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TRANSLATION

Independent Auditors' Report

TO THE OWNERS OF

INTESA LEASING D.O.O. BEOGRAD

Report on financial statements

We have audited the accompanying financial statements of Intesa Leasing d.o.o. Beograd ("the Company"), which comprise the statement of financial position as at 31 December 2015, the income statement, the statement of other comprehensive income, the statement of changes in equity and cash flow statement for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and true and fair view of these financial statements in accordance with the Law on Accounting of the Republic of Serbia, Law on Financial Leasing and other relevant by-laws issued by the National Bank of Serbia and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Law on Auditing of the Republic of Serbia and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation and true and fair view of financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

TRANSLATION

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2015, and of its financial performance and cash flows for the year then ended in accordance with the Law on Accounting of the Republic of Serbia, Law on Financial Leasing and other relevant by-laws issued by the National Bank of Serbia.

Report on Other Legal and Regulatory Requirements

In accordance with the Law on Accounting of the Republic of Serbia, the Company is responsible for the preparation of the accompanying annual business report. Our responsibility is to express an opinion on consistency of the annual business report with the financial statements for year ended 31 December 2015. In this regard, we performed procedures in accordance with International Standards on Auditing 720 – *The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements*, which are limited to the assessment of consistency of the annual business report with the financial statements.

In our opinion, the annual business report is consistent with the separate financial statements.

Belgrade, 19 February 2016 KPMG d.o.o. Beograd

(L.S.)

Dušan Tomić
Certified Auditor

This is a translation of the original Independent Auditors' Report issued in the Serbian language. All due care has been taken to produce a translation that is as faithful as possible to the original. However, if any questions arise related to interpretation of the information contained in the translation, the Serbian version of the document shall prevail.

Belgrade, 19 February 2016 KPMG d.o.o. Beograd

(L.S.)

DRUŠTVO ZA KONSALTING I REVIZIJU KPMG D.O.O. 1 BEOGRAD

Dušan Tomić
Certified Auditor

STATEMENT OF PROFIT OR LOSS FOR THE PERIOD 1 JANUARY TO 31 DECEMBER

In thousands of RSD	Notes	2015	2014
INCOME AND EXPENSES FROM OPERATING ACTIVITIES			
Interest income	5	397,245	420,262
Interest expenses	5	(133,163)	(133,121)
Net interest income		**264,082**	**287,141**
Fee and commission income	6	82,859	67,503
Fee and commission expenses	6	(25,871)	(22,569)
Net fee and commission income		**56,988**	**44,934**
Net foreign exchange gains and net gains from foreign exchange clause	7	5,194	15,799
Other operating income	8	12,996	12,106
Net impairment loss on finance lease receivables	9	(12,859)	(21,347)
Net gains / (losses) from changes in value of repossessed leased assets		1,633	(5,434)
OPERATING PROFIT		**328,034**	**333,199**
Costs of salaries, benefits and other personal expenses	11	(85,882)	(84,497)
Depreciation and amortization	12	(7,358)	(7,863)
Other expenses	13	(79,569)	(87,717)
PROFIT BEFORE TAX		**155,225**	**153,122**
Current tax expense	14	(25,535)	(20,706)
Deferred tax expense	14	(266)	(6,866)
PROFIT FOR THE PERIOD		**129,424**	**125,550**
Profit attributable to the parent entity		129,424	125,550

Belgrade, 17 February 2016

Report prepared by:	Legal representative:
Predrag Topalović	Nebojša Janićijević

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STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE PERIOD 1 JANUARY TO 31 DECEMBER

In thousands of RSD	Notes	2015	2014
PROFIT FOR THE PERIOD		**129,424**	**125,550**
Other comprehensive income			
Items of other comprehensive income that may be reclassified to profit or loss			
Positive effects of fair value adjustments on financial assets available for sale		15,253	
Unrealized losses on securities available for sale			(13,409)
Net income taxes relating to other comprehensive income		(2,288)	2,011
OTHER COMPREHENSIVE INCOME		**12,965**	**(11,398)**
TOTAL COMPREHENSIVE INCOME		**142,389**	**114,152**

Belgrade, 17 February 2016

Report prepared by:
Predrag Topalović

Legal representative:
Nebojša Janićijević

STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED AS AT 31 DECEMBER

In thousands of RSD	Notes	2015 Closing balance	2014 Closing balance
ASSETS			
Cash	15	1,240,864	35,187
Financial placements held with banks	16	-	2,068,566
Other financial placements and derivatives	17	986,560	795,813
Receivables from finance lease activities	18	6,793,808	6,029,270
Repossessed leased assets and inventories	19	96,579	44,389
Intangible assets	20	8,858	8,149
Property, plant and equipment	21	6,412	6,513
Current tax assets		-	15,479
Deferred tax assets	14	2,386	2,652
Other assets	22	227,768	30,135
TOTAL ASSETS		**9,363,235**	**9,036,153**
EQUITY AND LIABILITIES			
LIABILITIES			
Borrowings from banks and other financial institutions	23	7,325,098	7,380,265
Provisions	24	227	177
Current tax liabilities		5,340	-
Other liabilities	25	400,776	43,093
TOTAL LIABILITIES		**7,731,441**	**7,423,535**
EQUITY			
Stake capital	26	960,374	960,374
Reserves, revaluation reserves and unrealized gains and losses	27	4,633	(10,620)
Retained earnings	28	666,787	662,864
TOTAL EQUITY		**1,631,794**	**1,612,618**
TOTAL LIABILITIES AND EQUITY		**9,363,235**	**9,036,153**

Belgrade, 17 February 2016

Report prepared by:
Predrag Topalović

Legal representative:
Nebojša Janićijević

STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD 1 JANUARY TO 31 DECEMBER

In thousands of RSD	Stake capital	Retained earnings	Unrealized gains on securities	Unrealized losses on securities	Total
Balance as at 1 January 2014	960,374	**537,313**	**2,789**	-	**1,500,476**
Increase for the year	-	-	-	(10,620)	(10,620)
Decrease for the year	-	-	(2,789)	-	(2,789)
Profit for the period	-	125,550	-	-	125,550
Balance as of 31 December 2014	**960,374**	**662,863**	**-**	**(10,620)**	**1,612,617**
Balance as at 1 January 2015	**960,374**	**662,863**	**-**	**(10,620)**	**1,612,617**
Increase for the year	-	-	4,633	-	4,633
Decrease for the year	-	(125,500)	-	10,620	(114,880)
Profit for the period	-	129,424	-	-	129,424
Balance as at 31 December 2015	**960,374**	**666,787**	**4,633**	**-**	**1,631,794**

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CASH FLOW STATEMENT FOR THE PERIOD 1 JANUARY TO 31 DECEMBER

In thousands of RSD	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash inflow from operating activities	**5,001,965**	**3,911,345**
Receipts from finance lease placements	4,106,108	3,068,269
Receipts and advances received from finance lease activities	872,145	824,452
Receipts from rent and sales and other advances received	7,296	10,074
Other receipts from operating activities	16,416	8,550
Cash outflow from operating activities	**(5,676,854)**	**(4,936,719)**
Payment of liabilities and advance payments related to finance lease activities	(5,296,465)	(4,532,826)
Other payments and advances paid	(98,675)	(119,811)
Salaries, fringe benefits and other personal expenses paid	(96,057)	(87,110)
Income tax paid	(4,716)	(24,748)
Payments for other public charges	(9,240)	(47,412)
Other payments from operating activities	(171,701)	(124,812)
Net cash flows from operating activities	**(674,889)**	**(1,025,374)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash inflow from investing activities	**4,454,981**	**9,524,292**
Purchase of financial instruments	863,760	603,185
Other inflows from investing activities	3,565,871	8,885,929
Interest received from investing activities	25,350	35,178
Cash outflow from investing activities	**(2,470,822)**	**(8,222,680)**
Purchase of financial instruments	(977,165)	(796,455)
Other financial placements	(1,493,657)	(7,426,225)
Net cash flows from investing activities	**1,984,159**	**1,301,612**
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash inflow from financing activities	**4,082,102**	**8,997,489**
Increase in borrowings	4,082,102	8,997,489
Cash outflow from financing activities	**(4,183,625)**	**(9,283,783)**
Decrease in borrowings	(4,183,625)	(9,283,783)
Other payments from financial activities	-	-
Net cash flows from financing activities	**(101,523)**	**(286,294)**
Net cash inflow/(outflow)	**1,207,747**	**(10,056)**
Cash and cash equivalents at the beginning of period	**35,187**	**25,006**
Exchange rate gains on cash translation	**440**	**20,237**
Exchange rate losses on cash translation	**2,510**	**-**
Cash and cash equivalents at the end of period	**1,240,864**	**35,187**

INTESA LEASING d.o.o. BEOGRAD

NOTES TO THE FINANCIAL STATEMENTS
FOR 2015

CONTENTS:

1. BACKGROUND INFORMATION ON THE COMPANY INTESA LEASING d.o.o. BEOGRAD

The leasing company "Intesa Leasing" d.o.o. Beograd (hereinafter: "the Company") was established based on the decision of the Commercial Court on 3 September 2003, (formerly: "Delta Leasing"). The Company was reregistered in the Companies Register with the Serbian Business Registers Agency on 25 July 2005 based on the Decision no. 82785/2005.

The Company's change of name into Intesa Leasing d.o.o. Beograd was registered on 16 December 2005 pursuant to the Decision of the Serbian Business Registers Agency no. 100536/2005.

On 16 December 2005, pursuant to the aforementioned Decision of the Serbian Business Registers Agency, a capital increase was registered, so that total initial capital amounted to EUR 350,000 as of that date.

Pursuant to the Decision of the Serbian Business Registers Agency no. 112635/2006 dated 27 March 2006, the stake capital structure was changed. The stake held by the founder, Banca Intesa a.d. Beograd, amounted to 51% in total capital, while the stake held by the foreign owner, CIB Leasing LTD, Budapest, Hungary, in total capital amounted to 49%.

Pursuant to the Decision of the Serbian Business Register Agency no. 254739/2006 dated 29 December 2006, a new capital increase in the Company was carried out. The stake capital was increased to EUR 5,350,000, while the proportions of the respective founders' stakes remained the same.

Pursuant to the Decision of the Serbian Business Registers Agency no. 29167/2009 dated 31 March 2009, a new capital increase in the Company was performed. Stake capital was increased to EUR 10,152,452.62, with a change in the proportions of the respective founders' stakes. The share of Banca Intesa a.d. Beograd in total stake capital increased to 98.7%, while the share of founder from abroad, CIB Leasing LTD, Budapest, decreased to 1.3%.

In 2011, Banca Intesa a.d. Beograd purchased the stake of the minority stakeholder CIB Leasing LTD, Budapest. Pursuant to the Decision of the Serbian Business Registers Agency no. 155596/2011 dated 19 December 2011, the change of the founders was registered, whereby Banca Intesa a.d. Beograd was inscribed as the sole owner of the Company.

The Company is registered for finance lease activities pursuant to the Decision of the National Bank of Serbia dated 24 January 2006, based on which finance lease activities were harmonized with the Law on Financial Leasing. ("RS Official Gazette", no. 55/2003, 61/2005, 31/2001 and 99/2011).

The Company operates in accordance with the requirements of the Law on Financial Leasing ("RS Official Gazette", no. 55/2003, 61/2005, 31/2011 and 99/2011). The Company's industry code set by the appropriate authority is 6491.

The Company operates as a subsidiary of Banca Intesa a.d. Belgrade. The ultimate owner, Intesa Sanpaolo SpA prepares consolidated financial statements which comply with IFRS, and presents them on the official website of the Intesa Sanpaolo Group: www.group.intesasanpaolo.com.

In accordance with the criteria set forth in the Accounting Law ("RS Official Gazette", no. 62/2013), the Company is classified as a large-sized legal entity.

The Company's headquarters are in Belgrade, no. 54, Cara Uroša Street.

The tax identification number of the Company is 103023875. The Company's registration number is 17492713.

As at 31 December 2015 the Company had 31 employees (31 December 2014: 30 employees).

2. BASIS OF PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS

2.1. Basis of Preparation and Presentation of the Financial Statements

The Company keeps books and prepares financial statements in accordance with the Law on Accounting ("RS Official Gazette", no. 62/2013), Law on Financial Leasing ("RS Official Gazette", no. 55/2003, 61/2005, 31/2011 and 99/2011) and other applicable legal regulations in the Republic of Serbia. For recognition, measurement, presentation and disclosure of positions in financial statements the Company has, as a large size legal entity, an obligation to apply International Financial Reporting Standards (IFRS) which in the sense of the Law on Accounting includes the following: Framework for Preparation and Presentation of Financial Statements, International Accounting Standards (IAS), International Financial Reporting Standards (IFRS) and related interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), subsequent changes of those standards and interpretations related to them, approved by the International Accounting Standards Board ("the Board"), which were translated and published by the ministry in charge of these affairs ("the Ministry").

The translation of IFRS approved and published by the Ministry consists of basic IAS and IFRS texts issued by the International Accounting Standards Board, of interpretations issued by the International Financial Reporting Interpretations Committee in the form in which they are issued and it does not include bases for making conclusions, illustrative examples, directives, comments, adverse opinions, elaborated examples and other additional explanatory materials that can be adopted related to standards, i.e. interpretation, except if it is explicitly cited that it is a constituent part of a standard, i.e. interpretation. IFRS translation is adopted by the Decision of the Ministry of Finance on defining the translation of Conceptual Framework for financial reporting and basic International Accounting Standards and International Financial Reporting Standards texts, no. 401-00-896/2014-16 from 13 March 2014, published in "RS Official Gazette" no. 35 from 27 March 2014. The mentioned translation of IFRS is being applied from the financial statements that are prepared as at 31 December 2014. Changed or issued IFRS and their interpretations, after this date, are not translated and published, therefore they are not applicable to the preparation of the accompanying financial statements.

The accompanying financial statements are prepared in the form prescribed by the Rules on the Content and Layout of Financial Statement Forms for Financial Lessors ("RS Official Gazette" no. 87/2014 and 135/2014) which defines the use of a set of financial statements, which may differ from required from IFRS.

With respect to the above mentioned and the fact that certain laws and subordinated legislation define accounting treatments which in some cases differ from IFRS requirements, where the RSD is specified as the official reporting currency by the Law on Accounting, accounting regulations of the Republic of Serbia can differ from IFRS requirements which can influence the fairness and objectivity of the accompanying financial statements. Therefore, the accompanying financial statement cannot be considered financial statements prepared fully according to IFRS in the way that provisions of IAS 1 "Presentation of Financial Statements" require.

In the preparation of the accompanying financial statements, the Company has adhered to the principal accounting policies described in Note 3, which are based on the currently effective accounting and tax regulations of the Republic of Serbia.

The accompanying financial statements have been prepared under the historical cost basis, except where the fair value basis has been specifically indicated, as specified in the accounting policies.

The financial statements are prepared under the going concern assumption, which presumes that the Company will continue operating into the foreseeable future.

The Company's financial statements are presented in thousands of Dinars, unless otherwise indicated. The Dinar (RSD) is the functional and official reporting currency of the Company. All transactions in currencies other than the functional currency are being treated as transaction in foreign currencies.

The accompanying financial statements of the Company for 2015 are approved for publishing by the Chairman of the Executive Board on 17 February 2016.

2.2. Comparative data

The comparative data represent audited annual financial statements of the Company for the year ended 31 December 2015.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1. Income and Expense Recognition

(a) Interest Income and Expenses

Interest income and interest expense, including penalty interest, are calculated on the accrual basis and in accordance with contractual terms defined by contracts between clients and the Company, or between the Company and banks.

Income and expenses are recognized in the Statement of profit and loss using the contractual nominal interest rate.

Penalty interest is not accrued on accounts receivable subject to collection proceedings by the courts.

(b) Fee and Commission Income

Fee income on approval of long-term financial placements, on financial lease agreements are calculated and collected in advance. Fee income is accrued over the period of a finance lease agreement using the straight-line method.

(c) Fee and Commission Expenses

Fees and commission expenses comprise bank charges for payment and settlement transactions and other banking services, and are recognized in the Statement of profit and loss when incurred.

(d) Other Expenses

Costs of materials, maintenance, repair and replacement costs are recognized in the Statement of profit and loss when incurred.

3.2. Foreign Currency Translation

Statement of financial position and Statement of profit and loss items are measured using the currency of the primary economic environment (functional currency). As disclosed in Note 2.1, the financial statements are presented in thousands of Dinars (RSD), which represents the functional and official reporting currency of the Company.

Foreign currency transactions are initially recorded in RSD translated at the official exchange rates in effect at the date of each transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency using the applicable exchange rate at the balance sheet date.

Foreign exchange gains and losses arising on translation of assets and liabilities denominated in foreign currencies and from business transactions in foreign currency are reported in the Company's Statement of profit and loss, as foreign exchange gains / losses and gains / losses from foreign exchange clause (Note 8).

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the day of the assessment.

For the translation of borrowings, term deposits with foreign currency clause and monetary assets, the Company used the following official middle exchange rates of the National Bank of Serbia ("NBS") prevailing at the balance sheet date:

Currency	31 December 2015	31 December 2014
CHF	112.5230	100.5472
EUR	121.6261	120.9583

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2. Foreign Currency Translation (Continued)

In accordance with the finance lease agreement, a lessee is obliged to pay a fee for the use of the leased assets in the RSD counter value, calculated as follows:

	Exchange rates for the contracted foreign currency clause - EUR		Exchange rates for the contracted foreign currency clause - CHF	
Exchange rate description	**31 December 2015**	**31 December 2014**	**31 December 2015**	**31 December 2014**
Selling exchange rate for foreign currencies of Banca Intesa	124.6668	123.9823	118.1492	103.0609
Selling exchange rate for cash of Banca Intesa	124.0586	123.3775	118.1492	103.0609
Middle exchange rate NBS	121.6261	120.9583	112.5230	100.5472
Selling exchange rate for foreign currencies of NBS	121.9910	121.3212	-	-
Selling exchange rate for cash of NBS	122.4775	121.8050	-	-

Positive and negative effects of translating finance lease receivables denominated in a foreign currency into RSD are recorded in the income statement as Net foreign exchange gains / losses and net gains / losses from foreign exchange clause.

Investments and liabilities related to basic contracts which are tied to a foreign currency clause or some other variable, are revalued in accordance with contractual clauses. Income and expenses resulting from the application of foreign currency clause are recorded as Net foreign exchange gains/losses and net gains/losses from foreign exchange clause.

During 2015, the Company has the contractual exchange rates for the translation of receivables from finance lease activities.

3.3. Cash

Cash is presented in Statement of financial position and comprises cash balances on bank accounts in domestic currency. Cash is measured at amortised cost in balance sheet.

The Company effectuates its dinar payment operations by using its current account held with Banca Intesa a.d. Beograd.

3.4. Financial placements held with banks

Financial placements held with banks comprise:
- foreign currency accounts
- term deposits with banks

Term deposits are initially measured at cost. After initial recognition, they are recorded at amortized cost using the effective interest rate. In cases when the Company makes agreements about short term deposits with foreign currency clause or about foreign currency deposits, after initial recording the effects of foreign currency clause are being calculated as well as foreign exchange gains or losses which are recorded within Statement of profit and loss as Net foreign exchange gains/losses and net gains/losses from foreign exchange clause.

3.5. Other financial placements and derivatives

Short term financial assets are investments in securities and are related to securities available for sale. Initially they are recorded at price achieved on the day of purchase. Initially, they are measured at fair value, plus transactions costs, that are directly attributable to the acquisition or issue of the financial asset.

The Company determines the fair value of securities and records the difference between fair value and book value as unrealized gain or loss on securities within the position Reserves (Note 27). As at 31 December 2015 the Company doesn't have financial derivatives.

3.6. Receivables from finance lease activities

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of leased asset. Upon the expiry of the lease, the title may or may not eventually be transferred.

At initial recognition, the Company as a lessor recognizes assets held under finance lease in the Statement of financial position as financial investments equal to the net investment in finance lease.

Gross investment in the lease is the aggregate of: the minimum lease payments receivable by the lessor under a finance lease, and any unguaranteed residual value accruing to the benefit of lessor. Net investment in the lease is the gross investment in the lease less unearned finance income that is calculated using the interest rate defined in the finance lease agreement.

Unearned finance income is the difference between gross and net investment in leases. The interest rate which is contained in the lease is the discount rate which at the beginning of the lease term causes the total sum of the present value of the minimum lease payments and unguaranteed residual value to be equal to the sum of the fair value of the asset that is the subject of the lease and all the initial expenses of finance lease.

Finance lease receivables recognized in the Statement of financial position as receivables from finance lease activities are subsequently measured at amortized cost less estimated allowance for impairment.

Unearned finance income is calculated under terms of the lease and recorded in the Statement of financial position as Receivables from finance lease activities.

Finance income, i.e. interest income from finance leases activities, is recognized in a manner that reflects a constant periodic yield on the residual amount of net receivables from finance leases activities.

Other receivables from finance lease activities are recorded and measured at cost less allowance for impairment.

Other receivables from finance lease comprise:
- fees,
- interest,
- costs transferred to lessee,
- warnings.

The Company calculates indirect impairment provision in accordance with applicable "Asset classification policy".

If receivables are collected, reduction in indirect impairment provision will be recorded within income.

Receivables from finance leases activities that include a currency clause are initially valued in the counter value of foreign currency, applying the exchange rate at the day of transaction. Effects of foreign currency clauses are determined, and recognized as income or expense for the period, based on the effect of exchange rates changes from the date of transaction to the date of payment, as well as at each balance sheet date.

3.7. Impairment of Financial Assets

At each reporting date, in accordance with internal policy, the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Impairment losses are recognized only if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of assets and if those events have impact on the estimated future cash flows from financial assets or a group of financial assets that can be reliably estimated.

The methodology for calculation of the allowances for impairment of financial assets is defined by the Company's "Assets Classification Policy".

The criteria for the classification of receivables includes delay in settling obligations towards the Company, frozen accounts, financial indicators and possible net losses of the debtor, negative cash flow from operating activities, insolvency, bankruptcy, and classification of other members within a group of related parties.

Risk-weighted assets can be divided into six classes:

(a) Performing receivables:

A1 - exposures which are not classified as Doubtful, Substandard, Restructured or Past due, which have no delays or have delays not longer than 15 days on the reporting date. Only receivables from legal entities can be classified into class A1;

A2 – exposures which are not classified as Doubtful, Substandard, Restructured or Past due which are, on the reporting day, overdue between 16 and 30 days for legal entities and overdue not longer than 30 days for individuals;

B1 - exposures which are not classified as Doubtful, Substandard, Restructured or Past due, which are overdue between 31 and 90 days on the reporting day.

(b) Non performing receivables:

B2 - (Past due) – Exposures, except those that are classified as Doubtful, Substandard or Restructured as at the reporting date, for which overdue receivables are in delay longer than 90 days;

C1 - (Substandard) – Exposures where lessees have temporary objective financial or economic difficulties, but will be able to overcome those in the foreseeable future;

C2 - (Doubtful) – Exposures to lessees who are effectively insolvent, regardless whether they are or not in bankruptcy or other legal process and regardless of the losses that the Company will have.

Allowance for impairment of receivables is calculated on the basis of an internal model and provision expenses are charged to the Statement of profit and loss. Provisions for potential losses include:
- Collective provisions,
- Individual provisions.

Allowance for impairment of receivables is assessed in line with International Accounting Standards on the basis of:

a) Collective assessment of all performing exposures, non-performing exposures whose total value is less than EUR 250,000.

b) Individual assessment of non-performing exposures greater than EUR 250,000.

When calculating the impairment provision for credit losses, gross exposure is reduced by the amount of:
- Cash collateral, i.e. guarantee deposit,
- Unconditional guarantee issued by the Government of the Republic of Serbia or funds controlled by the Government and financed from the state budget,
- Insurance policies issued by funds controlled by the Serbian Government and financed from the state budget,
- Pledge on gold and other precious metals,
- Pledge on treasury bills issued by the local government, the Government or Central Bank member of OECD,
- Unconditional guarantees issued by international development banks or first class ranked banks,
- 50% of the appraised value of real estate-collateral. The value of the collateral must be evaluated at least once every 3 years, for all receivables for which the total exposure to the client exceeds the materiality threshold defined in the Working instruction for the delivery, monitoring and review of the collateral.
- 60% of exposure, if the leased asset is a vehicle (passenger or commercial),
- 50% of exposure, if the leased assets is real-estate property,
- 50% of exposure, if the leased asset is an aircraft
- 40% of exposure, if the leased asset is a watercraft or a rail vehicle
- 40% of exposure, if the leased asset is production and other equipment
- 40% of exposure, if the leased asset is another type of leased asset
- 30% of exposure, if the leased asset is agricultural machinery.

Collective assessment is based on expected probability of default (Probability of default, PD) and loss in event of default (Loss Given Default, LGD). PD and LGD parameters are being calculated by Risk management sector of Banca Intesa a.d. Beograd, based on analysis of historical data, separately for homogeneous portfolio segments.

The goal of individual assessment is to quantify the discounted value of the expected cash flow from debtor’s operating cash flow and collateral, where expected cash flows are calculated using original effective interest rate.

Book value of the assets is reduced by the use of an allowance account and the loss from impairment of financial assets is recorded in the Statement of profit and loss as Net impairment loss on finance lease receivables (Note 9).

If there is a decrease in the recognized loss from impairment during the next period, which arises as a consequence of an event occurring after the recognition of the impairment loss, the previously recognized impairment loss will be reduced by adjusting the allowance account and amount of the reversal will be recorded in the Statement of profit and loss as Reversal of impairment provisions on finance lease receivables.

3.8. Repossessed leased assets and inventories

a) Repossessed leased assets

In a situation of early termination of the finance lease contract, the leased asset will be repossessed, and the value of financial investments and receivables will be transferred to the accounts group Repossessed leased assets and inventories at the lower of two values: estimated value (fair value) or the value of non-matured part of financial investment at the moment of termination.

Valuation of a repossessed leased asset is performed regularly by a certified appraiser, with any change in value due to significant changes in the market prices or changes in the physical condition of the asset, and at least once during the period of one year from the previous valuation. During the valuation, market factors, depreciation, as well as technical conditions of the lease asset are taken into consideration. Subsequent measurement of lease assets that are acquired for uncollected receivables are stated at the lower of the two values mentioned above.

If the value of financial placements without amortization based on finance lease contract (carrying amount) is greater than the appraised value of a leased asset, such a negative difference is recorded as a correction value of the lease commitments in exchange for uncollected receivables, in the framework of repossessed leased assets and inventories (Note 10).

If the value of financial placements without amortization based on finance lease contract (carrying amount) is less than the appraised value of a leased asset, such a positive difference is recorded on off-balance items (memo account) until the moment of sale when that positive difference is realized and then it is being transferred to the Statement of financial position.

b) Inventories

Inventories of the Company comprise:
- material used in the process of rendering of services,
- advances given for lease assets,
- other given advances.

Inventories are initially recorded at historical cost. After initial recognition, these assets are valued at cost, up to the final realization of the subject of leasing or procurement of goods and services required for regular business.

3.9. Intangible assets

Intangible assets are capitalized at cost at the date of acquisition.

Subsequent to initial recognition, intangible assets are carried at cost less accumulated amortization and impairment losses of assets, if any.

Intangible assets of the Company consist of a software license that is not an integral part of hardware, and which has been acquired subsequently.

The Company applies the straight-line method for calculation of amortization for intangible assets for which useful life is 5 years. The annual amortization rate for intangible assets is 20%. During 2015, there were no changes in depreciation rates, in comparison to the previous period

Amortization charge is recognized as an expense in the period in which it was incurred (Note 12).

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net selling price and the net book value of the intangible asset, and are recognized in the Statement of profit and loss at the moment of derecognition (Note 8).

After initial recognition, intangible assets are stated at purchase value or at cost, reduced for accumulated amortization and total losses due to impairment.

Intangible assets are written off against expenses, when the Company estimates that the investment does not have any benefit.

3.10. Property, Plant and Equipment

Property, plant and equipment of the Company as at 31 December 2015 comprise equipment.

The equipment is initially recognized at cost on the day of transaction.

After initial recognition equipment is stated at cost, less total accumulated depreciation and any accumulated impairment losses.

Purchase value is consist of the invoiced value plus all expenses incurred to bringing the asset to the proper state and location.

Subsequent costs are included in the asset’s carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Company and the cost of the item can be reliably measured. All other repairs and maintenance costs are charged to the Statement of profit and loss in the period in which they were incurred.

An asset is derecognized upon disposal or when no future economic benefits are expected from its use or its disposal.

Any gains or losses arising on disposal of the asset are calculated as the difference between the net disposal proceeds and the net book value of the asset, and are included in the Statement of profit and loss as income or expense (Note 8).

Depreciation of equipment is calculated on a straight-line basis in order to fully write off the cost of the assets over their estimated useful lives. The depreciation of equipment is provided at rates based on the estimated useful life of property and equipment, as assessed by the Company's management.

Depreciation charge is recognized as an expense in the period in which it was incurred (Note 12).

Annual depreciation rates in use are as follows:

Type of Equipment	Useful life (years)	Depreciation rate
Computer equipment	5	20.0%
Passenger vehicles	4	25.0%
Office furniture	8	12.5%
Other assets	3.33 – 14.28	7% - 30%

The estimated useful life of assets is reviewed periodically and adjusted if necessary at each reporting date. Changes in expected useful lives of assets are accounted for as changes in accounting estimates. During 2015 there were no changes in depreciation rates comparing to the previous period.

The calculation of the depreciation and amortization for tax purposes is determined by the Corporate Income Tax Law ("RS Official Gazette" no. 25/2001, 80/2002, 43/2003, 84/2004, 18/2010, 101/2011, 119/2012, 47/2013, 108/2013, 68/2014 and 142/2014) and the Rules on the Manner of Fixed Assets Classification into Groups and Depreciation for Tax Purposes ("RS Official Gazette", no. 116/2004 and 99/2010). Different depreciation methods used for financial reporting purposes and for tax purposes give rise to deferred taxes (Note 14).

3.11. Impairment of Non-financial Assets

In accordance with adopted accounting policy, at each reporting date, the Company's management reviews the carrying amounts of the Company's intangible assets and equipment. If there is any indication that such assets have been impaired, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

If the recoverable amount of an asset is estimated to be less than its carrying value, the carrying amount of the asset is reduced to its recoverable amount. The recoverable amount of an asset or "cash generating unit", if the asset does not generate cash flows separately, is the higher of the fair value less costs to sell and value in use. Impairment losses, representing the difference between the carrying amount and the recoverable amount, are recognized in the Statement of profit and loss as required by IAS 36 "Impairment of Assets".

Impaired non-financial assets (other than goodwill which is not subject of reversal of the impairment) are reviewed for possible reversal of the impairment at each reporting date.

3.12. Borrowings from Banks and Other Financial Institutions

Borrowings are initially recognized at cost, being the fair value of consideration received less the related transaction expenses.

After initial recognition, interest-bearing borrowings are measured at amortized cost, using the effective interest rate.

3.13. Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognized when:
(a) the Company has a liability (legal or constructive) as a result of a past event;
(b) it is probable that an outflow of resources embodying economic benefits will be required to settle the liability; and
(c) a reliable estimate can be made of the amount of the liability.

If these conditions are not met, no provision shall be recognized.

In accordance with IAS 19 "Employee Benefits", the Company has recognized the provision for retirement benefits and the liability for unused vacations (Note 24).

Provisions for retirement benefits are measured at the present value of expected future outflows by using a discount rate that reflects the interest on high-quality securities that are denominated in the currency in which the benefits will be paid.

In accordance with the General Collective Agreement ("RS Official Gazette", no. 50/2008, 104/2008 – Annex I and 8/2009 – Annex II) and the Employment Manual (clause 92), the Company is obliged to pay to an employee severance pay in the amount of two average salaries in the Republic of Serbia, according to the latest data of the authority in charge of statistics.

For employees who have attained entitlement for voluntary retirement, the employer can establish incentive severance pay greater than prescribed in the preceding paragraph. The fund for these payments has not been created.

Provisions for such fees and related expenses are recognized in the amount of the present value of future cash flows using the actuarial projected unit method (Projected Unit Credit Method). Actuarial gains and losses are recognized as income or expense when the net cumulative, unrecognized actuarial gains and losses, for each individual plan at the end of the previous reporting period exceed the amount of 10% of the defined benefit obligation at that date. These gains and losses are recognized during the expected average remaining working lives of employees participating in the plan.

Past service costs are recognized as an expense on a straight-line basis over the average period during which benefits become guaranteed. If the benefits are guaranteed from the moment of introduction, past service cost is recognized immediately.

Provisions for Litigations

Provisions for legal proceedings represent the amount that corresponds to the best estimation by the Company's management with respect to expenditures expected to settle such obligations. The Company is involved in a small number of litigations stemming from its daily operations. The Company regularly assesses the likelihood of negative outcomes of these litigations, as well as ranges of probable and reasonable estimated losses. Reasonable estimates involve judgments made by management after considering information including notifications, settlements, estimates performed by the legal department, available facts, identification or other potentially responsible parties and their ability to contribute, and prior experience. A provision for litigations is recognized when it is probable that a liability, whose amount can be reliably estimated by due analysis, exists. The required provision could be changed in the future due to new events or additional information.

Issues that are either potential obligations, or that do not meet provisioning criteria, are disclosed, unless the possibility of outflow of resources embodying economic benefits is small.

A provision is reversed and credited to income when the outflow of economic benefits for settling legal or constructive obligations is no longer probable. The provision is monitored by type and may be used only for expenditures for which it was originally recognized. Provisions are not recognized for future operating losses.

Contingent liabilities are not disclosed in the financial statements and instead are only disclosed in the notes to the financial statements (Note 31), unless the possibility of outflow of resources embodying economic benefits is small.

The Company does not disclose contingent assets in the financial statements. Contingent assets are disclosed in the notes to the financial statements when an inflow of economic benefits is probable.

The Managing Board of the Company adopted the Change in Accounting Policies, clause 17 –Provisions, in November 2014. With this change, rules related to provisions for litigations against the Company when there is a probability that they will be lost are more precisely defined. This change of accounting policies has no effects on financial statements since the Company did not have provisions for litigations as at 31 December 2014 or 31 December 2015.

3.14. Employee Benefits

(a) Employee Taxes and Contributions for Social Security

In accordance with the regulations prevailing in the Republic of Serbia, the Company has an obligation to pay tax and contributions to various state social security funds. These obligations include the payment of contributions on behalf of the employee (by the employer) and on behalf of the employer in an amount calculated by applying the legally-prescribed rates. The Company is also legally obligated to withhold contributions from gross salaries to employees, and on their behalf to transfer the withheld portions directly to the appropriate government funds. The Company has no legal obligation to pay further benefits due to its employees by the Pension Fund of the Republic of Serbia upon their retirement.

(b) *Other Employee Benefits - Retirement Benefits*

The defined benefit liability comprises the present value of the defined benefit obligation less past service cost and actuarial losses, as increased by actuarial gains not yet recognized.

(c) *Short-Term Compensated Absences*

Employees get the right to use vacation after one month of continuous work from the day of entering into employment with the employer in the calendar year.

An employee can use his vacation only with the employer where he realized the right to have vacations, and in case that he does not use its vacation completely or partly he has the right to get compensation according to the Labour Law ("RS Official Gazette" No 24/2005, 61/2005, 54/2009, 32/2013 and 75/2014). The employer with whom the employee stopped working and has unused vacation days is under obligation to pay the compensation. The use of vacation is possible at once or in several parts, but with first part lasting at least two weeks.

The Company has neither pension funds nor share-based remuneration options; consequently there are no identified obligations in that respect as of 31 December 2015.

3.15. Current Tax Liabilities

Current Income Tax

Current income tax is calculated and paid in accordance with the effective Corporate Income Tax Law ("RS Official Gazette", number 25/2001, 80/2002, 43/2003, 84/2004, 18/2010, 101/2011, 119/2012, 47/13, 108/13, 68/14 and 142/14) and by-laws. Income tax is payable at the rate of 15% on the tax base reported in the annual corporate income tax return, and can be reduced by any applicable tax credits. The tax base includes taxable profit, determined by adjusting the taxpayer's result (profit or loss) reported in the Statement of financial position, in the manner prescribed by this Law.

During the financial year, the Company pays income tax in monthly instalments in the amount determined on the basis of tax application for the previous year. Income tax statement is to be submitted within 180 days from the end of the period it relates to, i.e. by 30 June of next year.

Starting from 2014, according to the Corporate Income Tax Law the taxpayer is no longer entitled to a tax credit for investments in Property, plant and equipment that are in its ownership and are used for its general business activities. Unused part of tax credit from previous periods can be carried forward against income tax in future accounting periods, but not more than 10 years. In each year, the tax credit deriving from investments made in that year is to be applied first, and thereafter, the carried forward tax credits from previous years are to be used in the order of investment, up to the limit of 50% of calculated tax in a given year.

Tax regulations in the Republic of Serbia do not allow for any tax losses of the current period to be used to recover taxes paid within a specific carry back period.

Deferred Tax Assets

Deferred income tax is calculated, using the liability method, on all temporary differences at the reporting date between the carrying amount of assets and liabilities in the financial statements and their tax bases.

Deferred tax liabilities are recognized for all taxable temporary differences , unless the deferred tax liability make from:

a) the initial recognition of goodwill; or
b) the initial recognition of an asset or liability in a transaction which is not business combination and at the same time of the transaction, doesn't have effect on the accounting profit and taxable profit (tax loss).

However, for taxable temporary differences associated with investments in subsidiaries, branches and associates and interests in joint ventures, deferred tax liability is recognized in accordance with paragraph 39 of IAS 12th.

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period of realizing a tax deduction or when a deferred tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at or after the reporting date. Tax rate used for calculation of deferred income tax assets in 2015 is 15%, the same as the rate used in previous year.

Current and deferred taxes are recognized as income or expense and are included in the profit for the period. Deferred income taxes related to items that are recorded directly in equity are also recognized in equity.

Significant decrease of deferred tax assets based on impairments in 2015 that were disallowed for tax purposes occurred because the Company was able to sell major part of repossessed leased assets from previous years that contained unrecognized impairments which were the basis for presentation of these deferred tax assets.

Current Tax Assets

According to IAS 12 *Income taxes*, if the amount of income tax paid for current and previous periods is higher than income tax payable for the period, the difference is recognized as a tax asset.

The Company has presented data on current tax liability for 2015 in Note 14.

Taxes and Contributions Not Related to Operating Result

Taxes and contributions that are not related to the Company's operating result include payroll taxes and contributions payable by employer, and various other taxes and contributions paid pursuant to republic and municipal regulations.

3.16. Other liabilities

Trade payables and other liabilities from operations are measured at their nominal value.

3.17. Related Party Disclosures

For the purpose of these financial statements related legal entities are those entities where one legal entity has a possibility to control another entity or has the right to govern the financial and business operations of that entity, as defined by IAS 24 "Related Party Disclosures".

Relations between the Company and its related parties are regulated contractually. Outstanding balances of receivables and liabilities at the reporting date, as well as transactions occurred during reporting periods with related parties are separately in the notes to the financial statements (Note 30).

4. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

Use of Estimates

The preparation and presentation of the financial statements requires the Company's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date, as well as income and expenses for the reporting period.

These estimations and related assumptions are based on information available as at the reporting date. Actual results could differ from those estimates. These estimates and underlying assumptions are reviewed on an ongoing basis, and changes in estimates are recognized in the periods in which they become known.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Impairment of financial assets

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (loss event) and when the loss event has impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

In the process of determining whether an impairment loss should be included in the income statement, the Company makes judgments as to whether there is reliable evidence to show a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease that can be identified on the level of individual leasing placements in the portfolio.

This evidence may include observable data which indicate an adverse change in terms of features and the ability of the debtor to regularly settle obligations toward the Company.

Useful Lives of Intangible Assets, Property, Plant and Equipment

The determination of the useful lives of intangible assets, property, plant and equipment is based on historical experience with similar assets, as well as any anticipated technological development and changes in broad economic or industry factors.

The appropriateness of estimated useful lives is reviewed annually, or whenever there is an indication of significant changes in underlying assumptions.

At the balance sheet date, the Company's management analyses the values at which intangible assets and fixed assets are stated, as well as repossessed leased assets and inventories. If there is any indication that an asset is impaired, the recoverable amount of the asset is estimated in order to determine the amount of impairment.

If the recoverable amount of an asset is estimated to be less than the value at which the asset is stated, the current value of the asset is written down to its recoverable amount.

An impairment review requires management to make subjective judgments concerning the cash flows , growth rates and discount rates for units that generate cash flows , which are subject to review.

Questions that are either possible obligations or do not meet the criteria for a provision are disclosed, unless the possibility of an outflow of resources which have economic benefits is very small.

The Company holds that there is no significant difference between the carrying amounts of assets and their fair values that would have an impact on the financial statements.

Impairment of Non-Financial Assets, Repossessed Leased Assets and Inventories

The Company's management reviews the carrying amounts of the Company's intangible assets, property, plant and equipment, as well as of the repossessed leased assets and inventories presented in the financial statements at each reporting date. If there is any indication that such assets have been impaired, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

An impairment review requires management to make subjective judgments concerning the cash flows, growth rates and discount rates of the cash generating units under review.

Issues that are either contingent liabilities or do not meet the criteria for a provision to be made are disclosed, unless the possibility of outflow of resources embodying economic benefits is small.

Opinion of the Company is that there is no significant deviation in the book value of assets from the fair value that would have an impact on the financial statements.

5. INTEREST INCOME AND EXPENSES

	2015	2014
Interest income		
Interest income from finance lease activities – new leased assets	310,239	329,125
Interest income from finance lease activities – used leased assets	9,704	12,604
Penalty interest		
Interest income on securities	63,709	57,139
Interest income on placements held with banks	13,593	21,394
Total	**397,245**	**420,262**
Interest expense		
Interest expense on other borrowings from abroad	(119,068)	(107,434)
Interest expense on borrowings from related parties in the country	(13,868)	(22,143)
Interest expense on borrowings from related parties abroad	-	(3,455)
Other interest expense	(227)	(89)
Total	**(133,163)**	**(133,121)**
Net interest income	**264,082**	**287,141**

In accordance with paragraph AG93, IAS 39 Financial Instruments: Recognition and Measurement, the Company has calculated interest income on impaired financial assets, which for 2015 amounted to RSD 463 thousand (2014: RSD 1,328 thousand). Bearing in mind that the calculated income is immaterial, the Company did not record it.

6. FEE AND COMMISSION INCOME AND EXPENSES

Fee and commission income

	2015	2014
Income from delivering services – finance lease origination fees	39,122	30,440
Income from warnings	10,531	8,932
Other income	0	920
Intercalary interest income	9,328	8,496
Income from costs transferred to lessees	23,878	18,715
Total	**82,859**	**67,503**

Fee and commission expenses

	2015	2014
Insurance for leased assets	(17,060)	(9,245)
Storage of repossessed leased assets	(392)	(1,303)
Expenses from repossessing leased assets	(352)	(1,998)
Registration fees of lease agreements	(4,541)	(3,815)
Other expenses from finance lease activities	(3,526)	(6,208)
Total	**(25,871)**	**(22,569)**
Net fee and commission income	**56,988**	**44,934**

The group Operating expenses include costs related to financial leasing that are transferred to lessees in the amount of RSD 24,096 thousand for 2015 and RSD 18,680 thousand for 2014.

7. NET FOREIGN EXCHANGE GAINS AND NET GAINS FROM FOREIGN EXCHANGE CLAUSE

Gains

	2015	2014
Income from foreign currency clause application	112,565	42,774
Foreign exchange gains	173,483	332,747
Total	**286,048**	**375,521**

Losses

	2015	2014
Expenses from foreign currency clause application	(47,624)	(72,441)
Foreign exchange loses	(233,230)	(287,281)
Total	**(280,854)**	**(359,722)**
Net gains	**5,194**	**15,799**

8. OTHER OPERATING INCOME

	2015	2014
Rental income	2,946	3,611
Income from marketing activities	4,954	2,402
Gains on sale of intangible assets and equipment	0	1,238
Income from reduction of VAT liabilities on court proceeding termination	848	2,724
Other operating income	4,248	2,131
Total	**12,996**	**12,106**

9. NET IMPAIRMENT LOSS ON FINANCE LEASE RECEIVABLES

	2015	2014
Net impairment of long-term receivables from finance lease activities overdue more than 60 days	1,045	(14,983)
Net impairment of long-term receivables overdue up to 60 days and future receivables from finance lease activities	(12,879)	(7,155)
Net impairment of short-term receivables overdue more than 60 days	(1,172)	197
Net impairment of short-term receivables overdue up to 60 days	147	594
Net impairment – other		
Total	**(12,859)**	**(21,347)**

10. NET GAINS / (LOSSES) FROM CHANGES IN VALUE OF REPOSSESSED LEASED ASSETS

	2015	2014
Impairment provision of repossessed leased assets upon independent appraisal assessment	-	(4,483)
Impairment provision of repossessed leased assets after sale	(5,781)	(13,306)
Reversal of impairment provision on repossessed leased assets	7,414	12,355
Total	**1,633**	**(5,434)**

11. COSTS OF SALARIES, BENEFITS AND OTHER PERSONAL EXPENSES

	2015	2014
Gross salaries	70,195	68,680
Expenses for accrued bonuses	3,770	4,375
Tax and contribution expenses	10,425	10,102
Other personnel expenses	1,442	1,169
Provision for retirement benefits (Note 29)	-	10
Provision for unused vacations	50	161
Total	**85,882**	**84,497**

12. DEPRECIATION AND AMORTIZATION EXPENSES

	2015	2014
Amortization of intangible assets (Note 20)	4,225	4,039
Depreciation of property, plant and equipment (Note 19)	3,133	3,824
Total	**7,358**	**7,863**

13. OPERATING EXPENSES

	2015	2014
Maintenance costs	11,698	9,179
Advertisement costs	2,851	1,453
Consulting services	7,930	8,444
Rental expenses	5,032	4,874
Bank charges	536	474
Entertainment	2,703	2,634
Youth and student association services	3,051	3,097
Fuel	2,471	2,798
Legal services	2,412	2,402
Transportation and postal service	2,309	2,288
Costs of material	1,469	1,277
Professional development and literature	1,383	1,664
Spare parts and tools	1,268	1,002
Audit services	3,695	3,591
Membership fees	810	775
Insurance premiums	746	745
Translation services and similar services	218	53
Tax expenses (a)	951	1,128
Borrowing disbursement costs	9,149	8,237
Litigation expenses (b)	890	1,950
Costs of engaging of court bailiffs	393	555
Costs of guarantees for borrowings (c)	14,529	11,725
Expenses for humanitarian, cultural, health and educational purposes	-	5,701
Direct write-off of receivables (d)	673	9,014
Costs of other services	2,402	2,657
Total	**79,569**	**87,717**

13. OPERATING EXPENSES (Continued)

a) Maintenance costs are higher in the current year compared to the previous year primarily due to an increase in expenses for software maintenance, these costs in the amount of RSD 10,245 thousand, previous year: 7,989 thousand RSD.

b) The reduction of litigation expenses in the current year is influenced by a small number of cases initiated by the Company against the clients comparing to the previous year and the fact that the company had not lost any court cases, by contrast with the previous year.

c) The cost of guarantees for loans are significantly higher in the current year compared to the previous year due to the fact that the Company throughout the year had this type of expenditure on all loans from abroad that were in use, while the period of use of these loans in the previous year was less than one year.

d) Expenses on the basis of direct write-off of receivables are significantly lower in 2015 compared to the previous year due the Company's write-off of receivables for a smaller number of clients compared to the previous year.

e) The costs of banking services refer to the services of loan approval.

14. INCOME TAXES

(a) Components of Income Taxes

Components of income tax expense are:

	2015	2014
Current tax expense	25,535	20,706
Deferred tax expense	266	6,866
Total income tax expense	**25,801**	**27,572**

14. INCOME TAXES (Continued)

b) Numerical Reconciliation of Income Tax Expense and Profit Before Tax Multiplied by the Income Tax Rate

Reconciliation between income tax expenses calculated at the statutory income tax rate on profit before tax and income tax expense as per the Company's effective income tax rate for the years ended 31 December 2015 and 2014 is presented below:

	2015	2014
Profit before tax	**155,225**	**153,122**
Income tax at statutory rate of 15%	**23,284**	**22,968**
Non-deductible expenses	15,316	17,499
Interest income on securities issued by the Republic of Serbia	(9,556)	(8,571)
Losses of impairment of assets that are recognized in the tax period	-	(6,449)
Correction of previously recognized tax assets	(3,509)	(4,694)
Other	-	(47)
Income tax expense	**25,535**	**20,706**
Deferred tax expense	266	6,866
Income tax with deferred tax expense	**25, 801**	**27,572**
Effective tax rate	***16.62%***	***18.01%***

(c) Deferred Tax Assets

Movements in deferred tax assets during the year were as follows:

	2015.	2014.
Balance as at 1 January	**2,652**	**9,518**
Effects of temporary differences credited/ (charged) to the Statement of profit and loss	(266)	(6,866)
Balance at 31 December	**2,386**	**2,652**

14. INCOME TAXES (Continued)

(c) Deferred Tax Assets (Continued)

The following table represents the bases for recording deferred tax income / (expense) and the effect on the Statement of profit and loss for the years ended 31 December 2015 and 2014:

	Deferred tax assets 2015	Statement of profit and loss 2015	Deferred tax assets 2014	Statement of profit and loss 2014
Temporary differences between the carrying amount of equipment and intangible assets and their tax base	2,352	637	1,715	(124)
Disallowed tax-deducted impairments	-	(910)	910	(6,744)
Provisions in accordance with IAS 19	34	7	27	2
	2,386	**(266)**	**2,652**	**(6,866)**

(d) Current tax assets/liabilities

	2015	2014
Balance at 31 December	**(5,340)**	**15,479**

Current tax liability resulting from the difference of the calculated tax expenses for 2015 and the advance tax paid on profits in 2015.

15. CASH

	2015	2014
Current accounts in RSD	1,240,864	35,187
Cash in hand	-	-
Balance as at 31 December	1,240,864	35,187

During 2015 and 2014, the Company performed payment and settlement transactions in domestic and foreign currency through its accounts held with Banca Intesa a.d. Beograd.

16. FINANCIAL PLACEMENTS HELD WITH BANKS

	2015	2014
Short-term deposits in RSD	-	230,000
Short-term deposits in EUR	-	1,838,566
Balance as at 31 December	**-**	**2,068,566**

As at 31 December 2015, the Company did not have financial placements to other banks.

17. OTHER FINANCIAL PLACEMENTS AND DERIVATIVES

Other financial placements and derivatives relate to purchased securities that are classified as securities available for sale.

Below we show a comparative review of financial placements:

Description of financial placement	**Market value 31/12/2015**	Maturity of financial placements	Interest rate achieved in the time of purchasing the year 2015
Treasury bills of the Republic of Serbia	475,307	Oktober 2016	4.89% annually
Government bonds of the Republic of Serbia	511,253	December 2017	4.95% annually
Total:	**986,560**		

Description of financial placement	**Market value 31/12/2014**	Maturity of financial placements	Interest rate achieved in the time of purchasing the year 2014
Treasury bills of the Republic of Serbia	795,813	November 2015	8.20% annually
Government bonds of the Republic of Serbia			
Total:	**795,813**		

18. RECEIVABLES FROM FINANCE LEASE ACTIVITIES

Structure of receivables from finance lease activities are presented below:

	2015	2014
Overdue finance lease receivables	365,052	559,498
Finance lease receivables with maturity up to 1 year	2,257,981	2,301,315
Finance lease receivables with maturity from 1 to 5 years	4,385,641	3,476,062
Finance lease receivables with maturity over 5 years	248,199	228,347
Total	**7,256,873**	**6,565,222**
Short-term receivables	17,785	14,642
Accrued interest income on finance lease receivables	16,540	16,356
Deferred income – finance lease origination fees	(54,749)	(56,642)
Total	**7,236,449**	**6,539,578**
Allowance for impairment – overdue receivables	(266,293)	(365.449)
Allowance for impairment – Finance lease receivables with maturity up to 1 year	(62,081)	(49.217)
Allowance for impairment – Finance lease receivables with maturity from 1 up to 5 years	(98,099)	(80.168)
Allowance for impairment – Finance lease receivables with maturity over 5 years	(7,131)	(5.264)
Allowance for impairment – Short-term receivables	(9,037)	(10.210)
Total allowances for impairment	**(442,641)**	**(510.308)**
Balance as at 31 December	**6,793,808**	**6,029,270**

Placements and receivables from finance lease activities amount to RSD 7,256,873 thousand at 31 December 2015 and increased by 10.50% compared to the previous year (31 December 2014 RSD 6,565,222 thousand).

Other receivables from finance lease are receivables for finance lease origination fees, recharged expenses, penalty interest, warnings and compound interest.

Deferred income – finance lease origination fees are deductible item from Receivables for finance lease activities in the amount of RSD 54,749 thousand for 2015, and RSD 56,642 thousand for 2014 .

Accrued interest income on finance lease receivables relates to interest accrued as at 31 December 2015 with respect to all finance lease contracts with annuity maturing in the following year, i.e. representing the portion of interest income for the period of last annuity in the reporting period and end of the reporting period.

18. RECEIVABLES FROM FINANCE LEASE ACTIVITIES (Continued)

a) The present and future value of minimum lease payments receivables, without accrued interest income and deferred origination fees as at 31 December 2015 are presented in the table below:

	Net Present Value	Unearned income	Gross receivables
Up to 1 year	2,623,033	269,546	2,892,579
From 1 to 5 years	4,385,641	264,453	4,650,094
Over 5 years	248,199	26,172	274,371
Total	**7,256,873**	**560,171**	**7,817,044**

The present and future value of minimum lease payments receivables, without accrued interest income and deferred origination fees as at 31 December 2014 are presented in the table below:

	Net Present Value	Unearned income	Gross receivables
Up to 1 year	2,860,813	271,794	3,132,607
From 1 to 5 years	3,476,062	321,000	3,797,062
Over 5 years	228,347	28,576	256,923
Total	**6,565,222**	**621,370**	**7,186,592**

b) Movements in the allowance for impairment of receivables from finance lease activities during the year were as follows:

	2015	2014
Balance as at 1 January	**(510,308)**	**(492,850)**
Allowances for impairment	(21,273)	(162,658)
Reversal of allowances for impairment	48,525	140,520
Write off of receivables - decrease	48,525	26,091
Foreign exchange differences - increase	(5,722)	(21,730)
Foreign exchange differences - decrease	172	319
Balance as at 31 December	**(442,641)**	**(510,308)**

18. RECEIVABLES FROM FINANCE LEASE ACTIVITIES (Continued)

(c) In 2014 finance lease agreements were concluded for periods of up to 10 years. Economic benefits and risks are transferred to the lessee pursuant to the finance lease agreements. In accordance with the agreements, ownership is transferred to the lessee upon repayment of all the contracted instalments. In 2014, average lease origination fee amounted to 0.71% of the gross cost of the leased asset (2013: 1.04%).

The Company uses a foreign currency clause as protection against foreign currency risk, which is included in finance lease agreements.

Nominal interest rates on finance lease agreements approved in 2015 vary in the following ranges

	From	To
Finance lease receivables in EUR	2.40%	8.47%
Finance lease receivables in RSD	5.99%	13.06%

The average rate of the clients' participation in accordance with the lease agreements in 2015 amounted to 13.30% of the net cost of the leased asset (2014: 18.70%).

19. REPOSSESSED LEASED ASSETS AND INVENTORIES

	2015	2014
Inventories	-	380
Advances paid - other	439	729
Advances paid – supply of finance lease assets	95,198	38,560
Finance lease assets repossessed in exchange for uncollectible receivables	942	4,720
Balance as at 31 December	**96,579**	**44,389**

As at 31 December 2015, finance lease assets repossessed in exchange for uncollectible receivables amounting RSD 942 thousand are intended to be reactivated through finance lease agreements or for further reselling. The repossessed finance lease assets relate to 5 finance lease agreements. Advances paid for supply of finance lease assets relate to five finance lease agreements with planned activation in 2016.

The Company measures repossessed leased assets at fair value in its balance sheet based on valuations by certified appraisers.

20. INTANGIBLE ASSETS

	Licenses and software	Intangible assets under development	TOTAL
COST			
Balance as at 1 January 2014	**20,080**	**578**	**20, 658**
Additions during the yea	1,516	-	1,516
Transfer from/to	578	(578)	-
Disposals	-	-	-
Balance as at 31 December 2014	**22,174**	**-**	**22,174**
Additions during the year	1,910	3,054	4,964
Transfer (from)/to	-	-	-
Disposals	-	-	-
Balance as at 31 December 2015	**24,084**	**3,054**	**27,138**
ACCUMULATED AMORTIZATION			
Balance as at 1 January 2014	**9,986**	**-**	**9,986**
Amortization (Note 12)	4,039	-	4,039
Disposals	-	-	-
Balance as at 31 December 2014	**14,025**	**-**	**14,025**
Amortization (Note 12)	4,255	-	4,255
Disposals	-	-	-
Balance as at 31 December 2015	**18,280**	**-**	**18,280**
Net book value as at			
- 31 December 2015	**5,804**	**3,054**	**8,858**
- 31 December 2014	**8,149**	**-**	**8,149**

In 2015 the upgrade of the information system ,,Nova" was extended with existing modules and nine licenses, and investment in intangible assets in preparation for the three new processes. The overall increase in licenses and software with respect to these items amounts to RSD 4,964 thousand.

The Company's management estimates that there are no indications that intangible assets are impaired as at 31 December 2015.

21. PROPERTY, PLANT AND EQUIPMENT

	Vehicles	Furniture	Other equipment	TOTAL
COST				
Balance as at 1 January 2014	**21,138**	**2,756**	**2,678**	**26,572**
Additions during the year – equipment in preparation	(1,520)	-	(168)	(1,688)
Additions during the – new equipment	1,520	111	627	2,258
Disposals	(2,452)	-	-	(2,452)
Balance as at 31 December 2014	**18,686**	**2,867**	**3,137**	**24,690**
Additions during the year – equipment in preparation	-	-	-	-
Additions during the – new equipment	2,485	-	517	3,002
Disposals	-	-	-	-
Balance as at 31 December 2015.	**21,171**	**2,867**	**3,654**	**27,692**
ACCUMULATED DEPRECIATION				
Balance as at 1 January 2014	**13,316**	**1,950**	**1,515**	**16,781**
Depreciation (Note 12)	3,140	277	407	3,824
Disposals	(2,428)	-	-	(2,428)
Balance as at 31 December 2014	**14,028**	**2,227**	**1,922**	**18,177**
Depreciation (Note 12)	2,465	220	417	3,102
Disposals	-	-	-	-
Balance as at 31 December 2015	**16,493**	**2,447**	**2,339**	**21,279**
Net book value as at:				
- 31 December 2015	**4,678**	**420**	**1,314**	**6,412**
- 31 December 2014	**4,658**	**641**	**1,214**	**6,513**

During 2015, the Company acquired one passenger vehicle. In addition, computer equipment has been purchased for regular operations.

The Company's management estimates that there are no indications that the value of the equipment is impaired as at 31December 2015.

The Company has no restrictions on ownership of equipment as of December 31, 2015, nor has any item of equipment been pledged as a collateral.

22. OTHER ASSETS

More detailed explanation of other assets is given in the following table:

	2015	2014
Interest receivable on term deposits	1,466	172
Receivables for expenses subject to refunding	2,666	1,436
Accrued interest income on term deposit	-	13,051
Receivables for changes in tax base	6,429	4,811
Other accruals	3,318	1,664
Prepaid expenses	1,197	4,214
Receivables on sale of leased assets	-	450
Receivables for subsidized interest of suppliers of leased assets	1,665	-
Receivables for damages after the sale of leased assets	189,604	188,983
Allowance for impairment of receivables for damages after the sale of leased assets	(189,604)	(188,983)
Other receivables	211,027	4,337
Total	**227,768**	**30,135**

A significant new item within other assets are receivables from subsidized interest of suppliers of leased assets. By the end of 2015, the Company signed contracts on business cooperation with suppliers of leased assets, based on which suppliers of the leased assets shall bear interest at the agreed percentage which is defined in contracts on financial leasing.

Under Other receivables the largest amount refers to VAT receivables for the month of December in the amount of 207,400 thousand dinars.

The receivable relates to financing of real-estate property based on which the Company was entitled to input VAT, where in accordance with Article 10 of the Law on VAT no output VAT had been accounted for.

23. BORROWINGS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	2015	2014
Short-term borrowings in the country	1,590,570	2,388,926
Interest payable on borrowings in the country	1,107	1,955
Portion of long-term borrowings with maturity up to 1 year in the country	272,645	139,102
Portion of long-term borrowings with maturity up to 1 year from abroad	1,008,570	256,633
Portion of long-term borrowings with maturity from 1 to 2 years in the country	186,493	117,934
Portion of long-term borrowings with maturity from 1 to 2 years from abroad	1,076,140	1,003,032
Portion of long-term borrowings with maturity from 2 to 5 years in the country	186,493	-
Portion of long-term borrowings with maturity from 2 to 5 years from abroad	2,353,359	3,141,874
Portion of long-term borrowings with maturity from over 5 years from abroad	675,700	335,995
	7,351,077	**7,385,451**
Accrued interest expenses on borrowings from abroad	20,042	21,058
Deferred disbursement fees on borrowings in the country	(4,026)	(2,412)
Deferred disbursement fees on borrowings from abroad	(41,995)	(23,832)
Balance as at 31 December	**7,325,098**	**7,380,265**

Borrowings from banks and other financial institutions are reduced by deferred disbursement fees on borrowings which are deferred over the period the borrowing is in use. Previous note present deferred disbursement fees on borrowings in the country and from abroad.

Financial liabilities in related with borrowings from banks increased for deferred interest on borrowings.

Borrowings from banks and other credit institutions:

	2015	2014
Banca Intesa AD Beograd	2,237,308	2,647,918
Council of Europe Development Bank	912,196	1,108,782
European Investment Bank –EIB	1,216,260	604,792
GGF Southeast Europe B.V.	552,791	604,792
European Fund for Southeast Europe S.A.	608,131	604,792
European Bank for Reconstruction and Development	1,824,391	1,814,375
Balance as at 31 December	**7,351,077**	**7,385,451**

During 2015, the following loans were taken from abroad:

A loan in the amount of EUR 5 million from the European Investment Bank, as a security for this borrowing, received the guarantee of Intesa Sanpaolo S.p.a which is recorded under off-balance sheet items (Note30).

During 2015, the Company repaid part of the long-term borrowing from the Council of Europe Development Bank in the amount of EUR 1.67 million, as part of long-term borrowing received from the GGF for Southeast Europe B.V. in the amount of EUR 0.45 million

As at 31 December 2015 the Company had the following approved and unused borrowings:

a) Long-term borrowing in the amount of EUR 15 million approved by the European Bank for Reconstruction and Development
b) Part of short-term revolving borrowing of EUR 3.5 million approved by Banca Intesa AD Beograd
c) Part of short-term revolving borrowing in the amount of RSD 200 million approved by Banca Intesa AD Beograd

The interest rate on long-term borrowings from abroad ranges from 0.25% up to 3.30% per annum, depending on the maturity period. Contractual repayment of long-term borrowings from abroad are from 4 to 12 years.

The Company has a contractual liability to report quarterly to two creditors from abroad (GGF Southeast Europe B.V. and the European Fund for Southeast Europe S.A.) on the level of financial covenants.

Financial covenants to be prepared and submitted are:

- Equity to Assets Ratio, condition of covenant is 17%, limit defined Covenant is greater than 11%

- Open Lease Exposure Ratio, condition of covenant is 1%, limit defined Covenant is less than 20%

- Aggregate Maturity Gap Ratio, condition of covenant is 74%, limit defined Covenant is greater than -100%;

All financial covenants were in line with the defined limits at the end of 2015.

Based on annexes to contracts with foreign creditors in 2015 the Economic Group Exposure Ratio ceased to be valid in respect of exposure that exceeds the maximum exposure of 25 % of equity of the Company.

24. PROVISIONS

	2015	2014
Long-term provisions for retirement benefits	227	177
Balance as at 31 December	**227**	**177**

The provision for employees' retirement benefits have been recorded on the basis of the Report of an independent actuary as at 31 December 2015 in the amount of discounted present value of future payments.

When determining the present value of the expected outflows, the discount rate of 6% has been used, representing an appropriate rate according to IAS 19, which represents a long-term rate of return on high-quality debt securities , bonds of the Republic of Serbia and Treasury bills of the National Bank of

The provision was determined on the basis of the Rules of Procedure of the Company and the assumption of average growth of salaries in Serbia in the last 6 years from 7 % a year

Movements in provisions during the year were as follows:

	2015	2014
Balance as at 1 January	**177**	**167**
Provisions during the year (Note 11)	50	10
Release of provisions	-	-
Balance as at 31 December	**227**	**177**

25. OTHER LIABILITIES

	2015	2014
Trade payables - abroad	-	-
Domestic trade payables	227,145	14,067
Other payables to customers	36,601	17,874
Liabilities for unused vacations (Note 11)	258	414
Other deferrals	7,006	5,249
Withholding tax payable	42	-
Value added tax payable	-	1,113
Liabilities for salaries and benefits	4,224	4,376
Other liabilities	125,500	-
Balance as at 31 December	**400,776**	**43,093**

Trade payables in the amount of RSD 227,145 thousand as at 31 December 2015 mostly relate to liabilities to the supplier of the subject of leasing in the amount of RSD 212,578 thousand (at the end of 2014 there were no such obligations) and on the basis of the agreed deferred payment. This obligation has been paid in January 2016.

Other payables to customers in the amount of RSD 36,601 thousand as of December 31, 2015 mostly relate to higher rates paid by customers in the amount of RSD 23,194 thousand (year 2014 15,950 thousand).

Other accruals, mostly relate to audit services in the amount of RSD 3,721 thousand (2014: RSD 3,701 thousand).

Other liabilities in the amount of RSD 125,500 thousand represent liabilities for the payment of profits to the Company's founder Banka Intesa ad Belgrade. The decision on the payment of profit was taken at the Assembly session on 30 December 2015. The Company implemented this decision in February 2016.

26. STAKE CAPITAL

The Company's stake capital structure by stakeholders' contribution as at 31 December 2015 and 2014 is presented in the table below:

	2015	2014
Banca Intesa a.d. Belgrade	960,374	960,374
Total	**960,374**	**960,374**

Accordingly, as at 31 December 2015 Banca Intesa a.d. Beograd is the sole owner of the Company with 100% share in the Company's stake (initial) capital.

Pursuant to the Decision of the Serbian Business Registers Agency no. 155596/2011 dated 19 December 2011, the change of the founders was registered, whereby Banca Intesa a.d. Beograd was inscribed as the sole owner of the Company.

Inscribed and paid-in initial (pecuniary) capital of the Company registered with the Serbian Business Registers Agency amounts to EUR 10,152,453 as at the payment date.

The pecuniary portion of the initial capital of the Company as at 31 December 2015 satisfies the minimal required amount prescribed by Article 10a of the Law on Financial Leasing ("RS Official Gazette", no. 55/2003, 61/2005, 31/2011 and 99/2011).

27. RESERVES, REVALUATION RESERVES AND UNREALIZED GAINS AND LOSSES

The structure of the Company's reserves as at 31 December 2015 and 2014 is as follows:

	2015.	2014.
Unrealised gains	4,633	-
Unrealised losses	-	(10,620)
Balance as at 31 December	**4,633**	**(10,620)**

Unrealized gains in 2015 result from the conversion of the nominal value of short-term securities (Note 17) on the fair value at the reporting date. Unrealized gains in the amount of RSD 4,633 thousand were incurred as a result of high demand for government securities on the secondary market.

28. PROFIT

Total retained earnings of the Company as at 31 December 2015 amounted to RSD 666,787 thousand (December 31, 2014: RSD 662,864 thousand) and consist of profit for the current year in the amount of RSD 129,424 thousand and profit for previous years in the amount of RSD 537,363 thousand. Retained earnings of the Company as at 31 December 2014 consisted of profit for the current year in the amount of RSD 125,550 thousand and profit for previous years in the amount of RSD 537,314 thousand.

At the Company Assembly's session on 30 December 2015 the decision was made on the payment of the profit earned in 2014 in the amount of RSD 125,500 thousand (see Note 25). The Company has implemented this decision at the beginning of February 2016.

29. COMMITMENTS AND CONTINGENT LIABILITIES

(a) Liabilities arising from operating lease

Obligations under operating leases relate to rental costs based on concluded contracts.

Future minimum lease payment commitments under operating leases are as follows:

	2014	2014
Up to 1 year	4,037	3,071
From 1 to 5 years	16,148	12,284
	20,185	**15,355**

(b) Litigations

As at 31 December 2015 the Company the company is involved in three court disputes as respondent. The total value of these court cases is RSD 942 thousand and management estimates that the Company will not lose these court cases.

(c) Tax risks

The tax system in the Republic of Serbia is undergoing continuous amendments. The tax period in the Republic of Serbia is considered to be open for a five-year period, in accordance with the period of limitation defined by the Tax Procedures and Tax Administration Act. In different circumstances, tax authorities could have different approaches to some issues, and could assess additional tax liabilities together with related penalty interest and fines. The Company's management believes that tax liabilities recognized in the accompanying financial statements are fairly presented.

30. RELATED PARTY DISCLOSURES

In the ordinary course of business, the Company enters into transactions with its founder and other related parties.

All transactions with related parties are conducted under ordinary market conditions which would be applicable to transactions with third parties.

Received guarantees from related parties have been recorded within the off-balance sheet items and they are, as at 31 December 2015, as follows: RSD 2,985,313 thousand from Banca Intesa a.d. Beograd and RSD 2,128,457 from Intesa Sanpaolo S.p.A., Milano.

(a) Transactions with the owner - Banca Intesa a.d. Beograd

Outstanding balances of receivables and liabilities as at 31 December 2015 and 2014 resulting from transactions with Banca Intesa a.d. Beograd, as well as income and expenses earned/incurred during the year are presented as follows:

Receivables from Banca Intesa a.d. Beograd

	2015	2014
Cash (Note 15)	1,240,864	35,187
Financial placements held with banks (Note 16)	-	2,068,566
Receivables from finance lease activities	37,655	48,721
Other assets:	-	-
Interest on transaction deposits	1,466	171
Interest on term deposits	-	-
Accrued interest on term deposit (Note 22)	-	13,051
Balance as at 31 December	**1,279,985**	**2,165,696**

Liabilities to Banca Intesa a.d. Beograd

	2015	2014
Borrowings from banks and other financial institutions:		
Long-term borrowings (Note 23)	372,986	117,934
Short-term borrowings (Note 23)	1,863,215	2,528,028
Interest payable (Note 23)	1,107	1,955
Other liabilities		10,232
Deferred disbursement fees	(4,026)	(2,412)
Balance as at 31 December	**2,233,282**	**2,655,737**

Income from Transactions with Banca Intesa a.d. Beograd

	2015	2014
Interest income (Note 5):		
Interest income on deposits	13,593	21,394
Interest income from finance lease activities	2,169	2,148
Fee and commission income (Note 6)	92	284
Total	**15,854**	**23,826**

Expenses from Transactions with Banca Intesa a.d. Beograd

	2015	2014
Interest expenses (Note 5)	13,868	22,143
Fee and commission expenses (Note 6)	750	1,462
Net foreign exchange gains and net gains from foreign exchange clause	4,152	24,686
Expenses for guarantees issued	12,053	9,221
Expenses on SLA contract	7,930	7,107
Rental expenses	3,074	2,976
Borrowing disbursement fees	3,672	2,593
Other expenses	2,287	24,728
Total	**47,786**	**73,019**

30. RELATED PARTY DISCLOSURE (Continued)

(b) Transactions with Other Related Parties

As at 31 December 2015 and 2014 the Company had the following liabilities and receivables toward the members of Intesa Sanpaolo Group - Intesa Sanpaolo S.p.A. as well as expenses incurred during the year:

Receivables from members of Intesa Sanpaolo Grupe

	2015	2014
Other assets (Note 22)	2,666	1,436
Balance as at 31 December	**2,666**	**1,436**

Balance of other assets from a related party Intesa Sanpaolo SpA, Milano as at 31 December 2015 relate to receivables for salary of one of the Company's employees to be refunded.

Liabilities to the Members of Intesa Sanpaolo Group

	2015	2014
Other liabilities - Intesa Sanpaolo S.p.A. (Note 25)	445	64
Balance as at 31 December	**445**	**64**

At the end of 2015, the Company had commitments to a related parity of the Intesa Sanpaolo Group for accrued expenses for guarantees given.

Expenses from Transactions with the Members of Intesa Sanpaolo Group

	2015		2014	
	Intesa Sanpaolo S.p.A.	Intesa Sanpaolo S.p.A. Succursale de Paris	Intesa Sanpaolo S.p.A.	Intesa Sanpaolo S.p.A. Succursale de Paris
Interest expense (Note 5)	-	-	-	3,455
Other expenses (Note 13)	2,476	-	2,505	384
Total expenses	**2,476**	**-**	**2,505**	**3,839**

Other expenses in 2015 relate to the cost of guarantees issued by the related party Intesa Sanpaolo SpA, Milan.

30. RELATED PARTY DISCLOSURE (Continued)

(c) Salaries of the Key Management Personnel

During the years ended 31 December 2015 and 2014, salaries in the following amounts were paid to the Company's management:

	2015	2014
Total gross salaries	24,379	23,206
Total net salaries	19,824	18,699

No remunerations were paid to the members of the Supervisory Board in 2015 and 2014.

31. RISK MANAGEMENT

Risk is an inherent part of a financial institution's activities and cannot be eliminated completely. However, the Company should manage risks in order to reduce them to an acceptable level for all interested parties: owners of the Company, the lessor, the lessees and regulators. Risk management is the process of permanent identification, assessment, measurement, monitoring and controlling of the Company's exposure to risks. An important part of risk management is reporting and risk mitigation. An adequate system of risk management is an important element in ensuring the Company's stability and profitability.

Owing to the nature of its activities, the Company is exposed to the following major risks:

- credit risk,
- liquidity risk,
- market risk (interest rate risk, foreign currency risk and other market risks),
- compliance risk and
- operational risk.

The Company is also exposed to and monitors the influence of risk of exposure toward a single entity (concentration risk), as well as exposure toward a group of related parties and risk related to the country of origin of the entity to which the Company is exposed.

Management is responsible for implementation of an adequate risk management system and its consistent application. Management determines the procedures for identification, measurement and assessment of risks, and is responsible for implementing a unique risk management system and supervision over that system in the Company.

Management is responsible for identifying, assessing and measuring the risks the Company is exposed to in its business, and applies the principles of risk management approved by the Company's Managing Board.

The Company's Managing Board analyses and adopts the proposals of policies and procedures with respect to risk management and internal controls, which are submitted to the Managing Board for consideration and adoption. Furthermore, the Board analyses and monitors the application and adequate implementation of the adopted policies and procedures for risk management and proposes the measures for their improvement, if necessary.

The Risk Management Department and Corporate Department of Banca Intesa a.d. Beograd are involved in implementing a special and unique system for risk management.

Facilitating functional and organizational segregation of risk management activities from regular business activities.

The Company has developed a comprehensive risk management system by introducing policies and procedures, as well as by establishing limits for risk levels acceptable to the Company.

The foregoing particularly relates to credit risk, operational risk, liquidity risk, compliance risk, market risk and exposure (concentration) risk. The Company will prescribe in its internal acts the procedures for risk identification, measurement and assessment, as well as risk management, in accordance with the regulations, standards and profession rules, and rules of the group Intesa SanPaolo.

The process of Risk Management is formalized through six procedures which coordinating with the rules of ISP Group at least annually. Adopted procedures are presented as follows:

- Procedure for managing risk exposure
- Procedure for managing liquidity risk
- Procedure for managing interest rate risk
- Procedure for managing operational risk
- Procedure for managing compliance risk.
- Procedure for managing foreign exchange risk
- Policy for managing credit risk
- Policy for managing socio-ecologic risk
- Policy for managing information system

Organizational units in charge of risk management of both the Company's and Banca Intesa a.d. Beograd continuously monitor changes in legislation, analyse their influence on risks at entity level of the Company and take necessary measures to bring the Company's business activities and procedures in accordance with new regulations within the scope of controlled risk. In addition, introduction of new services is followed by necessary market and economic analysis in order to optimize the relation between income and the provision for estimated risks.

31.1. Credit Risk

Credit risk is the risk that a contractual party will not be able to fulfil the related contractual obligation, causing financial loss for the other party. Through its internal regulations and procedures, the Company implements an adequate system of credit risk management and reduces credit risk to an acceptable level.

The Company manages credit risk through setting credit risk limits for individual customers as well as for the group of customers.

Credit risk management is carried out at the following levels:

- individual level;
- group of related parties level; and
- entire portfolio level.

31. RISK MANAGEMENT (Continued)

31.1. Credit Risk (Continued)

According to the Service Level Agreement with Banca Intesa a.d. Beograd, assessment of the credit worthiness of each client, after submission of the placement approval request, is performed as follows:

- The Company obtains all the necessary documentation from clients for the credit worthiness analysis.

- The collected documentation is sent to the Department for Credit Analysis of Banca Intesa a.d. Beograd for a further analysis of creditworthiness, repayment history and value of collateral.

- The Department for Credit Analysis of Banca Intesa a.d. Beograd makes a proposal of the decision for placement approval.

- The Company's Credit Committee, constituted of the Chairman and member of the Executive Board, makes the decision on placement approval based on the abovementioned proposal of the Department for Credit Analysis.

The Company's Credit Committee could approve independently leasing requirements under the following circumstances:

1. The Company's Credit Committee can approve lease placements to clients, or to a group of related parties, in cases when total exposure (aggregate exposure to Banca Intesa a.d. Beograd and Intesa leasing d.o.o. Beograd), including that of the new placement, is not higher than EUR 100,000 in dinar equivalent, using middle exchange rate of NBS on the day of decision.

2. The Company's Credit Committee can approve lease placements to clients, or to group of related parties that are classified as small, medium and large legal entities, when the amount is not higher than EUR 50,000. In these cases, previous exposure to abovementioned clients is not important, but total exposure cannot be higher than EUR 10 million, including the amount of required lease placement.

The Company manages the credit risk by setting up limits with respect to period, amount and results of the individual customer's creditworthiness, by diversification of placements to a larger number of customers and by contracting a foreign currency clause.

Furthermore, the Company manages credit risk through assessment and analysis of received collaterals, by providing allowance for impairment of receivables from finance lease activities, as well as by determining the adequate price of placement which covers the risk of a particular placement.

Total risk exposure to a single customer or a group of related parties regarding exposure limits is considered thoroughly and analysed before the execution of transaction.

Credit risk management also includes concentration risk. The concentration risk is the risk of incurring losses due to an excessive volume of placements to a certain group of customers/debtors.

Groups of debtors can be categorized by different criteria, such as: related parties, regions or economic groups.

31. RISK MANAGEMENT (Continued)

31.1. Credit Risk (Continued)

The amount and type of collateral required depends on an assessment of the creditworthiness of each customer, type of credit risk exposure, maturity as well as the amount of placement. The collateral amount as well as collateral type depends on the estimated credit risk.

Standard collaterals provided by customers, except the leased assets, are bills of exchange.

Depending on the assessment, additional collaterals may be required, such as: real-estate mortgages, movable property pledges, stake or receivables pledges, buy-back contracts with suppliers and joint contracts with other entity which then becomes the joint debtor, as well as deposit as a guarantee for liability settlement.

In cases of real-estate mortgages or pledges on movables, the Company always obtains valuation of the assets carried out by an authorized appraiser, in order to reduce potential risk to a minimum.

In accordance with the Service Level Agreement, the Risk Management Department of Banca Intesa a.d. Beograd performs assessment for impairment of the Company's receivables from finance lease activities.

During the process of assessment for impairment of receivables from finance lease activities the following factors are taken into account: days of delay in payment of principal and interest, cash flow deficiencies, breach of contractual terms, as well as deterioration in the client's credit rating.

Impairment of the Company's receivables from finance lease activities is performed as a collective assessment. Individual assessments are taken into account for non-performing exposures higher than EUR 250,000. The impairment provision is estimated monthly when every individual loan portfolio is analysed.

In 2015, the professional body for managing non-performing placements was giving recommendations for finding the best possible solutions for dealing with bad and non-performing receivables.

(a) Portfolio Quality

The Company manages the quality of its financial assets by using an internal model for finance lease receivables grading. The following table presents the quality of the **gross portfolio,** i.e. receivables from finance lease activities excluding other receivables, accrued interest income and deferred origination fees (Note 18) and **allowances for impairment of receivables on finance lease activities** as at 31 December 2015, by types of receivables and based on the Company's internal grading system:

	Performing	Past due	Unlikely to pay	Doubtful	Total 31/12/2015
Receivables from Banca Intesa a.d. Beograd	**37,655**	**-**	**-**	**-**	**37,655**
Receivables from Customers					
Corporate Customers	281,012	244,569	22,231	-	547,812
Medium Enterprises	704,723	545,334	30,528	33,370	1,313,955
Small Enterprises	1,508,001	1,321,133	55,681	45,250	2,930,065
Micro Enterprises	1,333,282	532,413	47,570	115,870	2,029,135
Entrepreneurs	120,486	34,667	-	24,266	179,419
Retail Customers	-	48,186	2,051	9,009	59,246
Farmers	-	81,568	-	68,078	149,646
Other Institutions	7,032	2,908	-	-	9,940
	3,954,536	**2,810,778**	**158,061**	**295,843**	**7,219,218**
Total	**3,992,191**	**2,810,778**	**158,061**	**295,843**	**7,256,873**
Participation in the total gross receivables	**55.01%**	**38.73%**	**2.18%**	**4.08%**	**100.00%**

	Performing	Past due	Unlikely to pay	Doubtful	Total 31/12/2015
Impairment provision Banca Intesa a.d. Beograd	**-**	**-**	**-**	**-**	**-**
Receivables from Customers					
Corporate Customers	1,443	8,863	5,569	-	15,875
Medium Enterprises	3,339	14,590	2,278	29,636	49,843
Small Enterprises	8,262	46,721	25,120	29,354	109,457
Micro Enterprises	4,843	26,075	11,837	110,889	153,644
Entrepreneurs	826	2,210	-	24,267	27,303
Retail Customers	-	191	381	8,858	9,430
Farmers	-	404	-	67,480	67,884
Other Institutions	33	135	-	-	168
	18,746	**99,189**	**45,185**	**270,484**	**433,604**
Total	**18,746**	**99,189**	**45,185**	**270,484**	**433,604**
Participation in the total impairment provision	**4.32%**	**22.88%**	**10.42%**	**62.38%**	**100.00%**

31. RISK MANAGEMENT (Continued)

31.1. Credit Risk (Continued)

The following table presents the quality of the **gross portfolio**, i.e. receivables from finance lease activities excluding other receivables, accrued interest income and deferred origination fees and **allowance for impairment of receivables from finance lease activities** as at 31 December 2014, by types of placements and based on the Company's internal grading system and impairment of receivables:

	Performing	Past due	Unlikely to pay	Doubtful	Total 31/12/2014
Receivables - Banca Intesa a.d. Beograd	**48,721**	**-**	**-**	**-**	**48,721**
Receivables from Customers					
Corporate Customers	986,169	188,987	-	-	1,175,156
Medium Enterprises	429,248	574,105	78,678	33,692	1,115,723
Small Enterprises	1,692,262	1,157,171	51,529	165,620	3,066,582
Micro Enterprises	285,773	310,331	5,630	110,890	712,624
Entrepreneurs	125,509	20,437	-	32,695	178,641
Retail Customers	-	45,322	1,294	9,107	55,723
Farmers	-	79,130	-	104,132	183,262
Other Institutions	12,130	16,572	-	88	28,790
	3,531,091	**2,392,055**	**137,131**	**456,224**	**6,516,501**
Total	**3,579,812**	**2,392,055**	**137,131**	**456,224**	**6,565,222**
Participation in the total gross receivables	**54.53%**	**36.44%**	**2.09%**	**6.94%**	**100.00%**

	Performing	Past due	Unlikely to pay	Doubtful	Total 31/12/2014
Impairment provision Banca Intesa a.d. Beograd	**-**	**-**	**-**	**-**	**-**
Receivables from Customers					
Corporate Customers	7,159	7,113	-	-	14,272
Medium Enterprises	2,299	16,254	3,934	30,771	53,258
Small Enterprises	10,931	42,337	18,326	95,171	166,765
Micro Enterprises	2,315	17,519	1,750	94,465	116,049
Entrepreneurs	1,037	1,107	-	31,993	34,137
Retail Customers	-	333	229	9,106	9,668
Farmers	-	1,009	-	104,131	105,140
Other Institutions	69	652	-	88	809
Total	**23,810**	**86,324**	**24,239**	**365,725**	**500,098**
Participation in the total impairment provision	**4.76%**	**17.26%**	**4.85%**	**73.13%**	**100.00%**

31. RISK MANAGEMENT (Continued)

31.1. Credit Risk (Continued)

(a) Portfolio Quality (Continued)

The following table presents the quality of the **net portfolio, i.e. receivables from finance lease activities** excluding other receivables, accrued interest income and deferred origination fees as at 31 December 2015 and 2014, by types of receivables and based on the Company's internal grading system:

	Performing	Past due	Unlikely to pay	Doubtful	Total 31/12/2015
Receivables - Banca Intesa a.d. Beograd	**37,655**	**-**	**-**	**-**	**37,655**
Receivables- customers					
Corporate Customers	279,569	235,706	16,661	-	531,936
Medium Enterprises	701,385	530,744	28,249	3,735	1,264,113
Small Enterprises	1,499,740	1,274,411	30,561	15,897	2,820,609
Micro Enterprises	1,328,439	506,338	35,733	4,982	1,875,492
Entrepreneurs	119,659	32,457	-	-	152,116
Retail Customers	-	47,995	1,669	151	49,815
Farmers	-	81,164	-	597	81,761
Other Institutions	6,999	2,773	-	-	9,772
	3,935,791	**2,711,588**	**112,873**	**25,362**	**6,785,614**
Total	**3,973,446**	**2,711,588**	**112,873**	**25,362**	**6,823,269**
Participation in the total net receivables	**58.23%**	**39.74%**	**1.65%**	**0.38%**	**100.00%**

	Performing	Past due	Unlikely to pay	Doubtful	Total 31/12/2014
Receivables - Banca Intesa a.d. Beograd	**48,721**	**-**	**-**	**-**	**48,721**
Receivables- customers					
Corporate Customers	979,010	181,874	-	-	1,160,884
Medium Enterprises	426,949	557,851	74,744	2,921	1,062,465
Small Enterprises	1,681,331	1,114,834	33,203	70,449	2,899,817
Micro Enterprises	283,458	292,812	3,881	16,424	596,575
Entrepreneurs	124,472	19,330	-	703	144,505
Retail Customers	-	44,989	1,065	-	46,054
Farmers	-	78,122	-	-	78,122
Other Institutions	12,061	15,920	-	-	27,981
	3,507,281	**2,305,732**	**112,893**	**90,497**	**6,016,403**
Total	**3,556,002**	**2,305,732**	**112,893**	**90,497**	**6,065,124**
Participation in the total net receivables	**58.63%**	**38.02%**	**1.86%**	**1.49%**	**100.00%**

Ageing Structure of Overdue Receivables of High and Standard Quality

The ageing analysis of overdue receivables from customers of high and standard quality as at 31 December 2015 is presented in the table below:

	Up to 30 days	From 31 to 60 days	From 61 to 90 days	Over 90 days	Total 31/12/2015
Receivables from Customers					
Corporate Customers	7,188	-	-	-	7,188
Medium Enterprises	24,726	2,723	-	-	27,449
Small Enterprises	31,003	1,126	137	-	32,266
Micro Enterprises	5,785	633	1	-	6,419
Entrepreneurs	937	261	108	-	1,306
Retail Customers	261	687	17	-	965
Farmers	821	-	-	-	821
Other Institutions	51	-	-	-	51
Total	**70,772**	**5,430**	**263**	**-**	**76,465**
Participation in total overdue receivables of high and standard quality	**92.55%**	**7.10%**	**0.34%**	**0.00%**	**100.00%**

The ageing analysis of overdue receivables from customers of high and standard quality as at 31 December 2014 is presented in the table below:

	Up to 30 days	From 31 to 60 days	From 61 to 90 days	Over 90 days	Total 31/12/2014
Receivables from Customers					
Corporate Customers	8,644	2,344	2,175	-	13,163
Medium Enterprises	32,470	2,467	-	-	34,937
Small Enterprises	28,700	2,596	-	-	31,296
Micro Enterprises	12,877	183	-	-	13,060
Entrepreneurs	844	127	-	-	971
Retail Customers	605	135	22	-	762
Farmers	2,815	517	-	-	3,332
Other Institutions	91	38	37	-	166
Tpotal	**87,046**	**8,407**	**2,234**	**-**	**97,687**
Participation in total overdue receivables of high and standard quality	**89.11%**	**8.61%**	**2.28%**	**0.00%**	**100.00%**

(b) Maximum Exposure to Credit Risk

The structure of the Company's maximum credit risk exposure presented at its **gross value of receivables from finance lease activities** excluding short term receivables, accrued interest income and deferred origination fees (Note 18) as at 31 December 2015, grouped by geographical sectors, is presented in the table below:

Geographical region	Receivables from banks	Receivables from other customers	Allowances for impairment	Total 31/12/2015	% Participation in total net receivables
Beograd	37,655	2,851,625	(156,052)	2,695,573	40.06%
Vojvodina	-	2,031,116	(145,264)	1,885,852	27.64%
Rest of Serbia	-	2,336,477	(132,288)	2,204,189	32. 30%
Total	**37,655**	**7,219,218**	**(433,604)**	**6,823,269**	**100.00%**

The structure of the Company's maximum credit risk exposure presented at its **gross value of receivables from finance lease activities** excluding short term receivables, accrued interest income and deferred origination fees (Note 18) as at 31 December 2014, grouped by geographical sectors, is presented in the table below:

Geographical region	Receivables from banks	Receivables from other customers	Allowances for impairment	Total 31/12/2014	% Participation in total net receivables
Beograd	48,721	3,124,032	(162,642)	3,010,111	49.63%
Vojvodina	-	1,739,701	(154,140)	1,585,561	26.14%
Rest of Serbia	-	1,652,768	(183,316)	1,469,452	24.23%
Total	**48,721**	**6,516,501**	**(500,098)**	**6,065,124**	**100.00%**

The maximum exposure to a single geographic area is 55 % of the total portfolio. In the reporting period, the Company didn't go over the maximum exposure limit laid down by geographical area.

Analysis of the Company's exposure to credit risk by sector and type of leased assets is stated at the value of gross placements, respectively, or receivables based on financial leasing excluding other receivables, advance of accrued interest income and deferred origination fees as at 31 December 2015 and 2014, grouped by industrial sectors, is presented in the table below:

Industry structure		**Gross exposure 2015**	**Net exposure 2015**	**Gross exposure 2014**	**Net Exposure 2014**
1.	Agriculture, forestry and fishing (sector A)	454,825	6.67%	436.895	7.20%
2.	Mining industry; Processing industry; Water supply, waste water management and related activities (sectors B, C and E)	727,211	11.10%	1.444.365	23.81%
3.	Power supply, gas, steam supply and air conditioning (sector D)	1,715	0.03%	4.384	0.07%
4.	Construction (sector F)	642,364	9.41%	685.238	11.30%
5.	Wholesale and retail, vehicles and motorcycles repair (sector G)	699,680	10.25%	692.277	11. 41%
6.	Media and communications (sectors H and J)	2,564,069	37.58%	1.937.982	31. 95%
7.	Hotels and restaurants (sector I)	71,895	1.05%	2.204	0. 04%
8.	Financial activities and insurance (sector K)	49,607	0.73%	69.816	1. 15%
9.	Health care and social work (sector Q)	26,055	0.38%	35.937	0.59%
10.	Other industries (sectors L, M, N, O, P, R, S, T and U)	1,555,848	22.80%	719.034	11.88%
	Total	**6,823,269**	**100%**	**6,065,124**	**100%**

31. RISK MANAGEMENT (Continued)

31.1. Credit Risk (Continued)

(b) Maximum Exposure to Credit Risk (Continued)

The maximum exposure to a single sector is 50 % of the total exposure.
The Company in the reporting period did not go over the defined limit of sectoral structure. The biggest share in loans in both years have the sectors of transportation and storage. The largest increase in the share of 10.92 % in the sectoral structure of the day 31 December 2015 is in the sector of Other activities , and the largest decrease in the structure compared to the previous year is for the Mining sector and the Manufacturing industry in the amount of 12.71 %.

	Exposure by leased asset	Maximum exposure 2015	Percentage of exposure 2015	Maximum exposure 2014	Percentage of exposure 2014
1.	Production machines and equipment	92,801	1.36%	140,075	2.31%
2.	Construction machines and equipment	446,225	6.54%	632,879	10.43%
3.	Agricultural machines and equipment	414,845	6.08%	493,056	8.13%
4.	Trucks, vans and buses	2,906,887	42.60%	2,380,274	39.25%
5.	Passenger vehicles	630,654	9.24%	491,682	8.11%
6.	Rail vehicles, watercraft and aircraft	22,496	0.33%	34,130	0.56%
7.	House appliances	-	0.00%	-	0.00%
8.	Machines and equipment for service provision	4,627	0.07%	5,589	0.09%
9.	Other movables	761,910	11.17%	1,493,918	24.63%
10.	Commercial properties	1,539,240	22.56%	389,900	6.43%
11.	Other movables	3,584	0.05%	3,621	0.06%
	Total	**6,823,269**	**100%**	**6,065,124**	**100%**

The maximum exposure to the type of leased asset is 60 % of the total exposure.
In the reporting period, the Company did not exceed the limit of exposure by type of leased asset. The largest exposure in the observed periods was registered by types of leased assets, i.e. Trucks, vans and buses with a slight increase in the percentage exposure in 2015. The largest increase in the percentage of exposure in 2015 was recorded in the leased asset type Commercial properties in the amount of 16.13 %, while the biggest fall in the percentage of exposure was in the leased asset type Other movable property in the amount of 13.46%.

Exposure Risk

The Company monitors and measures exposure towards a single party or a group of related parties as well as compliance of the exposure indicators in the decision making process on placement approval.

Exposure to a single entity or a group of related parties is monitored through the following reports:

- Exposures to individual customers who have individually a higher amount of gross investments over 5 % compared to the capital of the Company ;
- The ratio of total exposure to the 20 largest customers compared to the capital of the Company
-The ratio of the total exposure of the rest of clients (except for the 20 largest) in relation to the capital of the Company

Exposure risk is measured in relation to the Company's equity. As of 31 December 2015, 15 clients with the largest net receivables individually have exposure risk exceeding 5% of the Company's equity, information for 2014 – 16 clients.

Total exposure to 20 largest clients in relation to the capital of the Company as at 31 December 2015 was 195.88% , comparative data for the year 2014 168.66%, or exposure to the 20 largest customers in relation to the capital of the Company in 2015 is increased by 27.22 % compared to the previous year

One client has risk exposure exceeding maximum risk exposure of 25% of the Company's equity, established as a limit in policy for managing credit risk exposure. For the Client who has risk exposure greater than 25% of the Company's equity, the Company has provided the consent of the Board of Directors to exceed the defined limit of exposure.

Net receivables from 20 largest clients as at 31 December 2015 amounted to RSD 3,196,364 thousand (31 December 2014: RSD 2,719,904 thousand).

All other clients, on the 31 December 2015 had the exposure of RSD 4,267,066 thousand (31 December 2014: RSD 4,052,005 thousand).

As a way of hedging credit risk the Company takes collaterals for certain receivables, especially mortgages and special purpose term deposits from clients and pledges over leased assets.

The effect on impairment of receivables from finance lease excluding receivables for damages after the sale of the leased asset and deduction for pre- charged handling costs is represented in the following table:

	2015	**2014**
Carrying amount of the allowance for impairment for receivables	442,640	510,308
Allowance for impairment of receivables without collateral	622,654	720,595
Effect on the calculation of the allowance for impairment of receivables	**180,014**	**210,287**
Effect on the calculation of collective allowances for impairment	153,476	133,974
Effect on the calculation of individual allowances for impairment	26,538	76,313

Amounts presented as effects on the calculation of the allowance for impairment of receivables, and reflect what the calculation of the allowance for impairment would have been had collateral not been included in the calculation.

As at 31 December 2015 the Company was one client in the portfolio who does not have any late payments and no allowance for impairment, it being Banca Intesa ad Belgrade. The company's exposure to this client was RSD 37,655 thousand (2014: RSD 48,721 thousand).

As at reporting date the Company does not have any overdue financial assets without any allowance for impairment.

Analysis of collateral

Analysis of the portfolio by collateral type at 31 December 2015 and 31 December 2014 is given in the following table:

	2015		2014	
	Gross placement	The total value of the collateral	Gross placement	The total value of the collateral
Receivables to corporate customers:	**6,829,775**	**10,443,301**	**6,096,113**	**8,260,520**
Secured by mortgage	331,295	331,295	178,097	178,097
Secured by deposit	621,671	621,721	19,833	19,833
Secured by leased object	5,876,809	9,490,285	5,898,183	8,062,590
Unsecured by collateral	-	-	-	-
Receivables to retail customers:	**388,311**	**490,116**	**417,625**	**506,661**
Secured by mortgage	-	-	14,297	14,297
Secured by deposit	1,042	1,042	1,036	1,036
Secured by leasing object	387,269	489,074	402,292	491,328
Unsecured by collateral	-	-	-	-
Receivables to Banks :	**37,655**	**33,227**	**48,722**	**49,452**
Secured by mortgage	-	-	-	-
Secured by deposit	-	-	-	-
Secured by leasing object	33,227	33,227	48,722	49,452
Unsecured by collateral	4,428	-	-	-
Receivables to State and Local Government	**1,132**	**1,874**	**2,762**	**5,302**
Secured by mortgage	-	-	-	-
Secured by deposit	-	-	-	-
Secured by leasing object	1,132	1,874	2,762	5,302
Unsecured by collateral	-	-	-	-
Total at 31 December	**7,256,873**	**10,478,402**	**6,565,222**	**10,968,468**

All collaterals are stated at the appraised value of the mortgage at the last appraised values, deposits in teh amount of special purpose deposits as at 31 December 2015 and leased assets in the amount of the cost of the leased asset at the moment of lease approval. Mortgages as collateral must further satisfy the following conditions: to be recorded in the appropriate register, a valuation report for the particular property not older than 3 years as performed by a certified appraiser, the property owner is not in bankruptcy, the appraised value of real estate must be reduced by the amount of all claims with higher priority ranking which are not higher than the receivables amount, that the mortgage secured receivable is not settled with a delay of 720 days.

Analysis of collateral

A presentation of the ratio between receivables and collateral value (LTV ratio) at 31 December 2015 and 31 December 2014 is given in the following table:

2015		2014	
LTV ratio	**Amount of receivable**	**LTV ratio**	**Amount of receivable**
<50%	388,236	<50%	643,776
51% - 70%	241,160	51% - 70%	254,217
71% - 90%	651,735	71% - 90%	1,002,370
91% - 100%	648,457	91% - 100%	571,609
>100%	5,327,285	>100%	4,093,250
Total	**7,256,873**	**Total**	**6,565,222**

31. RISK MANAGEMENT (Continued)

31.1. Credit Risk (Continued)

(c) Assessment of Impairment of Financial Assets

Structure of the **allowance for impairment of financial assets, i.e. receivables from finance lease activities** excluding short term receivables, accrued interest income and deferred origination fees as at 31 December 2015 and 2014 is presented below:

2015	Gross receivables from finance lease activities	Allowance for impairment	Net receivables from finance lease activities
Receivables Banca Intesa a.d. Beograd	37,655	-	37,655
Corporate customers	547,812	15,876	531,936
Medium enterprises	1,313,955	49,842	1,264,113
Small enterprises	2,930,065	109,457	2,820,608
Micro enterprises	2,029,135	153,643	1,875,492
Entrepreneurs	179,419	27,303	152,116
Retail customers	59,246	9,430	49,816
Farmers	149,646	67,884	81,762
Other institutions	9,940	169	9,771
Ukupno	**7,256,873**	**433,604**	**6,823,269**

2014	Gross receivables from finance lease activities	Allowance for impairment	Net receivables from finance lease activities
Receivables Banca Intesa a.d. Beograd	48,721	-	48,721
Corporate customers	1,175,156	(14,272)	1,160,884
Medium enterprises	1,115,723	(53,258)	1,062,465
Small enterprises	3,066,582	(166,765)	2,899,817
Micro enterprises	712,624	(116,049)	596,575
Entrepreneurs	178,641	(34,137)	144,504
Retail customers	55,723	(9,668)	46,055
Farmers	183,262	(105,140)	78,122
Other institutions	28,790	(809)	27,981
Total	**6,565,222**	**(500,098)**	**6,065,124**

31. RISK MANAGEMENT (Continued)

31.1. Credit Risk (Continued)

(c) Assessment of Impairment of Financial Assets (Continued)

Structure of impairment of financial assets by the model of impairment calculation as at 31 December 2014 is presented in the following table:

Structure of impairment 2015	Gross receivables from finance lease activities	% gross receivables	Impairment	% total impairment
Group impairment assessment	7,050,104	97.15%	(305,518)	70.46%
Individual impairment assessment	206,769	2.85%	(128,086)	29.54%
Total	**7,256,873**	**100%**	**(433,604)**	**100%**

Structure of impairment 2014

	Gross receivables from finance lease activities	% gross receivables	Impairment	% total impairment
Group impairment assessment	6,253,008	95.25%	(365,076)	73.00%
Individual impairment assessment	312,214	4.75%	(135,022)	27.00%
Total	**6,565,222**	**100%**	**(500,098)**	**100%**

31.2. Liquidity Risk

Liquidity risk is the risk that the Company would not be able to settle its liabilities when they fall due. The Company's liquidity depends primarily on maturity matching of assets and liabilities, i.e. matching of cash inflows and cash outflows.

The Company's management monitors the maturity structure of receivables and liabilities and makes projections of cash flows from operating activities.

Objectives of liquidity management comprise:

- Planning of cash inflows and outflows; and
- Implementation and monitoring of liquidity indicators.

Liquidity risk is measured by permanent monitoring and analysis of the maturity structure of assets and liabilities through appropriate reports and indicators and a Report on structural maturity mismatch (Maturity mismatch).

Department for Finance and Operations is responsible for measuring and monitoring of liquidity, as well as for the regular preparation of reports which present the effects of the movements in various categories of assets and liabilities to the Company's liquid asset position.

In cash flow projections the Company takes into account the historical percentage of collection of receivables (behavioural coefficient), both for receivables that will fall due in the following period, as well as for those that are overdue and not yet collected.

Furthermore, the Company has contracted credit lines as an instrument for liquidity management as of 31 December 2015.

The table below analyses assets and liabilities of the Company into relevant maturity groupings based on the remaining maturity period on the reporting date to the contractual maturity date. The table is made based on determined payments conditions.

Contractual maturities of assets and liabilities are determined based on the remaining maturity as at the balance sheet date. The column Gross exposure in the following tables report amounts of assets and liabilities without deducting for impairment.

The Maturity mismatch report as at 31 December 2015 indicates high level of liquidity, especially in the period of the next 5 years.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2013

Amounts stated in RSD thousand, unless indicated otherwise

	Carrying amount	Gross amount	Up to 30 days	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 12 to 18 months	From 18 months to 5 years	Over 5 years	Undefined maturity
ASSETS										
Cash	1,240,864	1,240,864	1,240,864	-	-	-	-	-	-	-
Financial placements held with banks	-	-	-	-	-	-	-	-	-	-
Other financial investments and derivatives	986,560	986,560	-	-	-	475,307	-	511,253	-	-
Repossessed leased assets and inventories	6,793,808	7,236,448	682,823	439,404	546,583	988,548	842,094	3,543,546	248,199	(54,749)
Repossessed leased assets and inventories	96,579	96,579	-	-	-	-	-	-	-	96,579
Intangible assets	8,858	27,138	-	-	-	-	-	-	-	27,138
Property, plant and equipment	6,412	27,692	-	-	-	-	-	-	-	27,692
Deferred tax assets	2,386	2,386	-	-	-	-	-	-	-	2,386
Other assets	227,768	417,372	5,210	213,163	-	7,945	-	-	-	191,054
TOTAL ASSETS	**9,363,235**	**10,035,039**	**1,928,897**	**652,567**	**546,583**	**1,471,800**	**842,094**	**4,054,799**	**248,199**	**290,100**
LIABILITIES AND EQUITY										
Borrowings from banks and other financial institutions	7,325,098	7,325,098	827,797	148,572	504,138	1,412,426	597,532	3,069,814	810,841	(46,022)
Provisions	227	227	-	-	-	-	-	-	-	227
Current tax liabilities	5,340	5,340	-	-	5,340	-	-	-	-	-
Other liabilities	400,776	400,776	227,260	165,940	-	4,479	-	-	-	3,097
Total liabilities	**7,731,441**	**7,731,441**	**1,055,057**	**314,512**	**509,478**	**1,416,905**	**597,532**	**3,069,814**	**810,841**	**(42,698)**
Stake capital	960,374	960,374	-	-	-	-	-	-	-	960,374
Unrealized gains/losses	4,633	4,633	-	-	-	-	-	-	-	4,633
Gains	666,787	666,787	-	-	-	-	-	-	-	666,787
Equity	**1,631,794**	**1,631,794**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,631,794**
TOTAL LIABILITIES AND EQUITY	**9,363,235**	**9,363,235**	**1,055,057**	**314,512**	**509,478**	**1,416,905**	**597,532**	**3,069,814**	**810,841**	**1,589,096**
Liquidity gap as at:										
- 31 December 2015		**671,804**	**873,840**	**338,055**	**37,105**	**54,895**	**244,562**	**984,985**	**(562,642)**	**(1,298,996)**

TRANSLATION NOTE: This is a translation of the original document issued in the Serbian language. All due care has been taken to produce a translation that is as faithful as possible to the original. However, if any questions arise related to interpretation of the information contained in the translation, the Serbian version of the document shall prevail.

Cumulative liquidity gap	**671,804**	**873,840**	**1,211,895**	**1,249,000**	**1,303,895**	**1,548,457**	**2,533,442**	**1,970,800**	**671,804**

31. RISK MANAGEMENT (Continued)

	Carrying amount	Gross amount	Up to 30 days	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 12 to 18 months	From 18 months to 5 years	Over 5 years	Undefined maturity
ASSETS										
Cash	35,187	35,187	35,187	-	-	-	-	-	-	-
Financial placements held with banks	2,068,566	2,068,566	1,838,566	230,000	-	-	-	-	-	-
Other financial investments and derivatives	795,813	795,813	-	-	-	795,813	-	-	-	-
Receivables from finance lease activities	6,029,270	6,539,578	867,201	438,423	540,017	1,046,170	868,185	2,607,877	228,347	(56,642)
Repossessed leased assets and inventories	44,389	50,770	-	39,289	-	-	-	-	-	11,481
Intangible assets	8,149	22,174	-	-	-	-	-	-	-	22,174
Property, plant and equipment	6,513	24,690	-	-	-	-	-	-	-	24,690
Current tax assets	15,479	15,479	-	-	15,479	-	-	-	-	-
Deferred tax assets	2,652	2,652	-	-	-	-	-	-	-	2,652
Other assets	30,135	219,118	2,745	17,741	1,051	8,596	-	-	-	188,985
TOTAL ASSETS	**9,036,153**	**9,774,027**	**2,743,699**	**725,453**	**556,547**	**1,850,579**	**868,185**	**2,607,877**	**228,347**	**193,340**
LIABILITIES AND EQUITY										
Borrowings from banks and other financial institutions	7,380,265	7,380,265	2,026,999	30,464	146,832	603,380	580,139	3,405,236	613,460	(26,245)
Provisions	177	177	-	-	-	-	-	-	-	177
Other liabilities	43,093	43,093	19,674	21,530	1,047	101	37	260	31	413
Total liabilities	**7,423,535**	**7,423,535**	**2,046,673**	**51,994**	**147,879**	**603,481**	**580,176**	**3,405,496**	**613,491**	**(25,655)**
Stake capital	960,374	960,374	-	-	-	-	-	-	-	960,374
Reserves	(10,620)	(10,620)	-	-	-	-	-	-	-	(10,620)
Retained earnings	662,864	662,864	-	-	-	-	-	-	-	662,864
Equity	**1,612,618**	**1,612,618**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,612,618**
TOTAL LIABILITIES AND EQUITY	**9,036,153**	**9,036,153**	**2,046,673**	**51,994**	**147,879**	**603,481**	**580,176**	**3,405,496**	**613,491**	**1,586,963**
Liquidity as at:										
- 31 December 2014		**737,874**	**697,026**	**673,459**	**408,668**	**1,247,098**	**288,009**	**(797,619)**	**(385,144)**	**(1,393,623)**
Cumulative liquidity gap		**737,874**	**697,026**	**1,370,485**	**1,779,153**	**3,026,251**	**3,314,260**	**2,516,641**	**2,131,497**	**737,874**

31. RISK MANAGEMENT (Continued)

31.3. Market Risk

Market risk is the risk that the fair value of future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates and foreign exchange rates, securities prices and the price of goods.

In its ordinary course of business, the Company is exposed to the fluctuations in market variables which might affect the Company's financial result in a positive or a negative way. These variables are:

- Interest rate risk;
- Foreign currency risk; and
- Risk of changes in prices of goods.

Risk of changes in price of goods is significant considering that leased assets can be used as collateral in case of termination of lease contracts.

Almost all types of leased assets recorded a decrease in value due to market and technological reasons.

31.3.1. Interest Rate Risk

Interest rate risk is the risk of the occurrence of adverse effects on the Company's financial result and equity due to changes in market interest rates.

The Company is exposed to interest rate risk, which affects its financial position and cash flows through changes in the level of market interest rates, and which is caused by the mismatch of maturity of assets and liabilities with fixed interest rates.

The exposure to interest rate risk depends on the ratio of the interest-sensitive assets and liabilities of the Company. Therefore, the Company controls the interest rate risk by monitoring the ratio of the interest-bearing assets, i.e., liabilities and the percentage thereof in the total asset, i.e. liabilities.

The following table shows the Repricing Gap Report, i.e. the Company's exposure to the interest rate risk as at 31 December 2015. The table includes the Company's assets and liabilities at their carrying amounts, categorized by the earlier of contractual repricing or maturity dates.

The Repricing Gap Report determines the difference between interest-sensitive assets and interest-sensitive liabilities for various time intervals in the future. Based on the determined gaps, profit and equity sensitivity analysis is carried out for certain changes in market interest rates.

31.3. Market Risk (Continued)

	Carrying amount	Up to 30 days	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 12 to 18 months	From 18 months do 5 years	Over 5 years	Undefined maturity
ASSETS									
Cash	1,240,864	1,240,864	-	-	-	-	-	-	-
Financial placements held with banks	986,560	-	-	-	475,307	-	511,253	-	-
Receivables from finance lease activities	6,793,808	4,066,408	100,869	1,756,919	207,303	208,331	910,969	6,073	(463,064)
Repossessed lease assets and inventories	96,579	-	-	-	-	-	-	-	96,579
Intangible assets	8,858	-	-	-	-	-	-	-	8,858
Property, plant and equipment	6,412	-	-	-	-	-	-	-	6,412
Deferred tax assets	2,386	-	-	-	-	-	-	-	2,386
Other assets	227,768	-	-	-	-	-	-	-	227,768
TOTAL ASSETS	**9,363,235**	**5,307,272**	**100,869**	**1,756,919**	**682,610**	**208,331**	**1,422,222**	**6,073**	**(121,061)**
LIABILITIES AND EQUITY									
Financial placements held with banks	7,325,098	815,541	1,870,063	2,423,805	895,757	93,247	576,519	675,038	(24,872)
Provisions	227	-	-	-	-	-	-	-	227
Current tax liabilities	5,340	-	-	-	-	-	-	-	5,340
Other liabilities	400,776	-	-	-	-	-	-	-	400,776
TOTAL LIABILITIES	**7,731,441**	**815,541**	**1,870,063**	**2,423,805**	**895,757**	**93,247**	**576,519**	**675,038**	**381,471**
Stake capital	960,374	-	-	-	-	-	-	-	960,374
Unrealized gains/losses	4,633	-	-	-	-	-	-	-	4,633
Gains	666,787	-	-	-	-	-	-	-	666,787
Equity	**1,631,794**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,631,794**
TOTAL LIABILITIES AND EQUITY	**9,363,235**	**815,541**	**1,870,063**	**2,423,805**	**895,757**	**93,247**	**576,519**	**675,038**	**2,013,265**
Periodic GAP as at: - 31 December 2015		**4,491,731**	**(1,769,194)**	**(666,886)**	(213,147)	**115,084**	**845,703**	**(668,965)**	**(2,134,326)**
Cumulative GAP		**4,491,731**	**2,722,537**	**2,055,651**	**1,842,504**	**1, 957,588**	**2,803,291**	**2,134,326**	**-**

	Carrying amount	Up to 30 days	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 12 to 18 months	From 18 months do 5 years	Over 5 years	Undefined maturity
ASSETS									
Cash	35,187	35,186	-	-	-	-	-	-	-
Financial placements held with banks	2,068,566	1,838,566	230,000	-	-	-	-	-	-
Other financial investments and derivatives	795,813	-	-	-	795,813	-	-	-	-
Receivables from finance lease activities	6,029,270	623,858	3,707,806	1,775,571	81,250	78,158	305,875	7,346	(550,594)
Repossessed lease assets and inventories	44,389	-	-	-	-	-	-	-	50,770
Intangible assets	8,149	-	-	-	-	-	-	-	8,149
Property, plant and equipment	6,513	-	-	-	-	-	-	-	6,513
Current tax assets	15,479	-	-	-	-	-	-	-	15,479
Deferred tax assets	2,652	-	-	-	-	-	-	-	2,652
Other assets	30,135	-	-	-	-	-	-	-	30,135
TOTAL ASSETS	**9,036,153**	**2,497,610**	**3,937,806**	**1,775,571**	**877,063**	**78,158**	**305,875**	**7,346**	**(443,277)**
LIABILITIES AND EQUITY									
Borrowings from banks and other financial institutions	7,380,265	2,059,315	2,543,326	2,419,166	-	-	120,563	241,126	(3,231)
Provisions	177	-	-	-	-	-	-	-	177
Other liabilities	43,093	-	-	-	-	-	-	-	43,093
Total liabilities	**7,423,535**	**2,059,315**	**2,543,326**	**2,419,166**	**-**	**-**	**120,563**	**241,126**	**40,039**
Stake capital	960,374	-	-	-	-	-	-	-	960,374
Reserves	(10,620)	-	-	-	-	-	-	-	(10,620)
Profit	662,864	-	-	-	-	-	-	-	662,864
Equity	**1,612,618**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,612,618**
TOTAL LIABILITIES AND EQUITY	**9,036,153**	**2,059,315**	**2,543,326**	**2,419,166**	**-**	**-**	**120,563**	**241,126**	**-**
GAP as at 31 December 2014		**438,296**	**1,394,480**	**(643,595)**	**877,063**	**78,158**	**185,312**	**(233,780)**	**(2,095,934)**
Cumulative GAP		**438,296**	**1,832,775**	**1,189,181**	**2,066,244**	**2,144,402**	**2,329,714**	**2,095,934**	**-**

31. RISK MANAGEMENT (Continued)

31.3.1. *Interest Rate Risk* (Continued)

The total cumulative gap of up to 1 year amounts to RSD 1,367,197 thousand, and can be considered to be at an acceptable interest matching level.

Interest rate risk is also monitored by using scenario analysis, i.e. by monitoring the influence of interest rate changes on the Company's revenues and expenses.

Interest rate risk can be presented as follows:

Table 1 – Interest rates changes

Date: 31 December 2015 (Report: end of the month)

Sensitivity to change (+25 b.p.)

(In thousands RSD) Currency	Total	0-18 months	18 months – 3 years	3 – 5 years	5 – 10 years	10 – 15 years	> 15 years
Currency	71,345	15,799	(8,193)	(10,354)	56,687	17,406	-
EUR	73,925	17,442	(7,256)	(10,354)	56,687	17,406	-
RSD	(2,580)	(1,643)	(937)	-	-	-	-

By changing interest rate for 2%, the effect on income and expenses of the Company would be RSD 71,345 thousand, which is less than the limit of 20% compared to capital RSD 326,359 thousand.

Interest rate risk limit is a measure of acceptable risk to which the Company may be exposed. Limit is measured with change in net asset value due to changes in interest rates of + 200bp and must not be greater than 20% of regulatory capital of the Company. The Company measures and reports to the parent company about interest rate risk exposure. In case of breaching the allowed limit, necessary steps are to be promptly taken in order to repair the breach.

Forms of risks that may be subject to monitoring are:

- The risk of maturity mismatch when reprising interest rates (repricing risk). When considering interest sensitive positions bearing fixed interest rates, the risk arises from different maturities of assets and liabilities, while interest sensitive positions bearing floating interest rates, the risk arises due to different moment of re-establishing interest rates;
- Risk of the yield curve is the risk of changing the shape of the yield curve;
- Basic risk is the risk of exposure to various benchmark interest rates for interest-sensitive positions with similar characteristics as far as maturity and repricing;
- Optionality risk, the risk of re-determining the interest rate after the implementation of contractual provisions with interest-sensitive positions (i.e. early repayment).

The Company measures and reports interest rate risks arising from re-determination of interest rates (repricing risk). Interest rate risk arising from changes in the yield curve, the baseline risk and optionality risk are immaterial.

31. RISK MANAGEMENT (Continued)

31.3.1. *Interest Rate Risk* (Continued)

Banking Book: The sensitivity of net interest income
Company: Intesa Leasing d.o.o. Beograd

Table 2 – Sensitivity

Date: 31.12.2015	Increase						Decrease					
	+100 b.p.			+200 b.p.			-100 b.p.			-200 b.p		
	A vista	Term	Total	A vista	Term	Total	A vista	Term	Total	A vista	Term	Total
Intesa Leasing d.o.o. Beograd	-	(37,147)	(37,147)	-	(71,345)	(71,345)	-	37,147	37,147	-	71,345	71,345
Assets	-	43,812	43,812	-	85,810	85,810	-	(43,812)	(43,812)	-	(85,810)	(85,810)
Banks	-	991	991	-	1,972	1,972	-	(991)	(991)	-	(1,972)	(1,972)
Placements with Clients	-	42,821	42,821	-	83,838	83,838	-	(42,821)	(42,821)	-	(83,838)	(83,838)
Liabilities and Equity	-	80,959	80,959	-	157,155	157,155	-	(80,959)	(80,959)	-	(157,155)	(157,155)
Liabilities to Banks	-	80,959	80,959	-	157,155	157,155	-	(80,959)	(80,959)	-	(157,155)	(157,155)

31. RISK MANAGEMENT (Continued)

31.3.2. Foreign currency risk

Foreign currency risk is the risk of adverse effects on the Company's financial result and equity due to changes in foreign exchange rates.

The foreign currency risk protection principle is to achieve and maintain the foreign currency assets at least in the amount equal to foreign currency liabilities. This ratio is also reconciled from the aspects of maturities of foreign currency receivables and foreign currency liabilities.

In order to manage foreign currency risk, the Company negotiates finance lease contracts in EUR, with annuities paid in the dinar equivalent at the applicable contract exchange rate. Offering finance lease in different currencies leads to the exposure to exchange rates fluctuations for different currencies. In accordance with the Company's internal policy, as well as potential fluctuations in exchange rates, the open foreign currency position limit has been set up to EUR 300 thousand for the position in EUR, and to CHF 100 thousand for the position in CHF.

The Company measures the foreign currency risk on a daily basis, according to the methodology established in the Procedure for managing foreign currency risk based on the methodology of the National Bank of Serbia, through the Report on the foreign currency risk indicator. During 2015, the Company strictly paid attention to the compliance of the foreign currency risk indicator with the prescribed limit.

The total open foreign exchange position as at 31 December 2015 amounted to RSD 9,736 thousand, while the foreign currency risk indicator amounted to 0.60% of the equity. As an 31 December 2014 total open foreign position was RSD 21,973 thousand, while the foreign risk indicator was 1.36% of the equity.

31. RISK MANAGEMENT (Continued)

31.3.2. Foreign currency risk (Continued)

The following table shows the Company's exposure to foreign currency risk as at 31 December 2015:

	Carrying amount	RSD	EUR	CHF
ASSETS				
Cash	1,240,864	1,240,864	-	-
Financial placements in banks	-	-	-	-
Other financial investments and derivatives	986,560	986,560	-	-
Receivables from finance lease activities	6,793,808	294,165	6,497,061	2,582
Repossessed leased assets and inventories	96,579	1,031	95,548	-
Intangible assets	8,858	8,858	-	-
Property, plant and equipment	6,412	6,412	-	-
Deferred tax assets	2,386	2,386	-	-
Other assets	227,768	225,102	2,666	-
TOTAL ASSETS	**9,363,235**	**2,765,378**	**6,595,275**	**2,582**
LIABILITIES AND EQUITY				
Borrowings from banks and other financial institutions	7,325,098	755,085	6,570,013	-
Provisions	227	227	-	-
Current tax liabilities	5,340	5,340	-	-
Other liabilities	400,776	363,196	37,580	-
Total liabilities	**7,731,441**	**1,123,848**	**6,607,593**	**-**
Stake capital	960,374	960,374	-	-
Unrealized gains/losses	4,633	4,633	-	-
Gains	666,787	666,787	-	-
Equity	**1,631,794**	**1,631,794**	**-**	**-**
LIABILITIES AND EQUITY	**9,363,235**	**2,755,642**	**6,607,593**	**-**
Net foreign currency position 31 December 2015			**(12,318)**	**2,582**

The following table shows the Company's exposure to foreign currency risk as at 31 December 2014:

	Carrying amount	RSD	EUR	CHF
ASSETS				
Cash	35,187	35,187	-	-
Financial placements in banks	2,068,566	230,000	1,838,566	-
Other financial investments and derivatives	795,813	795,813	-	-
Receivables from finance lease activities	6,029,270	466,259	5,550,900	12,111
Repossessed leased assets and inventories	44,389	1,656	41,849	884
Intangible assets	8,149	8,149	-	-
Property, plant and equipment	6,513	6,513	-	-
Current tax assets	15,479	15,479	-	-
Deferred tax assets	2,652	2,652	-	-
Other assets	30,135	29,685	450	-
TOTAL ASSETS	**9,036,153**	**1,591,393**	**7,431,765**	**12,995**
LIABILITIES AND EQUITY				
Borrowings from banks and other financial institutions	7,380,265	(24,353)	7,404,618	-
Provisions	177	177	-	-
Other liabilities	43,093	24,924	18,169	-
Total liabilities	**7,423,535**	**748**	**7,422,787**	**-**
Stake capital	960,374	960,374	-	-
Reserves	(10,620)	(10,620)	-	-
Retained earnings	662,864	662,864	-	-
Equity	1,612,618	1,612,618	-	-
LIABILITIES AND EQUITY	**9,036,153**	**1,613,366**	**7,422,787**	**-**
Net foreign currency position 31 December 2014			**8,978**	**12,995**

The following table shows the effects of changes in exchange rates on the Company's result:

Scenario	**Effect on 2015 Statement of profit and loss**	**Effect on 2014 Statement of profit and loss**
10% depreciation of RSD	7,274	3,495
20% depreciation of RSD	14,720	6,990

As shown above, in the case of depreciation of the dinar exchange rate by 10%, the effect on the result and the equity of the Company would be positive in the amount of RSD 7,274 thousand.

Foreign exchange risk indicator in the event of the depreciation of the dinar exchange rate by 10% would be 1.05%, and in the case of the depreciation of the dinar exchange rate by 20% would be 1.50%.

31. RISK MANAGEMENT (Continued)

31.3.2. Foreign currency risk (Continued)

Instruments for managing foreign currency position stem out directly from the parameters of the foreign exchange position, and according to level of operability for the Company, can be sorted in the following order:

1. Buying and selling foreign currencies for dinars
2. Withdrawal / Repayment of borrowings with foreign currency clause (foreign currency denominated liabilities)
3. Approval / Repayment of receivables from finance lease activities with foreign currency clause (foreign currency denominated assets)

1. The most useful instrument for managing foreign currency position is buying and selling foreign currencies for dinars, so appropriate position can be established on a daily basis. The transaction is performed via Treasury department of Banca Intesa a.d. Beograd that provides pricing for the transaction.
2. Increase in outstanding amount of borrowings with foreign currency clause is used as the contrary position made upon approving finance agreements with foreign currency clause.
3. Approving finance lease agreements with foreign currency clause leads to open foreign currency position, while repayment of such placement leads to closing of that position.

31.4. Operational Risk

Operational risk is the risk of adverse effects on the Company's financial result and equity due to failures in performance of operating activities, human mistakes, system errors and influence of external factors.

The function of operational risk management process is to identify, assess, control and minimize the possibility of occurrence and effect of operational risks and net losses.

The Company cannot eliminate all operational risks, but it is able to identify, through the processes of recording and analysing the operational risks, the failures in its processes, products and procedures. Through improving its processes, products and procedures, the Company is able to decrease frequency as well as the negative influence of operational losses on its business and profitability.

An important aspect of the operational risk management is informing the management on significant operational risks in a timely manner, as well as permanent education of all employees involved in the process of collecting data on operational risks and comprehensive awareness development on the importance of identification, measurement, control and mitigation of operational risks.

Operational risks comprise:

(1) Internal fraud and activities;
(2) External fraud and activities;
(3) Relations with employees and safety at work;
(4) Damages on fixed assets;
(5) Business interruption and system failure;
(6) Clients, products and business practice; and
(7) Execution, delivery and process management, etc.

31. RISK MANAGEMENT (Continued)

31.4. Operational Risk (Continued)

During 2015 and 2014, operational risks were traced through the “Serenity” application. Tracing and recording of identified events that cause the Company’s operational risks is performed by operational risk monitoring coordinators.

Data input is performed in real time, meaning that an event can be traced right after it has been identified. Coordinators record the event not later than 48 hours after it has been identified. The event can be recorded as a draft version, and, during that time coordinators have access to the document.

When all available data on the event are entered in the application, it becomes visible to the verifier whose job is to recheck the data about the event and to approve them. The event also needs to be approved within 48 hours.

During 2015 there was one operational risk event, whose estimated effect on the financial result of the Company, was RSD 7,393 thousand.

Action taken to prevent such an event consists of an implemented control for registered bills on the NBS website by an ILB employee.

31.5. Fair Value of Financial Assets and Liabilities

It is Company policy to disclose the fair value information of those components of assets and liabilities for which published or quoted market prices are readily available, and of those for which the fair value may be materially different than their carrying amounts.

A market price, where an active market exists, is the best evidence of the fair value of a financial instrument. However, market prices are not available for a significant number of financial assets and liabilities held by the Company. Therefore, for financial instruments where no market price is available, the fair values of financial assets and liabilities are estimated using present value or other estimation and valuation techniques based on current prevailing market conditions.

In the Republic of Serbia, sufficient market experience, stability and liquidity do not exist for the purchase and sale of receivables and other financial assets or liabilities, because official market prices are not readily available. As a result of this, fair value cannot readily or reliably be determined in the absence of an active market. The Company’s management assesses its overall risk exposure, and in instances in which it estimates that the value of assets stated in its books may not have been realized, it recognizes an impairment provision.

31. RISK MANAGEMENT (Continued)

31.5. Fair Value of Financial Assets and Liabilities (Continued)

Based on detailed analyses, the Company's management deems that the fair value of financial assets and liabilities of the Company approximates their carrying amounts at the reporting date.

The Company presents repossessed leased assets in exchange for uncollectible receivables within statement of financial position at fair value determined based on valuations done by the certified appraisers. The fair values of other receivables from finance lease activities, other financial placements, cash and cash equivalents, borrowings and other liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The Company's financial instruments carried at amortized cost mostly bear variable interest rates that reflect current market conditions, excluding securities.

Determination of fair value of financial instruments, which are presented at amortized cost has to respect the criteria, principles and hierarchy defined by the Policy of fair value, which is in line with the rules of fair valuation of the ISP group. Measuring the fair value of financial instruments, which are not presented at amortized cost, respects the following hierarchy which reflects the credibility of inputs used in determining fair value:

Level 1: inputs are quoted market prices (without adjustment) in active markets for identical instruments;

Level 2 : inputs that are not quoted prices included in Level 1, but they are directly or indirectly (derived from price) is quoted in the market. This category includes:
market interest rates , market quotations of CDS (credit default swap) market prices of bonds with a primary auction or market exchange rates at define value of instruments

Level 3 : Inputs for which there are no information from the market available. This category includes all instruments for which information on the value of the input is not directly or indirectly measurable in the market.

The application of this hierarchy is required and the Company is not free in the choice of the information used to determine the fair value of financial instruments which are not presented at amortized cost, and must respect the above hierarchy.

Financial instruments which are stated at fair value and respect the rules of the Policy of fair value are:

-Financial assets available for sale, which include dinars treasury bills of the Republic of Serbia are measuring by discounting future contractual cash flows , using market risk free yield curve adjusted to liquidity risk (level 2)

-Dinar government bonds, for which there is a liquid and active market but are not quoted (Level 2)

The following table shows the value of financial instruments stated at fair value in the balance sheet of the Company, measured on the basis of different information in accordance with the hierarchies within the prescribed Policies for fair value :

Fair value in thousand RSD 2015	Level1	Level 2	Level 3	Total Fair Value	Carrying value
Other financial placements and derivatives	-	986,560		986,560	986,560
TOTAL	**-**	**986,560**	**-**	**986,560**	**986,560**

Fair value in thousand RSD 2014	Level 1	Level2	Level3	Total Fair Value	Carrying value
Other financial placements and derivatives	-	795,813		795,813	795,813
TOTAL	**-**	**795,813**	**-**	**795,813**	**795,813**

31. RISK MANAGEMENT (Continued)

31.5. Fair Value of Financial Assets and Liabilities (Continued)

The following table shows the fair value of instruments that are not valued at fair value in the balance sheet of the Company and are allocated according to the respective levels of the fair value hierarchy :

Fair value as at 31 December 2015

Fair value in thousand RSD 2015	Level 1	Level2	Level 3	Total Fair Value	Carrying value
Cash	-	1,240,864	-	1,240,864	1,240,864
Financial placements held with Banks	-	-	-	-	-
Receivables from finance lease activities	-	-	6,721,440	6,721,440	6,793,808
TOTAL ASSETS	**-**	**1,240,864**	**6,721,440**	**7,962,304**	**8,034,672**
Borrowings from banks and other financial institutions	-	-	7,121,857	7,121,857	7,325,098
TOTAL LIABILITIES AND EQUITY	**-**	**-**	**7,121,857**	**7,121,857**	**7,325,098**

Fair value in thousand 2014	Level 1	Level 2	Level 3	Total fair value	Carrying value
Cash	-	35,187	-	35,187	35,187
Financial placements held with Banks	-	-	2,068,566	2,068,566	2,068,566
Receivables from finance lease receivables	-	-	5,973,122	5,973,122	6,029,270
TOTAL ASSETS	**-**	**35,187**	**8,041,688**	**8,076,875**	**8,133,023**
Borrowings from banks and other financial institutions	-	-	6,329,067	6,329,067	7,380,265
TOTAL LIABILITIES AND EQUITY	**-**	**-**	**6,329,067**	**6,329,067**	**7,380,265**

The fair values of cash and financial investments in banks is equal to the carrying value due to a short-term receivables, which are granted at interest rates which correspond to market conditions.

The fair value of placements of financial leasing and fair value of borrowings is calculated by applying the technique of discounting future cash flows using the market yield curve, taking into account the maturity and market interest rates. To measuring the fair value of placements of financial leasing are used an average interest rate earned on these placements in 2015 and 2014.

The fair value of cash and financial placements to banks are stated at carrying value considering that these are short-term deposits in the money market and were contracted at interest rates which correspond to market conditions.

32. CAPITAL MANAGEMENT

The Company's primary goal regarding capital management is to ensure that the Company maintains strong credit rating and sound equity ratio in order to support the business activities and the maximization of the value of equity.

The Company manages its capital structure and adjusts it according to changes in economic conditions. In order to maintain and/or adjust the equity structure, the Company can return capital or increase stakes.

In accordance with the Law on Financial Leasing,(„Official Gazette of RS", no. 55/2003, 61/2005, 31/2011 and 99/2011), for the performance of finance lease transactions the object of which is a movable object, the pecuniary portion of the initial capital of the Company cannot be lower than the dinar equivalent of EUR 500 thousand at the official middle exchange rate of the National Bank of Serbia as at the payment date. For the performance of finance lease transactions the object of which is an immovable object, the pecuniary portion of the initial capital of the lessor cannot be lower than the dinar equivalent of EUR 5,000,000 at the official middle exchange rate as at the payment date. The Company has met threshold of EUR 5,000,000 of the initial capital of the lessor and financed immovable assets under finance lease agreements during 2015 and 2014.

In its business operations, the lessor is obliged to ensure that the pecuniary portion of the initial capital is always in an amount that is not lower than the amounts specified in the above paragraph, according to the official middle exchange rate as of the calculation day, depending on the leased assets.

As at 31 December 2015, the Company's stake capital amounts to RSD 960,374 thousand (31 December 2014: RSD 960,374 thousand) and is significantly above the prescribed minimum. The calculation of capital adequacy made for the purposes of reporting to the Intesa Sanpaolo Group also shows that the equity is significantly above the expected minimum.

In the tax balance, and according to the regulations for preventing thin capitalization, there are no unrecognized interest expenses to related parties due to the amount of regulatory capital.

33. INSURANCE OF LEASED ASSETS

Considering the risk which the Company is exposed to, the Company pays special attention to insurance of leased assets. Therefore, the Company cooperates with insurance companies.

In order to further develop insurance of leased assets, in 2015 cooperation was continued with leading insurance companies in the country: Generali Insurance, DDOR, Wiener Stadtische, Dunav, Uniqua and AXA.

The subject of the Agreement is business cooperation between the above mentioned insurance companies and relates to insurance of new and used vehicles, as well as new and used equipment, for whose acquisition the Company signs contracts with lessees, retail or corporate customers, in accordance with the Company's business policy.

In accordance with the amendments to the Insurance Act ("RS Official Gazette", no. 55/2004, 70/2004 - ispr., 61/2005, 61/2005 - law, 85/2005 - law, 101/2007, 63/2009 - decision US, 107/2009, 99/2011, 119/2012, 116/2013 i 139/2014 - other law) which makes it possible for leasing companies to engage in insurance agency activities, the Company has prepared organizational changes, adopted internal documents and implemented steps to obtain a license from the NBS for insurance agency activities.

34. EXTERNAL REGULATORS CONTROL

The Company was the subject of one supervisions performed by the Tax Administration – Stari grad Tax Office during 2015 in relation to supervision of calculation of value added tax. Reports on performed supervisions did not specify any deficiency, which is a confirmation of good practices and compliance with regulations.

During 2015 the Company was not subject to any supervisions by the National Bank of Serbia.

35. RECONCILIATION OF RECEIVABLES AND PAYABLES

In accordance with Article 18 of the Accounting Law, the Company performed the reconciliation procedure of receivables and payables with its debtors and creditors with the balance as of 31 December 2015, and it maintains credible documentation on the process.

Total number of reconciled finance lease contracts is 598 and respective amount of receivables from finance lease activities is RSD 3,937,085 thousand. There were no unreconciled receivables from operating lease activities.

Based on the exchanged confirmations (IOS forms), there are no materially significant unreconciled receivables and payables at the reporting date.

Besides reconciliation on the date of financial statements, the Company has been practicing continuous reconciliation with its clients during the fiscal year.

36. CASH AND CASH EQUIVALENTS

For the purpose of preparing the Cash Flow Statement, the position Cash and cash equivalents has the following structure:

	2015	2014
Current accounts in RSD	1,240,864	35,187
Foreign currency accounts	-	-
Balance as at 31 December	**1,240,864**	**35,187**

The previous year, in
The Cash Flow Statement for 2015 differs in relation to the Cash Flow Statement for 2014 in the section showing Payment of interest on borrowings in the amount of RSD 117,420 thousand, which is presented in the Cash flow statement for 2014 within cash outflows from financing activities (AOP 3036 - Long-term and short-term credits and loans the lessor financial), while in the Cash Flow Statement for 2015 it is presented within cash outflows from operating activities (AOP 3012 - Other outflows from operating activities).

37. SUBSEQUENT EVENTS

Given that the financing of the planned placements in local currency has been postponed, in January 2016 the Company repaid short-term loan Banca Intesa AD Beograd in the amount of RSD 800,000 thousand (Note 23).

In January 2016 , the Company paid profits in the amount of RSD 125,500 thousand to the founder of Banca Intesa ad Belgrade according to the decision of the Assembly of the Company dated December 2015 (Note 25).

Trade payables VIVO SHOPPING PARK DOO JAGODINA in the amount of RSD 212,578 thousand were paid in January 2016 (Note 25).

There have been no other significant events after the reporting period which would require adjustments or disclosures in the notes to the financial statements of the Company for 2015.

Belgrade, 17 February 2016

Report prepared by:	Legal representative:
Predrag Topalović	Nebojša Janićijević

ANNUAL REPORT ON BUSINESS ACTIVITIES FOR 2015

INTESA LEASING D.O.O BEOGRAD

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1. BUSINESS ACTIVITIES AND ORGANIZATIONAL STRUCTURE

1.1. Business activities

The leasing company "Intesa Leasing" d.o.o. Beograd (here in after: "the Company") was established based on the decision of the Commercial Court on 3 September 2003, (formerly: "Delta Leasing"). The Company was reregistered in the Companies Register with the Serbian Business Registers Agency on 25 July 2005 based on the Decision no. 82785/2005.

The Company operates in financial leasing business in accordance with the Law on Financial Leasing ("RS Official Gazette", no. 55/2003, 61/2005, 31/2011 and 99/2011). The Company's industry code set by the appropriate authority is 6491.

The Company finances: equipment, real estate, passenger and commercial vehicles. Selling channels are: direct selling channel (Intesa Leasing d.o.o. Beograd) and Banca Intesa a.d. Beograd selling channel.

The Company operates in the financing of: equipment, real estate, cars and commercial vehicles. Sales channels are: direct sales channel (Intesa Leasing doo Beograd) and channel sales Banca Intesa a.d.Beograd.

In accordance with the criteria of the Accounting Act (Official Gazette of the Republic of Serbia 62/2013) the Company is classified as large legal entity.

From December 19, 2011, Banca Intesa ad Belgrade has become the 100 % owner of the shares of Intesa Leasing doo Beograd and has a leading role in managing the leasing company.

The Company's headquarters are in Belgrade, no. 54, Cara Uroša Street.

The tax identification number of the Company is 103023875. The Company's registration number is 17492713.

From the year 2010 up to present moment, the Company has achieved:

- Steady and prudent growth in terms of portfolio, total assets and new production,

- Significant improvement of assets and portfolio quality, with high provision coverage ratio,

- Collection process has been significantly improved and recently fully automated,

- Increase in profitability and significant increase in retained earnings during last six years

1.2. Organizational structure

The Internal organization rulebook of Intesa Leasing d.o.o. Beograd, as the basic internal act, defines general and specific organization parts within internal structure of the Company where leasing activities are being performed, management levels, review of main responsibilities by organizational parts and other issues related to internal organization.

The Company is organized following the principle of „three level structure“ which comprises:

- Departments,

- Offices and

- Units.

Managing bodies of Intesa Leasing d.o.o Beograd are:

Shareholder's Assembly, there is one representative of Banca Intesa a.d. Beograd,

Board of Directors of the Company: includes the President and four members of the Board of Directors from Banca Intesa a.d. Beograd,

Executive Board of the Company (Top management): President and two members of the Executive Board of the Company. According to the Law, the Company is being represented by the President of the Executive Board. Under the authority of the members of the Executive Board are Product Management and Sales Department and Finance, Planning and Operation Department.

Other managing staff of the Company comprise:

Middle management: Directors of Offices

Line management: Heads of Units

Managing centers of the Company are organizational parts which are responsible directly to the President of the Executive Board and which in their fields provide support to the President of the Executive Board in the process of managing the Company, specifically: Legal and General Affairs Office and Office for support in credit analyses process.

Independent organizational parts:

Product Management and Sales Department is under the responsibility of one of the members of the Executive Board of the Company. This Department comprises five Units which manage specific sales segments and Regional sales network which comprises two regional centers: Belgrade and Novi Sad.

The Regional center is managed by the Regional Manager, who is answers to the Head of Product Management and Sales Department.

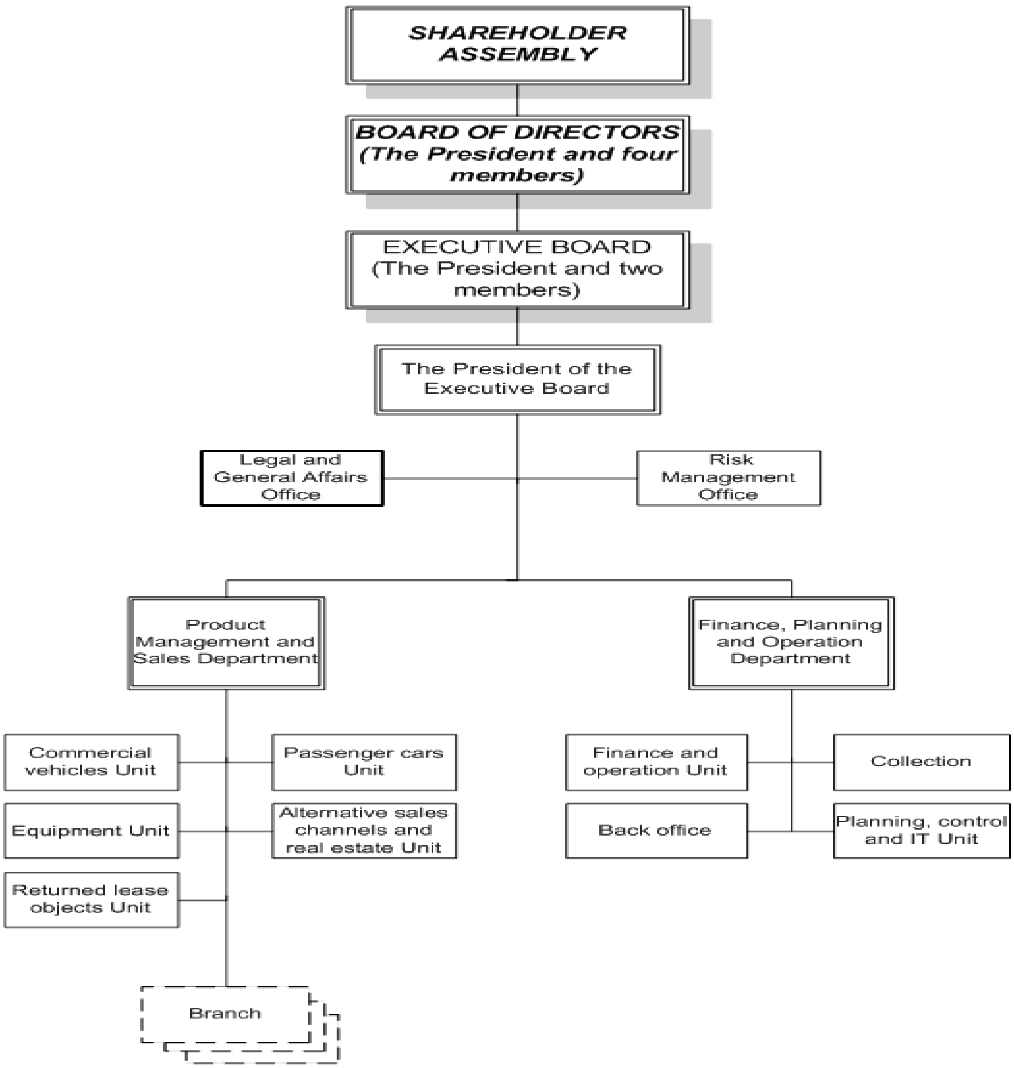
Responsibilities of the head of **Finance, Planning and Operation Department**, who is also a member of the Executive Board of the Company are as follows: planning, control and IT, finance and operating activities, collection of receivables and business support activities.

1.2. Organizational Structure – continued

The amendments to the Insurance Act allowed leasing companies to perform Insurance agency activities, which provides opportunities for business improvement, expansion of products and services offered and to increase revenue through the sale of insurance products.

For the purpose of conducting insurance agency activities, in accordance with the internal establishment of job positions within the organizational structure, the Company formed a team for the insurance business.

Figure 1. Organizational chart of Intesa Leasing d.o.o. Beograd



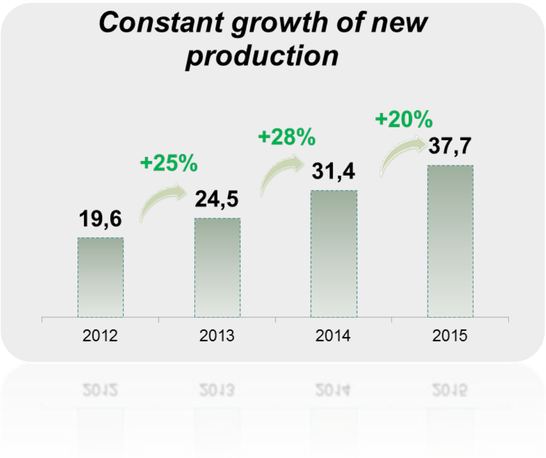
2. COMPANY'S OPERATIONS

2.1. Commercial activities

Since the beginning of its operations Intesa Leasing d.o.o. Beograd recorded the highest level of new placements in 2015. The total funded value of 814 new leasing contracts in 2015 amounted to EUR 37.7 million

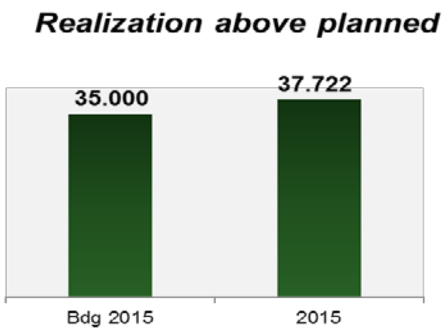
During the period from 2012 to 2015 the Company recorded growth in sales results.

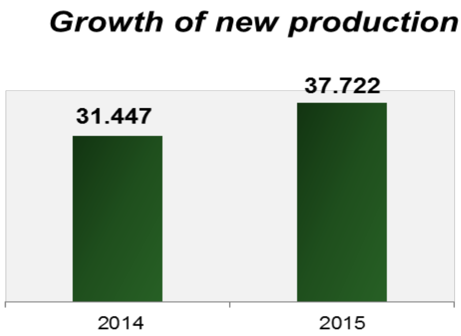
Figure 2. Financed value of new placements by years (in thousand EUR):



Comparing to the previous year, the Company recorded new placements growth rate of 20% (EUR 6.28 million). Financed value of placements in 2015 amounted to EUR 37.7 million, which is 7.8% (EUR 2.7 million) above planned values for 2015.

Figure 3. Comparison of the realization of new placements according to the plan for 2015 and 2014 (in thousands of EUR)



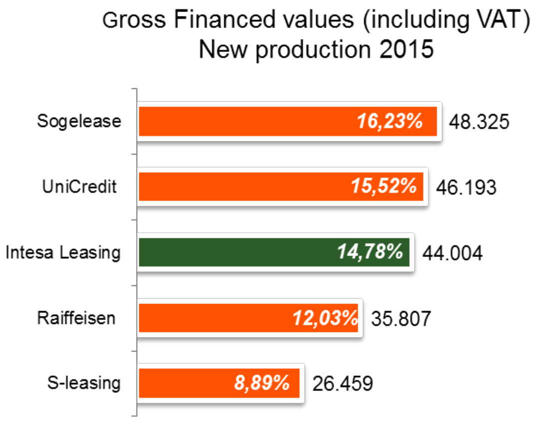


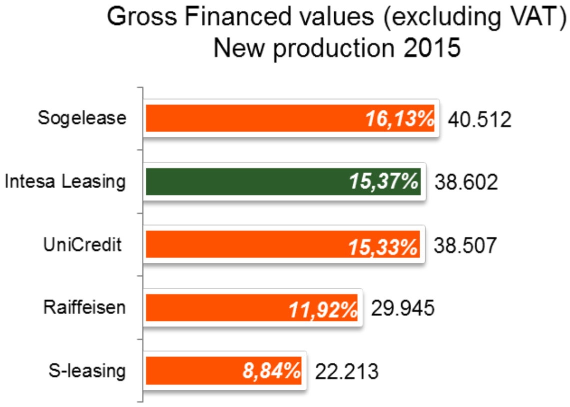
2.2 Market share

According to the data of *the Association of Leasing Companies in Serbia (ALCS)* for 2015, Intesa Leasing d.o.o. Beograd holds second place in terms of indicators of new placements: purchased value without VAT with market share of 15.37% and financed value with market share of 15.56%.

Following graphs show market share of five biggest leasing companies at the end of 2015 according to indicators of new production: purchased value with VAT, purchased value without VAT and financed value. Values are shown in thousand EUR.

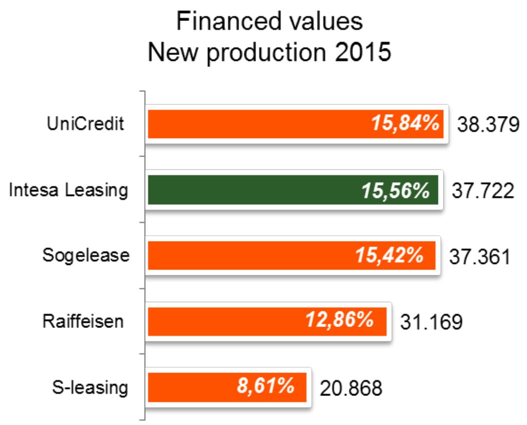
Figure 4. Market share of five largest leasing companies according to the indicators of the new production: purchase cost including VAT , and purchase value without VAT (in thousands of EUR)





According to the indicator Financed value the Company occupied second place with a share of 15.56% in the total realization of new placements on leasing market in 2015. Total value of new placements on leasing market for 2015 was EUR 242,36 million (2014: EUR 233,8 miliona).

Figure 5: Market share of five largest leasing companies according to indicator of financed value of new receivables (in thousand EUR)



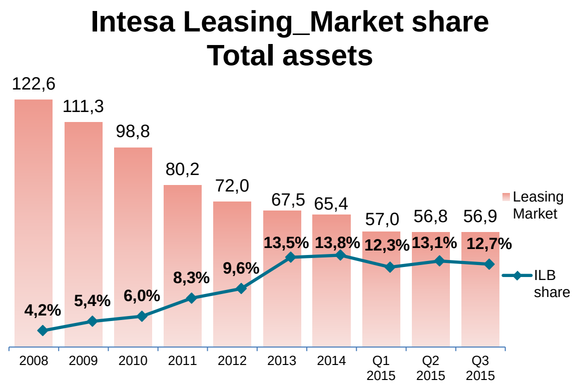
The average contracted interest rates on new receivables in euros in 2015 was 4.44 %.

A significant impact on the level of new placements in 2015 is attributed to a transaction with a client Vivo Shopping Park doo Jagodina, which was realized in December 2015 in the amount of EUR 8.76 million .

According to the data of the National Bank of Serbia for *Q3 of 2015* Intesa Leasing d.o.o Beograd occupied second place regarding the level of total assets with share of 12.6%. Regarding the portfolio level the Company occupied 3[th] place.

Throughout the years the Company has been constantly increasing its market share on the leasing market, having at the end of 2015 three times bigger market share than in the first years of doing business.

Figure 6. Market share Intesa Leasing d.o.o according to the amount of balance sheet assets for Q3 2015 (trillion RSD)



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2.3. Financial position

At the end of 2015 the Company's total on-balance assets amounted to RSD 9.363.235 thousand. Comparing to previous year, when amounted RSD 9.036.153 thousand an increase in balance sheet assets of 3,62% (RSD 327.082 thousand) was achieved.

Realized average interest rate on assets amounted to 5.05%, while average interest rate on liabilities amounted to 1.65%.

At the end of 2015, leasing placements amounted to RSD 6.793.808 thousand and are above the previous year's level of placements (RSD 6.029.270 thousand) for 12,68% (RSD 764.538 thousand).

Regarding type of equipment, all segments of placements are above levels from last year due to higher level of new production in 2015.

In 2016, greater focus will be placed on the new branch RC Vojvodina, especially in the segment of agricultural equipment.

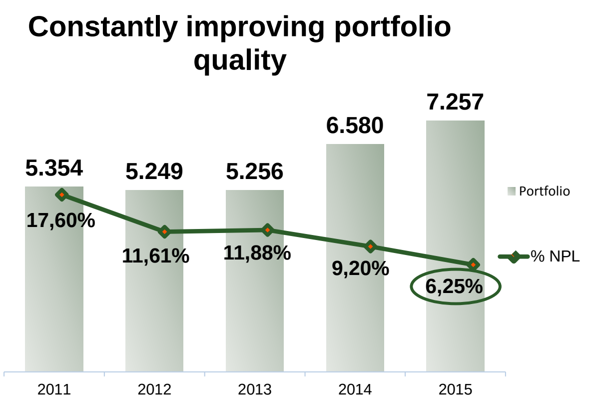
The Company has significantly improved the quality of portfolio over the years. Indicators of the quality of portfolio at the end of 2015 are as follows:

- Share of NPLs in total leasing exposure amounted to 6.25%, which is less than planed value 10.5%

- Provision coverage ratio amounted to 5.98%,

- NPLs provision coverage ratio amounted to 69.55%.

Figure 7. Share of bed placements (NPL-a) in total value of placements (gross long-term receivables) presented in million RSD



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The quality of portfolio management is also evident through a significant decrease in repossessed lease assets. At the end of 2015, net value of repossessed lease assets amounted to RSD 942 thousand and comparing to 2012 (RSD 123.3 million) its value decreased for 99.2%.

According to data from the Credit bureau as at 31 December 2015, the Company's share in the total amount of placements that are overdue more than 90 days amounted to 5%, and is significantly below the value for the leasing market of 23.5%.

Placements overdue more than 90 days	2014	2015
Leasing market	25.7 %	23.5%
Intesa Leasing d.o.o. Beograd	8.7%	5.0%

2.4. Result of business activities

In addition the growth of selling results and improve in the quality of the portfolio, the Company record after tax growth results from year to year.

As at the end of 2015, the Company generated profit after tax (RSD 129,424 thousand) .

In 2014 the result on the market level was negative. From the total number of leasing companies, 11 recorded a positive financial result, while 5 others recorded a negative financial result. Leasing companies with positive results gained profit before tax in the amount of 700.8 million RSD.

The Company also follows prudent cost management policy which results in the fact that total amount of costs does not significantly differ from the planned amount or from the amount of costs from the previous year. Achieved Cost to Income ratio for 2015 amounted to 46.9%.

As at 31 December 2015 the Company had 31 employees, which represents an increase of 1 comparing to the end of 2014 (30 employees).

2.5. Internal Audit

During 2015 one internal audit was conducted, in accordance with the audit plan.

All 11 recommendations of Internal Audit were accepted, successfully implemented and resolved, which led to improvements in business processes of the Company.

2.6 Tax control

In 2015 a tax control was performed by the Tax Administration of Serbia.

The control was successfully completed, which further confirms the good performance of the Company and compliance with regulations.

3. PROTECTION OF THE ENVIRONMENT

The Procedure for managing socio-environmental risk specifies risk monitoring in the field of protection of the environment.

Environmental risk represents the possibility that activities of the Company directly or indirectly threaten the environment.

The Procedure is being applied to the management of environmental risks related to the clients' (legal entities or entrepreneurs) activities financed by the Company, when approving new finance leasing contracts.

If the request for financing relates to financing the activities from the List of activities that the Company does not support, the Company rejects such financing request.

4. SUBSEQUENT EVENTS

Due to the fact that financing of several more significant placements was postponed, in January 2016 the Company partially repaid short-term loans to Banca Intesa a.d. Beograd in the amount of RSD 800,000.

In January 2015 the Company paid out profits in the amount of RSD 125,500 thousand to its founder Banca Intesa a.d. Beograd in accordance with the decision of the Assembly Company dated December in 2014.

Trade payables VIVO SHOPPING PARK DOO JAGODINA in the amount of RSD 212,578 thousand were paid in January 2015.

5. PLANNED FUTURE DEVELOPMENT

Intesa Leasing d.o.o Beograd has adopted Business plan for period 2015 - 2017 which emphasizes following strategic directions and development goals:

- To be the most successful leasing company operating in the Serbian leasing market which operate in profitable and sustainable way;
- To increase financing of small and medium enterprises during the period 2015 - 2017;
- Further development of real estate financing, with focus on the best locations and best clients;
- Development of new product categories: in the forthcoming period there will be the possibility to finance renewable energy sources, which is also supported by international institutions;
- More favourable credit lines and achieving lower financing costs leading to better position regarding the terms of new placements approval and making the possibility for further improvement of the portfolio quality;
- Obtaining new credit line from EBRD as important step for realization of strategic goals;

- More successful business operations and decrease of cost to income ratio;
- Increase in operating efficiency and improvement of business processes (development of Legal process, AML...)

6. RESEARCH AND DEVELOPMENT ACTIVITIES

The Company's development activities are primarily focused on improvement of business processes and further development of Business Process Management.

Within BPM module following tools have been developed:

- **APM (Automated bills of exchange activation process)** is a crucial business process for active involvement of sales staff in the collection process. The results of process are 4 automated reports on a daily basis containing all relevant data about the clients and enabling portfolio management in the most efficient and easiest way on a daily basis. For joint clients of the Company and Banca Intesa a.d. Beograd, the process creates automatic reports also for colleagues from the bank responsible for the clients enabling coordinated collection action. Early warning system consists of the following steps :

First warning to client: 15 - th day by registered mail

Second warning: 22-nd day

Third warning: 30 th day by registered mail with return receipt.

After this the APM process takes over the client and he on the 45-th day he/she became a candidate, while on the 50-th day bill of exchange is submitted for collection.

- **Monitoring and collateral revision process:** this process filters leasing contracts/clients with higher risk (based on ILB portfolio history – S&LB transactions, equipment financing and other indicators) and creating tasks for responsible salesman on a regular basis (two times per year) to perform on site monitoring of clients' activities and leased assets. Monitoring reports and photos of leased assets have been up-loaded directly to the process. This process also generates automatic reminders/tasks for collaterals re-appraisal. Appraisal reports are also uploaded directly to the business process.

- Process for support **organization of AQC** (Asset quality committee) **meetings and monitoring of collection strategies**. Agenda of AQC meeting is generated and distributed automatically based on delays and other set criteria together with automatically prepared materials for every client on agenda. Members of AQC of the Company analyse materials (together with monitoring reports and photos of leased assets for clients involved in BPM process monitoring) and strategy proposals, defining final strategy which is directly input into the process. Monitoring of final strategies fulfilment and deadlines is also supported by this business process.

- **Contract termination, repossession and remarketing of leasing assets** - this BPM process supports hard collection phase from contract termination to the final sales of repossessed assets.

- **Legal process** – it is new BPM process which has an aim to support last phases of contract life cycle and to provide more efficient legal actions.

The first version of the process is completed. Complete legal documentation is scanned and entered into a new BPM process. By the end of February 2016 the new and the existing legal cases will be supported by this process.

- **AML**- regarding the significance of AML procedures (Anti-money laundering) it has been planned development of new BPM process. Process will enable: automated definition of risk category for each client. Connection with monitoring process will provide new functionality of AML monitoring for clients of medium and high risk.

The first phase of this process is implemented. During request processing AML scoring is done automatically. The planned completion is the first quarter of 2016.

-**Process of Insurance**- second, updated version of this process is implemented.

Through the process of Insurance, the offers for insurance of the leased assets are collected. Through the process, the customers will be sent the comparative summary of offers. When a client chooses one of the options through the process, queries will be sent to the selected insurer for delivering the policy. The policy is delivered in PDF - and through the process all essential elements of policies are entered in the system NOVA and are linked to a particular leasing contract. At the same time, the policy is archived in electronic archive in the book of strict records. When a client signs the policy, the signed documents are scanned and archived through the process in electronic documents and discharged in the book of strict records after delivering to insurance.

The new model supported by BPM process has contributed to increasing competition and the additional efforts of insurance companies, which leads to better quality of service for customers.

- **BPM Process** – depreciation curves: depreciation curves are generated automatically for each leasing transaction which is an important indicator for the decision of the Credit Committee. Comparison of depreciation curves for leasing items with the repayment schedule is an indicator of whether the proposed level of participation is sufficient to cover ILB's position during the financing period. Potential GEP is calculated and is the indicator for the members of the Credit Committee to increase the % of participation.

Next steps in the automation of business processes:

All BPM processes essential for faster transactions have been revised and steps are defined, with a plan of action in order to improve various business processes to take advantage of potential financing of passenger cars in the future.

The main changes relate to the automatic scoring module which can potentially be integrated with Bisnode CB and could allow pre-soring and evaluation on the basis of all possible information (balance, KB statement, etc.).

Completion Process barcode- documentation (all documentation is bar coded, integration between multi-functional conditioning and e-archive is in the final stage) which will enable a more efficient process of completing the documentation.

-Automatically generate decisions and prepare contract documents on the basis of the decision of the Credit Committee.

-Front -End solution (Portal) for the car dealers , and potential point of communication with clients .

- Digital signatures for contractual documents.

7. OWN STAKES PURCHASE

The Company did not purchase its own stakes during 2015.

8. BRANCH EXISTENCE

The Company does not have registered branches in 2015. During the 2015. the Company began the process of registering a branch in Novi Sad.

9. FINANCIAL INSTRUMENTS

During 2015, the Company, used the Securities and dinar t-bills of the Republic of Serbia with maturities up to one year as well as Government bonds with a maturity of two years. The market value of these financial instruments on balance sheet date amounted to RSD 986,560 thousand.

10. FINANCIAL RISK MANAGEMENT

Risk is an integral part of business operations of the Company and it is impossible to eliminate it completely. The Company manages risks in a way to reduce them to limits acceptable for its stakeholders: equity owners, lessor, lessee, regulator body. Risk management is a process of continuous identification, estimation, measurement, monitoring and controlling the exposure of the Company to the risks. Important part of the risk management process is reporting and risk mitigation. Adequate system of risk management is important element in achieving stability of the Company and the profitability of its operations.

By nature of its activities, the Company is exposed to the following most significant types of risks:

- Credit risk,

- Liquidity risk,

- Market risk (interest rate risk, FX rate risk and other market risks), and

- Operating risk.

The Management is responsible for establishing adequate risk management system and its consistent implementation in practice. The Management defines procedures for identification, measurement and estimation of risks and it is responsible for establishing a unique system for risk management in the Company and for monitoring that system.

The Management is responsible for identification, estimation and measurement of risks to which the Company is exposed in its operations and it applies risk management principles approved by the Board of Directors of the Company.

The Board of Directors of the Company analyses and adopts proposals of policies and procedures related to risk management and internal control system which are submitted to the Board of Directors to be discussed and adopted. Also, the Board analyses and supervises the implementation and adequate realization of adopted risk management policies and procedures and if necessary, suggests manners for their improvement.

The Company has developed a comprehensive risk management system by introducing policies and procedures, as well as by establishing limits for risk levels acceptable to the Company.

Specific risks, such as foreign exchange rate risk, the Company monitors on daily basis, while for other risks semi-annual reports are being prepared.

11. RISK EXPOSURE

A) **Credit risk** is the risk that a contractual party will not be able to fulfil the related contractual obligation, causing financial loss for the other party. Through its internal regulations and procedures, the Company implements an adequate system of credit risk management and reduces credit risk to an acceptable level.

The indicator of credit risk can be represented by the following table portfolio quality expressed as the value of gross placements, or receivables based on financial leasing without other receivables based on financial leasing, pre-accrued interest and without any advance collected handling charges (all amounts are presented in thousands of RSD)

	2015.	**Share in total net placements**	**2014.**	**Share in total net placements**
Performing	3.973.446	58,23%	3.556.002	58,63%
Past due	2.711.588	39,74%	2.305.732	38,02%
Unlikely to pay	112.873	1,65%	112.893	1,86%
Doubtful	25.362	0,38%	90.497	1,49%
Ukupno	**6.823.269**	**100%**	**6.065.124**	**100%**

As we can see, for both years under review, the share of NPLs is at a low level, amounting to 2.03% and 3.35% for 2015 and 2014 respectively. The Company successfully decreased NPLs share in 2015 comparing to previous year due to continuous monitoring of credit risk. Credit risk has the satisfactory level regarding the prescribed limits.

B) **Liquidity risk** is the risk that the Company will not be able to settle down its due liabilities. Liquidity of the Company depends primarily on maturity matching of assets and liabilities of the Company, i.e. on asset inflows and outflows matching.

Liquidity risk can be presented through the following table for gross amounts of assets and liabilities and equity:

	2015			2014		
	Assets	Liabilities and equity	Cumulative gap	Assets	Liabilities and equity	Cumulative gap
Gross exposure to 30 days	1.928.897	1.055.057	873.840	2.743.699	2.046.673	697.026
Gross exposure of 1 to 3 months	652.567	314.512	1.211.895	725.453	51.994	1.370.485
Gross exposure of 3 to 6 months	546.583	509.478	1.249.000	556.547	147.879	1.779.153
Gross exposure of 6 to 12 months	1.471.800	1.416.905	1.303.895	1.850.579	603.481	3.026.251
Gross exposure of 12 to 18 months	842.094	597.532	1.548.457	868.185	580.176	3.314.260
Gross exposure of 18 months to 3 years	4.054.799	3.069.814	2.533.442	2.607.877	3.405.496	2.516.641
Gross exposure over 5 years	248.199	810.841	1.970.800	228.347	613.491	2.131.497
Gross amount without a defined maturity	290.100	1.589.096	671.804	193.340	1.586.963	737.874
Gross exposure - total	**10.035.039**	**9.363.235**	**671.804**	**9.774.027**	**9.036.153**	**737.874**

As the table presents, the Company has high degree liquidity matching, i.e. it is able to fulfil its due liabilities in all periods of time.

C) **Interest rate** is the risk of the occurrence of adverse effects on the Company's financial result and equity due to changes in market interest rates.

The Company is exposed to interest rate risk, which affects its financial position and cash flows through changes in the level of market interest rates, and which is caused by the mismatch of maturity of assets and liabilities with fixed interest rates.

The exposure to interest rate risk depends on the ratio of the interest-sensible assets and liabilities of the Company. Therefore, the Company controls the interest rate risk by monitoring the ratio of the interest-bearing assets, i.e., liabilities and the percentage thereof in the total asset, i.e., liabilities.

The calculated repricing gap indicator shows that in the case of change of interest rate by 1.00% effect on revenues, i.e. expenses of the Company would be RSD 37.147 thousand, which is within the limit prescribed by the Procedure for interest rate risk management.

D) **Foreign currency risk** is the risk of appearing negative effects on financial result and equity of the Company due to change in foreign exchange rates.

The foreign currency risk protection principle is to achieve and maintain foreign currency assets at least in the amount equal to foreign currency liabilities. This ratio is also reconciled from the aspects of maturities of foreign currency receivables and foreign currency liabilities.

As at 31 December 2015 the Company had short position in the amount of RSD 9.736 thousand, which is 0.60 % of the Company's equity. Foreign exchange risk is within the determined limit of EUR 300,000 converted by average exchange rate of NBS on the reporting date.

E) **Operational risk** is the risk of adverse effects on the Company's financial result and equity due to failures in performance of operating activities, human mistakes, system errors and influence of external factors.

The function of operational risk management process is to identify, assess, control and minimize the possibility of occurrence and effect of operational risks and net losses.

During 2015, the Company recorded one operational risk incidents, that did not have effect on profit and loss account, but based on recorded operational risks the Company passed on recommendations on how to avoid this risk in future operations.

General estimate of the Company's risk exposure for 2015 is that all risk indicators are within defined limits suggesting they are very efficient in managing the Company, as confirmed by overall results of the Company.

Belgrade, 17 February 2016

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