



**NATIONAL BANK OF SERBIA**  
**BANK SUPERVISION DEPARTMENT**

# **FINANCIAL LEASING SECTOR IN SERBIA**

**First Quarter Report 2019**

September 2019

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

At end-Q1 2019, 17 lessors operated in the Serbian financial leasing sector:

- |   |  |
|---|--|
| 1. CA Leasing Srbija d.o.o. Beograd                         | 10. Procredit Leasing d.o.o. Beograd<br>undergoing liquidation |
| 2. ERB Leasing a.d. Beograd undergoing<br>liquidation       | 11. Raiffeisen Leasing d.o.o. Beograd                          |
| 3. NDM Leasing d.o.o. Beograd                               | 12. Scania Leasing RS d.o.o. Krnjšeševci                       |
| 4. Intesa Leasing d.o.o. Beograd                            | 13. S-Leasing d.o.o. Beograd                                   |
| 5. LIPAKS d.o.o. Beograd                                    | 14. Sogelease Srbija d.o.o. Beograd                            |
| 6. OTP Lizing d.o.o. Beograd                                | 15. UniCredit Leasing Srbija d.o.o. Beograd                    |
| 7. NLB Leasing d.o.o. Beograd undergoing<br>liquidation     | 16. Vantage Leasing d.o.o. Beograd                             |
| 8. Piraeus Leasing d.o.o. Beograd<br>undergoing liquidation | 17. Zastava Istrabenz Lizing d.o.o. Beograd                    |
| 9. Porsche Leasing SCG d.o.o. Beograd                       |  |

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

(number of employees, total balance sheet assets, total capital – by residence of the lessor's founder and total amount)

**Table 1 Overview of basic parameters**  
(in RSD thousand, in %, as at 31 March 2019)

Ownership structure by owner nationality (residence)	No	Assets		Capital		Employment	
		Amount	Share	Amount	Share	No	Share
Lessors in 100% or majority ownership of domestic entities	10	79,157,887	89.5%	6,576,579	68.9%	290	81.7%
Lessors in 100% or majority ownership of foreign legal entities	7	9,301,627	10.5%	2,970,984	31.1%	65	18.3%
<b>Total</b>	<b>17</b>	<b>88,459,514</b>	<b>100.0%</b>	<b>9,547,563</b>	<b>100.0%</b>	<b>355</b>	<b>100.0%</b>

Namely, seven lessors were in 100% or majority ownership of foreign legal entities, while ten other lessors were in 100% or majority ownership of domestic entities (of which eight were owned by domestic banks with foreign capital) (Table 1 – Overview of main parameters).

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

**Table 2 Table 2 – Financial lessor ownership structure**

No	Lessor	Owner	% of ownership
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<sup>1</sup> All data presented in this report are based on the data which the NBS collected through off-site supervision of financial lessors in Q1 2019.

Table 2 Table 2 – Financial lessor ownership structure

No	Lessor	Owner	% of ownership
1.	CA Leasing Srbija d.o.o. Beograd	Credit Agricole Banka Srbija a.d. Novi Sad	100
2.	ERB Leasing a.d. Beograd undergoing liquidation	EFG New Europe Holding b.v, Amsterdam, the Netherlands EFG Eurobank Ergasias s.a. Athens, Greece Eurobank a.d. Beograd	48.63 25.81 25.56
3.	NDM Leasing d.o.o. Beograd	KAPPA STAR LIMITED, Cyprus	100
4.	Intesa Leasing d.o.o. Beograd	Banca Intesa a.d. Beograd	100
5.	LIPAKS d.o.o. Beograd	Mirko Žeželj Zoran Tanasić Sandra Džodić Milorad Milić	48.19 48.19 3.11 0.51
6.	OTP Lizing d.o.o. Beograd	Vojvođanska banka 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 undergoing liquidation	Direktna Banka ad Kragujevac;	100
9.	Porsche Leasing SCG d.o.o. Beograd	Porsche Bank AG, Salzburg, Austria	100
10.	ProCredit Leasing d.o.o. Beograd undergoing liquidation	ProCredit Bank a.d. Beograd	100
11.	Raiffeisen Leasing d.o.o. Beograd	Raiffeisen Bank a.d. Beograd	100
12.	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	100
15.	Vantage Leasing d.o.o. Beograd	VB-Leasing International Holding GmbH, Vienna, Austria	100
16.	Zastava Istrabenz Lizing d.o.o. Beograd	Istrabenz D.D. Portorož, Slovenia Grupa Zastava vozila a.d. Kragujevac – undergoing resolution	95.2 4.8
17.	Scania Leasing RS d.o.o. Krnješevci	Scania CV ACTIEBOLAG, Södertälje, Sweden	100

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 three lessors were in majority ownership of non-banking sector entities.

At the end of this quarter, **the number of employees** in the financial leasing sector was 355, down by five from the prior quarter.

**Total balance sheet assets** of the financial leasing sector equalled RSD 88.5 bn (up by 2.0% compared to the end of the previous quarter).

**Total capital** equalled RSD 9.6 bn (down by 1.2% q-o-q).

As in the previous quarter, four lessors made up as much as 61.9% of the financial leasing market in terms of their total balance sheet assets, while, on the other hand, three other lessors held individual shares of below 10.0%. The remaining nine lessors held individual market shares of less than 5.0%.

**Financial leasing sector is profitable.** Return on assets (ROA) of the financial leasing sector amounted to 1.24%, while return on equity (ROE) equalled 11.25% as at 31 March 2019.

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

As at 31 March 2019, receivables from financial leasing which are past due more than 90 days accounted for 2.8% of gross financial leasing receivables at the level of the entire financial leasing sector. The net carrying value of these receivables accounted for 0.1% of the total net portfolio.

**Net profit** at end-Q1 2019 reached RSD 221 bn. Of the total of 17 lessors, six had a negative net result.

At end-Q1 2019, seven lessors (*Intesa Leasing d.o.o. Beograd, OTP Lizing d.o.o. Beograd, CA Leasing Srbija d.o.o. Beograd, Sogelease Srbija d.o.o. Beograd, Vantage Leasing d.o.o. Beograd, S-Leasing d.o.o. Beograd and Porsche Leasing SCG d.o.o. Beograd*) had prior consent of the NBS for carrying out insurance agency services, though the share of income generated on this account does not represent a significant item in their total income.

Four lessors are undergoing voluntary liquidation, approved by the NBS.

## 2. Balance sheet structure

### 2.1 Balance sheet

As at 31 March 2019, balance sheet assets of all financial lessors totalled RSD 88.5 bn, up by 2.0% relative to the previous quarter.

The largest share (90.2%) of total balance sheet assets was that of financial leasing receivables (portfolio). These receivables amounted to RSD 79.7 bn, which is an increase of 2.5% relative to the previous quarter.

Lessors' current assets declined by 5.7%. The decrease was mostly driven by a decline in item Cash and cash equivalents.

At end-Q1 2019, the capital of all lessors amounted to RSD 9.6 bn, with a 10.8% share in total balance sheet liabilities. Total capital decreased by 1.2% relative to the end of the prior quarter.

As at 31 March 2019, long-term liabilities accounted for the largest share of lessors' total balance sheet liabilities. Long-term loans from foreign creditors made up the dominant share of long-term liabilities. 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 2019, total long-term liabilities increased by 2.1% relative to 31 December 2018.

Long-term foreign borrowing made up the dominant share of long-term liabilities (a 67.1% share of total liabilities). As at end-Q1 2019, long-term domestic loans held a 12.0% share in total balance sheet liabilities, up by 13.9% q-o-q.

As at 31 March 2019, the share of short-term liabilities in total balance sheet liabilities edged up from 9.2% to 9.3% compared to 31 December 2018. The bulk of short-term liabilities are made of domestic short-term loans (82.1%). The total short-term liabilities as at 31 March 2019 reached RSD 8.2 bn, which represents a 3.1% increase relative to the previous quarter (RSD 8.0 bn).

The bulk of lessors' balance sheet assets were foreign currency indexed receivables (89.2%), while the majority of balance sheet liabilities were foreign currency denominated (68.0%), which is in line with the structure of debt, given the creditors' residence.

The comparative balance sheet of lessors in RSD thousands as at 31 December 2018 and 31 March 2019 is presented in Table 3.

Table 3 **The comparative balance sheet of financial lessors** (in RSD thousand)

No	ITEM	31 December 2018		31 March 2019		% growth
		Amount	%	Amount	%	
<b>ASSETS</b>		<b>86,737,658</b>	<b>100.0</b>	<b>88,459,514</b>	<b>100.0</b>	<b>2.0</b>
1.	<b>FIXED ASSETS</b>	<b>78,365,673</b>	<b>90.3</b>	<b>80,562,664</b>	<b>91.1</b>	<b>2.8</b>
1.1	Property, plant and equipment	178,961	0.2	415,403	0.5	132.1
1.2	Financial leasing receivables	77,778,928	89.7	79,748,163	90.2	2.5
1.3	Long-term financial assets	314,329	0.4	302,379	0.3	-3.8
1.4	Other fixed assets	93,455	0.1	96,719	0.1	3.5
2.	<b>CURRENT ASSETS</b>	<b>8,371,985</b>	<b>9.7</b>	<b>7,896,850</b>	<b>8.9</b>	<b>-5.7</b>
2.1	Cash and cash equivalents	3,946,774	4.6	2,203,908	2.5	-44.2
2.2	Short-term financial leasing receivables	94,839	0.1	85,833	0.1	-9.5
2.3	Short-term financial assets	3,239,712	3.7	4,225,845	4.8	30.4
2.4	Other short-term receivables	255,895	0.3	164,054	0.2	-35.9
2.5	Other current assets and deferred tax assets	834,765	1.0	1,217,210	1.4	45.8
<b>LIABILITIES</b>		<b>86,737,658</b>	<b>100.0</b>	<b>88,459,514</b>	<b>100.0</b>	<b>2.0</b>
1.	<b>CAPITAL</b>	<b>9,662,751</b>	<b>11.1</b>	<b>9,547,536</b>	<b>10.8</b>	<b>-1.2</b>
1.1	Core capital	7,416,790	8.6	7,416,790	8.4	0.0
1.2	Reserves	40,151	0.0	40,151	0.0	0.0
1.3	Revaluation reserves	177	0.0	177	0.0	0.0

1.4	Net unrealised gains/losses	3,982	0.0	5,023	0.0	26.1
1.5	Retained earnings	4,789,255	5.5	4,552,705	5.1	-4.9
1.6	Loss	2,587,604	3.0	2,467,310	2.8	-4.6
1.7	Purchased own shares and stakes	0	0.0	0	0.0	-
<b>2.</b>	<b>LONG-TERM PROVISIONING AND LIABILITIES</b>	<b>69,102,261</b>	<b>79.7</b>	<b>70,695,644</b>	<b>79.9</b>	<b>2.3</b>
2.1	Long-term provisions	376,841	0.4	505,668	0.6	34.2
2.2	Long-term liabilities	68,725,420	79.2	70,189,976	79.3	2.1
2.2.1	Long-term domestic loans	9,301,647	10.7	10,593,677	12.0	13.9
2.2.2	Long-term foreign loans	59,423,773	68.5	59,355,529	67.1	-0.1
2.2.3	Other long-term liabilities	0	0.0	240,770	0.3	-
<b>3.</b>	<b>SHORT-TERM LIABILITIES</b>	<b>7,972,646</b>	<b>9.2</b>	<b>8,216,334</b>	<b>9.3</b>	<b>3.1</b>
3.1	Short-term financial liabilities	6,891,087	7.9	6,871,869	7.8	-0.3
3.1.1	Short-term domestic loans	6,793,593	7.8	6,744,587	7.6	-0.7
3.1.2	Short-term foreign loans	0	0.0	0	0.0	0.0
3.1.3	Liabilities under interest and other costs of financing	97,494	0.1	127,282	0.1	30.6
3.2	Financial lease liabilities	339,615	0.4	399,862	0.5	17.7
3.3	Other liabilities and deferred tax liabilities	741,944	0.9	944,603	1.1	27.3

Source: NBS.

## 2.2 Market share

For the purpose of monitoring the structure of the financial leasing market and the degree of competition among lessors, calculations were made of individual and cumulative market shares of lessors' balance sheet totals, as well as of the Herfindahl-Hirschman Index (HHI). Also, lessors were ranked based on the size of individual market share as determined by the level of receivables from financial leasing (portfolio).

Table 4 Table 4 – Market share of lessors by balance sheet assets

Ranking	Lessor	Balance sheet assets		Lessor	Balance sheet assets		
		(RSD thousand)	Share		(RSD thousand)	Share	
1.	Sogelease Srbija d.o.o. Beograd	15,662,498	17.7%	10.	Lipaks Leasing d.o.o. Beograd	1,834,798	2.1%
2.	Intesa Leasing d.o.o. Beograd	15,110,774	17.1%	11.	NDM Leasing d.o.o. Beograd	1,565,910	1.8%
3.	UniCredit Leasing d.o.o. Beograd	12,015,776	13.6%	12.	NLB Leasing d.o.o. Beograd undergoing liquidation	684,108	0.8%
4.	Raiffeisen Leasing d.o.o. Beograd	11,934,878	13.5%	13.	Vantage Leasing d.o.o. Beograd	355,010	0.4%
5.	S-Leasing d.o.o. Beograd	9,086,629	10.3%	14.	Procredit Leasing d.o.o. Beograd undergoing liquidation	222,966	0.3%

Table 4 Table 4 – Market share of lessors by balance sheet assets

Ranking	Lessor	Balance sheet assets (RSD thousand)	Share	Lessor	Balance sheet assets (RSD thousand)	Share	
6.	OTP Lizing d.o.o. Beograd	7,339,294	8.3%	15.	Zastava Istrabenz Lizing d.o.o. Beograd	218,612	0.2%
7.	CA Leasing Srbija d.o.o. Beograd	5,906,389	6.7%	16.	ERB Leasing a.d.Beograd undergoing liquidation	116,934	0.1%
8.	Porsche Leasing SCG d.o.o. Beograd	4,507,955	5.1%	17.	Pireus Leasing d.o.o. Beograd undergoing liquidation	43,885	0.0%
9.	Scania Leasing d.o.o. Krnješevci	1,853,098	2.1%				
<b>TOTAL</b>		<b>88,459,514</b>	<b>100.0%</b>				

Source: NBS.

The four top-ranked lessors, whose assets make up over half of the market, retained their positions held at the end of the previous year.

Also, the market share of lessors by portfolio changed insignificantly relative to the previous quarter.

Judging by the Herfindahl–Hirschman Index, which equalled 1,229.5 on 31 March 2019, the financial leasing market falls into the category of moderately concentrated markets.

Table 5 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.	Sogelease Srbija d.o.o. Beograd	15,456,203	19.4%	10.	Lipaks Leasing d.o.o. Beograd	1,071,958	1.3%
2.	Intesa Leasing d.o.o. Beograd	13,956,506	17.5%	11.	Vantage Leasing d.o.o. Beograd	317,737	0.4%
3.	Raiffeisen Leasing d.o.o. Beograd	10,973,317	13.8%	12.	Zastava Istrabenz Lizing d.o.o. Beograd	137,659	0.2%
4.	UniCredit Leasing d.o.o. Beograd	10,907,431	13.7%	13.	NDM Leasing d.o.o. Beograd	25,128	0.0%
5.	S-Leasing d.o.o. Beograd	8,518,801	10.7%	14.	Pireus Leasing d.o.o. Beograd undergoing liquidation	11,382	0.0%
6.	OTP Lizing d.o.o. Beograd	6,756,058	8.5%	15.	Procredit Leasing d.o.o. Beograd undergoing liquidation	94	0.0%
7.	CA Leasing Srbija d.o.o. Beograd	5,652,295	7.1%	16.	NLB Leasing d.o.o. Beograd undergoing liquidation	0.0	0.0%
8.	Porsche Leasing	4,335,341	5.4%	17.	ERB Leasing a.d.Beograd	0.0	0.0%



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

Ranking	Lessor	Portfolio (in RSD thousand)	Share	Lessor	Portfolio (in RSD thousand)	Share
	SCG d.o.o. Beograd			undergoing liquidation		
9.	Scania Leasing d.o.o. Krnješevci	1,628,243	2.0%			
	<b>TOTAL</b>	<b>79,748,163</b>	<b>100.0%</b>			

Source: NBS.

## 2.3 Income statement

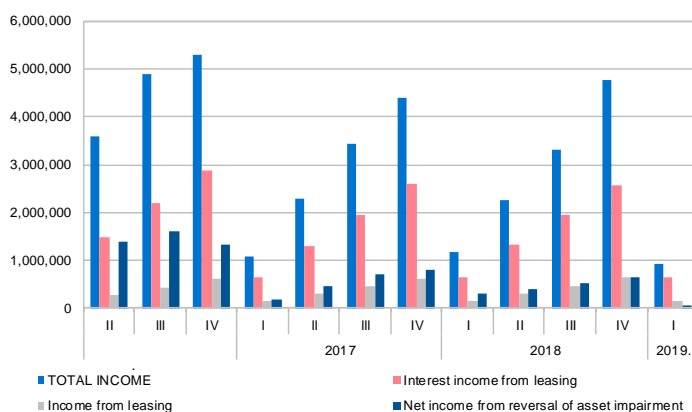
Total pre-tax profit of the financial leasing sector as at 31 March 2019 was positive and equalled RSD 259.6 bn. Of the total number of lessors, six recorded a negative pre-tax result (RSD 44.2 mn), while others had a positive pre-tax result.

As at 31 March 2019, total income and profit equalled RSD 932.1 mn (down by 21.0% q-o-q) and total expenses and losses stood at RSD 672.5 mn (up by 4.2% from the same quarter in 2019).

The most significant category of income was interest income from leasing (as the primary income of lessors) with the share of 69.3% in total income as at 31 March 2019. Income from leasing (income from the performance of primary activities) had a 17.7% share in total income, followed by net income from the impairment of assets – 5.2%. Other gains and income (income from premiums, subsidies, grants, donations, income from the reversal of long-term provisions, etc.) had a 6.0% share in total income. The share of other categories of income in the structure of total income changed negligibly.

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

Chart 2. Structure of revenue



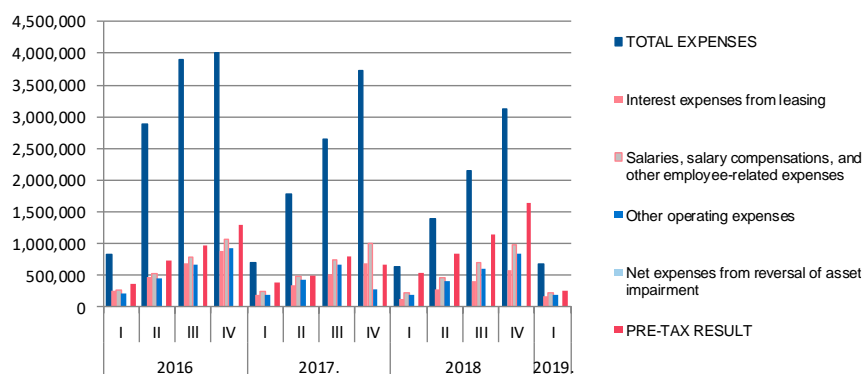
Source: National Bank of Serbia

Source: National Bank of Serbia

The largest share in the structure of total expenses was held by: salaries, salary compensations, and other employee-related expenses (34.9%), followed by other operating expenses (29.1%), lease interest expenses (23.6%), financial leasing expenses (6.0%), and depreciation and provisioning expenses (5.3%).

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

Chart 3. Structure of expenses



Source: National Bank of Serbia

The comparative balance sheet of lessors in RSD thousands as at 31 March 2018 and 31 March 2019 is presented in Table 6.

Table 6 **Aggregate profit and loss account of all lessors**  
(in RSD thousand)

No	ITEM	31 March 2018	% of tot. inc.	31 March 2019	% of tot. inc.	% growth 2018/2019
<b>INCOME AND EXPENSES FROM REGULAR OPERATIONS</b>						
<b>OPERATING INCOME AND EXPENSES</b>						
1.	Interest income from leasing	644,913	54.6	645,904	69.3	0.1
2.	Interest expenses from leasing	137,259	11.6	158,716	17.0	-13.5
3.	Income from leasing	139,781	11.8	165,017	17.7	18.0
4.	Expenses from leasing	39,717	3.4	40,326	4.3	1.5
<b>I</b>	<b>BUSINESS RESULT</b>	<b>607,718</b>	<b>51.5</b>	<b>611,879</b>	<b>65.6</b>	<b>0.7</b>
<b>OTHER INCOME AND EXPENSES</b>						
5.	Net income from other interest	22,097	1.9	16,605	1.8	-24.8
6.	Net expenses from other interest	0	0.0	0	0.0	—
7.	Net income from exchange rate differences and currency clause effects	13,835	1.2	0	0.0	-100
8.	Net expenses from exchange rate differences and currency clause effects	0	0.0	5,645	0.6	-

**Table 6 Aggregate profit and loss account of all lessors**  
(in RSD thousand)

No	ITEM	31 March 2018	% of tot. inc.	31 March 2019	% of tot. inc.	% growth 2018/2019
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	2,843	0.2	118	0.0	-95.8
12.	Net losses from sale and lease	0.0	0.0	0.0	0.0	–
13.	Salaries, compensations and other expenses related to employees	223,870	19.0	234,608	25.2	4.8
14.	Depreciation and provisioning	25,724	2.2	35,464	3.8	37.9
15.	Other operating expenses	190,269	16.1	195,744	21.0	2.9
16.	Net income from the sale of intangible investment, property, plant, equipment and other assets	3,683	0.3	43	0.0	-98.8
17.	Net loss from the sale of intangible investment, property, plant, equipment and other assets	0	0.0	0	0.0	–
18.	Net income from the sale of the share in capital and securities	1,250	0.1	0	0.0	–
19.	Net loss from the sale of the share in capital and securities	0	0.0	0	0.0	–
20.	Net income from impairment of assets	295,209	25.0	48,664	5.2	-83.5
21.	Net expenses from impairment of assets	0	0.0	0	0.0	–
22.	Other income and gains	56,751	4.8	55,748	6.0	-1.8
23.	Other expenses and losses	28,208	2.4	1,964	0.2	-93.0
<b>II</b>	<b>REGULAR OPERATING RESULT</b>	<b>535,315</b>	<b>45.4</b>	<b>259,632</b>	<b>27.9</b>	<b>-51.5</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>535,315</b>	<b>45.4</b>	<b>259,632</b>	<b>27.9</b>	<b>51.5</b>
26.	PROFIT TAX					
26.1	1. Tax expense of the period	31,668	2.7	40,290	4.3	27.2
26.2	2. Deferred tax expenses of the period	7,911	0.7	0	0.0	-100
26.3	3. Deferred tax income of the period	69	0.0	1,681	0.2	2336.2
27.	Paid personal income to employer	0	0.0	0	0.0	–
<b>IV</b>	<b>NET RESULT</b>	<b>495,805</b>	<b>42.0</b>	<b>221,023</b>	<b>23.7</b>	<b>-55.4</b>
<b>V</b>	<b>TOTAL INCOME AND PROFIT</b>	<b>1,180,362</b>	<b>100.0</b>	<b>932,099</b>	<b>100.0</b>	<b>-21.0</b>
<b>VI</b>	<b>TOTAL EXPENSES AND LOSSES</b>	<b>645,047</b>	<b>54.6</b>	<b>672,467</b>	<b>72.1</b>	<b>4.2</b>

Source: NBS.

### 3. Structure of investment and asset quality

#### 3.1 Structure of financial lease investment

In Q1 2019, as in the previous years, the major share in the structure of lease investment, by lessee (85.0%), referred to corporate financial leasing outside the financial sector.

At end-Q1 2019, by lease asset, the financing of freight vehicles, minibuses and buses continued to account for the largest share (40.8%), followed by passenger vehicles (35.5%). Other lease assets had a share of less than 10.0%.

In this quarter, by sector structure of investment, the most significant share in total financial lease investment was that of transport, warehousing, information and communications – 29.6%. Trade also accounted for a significant share with 15.6%, followed by manufacturing, mining, and water, electricity, gas and steam supply with 14.1%, as did the construction sector with 10.4%. Other activities accounted for a 21.7% share.

#### 3.2 Asset quality

The value of financial leasing receivables as at 31 March 2019 was RSD 79.7 bn, an increase of 2.4% q-o-q (RSD 77.8 bn).

At end-Q1 2019, gross receivables past due equalled RSD 3.3 bn, making up 4.0% of gross financial leasing receivables. Compared to March 2018, when these receivables amounted to RSD 4.1 bn, and relative to the same quarter in 2017 when they stood at RSD 6.1 mn, the positive trend is evidently continuing as these receivables are on the decline.

The net carrying value of past due receivables was RSD 850.9 mn, with a share in portfolio of 1.0%. Relative to March 2018, as well as to the same quarter in 2017, the net carrying value of past due receivables edged down slightly.

Net receivables past due were relatively low (8.9%) compared to the capital of the financial leasing sector as at 31 March 2019.

At end-Q1 2019, receivables past due for more than 90 days made up the largest share of total receivables past due. As at 31 March 2019, these receivables amounted to RSD 2.3 bn. Their share in total gross receivables from leasing accounted for 2.8%. The net carrying value of receivables past due more than 90 days made up 0.1% of the total net portfolio.

Allowances for impairment of receivables due and not due came at RSD 2.9 bn as at 31 March 2019 and their share in total gross financial leasing receivables was 3.6%, while at 31 March 2018 it equalled 5.8%. This is a significant decrease compared to Q1 2017 when allowances for impairment amounted to RSD 5.2 bn, with a share of 10.9% in total gross receivables.

In Q1 2019, lessors' returned lease assets were worth RSD 174.8 mn, which, combined with the assets carried over from previous years, amounted to RSD 390.5 bn

or 0.5% of the portfolio. Of the total value of returned lease assets, lessors re-leased 37.5%, sold 7.9%, while 27.9% remained idle. As at 31 March 2019, net carrying value of returned lease assets amounted to RSD 108.9 mn, or 0.1% of the portfolio.

#### **4. Performance indicators**

At end-Q1 2019, ROA rose from 2.05% to 1.24%, while ROE declined from 17.53% to 11.25%, relative to Q1 2018.

Net interest margin was 2.59% (at end-Q1 2018 it amounted to 3.23%). At end-Q1 2019, the average lending interest rate was 3.43%, which is a decrease from the same quarter in 2018 when it stood at 4.11%. At end-Q1 2019, the average deposit interest rate stood at 0.88% (0.90% at end-Q1 2018).

Financial lessors' main sources of funds are loans and borrowing. The share of borrowed assets in total lessors' sources of funds is 89%. The liabilities to banks and other credit institutions accounted for the bulk of total liabilities of the financial leasing sector.