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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 balance sheet as at 31 December 2013, the income statement, 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.

Matični broj:17148656
PIB: 100058593
Račun: 265-1100310000190-61
KPMG d.o.o. Beograd je jednočlano društvo.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2013, 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.

Belgrade, 10 March 2014 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, 10 March 2014 KPMG d.o.o. Beograd

(M.P.)

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

Dušan Tomić
Certified Auditor

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

Amounts stated in RSD thousand, unless indicated otherwise

INCOME STATEMENT FOR THE PERIOD 1 JANUARY TO 31 DECEMBER

In thousands of RSD	**Notes**	**2013**	**2012**
INCOME AND EXPENSES FROM OPERATING ACTIVITIES			
Interest income from finance lease activities	5	343,503	389,956
Interest expenses from finance lease activities	5	(137,517)	(223,532)
Net Interest Income		**205,986**	**166,424**
Operating income from finance lease activities	6	68,563	58,089
Operating expenses from finance lease activities	7	(22,346)	(14,529)
Operating profit		**252,203**	**209,984**
OTHER INCOME AND EXPENSES			
Net interest income, foreign exchange gains and effects of foreign currency clause	8	99,717	123,175
Net gains on sale of intangible assets, property, plant, equipment and other assets	9	1,549	992
Net losses from changes in value of assets	10	(49,692)	(54,563)
Gains from sale		349	11
Losses from sale		638	-
Operating expenses	11	(69,090)	(72,097)
Costs of salaries, benefits and other personal expenses	12	(76,328)	(73,091)
Depreciation and amortization expenses	13	(8,361)	(8,318)
Provisions	14	27	-
Other Income	15	16,605	31,631
Other expenses	16	(9,841)	(20,050)
PROFIT BEFORE TAX		**156,446**	**137,674**
INCOME TAXES	17		
Current tax expense		(34,000)	(32,970)
Deferred tax expense		(2,257)	-
Deferred tax income		-	11,280
PROFIT FOR THE PERIOD		**120,189**	**115,984**

Belgrade, 28 February 2014

Report prepared by:
Predrag Topalović

Legal representative:
Nebojša Janićijević

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NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2013
Amounts stated in RSD thousand, unless indicated otherwise

BALANCE SHEET FOR THE YEAR ENDED AS AT 31 DECEMBER

In thousands of RSD	**Notes**	**2013**	**2012**
ASSETS			
Non-current assets			
Intangible assets	18	10,672	13,344
Property, plant and equipment	19	9,791	10,814
Long-term receivables from finance lease activities	20	2,912,482	2,916,559
		2,932,945	**2,940,717**
Current assets			
Inventories	21	1,321	1,052
Finance lease assets repossessed in exchange for uncollectible receivables	21	41,931	123,316
Leased assets		-	13,670
Short-term receivables from finance leased activities	22	1,841,817	1,859,316
Other receivables from finance lease activities	23	8,438	3,162
Receivables from operating activities	24	4,237	9,240
Short-term financial placements	25	4,077,506	1,760,391
Cash and cash equivalents	26	25,006	83,712
Receivables form sales		481	-
Value added tax and accruals	27	129,148	69,904
		6,129,885	**3,923,763**
Deferred tax assets	17 (c)	**9,518**	**11,775**
TOTAL ASSETS		**9,072,348**	**6,876,255**
OFFBALANCE SHEET ASSETS	30	**2,920,859**	**1,221,461**

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NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2013
Amounts stated in RSD thousand, unless indicated otherwise

EQUITY AND LIABILITIES

EQUITY	28		
Stake capital		960,374	960,374
Retained earnings		537,314	417,125
Unrealized gains/(losses) on securities		2,789	(249)
		1,500,477	**1,377,250**
LONG-TERM PROVISIONS AND LIABILITIES			
Long-terms provisions	29	167	140
Long-term borrowings in the country	30	291,191	493,537
Long-term borrowings from abroad	30	2,770,518	1,705,775
		3,061,876	**2,199,452**
SHORT-TERM LIABILITIES			
Short-term borrowings	31	4,347,106	3,128,152
Interest and financing costs payable	32	2,404	3,539
Liabilities for salaries and other employee benefits		108	1,462
Other liabilities	33	60,687	47,177
Value added tax, liabilities from earnings, other public charges and accruals	34	65,690	86,253
Income tax payable		34,000	32,970
		4,509,995	**3,299,553**
TOTAL LIABILITIES AND EQUITY		**9,072,348**	**6,876,255**
OFFBALANCE SHEET ASSETS	30	**2,920,859**	**1,221,461**

Belgrade, 28 February 2014

Report prepared by: Predrag Topalović	Legal representative: Nebojša Janićijević

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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 2012	960,374	**301,141**	-	-	1,261,515
Increase for the year				(249)	(249)
Decrease for the year	-	-	-	-	-
Profit for the period	-	115,984	-	-	115,984
Balance as of 31 December 2012	**960,374**	**417,125**	**-**	**(249)**	**1,377,250**
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 at 31 December 2013	**960,374**	**537,314**	**2,879**	**-**	**1,500,477**

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

Amounts stated in RSD thousand, unless indicated otherwise

CASH FLOW STATEMENT FOR THE PERIOD 1 JANUARY TO 31 DECEMBER

In thousands of RSD	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash inflow from operating activities	**4,008,024**	**3,588,015**
Receipts from finance lease placements	3,188,390	2,792,051
Receipts and advances received from finance lease activities	705,467	633,703
Receipts from rent and sales and other advances received	19,179	27,777
Other receipts from operating activities	94,988	134,484
Cash outflow from operating activities	**3,739,431**	**2,870,912**
Payment of liabilities and advance payments related to finance lease activities	3,417,067	2,577,224
Other payments and advances paid	101,074	73,172
Salaries, fringe benefits and other personal expenses paid	79,138	77,542
Income tax paid	55,477	27,519
Payments for other public charges	74,712	91,584
Other payments from operating activities	11,963	23,871
Net cash flows from operating activities	**268,593**	**717,103**
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash inflow from investing activities	**58,133**	**109,269**
Interest received from investing activities	58,133	109,269
Cash outflow from investing activities	**(2,412,451)**	**(534,361)**
Purchase of financial instruments	(246,329)	(199,979)
Other financial placements	(2,166,122)	(334,382)
Net cash flows from investing activities	**(2,354,318)**	**(425,092)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash inflow from financing activities	**2,033,208**	**-**
Long-term and short-term borrowings (net inflow)	2,033,208	-
Cash outflow from financing activities	**2,143**	**564,564**
Long-term and short-term borrowings (net outflows)	-	564,564
Other payments from financial activities	2,143	-
Net cash inflow/(outflow) from financing activities	**2,031,065**	**(564,564)**
Net cash outflow	**(54,660)**	**(272,553)**
Cash and cash equivalent balance at the beginning of period	**83,712**	**378,737**
Exchange rate gains on cash balance translation	**-**	**-**
Exchange rate losses on cash balance translation	**(4,046)**	**(22,472)**
Cash and cash equivalent balance at the end of period	**25,006**	**83,712**

INTESA LEASING d.o.o. BEOGRAD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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 2013 the Company had 29 employees (31 December 2012: 29 employees).

2. BASIS OF PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS

2.1. Basis of Preparation and Presentation of the Financial Statements

The financial statements of the Company as of and for the year ended 31 December 2013 have been prepared in accordance with the accounting regulations prevailing in the Republic of Serbia, which are based on the Accounting Law ("RS Official Gazette", no. 62/2013), the Law on Financial Leasing ("RS Official Gazette", no. 55/2003, 61/2005, 31/2011 and 99/2011) and the relevant regulations issued by the National Bank of Serbia that are based on the aforementioned legislation.

Pursuant to the Accounting Law, companies and entrepreneurs in the Republic of Serbia are obliged to prepare and present their financial statements in accordance with the relevant legal, professional and internal regulations, whereby professional regulation encompasses the applicable Financial reporting and presentation framework ("Framework"), International Accounting Standards ("IAS") and International Financial Reporting Standards ("IFRS"), as well as Interpretations to standards ("IFRIC") which are an integral part of the standards. In other words includes text IAS and IFRS, which is in the application, but does not include grounds for concluding, illustrating examples, guidance, comments, opposing viewpoints (opinions), designed examples and other supplementary material.

Modification of existing IAS and the translation of new IFRS as well as interpretations to standards which are an integral part of the standards issued by the International Accounting Standards and Interpretations Committee IFRS by 1 January 2009th year, were officially adopted after the decision of the minister of Finance no. 401-00-1380/2010-16 and published in the " RS Official Gazette 77/2010". Amended or issued IFRS standards and interpretations, after this date, have not been translated and published, and therefore were not applied in the preparation of the accompanying financial statements.

The accompanying financial statements have been prepared in the form prescribed by the Rules on the Content and Layout of Financial Statements Forms for Financial Lessors ("RS Official Gazette", no. 46/2010), which prescribes the use of a set of financial statements, whose form and content are not harmonized with those provided in revised IAS 1- Presentation of financial statements. The application of the Revised IAS 1 is mandatory for the first time for the annual periods beginning on 1 January 2009th .

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

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

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

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 that are not the functional currency are considered to be foreign currency transactions.

These financial statements were authorized for issue by the Chairman of the Executive Board on 26 February 2014 and Board of Directors on 28 February 2014.

2.2. Comparative data

The comparative data represent audited annual financial statements of the Company for the year ended 31 December 2012.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1. Income and Expense Recognition

(a) Interest Income and Expense

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 Income Statement using the contractual nominal interest rate.

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

(b) Fee Income

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

(c) Fee and Commission Expenses

Fees and commission expenses comprises bank charges for payment and settlement transactions and other banking services, and are recognized in the income statement when incurred.

(d) Other Expenses

Costs of materials, maintenance, repair and replacement costs are recognized in the income statement when incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2. Foreign Currency Translation

Balance sheet and income statement items stated in the financial statements are valued by using currency of the primary economic environment (functional currency). As disclosed in Note 2.1,

the accompanying 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 Income Statement, as income/expenses from foreign exchange gains/losses within financial income/expenses (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 2013	31 December 2012
CHF	93.5472	94.1922
EUR	114.6421	113.7183

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 rate description	Exchange rates for the contracted foreign currency clause - EUR		Exchange rates for the contracted foreign currency clause - CHF	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
Selling exchange rate for foreign currencies of Banca Intesa	117.5082	116.5613	96.3536	97.0180
Selling exchange rate for cash of Banca Intesa	116.9349	115.9927	96.3536	97.0180
Middle exchange rate NBS	114.6421	113.7183	93.5472	94.1922
Selling exchange rate for foreign currencies of NBS	114.9860	114.0595	-	-
Selling exchange rate for cash of NBS	115.4446	114.5143	-	-

Positive and negative effects of translating the fee for the use of a leased asset denominated in a foreign currency into RSD are recorded in the income statement as foreign exchange gains or losses.

Receivables 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 in the income statement, as gains/losses from changes in value of assets.

During 2013, the Company has the contractual exchange rates for the translation of long-term receivables from finance lease activities.

3.3. Intangible Assets

Intangible assets acquired separately 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3. Intangible Assets (Continued)

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 of intangible assets is 20%.

Amortization charge is recognized as an expense in the period in which it was incurred (Note 13).

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 income statement in the moment of derecognition (Note 9).

3.4. Property, Plant and Equipment

Property, plant and equipment of the Company as at 31 December 2013 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 income statement of 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 income statement at the moment of derecognition.

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 13).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.4. Property, Plant and Equipment (Continued)

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%

The estimated useful life of assets is reviewed periodically and adjusted if necessary at each balance sheet date. Changes in expected useful lives of assets are accounted for as changes in accounting estimates.

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 and 108/2013) 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 17(c)).

3.5. 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 income statement as required by IAS 36 "Impairment of Assets".

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.5. Impairment of Non-financial Assets (Continued)

Impaired non-financial assets (other than goodwill) are reviewed for possible reversal of the impairment at each reporting date.

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 balance sheet as long-term financial receivables at cost of leased asset increased for future interest.

After initial recognition of financial lease receivables, the part of lease receivables with maturity of up to one year, which includes future principal and interest for a specified future period, is transferred to short-term receivables from financial leases.

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 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 balance sheet as long-term 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 balance sheet within long-term receivables as well as short-term receivables from finance lease activities, and relates to future payments with maturities longer than one year.

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.

3.7. Short-term Receivables

Accounts receivables are presented at their invoiced values, less allowance for impairment. Short-term receivables include:

- receivables from customers,
- short-term placements,
- receivables from employees,
- other short-term receivables.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7. Short-term Receivables (Continued)

Short-term receivables from customers arising from sales of goods and services are recognized at the moment of sale or service. On initial recognition, receivables are measured at contracted sales value, decreased for contracted amount of discounts and rebates, increased for calculated VAT. Income is recognized at net sales price on the accrual basis (invoiced realization).

If sales income had been recognized, using the accrual basis, and risk of default subsequently appears, receivables are indirectly provisioned and the provision is charged to operating expenses. Direct impairment provision will be used if it is certain that receivables will not be collected.

The Company calculates indirect impairment provision in accordance with applicable Asset classification policy. Impairment provision of short-term receivables is divided into two groups:

a) Impairment of short-term receivables overdue by more than 60 days
b) Impairment of short-term receivables overdue by less than 60 days.
c) Impairment of short-term unmatured receivables

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

Receivables from customers 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 to each balance sheet date.

Short-term Investments

Short-term investments include short-term deposits, securities and assets held under finance lease with maturity up to one year.

Short-term deposits are initially recognized at historical cost. When the Company enters into contracts for short-term deposits with a foreign currency clause or into contracts for deposits in foreign currency, after initial recognition the effects of foreign currency clause are calculated, and exchange gains/losses are recorded in the Income Statement.

Short-term investments in securities are related to securities available for sale until the date of maturity. They are initially recorded at price achieved on the trading day. The Company determines the fair value of securities, and records the difference between fair value and book value under unrealized gains or losses on securities. Unrealized gains or losses are recorded on capital position (note 28).

Short-term receivables from finance lease activities represent part of receivables with maturity up to one year consisting of future interest and future principal for that period.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7. Short-term Receivables (Continued)

Investments in leases, presented in the balance sheet as short-term receivables from finance lease activities, are subsequently measured at amortized cost less estimated impairment provision for short-term receivables related to short-term receivables from finance lease activities with maturity up to one year.

3.8. Impairment of Financial Assets

In accordance with its internal policy, at each reporting date 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 of 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 on reporting date have no delays or have delays not longer than 15 days. Only receivables from legal entities can be classified in class A1

A2– exposures which are not classified as Doubtful, Substandard, Restructured or Past due which are, on 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, on reporting day overdue between 31 and 90 days

(b) Non-performing receivables:

B2- (Past due) – Exposures, except those that are classified as Doubtful, Substandard or Restructured as at the balance sheet 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 borrower (such as granting of a grace period 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 debtors have temporary objective financial or economic difficulties, but will be able to overcome those in the foreseeable future

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.8. Impairment of Financial Assets (Continued)

C2- (Doubtful) – Exposures to borrowers 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 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 which assessment is done every year. In case if it is still used the last available assessment, the percentage of impairment decreased and defined by an internal act will be used, in accordance with the experience ILB and analysis of trends in the property 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 Income Statement. Provisions for potential losses include:

- Collective provisions
- Individual provisions

Allowance for impairment of receivables is assessed in line 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 150.000 EUR and non-performing exposures to individuals whose value is less than 50.000 EUR.
b) Individual assessment non-performing exposures to legal entities greater than 150.000 EUR and non-performing exposures to individuals whose value is greater than 50.000 EUR.

Collective assessment is based on expected probability of default (Probability of default, PD) and loss in event of default (Loss Given Default, LGD).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.8. Impairment of Financial Assets (Continued)

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 Income Statement as expenses for impairment of financial assets (Note 10).

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 loss from impairment has previously been recognized, the previously recognized loss from impairment will be reduced by adjusting the allowance account and amount of the reversal will be recorded in the Income Statement as income from the reversal of provisions.

3.9. Inventories

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 Financial lease assets repossessed in exchange for uncollectible receivables at the lower of two values: estimated value (fair value) or the value of financial placement without amortization (carrying amount).

The repossessed leased asset recognized as inventory is measured at fair value. 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 leased asset are taken into consideration. Subsequent measurement of leased 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 financial lease contract (carrying amount), is greater than the appraised value of a leased asset, such a negative difference is recorded within the accounts group Impairment provision of financial lease assets repossessed in exchange for uncollectible receivables.

If the value of financial placements without amortization based on financial lease contract (carrying amount), is less than the estimated value of a leased asset, such a positive difference is recorded within off-balance sheet items (memo account) up to the moment of sale, when actually realized positive difference is transferred to the balance sheet.

3.10. Cash and Cash Equivalents

Cash and cash equivalents comprise cash on current accounts held with banks.

The Company performs domestic payment and settlement transactions though its current accounts held with Banca Intesa a.d. Beograd. The Company performs payment and settlement transactions in foreign currency through its foreign currency account held with Banca Intesa a.d. Beograd. At the reporting date, the balance of foreign currency accounts is translated into RSD at the official exchange rates published by the National Bank of Serbia, prevailing at the balance sheet date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.11. Borrowings

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 income statement upon the liabilities write-off, as well as during the amortization period.

3.12. Operating Liabilities

Trade payables and other short-term liabilities are measured at their nominal values.

3.13. Provisions and Contingencies

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 obligation; 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.

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

In accordance with IAS 19 “Employee Benefits”, the Company has recognized the provision for retirement benefits and the liability for unused vacations (Note 29).

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 three 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 the 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.13. Provisions and Contingencies (Continued)

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 number of lawsuits stemming from its daily operations. The Company regularly assesses the likelihood of negative outcomes of these suits, 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, exist. 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 not 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 35), unless the possibility of outflow of resources embodying economic benefits is small.
The Company does not disclose contingent assets in the financial statements. Contingent assets are disclosed in the notes to the financial statements when an inflow of economic benefits is probable.

3.14. Employee Benefits

(a) Employee Taxes and Contributions for Social Security

In accordance with the regulations prevailing in the Republic of Serbia, the Company has an obligation to pay tax and contributions to various state social security funds. These obligations include the payment of contributions on behalf of the employee, by the employer 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.14. Employee Benefits (Continued)

Taxes and contributions payable on behalf of the employee and employer are charged to expenses in the period in which they arise. The Company has no additional liabilities for employee benefits with respect to these matters.

(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*

Accumulated compensated absences may be carried forward and used in future periods if the current period's entitlement has not been fully used. The expected cost of accumulated compensated absences is recognized in the amount that is expected to be paid as a result of the unused entitlement that has accumulated as of the reporting date. In the instance of non-accumulating compensated absences, no liability or expense is recognized until the time of the absence.

The Company neither pension funds nor share-based remuneration options; consequently there are no identified obligations in that respect as of 31 December 2013.

3.15. Taxes and Contributions

(a) Income Tax

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 and 108/13) and by-laws. Income tax is payable at the rate of 15% (in 2012 was payable at the rate of 10%) 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 income statement, in the manner prescribed by this Law.

During the year, the Company pays income tax in monthly installments, estimated on the basis of the prior year Tax return. The annual Tax balance is submitted within 180 days after the expiry of the period for which tax liability is determined, in other words by 30 June the following year.

In accordance with the Corporate Income Tax Law, a tax credit is recognized in the amount equal to 20% of the investments in own property and equipment used to perform the core commercial activities, but it cannot exceed 33% of a tax liability in the year in which the investment was made. The non-utilized part of the tax credit in respect of investments in property and equipment can be carried forward to the profit tax account in future accounting periods, but not for longer than ten 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 stated year.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.15. Taxes and Contributions (Continued)

(a) Income Tax (Continued)

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. Losses of the current period may be transferred to the account of profit determined in the annual tax return for future accounting periods, but not for longer than 5 ensuing years.

Deferred Income Tax

Deferred income tax is calculated, using the liability method, on all temporary differences at the balance sheet 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; and
- 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.

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 balance sheet date. Tax rate used for calculation of deferred income tax assets in 2013 is 15 % (in previous 2012 was also 15 %).

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.

(b) Taxes, Contributions and Other Duties Not Related to Operating Result

Taxes, contributions and other duties 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. These taxes and contributions are included within operating expenses (Note 11).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.16. 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 36).

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 and Inventories

The Company's management reviews the carrying amounts of the Company's intangible assets and equipment and inventories (repossessed finance lease assets) 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 value, 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 EXPENSE FROM FINANCE LEASE ACTIVITIES

	2013	2012
Interest income from finance lease activities		
Interest income from finance lease activities – new leased assets	327,732	360,766
Interest income from finance lease activities – used leased assets	2,847	3,856
Penalty interest	12,924	25,334
Total	**343,503**	**389,956**
Interest expenses from finance lease activities		
Interest expense on other borrowings from abroad	15,814	10,875
Interest expense on borrowings from related parties in the country	56,900	47,464
Interest expense on borrowings from related parties abroad	64,803	165,193
Total	**137,517**	**223,532**
Net interest income	**205,986**	**166,424**

6. OPERATING INCOME FROM FINANCE LEASE ACTIVITIES

	2013	2012
Income from delivering services – finance lease origination fees	30,927	26,804
Income from warnings	4,652	5,677
Intercalary interest income	808	-
Other income	16,641	17,304
Income from re-billed expenses to customers	15,535	8,304
Total	**68,563**	**58,089**

7. OPERATING EXPENSES FROM FINANCE LEASE ACTIVITIES

	2013	2012
Insurance for leased assets	7,114	2,923
Storage of repossessed leased assets	2,582	3,731
Expenses from repossessing leased assets	2,387	1,999
Registration fees of lease agreements	2,684	2,371
Other expenses from finance lease Activities	7,579	3,505
Total	**22,346**	**14,529**

8. NET INTEREST INCOME, FOREIGN EXCHANGE GAINS AND EFFECTS OF FOREIGN CURRENCY CLAUSE

	2013	2012
Net interest income	82,587	98,178
Net income from foreign currency clause application	(524)	(67,726)
Net foreign exchange gains/(losses)	17,654	92,723
Total	**99,717**	**123,175**

9. NET GAINS/ (LOSSES) ON SALE OF INTANGIBLE ASSETS, PROPERTY, PLANT AND EQUIPMENT AND OTHER ASSETS

	2013	2012
Gains on sale of intangible assets and equipment	1,549	992
Losses on sale of intangible assets and equipment	-	-
Net gains/(losses) on sale of intangible assets and equipment	**1,549**	**992**

10. NET LOSSES FROM CHANGES IN VALUE OF ASSETS

	2013	2012
Gains from changes in value of receivables from finance lease activities	162,090	168,285
Impairment of receivables	(211,782)	(222,848)
Net losses from changes in value of assets	**(49,692)**	**(54,563)**

The structure of **impairment of receivables** is presented in the table below:

	2013	2012
Impairment of receivables from finance lease activities overdue more than 60 days	40,957	59,246
Impairment of receivables overdue up to 60 days and future receivables from finance lease activities	123,650	65,710
Impairment of trade receivables overdue more than 60 days	2,789	3,703
Impairment of trade receivables overdue more up to 60 days	1,060	707
Impairment of short-term receivables for damages by agreements and general terms upon agreement termination	23,435	19,943
Impairment of short-term receivables for damages upon assessments	19,891	73,539
Total	**211,782**	**222,848**

11. OPERATING EXPENSES

	2013.	2012.
Maintenance costs (a)	9,206	9,165
Advertisement costs	2,107	3,808
Consulting services (b)	7,016	6,680
Rental expenses	4,715	4,823
Bank charges	532	961
Entertainment	2,839	2,575
Youth and student association services	2,422	1,948
Fuel	2,632	2,234
Legal services (c)	2,244	2,031
Transportation and postal service	1,908	1,995
Costs of material	1,443	1,656
Professional development and literature	1,401	679
Spare parts and tools	1,067	905
Audit services (d)	3,456	3,861
Membership fees	773	939
Insurance premiums	759	921
Translation services and similar services	450	355
Tax expenses (e)	8,023	19,867
Borrowing costs	6,206	175
Litigation expenses	5,497	3,940
Costs of guarantees for borrowings	1,475	1,204
Costs of other services	2,919	1,375
Total	**69,090**	**72,097**

(a) Tax expenses are lower in current year compared to the previous year because in 2013 paid interest on loans to related parties is reduced.
(b) Borrowing costs have increased during 2013 because the Company has drawn new credit lines in the country and abroad, whereas in previous year this was not the case.
(c) The growth in litigation costs in the current year was influenced by an increase in the number of court cases initiated by the Company against the clients compared to the previous year as well as the lost court case with JKP Parking Servis Beograd.

12. SALARIES, BENEFITS AND OTHER PERSONAL EXPENSES

	2013	2012
Gross salaries	65,587	62,986
Payroll taxes and contributions	10,518	8,504
Service agreement compensations	-	813
Other personal expenses and benefits	223	788
Total	**76,328**	**73,091**

13. DEPRECIATION AND AMORTIZATION EXPENSES

	2013	2012
Amortization of intangible assets (Note 18)	3,922	3,488
Depreciation of property, plant and equipment (Note 19)	4,439	4,830
Total	**8,361**	**8,318**

14. PROVISIONS

	2013	2012
Provision for retirement benefits (Note 29)	27	-
Provision for unused vacations (Note 33)	-	-
Total	**27**	**-**

15. OTHER INCOME

	2013	2012
Rental income	5,268	6,328
Release of provision for retirement benefits (Note 29)	-	192
Release of provisions for unused vacation	840	626
Income from reduction in liabilities	4,250	51
Other income	1,848	-
Income from marketing activities	4,399	24,434
Total	**16,605**	**31,631**

Rental income arises from the Agreement on Business and Technical Cooperation with Delta Generali a.d.o. Beograd for renting business premises. The increase in income from reduction in liabilities was mainly influenced by the fact that the company has confirmed the change in the tax base for clients who completed bankruptcy process for receivables not paid in the amount of RSD 3,858 thousand.

16. OTHER EXPENSES

	2013	2012
Expenses for humanitarian, cultural, health and educational purposes	8,000	6,500
Direct write-off of receivables	1,645	13,271
Other expenses	196	279
Total	**9,841**	**20,050**

Expenses for humanitarian, cultural, health and educational purposes incurred in 2013 mostly relate to expenses arising from the Agreement on donation signed with the Basketball club "Radnički", Kragujevac in the amount of RSD 8,000 thousand.

Direct write-off of receivables relates to three clients for which the bankruptcy proceedings were completed during 2013. The Company was not able to collect its registered receivables from the bankruptcy estate, and therefore upon completion of the proceedings the receivables were written off.

17. INCOME TAXES

(a) Components of Income Taxes

Components of income tax expense are:

	2013	2012
Current tax expense	34,000	32,970
Deferred tax expense	2,257	-
Deferred tax income	-	(11,280)
Total income tax expense	**36,257**	**21,690**

17. 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 2013 and 2012 is presented below:

	2013	2012
Profit before tax	**156,446**	**137,674**
Income tax at statutory rate of 15% (2012: 10%)	**23,467**	**13,767**
Non-deductible expenses	23,877	18,893
Reconciliation of income for securities issued by Republic of Serbia	(3,544)	-
Write-off of deferred tax assets	(6,068)	-
Adjustment of previously recognized deferred tax assets	-	-
Correction of previously recognized tax assets	(3,198)	-
Utilized tax credits based on investment in equipment in the current period	(74)	(28)
Other	(460)	338
Income tax expense	**34,000**	**32,970**
Deferred tax assets	2,257	(11,280)
Income tax less deferred tax assets	**36,257**	**21,690**
Effective tax rate	***23,18%***	***15,75%***

(c) Deferred Tax Assets

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

	2013	2012
Balance as at 1 January	**11,775**	**495**
Effects of temporary differences credited/(charged) to the income statement	(2,257)	11,280
Balance at 31 December	**9,518**	**11,775**

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

17. INCOME TAXES (Continued)

(c) Deferred Tax Assets (Continued)

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

	2013.	2012.
Balance as at 1 January	**11,775**	**495**
Effects of temporary differences credited/(charged) to the income statement	(2,257)	11,280
Balance as at 31 December	**9,518**	**11,775**

The following table represents the bases for recording deferred tax income/(expense) and the effect on the income statement for the years ended 31 December 2013 and 2012:

	Deferred tax assets 2013	Income Statement 2013	Deferred tax assets 2012	Income Statement 2012
Temporary differences between the carrying amount of equipment and intangible assets and their tax base	1,839	941	898	403
Disallowed tax-deducted impairments	7,654	(3,190)	10,844	10,844
Investments in equipment	-	-	-	-
Provisions in accordance with IAS 19	25	(8)	33	33
	9,518	**(2,257)**	**11,775**	**11,280**

18. INTANGIBLE ASSETS

	Licenses and software	Intangible assets under development	TOTAL
COST			
Balance as at 1 January 2012	**16,964**	**-**	**16,964**
Additions during the year	2,506	-	2,506
Disposals	(62)	-	(62)
Balance as at 31 December 2012	**19,408**	**-**	**19,408**
Additions during the year	672	578	1,250
Transfer (from)/to	-	-	-
Disposals	-	-	-
Balance as at 31 December 2013	**20,080**	**578**	**20,658**
ACCUMULATED AMORTIZATION			
Balance as at 1 January 2012	**2,576**	**-**	**2,576**
Amortization (Note 13)	3,488	-	3,488
Disposals	-	-	-
Balance as at 31 December 2012	**6,064**	**-**	**6,064**
Amortization (Note 13)	3,922	-	3,922
Disposals	-	-	-
Balance as at 31 December 2013	**9,986**	**-**	**9,986**
Net book value as at:			
- 31 December 2013	**10,094**	**578**	**10,672**
- 31 December 2012	**13,344**	**-**	**13,344**

In 2013, the upgrade of the information system “Nova” was extended with three new modules and two modules in preparation stage; therefore, the overall increase in licenses and software with respect to these matters amounts to RSD 1,250 thousand.

The Company’s management estimates that there are no indications that intangible assets are impaired as at 31 December 2013.

19. PROPERTY, PLANT END EQUIPMENT

	Vehicles	Furniture	Other equipment	TOTAL
COST				
Balance as at 1 January 2012	**18,770**	**3,051**	**2,474**	**24,295**
Additions during the year	4,183	122	197	4,502
Disposals	(4,830)	-	(469)	(5,299)
Balance as at 31. December 2012	**18,123**	**3,173**	**2,202**	**23,498**
Additions during the year – equipment in preparation	-	-	1,688	1,688
Additions during the year- new equipment	1,495	-	319	1,814
Disposals	-	(417)	(11)	(428)
Balance as at 31 December 2013	**19,618**	**2,756**	**4,198**	**26,572**
ACCUMULATED DEPRECIATION				
Balance as at 1 January 2012	**10,499**	**1,509**	**1,092**	**13,100**
Depreciation (Note 13)	4,040	384	406	4,830
Disposals	(4,830)	-	(416)	(5,246)
Balance as at 31 December 2012	**9,709**	**1,893**	**1,082**	**12,684**
Depreciation (Note 13)	3,607	389	443	4,439
Disposals	-	(332)	(10)	(342)
Balance as at 31 December 2013	**13,316**	**1,949**	**1,515**	**16,781**
Net book value as at:				
- 31 December 2013	**6,302**	**806**	**2,683**	**9,791**
- 31 December 2012	**8,414**	**1,280**	**1,120**	**10,814**

During 2013, the Company purchased one passenger vehicle. In addition, computer equipment has been purchased for regular operations.
As at 31 December 2013, the balance of equipment in preparation is RSD 1,688 thousand. Equipment in preparation consists of one passenger vehicle, furniture and computer equipment.

The Company's management estimates that there are no indications that equipment is impaired as at 31 December 2013.

20. LONG-TERM RECEIVABLES FROM FINANCE LEASE ACTIVITIES

	2013	2012
Overdue receivables (Note 22)	539,486	546,933
Up to 1 year (Note 22)	1,727,854	1,739,666
From 1 to 5 years	2,888,922	2,962,840
Over 5 years	78,306	29
Total receivables from finance lease activities (a)	**5,234,568**	**5,249,468**
Overdue receivables	(539,486)	(546,933)
Portion of long-term receivables with maturity up to 1 year	(1,727,854)	(1,739,666)
Gross long-term receivables	**2,967,228**	**2,962,869**
Less: Allowance for impairment of long-term receivables (b)	(54,746)	(46,310)
Balance as at 31 December	**2,912,482**	**2,916,559**

Long-term receivables from finance lease activities amount to RSD 5,234,568 thousand as at 31 December 2013 (31 December 2012: RSD 5,249,468 thousand).

In accordance with the requirements of the Rules on the Chart of Accounts and the Contents of Accounts in the Chart of Accounts for Lessors, overdue receivables and portion of long-term receivables from finance lease activities with maturity up to one year in the gross amount of RSD 2,267,340 thousand (31 December 2012: RSD 2,286,599 thousand) has been presented within Short-term receivables from finance lease activities (see Note 22).

(a) The present and future value of minimum lease payments receivable as at 31 December 2013 are presented in the table below:

	Net Present Value	Unearned income	Gross receivables
Up to 1 year and overdue	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**

20. LONG-TERM RECEIVABLES FROM FINANCE LEASE ACTIVITIES (Continued)

The present and future value of minimum lease payments receivable as at 31 December 2012 are presented in the table below:

	Net Present Value	Unearned income	Gross receivables
Up to 1 year and overdue	2,286,599	303,266	2,589,865
From 1 to 5 years	2,962,840	321,730	3,284,570
Over 5 years	29	-	29
Total	**5,249,468**	**624,996**	**5,874,464**

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

	2013	2012
Balance as at 1 January	**46,310**	**38,830**
Annual impairments – net increase	8,114	4,861
Annual impairments – net decrease	-	-
Foreign exchange differences, net	322	2,619
Balance as at 31 December	**54,746**	**46,310**

(c) Finance lease agreements are signed for periods up to 11 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 at the end of the payment of all the contracted installments. In 2013, average lease origination fee amounted to 1.04% of the gross cost of the leased asset (2012: 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 2013 vary in the following ranges:

	From	To
Receivables in EUR	3,51%	9,25%
Receivables in RSD	12,09%	15,41%

The average rate of the clients' participation in accordance with the lease agreements in 2013 amounted to 20.86% of the net cost of the leased asset (2012: 28.91%).

21. INVENTORIES

	2013	2012
Advances paid	1,321	1,052
Finance lease assets repossessed in exchange for uncollectible receivables	41,931	123,316
Balance as at 31 December	**43,252**	**124,368**

As at 31 December 2013, finance lease assets repossessed in exchange for uncollectible receivables amounting RSD 41,931 thousand are intended to be reactivated through finance lease agreements or for further selling. The repossessed finance lease assets relate to 32 finance lease agreements. The carrying amount of the repossessed finance lease assets mostly relate to freight vehicles in the amount of RSD 32,763 thousand.

In the current reporting period continued activities on the sale, i.e. reactivation of the repossessed finance lease assets through new finance lease agreements have been undertaken.

22. SHORT-TERM RECEIVABLES FROM FINANCE LEASE ACTIVITIES

	2013	2012
Portion of long-receivables from finance lease activities with maturity up to 1 year (Note 20)	1,727,854	1,739,666
Receivables overdue more than 60 days	404,598	421,649
Receivables overdue up to 60 days	134,888	125,284
Gross receivables	**2,267,340**	**2,286,599**
Less: Allowance for impairment		
Portion of long-receivables from finance lease activities with maturity up to 1 year	(29,949)	(24,641)
Receivables overdue more than 60 days	(334,598)	(363,721)
Receivables overdue up to 60 days	(60,976)	(38,921)
	(425,523)	**(427,283)**
Balance as at 31 December	**1,841,817**	**1,859,316**

Movements in the allowance for impairment of short-term receivables from finance lease activities during the year were as follows:

	2013	2012
Balance as at 1 January	**427,283**	**477,214**
Impairments for the year – net increase	-	-
Reversal of impairment losses – net decrease	(2,568)	(89,699)
Foreign currency gains/losses, net	808	39,768
Balance as at 31 December	**425,523**	**427,283**

23. OTHER RECEIVABLES FROM FINANCE LEASE ACTIVITIES

	2013	2012
Finance lease origination fees	11,862	7,108
Receivables for re-billed expenses	4,689	4,356
Receivables for intercalary interest	2,713	1,656
Receivables for penalty interest	953	960
Receivables from issuing warnings	802	918
Other	-	1,412
Gross receivables	**21,019**	**16,410**
Less: Allowance for impairment	(12,581)	(13,248)
Balance as at 31 December	**8,438**	**3,162**

24. RECEIVABLES FROM OPERATING ACTIVITIES

	2013	2012
Receivables for damage compensation upon the sale of leased assets	166,981	100,664
Receivables from leased assets sold	968	2,992
Receivables for rent	524	736
Interest receivable on term deposits	415	1,458
Other receivables	2,799	6,950
Gross receivables	**171,687**	**112,800**
Less: Allowance for impairment	(167,450)	(103,560)
Balance as at 31 December	**4,237**	**9,240**

25. SHORT-TERM FINANCIAL PLACEMENTS

	2013	2012
Securities due within 1 year	558,813	218,515
Short-term deposits in RSD	222,733	370,000
Short-term deposits in EUR	3,295,960	1,171,876
Balance as at 31 December	**4,077,506**	**1,760,391**

As at 31 December 2013, short-term financial placements relate to term deposits placed with Banca Intesa a.d. Beograd for the period of 184 days, at the rates ranging from 0.50% to 1.50% per annum for placements in EUR, i.e. at rates ranging from the key policy rate of the National Bank of Serbia (two-week repo transactions) decreased by -2.00% to the key policy rate of the National Bank of Serbia (two-week repo transactions) decreased by -1.75% per annum for placements in RSD.

26. CASH AND CASH EQUIVALENTS

	2013	2012
Current accounts in RSD	24,358	27,173
Foreign currency accounts	648	56,539
Balance as at 31 December	**25,006**	**83,712**

During 2013 and 2012, the Company performed payment and settlement transactions in domestic and foreign currency through its accounts held with Banca Intesa a.d. Beograd.

27. VALUE ADDED TAX AND ACCRUALS

	2013	2012
Input VAT	-	-
Accrued interest on term deposits	26,590	24,703
Accrued interest income on financial Placements	15,309	13,823
Advance payment for income tax	45,437	22,930
Accrued costs of foreign borrowings	28,687	-
Other accruals	13,125	8,448
Balance as at 31 December	**129,148**	**69,904**

Accrued interest income on financial placements relates to the interest accrued as at 31 December 2013 with respect to all finance lease agreements for which interest is due in 2014.

Accrued interest on term deposits relates to the accrued interest income as at 31 December 2013, calculated in accordance with the Agreements on term deposits in RSD and foreign currency with maturity on 28 March 2014, when interest is also due.

Within other accruals, as at 31 December 2013, the largest portion relates to deferred receivables from clients for unconfirmed changes in tax base in the amount of RSD 6,510 thousand and prepaid expenses in the amount of RSD 4,293.

28. EQUITY

The Company's equity comprises stake capital and retained earnings, as presented in the table below:

	2013	2012
Unrealized losses on securities	2,789	(249)
Initial capital – stake capital	960,374	960,374
Retained earnings	537,314	417,125
Balance as at 31 December	**1,500,477**	**1,377,250**

28. EQUITY (Continued)

/i/ *Initial Capital – Stake Capital*

The Company's stake capital structure by stakeholders' contribution as at 31 December 2013 and 2012 is presented in the table below:

	2013	2012
Banca Intesa a.d. Beograd	960,374	960,374
Total	**960,374**	**960,374**

Accordingly, as at 31 December 2013 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 2013 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).

/ii/ *Retained Earnings*

Retained earnings of the Company as at 31 December 2013 amount to RSD 537,314 thousand (31 December 2012: RSD 417,125 thousand) and comprise profit for the year amounting to RSD 120,189 thousand and profit from prior years amounting to RSD 417,125 thousand.

29. PROVISIONS

	2013	2012
Long-term provisions for retirement benefits	167	140
Balance as at 31 December	**167**	**140**

The provision for employees' retirement benefits have been recorded on the basis of the Report of an independent actuary as at 31 December 2013 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.

29. PROVISIONS (Continued)

The provision was determined in line with the Company's Employment Manual and the assumption of average salary increase rate of 9% per annum

Movements in the provision during the year were as follows:

	2013	2012
Balance as at 1 January	**140**	**332**
Provisions during the year (Note 14)	27	-
Release of provisions (Note 15)	-	(192)
Balance as at 31 December	**167**	**140**

30. LONG-TERM BORROWINGS

	2013	2012
Long-term borrowings in the country		
Long-term borrowings in the country – with EUR foreign currency clause	291,191	493,537
Total	**291,191**	**493,537**
Long-term borrowings from abroad		
Long-term borrowings from abroad in EUR	2,770,518	1,705,775
Total	**2,770,518**	**1,705,775**
Balance as at 31 December	**3,061,709**	**2,199,312**

As at 31 December 2013, long-term borrowings in the county relate in full to the loans granted by Banca Intesa a.d. Beograd. Long-term borrowings abroad relate to the liabilities towards Council of Europe Development Bank, Paris (RSD 1,137,183 thousand), Europian Investment Bank –EIB (RSD 573,211 thousand), GGF Southeast Europe B.V. (RSD 573,211 thousand) and European fund for southeast EuropeS.A. (RSD 573,211 thousand).

In 2013, the Company withdrew the following borrowings from abroad:

1) In the amount of EUR 5 million from Europian Investment Bank –EIB. As collateral provided for this long-term loan, the Company received the guarantee from Intesa Sanpaolo S.p.A., Milan, which has been recorded within the Off-balance sheet items.

2) In amount of EUR 5 million from GGF Southeast Europe B.V. As collateral provided for this long-term loan, the Company received the guarantee from Banca Intesa Beograd A.D., which has been recorded within the Off-balance sheet items.

30. LONG-TERM BORROWINGS (Continued)

3) In amount of EUR 5 million from European Fund for Southeast EuropeS.A. As collateral provided for this long-term loan, the Company received the guarantee from Banca Intesa Beograd A.D., which has been recorded within the Off-balance sheet items.

In 2013, the Company repaid a part of long-term loans granted by Intesa Sanpaolo S.p.A., Milan, in the amount of CHF 1.37 million and EUR 23 million.

As at 31 December 2013 the Company had the following approved but unused loans:

a) Long-term loan in amount of EUR 15 million approved by European Bank for Reconstruction and Development
b) Short-term overdraft loan in amount of EUR 15 million approved by Banka Intesa AD Beograd

Interest rates on long-term borrowings range from 0.53% to 3.65% per annum, depending on the currency and maturity period.

The maturity structure of long-term borrowings is presented in the table below:

	2013	2012
Up to 1 year (Note 31)	875,102	3,128,152
From 1 to 2 years	416,915	868,050
From 2 to 5 years	2,063,367	857,436
Over 5 years	581,427	473,826
Balance as at 31 December	**3,936,811**	**5,327,464**

31. SHORT-TERM BORROWINGS

	2013	2012
Portion of long-term borrowings with maturity up to 1 year in the country	206,356	279,976
Short-term loans	3,472,004	-
Current portion of long-term borrowings with maturity up to 1 year from abroad	668,746	2,848,176
Balance as at 31 December	**4,347,106**	**3,128,152**

The total outstanding balance of borrowings as at 31 December 2013 relates to Banca Intesa AD Beograd. Current portion of long-term borrowings from abroad relate to: Intesa Sanpaolo S.p.A. Succursale de Paris RSD 573,211 thousand i Council of Europe Development Bank RSD 95,535 thousand.

32. INTEREST AND FINANCING COSTS PAYABLE

	2013	2012
Obligations from guarantees	-	721
Interest and financing costs payable	2,404	2,818
Balance as at 31 December	**2,404**	**3,539**

33. OTHER LIABILITIES

	2013	2012
Trade payables abroad	19,260	721
Domestic trade payables	13,958	7,691
Other payables to customers	26,198	32,593
Other liabilities	1,018	5,079
Liabilities for unused vacations (Note 14)	253	1,093
Balance as at 31 December	**60,687**	**47,177**

Other payables to customers totaling RSD 26,198 thousand as at 31 December 2013 mostly relate to overpaid installments by customers it the amount of RSD 20,786 thousand.

34. VALUE ADDED TAX, LIABILITIES FROM EARNINGS, OTHER PUBLIC CHARGES AND ACCRUALS

	2013	2012
Accrued interest expenses on long-term borrowings	7,383	7,846
Deferred income – finance lease origination fees	52,300	49,593
Accrued other expenses	4,236	20,117
Withholding tax payable	326	781
Value added tax payable	1,445	7,916
Balance as at 31 December	**65,690**	**86,253**

35. COMMITMENTS AND CONTINGENT LIABILITIES

(a) Operating Lease Commitments

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

The future minimum lease payments under operating non-cancellable leases are as follows:

	2013	2012
Up to 1 year	2,911	2,876
From 1 to 5 years	11,644	11,504
	14,555	**14,380**

(b) Litigations

As at 31 December 2013, three court proceedings are initiated against the Company. The majority of these court proceedings against the Company relate to court cases in which the plaintiff is the company Protehno M d.o.o. The total value of the damage claim amounts to RSD 1,818 thousand (31 December 2012: RSD 1,755 thousand), excluding penalty interests that may arise with respect there to.

The Company's management does not expect losses arising with respect to this litigation in the future period, and, accordingly, the accompanying financial statements for the year ended 31 December 2013 do not include a provision for potential losses with respect to this matter.

(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 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.

36. 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 2013, as follows: RSD 1,146,421 thousand from Banca Intesa a.d. Beograd i RSD 1,719,632 from Intesa Sanpaolo S.p.A., Milano.

36. RELATED PARTY DISCLOSURES (Continued)

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

Outstanding balances of receivables and liabilities as at 31 December 2013 and 2012 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

	2013	2012
Term deposits (Note 25)	3,518,693	1,541,876
Cash and cash equivalents (Note 26)	25,006	83,712
Receivables from finance lease activities	53,961	115,439
Interest on transaction deposits	158	302
Interest on term deposits	257	1,156
Accrued interest on term deposits (Note 27)	26,590	24,703
Balance as at 31 December	**3,624,665**	**1,767,188**

Liabilities to Banca Intesa a.d. Beograd

	2013	2012
Long-term borrowings (Note 30)	291,191	493,537
Short-term borrowings (Note 31)	3,678,360	279,976
Interest payable (Note 32)	2,404	2,818
Other liabilities	9,746	9,037
Balance as at 31 December	**3,981,701**	**785,368**

Income from Transactions with Banca Intesa a.d. Beograd

	2013	2012
Financial income – interest	58,976	78,970
Interest income from finance lease activities	6,450	10,723
Other income	412	404
Total	**65,838**	**90,097**

36. RELATED PARTY DISCLOSURE (Continued)

Expenses from Transactions with Banca Intesa a.d. Beograd

	2013	2012
Financial expenses – interest	56,900	47,493
Rental costs	4,575	4,525
Expenses arising from service provision agreement	8,841	8,040
Other expenses	3,384	626
Total	**73,700**	**60,684**

(b) Transactions with Other Related Parties

As at 31 December 2013 and 2012, the Company had the following liabilities 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:

Liabilities to the Members of Intesa Sanpaolo Group

	2013	2012
Other liabilities - Intesa Sanpaolo S.p.A.	2,463	721
Long-term borrowings – Intesa Sanpaolo S.p.A.		
Long-term borrowings – Intesa Sanpaolo S.p.A. Succursale de Paris (Note 30)	-	568,592
Short-term borrowings – Intesa Sanpaolo S.p.A.	-	2,848,176
Short term borrowings – Intesa Sanpaolo S.p.A. Succursale de Paris	573,211	-
Balance as at 31 December	**575,674**	**3,417,489**

Expenses from Transactions with the Members of Intesa Sanpaolo Group

	2013		2012	
	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
Other expenses	1,389	-	1,204	130
Financial expenses - interest	44,289	20,514	143,212	21,981
Other operating expenses – withholding tax	4,657	2,543	16,049	2,306
Other operating expenses – withholding tax				
Total expenses	**50,335**	**23,057**	**160,465**	**24,417**

36. RELATED PARTY DISCLOSURE (Continued)

(c) Salaries of the Key Management Personnel

During the years ended 31 December 2013 and 2012, salaries in the following amounts were paid to the Company's management:

	2013	2012
Total gross salaries	22,281	25,102
Total net salaries	17,519	19,813

No remunerations were paid to the members of the Supervisory Board in 2013 and 2012.

37. RISK MANAGEMENT

Risk is an inherent part of financial institution 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.

37. RISK MANAGEMENT (Continued)

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

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, previously adopted procedures were approved:
- 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, analyze 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.

37.1. Credit Risk

Credit risk is the risk that a contractual party will not be able to fulfill 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.

37. RISK MANAGEMENT (Continued)

37.1. Credit Risk (Continued)

According to the Agreement on Business Cooperation 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 Director makes the decision on placement approval based on the abovementioned proposal of the Department for Credit Analysis.

The Department for Credit Analysis could approve independently Requirements for leasing under the following circumstances:

1.The Department for Credit Analysis can approve lease placements to clients, or to a group of related parties, in cases when total exposure (Banca Intesa AD Beograd and Intesa leasing d.o.o. Beograd), including that of the new placement, is not higher than EUR 100,000.00 in dinar equivalent, using middle exchange rate of NBS on the day of decision.

2. The Department for Credit Analysis 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 analyzed 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.

37. RISK MANAGEMENT (Continued)

37.1. Credit Risk (Continued)

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

Standard collaterals provided by customers include authorizations for account withdrawals and bills of exchange.

Depending on the assessment, additional collaterals may be required, such as: real-estate mortgages, movable property pledges, buy-back contract with the supplier, and joint contracts with other entity which then becomes the joint debtor.

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

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

During the process of assessment of impairment provision for 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 analyzed.

In 2013, the professional body for managing non-performing placements was giving recommendations for finding the best possible solutions for dealing with bad and nonperforming receivables.

37. RISK MANAGEMENT (Continued)

37.1. Credit Risk (Continued)

(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 and allowance for impairement from finance lease activities** as at 31 December 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 2013
Receivables to the related party - Banca Intesa a.d. Beograd	**53,961**	**-**	**-**	**-**	**53,961**
Receivables from customers					
Corporate customers	394,029	509,682	2,513	100,629	1,006,853
SMEs	2,200,046	1,152,211	78,571	271,570	3,702,398
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 customers (institutions)	15,264	29,493	-	83	44,840
	2,681,420	**1,891,445**	**88,313**	**519,429**	**5,180,607**
Total	**2,735,381**	**1,891,445**	**88,313**	**519,429**	**5,234,568**
Participation in the total gross receivables	**52,26%**	**36,13%**	**1,69%**	**9,92%**	**100,00%**

	High quality	Standard quality	Sub-standard quality	Uncollec-table and doubtful	Total 2013
Impairments to the related party - Banca Intesa a.d. Beograd	**-**	**-**	**-**	**-**	**-**
Receivables from customers					
Corporate customers	2,401	15,989	352	26,163	44,905
SMEs	12,080	50,415	32,624	186,482	281,601
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 customers (institutions)	77	1,602	-	83	1,762
	15,184	**72,356**	**34,492**	**358,237**	**480,269**
Total	**15,184**	**72,356**	**34,492**	**358,237**	**480,269**
Participation in the total allowance for impairment	**3,16%**	**15,07%**	**7,18%**	**74,59%**	**100,00%**

37. RISK MANAGEMENT (Continued)

37.1. Credit Risk (Continued)

(a) Portfolio Quality

The following table presents the quality of the **gross portfolio, i.e. receivables and allowance for imapirement from finance lease activities** as at 31 December 2012, 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 2012
Receivables to the related party - Banca Intesa a.d. Beograd	**115,439**	**-**	**-**	**-**	**115,439**
Receivables from customers					
Corporate customers	528,972	624,117	5,778	-	1,158,867
SMEs	1,975,711	1,046,396	146,188	284,567	3,452,862
Entrepreneurs	125,485	29,643	11,948	41,315	208,391
Retail customers	-	93,739	7,052	12,935	113,726
Farmers	-	40,478	1,716	97,951	140,145
Other customers (institutions)	54,649	5,307	-	82	60,038
	2,684,817	**1,839,680**	**172,682**	**436,850**	**5,134,029**
Total	**2,800,256**	**1,839,680**	**172,682**	**436,850**	**5,249,468**
Participation in the total gross receivables	**53,34%**	**35,05%**	**3,29%**	**8,32%**	**100,00%**

	High quality	Standard quality	Sub-standard quality	Uncollec-table and doubtful	Total 2012
Impairments to the related party - Banca Intesa a.d. Beograd	**-**	**-**	**-**	**-**	**-**
Receivables from customers					
Corporate customers	1,528	24,335	3,753	-	29,616
SMEs	4,386	37,758	40,187	209,927	292,258
Enterpreuners	202	700	1,464	35,808	38,174
Retail customers	-	1,465	1,122	11,006	13,593
Farmers	-	1,132	480	97,945	99,557
Other customers (institutions)	151	162	-	82	395
Total	**6,267**	**65,552**	**47,006**	**354,768**	**473,593**
Participation in the total allowance for impairment	**1,32%**	**13,84%**	**9,93%**	**74,91%**	**100,00%**

37. RISK MANAGEMENT (Continued)

37.1. Credit Risk (Continued)

(a) Portfolio Quality

The following table presents the quality of the **net portfolio, i.e. receivables from finance lease activities** as at 31 December 2013 and 2012, 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 2013
Impairments to the related party - Banca Intesa a.d. Beograd	**53,961**	**-**	**-**	**-**	**53,961**
Receivables from customers					
Corporate customers	391,629	493,692	2,162	74,465	961,948
SMEs	2,187,966	1,101,796	45,946	85,088	3,420,796
Entrepreneurs	71,455	90,318	2,709	1,106	165,588
Retail customers	-	51,838	3,005	523	55,366
Farmers	-	53,554	-	9	53,562
Other customers (institutions)	15,187	27,891	-	-	43,078
Total	**2,667,236**	**1,819,089**	**53,822**	**161,191**	**4,700,338**
Participation in the total net receivables	**2,720,198**	**1,819,089**	**53,822**	**161,191**	**4,754,299**
	57.22%	**38.26%**	**1.13%**	**3.39%**	**100.00%**

	High quality	Standard quality	Sub-standard quality	Uncollec-table and doubtful	Total 2013
Placements to the related party - Banca Intesa a.d. Beograd	**115,439**	**-**	**-**	**-**	**115,439**
Receivables from customers					
Corporate customers	527,443	599,782	2,025	-	1,129,250
SMEs	1,971,325	1,008,638	106,000	74,641	3,160,604
Entrepreneurs	125,284	28,944	10,485	5,505	170,218
Retail customers	-	92,274	5,930	1,930	100,134
Farmers	-	39,346	1,236	6	40,588
Other customers (institutions)	54,498	5,144	-	-	59,642
Total	**2,678,550**	**1,774,128**	**125,676**	**82,082**	**4,660,436**
Participation in the total net receivables	**2,793,989**	**1,774,128**	**125,676**	**82,082**	**4,775,875**
	58,50%	**37,15%**	**2,63%**	**1,72%**	**100,00%**

37. RISK MANAGEMENT (Continued)

37.1. Credit Risk (Continued)

(a) Portfolio Quality

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 2013 is presented in the table below:

	Up to 30 days	From 31 to 60 days	From 60 to 90 days	Over 90 days	Total 2013
Receivables from customers					
Corporate customers	23,117	7,479	107	-	30,703
SMEs	56,379	14,658	3,048	-	74,085
Entrepreneurs	3,164	455	-	-	3,619
Retail customers	1,188	406	74	-	1,668
Farmers	446	27	-	-	473
Other customers (institutions)	64	39	-	-	103
Total	**84,358**	**23,064**	**3,229**	**-**	**110,651**
Participation in total overdue receivables of high and standard quality	**76,24%**	**20,84%**	**2,92%**	**0.00%**	**100,00%**

The ageing analysis of overdue receivables from customers of high and standard quality as at 31 December 2012 is presented in the table below:

	Up to 30 days	From 31 to 60 days	From 60 to 90 days	Over 90 days	Total 2012
Placements to customers					
Corporate customers	21,803	11,311	42	-	33,156
SMEs	41,420	13,945	7,011	-	62,376
Entrepreneurs	3,814	801	1	-	4,616
Retail customers	996	272	103	1	1,372
Farmers	2,874	190	33	-	3,097
Other customers (institutions)	66	62	20	-	148
Total	**70,973**	**26,581**	**7,210**	**1**	**104,765**
Participation in total overdue receivables of high and standard quality	**67,74%**	**25,37%**	**6,88%**	**0.01%**	**100,00%**

37. RISK MANAGEMENT (Continued)

37.1. Credit Risk (Continued)

b) Maximum Exposure to Credit Risk

The structure of the Company's maximum credit risk exposure presented at its carrying value as at 31 December 2013, grouped by geographical sectors, is presented in the table below:

Geographical region	Receivables from banks	Receivables from other customers	Allowance for impairment	Total 2013	% Participation in total net receivables
Belgrade	53,961	2,664,002	167,287	2,550,676	53,65%
Vojvodina	-	1,621,390	138,001	1,483,389	31,20%
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 structure of the Company's maximum credit risk exposure presented at its carrying value as at 31 December 2012, grouped by geographical sectors, is presented in the table below:

Geographical region	Receivables from banks	Receivables from other customers	Allowance for impairment	Total 2012	% Participation in total net receivables
Belgrade	115,439	3,184,425	209,492	3,090,372	64,71%
Vojvodina	-	1,180,225	101,415	1,078,810	22,59%
Rest of Serbia	-	769,379	162,686	606,693	12,70%
Total	**115,439**	**5,134,029**	**473,593**	**4,775,875**	**100,00%**

37. RISK MANAGEMENT (Continued)

37.1. Credit Risk (Continued)

(b) Maximum Exposure to Credit Risk (Continued)

The analysis of the Company's credit risk exposure stated at its carrying value as at 31 December 2013 and 2012, grouped by industrial sectors, is presented in the table below:

	Industry structure	Gross maximum exposure 2013	Net maximum exposure 2013	Gross maximum exposure 2012	Net maximum exposure 2012
1.	Agriculture, forestry and fishing (sector A)	524,568	502,141	348,801	317,532
2.	Mining industry; Processing industry; Water supply, waste water management and related activities (sectors B, C and E)	1,069,476	921,038	1,369,532	1,249,170
3.	Power supply, gas, steam supply and air conditioning (sector D)	4,020	3,915	4,304	4,175
4.	Construction (sector F)	763,348	707,740	597,682	570,329
5.	Wholesale and retail, vehicles and motorcycles repair (sector G)	507,400	460,696	424,777	377,972
6.	Traffic and warehousing; Media and communications (sectors H and J)	1,775,222	1,699,985	1,401,770	1,324,257
7.	Hotels and restaurants (sector I)	11,779	10,257	19,750	18,328
8.	Financial activities and insurance (sector K)	92,994	91,503	176,932	175,367
9.	Health care and social work (sector Q)	45,339	43,523	67,307	66,939
10.	Other industries (sectors L, M, N, O, P, R, S, T and U)	440,422	313,501	838,613	671,806
	Total	**5,234,568**	**4,754,299**	**5,249,468**	**4,775,875**

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 2013, 15 clients with the largest net receivables individually have exposure risk exceeding 5% of the Company's equity. None of the clients have risk exposure exceeding maximum risk exposure of 25% of the Company's equity, established as a limit in policy for managing risk exposure.

Net receivables from 20 largest clients as at 31 December 2013 amounted to RSD 1,946,771 thousand (31 December 2012: RSD 2,366,378 thousand) and their exposure to the equity was 129.67% (2012: 177.98%).

All other clients with the total net placements amounting to RSD 2,807,528 thousand (31 December 2012: RSD 2,409,487 thousand) had exposure to the equity of 187.01% (2012: 181.22%).

37. RISK MANAGEMENT (Continued)

37.1. 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 as at 31 December 2013 and 2012 is presented below:

	Gross receivables from finance lease activities	Allowance for impairment	Net receivables from finance lease activities
2013			
Retail customers	65,328	(9,962)	55,366
Corporate customers	5,016,718	(371,347)	4,645,371
Farmers	152,522	(98,960)	53,562
Total	**5,234,568**	**(480,269)**	**4,754,299**
2012			
Retail customers	113,726	(13,592)	100,134
Corporate customers	4,998,587	(363,434)	4,635,153
Farmers	140,145	(99,557)	40,588
Total	**5,252,458**	**(476,583)**	**4,775,875**

37. RISK MANAGEMENT (Continued)

37.2. Liquidity Risk

Liquidity risk is the risk that the Company would not be able to discharge 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 (behavioral 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 2013, i.e. overdraft in the amount of RSD 15,000 thousand.

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

The Maturity mismatch report as at 31 December 2013 indicates the high level of liquidity, especially in the period of next 12 months.

37. RISK MANAGEMENT (Continued)

37.2. Liquidity Risk (Continued)

	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	Total
ASSETS									
Intangible assets	-	-	-	-	-	-	-	10,672	10,672
Property, plant and equipment	-	-	-	-	-	-	-	9,791	9,791
Receivables from finance lease activities	195,782	323,281	422,528	792,958	836,988	2,106,118	76,644	-	4,754,299
Trade receivables	461	240	245	564	6,928	-	-	-	8,438
Receivables from operating Activities	1,086	826	-	-	968	-	-	1,423	4,303
Term deposits	3,290,228	222,733	5,732	-	-	-	-	-	3,518,693
Securities	-	-	-	558,813	-	-	-	-	558,813
Cash and cash equivalents	25,006	-	-	-	-	-	-	-	25,006
Interest receivables	16,151	26,591	-	-	-	-	-	-	42,742
Other assets and receivables	3,056	2,375	47,515	6,510	-	-	-	70,617	130,073
Deferred tax assets	-	-	-	-	-	-	-	9,518	9,518
TOTAL ASSETS	**3,531,770**	**576,046**	**476,020**	**1,358,845**	**844,884**	**2,106,118**	**76,644**	**102,021**	**9,072,348**
LIABILITIES AND EQUITY									
Provisions	-	-	-	-	-	-	-	167	167
Borrowings in the country	3,398,084	34,393	51,589	194,295	91,714	199,477	-	-	3,969,552
Borrowings from abroad	-	573,211	-	95,535	95,535	1,734,471	940,511	-	3,439,264
Interest payable	2,404	6,220	1,163	-	-	-	-	-	9,787
Trade payables	33,219	-	-	-	-	-	-	-	33,219
Other liabilities	5,670	33,331	7,731	15,462	15,462	5,914	-	2,310	85,884
Income tax payable	-	-	34,000	-	-	-	-	-	34,000
Total liabilities	**3,439,377**	**647,155**	**94,483**	**305,292**	**202,711**	**1,939,862**	**940,511**	**2,481**	**7,571,872**
Equity	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,500,477**	**1,500,476**
TOTAL LIABILITIES AND EQUITY	**3,439,377**	**647,155**	**94,483**	**305,292**	**202,711**	**1,939,862**	**940,511**	**1,502,957**	**9,072,348**
Maturity mismatch as at:									
- 31 December 2013	**92,393**	**(71,109)**	**381,537**	**1,053,553**	**642,173**	**166,256**	**(863,867)**	**(1,400,936)**	**-**

Amounts stated in RSD thousand, unless indicated otherwise

	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	Total
ASSETS									
Intangible assets	-	-	-	-	-	-	-	13,344	13,344
Property, plant and equipment	-	-	-	-	-	-	-	10,814	10,814
Receivables from finance lease activities	209,423	363,355	422,195	756,792	744,052	2,280,040	19	-	4,775,876
Trade receivables	173	90	92	212	2,595	-	-	-	3,162
Receivables from operating Activities	3,752	2,704	1,326	-	-	-	-	-	7,782
Term deposits	1,171,876	370,000	-	-	-	-	-	-	1,541,876
Securities	-	-	-	218,515	-	-	-	-	218,515
Cash and cash equivalents	83,712		-	-	-	-	-	-	83,712
Interest receivables	16,941	23,042	-	-	-	-	-	-	39,983
Other assets and receivables	-	-	-	-	-	-	-	169,416	169,416
Deferred tax assets	-	-	-	-	-	-	-	11,775	11,775
TOTAL ASSETS	**1,485,877**	**759,191**	**423,613**	**975,519**	**746,647**	**2,280,040**	**19**	**205,349**	**6,876,255**
LIABILITIES AND EQUITY									
Provisions	-	-	-	-	-	-	-	140	140
Borrowings in the country	26,087	52,174	66,554	135,161	102,346	391,191	-	-	773,513
Borrowings from abroad	-	-	-	2,848,176	568,592	663,357	473,826	-	4,553,951
Interest payable	5,872	4,793	-	-	-	-	-	-	10,665
Trade payables	8,078	-	-	-	-	-	-	-	8,078
Other liabilities	-	-	-	-	-	-	-	119,689	119,689
Income tax payable	-	32,970	-	-	-	-	-	-	32,970
Total liabilities	**40,037**	**89,937**	**66,554**	**2,983,337**	**670,938**	**1,054,548**	**473,826**	**119,829**	**5,499,006**
Equity	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,377,249**	**1,377,249**
TOTAL LIABILITIES AND EQUITY	**40,037**	**89,937**	**66,554**	**2,983,337**	**670,938**	**1,054,548**	**473,826**	**1,497,078**	**6,876,255**
Maturity mismatch as at:									
- 31 December 2012	**1,445,840**	**669,254**	**357,059**	**(2,007,818)**	**75,709**	**1,225,492**	**(473,807)**	**(1,291,729)**	**-**

37. RISK MANAGEMENT (Continued)

37.3. 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.

37.3.1. 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-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 following table shows the Reprising gap report, i.e. the Company's exposure to the interest rate risk as at 31 December 2013. The table includes the Company's assets and liabilities at their carrying amounts, categorized by the earlier of contractual re-pricing or maturity dates.

The Reprising 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.

37. RISK MANAGEMENT (Continued)

37.3. Market Risk (Continued)

37.3.1. Interest Rate Risk (Continued)

	Up to 30 days	From 1 do 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	Interest-insensitive	Total
ASSETS									
Intangible assets	-	-	-	-	-	-	-	10,672	10,672
Property, plant and equipment	-	-	-	-	-	-	-	9,791	9,791
Receivables from finance lease activities	659,194	3,862,460	17,880	36,439	37,363	140,963	-	-	4,754,299
Trade receivables	-	-	-	-	-	-	-	8,438	8,438
Receivables from operating Activities	-	-	-	-	-	-	-	4,303	4,303
Term deposits	3,512,961	-	-	5,732	-	-	-	-	3,518,693
Securities	-	-	-	-	-	-	-	558,813	558,813
Cash and cash equivalents	24,358	-	-	-	-	-	-	648	25,006
Interest receivables	26,590	-	-	-	-	-	-	16,152	42,742
Other assets and receivables	-	-	-	-	-	-	-	130,073	130,073
Deferred tax assets	-	-	-	-	-	-	-	9,518	9,518
TOTAL ASSETS	**4,223,103**	**3,862,460**	**17,880**	**42,171**	**37,363**	**140,963**	**-**	**748,408**	**9,072,348**
LIABILITIES AND EQUITY									
Provisions	-	-	-	-	-	-	-	167	167
Borrowings	3,936,810	2,555,991	-	573,211	-	76,178	266,623	-	7,408,813
Interest payable	-	6,220	-	1,163	-	-	-	2,403	9,786
Trade receivables	-	-	-	-	-	-	-	33,219	33,219
Other liabilities	-	-	-	-	-	-	-	85,886	85,886
Income tax payable	-	-	-	-	-	-	-	34,000	34,000
Total liabilities	**3,936,810**	**2,562,211**	**-**	**574,374**	**-**	**-**	**-**	**155,675**	**7,571,872**
Equity	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,500,477**	**1,500,476**
TOTAL LIABILITIES AND EQUITY	**3,936,810**	**2,562,211**	**-**	**574,374**	**-**	**76,178**	**266,623**	**1,656,152**	**9,072,348**
Periodical GAP as at 31 December 2013	**286,293**	**1,300,249**	**17,880**	**(532,203)**	**37,363**	**64,785**	**(266,623)**	**(907,744)**	**-**
Cumulative GAP	**286,293**	**1,586,542**	**1,604,422**	**1,072,219**	**1,109,582**	**1,174,367**	**907,744**	**-**	**-**

Amounts stated in RSD thousand, unless indicated otherwise

	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	Interest - insensitive	Total
ASSETS									
Intangible assets	-	-	-	-	-	-	-	13,344	13,344
Property, plant and equipment	-	-	-	-	-	-	-	10,814	10,814
Receivables from finance lease activities	756,561	4,001,325	5,930	2,993	1,713	7,353	-	-	4,775,875
Trade receivables	-	-	-	-	-	-	-	3,162	3,162
Receivables from operating Activities								7,782	7,782
Term deposits	1,541,876	-	-	-	-	-	-	-	1,541,876
Securities	-							218,515	218,515
Cash and cash equivalents	27,173	-	-	-	-	-	-	56,539	83,712
Interest receivables	23,042							16,941	39,983
Other assets and receivables	-	-	-	-	-	-	-	169,417	169,417
Deferred tax assets	-	-	-	-	-	-	-	11,775	11,775
TOTAL ASSETS	**2,348,652**	**4,001,325**	**5,930**	**2,993**	**1,713**	**7,353**	**-**	**508,289**	**6,876,255**
LIABILITIES AND EQUITY									
Provisions	-	-	-	-	-	-	-	140	140
Borrowings	75,283	5,252,181	-	-	-	-	-	-	5,327,464
Interest payable	3,887	3,959	-	-	-	-	-	2,818	10,664
Trade receivables	-	-	-	-	-	-	-	8,078	8,078
Other liabilities	-	-	-	-	-	-	-	119,689	119,689
Income tax payable	-	-	-	-	-	-	-	32,970	32,970
Total liabilities	79,170	5,256,140	-	-	-	-	-	163,695	5,499,005
Equity	-	-	-	-	-	-	-	1,377,250	1,377,250
TOTAL LIABILITIES AND EQUITY	79,170	5,256,140	-	-	-	-	-	1,540,945	6,876,255
Periodical GAP as at 31 December 2012	2,269,482	(1,254,815)	5,930	2,993	1,713	7,353	-	(1,032,656)	-
Cumulative GAP	2,269,482	1,014,667	1,020,597	1,023,590	1,025,303	1,032,656	1,032,656	-	-

37. RISK MANAGEMENT (Continued)

37.3. Market Risk (Continued)

37.3.1. Interest Rate Risk (Continued)

The total cumulative gap of up to 1 year amounts to RSD 1,072,219 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:

Banking Book: Interest Rate Risk – repricing gap
Company: Intesa Leasing d.o.o. Beograd

Table 1 – Interest rates changes
Date: 31.12.2013 (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	2,829	117	(529)	257	2,984	-	-
EUR	2,999	287	(529)	257	2,984	-	-
CHF	3	3	-	-	-	-	-
RSD	(173)	(173)	-	-	-	-	-

By changing interest rate for 0.25, the effect on income and expenses of the Company would be RSD 2,829 thousand.

Banking Book: The sensitivity of net interest income
Company: Intesa Leasing d.o.o. Beograd
Table 2 - Sensitivity

Date: 31.12.2013	Increase						Decrease					
	+25 b.p.			+50 b.p.			-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	-	(2,829)	(2,829)	-	(5,660)	(5,660)	-	2,829	2,829	-	5,660	5,660
Assets	-	4,312	4,312	-	8,624	8,624	-	4,312	4,312	-	(8,624)	(8,624)
A vista loans	-	-	-	-	-	-	-	-	-	-	-	-
Banks	-	-	-	-	-	-	-	-	-	-	-	-
Clients	-	-	-	-	-	-	-	-	-	-	-	-
Liquid securities	-	-	-		-	-		-	-	-	-	-
Other securities	-	-	-	-	-	-	-	-	-	-	-	-
Placements with Banks	-	718	718	-	1,436	1,436		(718)	(718)	-	(1,436)	(1,436)
Placements with Clients	-	3,594	3,594	-	7,188	7,188	-	(3,594)	(3,594)	-	(7,188)	(7,188)
Other Financial Receivables	-	-						-	-	-		
Liabilities	-	7,143	7,143	-	14,284	14,284	-	(7,143)	(7,143)	-	(14,284)	(14,284)
A vista deposits	-	-	-	-	-	-	-	-	-	-	-	-
Banks	-	-	-	-	-	-	-	-	-	-	-	-
Clients	-	-	-	-	-	-	-	-	-	-	-	-
Liabilities to Banks	-	7,143	7,143	-	14,284	14,284	-	(7,143)	(7,143)	-	(14,284)	(14,284)
Liabilities to Clients	-	-	-	-	-	-	-	-	-	-	-	-
Securities	-	-	-	-	-	-	-	-	-	-	-	-
Other Financial Liabilities	-	-	-	-	-	-	-	-	-	-	-	-
Derivatives	-	-	-	-	-	-	-	-	-	-	-	-

37. RISK MANAGEMENT (Continued)

37.3. Market Risk (Continued)

37.3.2. 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 procedure for managing foreign currency risk asked on the methodology of the National Bank of Serbia, through the Report on the foreign currency risk indicator.

During 2013, the Company strictly paid attention to the compliance of the foreign currency risk indicator with the prescribed limit. During 2013, this indicator was within the defined limit.

The total open foreign exchange position as at 31 December 2013 amounted to RSD 9,461 thousand, while the foreign currency risk indicator amounted to 0.63% of the equity.

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

Scenario	Effect on 2013 Income Statement	Effect on 2012 Income Statement
10% depreciation of RSD	3,036	(1,859)
20% depreciation of RSD	6,072	(3,719)

As shown above, the decline in value of RSD would result in an a positive effect on the Company's result.

37.4. 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 external factors influence.

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.

37. RISK MANAGEMENT (Continued)

37.4. Operational Risk (Continued)

The Company cannot eliminate all operational risks, but it is able to identify, through the processes of recording and analyzing 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 operative risk management is informing the management on significant operative 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.

During 2013 and 2012, 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 2013 there were two operational risk events, as follows:

- Wrong current account of supplier of lease in prepared documentation for payment. Estimated effect on the financial performance of the Company was RSD 4,938 thousand.
- Irregularity in recording guarantee deposit for one client. It has been estimated that the risk has no effect on the financial performance of the Company.

37.5. 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.

37. RISK MANAGEMENT (Continued)

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

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 published market prices are presently 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.

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 financial lease assets repossessed in exchange for uncollectible receivables within statement of financial position at fair value determined based on valuations done by certified appraisers. The fair values of short-term receivables from finance lease activities, other receivables from finance lease activities, short-term financial assets, cash and cash equivalents, short-term financial liabilities and other short-term 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 2013 and 2012, the value of inventories - financial lease assets repossessed 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 profit and loss, while gains are recorded within the balance-sheet off items.

38. 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.

38. CAPITAL MANAGEMENT (Continued)

In accordance with the Law on Financial Leasing, for the performance of finance lease transactions the object of which is a movable good, 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 good, 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 of lease transactions in 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.

As at 31 December 2013, the Company's stake capital amounts to RSD 960,374 thousand (31 December 2011: 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 return, and according to the regulations for preventing lower capitalization, there are no unrecognized interest expenses to related parties.

39. LEASED ASSETS INSURANCE

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 function of objects of leasing, the Company signed agreements with insurance companies DDOR, Wiener St. and AXA osiguranje. The contract with Delta Generali osiguranje a.d.o. Beograd is in force since 2009.

The subject of the Agreement is business cooperation between the above mentioned 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.

40. TAX ADMINISTRATION CONTROL

In 2013, the Tax Administration - Stari grad Affiliate, did not perform any inspection.
During 2013 the Company was not subject to any controls by the National Bank of Serbia.

41. RECONCILIATION OF OUTSTANDING BALANCES WITH COUNTERPARTIES

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 2013, and it maintains credible documentation on the process.

41. RECONCILIATION OF OUTSTANDING BALANCES WITH COUNTERPARTIES (Continued)

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

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

42. EVENTS AFTER THE REPORTING PERIOD

In January 2014 the Company withdrew a part of its term deposits and returned a part of short-term borrowings to Banca Intesa AD Beograd in the amount of RSD 3,293,494 (Note 25 and Note 31).

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 2013.

Belgrade, 28 February 2014

Report prepared by:	Legal representative:
Predrag Topalović	Nebojša Janićijević