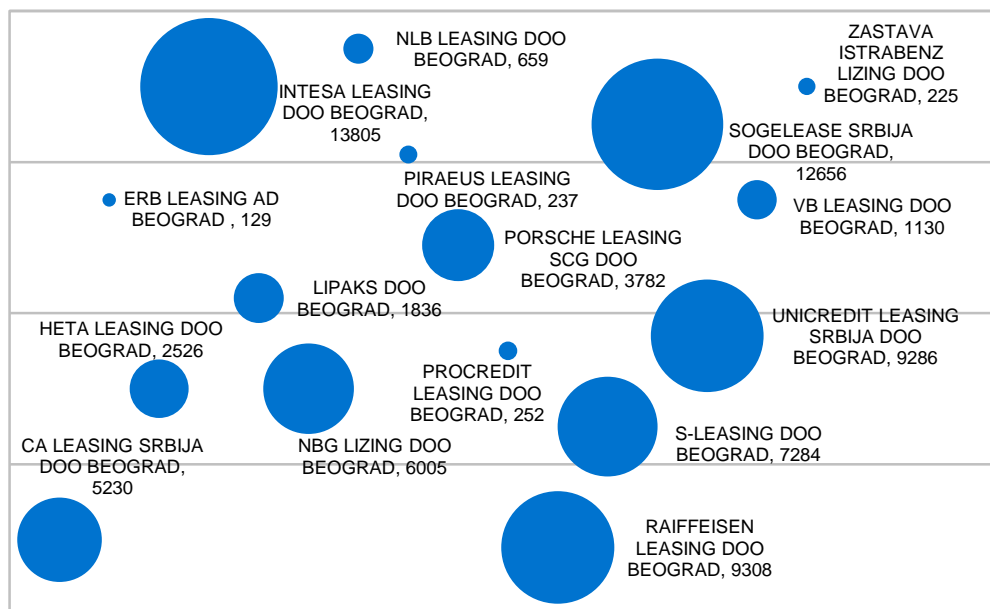
**Total capital** equalled RSD 9.6 bn (up by 3.3% compared to end of the previous quarter).

As in the previous quarter, total balance sheet assets of four lessors accounted for as much as 60.6% of the financial leasing market, while, on the other hand, another four lessors held individual shares of below 10.0%, and the individual market shares of the remaining eight lessors were less than 5.0%.

At end-Q1 2018, receivables past due for more than 90 days made up the largest share of total receivables past due. These receivables equalled RSD 3.2 bn as at 31 March 2018. They made up 4.5% of total gross financial lease receivables. The net carrying value of receivables past due for more than 90 days accounted for 0.2% of the total net portfolio.

The data on the share of individual lessors in the Serbian financial leasing market by total balance sheet assets and by the amount of receivables (portfolio) are contained in Section 2 of this report which refers to the balance sheet structure.

Chart - 1 **Balance sheet total of leasing sector**  
(as at 31/3/2018 in RSD mn)



**Net profit** at end-Q1 2018 reached RSD 495.8 mn. Of the total of 16 lessors, three lessors had a negative net result.

At end-Q1 2018, eight lessors (*Intesa Leasing d.o.o, OTP Lizing d.o.o Beograd, CA Leasing d.o.o Beograd, Sogelease Srbija d.o.o Beograd, VB Leasing d.o.o, Beograd, S-Leasing d.o.o. Beograd, UniCredit Leasing Srbija d.o.o. Beograd and Porsche Leasing SCG d.o.o. Beograd*) had prior approval of the NBS for carrying out insurance agency activities, though the share of income generated on this account cannot be considered a significant item in their total income.

Two lessors are undergoing voluntary liquidation, approved by the NBS.<sup>2</sup>

## 2 Balance sheet structure

### 2.1 Balance sheet

As at 31 March 2018, total balance sheet assets of all lessors totalled RSD 74.3 bn or 1.3% less than in the previous quarter.

The largest share (88.6%) of total balance sheet assets was that of financial lease receivables (portfolio). These receivables amounted to RSD 65.9 bn, which is an increase of 1.0% relative to the previous quarter.

Lessors' current assets recorded a decrease by 20.0%. The decrease was mostly driven by a decline in cash and cash equivalents item by 50.2% compared to the end of the previous quarter.

At end-Q1 2018, the capital of all lessors amounted to RSD 9.6 bn, with a 12.9% share in total balance sheet liabilities. Compared to the quarter before, total capital gained 3.3%.

As at 31 March 2018, long-term liabilities accounted for the largest share (76.1%) of lessors' total balance sheet liabilities with long-term loans from foreign creditors making up the dominant share. In the majority of cases, foreign creditors of lessors were either their founders or legal entities operating within the same banking group.

As at 31 March 2018, total long-term liabilities were 2.4% higher than at 31 December 2017.

Long-term foreign loans made up the dominant share of long-term liabilities (68.0%). At end-Q1 2018, long-term domestic loans held an 8.1% share in total balance sheet liabilities, down by 1.4% relative to the previous quarter.

The share of short-term financial liabilities in total balance sheet liabilities went down from 12.3% on 31 December 2017 to 8.8% on 31 March 2018. The bulk of short-term liabilities are made up of domestic short-term loans (85.9%). The total short-term liabilities as at 31 March 2018 reached RSD 7.5 bn. This is a 25.5% decrease relative to the previous quarter, when they stood at RSD 10.1 bn.

The bulk of lessors' balance sheet assets were foreign currency indexed receivables (87.5%), while the majority of balance sheet liabilities were foreign currency denominated (68.2%), which corresponds to debt structure, given the creditors' residence.

The comparative balance sheet of lessors in RSD thousand as at 31 December 2017 and 31 March 2018 is presented in Table 3.

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<sup>2</sup> According to the decision issued on 19 April 2018, voluntary liquidation was approved for one more lessor.

Table 3 Comparative balance sheet of lessors (in RSD thousand)

Number	ITEM	31/12/2017		31/3/2018		% growth 31/ 3/18 31/ 12/ 17
		Amount	%	Amount	%	
<b>ASSETS</b>		<b>75,321,330</b>	<b>100.0</b>	<b>74,347,543</b>	<b>100.0</b>	<b>-1.3</b>
<b>1</b>	<b>FIXED ASSETS</b>	<b>66,102,295</b>	<b>87.8</b>	<b>66,973,283</b>	<b>90.1</b>	<b>1.3</b>
1.1	Property, plant and equipment	200,705	0.3	201,200	0.3	0.2
1.2	Financial lease receivables	65,278,470	86.7	65,903,292	88.6	1.0
1.3	Long-term financial assets	562,020	0.7	806,893	1.1	43.6
1.4	Other fixed assets	61,100	0.1	61,898	0.1	1.3
<b>2</b>	<b>CURRENT ASSETS</b>	<b>9,319,035</b>	<b>12.2</b>	<b>7,374,260</b>	<b>9.9</b>	<b>-20.0</b>
2.1	Cash and cash equivalents	3,961,690	5.3	1,973,184	2.7	-50.2
2.2	Short-term financial lease receivables	119,807	0.2	188,591	0.3	57.4
2.3	Short-term financial assets	3,974,327	5.3	4,107,500	5.5	3.4
2.4	Other short-term receivables	219,996	0.3	263,918	0.4	20.0
2.5	Other current assets and deferred tax assets	943,215	1.0	841,067	1.1	-10.8
<b>LIABILITIES</b>		<b>75,321,330</b>	<b>100.0</b>	<b>74,347,543</b>	<b>100.0</b>	<b>-1.3</b>
<b>1</b>	<b>CAPITAL</b>	<b>9,258,775</b>	<b>12.3</b>	<b>9,564,089</b>	<b>12.9</b>	<b>3.3</b>
1.1	Core capital	7,230,976	9.6	7,230,976	9.7	0.0
1.2	Reserves	40,151	0.1	40,151	0.1	0.0
1.3	Revaluation reserves	429	0.0	1,188	0.0	176.9
1.4	Net unrealised gains/losses	9,731	0.0	10,306	0.0	5.9
1.5	Retained earnings	4,591,139	6.1	4,851,432	6.5	5.7
1.6	Loss	2,613,651	3.5	2,569,964	3.5	-1.7
1.7	Purchased own shares and stakes	0	0.0	0	0.0	-
<b>2</b>	<b>LONG-TERM PROVISIONING AND LIABILITIES</b>	<b>55,997,862</b>	<b>74.3</b>	<b>57,281,550</b>	<b>77.0</b>	<b>2.3</b>
2.1	Long-term provisions	743,767	1.0	727,317	1.0	-2.2
2.2	Long-term liabilities	55,254,095	73.4	56,554,233	76.1	2.4
2.2.1	Long-term domestic loans	6,106,064	8.1	6,021,189	8.1	-1.4
2.2.2	Long-term foreign loans	49,148,031	65.3	50,533,044	68.0	2.8
2.2.3	Other long-term liabilities	0	0.0	0	0.0	-100.0
<b>3</b>	<b>SHORT-TERM LIABILITIES</b>					
3.1	Short-term financial liabilities	<b>10,064,693</b>	<b>13.4</b>	<b>7,501,904</b>	<b>10.1</b>	<b>-25.5</b>
3.1.1	Short-term domestic loans	9,256,470	12.3	6,554,913	8.8	-25.5
3.1.2	Short-term foreign loans	9,187,015	12.2	6,446,169	8.7	-29.2
3.1.3	Interest liabilities and liabilities arising from other costs of financing	0	0.0	0	0.0	0.0
3.2	Financial lease liabilities	69,455	0.1	108,744	0.1	56.6
3.3	Other liabilities and deferred tax liabilities	249,286	0.3	252,178	0.3	1.2

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, individual and cumulative market shares of lessors' balance sheet totals were calculated, as so was the Herfindahl-Hirschman Index (HHI). Using this criterion lessors were also ranked based on the size of individual market share as determined by the level of financial lease receivables (portfolio).

Table 4 Market share of lessors by balance sheet assets

Ranking	Lessor	Balance sheet assets (in RSD thousand)	Share	Lessor	Balance sheet assets (in RSD thousand)	Share	
1	Intesa Leasing d.o.o. Beograd	13,805,463	18.6%	9	Heta Leasing d.o.o. Beograd	2,525,548	3.4%
2	Sogelease Srbija d.o.o. Beograd	12,655,852	17.0%	10	Lipaks Leasing d.o.o. Beograd	1,835,973	2.5%
3	Raiffeisen Leasing d.o.o. Beograd	9,307,892	12.5%	11	VB Leasing d.o.o. Beograd	1,130,083	1.5%
4	UniCredit Leasing d.o.o. Beograd	9,285,874	12.5%	12	NLB Leasing d.o.o. Beograd undergoing liquidation	659,454	0.9%
5	S-Leasing d.o.o. Beograd	7,284,330	9.8%	13	Procredit Leasing d.o.o. Beograd	251,844	0.3%
6	OTP Lizing d.o.o. Beograd	6,005,217	8.1%	14	Piraeus Leasing d.o.o. Beograd	236,988	0.3%
7	CA Leasing Srbija d.o.o. Beograd	5,230,130	7.0%	15	Zastava Istrabenz Lizing d.o.o. Beograd	221,044	0.2%
8	Porsche Leasing SCG d.o.o. Beograd	3,782,392	5.1%	16	ERB Leasing a.d. Beograd	129,459	0.2%
<b>TOTAL</b>		<b>74,347,543</b>	<b>100.0%</b>				

Source: NBS.

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

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	Intesa Leasing d.o.o. Beograd	12,708,132	19.3%	9	Lipaks Leasing d.o.o. Beograd	1,124,144	1.7%
2	Sogelease Srbija d.o.o. Beograd	12,451,654	18.9%	10	VB Leasing d.o.o. Beograd	1,033,280	1.6%
3	Raiffeisen Leasing d.o.o. Beograd	9,162,013	13.9%	11	Heta Leasing d.o.o. Beograd	152,609	0.2%
4	UniCredit Leasing	8,335,996	12.6%	12	Zastava Istrabenz Lizing d.o.o.	151,555	0.2%



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

Ranking	Lessor	Portfolio (in RSD thousand)	Share	Lessor	Portfolio (in RSD thousand)	Share	
	d.o.o. Beograd			Beograd			
5	S-Leasing d.o.o. Beograd	6,748,656	10.2%	13	Piraeus Leasing d.o.o. Beograd	128,838	0.2%
6	OTP Lizing d.o.o. Beograd	5,452,165	8.3%	14	NLB Leasing d.o.o. Beograd undergoing liquidation	10,811	0.0%
7	CA Leasing d.o.o. Beograd	4,929,836	7.5%	15	Procredit Leasing d.o.o. Beograd	4,742	0.0%
8	Porsche Leasing SCG d.o.o. Beograd	3,544,168	5.4%	16	ERB Leasing a.d.Beograd	693	0.0%
	<b>TOTAL</b>	<b>65,939,292</b>	<b>100.0%</b>				

Source: NBS.

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

Judging by the Herfindahl–Hirschman Index, which equalled 1,344.3 on 31 March 2017, the financial leasing market falls into the category of moderately concentrated markets.

## 2.3 Income statement

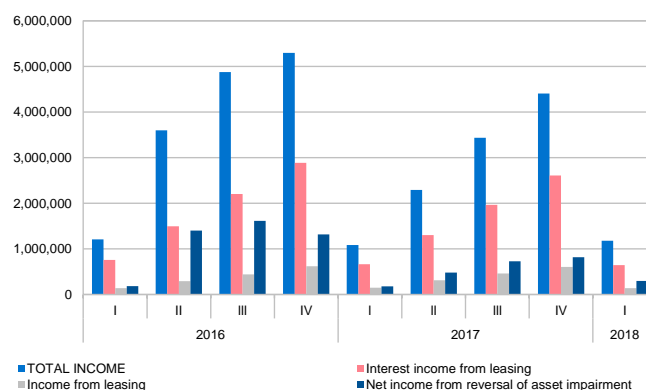
Total pre-tax result of all lessors as at 31 March 2018 was positive, reaching RSD 535.3 mn. Of all lessors, three recorded a negative pre-tax result (RSD 10.4 mn), while others had a positive pre-tax result.

Profit of the financial leasing sector as at 31 March 2018 increased by 30.6% compared to the first quarter of the last year when it stood at RSD 378.8 mn. Total income and gains as at 31 March 2018 increased by 8.0% compared to 31 March 2017, while total expenses and losses decreased by 8.6%.

The most significant category of income was interest income from leasing (as primary income of lessors), with the share of 54.6% in total income as at 31 March 2018. Net income from impairment of assets had a 25.0% share in total income, followed by income from leasing (income from core business) – 11.8%. Other gains and income (income from premiums, subsidies, grants, donations, income from the reversal of long-term provisions, etc.) had a 4.8% share in total income. The share of other categories of income in total income changed negligibly.

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

Chart 2 Structure of revenue

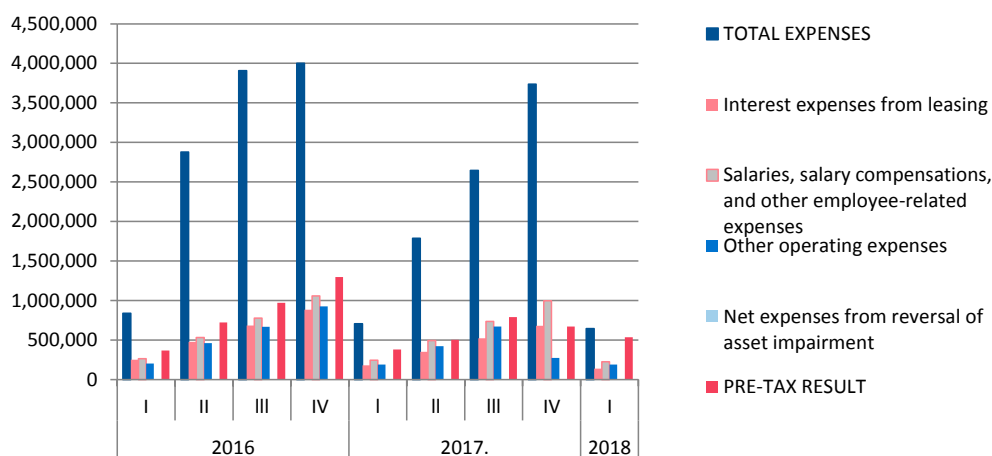


Source: NBS.

The largest share in total expenses was held by: salaries, salary compensations, and other employee-related expenses (34.7%), followed by other operating expenses (29.5%), lease interest expenses (21.3%), financial leasing expenses (6.2%) and, depreciation and provisioning expenses (4.0%)

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

Chart 3 Structure of expenses



Source: NBS.

The comparative balance sheet of all lessors in RSD thousands as at 31 March 2017 and 31 March 2018 is presented in Table 6

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

No	ITEM	31 /3/ 2017	% of tot. inc.	31/ 3/ 2018	% of tot. inc.	% growth 2017/2018
<b>INCOME AND EXPENSES FROM REGULAR OPERATIONS</b>						
<b>OPERATING INCOME AND EXPENSES</b>						
1	Interest income from leasing	661,681	61.0	644,913	54.6	-2.5

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

No	ITEM	31 /3/ 2017	% of tot. inc.	31/ 3/ 2018	% of tot. inc.	% growth 2017/2018
2	Interest expenses from leasing	180,951	16.7	137,259	11.6	-24.1
3	Income from leasing	148,409	13.7	139,781	11.8	-5.8
4	Expenses from leasing	52,915	4.9	39,717	3.4	-24.9
<b>I</b>	<b>BUSINESS RESULT</b>	<b>576,224</b>	<b>53.1</b>	<b>607,718</b>	<b>51.5</b>	<b>5.2</b>
	OTHER INCOME AND EXPENSES					
5	Net income from other interest	15,597	1.4	22,097	1.9	29.4
6	Net expenses from other interest	0.0	0.0	0.0	0.0	–
7	Net income from exchange rate differences and currency clause effects	17,311	1.6	13,835	1.2	-20.1
8	Net expenses from exchange rate differences and currency clause effects	0	0.0	0	0.0	–
9	Net income from share in the profit of subsidiary legal entities and joint ventures	0	0.0	0	0.0	–
10	Net expenses from share in losses of subsidiary legal entities and joint ventures	0	0.0	0	0.0	–
11	Net income from sale and lease	10,995	1.0	2,843	0.2	-74.1
12	Net losses from sale and lease	0.0	0.0	0.0	0.0	–
13	Salaries, salary compensations and other employee-related expenses	244,285	22.5	223,870	19.0	-8.3
14	Depreciation and provisioning	21,384	2.0	25,724	2.2	26.9
15	Other operating expenses	190,224	17.5	190,269	16.1	0.2
16	Net income from sale of intangible investment, property, plant, equipment and other assets	583	0.1	3,683	0.3	84.2
17	Net loss from sale of intangible investment, property, plant, equipment and other assets	0	0.0	0	0.0	–
18	Net income from sale of share in capital and securities	592	0.0	1,250	0.1	52.6
19	Net loss from sale of share in capital and securities	0	0.0	0	0.0	–
20	Net income from impairment of assets	175,758	16.2	295,207	25.0	40.5
21	Net expenses from impairment of assets	0	0.0	0	0.0	–
22	Other income and gains	53,972	5.0	56,751	4.8	4.9
23	Other expenses and losses	15,896	1.5	28,208	2.4	-43.6
<b>II</b>	<b>REGULAR OPERATING RESULT</b>	<b>378,651</b>	<b>34.9</b>	<b>535,315</b>	<b>45.4</b>	<b>-29.3</b>
24	NET GAIN FROM DISCONTINUED OPERATIONS	0	0.0	0	0.0	–
25	NET LOSS FROM DISCONTINUED OPERATIONS	0	0.0	0	0.0	–
<b>III</b>	<b>PRE-TAX RESULT</b>	<b>378,651</b>	<b>34.9</b>	<b>535,315</b>	<b>45.4</b>	<b>-29.3</b>
26	PROFIT TAX					
26.1	1 Tax expense of the period	22,343	2.1	31,668	2.7	29.4
26.2	2 Deferred tax expenses of the period	3,249	0.3	7,911	0.7	–

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

No	ITEM	31 /3/ 2017	% of tot. inc.	31/ 3/ 2018	% of tot. inc.	% growth 2017/2018
26.3	3 Deferred tax income of the period	44	0.0	69	0.0	–
27	Paid personal income to employer	0	0.0	0	0.0	–
<b>IV</b>	<b>NET RESULT</b>	<b>353,103</b>	<b>32.6</b>	<b>495,805</b>	<b>42.0</b>	<b>29.4</b>
<b>V</b>	<b>TOTAL INCOME AND PROFIT</b>	<b>1,084,306</b>	<b>100.0</b>	<b>1,180,362</b>	<b>100.0</b>	<b>8.1</b>
<b>VI</b>	<b>TOTAL EXPENSES AND LOSSES</b>	<b>705,655</b>	<b>65.1</b>	<b>645,047</b>	<b>54.6</b>	<b>-8.6</b>

Source: NBS.

### 3 Structure of investment and asset quality

#### 3.1 Structure of financial lease investment

In Q1 2018, as in years before, the bulk of share in the lease investment, by lessee (84.3%), referred to corporate financial leasing outside the financial sector.

At end-Q1 2018, by lease asset, financing of freight vehicles, minibuses, and buses (41.9%) continued to account for the largest share of financial lease, as well as passenger vehicles with 34.7%. As in the previous periods, the share of other lease assets continued to account for close to or below 10.0%.

In this quarter, in terms of sectors the most significant share in total financial lease investment was that of transport, warehousing, information and communications – 33.3%. Trade also accounted for a significant share with 16.2%, as did manufacturing, mining and water supply with 14.1% and construction with 7.3%.

#### 3.2 Asset quality

The value of financial lease receivables as at 31 March 2018 was RSD 65.9 bn, which represents a 1.0% increase relative to end-2017 (RSD 65.3 bn).

At end-Q1 2018 gross receivables past due equalled RSD 4.1 bn, making up 5.8% of gross financial lease receivables. At end-2017 these receivables amounted to RSD 4.5 bn, but went on a decline thereafter, which is perceived as continuation of a positive trend. At end-2016, these receivables amounted to as much as RSD 5.8 bn.

The net carrying value of past due receivables was RSD 803.9 mn, with a share in the portfolio of 1.2%. The net carrying value of past due receivables rose slightly compared to the end of the previous year (2017), while declining compared to the end of 2016 (RSD 951.1 mn).

Net receivables past due were relatively low (8.4%) compared to the capital of the financial leasing sector as at 31 March 2018.

At end-Q1 2018, receivables past due for more than 90 days made up the largest share of total receivables past due. These receivables equalled RSD 3.2 bn as at 31

March 2018. Their share in total gross receivables from financial leasing accounted for 4.5%. The net carrying value of receivables past due for more than 90 days made up 0.2% of the total net portfolio, as at the end of the previous year (0.2%), but decreasing slightly from end-2016 (0.6%).

Allowances for impairment of receivables due and not due came at RSD 4.1 bn as at 31 March 2018 and their share in total gross financial lease receivables was 5.8%, while at the end of the previous year it was 6.7%. That was a significant decrease compared to end-2016 when allowances for impairment amounted to RSD 6.8 bn, with the share of 10.7% in total gross receivables.

In Q1 2018 lessors' returned lease assets were worth RSD 67.7 mn, which, combined with the assets carried over from previous years, amounted to RSD 268.1 mn or 0.4% of the portfolio. Of the total value of returned lease assets, lessors re-leased 17.7%, sold 23.8%, while 30.6% remained idle. As at 31 March 2018, net carrying value of returned lease assets amounted to RSD 82.2 mn, or 0.1% of the portfolio.

#### **4 Performance indicators**

Compared to the same quarter the year before, in Q1 2018 ROA rose from 2.29% to 2.86%, and ROE from 17.91% to 22.75%.

Net interest margin was 3.23% (at end-Q1 2017 it amounted to 3.47%). At end-Q1 2018 the average lending interest rate was 4.11%, which is a slight decrease y-o-y (Q1 2017: 4.84%). The average deposit interest rate stood at 0.90% at end-Q1 2018 (Q1 2017: 1.42%).