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TRANSLATION

Independent Auditors' Report

TO THE OWNERS OF

INTESA LEASING D.O.O. BEOGRAD

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 2014, 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 presentation 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.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2014, 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 the same year. In this regard, we performed procedures in accordance with ISA 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 audited financial statements.

Belgrade, 9 March 2015

KPMG d.o.o. Beograd

(M.P.)

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, 9 March 2015

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

(M.P.)

KPMG d.o.o. Beograd

Dušan Tomić
Certified Auditor

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

In thousands of RSD	Notes	2014	2013
INCOME AND EXPENSES FROM OPERATING ACTIVITIES			
Interest income	5	420,262	426,538
Interest expenses	5	(133,121)	(137,532)
Net interest income	**5**	**287,141**	**289,006**
Fee and commission income	6	67,503	68,563
Fee and commission expenses	6	(22,569)	(22,346)
Net fee and commission income	**6**	**44,934**	**46,217**
Net foreign exchange gains and net gains from foreign exchange clause	7	15,799	16,697
Other operating income	8	12,106	18,503
Net impairment loss on finance lease receivables	9	(21,347)	(7,707)
Net losses from changes in value of repossessed leased assets	10	(5,434)	(41,985)
OPERATING PROFIT		**333,199**	**320,731**
Costs of salaries, benefits and other personal expenses	11	(84,497)	(76,355)
Depreciation and amortization	12	(7,863)	(8,361)
Other expenses	13	(87,717)	(79,569)
PROFIT BEFORE TAX		**153,122**	**156,446**
Current tax expense	14	(20,706)	(34,000)
Deferred tax expense	14	(6,866)	(2,257)
PROFIT FOR THE PERIOD		**125,550**	**120,189**
Profit belonging to the parent entity		125,550	120,189

Belgrade, 4 March 2015

Report prepared by:
Predrag Topalović

Legal representative:
Nebojša Janićijević

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

In thousands of RSD	Notes	2014	2013
PROFIT FOR THE PERIOD		**125,550**	**120,189**
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			3,038
Unrealized losses on securities available for sale		(13,409)	
Net income taxes relating to other comprehensive income		2,011	(456)
OTHER COMPREHENSIVE INCOME		**(11,398)**	**2,582**
TOTAL COMPREHENSIVE INCOME		**114,152**	**122,771**

Belgrade, 4 March 2015

Report prepared by:
Predrag Topalović

Legal representative:
Nebojša Janićijević

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

		2014	2013	
In thousands of RSD	**Notes**	**Closing balance**	**Closing balance**	**Opening balance**
ASSETS				
Cash	15	35,187	24,358	27,173
Financial placements held with banks	16	2,068,566	3,519,341	1,598,414
Other financial placements and derivatives	17	795,813	558,813	218,515
Receivables from finance lease activities	18	6,029,270	4,725,746	4,743,266
Repossessed leased assets and inventories	19	44,389	43,252	138,037
Intangible assets	20	8,149	10,672	13,344
Property, plant and equipment	21	6,513	9,791	10,814
Current tax assets	14	15,479	11,437	-
Deferred tax assets	14	2,652	9,518	11,775
Other assets	22	30,135	43,083	41,422
TOTAL ASSETS		**9,036,153**	**8,956,011**	**6,802,760**
EQUITY AND LIABILITIES				
LIABILITIES				
Borrowings from banks and other financial institutions	23	7,380,265	7,388,564	5,337,878
Provisions	24	177	167	140
Current tax liabilities		-	-	10,040
Other liabilities	25	43,093	66,803	77,450
TOTAL LIABILITIES		**7,423,535**	**7,455,534**	**5,425,508**
EQUITY				
Stake capital	26	960,374	960,374	960,374
Reserves	27	(10,620)	2,789	(249)
Retained earnings	28	662,864	537,314	417,127
TOTAL EQUITY		**1,612,618**	**1,500,477**	**1,377,252**
TOTAL LIABILITIES AND EQUITY		**9,036,153**	**8,956,011**	**6,802,760**

Belgrade, 4 March 2015

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 2013	960,374	**417,125**	-	(249)	**1,377,250**
Increase for the year	-	-	2,789		2,789
Decrease for the year	-	-	-	249	249
Profit for the period	-	120,189	-	-	120,189
Balance as of 31 December 2013	**960,374**	**537,314**	**2,789**	**-**	**1,500,477**
Balance as at 1 January 2014	**960,374**	**537,314**	**2,789**	**-**	**1,500,477**
Increase for the year	-	-	-	(10,620)	(10,620)
Decrease for the year	-	-	(2,879)	-	(2,879)
Profit for the period	-	125,550	-	-	125,550
Balance as at 31 December 2014	**960,374**	**662,864**	**-**	**(10,620)**	**1,612,618**

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CASH FLOW STATEMENT FOR THE PERIOD 1 JANUARY TO 31 DECEMBER

In thousands of RSD	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash inflow from operating activities	**3,911,345**	**4,008,024**
Receipts from finance lease placements	3,013,443	3,188,390
Receipts and advances received from finance lease activities	824,452	705,467
Receipts from rent and sales and other advances received	10,074	19,179
Other receipts from operating activities	63,376	94,988
Cash outflow from operating activities	**(4,819,299)**	**(3,739,431)**
Payment of liabilities and advance payments related to finance lease activities	(4,532,826)	(3,417,067)
Other payments and advances paid	(119,811)	(101,074)
Salaries, fringe benefits and other personal expenses paid	(87,110)	(79,138)
Income tax paid	(24,748)	(55,477)
Payments for other public charges	(47,412)	(74,712)
Other payments from operating activities	(7,392)	(11,963)
Net cash flows from operating activities	**(907,954)**	**268,593**
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash inflow from investing activities	**9,524,292**	**5,752,007**
Purchase of financial instruments	603,185	300,000
Other inflows from investing activities	8,885,929	5,393,874
Interest received from investing activities	35,178	58,133
Cash outflow from investing activities	**(8,222,680)**	**(8,106,325)**
Purchase of financial instruments	(796,455)	(546,329)
Other financial placements	(7,426,225)	(7,559,996)
Net cash flows from investing activities	**1,301,612**	**(2,354,318)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash inflow from financing activities	**8,997,489**	**7,781,178**
Increase in borrowings	8,997,489	7,781,178
Cash outflow from financing activities	**(9,401,203)**	**(5,750,113)**
Decrease in borrowings	(9,401,203)	(5,747,970)
Other payments from financial activities	-	(2143)
Net cash inflow/(outflow) from financing activities	**(403,714)**	**2,031,065**
Net cash outflow	**(10,056)**	**(54,660)**
Cash and cash equivalent balance at the beginning of period	**25,006**	**83,712**
Exchange rate gains on cash balance translation	**20,207**	**-**
Exchange rate losses on cash balance translation	**-**	**(4,046)**
Cash and cash equivalent balance at the end of period	**35,157**	**25,006**

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INTESA LEASING d.o.o. BEOGRAD

NOTES TO THE FINANCIAL STATEMENTS
FOR 2014

CONTENTS:

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

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'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. Beograd, and, therefore, the majority stakeholder and founder consolidates the financial statements.

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.

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

The tax identification number of the Company is 103023875. The Company's registration number is 17492713.
As at 31 December 2014 the Company had 30 employees (31 December 2013: 29 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.

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.

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

2. BASIS OF PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.1. Basis of Preparation and Presentation of the Financial Statements (Continued)

Official Gazette" no. 87/2014 and 135/2014) which defines the use of a set of financial statements.

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 2014 are approved for publishing by the Chairman of the Executive Board on 10 March 2015 and the Company's Assembly on 10 March 2015.

2.2. Comparative data

The comparative data represent audited annual financial statements of the Company for the year ended 31 December 2013.

Starting from 2014 a changed layout of financial statements is prescribed by the regulator. Due to newly prescribed regulation, the layout of the financial statements has been changed but the new regulation did not cause changes in the measurement of items, i.e. the only change is in the presentation of items. The following tables summarise explanations and reclassification of data for comparative year (2013):

2.2. Comparative data (Continued)

Reclassification of Assets

ADP No - 2014	Item description - 2014	Amount in thousand RSD	ADP No - 2013	Item description - 2013	Reclassified amount in thousand RSD
0001	Cash	35,187	025	Cash and cash equivalents (part)	24,358
	Total	**35,187**		**Total reclassified**	**24,358**
0002	Financial placements held with banks	2,068,566	024	Short term financial assets (part)	3,518,693
			025	Cash and cash equivalents (part)	648
	Total	**2,068,566**		**Total reclassified**	**3,519,341**
0003	Other financial placements and derivatives	795,813	024	Short term financial assets (part)	558,813
	Total	**795,813**		**Total reclassified**	**558,813**
0004	Receivables from finance lease activities	6,029,270	011	Receivables from finance lease activities	2,912,482
			020	Short term receivables from finance lease activities	1,841,817
			021	Other receivables from finance lease activities	8,438
			028	Value added tax and accruals (part)	15,309
			123	Liabilities for VAT, liabilities from earnings, other public charges and accruals (part)	(52,300)
	Total	**6,029,270**		**Total reclassified**	**4,725,746**
0005	Repossessed leased assets and inventories	44,389	014	Inventories	1,321
			015	Repossessed leased assets	41,931
	Total	**44,389**		**Total reclassified**	**43,252**
0007	Intangible assets	8,149	004	Intangible assets	10,672
	Total	**8,149**		**Total reclassified**	**10,672**
0008	Property, plant and equipment	6,513	006	Property, plant and equipment	9,791
	Total	**6,513**		**Total reclassified**	**9,791**
0010	Current tax assets	15,479	028	Value added tax and accruals (part)	45,437
			124	Income tax payable	(34,000)
	Total	**15,479**		**Total reclassified**	**11,437**
0011	Deferred tax assets	2,652	029	Deferred tax assets	9,518
	Total	**2,652**		**Total reclassified**	**9,518**
0012	Other assets	30,135	022	Receivables from operating business	4,237
			027	Receivables from sales	481
			028	Value added tax and accruals (part)	38,365
	Total	**30,135**		**Total reclassified**	**43,083**

2.2. Comparative data (Continued)

Reclassification of Assets

Two line items have been reclassified to the line item Financial placements held with banks: the line item Short term financial assets (part related to term deposits) and part of Cash and cash equivalents (balance of foreign currency accounts was reclassified).

The following line items were reclassified to the line item Receivables from finance lease activities:

- Receivables from finance lease activities which comprised investments with maturity more than one year,
- Short term receivables from finance lease activities which comprised investments with maturity up to 1 year,
- Other receivables from finance lease activities which comprised receivables for fees and costs transferred to lessees,
- Accrued interest from finance lease activities,
- The line item was reduced for the amount of accrued fee income which was part of the line item Liabilities for VAT, liabilities from earnings and accruals.

The part of net value of Value added tax and accruals, the part which relates to profit tax paid in advance and Income tax payable, was reclassified to the line item Current tax assets.

The following line items were reclassified to the line item Other assets:

- Receivables from operating business which consisted of interest receivables on term deposits and other short term receivables,
- Receivables from sales are receivables for sold repossessed leased items,
- Part of the line item Value added tax and accruals consisted of previous VAT, accruals showing accrued income and expenses.

2.2. Comparative data (Continued)

Reclassification of Liabilities and Equity

ADP No - 2014	Item description - 2014	Amount in thousand RSD	ADP No - 2013	Item description - 2013	Reclassified amount in thousand RSD
0401	Borrowings from banks and other financial institutions	7,380,265	028	Value added tax and accruals (part)	(30,038)
			113	Long term borrowings in the country	291,191
			114	Long term borrowings from abroad	2,770,518
			117	Short term borrowings	4,347,106
			119	Interest and financing cost payable	2,404
			123	Liabilities for VAT, liabilities from earnings, other public charges and accruals (part)	7,383
	Total	**7,380,265**		**Total reclassified**	**7,388,564**
0404	Provisions	177	111	Provisions	167
	Total	**177**		**Total reclassified**	**167**
0407	Other liabilities	43,093	120	Liabilities for salaries, allowances and other personal expenses	108
			121	Other liabilities	60,687
			123	Liabilities for VAT, liabilities from earnings, other public charges and accruals (part)	6,008
	Total	**43,093**		**Total reclassified**	**66,803**
0410	Stake capital	960,374	102	Stake capital	960,374
	Total	**960,374**		**Total reclassified**	**960,374**
0412	Reserves	-	105	Unrealized gains on securities	2,789
	Total	**-**		**Total reclassified**	**2,789**
0413	Reserves	10,620	106	Unrealized losses on securities	-
	Total	**10,620**		**Total reclassified**	**-**
0414	Retained earnings	662,864	107	Retained earnings	537,514
	Total	**662,864**		**Total reclassified**	**537,514**

The following line items were reclassified from 2013 to the line item Borrowings from banks and other financial institutions:

- Long term loans in the country and from abroad which were part of Long term borrowings from banks with maturity of more than one year,
- Short term borrowings which comprise short term borrowings and part of long term borrowings with maturity up to one year,
- Interest and financing cost payable which were part of Interest liabilities on loans in home country,
- Accrued interest expenses,
- The line item was reduced for one part of the amount of Accruals which are related to prepaid costs for borrowings disbursement.

2.2. Comparative data (Continued)

Reclassification of Statement of profit and loss

ADP No - 2014	Item description - 2014	Amount in thousand RSD	ADP No - 2013	Item description - 2013	Reclassified amount in thousand RSD
1001	Interest income	420,262	201	Interest income from finance lease activities	343,503
			209	Net interest income, foreign exchange gains and effects of foreign currency clause (part)	83,035
	Total	**420,262**		**Total reclassified**	**426,538**
1002	Interest expenses	133,121	202	Interest expenses from finance lease activities	137,517
			209	Net interest income, foreign exchange gains and effects of foreign currency clause (part)	15
	Total	**133,121**		**Total reclassified**	**137,532**
1005	Commission income	67,503	205	Operating income from finance lease activities	68,563
	Total	**67,503**		**Total reclassified**	**68,563**
1006	Commission expenses	22,569	206	Operating expenses from finance lease activities	22,346
	Total	**22,569**		**Total reclassified**	**22,346**
1015	Net foreign exchange gains and net gains from foreign exchange clause	15,799	209	Net interest income, foreign exchange gains and effects of foreign currency clause (part)	16,697
	Total	**15,799**		**Total reclassified**	**16,697**
1019	Other operating income	12,106	211	Net gains on sale of intangible assets, property, plant, equipment and other assets	1,549
			218	Gains from sale	349
			224	Other income	16,605
	Total	**12,106**		**Total reclassified**	**18,503**
1021	Net impairment loss on finance lease receivables	21,347	216	Net losses from changes in value of assets (part)	7,707
	Total	**21,347**		**Total reclassified**	**7,707**
1023	Net losses from changes in value of repossessed leased assets	5,434	216	Net losses from changes in value of assets (part)	41,985
	Total	**5,434**		**Total reclassified**	**41,985**
1026	Costs of salaries, benefits and other personal expenses	84,497	221	Costs of salaries, benefits and other personal expenses	76,328
			223	Provisioning expenses	27
	Total	**84,497**		**Total reclassified**	**76,355**
1029	Depreciation and amortization	7,863	222	Depreciation and amortization	8,361
	Total	**7,863**		**Total reclassified**	**8,361**
1030	Other expenses	87,717	219	Loss from sale	638
			220	Operating expenses	69,090
			225	Other expenses	9,841
	Total	**87,717**		**Total reclassified**	**79,569**
1033	Current tax expense	20,706	232	Current tax expense	34,000
	Total	**20,706**		**Total reclassified**	**34,000**
1035	Deferred tax expense	6,866	233	Deferred tax expense	2,257
	Total	**6,866**		**Total reclassified**	**2,257**

2.2. Comparative data (Continued)

Reclassification of Statement of profit and loss

All interest income that in previous period was presented on two line items: Interest income from finance lease activities and partly Net interest income, foreign exchange gains and effects of foreign currency clause, was reclassified to the line item Interest income.

All interest expenses that in previous period were presented on two line items: Interest expenses from finance lease activities and partly Net interest income, foreign exchange gains and effects of foreign currency clause, were reclassified to the line item Interest expenses.

The following income line items from previous period were reclassified to the line item Other operating income:
- Net gains on sale of intangible assets, property, plant, equipment and other assets,
- Gains from sale,
- Other income.

Provisioning expenses were also reclassified to the position Costs of salaries, benefits and other personal expenses apart from the same costs from the previous period.

The following positions from previous period were reclassified to the position Other expenses:
- Losses from sale,
- Operating expenses,
- Other expenses.

All the presented reclassified line items have not changed reported profit for the period in the Statement of profit and loss, only the presentation of data has been changed.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1. Income and Expense Recognition (Continued)

(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 2014	31 December 2013
CHF	100.5472	93.5472
EUR	120.9583	114.6421

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 2014**	**31 December 2013**	**31 December 2014**	**31 December 2013**
Selling exchange rate for foreign currencies of Banca Intesa	123.9823	117.5082	103.0609	96.3536
Selling exchange rate for cash of Banca Intesa	123.3775	116.9349	103.0609	96.3536
Middle exchange rate NBS	120.9583	114.6421	100.5472	93.5472
Selling exchange rate for foreign currencies of NBS	121.3212	114.9860	-	-
Selling exchange rate for cash of NBS	121.8050	115.4446	-	-

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 2014, 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.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. 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. 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).

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 receivables at cost of leased asset increased for future interest.

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, and presented analytically within accounts receivable from a finance lease activities.

Finance lease receivables recognized in the Statement of financial position as receivables from financial 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.6. Receivables from finance lease activities (Continued)

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.

The Company calculates indirect impairment provision in accordance with applicable "Asset classification policy". Impairment provision of short-term receivables is divided into three sub-groups:
a) Impairment of receivables overdue by more than 60 days,
b) Impairment of receivables from finance lease activities overdue by less than 60 days,
c) Impairment of unmatured receivables from finance lease activities.

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 **seven 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;

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7. Impairment of Financial Assets

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;

R - (Restructured) – Exposures where ILB changes the original terms of finance due to deterioration in creditworthiness of the lessee (such as granting of a moratorium on payments or debt and interest reduction). If changed conditions result in a loss, the exposure will be classified as Restructured;

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.

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. Exceptions are collaterals-commercials facilities for which appraisal is done every year. In case the last available appraisal is still used, the percentage of impairment decreased and defined by an internal

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7. Impairment of Financial Assets

act will be used, based on experience of the Company and analysis of trends in the real estate market.

- 60% of exposure, if the leased asset is a vehicle (passenger or commercial),
- 40% of exposure, if the leased asset is manufacturing or other equipment,
- 30% of exposure, if the leased asset is agricultural machinery.

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 to legal entities whose value is less than EUR 150,000 and non-performing exposures to individuals for which value is less than EUR 50,000.

b) Individual assessment of non-performing exposures to legal entities greater than EUR 150,000 and non-performing exposures to individuals for which value is greater than EUR 50,000.

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.

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 financial placement without amortization (carrying amount).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.8. Repossessed leased assets and inventories (Continued)

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 within the accounts group Net losses from changes in value of repossessed leased assets (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 cost.

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, 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%.

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).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.10. Property, Plant and Equipment

Property, plant and equipment of the Company as at 31 December 2014 comprise equipment.

Equipment is stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Cost includes purchase price and all directly attributable costs of bringing the asset to the appropriate working condition 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
Buildings	40	2.50%
Computer equipment	5	20.0%
Mobile Phones	3.33	30.0%
Passenger vehicles	4	25.0%
Office furniture	8	12.5%
Photocopying equipment	7	14.3%
Calculating machines	6.06	16.5%
Cooling devices	6.06	16.5%
Refrigerators, ovens and similar appliances	8	12.5%
Cleaning equipment	5	20.0%
TV, radio and video equipment	8	12.5%
Telephone exchanges and fixed phones	14.28	7.0%
Cellular telephones	8	12.5%
Canvas (carpets, blinds, curtains, carpet, etc.)	8	12.5%
Illuminated electrical advertisements	9.09	11.0%
Other assets	8	12.5%

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.10. Property, Plant and Equipment (Continued)

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 2014 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. 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, except:

• Where a deferred tax liability arises from the initial recognition of goodwill or from an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;

• In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary differences will not be reversed in the foreseeable future.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.12. Deferred Tax Assets (Continued)

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 2014 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 2014 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.

3.13. 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.

Gains and losses are recognized in the Statement of profit and loss upon the liabilities write-off, as well as during the amortization period.

3.14. 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.14. Provisions, Contingent Liabilities and Contingent Assets (Continued)

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.14. Provisions, Contingent Liabilities and Contingent Assets (Continued)

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 2013 or 31 December 2014.

3.15. 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 2014.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.16. 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.

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.

3.17. Other liabilities

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

3.18. 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).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.19. 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 assets for 2014 and 2013 in Note 14.

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.

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.

The impact of any changes in these assumptions could be material to the Company's financial position, and the results of its operations. As an example, if the Company was to shorten the average useful life for 1%, this would result in additional depreciation and amortization expense of approximately RSD 391 thousand for the twelve-month period.

4. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

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

	2014	2013
Interest income		
Interest income from finance lease activities – new leased assets	326,873	328,165
Interest income from finance lease activities – used leased assets	2,252	2,847
Penalty interest	12,604	12,924
Interest income on securities	57,139	23,626
Interest income on placements held with banks	21,394	58,976
Total	**420,262**	**426,538**
Interest expense		
Interest expense on other borrowings from abroad	(107,434)	(15,814)
Interest expense on borrowings from related parties in the country	(22,143)	(56,900)
Interest expense on borrowings from related parties abroad	(3,455)	(64,803)
Other interest expense	(89)	(15)
Total	**(133,121)**	**(137,532)**
Net interest income	**287,141**	**289,006**

6. FEE AND COMMISSION INCOME AND EXPENSES

Fee and commission income

	2014	2013
Income from delivering services – finance lease origination fees	30,440	30,927
Income from warnings	8,932	4,652
Other income	920	808
Intercalary interest income	8,496	16,641
Income from costs transferred to lessees	18,715	15,535
Total	**67,503**	**68,563**

Fee and commission expenses

	2014	2013
Insurance for leased assets	(9,245)	(7,114)
Storage of repossessed leased assets	(1,303)	(2,582)
Expenses from repossessing leased assets	(1,998)	(2,387)
Registration fees of lease agreements	(3,815)	(2,684)
Other expenses from finance lease activities	(6,208)	(7,579)
Total	**(22,569)**	**(22,346)**
Net fee and commission income	**44,934**	**46,217**

The group Operating expenses include costs related to financial leasing that are transferred to lessees in the amount of RSD 18,715 thousand for 2014 and RSD 15,535 thousand for 2013.

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

Gains

	2014	2013
Income from foreign currency clause application	42,774	88,694
Foreign exchange gains	332,747	301,044
Total	**375,521**	**389,738**

Losses

	2014	2013
Expenses from foreign currency clause application	(72,441)	(89,217)
Foreign exchange loses	(287,281)	(283,824)
Total	**(359,722)**	**(373,041)**
Net gains	**15,799**	**16,697**

8. OTHER OPERATING INCOME

Rental income	3,611	5,268
Income from marketing activities	2,402	1,848
Gains on sale of intangible assets and equipment	1,238	1,549
Income from reduction of VAT liabilities on court proceeding termination	2,724	3,858
Other operating income	2,131	5,980
Total	**12,106**	**18,503**

9. NET IMPAIRMENT LOSS ON FINANCE LEASE RECEIVABLES

	2014	2013
Net impairment of long-term receivables from finance lease activities overdue more than 60 days	(14,983)	23,056
Net impairment of long-term receivables overdue up to 60 days and future receivables from finance lease activities	(7,155)	(36,077)
Net impairment of short-term receivables overdue more than 60 days	197	796
Net impairment of short-term receivables overdue up to 60 days	594	(379)
Net impairment – other	-	4,897
Total	**(21,347)**	**(7,707)**

10. NET LOSSES FROM CHANGES IN VALUE OF REPOSSESSED LEASED ASSETS

	2014	2013
Impairment provision of repossessed leased assets upon independent appraisal assessment	(4,483)	(19,890)
Impairment provision of repossessed leased assets after sale	(13,306)	(22,967)
Reversal of impairment provision on repossessed leased assets	12,355	872
Total	**(5,434)**	**(41,985)**

11. SALARIES, BENEFITS AND OTHER PERSONAL EXPENSES

	2014	2013
Gross salaries	68,680	65,587
Expenses for accrued bonuses	4,375	-
Tax and contribution expenses	10,102	9,745
Other personnel expenses	1,169	996
Provision for retirement benefits (Note 29)	10	27
Provision for unused vacations	161	-
Total	**84,497**	**76,355**

12. DEPRECIATION AND AMORTIZATION EXPENSES

	2014	2013
Amortization of intangible assets (Note 20)	4,039	3,922
Depreciation of property, plant and equipment (Note 19)	3,824	4,439
Total	**7,863**	**8,361**

13. OPERATING EXPENSES

	2014	2013
Maintenance costs	9,179	9,206
Advertisement costs	1,453	2,107
Consulting services	8,444	7,016
Rental expenses	4,874	4,715
Bank charges	474	532
Entertainment	2,634	2,839
Youth and student association services	3,097	2,422
Fuel	2,798	2,632
Legal services	2,402	2,244
Transportation and postal service	2,288	1,908
Costs of material	1,277	1,443
Professional development and literature	1,664	1,401
Spare parts and tools	1,002	1,067
Audit services	3,591	3,456
Membership fees	775	773
Insurance premiums	745	759
Translation services and similar services	53	450
Tax expenses (a)	1,128	8,023
Borrowing disbursement costs	8,237	6,206
Litigation expenses (b)	1,950	5,497
Costs of guarantees for borrowings (c)	11,725	1,475
Expenses for humanitarian, cultural, health and educational purposes	5,701	8,000
Direct write-off of receivables (d)	9,014	1,645
Costs of other services	3,212	3,753
Total	**87,717**	**79,569**

13. OPERATING EXPENSES (Continued)

a) Tax expenses are lower in current year compared to previous because the related party borrowing with the calculation of withholding tax on interest expense was repaid in February 2014, while during entire 2013 calculation of withholding tax on interest expense on this borrowing was performed.

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) Direct write-off of receivables are significantly higher in 2014 compared to the previous year due to more intense write-off of non-performing receivables from more clients.

14. INCOME TAXES

(a) Components of Income Taxes

Components of income tax expense are:

	2014	2013
Current tax expense	20,706	34,000
Deferred tax expense	6,866	2,257
Deferred tax income	-	-
Total income tax expense	**27,572**	**36,257**

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 2014 and 2013 is presented below:

	2014	2013
Profit before tax	**153,122**	**156,446**
Income tax at statutory rate of 15%	**22,968**	**23,467**
Non-deductible expenses	17,499	23,877
Interest income on securities issued by the Republic of Serbia	(8,571)	(3,544)
Indirect write-off of finance lease receivables recognized for tax purposes	(6,449)	(6,068)
Correction of previously recognized tax assets	(4,694)	(3,198)
Utilized tax credits based on investment in equipment in the current period	-	(74)
Other	(47)	(460)
Income tax expense	**20,706**	**34,000**
Deferred tax expense	6,866	2,257
Income tax with deferred tax expense	**27,572**	**36,257**
Effective tax rate	***18.01%***	***23.18%***

(c) Deferred Tax Assets

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

	2014	2013
Balance as at 1 January	**9,518**	**11,775**
Effects of temporary differences credited/ (charged) to the Statement of profit and loss	(6,866)	(2,257)
Balance at 31 December	**2,652**	**9,518**

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 2014 and 2013:

	Deferred tax assets 2014	Statement of profit and loss 2014	Deferred tax assets 2013	Statement of profit and loss 2013
Temporary differences between the carrying amount of equipment and intangible assets and their tax base	1,715	(124)	1,839	941
Disallowed tax-deducted impairments	910	(6,744)	7,654	(3,190)
Provisions in accordance with IAS 19	27	2	25	(8)
	2,652	**(6,866)**	**9,518**	**(2,257)**

(d) Current tax assets

	2014	2013
Balance at 31 December	**15,479**	**11,437**

Current tax assets have emerged as a consequence of greater advance monthly payments for income tax during 2014 comparing to the liability for income tax for 2014.

15. CASH

	2014	2013
Current accounts in RSD	35,187	24,358
Cash in hand	-	-
Balance as at 31 December	**35,187**	**24,358**

15. CASH (Continued)

During 2014 and 2013, 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

	2014	2013
Foreign currency accounts	-	648
Short-term deposits in RSD	230,000	222,733
Short-term deposits in EUR	1,838,566	3,295,960
Balance as at 31 December	**2,068,566**	**3,519,341**

As at 31 December 2014, short-term financial placements relate to term deposits placed with Banca Intesa a.d. Belgrade for the period of 353 days for contracts with agreed EUR foreign currency clause, and for the period of 87 days for contracts concluded in RSD at a rate equal to the key policy rate of the National Bank of Serbia decreased by 2.00% per annum.

17. OTHER FINANCIAL PLACEMENTS AND DERIVATIVES

Other financial placements and derivatives related to purchased treasury bills of the Republic of Serbia with maturity up to one year are recognized at fair value in the amount of RSD 795,813 thousand as at December 31, 2014 (December 31, 2013: RSD 558,813).

The treasury bills are classified as securities available for sale.

Treasury bills mature on 12 November 2015 and bear interest of 8.2% p.a.

18. RECEIVABLES FROM FINANCE LEASE ACTIVITIES

Structure of receivables from finance lease activities are presented below:

	2014	2013
Overdue finance lease receivables	559,498	539,486
Finance lease receivables with maturity up to 1 year	2,301,315	1,727,854
Finance lease receivables with maturity from 1 to 5 years	3,476,062	2,888,922
Finance lease receivables with maturity over 5 years	228,347	78,306
Total	**6,565,222**	**5,234,568**
Short-term receivables	14,642	21,019
Accrued interest income on finance lease receivables	16,356	15,309
Deferred income – finance lease origination fees	(56,642)	(52,300)
Total	**6,539,578**	**5,218,587**
Allowance for impairment – overdue receivables	(365,449)	(395,574)
Allowance for impairment – Finance lease receivables with maturity up to 1 year	(49,217)	(29,949)
Allowance for impairment – Finance lease receivables with maturity from 1 up to 5 years	(80,168)	(53,085)
Allowance for impairment – Finance lease receivables with maturity over 5 years	(5,264)	(1,661)
Allowance for impairment – Short-term receivables	(10,210)	(12,581)
Total allowances for impairment	**(510,308)**	**(492,850)**
Balance as at 31 December	**6,029,270**	**4,725,746**

Receivables from finance lease activities amount to RSD 6,523,222 thousand as at 31 December 2014 (31 December 2013: RSD 5,203,287 thousand).

Deferred income – finance lease origination fees are deductible item from Receivables for finance lease activities in the amount of RSD 56,642 thousand (31 December 2013: RSD 52,300 thousand.

Accrued interest income on finance lease receivables relates to interest accrued as at 31 December 2014 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 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**

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	2,267,340	257,878	2,525,218
From 1 to 5 years	2,888,922	266,543	3,155,465
Over 5 years	78,306	14,189	92,495
Total	**5,234,568**	**538,610**	**5,773,178**

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

	2014	2013
Balance as at 1 January	**(492,850)**	**(486,841)**
Allowances for impairment	(162,658)	(164,609)
Reversal of allowances for impairment	140,520	151,586
Write off of receivables - decrease	26,091	8,143
Foreign exchange differences - increase	(21,730	(1,975)
Foreign exchange differences - decrease	319	846
Balance as at 31 December	**(510,308)**	**(492,850)**

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 2014 vary in the following ranges

	From	To
Finance lease receivables in EUR	2.99%	10.78%
Finance lease receivables in RSD	8.76%	11.55%

The average rate of the clients' participation in accordance with the lease agreements in 2014 amounted to 18.70% of the net cost of the leased asset (2013: 20.86%).

19. REPOSSESSED LEASED ASSETS AND INVENTORIES

	2014	2013
Inventories	380	-
Advances paid - other	729	1,321
Advances paid – supply of finance lease assets	38,560	-
Finance lease assets repossessed in exchange for uncollectible receivables	4,720	41,931
Balance as at 31 December	**44,389**	**43,252**

As at 31 December 2014, finance lease assets repossessed in exchange for uncollectible receivables amounting RSD 4,720 thousand are intended to be reactivated through finance lease agreements or for further selling. The repossessed finance lease assets relate to 8 finance lease agreements. The carrying amount of the repossessed finance lease assets mostly relate to freight vehicles in the amount of RSD 3,966 thousand.
Advances paid for supply of finance lease assets relate to one finance lease agreements with planned activation in 2015.

20. INTANGIBLE ASSETS

	Licenses and software	Intangible assets under development	TOTAL
COST			
Balance as at 1 January 2013	**19,408**	**-**	**19,408**
Additions during the year	672	578	1,250
Disposals	-	-	-
Balance as at 31 December 2013	**20,080**	**578**	**20,658**
Additions during the year	1,516	-	1,516
Transfer (from)/to	578	(578)	-
Disposals	-	-	-
Balance as at 31 December 2014	**22,174**	**-**	**22,174**
ACCUMULATED AMORTIZATION			
Balance as at 1 January 2013	**6,064**	**-**	**6,064**
Amortization (Note 12)	3,922	-	3,922
Disposals	-	-	-
Balance as at 31 December 2013	**9,986**	**-**	**9,986**
Amortization (Note 12)	4,039	-	4,039
Disposals	-	-	-
Balance as at 31 December 2013	**14,025**	**-**	**14,025**
Net book value as at			
- 31 December 2014	**8,149**	**-**	**8,149**
- 31 December 2013	**10,094**	**578**	**10,672**

In 2014 the upgrade of the information system ,,Nova" was extended with four new modules and five modules in the preparation stage, the overall increase in licenses and software with respect to these items amounts to RSD 2,094 thousand.

The Company's management estimates that there are no indications that intangible assets are impaired as at 31 December 2014.

21. PROPERTY, PLANT AND EQUIPMENT

	Vehicles	Furniture	Other equipment	TOTAL
COST				
Balance as at 1 January 2013	**18,123**	**3,173**	**2,202**	**23,498**
Additions during the year – equipment in preparation	1,520	-	168	1,688
Additions during the – new equipment	1,495	-	319	1,814
Disposals	-	(417)	(11)	(428)
Balance as at 31 December 2013	**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**
ACCUMULATED DEPRECIATION				
Balance as at 1 January 2013	**9,709**	**1,893**	**1,082**	**12,684**
Depreciation (Note 12)	3,607	389	443	4,439
Disposals	-	(332)	(10)	(342)
Balance as at 31 December 2013	**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**	**2,226**	**1,923**	**18,177**
Net book value as at:				
- 31 December 2014	**4,658**	**641**	**1,214**	**6,513**
- 31 December 2013	**7,822**	**806**	**1,163**	**9,791**

During 2014, the Company put in use one passenger vehicle, which was in preparation in the prior year. The Company also sold two vehicles. 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 2014.

The Company has no restrictions on ownership of equipment as of December 31, 2014, 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:

	2014	2013
Interest receivable on term deposits	172	415
Receivables for expenses subject to refunding	1,436	-
Accrued interest income on term deposit	13,051	26,590
Receivables for changes in tax base	4,811	6,510
Other accruals	1,664	2,321
Prepaid expenses	4,214	2,944
Receivables on sale of leased assets	450	1,449
Other receivables	4,337	2,854
Total	**30,135**	**43,083**

Accrued interest on term deposit relates to the accrued interest income as at 31 December 2014 is at a lower level comparing to the previous year due to lower average deposit level and due to reduction in agreed interest rate.

23. BORROWINGS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	2014	2013
Short-term borrowings in the country	2,388,926	3,472,004
Interest payable on borrowings in the country	1,955	2,404
Portion of long-term borrowings with maturity up to 1 year in the country	139,102	206,356
Portion of long-term borrowings with maturity up to 1 year from abroad	256,633	668,746
Portion of long-term borrowings with maturity from 1 to 2 years in the country	117,934	173,683
Portion of long-term borrowings with maturity from 1 to 2 years from abroad	1,003,032	243,232
Portion of long-term borrowings with maturity from 2 to 5 years in the country	-	117,508
Portion of long-term borrowings with maturity from 2 to 5 years from abroad	3,141,874	1,945,858
Portion of long-term borrowings with maturity from over 5 years from abroad	335,995	581,427
	7,385,451	**7,411,219**
Accrued interest expenses on borrowings from abroad	21,058	7,383
Deferred disbursement fees on borrowings in the country	(2,412)	(1,055)
Deferred disbursement fees on borrowings from abroad	(23,832)	(28,982)
Balance as at 31 December	**7,380,265**	**7,388,564**

23. BORROWINGS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS (Continued)

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.

Borrowings from banks and other credit institutions:

	2014	2013
Banca Intesa AD Beograd	2,647,918	3,971,954
Council of Europe Development Bank	1,108,784	1,146,421
Intesa Sanpaolo S.p.A. Succursale de Paris	-	573,211
European Investment Bank –EIB	604,792	573,211
GGF Southeast Europe B.V.	604,792	573,211
European fund for southeast Europe S.A.	604,792	573,211
European Bank for Reconstruction and Development	1,814,375	-
Balance as at 31 December	**7,385,451**	**7,411,219**

During 2014, the following loans were taken from abroad:

1) A loan in the amount of EUR 15 million from the European Bank for Reconstruction and Development. As a security for this borrowing, a guarantee issued by Banca Intesa a.d. Beograd was obtained, which is recorded under off-balance sheet items.

During 2014, the Company repaid the borrowing obtained from Intesa Sanpaolo SpA Succursale de Paris in the amount of EUR 5 million, and a part of a long-term borrowing from the Council of Europe Development Bank in the amount of EUR 0.83 million.

As at 31 December 2014 the Company had the following approved and unused borrowings:

a) Long-term borrowing in the amount of EUR 5 million approved by the European Investment Bank – EIB,
b) Overdraft in the amount of RSD 10 million approved by Banca Intesa a.d. Beograd,
c) Part of short-term borrowing in the amount of EUR 0.25 million approved by Banca Intesa a.d. Beograd.

The interest rate on long-term borrowings from abroad ranges from 0.33% up to 3.48% 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
- Open Lease Exposure Ratio
- Aggregate Maturity Gap Ratio
- Economic Group Exposure Ratio

23. BORROWINGS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS (Continued)

Exposure amount of one of the Company's client exceeds the maximum exposure of 25% of equity of the Company, i.e. the exposure exceeds the limit determined as a maximum level of Financial Covenant – Open Lease Exposure Ratio determined by Borrowing agreement and Policy for risk exposure management. In this case, pre-approval from creditors from abroad was obtained prior to entering finance lease agreements that led to exceeding of the defined covenant level. Creditors from abroad agreed that the Company may exceed the limit of this covenant.

24. PROVISIONS

	2014	2013
Long-term provisions for retirement benefits	177	167
Balance as at 31 December	**177**	**167**

The provision for employees' retirement benefits have been recorded on the basis of the Report of an independent actuary as at 31 December 2014 in the amount of discounted present value of future payments.

When determining the present value of the expected outflows, the discount rate of 8% has been used, representing an appropriate rate according to IAS 19 "Employee Benefits", in the absence of a developed market for high quality corporate bonds.

Movements in provisions during the year were as follows:

	2014	2013
Balance as at 1 January	**167**	**140**
Provisions during the year (Note 11)	10	27
Release of provisions	-	-
Balance as at 31 December	**177**	**167**

25. OTHER LIABILITIES

	2014	2013
Trade payables - abroad	-	19,260
Domestic trade payables	14,067	13,958
Other payables to customers	17,874	26,923
Liabilities for unused vacations (Note 11)	414	253
Other deferrals	5,249	3,511
Withholding tax payable	-	326
Value added tax payable	1,113	1,445
Liabilities for salaries and benefits	4,376	108
Other liabilities	-	1,019
Balance as at 31 December	**43,093**	**66,803**

25. OTHER LIABILITIES (Continued)

Domestic trade payables in the amount of RSD 14,067 thousand as of December 31, 2014 primarily relate to the trade payables for services rendered but not yet invoiced in 2014 in the amount of RSD 9,862 thousand (2013: RSD 10,538 thousand).

Other payables to customers totalling RSD 17,874 thousand as at 31 December 2014 mostly relate to overpaid instalments by customers it the amount of RSD 15,950 thousand (in 2013: 20,786 thousand).

Other deferrals mainly relate to consulting services regarding tax issues and audit services in the amount of RSD 4,719 thousand (2013 RSD 3,508 thousand).

26. STAKE CAPITAL

The Company's stake capital structure by stakeholders' contribution as at 31 December 2014 and 2013 is presented in the table below:

	2014	2013
Banca Intesa a.d. Belgrade	960,374	960,374
Total	**960,374**	**960,374**

Accordingly, as at 31 December 2014 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 2014 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

The structure of the Company's reserves as at 31 December 2014 and 2013 is as follows:

	2014	2013
Reserves	-	-
Revaluation reserves	-	-
Unrealised gains	-	2,789
Unrealised losses	(10,620)	-
Balance as at 31 December	**(10,620)**	**2,789**

27. RESERVES (Continued)

Unrealized losses in 2014 result from the conversion of the nominal value of short-term securities (Note 17) on the fair value at the reporting date. Unrealized losses in the amount of RSD 10,620 thousand were incurred as a result of the rapid decline of the reference rate used for calculating the fair value of securities (BELIBOR) in December 2014.

28. RETAINED EARNINGS

Total retained earnings of the Company as at 31 December 2014 amounted to RSD 662,864 thousand (December 31, 2013: RSD 537,314 thousand) and consist 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.

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	2013
Up to 1 year	3,071	2,911
From 1 to 5 years	12,284	11,644
	15,355	**14,555**

(b) Litigations

As at 31 December 2014, there are no court proceedings initiated against the Company.

(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

A number of transactions are entered into with the stakeholder and other related parties in the ordinary course of business.

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 2014, as follows: RSD 3,023,957 thousand from Banca Intesa a.d. Beograd i RSD 1,814,374 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 2014 and 2013 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

	2014	2013
Cash (Note 15)	35,187	24,358
Financial placements held with banks (Note 16)	2,068,566	3,519,203
Receivables from finance lease activities	48,721	53,961
Other assets:		
Interest on transaction deposits	171	158
Interest on term deposits	-	257
Accrued interest on term deposit (Note 22)	13,051	26,590
Balance as at 31 December	**2,165,696**	**3,624,527**

Liabilities to Banca Intesa a.d. Beograd

	2014	2013
Borrowings from banks and other financial institutions:		
Long-term borrowings (Note 23)	117,934	291,191
Short-term borrowings (Note 23)	2,528,028	3,678,360
Interest payable (Note 23)	1,955	2,404
Other liabilities	10,232	9,746
Deferred disbursement fees	(2,412)	(1,055)
Balance as at 31 December	**2,655,737**	**3,980,646**

30. RELATED PARTY DISCLOSURE (Continued)

Income from Transactions with Banca Intesa a.d. Beograd

	2014	2013
Interest income (Note 5):		
Interest income on deposits	2,148	6,450
Interest income from finance lease activities	21,394	58,976
Fee and commission income (Note 6)	284	412
Total	**23,826**	**65,838**

Expenses from Transactions with Banca Intesa a.d. Beograd

	2014	2013
Interest expenses (Note 5)	22,143	56,900
Fee and commission expenses (Note 6)	1,462	2,070
Net foreign exchange gains and net gains from foreign exchange clause	24,686	38,116
Other expenses	24,728	14,644
Total	**73,019**	**111,730**

The most significant items in Other expenses with related party Banca Intesa ad Beograd are the following expenses:

	2014	2013
Expenses for guarantees issued	9,221	86
Expenses arising on SLA contract	7,107	6,770
Rental expenses	2,976	2,878
Borrowing disbursement fees	2,593	1,896
Total	**21,897**	**11,630**

(b) Transactions with Other Related Parties

As at 31 December 2014 and 2013, the Company had the following liabilities and receivables toward the members of Intesa Sanpaolo Group - Intesa Sanpaolo S.p.A. Succursale de Paris, Paris and Intesa Sanpaolo S.p.A., Milan, as well as expenses incurred during the year:

Receivables from members of Intesa Sanpaolo Grupe

	2014	2013
Other assets (Note 22)	1,436	-
Balance as at 31 December	**1,436**	**-**

30. RELATED PARTY DISCLOSURE (Continued)

Balance of other assets from a related party Intesa Sanpaolo SpA, Milano as at 31 December 2014 relate to receivables for salary of one of the Company's employees to be refunded.

Liabilities to the Members of Intesa Sanpaolo Group

	2014	2013
Other liabilities - Intesa Sanpaolo S.p.A. (Note 25)	64	2,463
Short term borrowings – Intesa Sanpaolo S.p.A. Succursale de Paris	-	573,211
Balance as at 31 December	**64**	**575,674**

At the end of 2014, the Company had commitments to a related parity of the Intesa Sanpaolo Group for accrued expenses for guarantees given. The reduction of liabilities during the year compared to the previous year arose because the Company repaid the borrowing to Intesa Sanpaolo SpA Succursale de Paris, Paris during 2014.

Expenses from Transactions with the Members of Intesa Sanpaolo Group

	2014		2013	
	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	44,289	20,514
Other expenses (Note 13)	2,505	384	6,046	2,543
Total expenses	**2,505**	**3,839**	**50,335**	**23,057**

Other expenses in 2014 related to the cost of guarantees issued by the related party Intesa Sanpaolo SpA, Milan and interest costs as well as withholding tax on interest paid to a related party Intesa Sanpaolo SpA Succursale de Paris, Paris.

(c) Salaries of the Key Management Personnel

During the years ended 31 December 2014 and 2013, salaries in the following amounts were paid to the Company's management:

	2014	2013
Total gross salaries	23,206	22,281
Total net salaries	18,699	17,519

No remunerations were paid to the members of the Supervisory Board in 2014 and 2013.

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), 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

31. RISK MANAGEMENT (Continued)

The process of Risk Management is formalized through procedures adopted on 8 May 2012. 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.

Also, the following procedures are in use:

- Procedure for managing foreign exchange risk
- Policy for managing credit risk

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.

During 2014, the Company has adopted another procedure for risk management:
- Procedure socio-environmental risk management.

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.

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.

31. RISK MANAGEMENT (Continued)

31.1. Credit Risk (Continued)

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 12 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.

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.

31. RISK MANAGEMENT (Continued)

31.1. Credit Risk (Continued)

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 150,000 (for corporative clients), and for non-performing retail exposures higher than EUR 50,000. The impairment provision is estimated monthly when every individual loan portfolio is analysed.

In 2014, 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 short term receivables, accrued interest income and deferred origination fees (Note 18) and **allowances for impairment of receivables on finance lease activities** as at 31 December 2014, by types of receivables and based on the Company's internal grading system:

	High quality	Standard quality	Sub-standard quality	Uncollec-table and doubtful	Total 2014
Receivables from 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%**

31. RISK MANAGEMENT (Continued)

31.1. Credit Risk (Continued)

(a) Portfolio Quality (Continued)

	High quality	Standard quality	Sub-standard quality	Uncollec-table and doubtful	Total 2014
Impairment - Banca Intesa a.d. Beograd	**-**	**-**	**-**	**-**	**-**
Impairment - 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
	23,810	**86,324**	**24,239**	**365,725**	**500,098**
Total	**23,810**	**86,324**	**24,239**	**365,725**	**500,098**
Participation in the total allowance for impairment	**4.76%**	**17.26%**	**4.85%**	**73.13%**	**100.00%**

The following table presents the quality of the **gross portfolio, i**.e. receivables from finance lease activities excluding short term receivables, accrued interest income and deferred origination fees and **allowance for impairment of receivables from finance lease activities** as at 31 December 2013, by types of placements and based on the Company's internal grading system and impairment of receivables:

	High quality	Standard quality	Sub-standard quality	Uncollec-table and doubtful	Total 2013
Receivables - Banca Intesa a.d. Beograd	**53,961**	**-**	**-**	**-**	**53,961**
Receivables from Customers					
Corporate Customers	357,049	228,604	1,422	-	587,075
Medium Enterprises	405,914	482,906	32,889	105,124	1,026,833
Small Enterprises	1,616,238	832,705	26,271	132,994	2,608,208
Micro Enterprises	215,774	117,678	20,502	134,081	488,035
Entrepreneurs	72,081	93,805	3,710	39,071	208,667
Retail Customers	-	52,426	3,520	9,382	65,328
Farmers	-	53,828	-	98,694	152,522
Other Institutions	14,363	29,493	-	83	43,939
	2,681,419	**1,891,445**	**88,314**	**519,429**	**5,180,607**
Total	**2,735,380**	**1,891,445**	**88,314**	**519,429**	**5,234,568**
Participation in the total gross receivables	**52.26%**	**36.13%**	**1.69%**	**9.92%**	**100.00%**

31. RISK MANAGEMENT (Continued)

31.1. Credit Risk (Continued)

(a) Portfolio Quality (Continued)

	High quality	Standard quality	Sub-standard quality	Uncollec-table and doubtful	Total 2013
Impairments - Banca Intesa a.d. Beograd	**-**	**-**	**-**	**-**	**-**
Impairment-customers					
Corporate Customers	2,306	7,300	199	-	9,805
Medium Enterprises	1,984	13,427	9,448	27,941	52,800
Small Enterprises	8,429	38,376	18,000	87,784	152,589
Micro Enterprises	1,759	7,302	5,329	96,919	111,309
Entrepreneurs	626	3,488	1,001	37,965	43,080
Retail Customers	-	588	515	8,859	9,962
Farmers	-	274	-	98,685	98,959
Other Institutions	79	1,602	-	84	1,765
	15,183	**72,357**	**34,492**	**358,237**	**480,269**
Total	**3.16%**	**15.07%**	**7.18%**	**74.59%**	**100.00%**

The following table presents the quality of the **net portfolio, i.e. receivables from finance lease activities** excluding short term receivables, accrued interest income and deferred origination fees as at 31 December 2014 and 2013, by types of receivables and based on the Company's internal grading system:

	High quality	Standard quality	Sub-standard quality	Uncollec-table and doubtful	Total 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%**

31. RISK MANAGEMENT (Continued)

31.1. Credit Risk (Continued)

(a) Portfolio Quality (Continued)

	High quality	Standard quality	Sub-standard quality	Uncollec-table and doubtful	Total 2013
Receivables - Banca Intesa a.d. Beograd	**53,961**	**-**	**-**	**-**	**53,961**
Receivables-customers					
Corporate Customers	354,743	221,304	1,223	-	577,270
Medium Enterprises	403,930	469,479	23,441	77,183	974,033
Small Enterprises	1,607,809	794,330	8,271	45,210	2,455,620
Micro Enterprises	214,016	110,375	15,173	37,161	376,725
Entrepreneurs	71,455	90,317	2,709	1,106	165,587
Retail Customers	-	51,838	3,005	523	55,366
Farmers	-	53,554	-	8	53,562
Other Institutions	14,284	27,891	-	-	42,175
	2,666,237	**1,819,088**	**53,822**	**161,191**	**4,700,338**
Total	**2,720,198**	**1,819,088**	**53,822**	**161,191**	**4,754,299**
Participation in the total net receivables	**57.22%**	**38.26%**	**1.13%**	**3.39%**	**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 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 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
Total	**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%**

31. RISK MANAGEMENT (Continued)

31.1. Credit Risk (Continued)

(a) Portfolio Quality (Continued)

The ageing analysis of overdue receivables from customers of high and standard quality as at 31 December 2013 is presented in the table below:

	Up to 30 days	From 31 to 60 days	From 61 to 90 days	Over 90 days	Total 2013
Receivables from Customers					
Corporate Customers	9,604	2,570	-	-	12,174
Medium Enterprises	29,817	5,833	114	-	35,764
Small Enterprises	33,400	11,456	2,170	-	47,026
Micro Enterprises	6,642	2,278	870	-	9,790
Entrepreneurs	3,165	455	-	-	3,620
Retail Customers	1,188	406	74	-	1,668
Farmers	446	27	-	-	473
Other Institutions	98	39	-	-	137
Total	**84,360**	**23,064**	**3,228**	**-**	**110,652**
Participation in total overdue receivables of high and standard quality	**76.24%**	**20.84%**	**2.92%**	**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 2014, grouped by geographical sectors, is presented in the table below:

Geographical region	Receivables from banks	Receivables from other customers	Allowances for impairment	Total 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%**

31. RISK MANAGEMENT (Continued)

31.1. Credit Risk (Continued)

(b) Maximum Exposure to Credit Risk (Continued)

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 2013, grouped by geographical sectors, is presented in the table below:

Geographical region	Receivables from banks	Receivables from other customers	Allowances for impairment	Total 2013	% Participation in total net receivables
Beograd	53,961	2,664,002	(167,287)	2,550,676	53.65%
Vojvodina	-	1,621,390	(138,001)	1,483,389	31.2%
Rest of Serbia	-	895,215	(174,981)	720,234	15.15%
Total	**53,961**	**5,180,607**	**(480,269)**	**4,754,299**	**100.00%**

The analysis of the Company's credit risk exposure stated at its **gross value and net value,** excluding short term receivables, accrued interest income and deferred origination fees as at 31 December 2014 and 2013, grouped by industrial sectors, is presented in the table below:

	Industry structure	Gross exposure 2014	Net exposure 2014	Gross exposure 2013	Net exposure 2013
1.	Agriculture, forestry and fishing (sector A)	457,659	436,895	524,568	502,141
2.	Mining industry; Processing industry; Water supply, waste water management and related activities (sectors B, C and E)	1,603,885	1,444,365	1,069,476	921,038
3.	Power supply, gas, steam supply and air conditioning (sector D)	4,485	4,384	4,020	3,915
4.	Construction (sector F)	723,661	685,238	763,348	707,740
5.	Wholesale and retail, vehicles and motorcycles repair (sector G)	763,009	692,777	507,400	460,696
6.	Traffic and warehousing; Media and communications (sectors H and J)	2,017,538	1,937,982	1,775,222	1,699,985
7.	Hotels and restaurants (sector I)	40,900	2,204	11,779	10,257
8.	Financial activities and insurance (sector K)	70,652	69,816	92,994	91,503
9.	Health care and social work (sector Q)	36,713	35,937	45,339	43,523
10.	Other industries (sectors L, M, N, O, P, R, S, T and U)	846,720	719,034	440,422	313,501
	Total	**6,565,222**	**6,065,124**	**5,234,568**	**4,754,299**

31. RISK MANAGEMENT (Continued)

31.1. Credit Risk (Continued)

(b) Maximum Exposure to Credit Risk (Continued)

The highest share in receivables in both periods has sector Traffic and Warehousing, followed by sector Mining industry and Processing industry. In both sectors at the end of 2014 the Company recorded an increase in receivables comparing to previous year, as well as in the sector of Other industries.

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 risk is measured in relation to the Company's equity. As of 31 December 2014, 15 clients with the largest net receivables individually have exposure risk exceeding 5% of the Company's equity. One client has risk exposure exceeding maximum risk exposure of 25% of the Company's equity, established as a limit in policy for managing creit risk exposure. For the Client who has risk exposure greater than 25% of the Company's equity, foreign creditor whose loan was used to finance this client gave its consent that the limit can be exceeded. The Company has also 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 2014 amounted to RSD 2,640,532 thousand (31 December 2013: RSD 1,946,771 thousand) and their exposure to the equity was 163.74% (2013: 129.67%).

All other clients with the total net placements amounting to RSD 3,424,592 thousand (31 December 2013: RSD 2,807,528 thousand) had exposure to the equity of 212.36% (2013: 187.01%).

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

The effect on impairment of receivables from finance lease activities if the Company did not have collaterals would be RSD 3,842 thousand of additional impairment.

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 2014 and 2013 is presented below:

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**

2013	**Gross receivables from finance lease activities**	**Allowance for impairment**	**Net receivables from finance lease activities**
Receivables Banca Intesa a.d. Beograd	53,961	-	53,961
Corporate customers	587,075	(9,805)	577,270
Medium enterprises	1,026,833	(52,800)	974,033
Small enterprises	2,608,208	(152,589)	2,455,620
Micro enterprises	488,035	(111,309)	376,725
Entrepreneurs	208,667	(43,080)	165,587
Retail customers	65,328	(9,962)	55,366
Farmers	152,522	(98,959)	53,562
Other institutions	43,939	(1,765)	42,175
Total	**5,234,568**	**(480,269)**	**4,754,299**

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 level of impairment calculation as at 31 December 2014 is presented in the following table:

	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 2014, i.e. overdraft in the amount of RSD 10,000 thousand. During 2014, the overdraft has not been used.

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 2014 indicates high level of liquidity, especially in the period of the next 18 months.

31. RISK MANAGEMENT (Continued)

31.2. Liquidity Risk (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**
Maturity mismatch 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 mismatch		**737,874**	**697,026**	**1,370,485**	**1,779,153**	**3,026,251**	**3,314,260**	**2,516,641**	**2,131,497**	**737,874**

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31. RISK MANAGEMENT (Continued)

31.2. Liquidity Risk (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	24,358	24,358	24,358	-	-	-	-	-	-	-
Financial placements held with banks	3,519,341	3,519,341	3,290,876	222,733	5,732	-	-	-	-	-
Other financial investments and derivatives	558,813	558,813	-	-	-	558,813	-	-	-	-
Receivables from finance lease activities	4,725,746	5,218,596	754,974	318,186	427,101	803,406	744,692	2,144,230	78,307	(52,300)
Repossessed leased assets and inventories	43,252	99,585	-	1,321	-	-	-	-	-	98,264
Intangible assets	10,672	20,658	-	-	-	-	-	-	-	20,658
Property, plant and equipment	9,791	26,572	-	-	-	-	-	-	-	26,572
Current tax assets	11,437	11,437	-	-	11,437	-	-	-	-	-
Deferred tax assets	9,518	9,518	-	-	-	-	-	-	-	9,518
Other assets	43,083	210,533	4,985	28,471	2,078	6,510	968	-	-	167,521
TOTAL ASSETS	**8,956,011**	**9,699,411**	**4,075,193**	**570,711**	**446,348**	**1,368,729**	**745,660**	**2,144,230**	**78,307**	**270,233**
LIABILITIES AND EQUITY										
Borrowings from banks and other financial institutions	7,388,564	7,388,564	3,400,487	613,826	52,752	289,830	187,249	1,933,949	940,511	(30,037)
Provisions	167	167	-	-	-	-	-	-	-	167
Other liabilities	66,803	66,803	36,313	28,175	-	-	-	-	-	2,312
Total liabilities	**7,455,534**	**7,455,534**	**3,436,800**	**642,001**	**52,752**	**289,830**	**187,249**	**1,933,949**	**940,511**	**(27,558)**
Stake capital	960,374	960,374	-	-	-	-	-	-	-	960,374
Reserves	2,789	2,789	-	-	-	-	-	-	-	2,789
Retained earnings	537,314	537,314	-	-	-	-	-	-	-	537,314
Equity	**1,500,477**	**1,500,477**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,500,477**
TOTAL LIABILITIES AND EQUITY	**8,956,011**	**8,956,011**	**3,436,800**	**642,001**	**52,752**	**289,830**	**187,249**	**1,933,949**	**940,511**	**1,472,919**
Maturity mismatch as at:										
- 31 December 2013		**743,400**	**638,393**	**(71,290)**	**393,596**	**1,078,899**	**558,411**	**210,281**	**(862,204)**	**(1,202,686)**
Cumulative mismatch		**743,400**	**638,393**	**567,103**	**960,699**	**2,039,598**	**2,598,009**	**2,808,290**	**1,946,086**	**743,400**

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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 2014. 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. RISK MANAGEMENT (Continued)

31.3. Market Risk (Continued)

31.3.1. *Interest Rate Risk* (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 do 5 years	Over 5 years	Undefined maturity
ASSETS										
Cash	35,187	35,187	35,186	-	-	-	-	-	-	1
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	623,858	3,707,806	1,775,571	81,250	78,158	305,875	7,346	(40,286)
Repossessed lease assets and inventories	44,389	50,770	-	-	-	-	-	-	-	50,770
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	-	-	-	-	-	-	-	219,118
TOTAL ASSETS	**9,036,153**	**9,774,027**	**2,497,610**	**3,937,806**	**1,775,571**	**81,250**	**78,158**	**305,875**	**7,346**	**1,090,411**
LIABILITIES AND EQUITY										
Borrowings from banks and other financial institutions	7,380,265	7,380,265	2,059,315	2,543,326	2,419,166	-	-	120,563	241,126	(3,231)
Provisions	177	177	-	-	-	-	-	-	-	177
Other liabilities	43,093	43,093	-	-	-	-	-	-	-	43,093
Total liabilities	**7,423,535**	**7,423,535**	**2,059,315**	**2,543,326**	**2,419,166**	**-**	**-**	**120,563**	**241,126**	**40,039**
Stake capital	960,374	960,374	-	-	-	-	-	-	-	960,374
Reserves	(10,620)	(10,620)	-	-	-	-	-	-	-	(10,620)
Profit	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**	**2,059,315**	**2,543,326**	**2,419,166**	**-**	**-**	**120,563**	**241,126**	**1,652,657**
GAP as at 31 December 2014			**438,295**	**1,394,480**	**(643,595)**	**81,250**	**78,158**	**185,312**	**(233,780)**	**(562,246)**
Cumulative GAP		**737,874**	**438,295**	**1,832,775**	**1,189,180**	**1,270,430**	**1,348,588**	**1,533,900**	**1,300,120**	**737,874**

31. RISK MANAGEMENT (Continued)

31.3. Market Risk (Continued)

31.3.1 *Interest Rate Risk* (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 do 5 years	Over 5 years	Undefined maturity
ASSETS										
Cash	24,358	24,358	24,358	-	-	-	-	-	-	-
Financial placements held with banks	3,519,341	3,519,341	3,512,961	-	-	5,732	-	-	-	648
Other financial investments and derivatives	558,813	558,813	-	-	-	-	-	-	-	558,813
Receivables from finance lease activities	4,725,746	5,218,596	701,268	4,317,421	18,166	37,021	37,960	143,752	-	(36,991)
Repossessed lease assets and inventories	43,251	99,585	-	-	-	-	-	-	-	99,585
Intangible assets	10,672	20,658	-	-	-	-	-	-	-	20,658
Property, plant and equipment	9,791	26,572	-	-	-	-	-	-	-	26,572
Current tax assets	11,437	11,437	-	-	-	-	-	-	-	11,437
Deferred tax assets	9,518	9,518	-	-	-	-	-	-	-	9,518
Other assets	43,083	210,533	-	-	-	-	-	-	-	210,533
TOTAL ASSETS	**8,956,011**	**9,699,411**	**4,238,587**	**4,317,421**	**18,166**	**42,753**	**37,960**	**143,752**	**-**	**900,773**
LIABILITIES AND EQUITY										
Borrowings from banks and other financial institutions	7,388,564	7,388,564	3,936,810	2,555,991	-	573,211	-	76,178	266,623	(20,249)
Provisions	167	167	-	-	-	-	-	-	-	167
Other liabilities	66,803	66,803	-	-	-	-	-	-	-	66,803
Total liabilities	**7,455,534**	**7,455,534**	**3,936,810**	**2,555,991**	**-**	**573,211**	**-**	**76,178**	**266,623**	**46,721**
Stake capital	960,374	960,374	-	-	-	-	-	-	-	960,374
Reserves	2,789	2,789	-	-	-	-	-	-	-	2,789
Profit	537,314	537,314	-	-	-	-	-	-	-	537,314
Equity	**1,500,477**	**1,500,477**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,500,477**
TOTAL LIABILITIES AND EQUITY	**8,956,011**	**8,956,011**	**3,936,810**	**2,555,991**	**-**	**573,211**	**-**	**76,178**	**266,623**	**1,547,198**
GAP as at 31 December 2013			**301,776**	**1,761,430**	**18,166**	**(530,458)**	**37,960**	**67,574**	**(266,623)**	**(646,425)**
Cumulative GAP		**743,400**	**301,776**	**2,063,206**	**2,081,372**	**1,550,914**	**1,588,874**	**1,656,448**	**1,389,825**	**743,400**

31. RISK MANAGEMENT (Continued)

31.3.1. *Interest Rate Risk* (Continued)

The total cumulative gap of up to 1 year amounts to RSD 1,270,430 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 2014 (Report: end of the month)

Sensitivity to change (+25 b.p.)

(In thousands RSD)	Total	0-18 months	18 months – 3 years	3 – 5 years	5 – 10 years	10 – 15 years	> 15 years
Currency	1,285	(571)	(1,154)	112	2,898	-	-
EUR	1,540	(316)	(1,154)	112	2,898	-	-
CHF	(24)	(24)	-	-	-	-	-
RSD	(231)	(231)	-	-	-	-	-

By changing interest rate for 0.25, the effect on income and expenses of the Company would be RSD 1,285 thousand.

By changing interest rate for 2.00, the effect on income and expenses of the Company would be RSD 10,280 thousand which is less of the limit of 20% compared to capital RSD 322,524 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 December 2014	Increase +25 b.p.			+50 b.p.			Decrease -25 b.p.			-50 b.p.		
	A vista	Term	Total	A vista	Term	Total	A vista	Term	Total	A vista	Term	Total
Intesa Leasing d.o.o. Beograd	-	(1,285)	(1,285)	-	(2,570)	(2,570)	-	1,285	1,285	-	2,570	2,570
Assets	-	7,643	7,643	-	15,286	15,286	-	(7,643)	(7,643)	-	(15,286)	(15,286)
A vista loans	-	-	-	-	-	-	-	-	-	-	-	-
Banks	-	-	-	-	-	-	-	-	-	-	-	-
Clients	-	-	-	-	-	-	-	-	-	-	-	-
Liquid securities	-	-	-		-	-		-	-	-	-	-
Other securities	-	-	-	-	-	-	-	-	-	-	-	-
Placements with Banks	-	498	498	-	996	996		(498)	(498)	-	(996)	(996)
Placements with Clients	-	7,145	7,145	-	14,290	14,290	-	(7,145)	(7,145)	-	(14,290)	(14,290)
Other Financial Receivables	-	-						-	-	-		
Liabilities	-	8,928	8,928	-	17,856	17,856	-	(8,928)	(8,928)	-	(17,856)	(17,856)
A vista deposits	-	-	-	-	-	-	-	-	-	-	-	-
Banks	-	-	-	-	-	-	-	-	-	-	-	-
Clients	-	-	-	-	-	-	-	-	-	-	-	-
Liabilities to Banks	-	8,928	8,928	-	17,856	17,856	-	(8,928)	(8,928)	-	(17,856)	(17,856)
Liabilities to Clients	-	-	-	-	-	-	-	-	-	-	-	-
Securities	-	-	-	-	-	-	-	-	-	-	-	-
Other Financial Liabilities	-	-	-	-	-	-	-	-	-	-	-	-
Derivatives	-	-	-	-	-	-	-	-	-	-	-	-

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 2014, 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 2014 amounted to RSD 21,973 thousand, while the foreign currency risk indicator amounted to 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 2014:

	Carrying amount	Gross amount	RSD	EUR	CHF
ASSETS					
Cash	35,187	35,187	35,187	-	-
Financial placements in banks	2,068,566	2,068,566	230,000	1,838,566	-
Other financial investments and derivatives	795,813	795,813	795,813	-	-
Receivables from finance lease activities	6,029,270	6,539,578	466,259	5,550,900	12,111
Repossessed leased assets and inventories	44,389	50,770	1,656	41,849	884
Intangible assets	8,149	22,174	8,149	-	-
Property, plant and equipment	6,513	24,690	6,513	-	-
Current tax assets	15,479	15,479	15,479	-	-
Deferred tax assets	2,652	2,652	2,652	-	-
Other assets	30,135	219,118	29,685	450	-
TOTAL ASSETS	**9,036,153**	**9,774,027**	**1,591,393**	**7,431,765**	**12,995**
LIABILITIES AND EQUITY					
Borrowings from banks and other financial institutions	7,380,265	7,380,265	(24,353)	7,404,618	-
Provisions	177	177	177	-	-
Other liabilities	43,093	43,093	24,924	18,169	-
Total liabilities	**7,423,535**	**7,423,535**	**748**	**7,422,787**	**-**
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	-	-
LIABILITIES AND EQUITY	**9,036,153**	**9,036,153**	**1,613,366**	**7,422,787**	**-**
Net foreign currency position 31 December 2014				**8,978**	**12,995**

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 2013:

	Carrying amount	Gross amount	RSD	EUR	CHF
ASSETS					
Cash	24,358	24,358	24,358	-	-
Financial placements with banks	3,519,341	3,519,341	222,733	3,296,480	128
Other financial investments and derivatives	558,813	558,813	558,813	-	-
Receivables from finance lease activities	4,725,746	5,218,596	618,284	4,079,489	27,973
Repossessed leased assets and inventories	43,251	99,585	-	37,278	5,974
Intangible assets	10,672	20,658	10,672	-	-
Property, plant and equipment	9,791	26,578	9,791	-	-
Current tax assets	11,437	11,437	11,437	-	-
Deferred tax assets	9,518	9,518	9,518	-	-
Other assets	43,083	210,533	42,116	967	-
TOTAL ASSETS	**8,956,011**	**9,699,411**	**1,507,722**	**7,414,214**	**34,075**
LIABILITIES AND EQUITY					
Borrowings from banks and other financial institutions	7,388,564	7,388,564	(27,633)	7,383,456	32,741
Provisions	167	167	167	-	-
Other liabilities	66,803	66,803	44,172	22,345	286
Total liabilities	**7,455,534**	**7,455,534**	**16,706**	**7,405,801**	**33,027**
Stake capital	960,374	960,374	960,374	-	-
Reserves	2,789	2,789	2,789	-	-
Retained earnings	537,314	537,314	537,314	-	-
Equity	1,500,477	1,500,477	1,500,477	-	-
LIABILITIES AND EQUITY	**8,956,011**	**8,956,011**	**1,517,183**	**7,405,801**	**33,027**
Net foreign currency position 31 December 2013				**8,413**	**1,048**

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

Scenario	**Effect on 2014 Statement of profit and loss**	**Effect on 2013 Statement of profit and loss**
10% depreciation of RSD	3,495	3,036
20% depreciation of RSD	6,990	6,072

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 3,495 thousand.

Foreign exchange risk indicator in the event of the depreciation of the dinar exchange rate by 10% would be 1.58%, and in the case of the depreciation of the dinar exchange rate by 20% would be 1.80%.

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 2014 and 2013, 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 2014 there were two operational risk events, as follows:

External fraudulent action of the client that was approved the financing of equipment in the sale & lease back transaction;

The client did not pay custom duties on the import of equipment that was the subject of the lease agreement. Estimated effect on the financial result of the Company was RSD 27,665 thousand.

Damage to property due to natural disasters. Some of the clients were not insured against flooding so that they could not charge claims from insurance companies. It is estimated that this risk does not have effect on the financial performance of the Company, but the Management of the Company recommended that insurance policies covering natural disasters should be concluded.

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.

In addition, during 2014 and 2013, the value of repossessed leased assets in exchange for uncollectible receivables, has been recorded at assessed market value based on a certified appraiser's assessment. In accordance with the principle of caution, losses identified by such assessments are recorded through the Statement of profit and loss, while gains are recorded within the off-balance sheet items.

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, 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 thousand at the official middle exchange rate as at the payment date. The Company has met threshold of EUR 5,000 thousand of the initial capital of the lessor and financed immovable objects under finance lease agreements during 2014 and 2013.

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.

32. CAPITAL MANAGEMENT (Continued)

As at 31 December 2014, the Company's stake capital amounts to RSD 960,374 thousand (31 December 2013: 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, the Company signed agreements with insurance companies: Generali Insurance, DDOR, Wiener Stadtische, Dunav and AXA. The contract with Generali osiguranje a.d.o. Beograd is in force since 2014.

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.

34. EXTERNAL REGULATORS CONTROL

The Company was the subject of two supervisions performed by the Tax Administration – Stari grad Tax Office during 2014 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 2014 the Company was not subject to any supervisions by the National Bank of Serbia.

35. RECONCILATION 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 2014, and it maintains credible documentation on the process.

Total number of reconciled finance lease contracts is 438 and respective amount of receivables from finance lease activities is RSD 3,378,278 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:

	2014	2013
Current accounts in RSD	35,187	24,358
Foreign currency accounts	-	648
Balance as at 31 December	**35,187**	**25,006**

37. SUBSEQUENT EVENTS

Due to the fact that financing of several more significant placements was postponed, in January 2015 the Company partially withdrew term deposit and partially repaid short-term loans to Banca Intesa a.d. Beograd in the amount of RSD 1,884,247 (Note 18 and Note 23).

During January 2015, the reference rate BELIBOR (used for calculation of market value of T – bills of Ministry of Finance) returned to its balancing level, hence significant decrease of unrealized losses within Losses on securities available for sale occurred in the amount of RSD 8,664 thousand.

In January 2015 there was a sharp rise in the CHF exchange rate approximately by 20 dinars, so that the effect of foreign currency clause for the remaining portfolio contracted in this currency amounted to RSD 1.6 million as at 31 January 2015. In February 2015 the CHF exchange had tendency of decline that will mitigate the effects of increase in January.

There have been no other significant events subsequent to the reporting date which would require adjustments and/or disclosures in the notes to the accompanying financial statements of the Company as of and for the year ended 31 December 2014.

Belgrade, 9 March 2015

Report prepared by:	Legal representative:
Predrag Topalović	Nebojša Janićijević

ANNUAL REPORT ON BUSINESS ACTIVITIES FOR 2014

INTESA LEASING D.O.O BEOGRAD

Table of contents

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'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 five years (41% of total equity).

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:

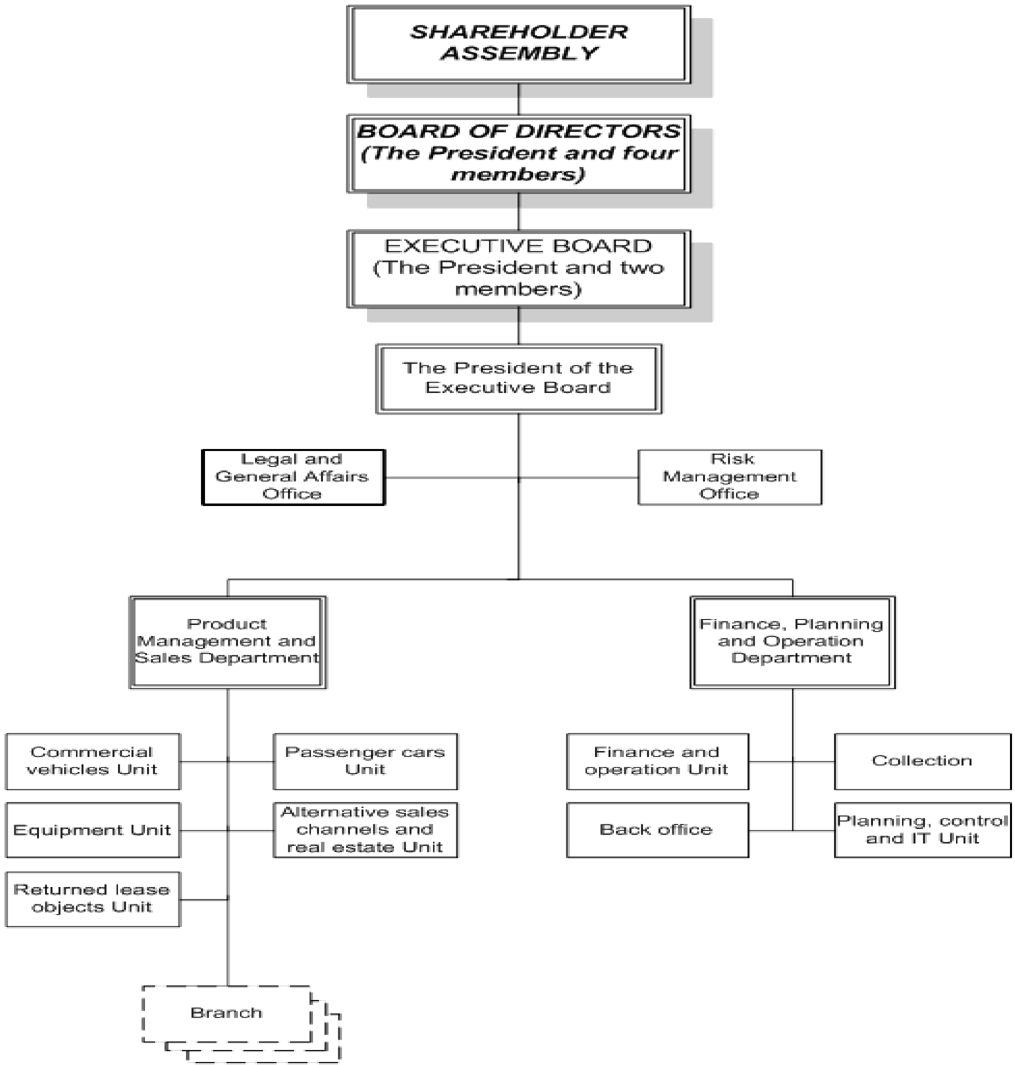
Product Management and Sales Department is under the responsibility of one of the members of the Executive Board of the Company. This Department comprises five Units which manage specific sales segments and Regional sales network which comprises two regional centers: Belgrade and Novi Sad.

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

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



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2. COMPANY'S OPERATIONS

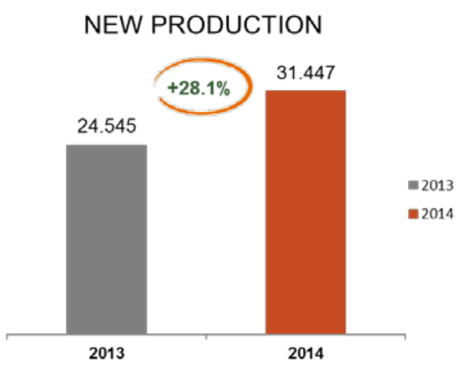
2.1. Commercial activities

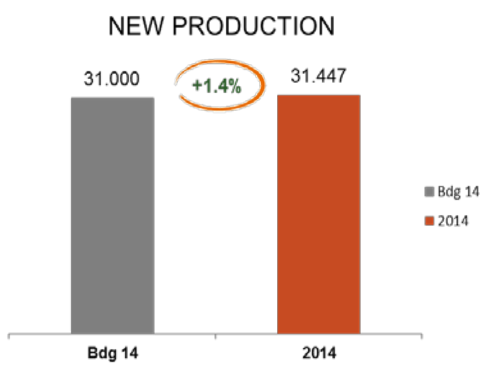
Since the beginning of its operations Intesa Leasing d.o.o. Beograd recorded the highest growth and the highest level of new placemets in 2014.

Financed value of new placements by years (in thousand EUR) is presented as follows:

Year	2011	2012	2013	2014
New placements	13,616	19,633	24,545	31,447

Comparing to the previous year, the Company recorded new placements growth rate of 28.1% (EUR 6.9 million). Financed value of placements in 2014 amounted to EUR 31.45 million, which is 1.4% above planned values for 2014.



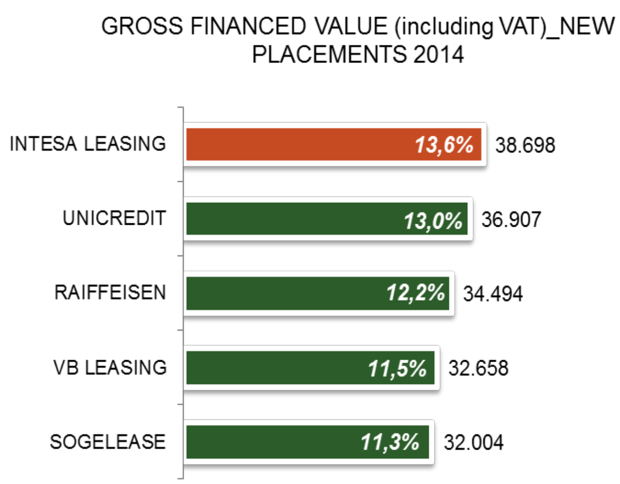


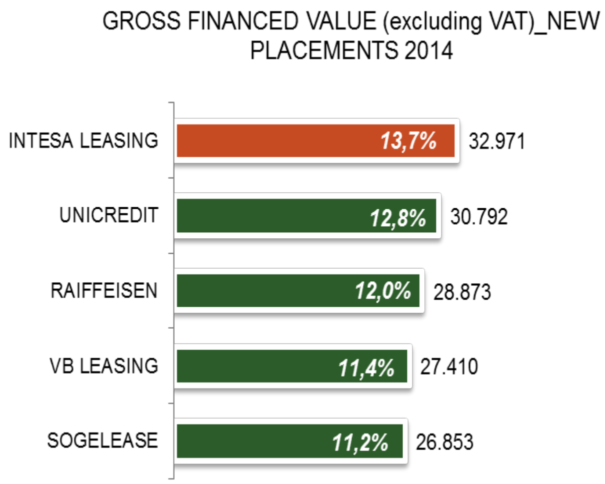
According to the data of *the Association of Leasing Companies in Serbia (ALCS)* for 2014, Intesa Leasing d.o.o. Beograd holds first place in terms of indicators of new placements: purchased value with VAT with market share of 13.6% and purchased value without VAT with market share of 13.7%.

Following graphs show market share of five biggest leasing companies at the end of 2014 according to indicators of new production: purchased value with VAT, purchased value without VAT and financed value. Values are shown in thousand EUR.

2. COMPANY'S OPERATIONS - continued

2.1. Commercial activities - continued

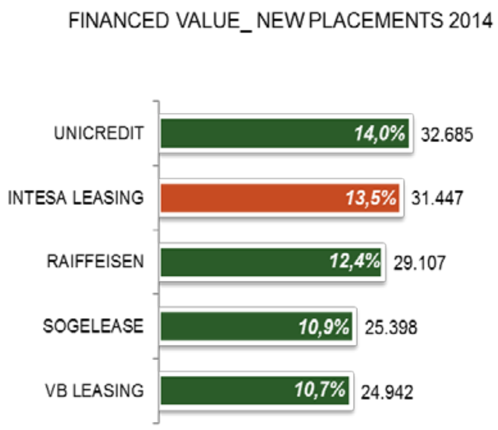




According to the indicator Financed value the Company occupied second place with a share of 13.5% in the total realization of new placements on leasing market in 2014 due to more conservative credit policy.

2. COMPANY'S OPERATIONS - continued

2.1. Commercial activities - continued



From the total amount of new placements in 2014, 27% (EUR 8.39 million) is realized through the Banca Intesa a.d. Beograd sales channel. Average agreed interest rate on new placements in EUR in 2014 amounted to 5.28%.

Significant influence on the level of new placements in 2014 had the transaction with the client Koncern Bambi a.d. Požarevac in the amount of EUR 5.43 million.

2.2. Market share

According to the data of the National Bank of Serbia for *Q3 of 2014* Intesa Leasing d.o.o Beograd occupied second place regarding the level of total assets with share of 10.5%. Regarding the portfolio level the Company occupied 4th place. Throughout the years the Company has been constantly increasing its market share on the leasing market, having at the end of 2014 three times bigger market share than in the first years of doing business.

2.3. Financial position

At the end of 2014 the Company's total on-balance assets amounted to RSD 9,056,859 thousand. Comparing to previous year, an increase in balance sheet assets of 0.7% (RSD 66,848 thousand) was achieved.

Realized average interest rate on assets amounted to 5.62%, while average interest rate on liabilities amounted to 1.75%.

At the end of 2014, leasing placements amounted to RSD 6,012,914 thousand and are above the previous year's level of placements for 27.6% (RSD 1,302,477 thousand).

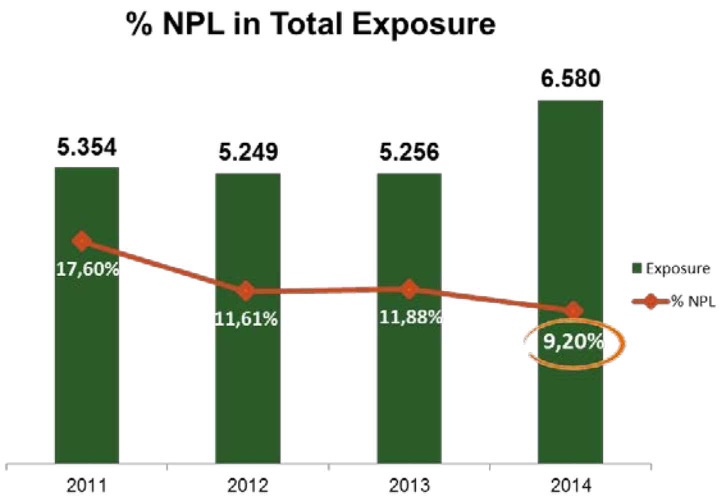
Regarding type of equipment, all segments of placements are above levels from 2013 due to higher level of new production in 2014.

The Company has significantly improved the quality of portfolio over the years. Indicators of the quality of portfolio at the end of 2014 are as follows:

- Share of NPLs in total leasing exposure amounted to 9.2%,

- Provision coverage ratio amounted to 7.76%,

- NPLs provision coverage ratio amounted to 66.06%.



The quality of portfolio management is also evident through a significant decrease in repossessed lease assets. At the end of 2014, net value of repossessed lease assets amounted to RSD 4.7 million and comparing to 2012 (RSD 123.3 million) its value decreased for 96.2%.

According to data from the Credit bureau as at 31 December 2014, the Company's share in the total amount of placements that are overdue more than 90 days amounted to 8.7%, and is significantly below the value for the leasing market of 25.7%.

Placements overdue more than 90 days	2014	2013
Leasing market	25.7 %	28.5%
Intesa Leasing d.o.o. Beograd	8.7%	9.0%

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2.4. Result of business activities

Realized profit of the Company for 2014 amounted to RSD 125,550 thousand and represents an increase of 4.5% (RSD 5,361 thousand) comparing to the previous year's result.

At the end of 2013 the Company held first place in respect of the level of after-tax profit (RSD 120,189 thousand), although the result on the market level was negative. From the total number of leasing companies, 8 recorded a positive financial result, while 8 others recorded a negative financial result. Leasing companies with positive results gained RSD 346 million, while one 1/3 of that gained amount pertained to Intesa Leasing d.o.o. Beograd.

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 2014 amounted to 44.3%.

As at 31 December 2014 the Company had 30 employees, which represents an increase of 1 comparing to the end of 2013 (29 employees).

2.5. Internal Audit

During 2014 two internal audits were conducted, relating to the following:

- Overdue receivables management: 6 recommendations. With the aim to resolve the problems BPM process has been developed as an IT solution, which led to fulfillment of all given recommendations.

- Managing the companies within ISP group: 3 recommendations, status: resolved.

All 9 recommendation of Internal Audit were accepted, successfully implemented and resolved which led to improvements in collection process and other business processes of the Company.

2.6. Audit Committee

At the end of 2014 the Company got the positive opinion from the Audit Committee of Banca Intesa a.d. Beograd.

The Audit Committee expressed a satisfactory opinion about the level of management and control from the owner of the Company, Banca Intesa a.d. Beograd, as well as recognition for achieved commercial and financial results of the Company in 2013 and 2014.

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 2015 the Company partially withdrew term deposit and partially repaid short-term loans to Banca Intesa a.d. Beograd in the amount of RSD 1,884,247.

During January 2015, the reference rate BELIBOR (used for calculation of market value of T – bills of Ministry of Finance) returned to its balancing level, hence significant decrease of unrealized losses within Losses on securities available for sale occurred in the amount of RSD 8,664 thousand.

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.

- **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.

New processes within BPM module are:

- **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.

- **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.

7. OWN STAKES PURCHASE

The Company did not purchase its own stakes during 2014.

8. BRANCH EXISTENCE

The Company does not have registered branches in 2014.

9. FINANCIAL INSTRUMENTS

During 2014, the Company held Treasury Bills in RSD with maturity up to one year with market value as at the balance sheet date amounted to RSD 795,813 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.

11. FINANCIAL RISK MANAGEMENT – continued

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.

12. 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.

Indicator of credit risk can be shown through the following table of portfolio quality for net exposures for finance lease contracts (all amounts are given in thousand RSD):

	2014	**Share in total net exposure**	**2013**	**Share in total net exposure**
High quality	3,556,002	58.63%	2,720,198	57.22%
Standard quality	2,305,732	38.02%	1,819,088	38.26%
Substandard quality	112,893	1.86%	53,822	1.13%
Uncollectible and doubtful	90,497	1.49%	161,191	3.39%
Total	**6,065,124**	**100%**	**4,754,299**	**100%**

As we can see, for both years under review, the share of NPLs is at a low level, amounting to 3.35% and 4.52% for 2014 and 2013 respectively. The Company successfully decreased NPLs share in 2014 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:

	2014			2013		
	Assets	Liabilities and Equity	Cumulative mismatch	Assets	Liabilities and Equity	Cumulative mismatch
Gross exposure up to 30 days	2,743,699	2,046,673	697,026	4,075,193	3,436,800	638,393
Gross exposure from 1 to 3 months	725,453	51,994	1,370,485	570,711	642,001	567,103
Gross exposure from 3 to 6 months	556,547	147,879	1,779,154	480,348	52,752	960,699
Gross exposure from 6 to 12 months	1,850,579	603,481	3,026,252	1,368,729	289,830	2,039,598
Gross exposure from 12 to 18 months	868,185	580,176	3,314,261	745,660	187,249	2,598,009
Gross exposure from 18 to 5 year	2,607,877	3,405,496	2,516,642	2,144,230	1,933,949	2,808,290
Gross exposure over 5 years	228,347	613,491	2,131,498	78,307	940,511	1,946,086
Gross exposure without defined maturity	193,340	1,586,963	737,874	270,233	1,472,919	743,400
Total gross exposure	**9,774,027**	**9,036,153**	**737,874**	**9,699,411**	**8,956,011**	**743,400**

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 0.25% effect on revenues, i.e. expenses of the Company would be RSD 1,285 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 2014 the Company had long position in the amount of RSD 21,973 thousand, which is 1.36% 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 2014, the Company recorded two 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 2014 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, 28 February 2015

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