

INTESA LEASING DOO BEOGRAD

FINANCIAL STATEMENTS FOR THE
YEAR ENDING 31 DECEMBER 2024

INDEPENDENT AUDITORS' REPORT

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INCOME STATEMENT in the period from 1 January 2024 to 31 December 2024

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NOTES TO THE FINANCIAL STATEMENTS for 2024

ANNUAL BUSINESS REPORT for 2024

*This is English translation of the Report
originally issued in Serbian language
(For management purposes only)*

INDEPENDENT AUDITORS' REPORT

TO THE OWNER OF INTESA LEASING DOO BEOGRAD

Opinion

We have audited the accompanying financial statements of **INTESA LEASING DOO BEOGRAD** (hereinafter: the Company), which comprise the balance sheet as at **31 December 2024**, and the income statement, statement of other comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2024, and of its financial performance and its cash flows for the year then ended in accordance with the Accounting Law and regulations of the National bank of Serbia governing the financial reporting of financial lessors in the Republic of Serbia.

Basis for Opinion

We conducted our audit in accordance with Standards on Auditing applicable in the Republic of Serbia. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Serbia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

Other information included in the Company's Annual Business Report

Other information consists of the information included in the Annual business report other than the financial statements and our auditor's report thereon. Management is responsible for the preparation of other information in accordance with the legal requirements of the Republic of Serbia.

Our opinion on the financial statements does not cover the Other information. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. In addition, we assessed whether the other information has been prepared, in all material respects, in accordance with Law on Accounting of Republic of Serbia, in particular, whether the other information complies with the Law on Accounting of Republic of Serbia in terms of formal requirements and procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with these requirements could influence judgments made on the basis of the other information.

Other information included in the Company's Annual Business Report (continued)

Based on the procedures undertaken, to the extent we are able to assess it, we report that:

1. the other information describing the facts that are also presented in the financial statements is, in all material respects, consistent with the financial statements; and
2. the other information is prepared in accordance with requirements of the Law on Accounting of Republic of Serbia.

In addition, our responsibility is to report, based on the knowledge and understanding of the Company obtained in the audit, on whether the other information contains any material misstatement. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Accounting Law and regulations of the National bank of Serbia governing the financial reporting of financial lessors in the Republic 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.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Standards on Auditing applicable in the Republic of Serbia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Standards on Auditing applicable in the Republic of Serbia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.

Auditors' responsibilities for the audit of the financial statements (continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Belgrade, 25 February 2025



Nikola Ribar
Authorized Auditor
Ernst & Young d.o.o. Beograd



Appendix 1

Completed by the financial leasing
provider.

Company registration number: 17492713

Code of activity: 6491

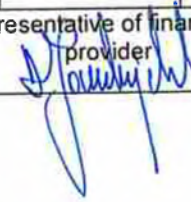
TIN: 103023875

Name: Intesa Leasing d.o.o. Beograd

Registered offices: Belgrade, Milentija Popovića 7b

BALANCE SHEET
as of 31 December 2024

Account group, account	ITEM	EDP	Note number	Current year	Previous year	
					End balance	Start balance
1	2	3	4	5	6	7
	ASSETS					
24	Cash and cash equivalents	0001	15	1.055.989	221.189	
23 (except 237), as well as part 289, part 492 as deductible item	Current financial assets	0002	16.17	7.305.108	4.666.938	
10	Inventories	0003				
20 and 21, as well as parts of 280 and 281 and part 492 as deductible item	Current receivables from finance lease	0004	18	10.508.694	9.403.500	
29 and part of 284	Operating lease receivables	0005				
01	Intangible assets	0006	19	34.433	31.147	
02 (except 024 and parts of 027, 028 and 029), part 11, part 12 and part 13	Property, plant and equipment	0007	20	226.450	86.791	
05	Leased assets	0008				
06	Assets subject to operating lease	0009				
04, as well as parts of 280 and 281 and part of 492 as deductible item	Non-current receivables from finance lease	0010	18	21.496.953	18.199.791	
03 (except 030, 031 and part of 039), as well as parts of 289 and part of 492 as deductible item	Non-current financial assets	0011				
031 and part of 039	Investments in associates	0012				
031 and part of 039	Investments in subsidiaries	0013				
024 and parts of 027, 028 and 029 and parts of 11, 12 and 13	Investment property	0014				
223	Current tax assets	0015				
288	Deferred tax assets	0016	14	2.469	2.486	
14	Non-current assets held for sale and assets from discontinued operations	0017				

Account group, account	ITEM	EDP	Note number	Current year	Previous year	
					End balance	Start balance
1	2	3	4	5	6	7
15, 16, 22 (except 223), 25, 26, 27, 283, 285, 287 and part of 289	Other assets	0018	22	352.244	354.853	
	TOTAL ASSETS (from 0001 to 0018)	0019		40.982.337	32.966.695	
	LIABILITIES					
	CAPITAL					
30 and 00	Share capital and interests	0401	26	960.374	960.374	
237	Own shares and interests	0402				
34	Profit	0403	28	500.018	428.556	
35	Loss	0404				
32 and 33 – credit balance	Reserve	0405	27	1.240.181	809.469	
32 and 33 – debit balance	Unrealised losses	0406				
	ACCOUNTS PAYABLES					
41 (except 419), part of 44, part of 490 and part of 282 as deductible item	Long-term financial liabilities	0407	23	26.557.855	22.456.092	
42, part of 44, part of 390 and part of 282 as deductible item	Current financial liabilities	0408	23	11.252.636	7.850.961	
40	Provisions	0409	24	8.533	7.856	
467	Liabilities related to assets held for sale and assets from discontinued operations	0410				
481	Current tax liabilities	0411		15.440	52.637	
498	Deferred tax liabilities	0412				
419, 43, 45, 46 (except 467), 47, 48 (except 481) and 491, 493, 494, 497 and 499	Other liabilities	0413	25	447.300	400.750	
	TOTAL PAYABLES (from 0407 to 0413)	0414		38.281.764	30.768.296	
	Non-controlling interests	0415				
	TOTAL CAPITAL (0401 -0402 + 0403 – 0404 + 0405 – 0406 + 0415) ≥ 0	0416		2.700.573	2.198.399	
	TOTAL CAPITAL DEFICIENCY (0401 – 0402 0+ 0403 – 0404 + 0405 – 0406 + 0415) < 0	0417				
	TOTAL LIABILITIES (0414 + 0416 – 0417)	0418		40.982.337	32.966.695	
In Belgrade 25 February 2025						Legal representative of financial leasing provider 



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Appendix 2

Completed by the financial leasing provider		
Company registration number: 17492713	Code of activity: 6491	TIN: 103023875
Name: Intesa Leasing d.o.o. Beograd		
Registered offices: Belgrade, Milentija Popovića 7b		

INCOME STATEMENT
In the period 1 January 2024 to 31 December 2024

(in thousands of RSD)

Account group, account	ITEM	EDP				Note number	Current year	Previous year
		1	0	0	1			
1	2	3				4	5	6
600, 650, 653 and 656	Interest income	1	0	0	1	5	1.984.653	1.583.940
50, 550, 553 and 556	Interest expenses	1	0	0	2	5	1.193.694	803.662
	Net interest income (1001 – 1002)	1	0	0	3		790.959	780.278
	Net interest expenses (1002 – 1001)	1	0	0	4			
61 + 62	Income from operating leases and leasing fees	1	0	0	5			
deo 514	Expenses related to operating leases and leasing fees	1	0	0	6			
60, except 600	Other income from finance leases	1	0	0	7	6	294.784	232.274
513, deo 514	Other expenses related to finance leases	1	0	0	8	6	170.730	142.791
63	Gain from sale of leased and other assets	1	0	0	9			
571	Loss from sale of leased and other assets	1	0	1	0			
(65 - 650 - 653 - 656 - 659 + 66) - (55 - 550 - 553 - 556 - 559 + 56)	Net gain from exchange difference and effects of currency clause	1	0	1	1			
(55 - 550 - 553 - 556 - 559 + 56) - (65 - 650 - 653 - 656 - 659 + 66)	Net loss from exchange difference and effects of currency clause	1	0	1	2	7	3.891	2.871
(682 + 683 + deo 688) - (582 + 583 + deo 588)	Net income from reduced impairment of receivables from lease transactions and financial assets	1	0	1	3			
(582 + 583 + deo 588) - (682 + 683 + deo 688)	Net expenses from impairment of receivables from lease transactions and financial assets	1	0	1	4	8	20.867	157.264
(684 + 686 + 687 + deo 688) - (584 + 586 + 587 + deo 588)	Net income from reduced impairment of assets subject to operating lease and leasing fees, lease objects and objects repossessed for unrecovered receivables and receivables from lease and sale	1	0	1	5	9		32.038
(584 + 586 + 587 + deo 588) -	Net expenses related to impairment of assets subject to operating lease and leasing fees, lease objects and objects repossessed	1	0	1	6	9	8.674	

Account group, account	ITEM	EDP				Note number	Current year	Previous year
1	2	3				4	5	6
(684 + 686 + 687 + deo 688)	for unrecovered receivables and receivables from lease and sale							
672 + 677 - 572 - 577	Net gain from investments in subsidiaries, associated companies, joint ventures, securities and financial derivatives	1	0	1	7			
572 + 577 - 672 - 677	Net loss from investments in subsidiaries, associated companies, joint ventures, securities and financial derivatives	1	0	1	8			
64 (except 642) + 67 (except 672, 674 and 677)	Other sales income	1	0	1	9	10	145.995	108.147
540 + 541	Depreciation costs	1	0	2	0	11	22.566	18.196
	TOTAL NET OPERATING INCOME (1003 – 1004 + 1005 – 1006 + 1007 – 1008 + 1009 – 1010 + 1011 – 1012 + 1013 – 1014 + 1015 – 1016 + 1017 – 1018 + 1019 + 1020) ≥ 0	1	0	2	1		1.005.010	831.615
	TOTAL NET OPERATING EXPENSES (1003 – 1004 + 1005 – 1006 + 1007 - 1008 + 1009 - 1010 + 1011 - 1012 + 1013 - 1014 + 1015 - 1016 + 1017 - 1018 + 1019 – 1020) ≥ 0	1	0	2	2			
52	Cost of salaries, remuneration and other personal expenses	1	0	2	3	12	245.759	185.743
642 + 659 + 674 + 680 + 681 + 685 + 689	Other income	1	0	2	4	13		1
51 (except 513 and 514) + 53 + 54 (except 540 and 541) + 559 + 57 (except 572 and 577) + 580 + 581 + 585 + 589	Other expenses	1	0	2	5	13	134.273	101.720
	PROFIT BEFORE TAXES (1021 – 1022 – 1023 + 1024 - 1025) ≥ 0	1	0	2	6		624.978	544.153
	LOSS BEFORE TAXES (1021 – 1022 – 1023 + 1024 - 1025) < 0	1	0	2	7			
721	Income taxes	1	0	2	8	14	124.943	116.631
722	Gain from deferred taxes	1	0	2	9	14		1.034
722	Loss from deferred taxes	1	0	3	0	14	17	
	PROFIT AFTER TAXES (1026 – 1027 – 1028 + 1029 – 1030) ≥ 0	1	0	3	1	28	500.018	428.556
	LOSS AFTER TAXES (1026 – 1027 – 1028 + 1029 – 1030) < 0	1	0	3	2			
69 - 59	Net profit from discontinued operations	1	0	3	3			
59 - 69	Net loss from discontinued operations	1	0	3	4			
	PROFIT FOR THE PERIOD (1031 – 1032 + 1033 – 1034) ≥ 0	1	0	3	5		500.018	428.556
	LOSS FOR THE PERIOD (1031 – 1032 + 1033 – 1034) < 0	1	0	3	6			

Account group, account	ITEM	EDP				Note number	Current year	Previous year
1	2	3				4	5	6
	Profit attributable to parent company	1	0	3	7			
	Profit attributable to minority shareholders	1	0	3	8			
	Loss attributable to parent company	1	0	3	9			
	Profit attributable to minority shareholders	1	0	4	0			
	EARNINGS PER SHARE							
	Basic earnings per share (in dinars without subunits)	1	0	4	1			
	Diluted earnings per share (in dinars without subunits)	1	0	4	2			
In Belgrade 25 February 2024						Legal representative of financial leasing provider		



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Appendix 3

Completed by the financial leasing provider		
Company registration number: 17492713	Code of activity: 6491	TIN: 103023875
Name: Intesa Leasing d.o.o. Beograd		
Registered offices: Belgrade, Milentija Popovića 7b		

STATEMENT OF COMPREHENSIVE INCOME
In the period 1 January to 31 December 2024

(in thousands of RSD)

Account group, account	ITEM	EDP				Note number	Current year	Previous year
1	2	3				4	5	6
	PROFIT FOR THE PERIOD	2	0	0	1		500.018	428.556
	LOSS FOR THE PERIOD	2	0	0	2			
	Other gains and losses for the period Components of the comprehensive income which cannot be reclassified as profit or loss:							
330	Increase in revaluation reserves based on intangible assets and fixed assets	2	0	0	3			
330	Reduction of revaluation reserves based on intangible assets and fixed assets	2	0	0	4			
333	Actuary gains	2	0	0	5			
333	Actuary losses	2	0	0	6			
332	Positive effects of change in value of equity instruments measured at fair value through comprehensive income	2	0	0	7			
332	Negative effects of change in value of equity instruments measured at fair value through comprehensive income	2	0	0	8			612
338	Unrealized gains from hedging of equity instruments measured at fair value through comprehensive income	2	0	0	9			
338	Unrealized losses from hedging of equity instruments measured at fair value through comprehensive income	2	0	1	0			
338	Unrealized gains from financial liabilities of finance lease provider measured at fair value through profit and loss which are the result of change in creditworthiness of finance lease provider	2	0	1	1			
338	Unrealized losses from financial liabilities of finance lease provider measured at fair value through profit and loss	2	0	1	2			

Account group, account	ITEM	EDP				Note number	Current year	Previous year
1	2	3				4	5	6
	which are the result of change in creditworthiness of finance lease provider							
338	Positive effects of change in value of other components of comprehensive income that cannot be reclassified as profit or loss	2	0	1	3			
338	Negative effects of change in value of other components of comprehensive income that cannot be reclassified as profit or loss	2	0	1	4			
332	Components of the comprehensive income which can be reclassified as profit or loss: Positive effects of change in value of debt instruments measured at fair value through comprehensive income	2	0	1	5			
332	Negative effects of change in value of debt instruments measured at fair value through comprehensive income	2	0	1	6			
337	Gains from cash flow hedges	2	0	1	7			
337	Losses from cash flow hedges	2	0	1	8			
331	Unrealized gains from accrual of transactions and balances in foreign currencies and translation of results in financial items from international operations	2	0	1	9			
331	Unrealized losses from accrual of transactions and balances in foreign currencies and translation of results in financial items from international operations	2	0	2	0			
336	Unrealized gains from hedging of net investments in international operations	2	0	2	1			
336	Unrealized losses from hedging of net investments in international operations	2	0	2	2			
339	Unrealized gains from other hedging instruments	2	0	2	3			
339	Unrealized losses from other hedging instruments	2	0	2	4			
339	Positive effects of change in value of other components of comprehensive income that can be reclassified as profit or loss	2	0	2	5			
339	Negative effects of change in value of other components of comprehensive income that can be reclassified as profit or loss	2	0	2	6			
33	Gains from taxes accrued to other comprehensive income for the period	2	0	2	7			
33	Losses from taxes accrued to other comprehensive income for the period	2	0	2	8			

Account group, account	ITEM	EDP				Note number	Current year	Previous year
1	2	3				4	5	6
	Total positive comprehensive income for the period (2003 – 2004 + 2005 + 2006 + 2007 – 2008 + 2009 – 2010 + 2011 – 2012 + 2013 – 2014 + 2015 – 2016 + 2017 – 2018 + 2019 – 2020 + 2021 – 2022 +2023 – 2024 + 2025 – 2026 + 2027 – 2028) ≥ 0	2	0	2	9			
	Total positive comprehensive income for the period (2003 – 2004 + 2005 + 2006 + 2007 – 2008 + 2009 – 2010 + 2011 – 2012 + 2013 – 2014 + 2015 – 2016 + 2017 – 2018 + 2019 – 2020 + 2021 – 2022 +2023 – 2024 + 2025 – 2026 + 2027 – 2028) < 0	2	0	3	0			612
	TOTAL GAIN FOR THE PERIOD (2001 – 2002 + 2029 - 2030) ≥ 0	2	0	3	1		500.018	427.944
	TOTAL LOSS FOR THE PERIOD (2001 – 2002 + 2029 - 2030) < 0	2	0	3	2			
	Total gain for the period attributable to parent company	2	0	3	3			
	Total gain for the period attributable to minority shareholders	2	0	3	4			
	Total loss for the period attributable to parent company	2	0	3	5			
	Total loss for the period attributable to minority shareholders	2	0	3	6			
In Belgrade, 25 February 2025						Legal representative of financial leasing provider		



Intesa

Company registration no. 17492713	Code of activity: 6491	TIN:103023875
Business name: Intesa Leasing d.o.o. Beograd		
Registered offices of financial leasing provider: Beograd, Milentija Popovića 7b		

STATEMENT OF CHANGES IN EQUITY

in the period 1 January to 31 December 2024

(in thousands RSD)

No.	Description	EDP	Share capital and ownership interests (account groups 30 (except 302) and 00))	EDP	Own shares and ownership interests (account 237)	EDP	Share premium (account 302)	EDP	Share premium (account 302)	EDP	Revaluation reserves (account group 33, credit balance)	EDP	Revaluation reserves (account group 33, debit balance)	EDP	Profit (account group 34)	EDP	Loss (account group 35)	EDP	Non-controlling interest	EDP	Total (col. 2-3+4+5+6-7+8-9+10) ≥ 0	EDP	Total (col. 2-3+4+5+6-7+8-9+10) < 0
	1		2		3		4		5		6		7		8		9		10		11		12
1	Opening balance as of 1 January of the previous year	4001	960.374	4033		4065		4097	567.736	4129	612	4147		4165	241.733	4201		4237		4281	1.770.455	4287	
2	Effects of first application of new IFRS - increase	4002		4034		4066		4098		4130		4148		4166		4202		4238		X	x	x	x
3	Effects of first application of new IFRS – decrease	4003		4035		4067		4099		4131		4149		4167		4203		4239		X	x	x	x
4	Change of accounting policies and correction of material errors during the previous year – increase	4004		4036		4068		4100		4132		4150		4168		4204		4240		X	x	x	x
5	Change of accounting policies and correction of material errors during the previous year – decrease	4005		4037		4069		4101		4133		4151		4169		4205		4241		X	x	x	x
6	Adjusted opening balance as of 1 January of the current year (no. 1+2-3+4-5)	4006	960.374	4038		4070		4102	567.736	4134	612	4147		4170	241.733	4201		4237		4282	1.770.455	4288	
7	Total comprehensive gain for the period	x	x	x	x	x	x	x	X	4135		4153		x	x	X	x	4243		X	x	x	x
8	Total comprehensive loss for the period	x	x	x	x	x	x	x	X	4136	612	4154		x	x	X	x	4244		x	x	x	x
9	Gain for the current year	x	x	x	x	x	x	x	X	x	X	x	x	4171	428.556	X	x	4245		x	x	x	x
10	Loss for the period	x	x	x	x	x	x	x	X	x	X	x	x	x	X	4207		4246		x	x	x	x
11	Transfer of reserves to profit or loss due to cancellation - increase	x	x	x	x	x	x	x	X	x	X	x	x	4172		h	x	4247		x	x	x	x

No.	DESCRIPTION	EDP	Share capital and ownership interests (account groups 30 (except 302) and 00))	EDP	Own shares and ownership interests (account 237)	EDP	Share premium (account 302)	EDP	Share premium (account 302)	EDP	Revaluation reserves (account group 33, credit balance)	EDP	Revaluation reserves (account group 33, debit balance)	EDP	Profit (account group 34)	EDP	Loss (account group 35)	EDP	Non-controlling interest	EDP	Total (col. 2-3+4+5+6-7+8-9+10) ≥ 0	EDP	Total (col. 2-3+4+5+6-7+8-9+10) < 0
	1		2		3		4		5		6		7		8		9		10		11		12
12	Transfer of reserves to profit or loss due to cancellation – decrease	x	x	x	x	x	x	x	x	x	x	x	x	h	x	4208		4248		x	x	x	x
13	Owner transactions accounted directly on capital - increase	4007		4039		4071		4103		x	X	x	x	4173		4209		4249		x	x	x	x
14	Owner transactions accounted directly on capital – decrease	4008		4040		4072		4104		x	X	x	x	4174		4210		4250		x	x	x	x
15	Profit distribution – increase	4009		4041		4073		4105	241.733	x	X	x	x	4175		4211		4251		x	x	x	x
16	Profit distribution, i.e. loss coverage – decrease	4010		4042		4074		4106		x	X	x	x	4176		4212		4252		x	x	x	x
17	Dividends	4011		4043		4075		4107		x	X	x	x	4177		4213		4253		x	x	x	x
18	Other – increase	4012		4044		4076		4108		x	X	x	x	4178		4214		4254		x	x	x	x
19	Other – decrease	4013		4045		4077		4109		x	X	x	x	4179	241.733	4215		4255		x	x	x	x
20	Total owner transactions (no. 13 – 14 + 15 – 16 – 17 + 18 – 19) ≥ 0	4014		4046		4078		4110	241.733	x	X	x	x	4180		4216		4256		x	x	x	x
21	Total owner transactions (no. 13 – 14 + 15 – 16 – 17 + 18 – 19) < 0	4015		4047		4079		4111		x	X	x	x	4181	241.733	4217		4257		x	x	x	x
22	Balance as of 31 December of the previous year (for columns 2,3,4,5,6,8 and 10 no. 6+7-8+9-10+11-12+20-21; for column 7 no. 6+8-7; for column 9 no. 6+10-12+20-21)	4016	960.374	4048		4080		4112	809.469	4137		4155		4182	428.556	4218		4258		4283	2.198.399	4289	
23	Opening balance as of 1 January of the previous year	4017	960.374	4049		4081		4113	809.469	4138		4156		4183	428.556	4219		4259		4284	2.198.399	4290	
24	Effects of first application of new IFRS - increase	4018		4050		4082		4114		4139		4157		4184		4220		4260		x	x	x	x

No.	DESCRIPTION	EDP	Share capital and ownership interests (account groups 30 (except 302) and 00))	EDP	Own shares and ownership interests (account 237)	EDP	Share premium (account 302)	EDP	Share premium (account 302)	EDP	Revaluation reserves (account group 33, credit balance)	EDP	Revaluation reserves (account group 33, debit balance)	EDP	Profit (account group 34)	EDP	Loss (account group 35)	EDP	Non-controlling interest	EDP	Total (col. 2-3+4+5+6-7+8-9+10) ≥ 0	EDP	Total (col. 2-3+4+5+6-7+8-9+10) < 0
	1		2		3		4		5		6		7		8		9		10		11		12
25	Effects of first application of new IFRS – decrease	4019		4051		4083		4115		4140		4158		4185		4221		4261		x	x	x	x
26	Change of accounting policies and correction of material errors during the previous year – increase	4020		4052		4084		4116		4141		4159		4186		4222		4262		x	x	x	x
27	Change of accounting policies and correction of material errors during the previous year – decrease	4021		4053		4085		4117		4142		4160		4187		4223		4263		x	x	x	x
28	Adjusted opening balance as of 1 January of the current year (no. 23+24+25+26-27)	4022	960.374	4054		4086		4118	809.469	4143		4161		4188	428.556	4224		4264		4285	2.198.399	4291	
29	Total comprehensive gain for the period	x	X	x	x	x	x	x	X	4144	2.156	4162		X	x	X	x	4265		x	x	x	x
30	Total comprehensive loss for the period	x	X	x	x	x	x	x	X	4145		4163		X	x	X	x	4266		x	x	x	x
31	Gain for the current year	x	X	x	x	x	x	x	X	x	x	x	x	4189	500.018	X	x	4267		x	x	x	x
32	Loss for the period	x	X	x	x	x	x	x	X	x	x	x	x	X	X	4225		4268		x	x	x	x
33	Transfer of reserves to profit or loss due to cancellation - increase	x	X	x	x	x	x	x	X	x	x	x	x	4190		h	x	4269		x	x	x	x
34	Transfer of reserves to profit or loss due to cancellation – decrease	x	X	x	x	x	x	x	X	x	x	x	x	h	X	4226		4270		x	x	x	x
35	Owner transactions accounted directly on capital - increase	4023		4055		4087		4119		x	x	x	x	4191		4227		4271		x	x	x	x
36	Owner transactions accounted directly on capital – decrease	4024		4056		4088		4120		x	x	x	x	4192		4228		4272		x	x	x	x
37	Profit distribution – increase	4025		4057		4089		4121	428.556	x	x	x	x	4193		4229		4273		x	x	x	x

No..	DESCRIPTION	EDP	Share capital and ownership interests (account groups 30 (except 302) and 00))	EDP	Own shares and ownership interests (account 237)	EDP	Share premium (account 302)	EDP	Share premium (account 302)	EDP	Revaluation reserves (account group 33, credit balance)	EDP	Revaluation reserves (account group 33, debit balance)	EDP	Profit (account group 34)	EDP	Loss (account group 35)	EDP	Non-controlling interest	EDP	Total (col. 2-3+4+5+6-7+8-9+10) ≥ 0	EDP	Total (col. 2-3+4+5+6-7+8-9+10) < 0
	1		2		3		4		5		6		7		8		9		10		11		12
38	Profit distribution, i.e. loss coverage – decrease	4026		4058		4090		4122	x	x	x	x	x	4194		4230		4274		x	x	x	x
39	Dividends	4027		4059		4091		4123		x	X	x	x	4195		4231		4275		x	x	x	x
40	Other – increase	4028		4060		4092		4124		x	X	x	x	4196		4232		4276		x	x	x	x
41	Other – decrease	4029		4061		4093		4125		x	X	x	x	4197	428.556	4233		4277		x	x	x	x
42	Total owner transactions (no. 35-36+37-38-39+40-41) ≥ 0	4030		4062		4094		4126	428.556	x	X	x	x	4198		4234		4278		x	x	x	x
43	Total owner transactions (no. 35-36+37-38-39+40-41) < 0	4031		4063		4095		4127		x	X	x	x	4199	428.556	4235		4279		x	x	x	x
44	Balance as of 31 December of the current year (for columns 2,3,4,5,6,8 and 10 no. 28+29-30+31-32+33-34+42-43; for column 7 no. 28+30-29; for column 9 no. 28+32-34+42-43)	4032	960.374	4064		4096		4128	1.238.025	4146	2.156	4164		4200	500.018	4236		4280		4286	2.700.573	4292	

In Belgrade,
25 February 2025

Legal representative of financial leasing
provider



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Appendix 4

Completed by the financial leasing provider		
Company registration number: 17492713	Code of activity: 6491	TIN: 103023875
Name: Intesa Leasing d.o.o. Beograd		
Registered offices: Belgrade, Milentija Popovića 7b		

CASH FLOW STATEMENT
in the period from 1 January 2024 to 31 December 2023

(in thousands RSD)

ITEM	EDP				Amount	
					Current year	Current year
1	2				3	4
A OPERATING CASH FLOWS						
I Operating cash flows (from 3002 to 3007)	3	0	0	1	21.749.334	18.638.419
1. Operating cash inflow (from 3002 to 3007)	3	0	0	2	14.386.382	12.267.808
2. Inflow from finance lease placements	3	0	0	3		
3. Inflow from operating lease placements	3	0	0	4		
4. Inflow from sale of intangible assets, property, plant, equipment and other assets	3	0	0	5	5.544.283	4.832.477
5. Inflow from advance payments	3	0	0	6	1.665.117	1.432.663
6. Inflow from interests	3	0	0	7	153.552	105.471
II Inflows from other business activities	3	0	0	8	24.594.203	21.038.796
7. OPERATING OUTFLOWS (from 3009 to 3015)	3	0	0	9	53.425	36.273
8. Outflow from leasing transactions	3	0	1	0		
9. Outflow for purchase of intangible assets, property, plant and equipment subject to operating lease	3	0	1	1	24.218.766	20.473.237
10. Outflows for advance payments	3	0	1	2		
11. Interest outflows	3	0	1	3	226.703	172.688
12. Outflows for gross salaries, remuneration and other personal expenses	3	0	1	4	80.089	346.870
13. Outflows for taxes, contributions and other duties	3	0	1	5	15.220	9.728
14. Outflows related to other operating costs	3	0	1	6		
15. Decrease in financial assets and increase in financial liabilities	3	0	1	7		
III Increase in financial assets and decrease in financial liabilities	3	0	1	8		
IV Net operating cash inflow before income taxes (3001 – 3008 + 3016 – 3017)	3	0	1	9	2.844.869	2.400.377
16. Net operating cash outflow before income taxes (3008 – 3001 + 3017 – 3016)	3	0	2	0	162.140	86.511
V Paid income tax	3	0	2	1		
VI Net operating cash inflow (3018 – 3019 – 3020)	3	0	2	2	3.007.009	2.486.888
B CASH FLOWS FROM INVESTMENT ACTIVITIES						
I Cash inflow from investment activities (from 3004 to 3029)	3	0	2	3		4.998.510
1. Inflow from investment securities	3	0	2	4		118.085
2. Inflow from sale of investments to subsidiaries and associate companies and joint ventures	3	0	2	5		

ITEM	EDP				Amount	
					Current year	Previous year
3. Inflow from sale of intangible assets, property, plant, equipment and other assets	3	0	2	6		
4. Inflow from sale of investment property	3	0	2	7		
5. Inflow from dividends and share in profits	3	0	2	8		
6. Other inflows from investment activities	3	0	2	9		4.880.425
11 Cash outflows from investment activities (from 3031 to 3035)	3	0	3	0	2.498.246	4.692.824
7. Outflow from investments in securities	3	0	3	1		
8. Outflow for purchase of investment in subsidiaries and associate companies and joint ventures	3	0	3	2	2.472.806	
9. Outflows for purchase of intangible assets, property, plant and equipment	3	0	3	3	25.440	25.251
10. Outflow related to purchase of investment property	3	0	3	4		
11. Other outflows from investment activities	3	0	3	5		4.667.573
111 Net cash inflow from investment activities (3023 – 3030)	3	0	3	6		305.686
IV Net cash outflow from investment activities (3030 – 3023)	3	0	3	7	2.498.246	
V CASH FLOWS FROM FINANCING ACTIVITIES	3	0	3	8	19.241.076	21.157.033
1 Cash inflow from financing activities (from 3039 to 3042)						
1. Inflows from capital increase	3	0	3	9		
2. Inflow from borrowings	3	0	4	0	19.241.076	21.157.033
3. Inflow from sale of own shares and interest	3	0	4	1		
4. Other inflows from financing activities	3	0	4	2		
11 Cash outflow from financing activities (from 3044 to 3047)	3	0	4	3	12.894.501	19.026.079
5. Outflows from purchase of own shares and interests	3	0	4	4		
6. Outflows from borrowings	3	0	4	5	12.879.725	19.016.118
7. Outflows from dividends and profit shares	3	0	4	6		
8. Other outflows from financing activities	3	0	4	7	14.776	9.961
III Net cash inflow from financing activities (3038-3043)	3	0	4	8	6.346.575	2.130.954
IV Net cash outflow from financing activities (3043-3038)	3	0	4	9		
D TOTAL CASH INFLOWS (3001 + 3016 + 3023 + 3038)	3	0	5	0	40.990.410	44.793.962
E TOTAL CASH OUTFLOWS (3008 + 3017 + 3020 + 3030 + 3043)	3	0	5	1	40.149.090	44.844.210
F NET INCREASE IN CASH (3050 – 3051)	3	0	5	2	841.320	
G NET DECREASE IN CASH (3051 – 3050)	3	0	5	3		50.248
H CASH AND CASH EQUIVALENTS AT START OF THE PERIOD	3	0	5	4	221.189	274.050
I FOREIGN EXCHANGE GAINS	3	0	5	5	956	5.283
J FOREIGN EXCHANGE LOSSES	3	0	5	6	7.479	7.896
K CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (3052 – 3053 + 3054 + 3055 – 3056)	3	0	5	7	1.055.986	221.189
In Belgrade 25 February 2025					Legal representative of financial leasing provider	



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INTESA LEASING DOO BEOGRAD

NOTES TO FINANCIAL STATEMENTS
2024

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NOTES TO FINANCIAL STATEMENTS
for year ended 31 December 2024

Amounts are in RSD thousands, unless otherwise noted

1. GENERAL INFORMATION ABOUT COMPANY INTESA LEASING D.O.O. BEOGRAD

Privredno društvo za finansijski lizing "Intesa Leasing" d.o.o. Beograd (hereinafter: the "Company") was founded by Decision of Commercial Court dated 3 September 2003 (previous name "Delta Leasing"). The Company was reregistered in the Register of Companies maintained by the Business Registers Agency on 25 July 2005 under decision no. 82785/2005.

The name of the Company was changed to Intesa Leasing d.o.o. Beograd on 16 December 2005 by Decision of the Business Registers Agency no. 100536/2005.

On 16 December 2005, based on the aforementioned decision of the Business Registers Agency, the share capital was increased, so the total amount of the share capital at that time was EUR 350,000.00.

By Decision of the National Bank of Serbia dated 25 January 2006 the Company received a license to engage in financial leasing activities, thus ensuring compliance of leasing provider activities with the Law on Financial Leasing ("Official Gazette of the Republic of Serbia", No. 55/2003, 61/2005, 31/2011, and 99/2011).

By Decision of the Business Registers Agency no. 112635/2006 dated 27 March 2006 a change of the founder's interest was made. Ownership interest of the founder Banca Intesa a.d. Beograd was 51% in total capital, while the interest of foreign founders - CIB Leasing LTD, Budapest, Hungary - was 49% of total capital.

By Decision of the Business Registers Agency no. 254739/2006 dated 29 December 2006 capital of the Company was increased. The share capital was increased to EUR 5,350,000.00, while the proportion of the founders' interest remained the same.

By Decision of the Business Registers Agency no. 29167/2009 dated 31 March 2009 capital of the Company was once again increased. The share capital was increased to EUR 10,152,452.62, while the proportion of the founders' interest was changed, so the interest of the founder Banca Intesa a.d. Beograd was increase to 98.7% of total capital, while the interest of foreign founder - CIB Leasing LTD, Budapest, Hungary, was reduced to 1.3% in total share capital.

During 2011 Banca Intesa a.d. Beograd purchased the interest of the minority founder CIB Leasing LTD, Budapest. By Decision of the Business Registers Agency no. 155596/2011 dated 19 December 2011 founder was changed, so Banca Intesa a.d. Beograd ("Parent Bank") become 100% owner of the Company.

The Company is engaged in financial leasing activities in accordance with the Law on Financial Leasing and its business activity code has been defined by the relevant authority as 6491.

On 6 May 2016 the Company received the Decision of the National Bank of Serbia on approval to perform activities of insurance agent.

By decision of the Business Registers Agency dated 11 February 2016 a branch of the Company was registered in Novi Sad.

The Company operates as a subsidiary of the owner Banca Intesa a.d. Beograd. The beneficial owner, Intesa Sanpaolo S.P.A., dully prepares and publishes consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) as approved by the EU and makes them available on the official website of the Intesa Sanpaolo Group: www.group.intesasanpaolo.com.

In accordance with criteria set out in the Law on Accounting ("Official Gazette of the Republic of Serbia", no. 73/2019) is classified as large legal entity.

Registered offices of the Company are located in Belgrade, Milentija Popovića 7b.

NOTES TO FINANCIAL STATEMENTS
for year ended 31 December 2024

Amounts are in RSD thousands, unless otherwise noted

1. GENERAL INFORMATION ABOUT COMPANY INTESA LEASING D.O.O. BEOGRAD
(Continued)

Tax identification number of the Company is 103023875. Company registration number of the Company is 17492713.

As of 31 December 2024 the Company had 58 employees (31 December 2023: 56 employees).

2. BASIS FOR PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS

2.1. Basis for Preparation and Presentation of Financial Statements

The Company keeps records and prepares regular financial statements in accordance with applicable Law on Accounting ("Official Gazette of the Republic of Serbia", No. 73/2019), the Law on Financial Leasing («"Official ", Gazette of RS» No. 55/2003, 61/2005, 31/2011 and 99/2011) and other applicable laws and regulations of the Republic of Serbia.

For the recognition, measurement, presentation, and disclosure of items in the financial statements, the Company, as a large legal entity, is required to apply the International Financial Reporting Standards ("IFRS"), which, under the Law on Accounting, include the following: The Framework for the Preparation and Presentation of Financial Statements, International Accounting Standards ("IAS"), International Financial Reporting Standards ("IFRS"), and related interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"), subsequent amendments to these standards, and related interpretations approved by the International Accounting Standards Board (IASB), translated and published by the ministry in charge of finance.

Translation of IFRS prepared and published by the Ministry of Finance comprises basic text of IAS and IFRS, issued by the Board, as well as interpretations issued by the International Financial Reporting Interpretations Committee in the form in which they were issued, which do not include the basis for conclusions, illustrative examples, guidelines, commentaries, opposing opinions, elaborated examples and other additional explanatory material that can be adopted in relation to standards, i.e. Interpretations, except it is explicitly stated that they form a part of the standards, i.e. interpretations.

4980/2019) provides that official standards consist of official translations of International Financial Reporting Standards, which includes Conceptual Framework for Financial Reporting, base International Accounting Standards (IAS), base IFRS issued by the International Accounting Standards Board, as well as interpretations issued by the International Financial Reporting Interpretations Committee, in the form they are issued, i.e. adopted and which do not include basis for conclusions, illustrative examples, guidelines, commentaries, opposing opinions, elaborated examples and other additional explanatory material that can be adopted in relation to standards, i.e. Interpretations, except it is explicitly stated that it is an integral part of the standards, i.e. interpretations. The translated IFRS established by Decision No. 401-00-4980/2019-16 have been applied in the financial statements prepared as of 31 December 2021.

These financial statements represent the separate financial statements of the Company.

The Company has no investments in subsidiaries or related legal entities.

NOTES TO FINANCIAL STATEMENTS
for year ended 31 December 2024

Amounts are in RSD thousands, unless otherwise noted

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

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

The attached financial statements have been prepared in the format prescribed by the Decision on the Content and Layout of Forms of Financial Statements of Financial Lease providers ("Official Gazette of the Republic of Serbia," No. 119/2021).

Given the above, as well as the fact that certain laws and regulations prescribe accounting procedures that in some cases deviate from IFRS requirements, the accounting regulations of the Republic of Serbia may differ from IFRS requirements, which may impact the attached financial statements. Accordingly, the attached financial statements cannot be considered financial statements prepared in accordance with IFRS as defined by IAS 1 "Presentation of Financial Statements."

In preparing the attached financial statements, the Company has applied the accounting policies disclosed in Note 3, which are based on the applicable accounting and tax regulations of the Republic of Serbia.

The attached financial statements have been prepared in accordance with the historical cost concept, except where the use of fair value has been specifically stated, as provided in the accounting policies.

The financial statements have been prepared on a going concern basis, which assumes that the Company will continue its operations in the foreseeable future.

The amounts in the attached financial statements of the Company are presented in thousands of dinars, unless otherwise stated. The dinar (RSD) is the Company's functional and presentation currency. All transactions in currencies other than the functional currency are treated as foreign currency transactions.

The attached financial statements of the Company for the year 2024 were approved for issuance by the President of the Executive Board on 19 February 2024.

2.2. Comparative data

The comparative data consist of the Company's annual financial statements for the year 2023, prepared in accordance with the accounting regulations applicable in the Republic of Serbia and explained in Note 2.1, which were subject to audit.

The accounting policies and estimates related to the recognition and measurement of assets and liabilities used in the preparation of these financial statements are consistent with the accounting policies and estimates applied in the preparation of the Company's annual financial statements for the year 2023.

NOTES TO FINANCIAL STATEMENTS
for year ended 31 December 2024

Amounts are in RSD thousands, unless otherwise noted

3. SUMMARY OF ACCOUNTING POLICIES

3.1. Recognition of income and expenses

(a) *Interest income and expenses*

Interest income and expenses include contractual and default interest and are accrued based on the matching principle of income and expenses and the terms of contractual obligations, as further defined in agreements between clients and the Company or between the Company and banks.

Interest income and expenses are recognized in the income statement using the effective interest rate method (which, in the case of interest income, does not include fees for approval of financial leases). The effective interest rate method is used to calculate the amortized cost of a financial asset or financial liability and to allocate the corresponding interest income or expense over the relevant period.

The effective interest rate is the rate that discounts future cash flows during the repayment period of a financial instrument to its carrying amount.

Default interest is not accrued on receivables for which court collection proceedings have been initiated.

(b) *Fee income*

Fee income includes revenues from fees charged to lessees for the approval of financial lease, re-invoiced costs to the lessee related to the registration of the agreement in the financial lease register, insurance, vehicle registration, and other costs, income from interim interest, as well as income from the collection of costs related to issuing reminders and other charges in cases of lessee default.

Fees for the approval of financial lease agreements are calculated and collected in advance and subsequently deferred over the term of lease agreement.

(c) *Fee expenses*

Fee expenses include fees paid to banks for payment transactions and other banking services, as well as costs re-invoiced to the lessee related to the registration of the agreement in the financial lease register, insurance costs, vehicle registration costs, and other costs passed on to the lessee. These costs are deferred and recognized as expenses in the periods to which they relate.

(d) *Other expenses*

Costs of materials, maintenance services, repairs, and replacements are recognized in the income statement when incurred.

(e) *Other income*

Other income primarily consists of revenues from insurance agency commissions and is recognized in the income statement when earned.

3.2. Foreign currency translation

Items included in the Company's financial statements are measured using the currency of the primary economic environment in which the Company operates (functional currency). As stated in Note 2.1, the financial statements are presented in thousands of dinars (RSD), which is the Company's functional and presentation currency.

Transactions denominated in foreign currencies are initially recorded in the functional currency using the exchange rate applicable on the transaction date.

NOTES TO FINANCIAL STATEMENTS
for year ended 31 December 2024

Amounts are in RSD thousands, unless otherwise noted

3. SUMMARY OF ACCOUNTING POLICIES (Continued)

3.2. Foreign currency translation (Continued)

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

Foreign exchange gains or losses arising from the translation of balance sheet items denominated in foreign currencies and from business transactions in foreign currencies are recognized in the income statement as foreign exchange gains and losses and the effects of contractual foreign currency clauses (Note 7).

Non-monetary items measured at historical cost in a foreign currency are translated using the historical exchange rate applicable on the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate applicable on the date of valuation.

For the translation of monetary assets and liabilities, the Company applied the official middle exchange rates of the National Bank of Serbia ("NBS"), which as of the date of the financial statements were as follows:

In RSD	<u>31 December 2024</u>	<u>31 December 2023</u>
Currency		
- CHF	124,5237	125,5343
- EUR	<u>117,0149</u>	<u>117,1737</u>

Investments and liabilities that include a foreign currency clause or any other variable in the underlying agreements are measured in accordance with the provisions outlined in the contracts. The effects of the valuation are recognized as foreign exchange gains or losses and the effects of the contractual foreign currency clause.

In 2024, the Company translated its financial lease receivables using the agreed exchange rates, recognizing both positive and negative effects in the income statement under foreign exchange gains and losses and the effects of the contractual foreign currency clause.

3.3. Cash

Cash is presented in the balance sheet and includes cash in dinar accounts held with banks. Cash is valued at amortized cost in the balance sheet.

A financial asset is valued at amortized cost unless stated as measured at fair value through the income statement and meets the following criteria:

- the objective of the asset's business model is to hold the asset for the purpose of collecting contractual cash flows, and
- the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the outstanding principal at specified dates.

The Company conducts dinar payment transactions through its current account with Banca Intesa a.d. Beograd.

The accounting policy for impairment calculations is explained in Note 3.7.

NOTES TO FINANCIAL STATEMENTS
for year ended 31 December 2024

Amounts are in RSD thousands, unless otherwise noted

3 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

3.4. Financial placements with banks

The Company's financial placements with banks include:

- foreign currency accounts and
- time deposits with the banks.

Time deposits are initially valued at fair value. After initial recognition, they are measured at amortized cost.

A financial asset is valued at amortized cost unless stated as measured at fair value through the income statement and meets the following criteria:

- the objective of the asset's business model is to hold the asset for the purpose of collecting contractual cash flows, and
- the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the outstanding principal at specified dates.

In cases where the Company enters into short-term deposit agreements with a foreign currency clause or foreign currency deposits, the effects of the foreign currency clause and exchange differences are recognized after initial recognition. These effects are recorded in the income statement as foreign exchange gains and losses and the effects of the contractual foreign currency clause.

The accounting policy for impairment calculations is explained in Note 3.7.

3.5. Other financial investments and derivatives

Other financial placements consist of investments in securities that are measured at fair value through other comprehensive income and investments in investment funds that are measured at fair value through the income statement.

A debt instrument is measured at fair value through other comprehensive income only if it meets both of the following criteria:

- The objective of the asset's business model is to hold the asset for the purpose of collecting contractual cash flows and selling the asset, and
- the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the outstanding principal at specified dates.

Initially, these instruments are valued at fair value, plus costs directly attributable to the acquisition of the financial asset.

After initial recognition, they are presented at fair value. The Company measures the fair value of securities and recognizes the difference between the fair value and carrying amount as unrealized gains or losses on securities in the Reserves, revaluation reserves, and unrealized gains/losses item (Note 27).

Subsequent measurement of investments in investment funds is recognized in the income statement under the item Net income/(loss) from other financial instruments measured at fair value through profit or loss.

As of 31 December 2024, the Company does not have any financial derivatives. The accounting policy for impairment calculations is explained in Note 3.7.

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for year ended 31 December 2024

Amounts are in RSD thousands, unless otherwise noted

3 SUMMARY OF ACCOUNTING POLICIES (Continued)

3.6. Receivables from financial leasing

A financial lease is a lease that effectively transfers all risks and rewards related to the ownership of the leased asset. Upon expiration of the lease term, the ownership right may or may not be transferred.

Upon initial recognition, the Company, as the lessor, recognizes the assets leased under a financial lease in the balance sheet as financial placements equal to the net investment in the financial lease.

The gross investment in the lease represents the total amount of minimum lease payments and any unguaranteed residual value belonging to the lessor. The net investment in the lease represents the gross investment in the lease discounted at the interest rate implicit in the lease. Unearned financial income is the difference between the gross and net investment in the lease.

The interest rate implicit in the lease is the discount rate that, at the beginning of the lease, ensures that the sum of the present value of the minimum lease payments and any unguaranteed residual value equals the sum of the fair value of the leased asset and all initial costs of the financial lessor.

Investments in the lease, recognized in the balance sheet as receivables from financial leases, are subsequently measured at amortized cost, less any estimated impairment of the receivables from financial leases.

Financial income, or interest income from financial leases, is recognized in a manner that reflects a constant periodic return on the remaining net investment in the financial lease.

Other receivables from financial leases are recognized and measured at the invoiced amount, less any impairment of the receivables.

Other receivables from financial leases include:

- fees;
- Interest;
- re-invoiced costs to financial lessees;
- warnings.

The Company calculates indirect impairment of receivables from financial leases in accordance with the Receivables Classification Policy and recognizes it as income or expense in the period under the item Net income from impairment/(expense from) impairment of receivables from financial leases and financial assets.

Receivables from financial leases with a foreign currency clause are initially recognized at the foreign currency equivalent based on the agreed exchange rate at the transaction date. The effects of changes in the exchange rate from the transaction date to the settlement date, as well as on each balance sheet date, are determined as the effects of the foreign currency clause, which are recognized as income or expense for the period under the item Net income/(expense) from exchange rate differences and effects of the agreed foreign currency clause.

3.7. Impairment of financial assets

In accordance with the internal policy, the Company calculates and recognizes an impairment equal to the expected credit losses over the lifetime for financial assets measured at amortized cost (which include receivables from leases) and for debt financial assets recognized at fair value through other comprehensive income, except for those financial assets for which there has been no significant increase in credit risk since initial recognition.

3. SUMMARY OF ACCOUNTING POLICIES (Continued)

3.7. Impairment of financial assets (Continued)

The carrying value of financial instruments measured at amortized cost is reduced by the amount of the impairment for expected credit losses.

Impairments for expected credit losses on debt financial assets measured at fair value through other comprehensive income are recognized through other comprehensive income and profit or loss, and they do not reduce the carrying value in the balance sheet.

The methodology for calculating impairment, or the write-down of financial assets, is defined in the "Asset Classification Policy."

Impairment is calculated on one of the following bases:

- 12-month expected credit losses - These are expected credit losses that arise if a default status occurs within 12 months after the reporting date; and
- lifetime expected credit losses - These credit losses result from possible default events throughout the expected life of the financial instrument.

Lifetime expected credit losses are calculated if the credit risk of the financial instrument has significantly increased since the initial recognition of the instrument, while 12-month credit losses are calculated in the absence of such an increase.

The Company classifies its risky assets according to the Harmonized International Subsidiary Banks Division (ISBD) methodology for asset classification. Risky assets that are classified relate to credit exposure from the balance sheet.

Criteria for classification of receivables are:

- a) The objective criterion for classifying debtors is the delay in settlement of obligations.
A decision of the Board of Directors of the Company from 27 February 2020, defines a new calculation for delays. The calculation of days past due is done on a daily basis, with the ending balance on the last day of the month being used for classification and provision calculation purposes.
A delay is considered materially significant if the amount of overdue receivables exceeds 1% of the balance sheet receivables from debtors and exceeds 10,000 dinars for legal entity debtors or 1,000 dinars for individual debtors, entrepreneurs, or farmers. The number of days past due at the client level is determined as the continuous number of days overdue above the materiality threshold. The subjective criterion for classification includes all other information that may indicate that it is unlikely that the client will fully fulfil its contractual obligations.
- b) Economic group.
- c) Contamination rule.

Classification of assets is based on both objective and subjective criteria outlined in the Asset Classification Policy. Collateral or guarantees established as security instruments cannot affect the client's class but only the level of recognized impairment.

Amounts are in RSD thousands, unless otherwise noted

3. SUMMARY OF ACCOUNTING POLICIES (Continued)

3.7 Impairment of financial assets (Continued)

Receivables are classified into one of the following categories:

a) Non-performing receivables

Doubtful

The classification is based on the assessment criteria of leasing customers, which are aligned with the definition of leasing customers as truly insolvent. "Insolvency status" refers to the structural and permanent inability to regularly fulfil obligations from usual sources, due to a lack of liquidity and/or inability to access external financial resources (e.g., capital markets) necessary to maintain/ensure the going concern status.

Unlikely to pay

The classification into the Unlikely to Pay category results from an assessment that there is a low probability that the leasing customer will fully fulfil its obligations (in terms of principal repayment and/or interest) without resorting to actions such as enforcing recovery from collateral. This assessment is made regardless of the amount and the number of days past due. Unlikely to Pay customers are those whose credit quality indicators have significantly deteriorated, and where future cash flows are not expected to fully service their financial obligations.

Past due

Customers who experience temporary problems that can be overcome and who do not meet the conditions for classification into the Unlikely to Pay or Doubtful categories. The total exposure to a debtor will be classified as Past Due if the customer has been overdue for more than 90 days in a materially significant amount (i.e., the overdue debt amount continuously exceeds 1% of the total balance sheet receivables, and exceeds 10,000 dinars for legal entity debtors, or 1,000 dinars for individual debtors, entrepreneurs, or farmers).

b) Performing receivables

This category includes all customers who are not classified into any of the non-performing classes and who regularly or with a delay of up to 90 days settle their obligations towards the Company. Performing customers are all those not classified into any Non-Performing categories and who regularly settle their obligations towards the Company.

Exposures with PM Status - Watchlist

Exposures with PM (Proactive Management) status refer to exposures with increased credit risk and do not represent a separate class within the Performing category.

Exposures with PM status are exposures to customers who, due to their characteristics or external reasons, face various degrees of (financial and/or operational) difficulties that could potentially worsen their creditworthiness in the future. PM exposures include those that are still considered Performing, but they are not at direct, but rather at potential risk (of default) unless certain measures are taken in a timely manner. In other words, PM exposures are those that show early signs of potential risk. Additionally, all exposures where restructuring plans are under negotiation fall under this category.

3. SUMMARY OF ACCOUNTING POLICIES (Continued)

3.7. Impairment of financial assets (Continued)

Forborne exposure

A Forborne Exposure is an exposure where the original contractual terms have been modified and/or the placement has been partially or fully refinanced due to financial difficulties preventing the client from fulfilling their initial contractual obligations.

Forbearance measures represent concessions made to a debtor facing or likely to face difficulties in meeting their financial obligations.

The term "concession" includes the following:

- changes to previous contractual terms that are considered to be unachievable by the debtor due to financial difficulties, aimed at enabling sufficient ability to repay the debt, which would not be granted if the debtor were not in financial difficulties;
- full or partial refinancing of a non-performing debtor agreement that would not be granted if the debtor were not in financial difficulties;
- Contractual modifications that the debtor can request within a contract already signed and approved by the Company, with the knowledge that the debtor is facing financial difficulties (so-called "Embedded Forbearance Clauses").

Minimum Criteria for Reclassification (Return) to Performing

Once the criteria that led the client to the Non-Performing Loans (NPL) status are no longer active, a Trial Period of at least 90 days is initiated, during which the client remains in the NPL status. If during the Trial Period, the client is overdue by more than 5 days in a materially significant amount, the counting of days in the Trial Period restarts. The Trial Period applies to all NPL clients, except for those in Forborne Status, for whom the monitoring period lasts at least 12 months.

After the Trial Period ends, for the reclassification (return) to Performing status for clients who were previously NPL, the following should be considered:

- a) timeliness of obligation settlements during the Trial Period;
- b) financial situation of the debtor during the Trial Period;
- c) If after the Trial Period, it is determined that the debtor is likely still unable to fully repay their obligations without resorting to collateral enforcement, the exposures should be classified as NPL until the Company assesses that the improvement in the quality of the loan is permanent.

The Trial Period for Non-Performing (NPL) status lasts 90 days from the point when the triggers for the non-performing status are no longer active for the client.

The Trial Period is reset if any of the following conditions occur:

- Both materiality thresholds for overdue amounts are exceeded for more than 5 days, or
- A new subjective criterion is identified.

Trial Period for Past Due Exposures

For clients in Past Due status, if the overdue amount does not exceed the materiality threshold (either absolute or relative) during the Trial Period of 90 days, the client will automatically return from Past Due status to Performing.

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for year ended 31 December 2024

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3. SUMMARY OF ACCOUNTING POLICIES (Continued)

3.7. Impairment of financial assets (Continued)

Manual Return from the Trial Period

If the client does not have overdue exposures, the return to Performing from Unlikely to Pay and Doubtful categories is based on subjective assessment (considering all subjective classification criteria). A client is considered eligible for return to Performing after 90 days only if all overdue obligations have been paid. A client who does not have materially significant delays during the last 90 days but still has overdue amounts cannot exit Unlikely to Pay until the overdue obligations are paid.

For Non-Performing Forborne Exposures, the application of the 12-month recovery period takes precedence over the Trial Period.

Impairment Calculation

In addition to classifying receivables into Performing, Past Due, Unlikely to Pay, and Doubtful categories, the Company classifies receivables into the following impairment levels:

- Stage 1;
- Stage 2;
- Stage 3;

The impairment levels determine the calculation of expected credit losses. 12-month expected credit losses are calculated for receivables in Stage 1, while lifetime expected losses are calculated for receivables in Stage 2 and Stage 3.

Stage 3 includes all Non-Performing receivables, while Stage 1 and Stage 2 are considered "subclasses" within Performing receivables. Stage 2 includes Performing receivables where there has been a significant increase in credit risk since the initial recognition.

The Company uses the following criteria to detect receivables that have experienced a significant increase in credit risk (and consequently classifies them into Stage 2):

1. Overdue by more than 30 days - Receivables from clients overdue by more than 30 days in a materially significant amount.
2. PM (Proactive Management) status / EW (Early Warning) signals - Clients assigned orange, red, or light blue status.
3. Forborne status.
4. A significant increase in the probability of default (PD) since the initial recognition - A relative change in PD (Lifetime PD) compared to the initial recognition, exceeding the defined materiality threshold, leads to classification in Stage 2. The thresholds for significant increase in PD for segments such as Corporate, SME Retail, Specialized Lending, and individuals are defined internally by the Bank, while for other segments, thresholds are defined by the Parent Company.

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for year ended 31 December 2024

Amounts are in RSD thousands, unless otherwise noted

3. SUMMARY OF ACCOUNTING POLICIES (Continued)

3.7. Impairment of financial assets (Continued)

The criteria for classifying financial instruments into impairment stages are summarized in the table below:

Stage 1	Stage 2	Stage 3
<ul style="list-style-type: none"> • Performing exposures with up to 30 days of overdue • Performing exposures with more than 30 days of overdue but below the materiality threshold • Performing exposures where there has been no significant increase in PD since initial recognition • Performing exposures not in Forborne status 	<ul style="list-style-type: none"> • Performing exposures with more than 30 days of overdue exceeding the materiality threshold • Forborne performing exposures • Performing exposures with a significant increase in PD since initial recognition • PM (Proactive Management) status / EW (Early Warning) status 	<ul style="list-style-type: none"> • Exposures with more than 90 days of overdue exceeding the materiality threshold • Unlikely to pay • Doubtful • NPL exposures in the trial period • Forborne NPL exposures

In addition to the above-defined criteria, the Company may reclassify, for the purposes of classification and impairment loss calculation, one rating class lower or to Stage 2 exposures where increased credit risk has been identified. Increased credit risk can be determined based on, for example: The client's industry being identified as particularly negatively impacted by the crisis, and/or the customer's debt level, potential vulnerability to the adverse effects of the crisis, etc.

Impairment due to credit losses is calculated based on parameters derived from internal models or individual assessments (except for receivables from governments, local self-governments, and banks, where parameters from the ISP model are used), and impairment expenses are recorded in the Income Statement.

Credit loss impairment (expected credit losses) is assessed based on:

- a) Collective assessment for all Performing exposures, as well as Non-Performing exposures with an overall exposure of less than EUR 150,000; and
- b) Individual assessment for Non-Performing exposures with an overall exposure greater than EUR 150,000.

Expected credit losses for clients not subject to individual assessments are calculated based on the stage into which the exposure is classified (Stage 1, Stage 2, or Stage 3) according to the criteria for determining credit risk levels.

For all exposures belonging to Stage 1, provisions for credit losses (expected credit losses) are calculated for a period of 12 months.

For all exposures belonging to Stage 2, provisions for credit losses (expected credit losses) are calculated for the period until the maturity of the financial instrument (Lifetime EL).

For exposures belonging to Stage 3 (non-performing exposures), the Company applies an Add-on to adjust the level of provisions. The "Add-on" represents a measure of the future (expected) macroeconomic impact on the LGD rate in the upcoming period.

3. SUMMARY OF ACCOUNTING POLICIES (Continued)

3.7. Impairment of financial assets (Continued)

Impairment of assets for clients not subject to individual assessment is calculated depending on the stage of credit risk impairment to which the exposure is classified (Stage 1, 2, or 3) according to defined criteria.

The collective assessment is based on the expected probability of default (PD) and loss given default (LGD) parameters.

The discount rate used in the calculation is the effective interest rate of the individual agreement. In the context of calculating lifetime expected credit losses, a methodology has been developed to determine Exposure at Default (EAD) for all periods until the final maturity of the financial instrument. For financial lease receivables that are amortized and for which repayment plans are available, the future EAD is determined based on the repayment schedules.

The probability of default (PD) represents the likelihood that a performing exposure/client will transition into a default status.

- For clients in non-performing categories Stage 3, the PD is 100%.
- For exposures belonging to Stage 1 and Stage 2, and relating to clients with calculated internal ratings, the appropriate PD value is taken depending on the rating and segment.
- For exposures from clients without a rating on the reporting date, but belonging to segments covered by the PD model, the default rate for the unrated portfolio is determined, and then the client is assigned the first more conservative rating closest to the obtained value. Subsequently, according to the obtained rating, exposures are assigned the corresponding PD parameter (Lifetime PD or 12-month PD), depending on the Stage to which the exposure belongs (Stage 1 or Stage 2).
- For exposures belonging to segments not covered by the PD model, PD is determined based on historical default rates for the specific segment, which are then adjusted for macroeconomic impact projections using appropriate macroeconomic coefficients for different scenarios, in accordance with IFRS 9 requirements.
- For exposures related to members of the Intesa Sanpaolo Group, the PD defined in the document "Rulebook Calculation of IFRS 9 Lifetime PD of Banca Intesa" is applied.
- For exposures belonging to the Bank's segments, the State, Central Bank, and Local Self-Governments, PD values defined in the document "Rulebook Calculation of IFRS 9 Lifetime PD of Banca Intesa" are applied.

Internal ratings and corresponding PD values, calculated in accordance with the procedures and rules of the Parent Bank - Banca Intesa a.d. Beograd, are obtained from the Risk Management Department.

The LGD parameter is calculated based on the analysis of historical data, separately for homogeneous portfolio segments. LGD is calculated separately for each of the four basic types of leasing objects (passenger vehicles, commercial vehicles, equipment, real estate) that may be financed, based on the analysis of historical losses incurred by clients who were in the non-performing class at any point from 1 January 2011, to the time of calculation. The historically observed LGD for the basic types of leasing objects is applied in the calculation of provisions for all subcategories within the basic type.

Amounts are in RSD thousands, unless otherwise noted

3 SUMMARY OF ACCOUNTING POLICIES (Continued)

3.7 Impairment of financial assets (Continued)

The Loss Given Default (LGD) rate for each type of leasing object is obtained as the average of all loss rates for individual lease agreements under analysis. The individual rate for each lease agreement is the result of the total loss recorded up to the calculation date. The individual LGD rate for each observed agreement is determined by comparing all losses for that agreement on the calculation date to the current exposure to the client when the exposure transitioned into default. If the client returns to the performing class, the LGD rate for all of their agreements will be 0%, as it is assumed that upon the client's return to performing status, all criteria for classification are met according to the classification policy, there are no losses for that agreement, and the client continues to meet obligations regularly.

LGD values obtained in this way represent Nominal LGD values, which are further adjusted with macroeconomic coefficients (in accordance with IFRS 9) and discounted using the effective interest rate of the individual agreement before final application.

When calculating provisions for credit losses, PD and LGD are applied to the exposure at default (EAD), which is equal to the gross exposure for each leasing agreement.

For exposures exceeding the materiality threshold (EUR 150,000) and related to clients classified as Doubtful or Unlikely to Pay, the assessment is made on an individual basis. It is based on the evaluation of the client's financial situation and ability to repay, taking into account the client's repayment capacity (going concern) and/or collection based on the type and value of collateral (gone concern), while also considering forward-looking information and macroeconomic expectations through the application of different scenarios. Provisions for credit losses are equal to the difference between the carrying amount of the receivable and the expected recovery amount. The expected recovery amount is the net present value of expected future cash flows discounted using the effective interest rate (EIR) of the agreement.

Macroeconomic adjustment of the PD is carried out using stress coefficients obtained from the EBA PD stress test model. These coefficients are provided by the Parent Bank and define the change in the PD parameter in relation to the base year for the redefined segment. EBA parameters are provided only for the baseline and adverse scenarios. Therefore, the calculation of the favourable scenario is done separately as the difference between the transformed values of the baseline and adverse PD parameters, which is added to the baseline scenario. Transformation is done using the inverse standard normal distribution. The default rate for the Serbian banking sector as of 31 December 31 2019, is used as the initial default rate, against which changes in the default rate are calculated based on EBA stress test parameters for the Rest of the World, since coefficients for Serbia are not available. The table below shows the conditional default rates applied to the migration matrix to capture elements related to future events for the next three years from the reporting date:

			Conditional Default Rates - Group I								
			Adverse			Base			Best		
Segment	Model	t-1	t	t+1	t+2	t	t+1	t+2	t	t+1	t+2
Corporate	SME&LC-2015	1.29%	3.22%	3.12%	2.36%	3.14%	2.16%	1.15%	3.07%	1.47%	0.54%
	SME Retail	3.32%	7.23%	7.04%	5.56%	7.09%	5.16%	3.00%	6.95%	3.71%	1.55%
	SB-SE-2013	3.22%	7.04%	6.85%	5.41%	6.90%	5.01%	2.90%	6.76%	3.60%	1.50%
Retail	IDV-2015 - Mortgage	0.65%	0.88%	0.87%	0.78%	0.87%	0.75%	0.58%	0.86%	0.65%	0.42%
	IDV-2015 - Other Retail	1.99%	2.85%	2.81%	2.47%	2.82%	2.38%	1.77%	2.78%	2.00%	1.24%

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3 SUMMARY OF ACCOUNTING POLICIES (Continued)

3.7 Impairment of financial assets (Continued)

				Conditional Default Rates - Group II								
				Adverse			Base			Best		
Segment	Model	Stage	t-1	t	t+1	t+2	t	t+1	t+2	t	t+1	t+2
Corporate	CORPORATE - OTHER	Stage 1	1.60%	3.87%	3.76%	2.87%	3.79%	2.63%	1.43%	3.70%	1.81%	0.69%
		Stage 2	6.85%	13.30%	13.00%	10.66%	13.08%	9.99%	6.27%	12.86%	7.54%	3.52%
	RETAIL	Stage 1	7.39%	14.16%	13.85%	11.40%	13.93%	10.70%	6.78%	13.70%	8.12%	3.84%
	OTHER	Stage 2	59.11%	72.32%	71.88%	67.93%	71.99%	66.64%	57.33%	71.65%	60.99%	46.12%

Macroeconomic adjustment of LGD was carried out using EBA coefficients due to the lack of internally developed models (since EBA relies only on Base and Adverse coefficients, the coefficients for the Favourable scenario were calculated internally based on the Group's methodology written for this purpose).

Forward-looking elements were calculated for the next three years of remaining maturity as of the reporting date, so the risk parameters for the Base scenario were adjusted for the add-on that accounts for all three scenarios. For macroeconomic adjustment of LGD, EBA coefficients for the Rest of the World were used, since coefficients for Serbia are not available. The value of the coefficients varies depending on the segment to which the exposure belongs. The table below shows the coefficients used for macroeconomic adjustment of the LGD value, as well as the value of the additional component (Add-on) derived from all three scenarios:

Segment	Best			Base			Adverse			Add on
	T	t+1	t+2	t	t+1	t+2	t	t+1	t+2	
Consumer credit	0,75	0,75	0,75	1,00	1,00	1,00	1,28	1,28	1,28	2,49%
Household mortgage	0,47	0,47	0,47	0,84	0,84	0,84	1,30	1,30	1,30	10,77%
NFC nonRE	0,76	0,76	0,76	1,00	1,00	1,00	1,27	1,27	1,27	2,26%
NFC RE	0,57	0,57	0,57	0,91	0,91	0,91	1,31	1,31	1,31	6,80%

For exposures belonging to the "Low Default Portfolio" segment (governments, local authorities, and banks), parameters obtained from internal Intesa Sanpaolo models are used, as the Company does not have enough historical data in this part of the portfolio to calculate them independently.

Projected cash flows are discounted at the effective interest rate and reduced to their present value. By comparing the present value of expected cash flows with the gross carrying value of the exposure, the level of impairment for lease placements is determined.

The gross carrying value of assets is reduced using the impairment account, and the expected credit losses arising from the impairment of financial assets are recognized in the profit and loss statement as impairment expenses for lease receivables and financial assets (Note 9).

If, during the following period, the amount of recognized loss from impairment decreases due to an event that occurred after the earlier recognition of the impairment, the previously recognized impairment loss is reduced by adjusting the impairment account, and the amount of the adjustment is recognized in the profit and loss statement as income from reversal of impairment losses on lease receivables and financial assets (Note 9).

In 2023, the asset classification policy was supplemented by introducing an additional criterion for ECL calculation due to the effects of the current crisis for rated clients and the introduction of PM status as a criterion for Stage 2.

3. SUMMARY OF ACCOUNTING POLICIES (Continued)

3.7. Impairment of financial assets (Continued)

Description of receivables

The write-off of financial assets is carried out in accordance with the User Guide for the write-off of uncollectible receivables. Receivables subject to write-off must meet the following conditions: there is a delay in the collection of the specific receivable; the Company has failed to collect the receivable despite carrying out all collection activities defined in its policies and procedures; court proceedings for the recovery of the receivable have been initiated; the value of the receivable is fully covered by an impairment allowance.

The Accounting Department makes a proposal for the write-off of receivables, while the Management Board or the Executive Board of the Company is responsible for approval.

Decisions on the write-off of receivables up to EUR 10,000 are made by the Executive Board of the Company, while decisions regarding write-offs of receivables greater than EUR 10,000 are made by the Management Board of the Company.

3.8. Repossessed leased objects and inventories

(a) Repossessed leased objects

In the case of early termination of a financial lease agreement, the leased object is repossessed, and the value of the financial placement or receivable is recorded under the Repossessed Leased Assets in exchange for uncollected receivables. This amount is initially and subsequently measured at the lower of two values: assessed value (fair value) or unamortized value of financial asset (carrying amount).

The valuation of the repossessed leased asset is performed regularly by an authorized appraiser, whenever there is a significant market price change or a change in the physical condition of the asset, and at least once every year from the previous valuation. Market factors, depreciation, and the technical condition of the leased object are taken into account during the assessment.

In case the unamortised value of financial asset under financial lease agreement (carrying amount) exceeds the appraised value of the leased object, negative difference is recorded as an impairment of leased object repossessed in exchange for uncollected receivables, within the Repossessed leased objects and inventories (Note 10).

In case the unamortised value of financial asset under financial lease agreement (carrying amount) is less than the appraised value of the leased object, the positive difference is recorded off-balance sheet (memo account) until the moment of sale, when the positive difference is transferred to the balance sheet.

(b) Inventories

The Company's inventories include:

- materials consumed in the process of providing services;
- advances given for leased objects; and
- other advances given.

Inventories are initially recognized at cost. After initial recognition, these assets are measured at the lower of cost and net realizable value.

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3 SUMMARY OF ACCOUNTING POLICIES (Continued)

3.9. Intangible assets

Intangible assets that have been purchased are capitalized at purchase cost on transaction date.

After initial recognition, intangible assets are measured at cost less accumulated amortization and any impairment losses.

The Company's intangible assets consist of a software license that is not an integral part of hardware but was acquired separately.

The Company applies the straight-line method of amortization for intangible assets, with a useful life of 5 years. The annual amortization rate for intangible assets is 20%. There were no changes to the amortization rates in 2024 compared to the previous period.

Amortization expense is recognized in the period in which it occurs (Note 12).

Gains or losses on derecognition of intangible assets, as the difference between the net proceeds from disposal and the net carrying amount, are recognized in the profit or loss when they occur.

Intangible assets are written off as an expense when the Company determines that the asset no longer provides future economic benefits.

3.10. Property, plants and equipment

The property, plant, and equipment of the Company as of 31 December 2024 consist of equipment. The equipment is recognized at cost, less accumulated depreciation and any accumulated impairment losses. The cost includes invoiced valued, plus all costs related to bringing an assets to appropriate condition and location.

Depreciation is calculated by straight-line method based on the cost of property, plant, and equipment, using annual rates based on the remaining useful life of the assets, estimated by the management of the Company, with the objective of fully depreciating the assets during their useful life.

The amortization expense is recognized in the period in which it is incurred (Note 12).

The applied annual depreciation rates are:

<u>Type of equipment</u>	<u>Useful life (years)</u>	<u>Rate amortisation</u>
Computer equipment	5	20.0%
Passenger car	4	25.0%
Office furniture	8	12.5%
Other equipment	<u>3.33 - 14.28</u>	<u>7% - 30%</u>

The useful life of an asset is reviewed and, if necessary, adjusted at the date of each statement of financial position. A change in the expected useful life of an asset is considered a change in accounting estimates. There were no changes to the amortization rates in 2024 compared to the previous period.

3. SUMMARY OF ACCOUNTING POLICIES (Continued)

3.10. Property, plant and equipment (Continued)

For tax purpose amortisation is calculate in accordance with the Law on Corporate Income Tax ("Official Gazette of the Republic of Serbia", no. 25/2001, 80/2002, 43/2003, 84/2004, 18/2010, 101/2011, 119/2012, 47/13, 108/2013, 68/2014, 142/2014, 91/2015, 112/2015, 113/2017, 95/2018, 86/2019 and 153/2020) and the Rulebook on the Classification of Fixed Assets into Groups and the Methods for Determining Amortisation for Tax Purposes ("Official Gazette of the Republic of Serbia", no. 116/2004; 99/2010 and 93/19), which results in deferred taxes (Note 14).

3.11. Leased assets

At the conclusion of the agreement, the Company assesses whether the agreement contains any lease components. An agreement contains lease components if it transfers the right to control the use of an asset for a specified period in exchange for compensation. To assess whether the agreement transfers this right, the Company uses the definition of leasing from IFRS 16.

The Company as a Lessee

Upon entering into a contract that contains a lease component, or when the contract is amended, the Company allocates the agreed-upon consideration to each lease component based on the respective individual price of each component.

The Company recognizes a right-of-use asset and a corresponding lease liability at the commencement date of the lease agreement. The right-of-use asset is initially measured at cost, which includes the initial lease liability amount, adjusted for lease payments made on or before the lease commencement date, plus any initial direct costs and estimated costs necessary to return the asset to its original condition in the case of lease of premises.

In addition, the cost of the right-of-use asset includes:

- all lease payments made on or before the first day of the lease term, reduced by any lease incentives received;
- any initial direct costs incurred by the lessee; and
- an estimate of costs to be incurred by the lessee created the dismantling and removing of leasing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease agreement. The obligation for these costs arises from the commencement date of the lease or as a result of using the leased asset over a specified period.

The right-of-use asset is subsequently amortized using the straight-line method over the lease term. Additionally, the asset is periodically assessed for impairment, and if impaired, its carrying amount is reduced by the amount of the estimated impairment, and the lease liability is also adjusted accordingly.

The Company as a Lessee applies the practical expedients provided by the standard, and leases with a term of less than 12 months (short-term leases) and leases of low-value assets (where the leased asset value, when new, is less than EUR 5,000 excluding tax) are not recognized as right-of-use assets, with all payments made under such leases recognized as expenses for the period.

At the lease commencement date, the lease liability is measured at the present value of all future lease payments that have not been made on that date. Future payments are discounted using the interest rate implicit in the lease, if easily determinable. When the interest rate implicit in the lease cannot be easily determined, the lessee's incremental borrowing rate at the lease commencement date is used.

3 SUMMARY OF ACCOUNTING POLICIES (Continued)

3.11. Leased assets (Continued)

The lease payments included in the measurement of the lease liability at the commencement date of the lease agreement include the following payments for the right to use the underlying asset during the lease term, which have not been settled on the commencement date.

- fixed payments, reduced by any lease incentives received;
- variable payments, that depend on a specified index or rate and which are initially measured based on the index or rate at the commencement date;
- amounts expected to be payable to the lessee under a guarantee residual value;
- cost of exercising the purchase option, if there is a reasonable probability that the lessee will exercise that option; and
- penalties for early termination of the lease, if the lease term indicates that the lessee has exercised that option.

After initial recognition, lease liabilities are measured by:

- increasing their carrying amount to reflect interest on the lease liability;
- Decreasing their carrying amount to reflect lease payments made; and
- re-measuring the carrying amount to reflect any lease reassessments or modifications that are significant to the reassessment of the lease.

Interest on the lease liability in each period during the lease term will be equal to the amount that results in a constant periodic rate of interest on the remaining lease liability.

The lessee re-measures the lease liability by discounting the revised lease payments using the revised discount rate (for the remaining period) in the event of:

- a change in the lease term; and
- a change in the assessment of the option to purchase the underlying asset.

Lease modifications

A lease modification is accounted for as a separate lease when:

- the modification increases the scope of the lease by adding the right to use one or more additional assets, and
- the lease payment is increased by an amount commensurate with the standalone price for the additional scope of the lease and all necessary adjustments to that standalone price to reflect the circumstances of the specific contract.

For lease modifications that are not accounted for as a separate lease, from the effective date of the modification, the activities specified in the standard are carried out, including: allocating the consideration from the modified agreement, determining the term of the modified lease and remeasuring the lease liability by discounting the revised lease payments using the revised discount rate.

For lease modifications that are not accounted for as a separate lease, the remeasurement of the lease liability is calculated as follows:

- the carrying amount of the right-of-use asset is reduced to reflect partial or full termination of the lease for modifications that reduce the scope of the lease. Any gain or loss related to the partial or full termination of the lease is recognized in the profit or loss; and
- Appropriate adjustments are made to the right-of-use asset for all other lease modifications.

3. SUMMARY OF ACCOUNTING POLICIES (Continued)

3.11. Leased assets (Continued)

The company presents the right-of-use asset within the "Property, plant and equipment" category, while the lease liability is presented under "Other financial liabilities and derivatives" and pertains to leases of real estate and vehicles. The depreciation expense of the right-of-use asset is presented under "Depreciation expenses" in the profit and loss statement, while the depreciation of the lease liability is presented under "Interest expense" in the profit and loss statement. Costs arising from short-term leases and leases of low-value assets are presented under "Other expenses."

3.12. Impairment of non-financial assets

In accordance with the adopted accounting policy, at the reporting date, the management of the company reviews the values at which intangible assets and equipment are recognised. If there are indications that an asset is impaired, the recoverable amount of the asset is estimated to determine the amount of impairment.

If the recoverable amount of an asset is estimated to be lower than its carrying amount, the carrying value of that asset is reduced to its recoverable amount. The recoverable amount of an asset or a "cash-generating unit," if the asset does not generate cash flows independently, represents the higher of the fair value less costs to sell and the value in use. Impairment losses are recognized in the amount of the difference, charged to expenses in accordance with IAS 36 "Impairment of Assets."

Non-financial assets (except goodwill, for which impairment effects are not reversed) that have been impaired are reviewed at each reporting period for possible reversal of impairment losses.

3.13 Financial liabilities from bank borrowings

All loans and borrowings are initially recognized at cost, which represents the fair value of the amount received, less transaction costs directly attributable to the loan.

After initial recognition, financial liabilities from bank borrowings are subsequently measured at amortized cost.

3.14 Provisions

Provisions are recognised when:

- (a) the company has a present (legal or constructive) obligation arising from a past event;
- (b) It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- (c) The amount of the obligation can be reliably estimated.

If these conditions are not met, a provision is not recognized.

When it is no longer probable that an outflow of economic benefits will be required to settle a legal or constructive obligation, the provision is reversed, and the reversal is recognized as income. Provisions are tracked by type and may only be used for expenditures for which the provision was originally recognized. A provision is not recognized for future operating losses.

The company has made provisions in accordance with IAS 19 "Employee Benefits" for severance payments and unused vacation days (Note 24).

Provisions for severance payments are measured at the present value of expected future outflows, using a discount rate that reflects the interest rate on high-quality bonds denominated in the currency in which the pension obligations will be settled.

3 SUMMARY OF ACCOUNTING POLICIES (Continued)

3.14. Provisions (continue)

In accordance with the General Collective Agreement ("Official Gazette of the Republic of Serbia", No. 50/2008, 104/2008 - Annex I and 8/2009 - Annex II) and the Labour Law (Article 119) ("Official Gazette of the Republic of Serbia", No. 24/2005, 61/2005, 54/2009, 32/2013 and 75/2014, 13/2017 - CC Decision, 113/2017 and 95/2018 - authentic interpretation), The Company is obliged to pay the employee severance upon retirement in the amount of two average salaries in the Republic of Serbia, according to the latest data published by the relevant republic authority responsible for statistical matters.

For employees who have met one of the conditions for voluntary retirement, the employer may determine an enhanced severance payment greater than the amount prescribed in the previous paragraph. There is no fund for these payments.

Provisions for these benefits and associated costs are recognized at the present value of expected future cash flows using the actuarial 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 10% of the net defined benefit obligation at that date. These gains and losses are recognized over the expected average remaining service of the employees participating in the plan.

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

Provisions for litigation are made in the amount that reflects the best estimate of the management regarding the expenditures that will arise when such obligations are settled.

The company is involved in a small number of litigations arising from its day-to-day operations. The company regularly evaluates the probability of negative outcomes of these cases, as well as the amounts of probable or reasonable estimates of losses. Reasonable estimates involve management's judgment after considering information that includes notifications, settlements, legal department assessments, available facts, identification of potential responsible parties and their ability to contribute to resolution, as well as previous experience.

A provision for litigation is recognized when it is probable that an obligation exists, and its amount can be reliably estimated through careful analysis. The required provision may change in the future due to new events or the receipt of new information.

3.15. Contingent Liabilities and Contingent Assets

Contingent liabilities are not recognized in the financial statements. Contingent liabilities are disclosed in the notes to the financial statements (Note 29(a)), unless the probability of an outflow of resources embodying economic benefits is remote.

The company does not recognize contingent assets in the financial statements. Contingent assets are disclosed in the notes to the financial statements if the inflow of economic benefits is probable.

NOTES TO FINANCIAL STATEMENTS
for year ended 31 December 2024

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3 SUMMARY OF ACCOUNTING POLICIES (Continued)

3.16. Employee benefits

(a) Taxes and contributions for mandatory social insurance

In accordance with the regulations applicable in the Republic of Serbia, the company is obliged to pay taxes as well as contributions to various state social welfare funds. These obligations include contributions on behalf of employees and the employer, calculated using the rates prescribed by law.

The company is legally obligated to withhold the calculated contributions from the employees' gross salaries and transfer the withheld amounts to the respective state funds on behalf of the employees. The company is not required to pay allowances that constitute the obligation of the Pension and Disability Fund of the Republic of Serbia.

Taxes and contributions on behalf of employees and the employer are recognized as expenses in the period in which they arise (Note 11).

(b) Obligations Relating to Other Benefits - Severance Pay Upon Retirement

The net defined benefit consists of the present value of the defined benefit, reduced by costs for past service and actuarial losses, and increased by actuarial gains that have not yet met the recognition criteria (see Note 3.14).

(c) Short-Term Paid Leave

Employees acquire the right to annual leave after one month of continuous service from the start of their employment with the employer in a calendar year.

Employees may only use annual leave with the employer with whom they have earned the right to annual leave. If the employee does not use all or part of their leave, they are entitled to compensation for damages in accordance with the Labor Law ("Official Gazette of the Republic of Serbia", No. 24/2005, 61/2005, 54/2009, 32/2013, 75/2014, 13/2017 - CC Decision, 113/2017, and 95/2018 - authentic interpretation).

The employer with whom the employee has terminated the employment relationship and has not used the annual leave is obligated to pay the compensation for damages. Employees are allowed to take their annual leave either all at once or in multiple parts, with the condition that the first part lasts at least two weeks.

The company does not have its own pension funds, nor does it offer options for employee stock allocations, and therefore, there are no identified obligations as of 31 December 2024.

3.17. Taxes and contributions

Current taxes

Income tax is calculated and paid in accordance with provisions of the Law on Corporate Income Tax ("Official Gazette of the Republic of Serbia", no. 25/2001, 80/2002, 43/2003, 84/2004, 18/2010, 101/2011, 119/2012, 47/13, 108/2013, 68/2014, 142/2014, 91/2015, 112/2015, 113/2017, 95/2018, 86/2019 and 153/2020) and by-laws.

The corporate income tax is calculated by applying a rate of 15% to the tax base reported in the tax balance, which may then be reduced by established tax credits. The tax base consists of taxable profit, which is determined by adjusting the result (profit or loss) from the income statement in a manner prescribed by this law.

NOTES TO FINANCIAL STATEMENTS
for year ended 31 December 2024

Amounts are in RSD thousands, unless otherwise noted

3. SUMMARY OF ACCOUNTING POLICIES (Continued)

3.17 Taxes and contributions (Continued)

The Company pays corporate income tax through monthly prepayments during the year, the amount of which is determined based on the tax return for the previous year. The annual tax balance is submitted within 180 days from the end of the period for which the tax obligation is determined, i.e., by June 30 of the following year.

Tax regulations in the Republic of Serbia do not provide that tax losses from the current period can be used as a basis for refund of taxes paid in a specific previous period.

Deferred taxes

Deferred income tax is calculated based on liability method for all temporary differences on balance sheet date between present value of assets and liabilities in financial statements and their value for tax purpose.

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from:

- (a) the initial recognition of goodwill; or
- (b) initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction affects neither accounting profit nor taxable profit (tax loss).

However, for taxable temporary differences related to investments in subsidiaries, branches, associates, and joint ventures, a deferred tax liability is recognized in accordance with paragraph 39 of IAS 12 "Income Taxes."

Deferred tax assets are recognized for all taxable temporary differences and the carry forward of unused tax credits and tax losses, to the extent that it is probable that the level of expected future taxable profits will be sufficient to utilize all taxable temporary differences, carry forward unused tax credits, and unused tax losses.

Deferred tax assets and liabilities are measured using the tax rates that are expected to be effective in the year when the tax benefits are realized or the deferred tax liabilities are settled, based on official tax rates and regulations as of or after the balance sheet date. The tax rate used for the calculation of deferred tax assets in 2024 is 15%, the same as for the previous year.

Current and deferred taxes are recognized as income and expenses and are included in the net profit for the reporting period. Deferred income tax related to items that are directly recognized in equity is also recognized in equity, either as a credit or as a charge to equity, as appropriate.

Current tax assets / liabilities

In accordance with the accounting regulations applicable in the Republic of Serbia, if the amount of corporate income tax paid for the current and prior periods exceeds the amount due for payment for those periods, the excess is recognized as a tax asset.

The Company has reported the current tax liability for 2024 and 2023 in Note 14.

NOTES TO FINANCIAL STATEMENTS
for year ended 31 December 2024

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3. SUMMARY OF ACCOUNTING POLICIES (Continued)

3.17. Taxes and contributions (Continued)

Transfer prices

The calculation of taxable income for 2024 has not been submitted as of the date of the Company's financial statements, as the deadline for submission is 180 days from the end of the period for which the tax is determined. The Company has calculated the tax effects based on the Law on Corporate Income Tax of the Republic of Serbia. The Company has not yet conducted a transfer pricing study, but management believes that, based on this, there will be no material significant effects on the year 2024, as it has not had any in the past, and there have been no significant changes in the types of services compared to the previous year.

Taxes and contributions not dependent on operating results

Taxes and contributions not dependent on operating results include contributions on salaries that are borne by the employer, as well as other taxes and contributions paid in accordance with national and local tax regulations.

3.18. Other assets and other liabilities

Other assets include receivables from the sale of repossessed leased objects and other receivables, as well as prepaid expenses and other accruals.

Liabilities to suppliers and other operational liabilities are measured at their nominal value.

3.19. Disclosure of related party transactions

For the purposes of these financial statements, legal entities are considered related if one legal entity has the ability to control or exercise significant influence over the financial and operational decisions of another, as defined in IAS 24 "Related Party Disclosures."

The relationships between the Company and its related legal entities are governed by contractual agreements. Receivables and payables as of the reporting date, as well as transactions during the reporting periods with related legal entities, are specifically disclosed in the notes to the financial statements (Note 30).

4. KEY ACCOUNTING ESTIMATES AND JUDGEMENTS

Use of estimates

The preparation and presentation of financial statements require the Company's management to make the best possible estimates and reasonable assumptions, which affect the reported amounts of assets and liabilities, as well as the disclosure of potential receivables and liabilities as of the date of the financial statements, and revenues and expenses during the reporting period.

These estimates and assumptions are based on the information available at the time the financial statements are prepared. Actual results may differ from those estimates. Estimates and assumptions are continuously reviewed, and when corrections become necessary, they are recognized in the statement of profit or loss for the periods in which they became known.

Below are the key estimates and assumptions that involve a risk of causing material adjustments to the carrying amounts of assets and liabilities during the financial year.

4. KEY ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

Impairment of financial assets

The Company recognizes an impairment for expected credit losses on financial assets measured at amortized cost or on debt instruments recognized at fair value through other comprehensive income (FVOCI).

The carrying value of financial instruments measured at amortized cost is reduced by the amount of the provisions for expected credit losses.

Allowance for expected credit losses on debt financial assets measured at fair value through other comprehensive income are recognized through other comprehensive income and profit or loss, and they do not impair the carrying value in the balance sheet.

After initial recognition, the allowance for expected credit losses is calculated at each reporting date. The Company estimates, at each reporting date, the level of impairment for financial assets measured at amortized cost or at fair value through other comprehensive income (FVOCI), as well as for contractual assets. The Company conducts impairment assessments based on the "forward-looking" expected credit loss model in accordance with IFRS 9.

Impairment is measured at the one of the following bases:

- 12-month expected credit losses - These are expected credit losses that arise if a default status occurs within 12 months after the reporting date; and
- lifetime expected credit losses - These credit losses result from possible default events throughout the expected life of the financial instrument.

The evaluation of lifetime expected credit losses is applied if the credit risk of a financial asset has significantly increased since its initial recognition, as of the reporting date. Otherwise, the valuation of 12-month expected credit losses is applied. The Company may assess that the credit risk of a financial asset has not significantly increased if the asset has low credit risk as of the reporting date.

Assumptions and estimates used by the Company as inputs in the expected credit loss model, as well as the assessment of significant increases in credit risk, are disclosed in Note 3.7.

Classification of financial assets

The Company assesses the business model under which financial assets are held. Additionally, the Company assesses whether the contractual cash flows of the financial assets consist solely of payments of principal and interest.

Assessment of the Business Model

The Company approaches the analysis of the business model at the portfolio level, as this best reflects how the business is managed and the information provided to the management.

The information considered pertains to the policies and strategies related to the portfolio, as well as their practical application. In particular, it is important whether the management's strategy is based on earning agreed interest income, aligning the maturity periods of financial assets and the liabilities financing those assets, or whether the strategy is based on realizing cash flows through the sale of assets. The Company also considers information regarding the assessment and reporting of portfolio performance, as well as the risks affecting portfolio performance and how they are managed. Additionally, the Company reviews the frequency, volume, and timing of sales of financial assets in previous periods, the reasons for sales, and plans for the sale of financial assets in future periods.

4. KEY ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

Assessing whether the contractual cash flows consist solely of payments of principal and interest

For the purposes of the assessment, "principal" represents the fair value of the financial asset at the date of initial recognition. "Interest" is defined as compensation for the time value of money and for the credit risk associated with the outstanding principal over a specified period, as well as for other fundamental credit risks (such as liquidity risk, administrative costs), and the profit margin.

When assessing whether the contractual cash flows represent solely payments of principal and interest (SPPI), the Company considers the contractual terms of the financial instruments and whether they contain provisions that could alter the timing or amount of the contractual cash flows, which would result in fair value measurement of the instruments. Key contractual terms considered in the assessment include: leverage characteristics, extension or prepayment options, characteristics that limit the Company's right to cash flows to the amount of the specific asset, and characteristics that result in modifications of the time value of money, such as periodic adjustments to interest rates for financial assets with variable interest rates.

Useful life of intangible investments and property, plants and equipment

The determination of the useful life of intangible assets and property, plant, and equipment is based on past experience with similar assets, as well as anticipated technical developments and changes influenced by a variety of economic or industrial factors.

The appropriateness of the determined useful life is reviewed annually or whenever there is an indication of a significant change in the factors that were the basis for determining the useful life.

Impairment of Non-financial Assets, Repossessed Leased Objects, and Inventories

As of the balance sheet date, the management of the Company assesses the values at which intangible assets, property, plant, and equipment, as well as repossessed leased assets and inventories, are reported.

If there are indications that an asset is impaired, the recoverable amount of the asset is estimated to determine the amount of impairment. If the recoverable amount of an asset is estimated to be lower than its carrying amount, the carrying value of that asset is reduced to its recoverable amount.

The assessment of impairment requires subjective judgment by management regarding cash flows, growth rates, and discount rates for the cash-generating units under consideration.

The Company believes that there are no significant deviations between the carrying value of assets and their fair value that would impact the financial statements.

Deferred tax assets

Deferred tax assets are recognized for all unused tax credits to the extent that it is probable that future taxable profits will be sufficient to utilize the unused tax credits.

A significant estimate by the management of the Company is necessary to determine the value of recognizable deferred tax assets, based on the period of origination and level of future taxable income and strategy of planning tax policy (Note 14(c)).

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4. KEY ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

Retirement Severance Pay

The costs of employee benefits after the termination of employment or retirement upon fulfilment of legal requirements are determined using actuarial estimates. Actuary estimate includes estimate of discount rate, future changes of salaries, mortality rate and employee turnover.

Due to the long-term nature of these plans, significant uncertainties affect the outcome of the estimate. Additional information is disclosed in Note 24.

Provisions for litigation

The Company is involved in a number of litigations arising from its regular business operations, related to commercial and contractual matters, which are being resolved or considered during the course of regular operations. The company regularly evaluates the probability of negative outcomes of these cases, as well as the amounts of probable or reasonable estimates of losses.

Reasonable estimates involve management's judgment after considering information that includes notifications, settlements, legal department assessments, available facts, identification of potential responsible parties and their ability to contribute to resolution, as well as previous experience.

A provision for litigation is recognized when it is probable that an obligation exists, and its amount can be reliably estimated through careful analysis (Note 24). The required provision may change in the future due to new events or the receipt of new information. Contingent liabilities, as well as items that do not meet the criteria for recognition as provisions, are disclosed, unless the probability of an outflow of resources embodying economic benefits is remote.

Leases

The incremental borrowing rate, used as the discount rate to determine the present value of lease payments, is determined by analysing internal sources of information regarding borrowings and is adjusted to reflect the terms of the lease agreement and the type of asset leased.

5. INTEREST INCOME AND EXPENSES

	<u>2024</u>	<u>2023</u>
Interest income		
Receivables from financial lease interest	1.850.772	1.456.882
Default interest income	10.801	9.780
Interest income - securities	-	329
Interest income from deposits	<u>123.080</u>	<u>116.949</u>
Total	<u>1.984.653</u>	<u>1.583.940</u>
Interest expenses		
Interest expenses on foreign loans	(862.010)	(682.529)
Interest expenses on loans from domestic related parties	(329.532)	(120.140)
Interest expenses on lease liabilities	(2.144)	(993)
Other interest expenses	<u>(8)</u>	<u>-</u>
Total	<u>(1.193.694)</u>	<u>(803.662)</u>
Interest income	<u>790.959</u>	<u>780.278</u>

NOTES TO FINANCIAL STATEMENTS
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6. INCOME AND EXPENSES FROM FINANCE LEASES

	<u>2024</u>	<u>2023</u>
Fee income		
Fee income from lease approvals	136.802	112.256
Income from warnings	925	1.124
Income from interim interest	62.281	38.189
Income from reinvoiced costs to clients	91.488	80.705
Other fee income	<u>3.288</u>	<u>-</u>
Total	<u>294.784</u>	<u>232.274</u>
Fee expenses		
Costs of insurance of the lease object	(184)	(221)
Intermediation expenses for lease object placement	(54.496)	(42.137)
Costs of repossession of the lease object	(4)	(33)
Costs of loan guarantees	(20.686)	(17.124)
Costs from reinvoiced costs to clients	(92.509)	(81.346)
Other cost of finance lease transactions	(2.851)	(1.930)
Total	<u>(170.730)</u>	<u>(142,791)</u>
Fees income	<u>124.054</u>	<u>89.483</u>

7. NET GAINS AND LOSSES FROM EXCHANGE AND EFFECTS OF CURRENCY CLAUSES

	<u>2024.</u>	<u>2023.</u>
Foreign exchange gains and currency clause gains		
Currency clause gains	18.178	5.020
Foreign exchange gains	<u>62.420</u>	<u>51.486</u>
Total	<u>80.598</u>	<u>56.506</u>
Foreign exchange losses and currency clause losses		
Currency clause losses	(49.393)	(35.429)
Exchange losses	<u>(35.096)</u>	<u>(23.948)</u>
Total	<u>(84.489)</u>	<u>(59.377)</u>
Net expenses	<u>(3.891)</u>	<u>(2.871)</u>

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8. NET (EXPENSES) / INCOME FROM IMPAIRMENT REVERSAL OF RECEIVABLES FROM
FINANCIAL LEASING AND FINANCIAL ASSETS

	<u>2024</u>	<u>2023</u>
Net (impairment)/reversal of impairment of long-term receivables more the 60 days past due	(5.964)	(8.317)
Net (impairment)/reversal of impairment of long-term receivables up to 60 days past due and future receivables from finance leases	(7.966)	(148.871)
Net (impairment)/reversal of impairment of short-term receivables more than 60 days past due	(5.822)	(56)
Net reversal of impairment/(impairment) of short-term receivables up to 60 days past due	(1.115)	(692)
Net (impairment)/reversal of impairment of other financial instruments - securities	<u>-</u>	<u>672</u>
Net (expenses)/income	<u>(20.867)</u>	<u>(157.264)</u>

9. NET EXPENSES RELATED TO IMPAIRMENT OF LEASED ASSETS, LEASED
OBJECTS AND ASSETS RECEIVED IN EXCHANGE FOR UNPAID RECEIVABLES

	<u>2024</u>	<u>2023</u>
Impairment of repossessed leased objects	(10.495)	(1.068)
Income from value adjustment of repossessed leased objects	<u>1.821</u>	<u>33.106</u>
Total	<u>(8.674)</u>	<u>32.038</u>

Impairment of repossessed leased objects refers to the recognized impairment based on assessments by certified appraisers.

10. OTHER OPERATING INCOME

	<u>2024</u>	<u>2023</u>
Revenue from insurance agency for leased assets	137.207	103.143
Income from reduced liabilities	6.091	1.152
Other operating income	<u>2.697</u>	<u>3.852</u>
Total other income	<u>145.995</u>	<u>108.147</u>

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11. DEPRECIATION COSTS

	<u>2024</u>	<u>2023</u>
Intangible assets depreciation costs (note 19)	7.819	8.265
Property, plants and equipment depreciation costs (note 20)	1.226	964
Right-of-use assets depreciation costs (note 20)	13.495	8.967
Depreciation costs for investment in third-party properties (note 20)	<u>26</u>	<u>-</u>
Total	<u><u>22.566</u></u>	<u><u>18.196</u></u>

12. Salary, remuneration and other personal expenses

	<u>2024</u>	<u>2023</u>
Gross salaries cost	170.554	129.931
Costs of accrued bonuses	31.160	20.858
Tax and contributions expenses	23.934	18.043
Other personal expenses and allowances	6.552	5.107
Contractual work expenses	<u>13.559</u>	<u>11.804</u>
Total	<u><u>245.759</u></u>	<u><u>185.743</u></u>

13 OTHER INCOME AND EXPENSES

Other income

	<u>2024</u>	<u>2023</u>
Income from release of litigations provisions	<u>-</u>	<u>1</u>
Total	<u><u>-</u></u>	<u><u>1</u></u>

NOTES TO FINANCIAL STATEMENTS
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13. OTHER INCOME AND EXPENSES (Continued)

Other expenses

	<u>2024</u>	<u>2023</u>
Cost of maintenance services (b)	26.783	22.046
Costs of advertisement and propaganda	8.848	8.199
Costs of consulting services (a)	21.346	20.611
Leasing fee costs	1.819	906
Costs of payment operations	4.686	3.783
Entertainment and team building costs	6.508	5.010
Services of youth and student cooperatives	8.883	4.584
Fuel costs	4.674	3.456
Costs of legal services	1.207	1600
Costs of transport and postal services	4.664	3.716
Material costs	2.202	2.201
Costs of professional training and literature	4.744	1.380
Costs of spare parts and minor assets	1.239	1.039
Audit costs	5.719	4.122
Membership fees costs	2.025	1.624
Costs of insurance premium	833	163
Costs of translation and similar services	337	259
Tax expenses	7.566	4.252
Litigation costs	259	212
Provisioning expenses	3.220	722
Costs of other services	<u>16.711</u>	<u>11.845</u>
Total	<u><u>134.273</u></u>	<u><u>101.730</u></u>

- (a) The costs of consulting services in the current year are higher compared to the previous year, primarily due to the increase in expenses related to the "Service Level Agreement" (SLA) contract with Banca Intesa a.d. Beograd which amounts to RSD 20,550 thousand in 2024 (RSD 19.816 thousands in 2023).
- (b) In the maintenance services cost group, the increase in the current year is mainly attributed to the rise in software maintenance expenses, which amount to RSD 26,407 thousand in 2024 (RSD 21,559 thousand in 2023).
- (c) In the other services cost group, the largest expense relates to the fee for access to credit bureau data, which amounted to RSD 4,391 thousand in 2024 (RSD 4,666 thousand in 2023).

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14. INCOME TAX

(a) Components of income tax

Total tax expenses comprises the following taxes:

	<u>2024</u>	<u>2023</u>
Income tax for the period	124.943	116.631
Deferred tax expenses for the period	17	-
Deferred tax income for the period	<u>-</u>	<u>(1.034)</u>
Total tax expenses for the period	<u><u>124.960</u></u>	<u><u>115.597</u></u>

(b) Reconciliation of the total income tax amount reported in the income statement with the product of profit before tax and the prescribed tax rate

The reconciliation of the tax expense calculated on profit before tax at the statutory corporate income tax rate and the tax expense at the Company's effective tax rate as of 31 December 2024 and 2023 is presented as follows:

	<u>2024</u>	<u>2023</u>
Profit before taxes	<u>624.978</u>	<u>544.153</u>
Income tax at official rate of 15%	93.747	81.622
Expenses not recognised for tax purposes	(3)	(96)
Tax non-recognised impairment of receivables	37.327	42.606
Interest income on securities - issuer Republic of Serbia Revenue adjustment	-	(49)
Expenses related to asset impairment not recognized in the tax period	175	-
Revenue adjustment for previously unrecognised tax expenses	<u>(6.303)</u>	<u>(7.452)</u>
Total current income tax	<u>124.943</u>	<u>116.631</u>
Deferred tax income - tax depreciation	(110)	(1.005)
Deferred tax expenses - IAS 19	127	-
Tax effects of the first-time application of IFRS 9	-	(29)
Total deferred tax expenses/income	<u>17</u>	<u>(1.034)</u>
Total income tax recognised in the income statement	<u>124.960</u>	<u>115.597</u>
<i>Effective tax rate</i>	<u><u>19.99%</u></u>	<u><u>21.24%</u></u>

(c) Deferred tax assets

Changes in deferred tax assets during reporting period are shown in the following table:

	<u>2024</u>	<u>2023</u>
Balance as of 1 January	2.486	1.452
Effects of temporary difference credited/debited to the income statement	<u>(17)</u>	<u>1034</u>
Balance as of 31 December	<u><u>2.469</u></u>	<u><u>2486</u></u>

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14. INCOME TAX (Continued)

The following table shows the basis for the recognition of deferred tax income/(expenses) and their effects on the income statement for the years 2024 and 2023:

	Deferred tax assets 2024	Income statement 2024	Deferred tax assets 2023	Income statement 2023
Temporary differences between the carrying amount of property and intangible assets and their tax base	2.126	110	2.253	1.005
Temporary differences related to provisions under IAS 19 "Employee Benefits"	343	(127)	233	29
Total	<u>2.469</u>	<u>(17)</u>	<u>2.486</u>	<u>1.034</u>

(d) Current tax liabilities

	<u>2024</u>	<u>2023</u>
Balance as of 31 December	<u>(15.440)</u>	<u>(52.637)</u>

The current tax liability arose as the difference between the calculated income tax for 2024 and the advance income tax payments made in 2024.

15. CASH AND CASH EQUIVALENTS

	<u>2024</u>	<u>2023</u>
Dinar current account	155.151	216.344
Foreign currency account	<u>900.835</u>	<u>4.845</u>
Balance as of 31 December	<u>1.055.986</u>	<u>221.189</u>

During 2024 and 2023, the Company conducted dinar and foreign currency payment transactions through accounts opened with Banca Intesa a.d. Beograd.

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16. SHORT-TERM FINANCIAL ASSETS

	<u>2024</u>	<u>2023</u>
Term deposits	7.185.937	4.666.938
Investments in investment units	<u>119.171</u>	-
Balance as of 31 December	<u><u>7.305.108</u></u>	<u><u>4.666.938</u></u>

The total amount of term deposits is held with Banca Intesa a.d. Beograd for a period of up to one year. Total investment in investment units is with a related entity, Intesa Invest Belgrade.

17. OTHER FINANCIAL INVESTMENTS AND DERIVATIVES

Below is a structural overview of investments in investment units as of 31 December 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Value of investment units	117.015	-
Deviation from the cost of investment units	<u>2.156</u>	-
Balance as of 31 December	<u><u>119.171</u></u>	<u><u>-</u></u>

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18. SHORT- AND LONG-TERM RECEIVABLES FROM FINANCIAL LEASING

The structure of receivables from financial leasing is shown in the following overview:

	<u>2024</u>	<u>2023</u>
Past due receivables from financial leasing	291.503	422080
Receivables from financial leasing up to 1 year	10.432.917	9.321.196
Short-term receivables for fees	22.871	20.118
Accrued interest income from financial leasing	76.412	77.471
Accrued income from fees based on the approved financial leasing	<u>(55,349)</u>	<u>(48,112)</u>
Total short-term receivables from financial leasing	<u>10.768.354</u>	<u>9.792.753</u>
<i>Less</i>		
Impairment of past due receivables from financial leasing	(136.295)	(290.805)
Impairment of receivables from financial leasing up to 1 year	(108.938)	(88.731)
Impairment of short-term receivables	<u>(14.427)</u>	<u>(9.717)</u>
Total impairment of short-term receivables from financial leasing	<u>(259,660)</u>	<u>(389,253)</u>
Net short-term receivables from financial leasing	<u>10.508.694</u>	<u>9.403.500</u>
	<u>2024</u>	<u>2023</u>
Receivables from financial leasing from 1 up to 5 year	20.740.797	17.762.988
Receivables from financial leasing over 5 year	1.117.600	735.069
Accrued income from fees based on the approved financial leasing	<u>(127.356)</u>	<u>(114.543)</u>
Total long-term receivables from financial leasing	<u>21.731.041</u>	<u>18.383.514</u>
<i>Less</i>		
Impairment of receivables from financial leasing from 1 up to 5 year	(211.461)	(173.208)
Impairment of receivables from financial leasing over 5 year	<u>(22.627)</u>	<u>(10.515)</u>
Total impairment of long-term receivables from financial leasing	<u>(234.088)</u>	<u>(183.723)</u>
Net long-term receivables from financial leasing	<u>21.496.953</u>	<u>18.199.791</u>

The Company's receivables based on financial leasing as of 31 December 2024, amount to RSD 32,005,647 thousand, representing a 15.95% increase compared to the previous year (31 December 2023: RSD 27.603.291 thousands). Short-term receivables for fees relate to other receivables based on the financial leasing operations: receivables from fees for approved applications, reinvoiced services, default interest, reminders and interim interest.

NOTES TO FINANCIAL STATEMENTS
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18. SHORT- AND LONG-TERM RECEIVABLES FROM FINANCIAL LEASING
(Continued)

Accrued interest income from financial leasing refers to the proportional portion of interest in the lease payments due in the subsequent year. It pertains to the period from the due date of the previous instalment to 31 December of the reporting period for which the financial statements are prepared.

Deferred income from fees for financial leasing arrangements represents upfront charges for fees related to the approval of financial leasing transactions. These are deducted from the gross amounts of financial leasing receivables and are presented as deferred income, amounting to RSD 182,715 thousand for 2024, and RSD 162,655 thousand for 2023.

The residual risk management strategy for rights retained by the Company within its assets involves any tools or instruments that mitigate such risks. These include buy-back agreements, residual value guarantees, and warranties.

- (a) The present and future value of receivables based on minimum lease payments as of 31 December 2024, excluding adjustments for short-term receivables, accrued interest income on financial leases, and deferred income from upfront charges, is presented in the following table:

	<u>Net present value</u>	<u>Unearned income</u>	<u>Gross receivables</u>
Up to 1 year and due	10.508.694	1.585.201	12.093.895
From 1 to 5 years	20.740.797	2.146.361	22.887.158
More than 5 years	<u>1.117.600</u>	<u>191.865</u>	<u>1.309.465</u>
Total	<u><u>32.367.091</u></u>	<u><u>3.923.427</u></u>	<u><u>36.290.518</u></u>

The present and future value of receivables based on minimum lease payments as of 31 December 2023, excluding adjustments for short-term receivables, accrued interest income on financial leases, and deferred income from upfront charges, is presented in the following table:

	<u>Net present value</u>	<u>Unearned income</u>	<u>Gross receivables</u>
Up to 1 year and due	9.403.500	1.392.135	10.795.635
1 to 5 years	17.478.052	1.923.328	19.401.380
More than 5 years	<u>721.739</u>	<u>117.814</u>	<u>839.553</u>
Total	<u><u>27.603.291</u></u>	<u><u>3.433.277</u></u>	<u><u>31.036.568</u></u>

NOTES TO FINANCIAL STATEMENTS
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18. SHORT- AND LONG-TERM RECEIVABLES FROM FINANCIAL LEASING
(Continued)

- (b) Changes in the accounts for the impairment of receivables from financial leasing during the year are presented as follows:

	<u>2024</u>	<u>2023</u>
Balance as of 1 January	(572.976)	(438.806)
Impairments during the year - increases	(54.453)	(164.026)
Impairments during the year - decreases	121.753	29.605
Write-off of receivables - decreases	25	25
Exchange gains	-	(46)
Exchange losses	11.910	272
Balance as of 31 December	<u>(493.740)</u>	<u>(572.976)</u>

Changes in impairment levels can also be presented in the following table

<u>Value adjustment</u>	<u>31 December 2023</u>	<u>Increase /decrease during the year</u>	<u>31 December 2024</u>
Level 1	(101.419)	(46.327)	(147.746)
Level 2	(118.962)	(35.261)	(154.223)
Level 3	<u>(352.595)</u>	<u>160.824</u>	<u>(191.771)</u>
Total	<u>(572.976)</u>	<u>79.236</u>	<u>(493.740)</u>

- (c) Receivables from financial leasing based on minimum lease payments, excluding adjustments for deferred prepaid manipulation fees and excluding short-term receivables and their respective impairments, as of 31 December 2024, and 31 December 2023, along with impairments based on impairment levels, are shown in the following summary:

	<u>Value of receivables</u>	<u>Impairment of receivables</u>	<u>Net value of receivables</u>
Impairment level 1	29.613.686	(147.712)	29.465.974
Impairment level 2	2.688.599	(153.876)	2.534.723
Impairment level 3	<u>280.532</u>	<u>(177.725)</u>	<u>102.807</u>
Total as of 31 December 2024	<u>32.582.817</u>	<u>(479.313)</u>	<u>32.103.504</u>

	<u>Value of receivables</u>	<u>Impairment of receivables</u>	<u>Net value of receivables</u>
Impairment level 1	24.995.551	(101.380)	24.894.171
Impairment level 2	2.841.269	(118.577)	2.722.691
Impairment level 3	<u>404.513</u>	<u>(342.782)</u>	<u>61.732</u>
Total as of 31 December 2023	<u>28.241.333</u>	<u>(562.739)</u>	<u>27.678.594</u>

NOTES TO FINANCIAL STATEMENTS
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18. SHORT- AND LONG-TERM RECEIVABLES FROM FINANCIAL LEASING
(Continued)

<u>ECL movement during 2024</u>	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
Starting balance - 01.01.2024	<u>101.419</u>	<u>118.962</u>	<u>352.595</u>	<u>572.976</u>
Transfer to stage 1	-	(56.039)	(1.957)	(57.996)
Transfer to stage 2	(8.980)	-	(146)	(9.126)
Transfer to stage 3	(901)	(6.214)	-	(7.115)
<i>Changes in ECL due to change in measurement</i>	13.791	103.859	(21.303)	96.347
New production	75.448	32.670	3.361	111.479
Collection	(33.031)	(39.015)	(35.599)	(107.645)
Write-offs	-	-	(105.180)	(105.180)
Balance as of 31 December 2024	<u>147.746</u>	<u>154.223</u>	<u>191.771</u>	<u>493.740</u>

- (d) Financial leasing agreements entered into during 2023 were concluded for a period of up to 10 years. Under financial leasing agreements, the economic benefits and risks are transferred to the lessee. In accordance with the agreements, ownership rights are transferred to the lessee after the agreed-upon repayment of the lease instalments. In 2024, the fee for processing applications was calculated on average at 0.58% of the gross acquisition cost of the leased asset (2023: 0,64%).

As protection against foreign exchange risk, the Company uses a currency clause when entering into financial leasing agreements.

The nominal interest rates for financial leasing agreements approved in 2024 ranged as follows:

<u>Placements</u>	<u>From</u>	<u>To</u>
Placements in EUR	4,99%	10,27%
Placements in RSD	<u>4,95%</u>	<u>8,99%</u>

The average client downpayment rate in financial leasing agreements in 2024 was 15.74% of the net cost of the leased asset (2023: 15,%).

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19. INTANGIBLE ASSETS

	<u>Licences and software:</u>	<u>Unfinished intangible assets</u>	<u>Total</u>
COST			
Balance as of 1 January 2023	78.138	4.952	83.090
Increases during the year - new purchases	10.101	3.924	14.025
Transfer (from)/to	-	-	-
Balance as of 1 January 2023	<u>88.239</u>	<u>8.876</u>	<u>97.115</u>
Increases during the year - new purchases	8.526	2.579	11.104
Transfer (from)/to	8.251	(8.251)	-
Balance as of 1 January 2024	<u>105.016</u>	<u>3.204</u>	<u>108.220</u>
ACCUMULATED IMPAIRMENT ALLOWANCE			
Balance as of 1 January 2023	57.703	-	57.703
Amortization (Note 11)	8.265	-	8265
Balance as of 1 January 2023	<u>65.968</u>	<u>-</u>	<u>65.968</u>
Amortization (Note 11)	7.819	-	7.819
Balance as of 1 January 2024	<u>73.787</u>	<u>-</u>	<u>73.787</u>
Residual value as of:			
- 31 December 2024.	<u>31.229</u>	<u>3.204</u>	<u>34.433</u>
- 31 December 2023	<u>22.271</u>	<u>8.876</u>	<u>31.147</u>

In 2024, the upgrade of the "Nova" information system continued, including the enhancement of existing modules, as well as investments in intangible assets in preparation for a new process.

Based on the assessment of the Company's management, as of 31 December 2024, there are no indications that the value of intangible assets has been impaired.

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20. PROPERTY, PLANTS AND EQUIPMENT

	Vehicles	Vehicles and property lease*	Other equipment	Leased objects	Other assets	Total
COST						
Balance as of 1 January 2023	5.132	61.383	4.770	118.770	597	190.652
Increases during the year- new purchases	5.007	12.432	1.850	416.264	-	435.553
Disposals and write-offs	(1.479)	(84)	(410)	(508.291)	-	(510.264)
Balance as of 31 December 2023	8.660	73.731	6.210	26.743	597	115.941
Increases during the year- new purchases	-	40.127	5.784	109.664	-	155.575
Disposals and write-offs	(1.596)	(1.371)	-	-	-	(2.967)
Balance as of 31 December 2024	7.064	112.487	11.994	136.407	597	268.549
ACCUMULATED IMPAIRMENT ALLOWANCE						
Balance as of 1 January 2023	5.132	13.806	2.160	94.751	-	115.849
Amortization (Note 11)	41	8.967	964	-	-	9.972
Disposals and write-offs	(1.478)	-	-	-	-	(1.478)
Impairment allowance increase/decrease	-	-	(483)	(94,710)	-	(95.193)
Balance as of 31 December 2023	3.695	22.773	2.641	41-	-	29.150
Amortization (Note 11)	-	13.495	1.252	-	-	14.747
Disposals and write-offs	(1.596)	-	41	-	-	(1.555)
Impairment allowance increase/decrease	-	(1.371)	-	1.128	-	(243)
Balance as of 31 December 2024	2.099	34.897	3.934	1.169	-	42.099
Residual value as of:						
- 31 December 2024	4.965	77.590	8.060	135.238	597	226.450
- 31 December 2023	4.965	50.958	3.569	26.702	597	86.791

* In column Vehicles and property lease is presented as the value of right-of-use assets in accordance with IFRS 16

The Company has no ownership restrictions over its equipment as of 31 December 2024, and no pledges as collateral for liabilities.

Based on the management's assessment, as of 31 December 2024, there are no indications that the value of the equipment is impaired

21. IFRS 16 Leases

Assets with right-of-use (leased business premises and vehicles) for 2024:

	Leased real estate	Leased passenger vehicles	Total
Balance as of 1 January 2024	32.626	18.332	50.958
Increase during the year	21.910	18.217	40.127
Amortisation during the year	(6.609)	(6.886)	(13.495)
Balance as of 1 January 2024	<u>47.927</u>	<u>29.663</u>	<u>77.590</u>

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21. IFRS 16 Leases (Continued)

Amounts recognized in the income statement related to leases under IFRS 16 can be presented in the following table:

	<u>Leased vehicles</u>	<u>Leased passenger vehicles</u>	<u>Total</u>
Interest expenses	1.062	1.083	2.145
Amortisation expenses	<u>6.609</u>	<u>6.886</u>	<u>13.495</u>
Total	<u><u>7.671</u></u>	<u><u>7.969</u></u>	<u><u>15.640</u></u>

The amounts presented in the Statement of Cash Flows under cash outflows from financing activities can be shown in the following overview:

Outflow from real estate lease	7.254
Outflow from passenger vehicle lease	<u>7.523</u>
Total	<u><u>14.777</u></u>

22. OTHER ASSETS

	<u>2024</u>	<u>2023</u>
Receivables for insurance agency	16.273	9.533
VAT receivables	21.268	6.498
Receivables for unconfirmed changes in tax bases	2.984	2.631
Other accruals	5	-
Prepaid expenses	76.311	63.248
Receivables from sale of leased assets	62.065	21.342
Advance payments made	142.196	179.322
Receivables from interest on deposits	27.037	68.747
Other receivables	<u>4.105</u>	<u>3.532</u>
Balance as of 31 December	<u><u>352.244</u></u>	<u><u>354.853</u></u>

The change in prepaid expenses in 2024 was primarily due to the increase in commission fees for placement mediation, which were paid during the year, and the expense is recognized using the declining balance method over the term of the financial lease agreements under which they were incurred. The amount of this group of deferred expenses as of 31 December 2024 was RSD 76,311 thousand, while the amount as of 31 December 2023 was RSD 62,076 thousand.

Receivables for interest on deposits relate to 11 deposit agreements as of 31 December 2024, while the data as of 31 December 2023 referred to 15 deposit agreements.

The majority of the advances given relate to advances for the procurement of leased assets, amounting to RSD 141,679 thousand as of 31 December 2024 (RSD 179,322 thousand as of 31 December 2023).

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23. LONG- AND SHORT-TERM FINANCIAL LIABILITIES

Summary of financial liabilities under funds borrowed from banks and other financial institutions are given below:

A) Long-term financial liabilities

Summary of financial liabilities under funds borrowed from banks and other financial institutions are given below:

	<u>2024</u>	<u>2023</u>
Part of liabilities under long-term domestic loans maturing in 1 to 5 years	5.887.387	2.955.950
Part of liabilities under long-term foreign loans maturing in 1 to 5 years	19.284.099	19.249.579
Part of liabilities under long-term foreign loans maturing after more than 5 years	<u>1.399.128</u>	<u>260.477</u>
Total liabilities	<u>26.570.614</u>	<u>22.466.006</u>
Deferred expenses of domestic loan approval	(1.449)	(658)
Deferred expenses of foreign loan approval	<u>(11.310)</u>	<u>(9.256)</u>
Balance as of 31 December	<u><u>26.557.855</u></u>	<u><u>22.456.092</u></u>

B) Short-term financial liabilities

	<u>2024</u>	<u>2023</u>
Liabilities under short-term domestic loans	-	585869
Liabilities under domestic loan interest	22.240	12666
Liabilities under foreign loan interest	-	143
Part of liabilities under long-term domestic loans maturing within one year	3.706.277	1.472.628
Part of liabilities under long-term foreign loans within one year	<u>7.504.134</u>	<u>5.768.585</u>
Total liabilities	<u>11.232.651</u>	<u>7.839.891</u>
Deferred liabilities from interest and guarantees for long-term loans	35.690	33.060
Deferred expenses of domestic loan approval	(2.541)	(3.187)
Deferred expenses of approvals for credits and guarantees for foreign loans	<u>(13.164)</u>	<u>(18.803)</u>
Balance as of 31 December	<u><u>11.252.636</u></u>	<u><u>7.850.961</u></u>

Financial liabilities arising from funds borrowed from banks are reduced by prepaid costs related to the approval of received loans, which are deferred over the periods in which the loans are utilized.

Financial liabilities arising from funds borrowed from banks are increased by accrued interest and deferred guarantee costs related to received loans.

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23. LONG- AND SHORT-TERM FINANCIAL LIABILITIES (Continued)

As of 31 December 2024, the Company had one approved but unused loan amounting to EUR 25.61 million.

The interest rate on received long-term foreign loans ranges from 0.38% to 5.28% per annum, depending on the maturity period and the time when the agreements were concluded.

The agreed repayment terms for long-term foreign loans range from 5 to 11 years.

As of 31 December 2024, the Company had not breached any covenants under agreements with creditors where such covenants were defined.

Financial liabilities to creditors

The following table shows changes in liabilities by loans:

<u>Creditor</u>	Balance as of 1 January 2024 in 000 RSD	Balance as of 1 January 2024 in EUR	Draws during the year in EUR	Repayments during the year in EUR	Balance as of 31 December 2024 in EUR	Balance as of 31 December 2024 in 000 RSD
Banca Intesa a.d. Beograd	5.014.446	42.794.983	90.000.000	50.808.302	81.986.681	9.593.663
VUB banka	8.292.294	70.769.235	35.000.000	11.538.450	94.230.785	11.026.406
European Investment Bank	5.475.513	46.729.878	34.381.519	12.063.302	69.048.094	8.079.656
KfW Entwicklungsbank	1.171.737	10.000.000	5.000.000	-	15.000.000	1.755.224
Banka Intesa Sanpaolo d.d.	8.779.014	74.923.077	-	18.743.590	56.179.487	6.573.837
European Bank for Reconstruction and Development	1.560.084	13.314.286	-	6.885.715	6.428.571	752.239
Total	30.293.088	258.531.458	164.381.519	100.039.359	322.873.618	37.781.025

The loan balance as of 31 December 2024, amounting to RSD 37,781,025 thousand, represents the outstanding principal on loans, i.e., financial liabilities on loans excluding interest liabilities, prepaid interest expenses, and guarantees, and without deductions for deferred loan approval costs.

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24. PROVISIONS

Provisions for retirement severance pay upon employee retirement were formed based on an independent actuary's report as of 31 December 2024 and 31 December 2023 and are presented at the present value of expected future payments. In determining the present value of expected outflows, a discount rate of 6.30% was applied. The provision was determined based on the Company's Employment Manual assuming an average annual salary growth rate in Serbia of 7.60% and an annual employee turnover rate of 7.0%.

The structure of provisions is presented in the following table:

	<u>2024</u>	<u>2023</u>
Long-term provisions for retirement severance pay	2.287	1.554
Provisions for litigations	<u>6.246</u>	<u>6.302</u>
Balance as of 31 December	<u><u>8.533</u></u>	<u><u>7.856</u></u>

Changes in provisions during the year are shown in the following table:

	<u>2023</u>	<u>2023</u>
Balance as of 1 January	7.856	7.599
Long-term provisions for retirement severance pay (Note 13)	733	192
Provisions for litigations (Note 13)	<u>(56)</u>	<u>65</u>
Balance as of 31 December	<u><u>8.533</u></u>	<u><u>7.856</u></u>

Assessed risk of losing litigation and provisions for contingent liabilities amount to RSD 6.246 thousand (2023: RSD 6.302 thousand) and are related to one pending litigation initiated against the Company (as of 31 December 2023 two pending litigations).

Litigations in which the Company is a defendant were related to insurance claims.

25. OTHER LIABILITIES

	<u>2024</u>	<u>2023</u>
Liabilities to suppliers	39.373	30.807
Liabilities to clients	278.335	277.163
Liabilities for unused annual leave	6.629	4.893
Other accruals	11.407	13.197
Tax liabilities	136	120
Wages and compensations liabilities	31.777	22.338
Long-term lease liabilities	79.046	51.635
Other liabilities	<u>597</u>	<u>597</u>
Balance as of 31 December	<u><u>447.300</u></u>	<u><u>400.750</u></u>

Liabilities to clients in the amount of RSD 278.335 thousand as of 31 December 2024 (31 December 2023: RSD 277.163 thousand) mostly refer to early payments made by clients in the amount of RSD 176.569 thousand (2023: RSD 145,318).

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25. OTHER OBLIGATIONS (Continued)

Overview of long-term lease liabilities is shown below

	Liabilities for lease of <u>premises</u>	Liabilities for lease of <u>passenger vehicles</u>	<u>Total</u>
Balance as of 1 January 2023	37.093	10.861	47.954
Increase during the year	-	12.394	12.394
Decrease - repayment during the year	<u>(3.975)</u>	<u>(4.738)</u>	<u>(8.713)</u>
Balance as of 1 January 2023	<u>33.118</u>	<u>18517</u>	<u>51635</u>
Increase during the year	18.160	21883	40043
Decrease - repayment during the year	<u>(6.192)</u>	<u>(6.440)</u>	<u>(12.632)</u>
Balance as of 1 January 2024	<u>45.086</u>	<u>33.960</u>	<u>79.046</u>

Future minimum lease payables in accordance with leasing agreements are as follows:

	Present <u>value</u>	Contractual non- discounted <u>cash flows</u>
Up to 1 year	16.547	18.322
1 to 5 years	54.801	59.035
More than 5 years	<u>7.698</u>	<u>8.186</u>
Total as of 31 December 2024	<u>79.046</u>	<u>85.543</u>

26. SHARE CAPITAL - COMPANY'S INTERESTS

The Company's capital structure according to the ownership shares as of 31 December 2024 and 2023, is presented below:

	<u>2024</u>	<u>2023</u>
Banca Intesa a.d. Beograd	<u>960.374</u>	<u>960.374</u>
Balance as of 31 December	<u>960.374</u>	<u>960.374</u>

As of 31 December 2024 Banca Intesa a.d. Beograd is the sole owner of the Company with 100% share in its share capital.

By the Decision of the Business Registers Agency No. 155596/2011 dated 19 December 2011, the change of the founder was carried out, registering Banca Intesa a.d. Beograd as the sole owner of the Company's shares.

The subscribed, paid-in, and registered founding (monetary) capital of the Company with the Business Registers Agency amounts to EUR 10,152,453 as of the payment date.

As of 31 December 2024, the monetary portion of the Company's founding capital meets the minimum prescribed amount set out in Article 10a of the Law on Financial Leasing ("Official Gazette of the Republic of Serbia", No. 55/2003, 61/2005, 31/2011, and 99/2011), in the immediate vicinity of the area in question.

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27. PROVISIONS

The structure of Company's provisions as of 31 December 2024 and 2023, is presented below:

	<u>2024</u>	<u>2023</u>
Unrealized gains on investments in investment units	2.156	-
Other provisions - carry-forward profits	<u>1.238.025</u>	<u>809.469</u>
Balance as of 31 December	<u><u>1.240.181</u></u>	<u><u>809.469</u></u>

28. PROFIT

As of 31 December 2024, the Company's total retained earnings amount to RSD 500,018 thousand (31 December 2023: RSD 428,556 thousand) and relate to the profit for the current year.

29. COMMITTED AND CONTINGENT LIABILITIES

(a) Litigation

As of 31 December 2024, there is one pending litigation against the Company. The total value of these litigations amounts to RSD 6,246 thousand (31 December 2023: RSD 6,302 thousand), and for the disputes that, according to the Company's management assessment, are expected to be lost, provisions for potential losses have been made (Note 24).

(b) Tax risks

The tax system of the Republic of Serbia is subject to continuous review and amendments. In the Republic of Serbia, the tax period remains open for review over a period of five years, in accordance with the statute of limitations defined by the Law on Tax Procedure and Tax Administration. Under various circumstances, tax authorities may adopt different approaches to certain matters and may determine additional tax liabilities, along with accrued default interest and penalties. The Company's management believes that the tax liabilities recognised in the accompanying financial statements are appropriately stated.

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30. DISCLOSURE OF RELATED PARTY TRANSACTIONS

In its regular operations the Company enters into business transactions with its founder and other related parties.

Guarantees received from related parties, which are recorded off-balance sheet, can be presented as follows:

	<u>2024</u>	<u>2023</u>
Guarantees of Intesa Sanpaolo S.p.A. Milano	9.834.360	7.517.390
Guarantees of Banca Intesa a.d. Beograd	<u>5.182.130</u>	<u>4.674.088</u>
Balance as of 31 December	<u><u>15.016.490</u></u>	<u><u>12.191.478</u></u>

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

Balance of account receivables and payables as of 31 December 2024 and 2023 from transactions with Banca Intesa a.d Beograd, as well as income and expenses incurred during the year are as follows:

<u>Accounts receivable from Banca Intesa a.d. Beograd</u>	<u>2024</u>	<u>2023</u>
Cash (Note 15)	1.055.986	221.189
Term deposits	7.185.937	4.666.938
Receivables from contractual penalty	37	37
Receivables from interest on deposits	<u>27.014</u>	<u>68.748</u>
Balance as of 31 December	<u><u>8.268.974</u></u>	<u><u>4.956.912</u></u>

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30. DISCLOSURE OF RELATED PARTY TRANSACTIONS (Continued)

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

<u>Accounts payable to Banca Intesa a.d. Beograd</u>	<u>2024</u>	<u>2023</u>
Long-term financial liabilities (note 23)	5.887.387	2.955.950
Short-term financial liabilities (Note 23)	3.706.277	2.058.497
Interest liabilities (Note 23)	22.240	10422
Deferred expenses of domestic loan approval (Note 23)	(5.298)	(3.845)
Long-term lease liabilities (Note 25)	29.081	33.118
Other liabilities	<u>25.004</u>	<u>26.937</u>
Balance as of 31 December	<u><u>9.664.691</u></u>	<u><u>5.081.079</u></u>
<u>Income from transactions with Banca Intesa a.d. Beograd</u>	<u>2024</u>	<u>2023</u>
Interest income from deposits (Note 5)	123.080	116.949
Other income	<u>-</u>	<u>37</u>
Total	<u><u>123.080</u></u>	<u><u>116.986</u></u>
<u>Expenses from transactions with Banca Intesa a.d. Beograd</u>	<u>2024</u>	<u>2023</u>
Interest expenses (Note 5)	329.532	120.140
Fee expenses	11.077	8.523
Expenses from services under SLA agreement (Note 13(a))	20.550	19.816
Other expenses	<u>13.203</u>	<u>8.698</u>
Total	<u><u>374.362</u></u>	<u><u>157.177</u></u>

In the structure of other expenses related to the related entity Banca Intesa a.d. Beograd, the largest portion consists of commission expenses for intermediation in financial lease placements. As of 31 December 2024, these expenses amounted to RSD 3,677 thousand (31 December 2023: RSD 4,082 thousand).

<u>Transactions with Intesa Invest a.d Beograd</u>	<u>2024</u>	<u>2023</u>
Unrealized gains on investments in investment units	2.156	-
Value of investments in investment units	<u>117.015</u>	<u>-</u>
Total	<u><u>119.171</u></u>	<u><u>-</u></u>

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30. DISCLOSURE OF RELATED PARTY TRANSACTIONS (Continued)

(b) Other related party transactions

As of 31 December 2024 and 2023 the Company had the following liabilities towards other members of Intesa Sanpaolo Group - Intesa Sanpaolo S.p.A. Milano, as well as the following expenses during the year:

<u>Liabilities towards Intesa Sanpaolo S.p.A. Milano</u>	<u>2024</u>	<u>2023</u>
Liabilities for calculated guarantee expenses	2.683	1.666
Other liabilities	<u>-</u>	<u>23</u>
Balance as of 31 December	<u>2.683</u>	<u>1.689</u>

<u>Liabilities towards Banca Intesa Sanpaolo d.d. Kopar</u>	<u>2024</u>	<u>2023</u>
Long-term financial liabilities (note 23)	3.600.458	6.582.758
Short-term financial liabilities (Note 23)	2.973.379	2.196.256
Tax liabilities	-	143
Deferred expenses of loan approval	<u>(2.340)</u>	<u>(7.248)</u>
Balance as of 31 December	<u>6.571.497</u>	<u>8.771.909</u>

<u>Liabilities towards VUB</u>	<u>2024</u>	<u>2023</u>
Long-term financial liabilities (note 23)	8.603.676	6.940.291
Short-term financial liabilities (Note 23)	2.422.730	1.352.003
Deferred expenses of loan approval	<u>(2.433)</u>	<u>(3.464)</u>
Balance as of 31 December	<u>11.023.973</u>	<u>8.288.830</u>

<u>Expenses from transactions with members of Intesa Sanpaolo Group</u>	<u>2024</u>	<u>2023</u>
Expenses of guarantee processing fees Intesa Sanpaolo S.p.A. Milano	9.609	9.710
Processing fees of Banca Intesa Sanpaolo d.d. Kopar	3.626	4.496
Processing fees of VUB	2.263	1675
Interest expenses Banka Intesa Sanpaolo d.d. Kopar	201.674	196.596
Interest expenses VUB	400.360	279.979
Other fee expenses - Intesa Sanpaolo S.p.A. Milano	<u>23</u>	<u>23</u>
Total	<u>617.555</u>	<u>492.479</u>

(c) Management remuneration

The management of the company received salaries in 2024 and 2023 in the following amount:

	<u>2024</u>	<u>2023</u>
Total gross salary	36.412	31.867
Total net salary	<u>26.215</u>	<u>22.957</u>

No benefits have been paid to the members of the Board of Directors of the Company during 2024 and 2023.

31. RISK MANAGEMENT

Risk is an inherent part of the financial institution's operations and it is impossible to completely eliminate it. However, it is important that risks are managed in such a way that they are reduced to levels acceptable to all stakeholders: capital owners, leasing services provider, leasing consumers, regulators.

Risk management is a continuous process of identifying, assessing, measuring, monitoring, and controlling the Company's exposure to risks. An important part of the risk management process is reporting and mitigating risks. An adequate risk management system is a crucial element in ensuring the stability of the Company and the profit in of its operations.

Due to the nature of its business, the Company is exposed to the following major types of risks:

- credit risk;
- liquidity risk;
- market risk (interest rate risk, foreign exchange risk and other market risks); and
- operating risk.

The management is responsible for establishing an adequate risk management system and consistently implementing it in practice. Management defines procedures for identifying, measuring, and assessing risks and is responsible for establishing a unified risk management system within the Company and for supervising the system.

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

The Board of Directors analyses and approves the Company's policies and procedures related to risk management and the internal control system, which are submitted to the Board for consideration and approval. Additionally, the Board of Directors monitors and supervises the implementation and proper execution of the adopted policies and procedures for risk management and, if necessary, proposes ways to improve them.

In addition to the Decision on adopting the limits that define the Company's risk appetite (RAF limits), as the framework document that regulates risk management, in order to implement a special and unique risk management system and ensure the functional and organizational separation of risk management activities from regular business activities, the Risk Management Department and the Credit Management Department of Banca Intesa a.d. are involved in the risk management process .

The Company has signed risk participation guarantee agreements with Banca Intesa a.d. Belgrade for five clients, covering the concentration limit for individual clients or groups of related parties.

The risk management process within the Company is formalized through a set of procedures that are aligned with the Intesa Sanpaolo Group's rules and updated at least once every two years.

The procedures for risk management are as follows:

- Procedure for managing exposure risk;
- Procedure for managing liquidity risk;
- Procedure for managing interest rates risk;
- Procedure for managing operational risk;
- Procedure for managing compliance risk;
- Procedure for managing foreign exchange risk;
- Policy for managing credit risk;
- Procedure for managing ESG risk; and
- Information system management policy.

31. RISK MANAGEMENT (Continued)

The bodies of the Company and Banca Intesa a.d. Beograd responsible for risk management continuously monitor changes in legal regulations, analyse their impact on the level of risk at the Company, and take steps to align business operations and procedures with new regulations within controlled risk boundaries.

Additionally, the introduction of new services is accompanied by necessary market and economic analyses to optimize the relationship between revenue and provisions for the estimated real risk.

31.1. Credit risk

Credit risk is the risk that one contracting party will fail to fulfil its obligations, thereby causing a financial loss to the other party.

The Company, through its internal acts and procedures, creates a system for managing credit risk and reduces credit risk to an acceptable level.

Credit risk management includes determining the credit risk limits for one or more debtors.

Credit risk management is carried out at multiple levels:

- at the client level;
- at the level of group of related parties; and
- at the level of the entire credit portfolio.

Based on the Business Cooperation Agreement with Banca Intesa a.d. Beograd, the creditworthiness assessment of each client after submitting a lease application is carried out as follows:

- The Company collects all necessary documentation from clients required for the creditworthiness analysis.
- If the decision-making level is above the internal limit, the collected documentation is forwarded to the Credit Management Department of Banca Intesa a.d. Beograd, where the creditworthiness analysis, payment history, and analysis of the value of proposed risk protection instruments are conducted.
- Credit Management Department of Banca Intesa a.d. Beograd give Recommendation for approval of lease.
- The Credit Committee of the Company, consisting of the President and members of the Executive Board, makes the decision based on the Recommendation from the Underwriting Department.

The credit process within the Company is governed by the Procedure for Managing Credit Risk since 28 December 2021, as follows:

The credit process for approving applications within the Company consists of:

- an automated credit process for approving applications;
- an accelerated credit process.

31. RISK MANAGEMENT (Continued)

31.1. Credit risk (Continued)

The Company manages credit risk by setting limits regarding the term, amount, and transaction conditions, such as the downpayment and results of the client's creditworthiness, diversifying placements to a larger number of clients, and agreeing on a currency clause.

Credit risk management is also carried out by accepting adequate collateral for loan repayment and determining an appropriate placement cost that covers the risk of the placement.

The total exposure to risk per individual client or group of related parties, in terms of exposure limits, is reviewed and analysed before executing the transaction.

Credit risk management also includes monitoring of concentration risk. Concentration risk is the risk of loss due to a large volume of placements to a particular group of debtors.

Debtor groups are defined based on different criteria, with the most significant being: related parties, i.e. economic groups.

The conditions of securing individual placements are determined based on client's creditworthiness, the type of exposure to credit risk, the maturity of placement and the amount of the placement. The amount and type of collateral required from the client depend on the assessed credit risk.

Given the nature of the financial leasing operations, the primary security instrument is the leased object. Standard security instruments taken from the client include, in addition to the leased object itself, blank promissory notes.

Additional security instruments, depending on the assessment, may include: mortgages on real estate, pledges on movable property, pledges on deposits or receivables, buy-back agreements with the supplier, and co-debtorship agreements with another party, which makes them a joint debtor, as well as security deposits as guarantees for fulfilling obligations.

If a mortgage on real estate or pledge on movable property is taken as additional collateral, the Company ensures an appraisal of the asset's value by an authorized appraiser to minimize the risk.

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31. RISK MANAGEMENT (Continued)

31.1. Credit risk (Continued)

Based on the Business Cooperation Agreement, Risk Management Department of Banca Intesa a.d. Beograd assesses the impairment of receivables from financial lease of the Company.

When assessing the impairment of receivables based on financial leasing, the following key factors are considered: delays in payment of principal or due interest of the lease, identified weaknesses in the client's cash flow, non-compliance with the contractual terms and deterioration of the client's credit rating.

Impairment of receivables based on financial leasing for the Company is carried out through group assessments of value adjustments. Individual assessment is conducted for non-performing exposures exceeding EUR 150,000. The impairment assessment is carried out on a monthly basis.

During 2024 NPL Committee made numerous decisions and took actions to find the best possible solutions for those placements.

The total exposure to credit risk of the Company can be shown in the following table:

	<u>2024</u>	<u>2023</u>
Cash	1.055.986	221.189
Financial placements with banks, deposits	7.185.937	4.666.938
Other financial investments and derivatives	119.171	-
Financial lease receivables	32.005.647	2.760.3291
Other assets -receivables from sale of leased assets	<u>62.065</u>	<u>21.342</u>
Maximum credit risk exposure	<u><u>40.428.806</u></u>	<u><u>32.507.815</u></u>

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31. RISK MANAGEMENT (Continued)

31.1. Credit risk (Continued)

(a) *Portfolio quality*

The following table shows the quality of the portfolio for gross placements, i.e., receivables from financial leasing, excluding short-term receivables, accrued interest, and prepaid handling fees (Note 18), by types of placements, based on the Company's internal classification system and impairment of receivables, as of 31 December 2024:

	Performing	Past due	Unlikely to pay	Doubtful	Total as of 31/12/2023
Placements to customers					
Corporate	925.544	-	-	-	925.544
Medium-sized enterprises	6.617.769	6.696	-	4.826	6.629.291
Small enterprises	14.699.399	29.002	14.942	95.128	1.483.8471
Micro enterprises	6.640.648	5.044	9.820	61.267	6.716.779
Entrepreneurs	2.815.745	6.299	21.449	19.453	2.862.946
Individuals	527.855	1.397	870	2.356	532.478
Farmers	27.213	-	-	1.984	29.697
Other clients	47.612	-	-	-	47.612
Total	32.302.285	48.438	47.081	185.014	3.258.2818
Share in total gross placements	99.14%	0.15%	0.14%	0.57%	100%
Placements to customers					
Corporate	8.965	-	-	-	8.965
Medium-sized enterprises	23.452	1.578	-	4.826	29.856
Small enterprises	140.469	7.351	7.034	68.291	223.145
Micro enterprises	87.751	1.111	2.230	59.614	150.706
Entrepreneurs	37.212	1.509	5.333	14.188	58.242
Individuals	3.249	288	196	2.191	5.924
Farmers	123	-	-	1.984	2.107
Other clients	368	-	-	-	368
Total	301.589	11.837	14.793	151.094	479.313
Share in total allowance	62.92%	2.47%	3.09%	31.52%	100.00%

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31. RISK MANAGEMENT (Continued)

31.1. Credit risk (Continued)

(a) *Portfolio quality (Continued)*

The following table shows the quality of the portfolio for gross placements, i.e., receivables from financial leasing, excluding short-term receivables, accrued interest, and prepaid handling fees, by types of placements, based on the Company's internal classification system and impairment of receivables, as of 31 December 2023:

	Performing	Past due	Unlikely to pay	Doubtful	Total as of 31/12/2023
Placements to customers					
Corporate	953.517	-	-	-	953.517
Medium-sized enterprises	5.716.386	-	-	5.272	5.721.658
Small enterprises	12.594.468	27.300	5.997	131.738	12.759.503
Micro enterprises	4.996.499	7.217	13.340	116.081	5.133.137
Entrepreneurs	3.166.126	4.860	4.938	19.913	3.195.837
Individuals	374.076	4.058	-	6.943	385.077
Farmers	1.484	-	-	56.856	58.340
Other clients	34.264	-	-	-	34.264
Total	27.836.820	43.435	24.275	336.803	2.824.1333
Share in total gross placements	98.57%	0.15%	0.09%	1.19%	100.00%
Placements to customers					
Corporate	1.994	-	-	-	1.994
Medium-sized enterprises	28.282	-	-	5.272	33.554
Small enterprises	102.058	6.074	1.418	128.005	237.555
Micro enterprises	51.179	1.432	2.972	114.176	169.759
Entrepreneurs	35.217	1.068	1.176	16.572	54.033
Individuals	1.108	816	-	6.943	8.867
Farmers	3	-	-	56.856	56.859
Other clients	118	-	-	-	118
Total	219.959	9.390	5.566	327.824	562.739
Share in total allowances	39.08%	1.67%	0.99%	58.26%	100.00%

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31. RISK MANAGEMENT (Continued)

31.1. Credit risk (Continued)

(a) *Portfolio quality (Continued)*

Below is the summary of gross placements by internal ratings:

<u>Internal rating for 2024</u>	<u>Gross placements</u>	<u>Share of gross placements in total placements</u>	<u>Allowances</u>	<u>Share of allowance in total allowances</u>
Inter Company	-	0.00%	-	0.00%
A1	427.303	1.31%	111	0.02%
A2	1.832.903	5.63%	700	0.15%
A3	2.889.663	8.87%	2.184	0.46%
B1	3.300.607	10.13%	3.230	0.67%
B2	4.662.140	14.31%	6.134	1.28%
B3	2.804.044	8.61%	7.595	1.58%
B4	2.913.872	8.94%	15.476	3.23%
C1	1.643.418	5.04%	17.329	3.62%
C2	1.144.544	3.51%	23.099	4.82%
C3	1.257.597	3.86%	90.681	18.92%
D	280.533	0.86%	177.725	37.08%
S12	10.728	0.03%	27	0.01%
STRONG	-	0.00%	-	0.00%
Unrated (Stage 1 and 2)	9.415.466	28.90%	135.022	28.16%
Total as of 31/12/2024	32.582.818	100.00%	479.313	100.00%

<u>Internal rating for 2023</u>	<u>Gross placements</u>	<u>Share of gross placements in total placements</u>	<u>Value adjustments adjustments</u>	<u>Share of allowance in total allowances</u>
Inter Company	-	0.00%	-	0.00%
A1	561.053	1.99%	194	0.03%
A2	1.836.840	6.50%	654	0.12%
A3	3.227.448	11.43%	1.632	0.29%
B1	1.768.963	6.26%	1.853	0.33%
B2	4.629.149	16.39%	6.662	1.18%
B3	1.749.816	6.20%	5.639	1.00%
B4	1.932.221	6.84%	12.054	2.14%
C1	514.428	1.82%	7.406	1.32%
C2	2.012.695	7.13%	35.772	6.36%
C3	623.391	2.21%	35.103	6.24%
D	404.513	1.43%	342.781	60.91%
S13	23.237	0.08%	50	0.01%
STRONG	138.893	0.49%	130	0.02%
Unrated (Stage 1 and 2)	8.818.686	31.23%	112.809	20.05%
Total as of 31/12/2023	28.241.333	100.00%	562.739	100.00%

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31. RISK MANAGEMENT (Continued)

31.1. Credit risk (Continued)

(a) *Portfolio quality (Continued)*

The following table shows the quality of the portfolio for net placements, i.e., receivables from financial leasing, excluding short-term receivables, accrued interest, and prepaid handling fees, by types of placements, based on the Company's internal classification system as of 31 December 2024 and 2023:

	Performing	Past due	Unlikely to pay	Doubtful	Total as of 31/12/2024
Placements to customers					
Corporate	916.580	-	-	-	916.580
Medium-sized enterprises	6.594.316	5.118	-	-	6.599.434
Small enterprises	14.558.930	21.650	7.908	26.837	14.615.325
Micro enterprises	6.552.897	3.933	7.590	1.653	6.566.073
Entrepreneurs	2.778.533	4.790	16.116	5.266	2.804.705
Individuals	524.606	1.109	674	165	526.554
Farmers	27.590	-	-	-	27.590
Other institutions	47.244	-	-	-	47.244
Total	32.000.696	36.600	32.288	33.921	32.103.505
Share in total net placements	99.68%	0.11%	0.10%	0.11%	100.00%
	Performing	Past due	Unlikely to pay	Doubtful	Total as of 31 December 2023
Placements to customers					
Corporate	951.522	-	-	-	951.522
Medium-sized enterprises	5.688.104	-	-	-	5.688.104
Small enterprises	12.492.413	21.226	4.579	3.731	12.521.949
Micro enterprises	4.945.320	5.785	10.367	1.905	4.963.377
Entrepreneurs	3.130.909	3.792	3.762	3.341	3.141.804
Individuals	372.969	3.242	-	-	376.211
Farmers	1.481	-	-	-	1.481
Other institutions	34.146	-	-	-	34.146
Total	27.616.864	34.045	18.708	8.977	27.678.594
Share in total net placements	99.78%	0.12%	0.07%	0.03%	100.00%

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31. RISK MANAGEMENT (Continued)

31.1. Credit risk (Continued)

(a) *Portfolio quality (Continued)*

Aging of receivables

Aging analysis of customer receivables as of 31 December 2024 is shown below:

	Past due 30 days	Past due 31 to 60 days	Past due over 60	Not due	Total 31/12/2024
Placements to customers					
Corporate	72	-	-	925.473	925.545
Medium-sized enterprises	5.900	352	4.827	6.618.212	6.629.291
Small enterprises	84.955	5.741	59.506	14.688.267	14.838.469
Micro enterprises	37.712	4.164	52.839	6.622.064	6.716.779
Entrepreneurs	16.418	1.942	10.480	2.834.106	2.862.946
Individuals	1.942	443	2.155	527.938	532.478
Farmers	-	-	1.984	27.713	29.697
Other institutions	68	1	-	47.544	47.613
Total	147.067	12.643	131.791	32.291.316	32.582.818
Share in total due placements of high and standard quality	0.45%	0.04%	0.40%	99.11%	100.00%

Aging analysis of customer receivables as of 31 December 2023 is shown below:

	Past due 30 days	Past due31 to 60 days	Past due over 60	Not due	Total 31/12/2023
<i>Placements to customers</i>					
Corporate	44	-	-	953.472	953.516
Medium-sized enterprises	9.470	877	5.272	5.706.039	5.721.658
Small enterprises	94.741	15.850	57.045	12.591.867	12.759.503
Micro enterprises	52.822	7.061	84.437	4.988.816	5.133.136
Entrepreneurs	15.323	4.752	9.488	3.166.275	3.195.838
Individuals	926	50	7.011	377.090	385.077
Farmers	24	20	56.858	1.439	58.341
Other institutions	9	-	-	34.255	34.264
Total	173.359	28.610	220.111	27.819.253	28.241.333
Share in total due placements of high and standard quality	0.61%	0.10%	0.78%	98.51%	100.00%

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31. RISK MANAGEMENT (Continued)

31.1. Credit risk (Continued)

(b) *Maximum credit risk exposure*

The structure of the Company's maximum exposure to credit risk, stated in the value of gross placements, i.e., receivables from financial leasing, excluding short-term receivables and prepaid transaction fees (Note 18), as of 31 December 2024, by geographic areas, is presented in the following table:

<u>Geographic area</u>	<u>Placements to customers</u>	<u>Value adjustment of placements</u>	<u>Net 31/12/2024</u>	<u>% Share in net placements</u>
Vojvodina	9.771.362	(141.519)	9.629.843	30.00%
Belgrade	16.549.856	(241.612)	16.308.244	50.80%
South and East Serbia	1.739.005	(26.829)	1.712.176	5.33%
Šumadija and West Serbia	4.522.595	(69.353)	4.453.242	13.87%
Total	<u>32.582.818</u>	<u>(479,313)</u>	<u>32.103.505</u>	<u>100.00%</u>

The structure of the Company's maximum exposure to credit risk, stated in the value of gross placements, i.e., receivables from financial leasing, excluding short-term receivables and prepaid transaction fees (Note 18), as of 31 December 2023, by geographic areas, is presented in the following table:

<u>Geographic area</u>	<u>Placements to customers</u>	<u>Value adjustment of placements</u>	<u>Net 31/12/2023</u>	<u>% Share in net placements</u>
Vojvodina	9.414.433	(157.934)	9.206.499	33.44%
Belgrade	13.409.808	(258.220)	13.151.588	47.52%
South and East Serbia	1.390.834	(67.081)	1.323.753	4.78%
Šumadija and West Serbia	4.026.258	(79.504)	3.946.754	14.26%
Total	<u>28.241.333</u>	<u>(562,739)</u>	<u>27.628.594</u>	<u>100.00%</u>

The analysis of the Company's exposure to credit risk, by sectors or types of leased objects, is presented by the carrying value of net placements, i.e., receivables from financial leasing, excluding other receivables from financial leasing, prepaid interest, and prepaid handling fees. The largest share is held by the Transport and Storage sector; Information and Communication sector with 26.78%. The sector with the largest increase in portfolio share was Other Activities, with a 4.14% growth compared to 2023, while the sector with the largest decrease in share was Agriculture, Forestry, and Fishing, with a 1.82% decrease compared to 2023.

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31. RISK MANAGEMENT (Continued)

31.1. Credit risk (Continued)

(b) *Maximum credit risk exposure (Continued)*

Analysis as of 31 December 2024 and 2023 is shown in the following tables:

<u>Sector structure</u>	<u>Maximum exposure 2024</u>	<u>Percentage of exposure 2024</u>	<u>Maximum exposure 2023</u>	<u>Percentage of exposure 2023</u>
1 Agriculture, forestry and fishing	411.405	1.28%	857.793	3.10%
2 Mining; Manufacturing industry; Water supply, waste water management and similar activities	3.812.404	11.88%	3410727	12.32%
3 Supply of electricity, gas, steam and air-conditioning	40.524	0.13%	42.621	0.15%
4 Civil engineering	4.877.766	15.19%	4.413.675	15.95%
5 Retail and wholesale trade: repair of motor vehicles, motorcycles	4.028.512	12.55%	3.370.011	12.18%
6 Transport and storage; Information and communication	8.596.919	26.78%	7.478.576	27.02%
7 Accommodation and food services	859.898	2.68%	515.304	1.86%
8 Financial and insurance activities	75.864	0.24%	77.231	0.28%
9 Healthcare and welfare	198.447	0.62%	173.517	0.63%
10 Other activities	<u>9.201.766</u>	<u>28.66%</u>	<u>7.339.139</u>	<u>24.52%</u>
Total	<u>32.103.505</u>	<u>100.00%</u>	<u>27.678.594</u>	<u>100.00%</u>
	<u>Maximum exposure 2024</u>	<u>Percentage of exposure 2024</u>	<u>Maximum exposure 2023</u>	<u>Percentage of exposure 2023</u>
<u>Exposure by leased object</u>				
1 Production machinery and equipment	9.219	0.03%	30.708	0.11%
2 Construction machinery and equipment	3.005.288	9.36%	3.070.505	11.09%
3 Agriculture machinery and equipment	296.000	0.92%	610.928	2.21%
4 Cargo vehicles, minibuses and buses	12.268.049	38.21%	10.858.239	39.23%
5 Passenger vehicles	13.478.926	41.99%	10.542.875	38.09%
6 Railway vehicles, vessels and aircraft	29.090	0.09%	29.052	0.10%
7 Household appliances	-	-	-	-
8 Machines and equipment for providing services	-	-	-	-
9 Other movable assets	514.511	1.60%	721.542	2.61%
10 Commercial immovable assets	2.436.061	7.59%	1.744.219	6.30%
11 Other immovable assets	<u>66.361</u>	<u>0.21%</u>	<u>70.526</u>	<u>0.25%</u>
Total	<u>32.103.505</u>	<u>100.00%</u>	<u>27.678.594</u>	<u>100.00%</u>

The largest share is held by Passenger vehicles, accounting for 41.99%, with an increase in share of 3.90% compared to 2023, which also represents the largest growth in the structure of exposure during the year. The largest decrease in share was recorded in Construction machinery and equipment, with a decrease of 1.73% compared to 2023. The maximum exposure by lease asset type is 55% of the total exposure value. The Company did not exceed the exposure limit by asset type in the observed periods.

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31. RISK MANAGEMENT (Continued)

31.1. Credit risk (Continued)

(b) *Maximum credit risk exposure (Continued)*

Exposure risk

The Company monitors and measures exposure to a single entity or a group of related entities and ensures consistency in the exposure indicators when making decisions about approving leases.

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

– Exposure to clients with individual gross receivables exceeding 10% of the Company's equity.

The risk of exposure to a client is measured relative to the Company's equity. As of 31 December 2024, 16 clients had individual exposures greater than 10% of the Company's equity (2023: 18 clients).

By adopting the limits defining the risk appetite, Intesa Leasing d.o.o. Beograd (RAF limits) set a maximum exposure of 30% relative to the Company's equity for individual clients or groups of related entities. At the date of preparing the financial statements, the Company had no exposure to a single client (or group of related entities) exceeding the established limit.

As protection against credit risk, the Company has collateral for certain placements, including mortgages, special purpose term deposits from clients, and lease assets.

The effect of collateral (except lease objects) on the calculation of allowances for receivables based on financial leasing, excluding receivables for losses after the sale of lease assets and reductions for prepaid transaction costs, is presented in the following table:

	<u>2024</u>	<u>2023</u>
Carrying value of allowances for receivables	479.313	562.739
Value of allowances for receivables without collateral	<u>487.751</u>	<u>570.170</u>
Effect on the calculation of allowances for receivables	<u>8.438</u>	<u>7.431</u>
Effect on calculation of collective allowances	8.438	7.431
Effect on calculation of individual allowances	<u>-</u>	<u>-</u>

The amounts shown as the effect on the calculation of allowances for receivables explain how much higher the allowance for receivables would be if collateral were not used in the calculation.

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31. RISK MANAGEMENT (Continued)

31.1. Credit risk (Continued)

(b) *Maximum credit risk exposure (Continued)*

Analysis of collaterals

Portfolio analysis by collateral type, as of 31 December 2024 and 2023 is shown in table below:

	2024		2023	
	Gross placement	Total value of collateral	Gross placement	Total value of collateral
Placements to legal entities	27.901.694	25.612.314	24.496.650	22.298.516
Mortgage	-	-	6.472	6.472
Deposit and guarantee	5.488.791	3.199.411	4.667.817	2.469.683
Leased asset	22.412.903	22.412.903	19.822.361	19.822.361
Not secured	-	-	-	-
Placements to entrepreneurs, individuals and farmers	4.620.995	4.579.642	3.639.255	3.546.094
Mortgage	-	-	-	-
Deposit	-	-	-	-
Leased asset	4.620.995	4.579.642	3.639.255	3.546.094
Not secured	-	-	-	-
Placements to banks	-	-	-	-
Mortgage	-	-	-	-
Deposit	-	-	-	-
Leased asset	-	-	-	-
Not secured	-	-	-	-
Placements to state and local self-government	60.129	60.129	105.428	104.767
Mortgage	-	-	-	-
Deposit	-	-	-	-
Leased asset	60.129	60.129	105.428	104.767
Not secured	-	-	-	-
Total as of 31 December	<u>32.582.818</u>	<u>30.252.085</u>	<u>28.241.333</u>	<u>25.949.377</u>

Value of collateral is shown up to the amount of receivables. Mortgage as collateral must also meet the following conditions: be registered in appropriate register, the property has been appraised by certified appraiser within previous 3 years, owner of the property is not bankrupt, appraised value of the property when reduced by the amount of all higher-ranked receivables is not smaller than the value of receivables and the receivables secured by mortgage are settled within 720 days past due.

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31. RISK MANAGEMENT (Continued)

31.1. Credit risk (Continued)

(b) *Maximum credit risk exposure (Continued)*

Analysis of collaterals (Continued)

The following tables shows the relationship between the placement balance and value of collateral (LTV ratio) as of 31 December 2024 and 2023:

<u>LTV ratio</u>	<u>2024 Value of placements</u>	<u>LTV ratio</u>	<u>2023 Value of placements</u>
<50%	2.773.383	<50%	2.215.622
51% - 70%	7.781.440	51% - 70%	6.272.294
71% - 90%	13.422.725	71% - 90%	11.268.433
91% - 100%	3.807.067	91% - 100%	3.755.358
>100%	<u>4.798.203</u>	>100%	<u>4.729.626</u>
Total	<u><u>32.582.818</u></u>	Total	<u><u>28.241.333</u></u>

LTV ratio in ranges 51% - 70% and 71% - 90% had the highest increase during 2024 due to increase in new placements during the financial year.

(c) *Assessment of financial asset impairment*

The structure of impairment of financial assets, i.e. receivables based on financial leasing, excluding short-term receivables, accrued interest and deferred revenue from receivables, as of 31 December 2024 and 2023 is shown below:

<u>2024</u>	<u>Gross receivables from financial leasing</u>	<u>Value adjustments</u>	<u>Net receivables from financial leasing</u>
Corporate	925.544	(8.965)	916.580
Medium-sized enterprises	6.629.291	(29.857)	6.599.434
Small enterprises	14.838.470	(223.144)	14.615.324
Micro enterprises	6.716.779	(150.706)	6.566.074
Entrepreneurs	2.862.947	(58.242)	2.804.705
Individuals	532.477	(5.923)	526.554
Farmers	29.698	(2,108)	27.590
Other institutions	<u>47.612</u>	<u>(368)</u>	<u>47.244</u>
Total	<u><u>32.582.818</u></u>	<u><u>479.313</u></u>	<u><u>32.103.505</u></u>

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31. RISK MANAGEMENT (Continued)

31.1. Credit risk (Continued)

(c) *Assessment of financial asset impairment (Continued)*

<u>2023</u>	Gross receivables from financial leasing	Value adjustments	Net receivables from financial leasing
Corporate	953.517	(1.994)	951.522
Medium-sized enterprises	5.721.658	(33.554)	5.688.104
Small enterprises	12.759.501	(237.557)	12.521.947
Micro enterprises	5.133.137	(169.759)	4.963.378
Entrepreneurs	3.195.838	(54.033)	3.141.805
Individuals	385.078	(8.866)	376.211
Farmers	58.340	(56.858)	1.481
Other institutions	34.264	(118)	34.146
Total	<u>28.241.333</u>	<u>(562.739)</u>	<u>27.678.594</u>

Structure of financial assets impairment by impairment calculation model as of 31 December 2024 and 2023 is shown in the following tables

<u>2024</u>	Gross receivables from financial leasing	%	Value adjustments	%
		from gross receivables		of total adjustment
Collective adjustment	32.562.467	99.94%	478.825	99.90%
Individual adjustment	20.351	0.06%	488	0.10%
Total	<u>32.582.818</u>	<u>100.00%</u>	<u>479.313</u>	<u>100.00%</u>

<u>2023</u>	Gross receivables from financial leasing	%	Value adjustments	%
		from gross receivables		of total adjustment
Collective adjustment	28.241.333	100.00%	(562.739)	100.00%
Individual adjustment	-	0.00%	-	0.00%
Total	<u>28.241.333</u>	<u>100.00%</u>	<u>(562.739)</u>	<u>100.00%</u>

Off-balance sheet exposure for receivables derecognised during 2023 is RSD 57,435 thousand, but remain subject to collection methods.

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31. RISK MANAGEMENT (Continued)

31.1. Credit risk (Continued)

(c) *Assessment of financial asset impairment (Continued)*

The assessment of credit risk for the item Other financial investments was conducted by the Company for securities that are measured at fair value through other comprehensive income.

Changes in the impairments of securities are presented in the following tables:

	<u>2024</u>	<u>2023</u>
Balance as of 1 January	-	672
Increase calculated during the year	-	-
Decrease calculated during the year	<u>-</u>	<u>(672)</u>
Balance as of 31 December	<u><u>-</u></u>	<u><u>-</u></u>

31.2 Liquidity risk

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

The management of the Company monitors the maturity of receivables and liabilities and performs daily and weekly cash flow projections resulting from operations.

The objectives of liquidity management include:

- Planning of cash inflows and outflows and
- Setting and monitoring liquidity ratios.

Liquidity risk is measured by continuously monitoring and analysing the matching of assets and liabilities through the preparation of relevant reports and ratios, as well as reports on Maturity mismatch.

The Finance and Operations Department is responsible for measuring and monitoring liquidity status, as well as for regularly preparing reports that reflect the impact of changes in different asset and liability categories on the liquidity position.

In the projections of cash inflows and outflows, the historically calculated collection ratio (recovery rate) is also taken into account, both for receivables maturing in the future and for overdue, yet uncollected receivables.

The Company also has contracted long-term credit lines as a liquidity management tool as of 31 December 2024.

The table below presents an analysis of the maturity of the Company's assets and liabilities based on agreed payment terms. The agreed maturity for assets and liabilities are determined based on the remaining period as of the balance sheet date in relation to the agreed maturity. In the tables, the total gross amount column reflects the positions of assets and liabilities without adjustments for impairments.

The periodic gap is negative for the period over 12 months because more liabilities due for payment on loans are maturing in that period than the receivables due for collection. The Company plans to correct this gap by drawing new long-term loans.

The cumulative gap is aligned for the entire analysis period.

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31 RISK MANAGEMENT (Continued)

31.2. Liquidity risk (Continued)

	Carrying value	Gross amount Total	Gross amount up to 30 days	Gross amount from 1 to 3 months	Gross Amount from 3 to 6 months	Gross Amount from 6 to 12 months	Gross Amount from 12 to 18 months	Gross Amount from 18 months to 5 years	Gross amount more than 5 years	Gross amount without defined maturity*
ASSETS										
Cash	1.055.986	1.055.986	1.055.986	-	-	-	-	-	-	-
Current financial assets	7.305.108	7.305.108	300.117	1.287.164	1.152.089	4.446.566	-	-	-	119.172
Current receivables from financial leasing	105.08.694	10.768.355	1.296.447	1.993.545	2.634.717	4.822.583	-	-	-	21.063
Intangible assets	34.433	108.219	-	-	-	-	-	-	-	108.219
Property, plants and equipment	226.450	268.516	-	-	-	-	-	-	-	268.516
Long-term receivables - financial leasing	21.496.953	21.731.033	-	-	-	-	4.557.529	16.183.345	1.117.523	(127.364)
Deferred tax assets	2.469	2.469	-	-	-	-	-	-	-	2.469
Other assets	352.244	408.379	36.985	97.411	5.909	3.390	-	-	-	264.684
TOTAL ASSETS	40.982.337	41.648.065	2.689.535	3.378.120	3.792.715	9.272.539	4.557.529	16.183.345	1.117.523	656.759
LIABILITIES										
Share capital and interests	960.374	960.374	-	-	-	-	-	-	-	960.374
Profit	500.018	500.018	-	-	-	-	-	-	-	500.018
Provisions	1.240.181	1.240.181	-	-	-	-	-	-	-	1.240.181
Long-term financial liabilities	26.557.855	26.557.855	-	-	-	-	5.222.190	19.949.296	1.399.128	(12.759)
Current financial liabilities	11.252.636	11.252.636	655.179	1.844.488	2.825.136	5.944.209	-	-	-	(16.376)
Provisioning	8.533	8.533	-	-	-	6.246	-	-	-	2.287
Current tax liabilities	15.440	15.440	-	-	15.440	-	-	-	-	-
Other liabilities	447.300	447.300	223.547	7.137	35.501	9.076	8.175	46.898	8.047	108.919
TOTAL LIABILITIES	40.982.337	40.982.337	878.726	1.851.625	2.876.077	5.959.531	5.230.365	19.996.194	1.407.175	2.782.644
Maturity gap as of 31 December 2024		665.728	1.810.809	1.526.495	916.638	3.313.008	(672.836)	(3.812.849)	(289.652)	(2.125.885)
Cumulative gap		665.728	1.810.809	3.337.304	4.253.942	7.566.950	6.894.114	3.081.265	2.791.613	-

* Amounts shown in column Gross amount without defined maturity represent non-financial assets/liabilities.

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31. RISK MANAGEMENT (Continued)

31.2. Liquidity risk (Continued)

	Carrying value	Gross amount Total	Gross amount up to 30 days	Gross amount from 1 to 3 months	Gross Amount from 3 to 6 months	Gross Amount from 6 to 12 months	Gross Amount from 12 to 18 months	Gross Amount from 18 months to 5 years	Gross amount more than 5 years	Gross amount without defined maturity*
ASSETS										
Cash	221.189	221.189	221.189	-	-	-	-	-	-	-
Current financial assets	4.666.938	4.666.938	1.343.464	-	30.0000	3.023.474	-	-	-	-
Current receivables from financial leasing	9.403.500	9.791.281	1.370.485	1.796.407	2.431.598	4.163.432	-	-	-	29.359
Intangible assets	31.147	97.115	-	-	-	-	-	-	-	97.115
Property, plants and equipment	86.791	115.943	-	-	-	-	-	-	-	115.943
Long-term receivables - financial leasing	18.199.791	18.384.986	-	-	-	-	3.724.242	14.040.218	735.069	(114.543)
Deferred tax assets Other	2.486	2.486	-	-	-	-	-	-	-	2.486
assets	354.853	422.292	73.129	16.336	14.046	19.508	-	-	-	299.273
TOTAL ASSETS	32.966.695	33.702.230	3.008.267	1.812.743	2.745.644	7.206.414	3.724.242	14.040.218	735.069	429.633
LIABILITIES										
Share capital and interests	960.374	960.374	-	-	-	-	-	-	-	960.374
Profit	428.556	428.556	-	-	-	-	-	-	-	428.556
Reserves	809.469	809.469	-	-	-	-	-	-	-	809.469
Long-term financial liabilities	22.456.092	22.456.092	-	-	-	-	4.202.392	18.003.136	260.477	(9.913)
Current financial liabilities	7.850.961	7.850.961	502.391	944.808	2.301.967	4.124.417	-	-	-	(22.622)
Provisioning	7.856	7.856	-	-	-	6.302	-	-	-	1.554
Current tax liabilities	52.637	52.637	-	-	52.637	-	-	-	-	-
Other liabilities	400.750	400.750	179.665	12.905	24.384	4.131	4.186	22.254	16.704	136.521
TOTAL LIABILITIES	32.966.695	32.966.695	682.056	957.713	2.378.988	4.134.850	4.206.578	18.025.390	277.181	2.303.939
Maturity gap as of 31 December 2023		735.535	2.326.211	855.030	366.656	3.071.564	(482.336)	(3.985.172)	457.888	(1.874.306)
Cumulative gap		735.535	2.326.211	3.181.241	3.547.897	6.619.461	6.137.125	2.151.953	2.609.841	-

* Amounts shown in column Gross amount without defined maturity represent non-financial assets/liabilities.

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31. RISK MANAGEMENT (Continued)

31.3. Market risk

Market risk is the risk that the fair value or expected future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, exchange rates, prices of equity securities, or commodity prices.

The Company is exposed to changes in market variables in its daily operations, which may positively or negatively impact its financial performance, including:

- interest rate risk;
- foreign exchange risk; and
- commodity price risk.

Commodity price risk is significant, as the lease assets may serve as collateral in the event of a lease contract termination.

Nearly all types of lease assets experience a decrease in value due to both market and technological reasons.

31.3.1. Interest rate risk

Interest rate risk is the risk of negative effects on the financial results and capital of the Company due to changes in interest rates.

The Company is exposed to the risk of interest rate changes, which affect its financial position and cash flows as a result of the mismatch between the maturity dates of assets and liabilities on which fixed interest rates are agreed.

Exposure to interest rate risk depends on the relationship between interest-sensitive assets and liabilities of the Company. Thus, the Company controls interest rate risk by monitoring the relationship between interest-bearing assets and liabilities and their share in total assets and liabilities.

The following table presents the Company's exposure to interest rate risk (Repricing Gap) as of 31 December 2024. Assets and liabilities are presented by the interest rate review date or maturity date, whichever comes first. The table also includes non-financial assets and liabilities (items: Repossessed leased assets and inventories, Intangible assets, Real estate, plant and equipment, Deferred tax assets, Provisions, Current tax liabilities) for completeness and comparability with the Balance Sheet.

The repricing gap report determines the difference between interest-sensitive assets and interest-sensitive liabilities for various future time periods. Based on the identified gaps, an analysis is conducted to assess the sensitivity of the Company's profit and capital to changes in market interest rates.

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31. RISK MANAGEMENT (Continued)

31.3. Market risk (Continued)

31.3.1. Interest Rate Risk (Continued)

	Carrying value	Gross amount Up to 30 days	Gross amount from 1 to 3 months	Gross amount from 3 to 6 months	Gross Amount from 6 to 12 months	Gross amount from 12 to 18 months	Gross amount from 18 months to 5 years	More than 5 years	Interest insensitive
ASSETS									
Cash	1.055.986	1.055.986	-	-	-	-	-	-	-
Current financial assets	7.305.108	30.0117	1.287.164	1.152.089	4.446.566	-	-	-	119.172
Current and long-term receivables from financial leasing	32.005.647	804.474	11.372.706	2.095.647	3.212.524	3.158.947	10.877.701	1.060.819	(577.171)
Intangible instruments	34.433	-	-	-	-	-	-	-	34.433
Property, plants and equipment	226.450	-	-	-	-	-	-	-	226.450
Deferred tax assets	2.469	-	-	-	-	-	-	-	2.469
Other assets	352.244	8.338	12.445	5.527	406	-	-	-	325.528
TOTAL ASSETS	40.982.337	2.168.915	12.672.315	3.253.263	7.659.496	3.158.947	10.877.701	1.060.819	130.881
LIABILITIES									
Share capital and interests	960.374	-	-	-	-	-	-	-	960.374
Profit	500.018	-	-	-	-	-	-	-	500.018
Reserves	1.240.181	-	-	-	-	-	-	-	1.240.181
Long-term and short-term financial liabilities	37.810.491	627.526	12.596.212	2.141.394	3.339.862	3.151.215	14.794.242	1.152.814	7.226
Provisions	8.533	-	-	-	-	-	-	-	8.533
Current tax liabilities	15.440	-	-	-	-	-	-	-	15.440
Other liabilities	447.300	-	-	-	-	-	-	-	447.300
TOTAL LIABILITIES	40.982.337	627.526	12.596.212	2.141.394	3.339.862	3.151.215	14.794.242	1.152.814	3.179.072
Maturity gap as of 31 December 2024		1.541.389	76.103	1.111.869	4.319.634	7.732	(3.916.541)	(91.995)	(3.048.191)
Cumulative gap		1.541.389	1.617.492	2.729.361	7.048.995	7.056.727	3.140.186	3.048.191	-

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31. RISK MANAGEMENT (Continued)

31.3. Market risk (Continued)

31.3.1. Interest Rate Risk (Continued)

	Carrying value	Gross amount up to 30 days	Gross amount from 1 to 3 months	Gross Amount from 3 to 6 months	Gross amount from 6 to 12 months	Gross amount from 12 to 18 months	Gross amount from 18 months to 5 years	More than 5 years	Interest insensitive
ASSETS									
Cash	221.189	221.189	-	-	-	-	-	-	-
Current financial assets	4.666.938	1.343.464	-	300.000	3.023.474	-	-	-	-
Current and non-current receivables from financial leasing	27.603.291	648.276	14.134.032	1.178.349	2.216.358	1.927.311	7.204.134	932.872	(638.041)
Intangible assets	31.147	-	-	-	-	-	-	-	31.147
Property, plants and equipment	86.791	-	-	-	-	-	-	-	86.791
Deferred tax assets	2.486	-	-	-	-	-	-	-	2.486
Other assets	354.853	38.723	-	13.148	16.876	-	-	-	286.106
TOTAL ASSETS	32.966.695	2.251.652	14.134.032	1.491.497	5.256.708	1.927.311	7.204.134	932.872	(231.511)
LIABILITIES									
Share capital and interests	960.374	-	-	-	-	-	-	-	960.374
Profit	428.556	-	-	-	-	-	-	-	428.556
Reserves	809.469	-	-	-	-	-	-	-	809.469
Long-term and short-term financial liabilities	30.307.053	535.036	16.992.684	2.981.800	1.625.925	1.520.308	6.650.142	-	1.157
Provisions	7.856	-	-	-	-	-	-	-	7.856
Current tax liabilities	52.637	-	-	-	-	-	-	-	52.637
Other liabilities	400.750	-	-	-	-	-	-	-	400.750
TOTAL LIABILITIES	32.966.695	535.036	16.992.684	2.981.800	1.625.925	1.520.308	6.650.142	-	2.660.799
Maturity gap as of 31 December 2023		1716.616	(2.858.652)	(1.490.303)	3.630.783	407.003	553.992	932.872	(2.892.310)
Cumulative gap		1716.616	(1.142.037)	(2.632.340)	998.443	1.405.446	1.959.438	2.892.310	-

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31. RISK MANAGEMENT (Continued)

31.3. Market risk (Continued)

31.3.1. Interest Rate Risk (Continued)

Total cumulative gap up to 18 months as of 31 December 2024 is RSD 7.048.995 thousand (31 December 2023: RSD 1.405.446 thousand) and can be deemed acceptable level of interest gap.

The interest rate risk is also monitored through scenario analyses, that is, by observing the impact of interest rate changes on the Company's income and expenses.

Interest rate risk can also be presented through the following overviews:

	Total	0-18 months	18 months - 3 years	3 - 5 years	5 - 10 years
Total	146.123	(89.274)	75.647	57.988	101.762
EUR	214.278	(72.183)	101.980	82.584	101.897
RSD	(68.155)	(17.091)	(26.333)	(24.596)	(135)

A change in the interest rate by 2.00% would result in an effect on the Company's income and expenses of RSD

146,123 thousand, which is below the limit of 15% of capital, amounting to RSD 439,680 thousand.

The percentage of limit usage is 39.15% for a -2% change, and 33.23% for a +2% change.

The interest rate risk limit represents the acceptable level of risk the Company may be exposed to. The limit is measured by the change in the net value of assets due to a change in interest rates of +200 b.p., and must not exceed 20% of the Company's regulatory capital. The Company regularly measures and reports its interest rate risk exposure to its Parent Bank. In the case of breaching the allowed limit, corrective actions must be taken as soon as possible to mitigate the breach.

The forms of risk that may be monitored include:

- Repricing risk, which arises from the time mismatch of interest rate review dates. For interest-sensitive positions with a fixed interest rate, the risk arises from the differing maturities of asset and liability positions, while for positions with a variable interest rate, the risk arises from differences in the timing of interest rate review between assets and liabilities.
- Yield curve risk, which represents the risk of changes in the shape of the yield curve.
- Basis risk, which represents the risk of exposure to different reference interest rates for interest-sensitive positions with similar maturity dates and review dates.
- Optionality risk, which represents the risk of resetting interest rates after contractual provisions have been realized for interest-sensitive positions (e.g., the risk of early repayment)

The Company measures and reports the interest rate risk arising from interest rate reset dates (repricing risk). Interest rate risk arising from changes in the yield curve, basis risk, and option risk is immaterial.

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31. RISK MANAGEMENT (Continued)

31.3. Market risk (Continued)

31.3.2. *Foreign exchange risk*

Foreign exchange risk is the risk of negative effects on the financial results and capital of the Company due to changes in exchange rates.

The Company's foreign exchange risk protection principle is to achieve and maintain a foreign currency asset at least equal to the amount of foreign currency liabilities. This relationship is also aligned in terms of the maturity of foreign currency claims and liabilities.

To manage foreign exchange risk, the Company arranges financial lease placements in EUR, with annuities paid in dinars at the applicable contracted exchange rate. Financing leases in different currencies exposes the Company to fluctuations in foreign exchange rates of multiple currencies. In accordance with the Company's internal policy and the Decision of the Company's Board of Directors, a limit on the open foreign exchange position was set at up to EUR 1 million, which was in effect during 2024.

The Company measures foreign exchange risk on a daily basis following the methodology defined in the Currency Risk Management Procedure, which is based on the methodology of the National Bank of Serbia, through the Foreign Exchange Risk Indicator Report.

Throughout 2024, the Company ensured compliance with the foreign exchange risk indicator, and there were no instances of breaching the limit.

As of 31 December 2024, the total open foreign exchange position amounted to RSD 60,080 thousand, while the foreign exchange risk indicator stood at 2.73% of capital. As of 31 December 2023, the total open foreign exchange position amounted to RSD 80,743 thousand, while the foreign exchange risk indicator stood at 3.67% of the Company's capital.

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31. RISK MANAGEMENT (Continued)

31.3. Market risk (Continued)

31.3.2. Foreign exchange risk (Continued)

Exposure risk as of 31 December 2024 is shown in the following table:

	Carrying value	RSD	EUR
ASSETS			
Cash and cash equivalents	1.055.986	155.151	900.835
Current financial assets	7.305.108	750.117	6.554.991
Short-term receivables from financial leasing	10.508.694	502.379	10.006.315
Intangible assets	34.433	34.433	-
Property, plants and equipment	226.450	100.670	125.780
Long-term receivables from financial leasing	21.496.953	994.530	20.502.423
Deferred tax assets	2.469	2.469	-
Other assets	352.244	193.875	158.369
TOTAL ASSETS	<u>40.982.337</u>	<u>2.733.624</u>	<u>38.248.713</u>
LIABILITIES			
Share capital and interests	960.374	960.374	-
Profit	500.018	500.018	-
Reserves	1.240.181	1.240.181	-
Long-term financial liabilities	26.557.855	(12.759)	26.570.614
Short-term financial liabilities	11.252.636	(15.704)	11.268.340
Provisioning	8.533	8.533	-
Current tax liabilities	15.440	15.440	-
Other liabilities	447.300	97.621	349.679
TOTAL LIABILITIES	<u>40.982.337</u>	<u>2.793.704</u>	<u>38.188.633</u>
Net foreign exchange position 31 December 2024	<u>-</u>	<u>(60.080)</u>	<u>(60.080)</u>

The table also includes non-financial assets and liabilities (items: Repossessed leased assets and inventories, Intangible assets, Real estate, plant and equipment, Deferred tax assets, Provisions, Current tax liabilities) for completeness and comparability with the Balance Sheet.

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31. RISK MANAGEMENT (Continued)

31.3. Market risk (Continued)

31.3.2. Currency risk (Continued)

Exposure of the Company to foreign exchange risk as of 31 December 2023 is shown in the following table:

	Carrying value	RSD	EUR
ASSETS			
Cash and cash equivalents	221.189	216.344	4.485
Current financial assets	4.666.938	1.550.000	3.116.938
Short-term receivables from financial leasing	9.403.500	171.963	9.231.537
Intangible assets	31.147	31.147	-
Property, plants and equipment	86.791	60.047	26.744
Long-term receivables from financial leasing	18.199.791	174.454	18.025.337
Deferred tax assets	2.486	2.486	-
Other assets	<u>354.853</u>	<u>173.133</u>	<u>182.079</u>
TOTAL ASSETS	<u>32.966.695</u>	<u>2.379.574</u>	<u>30.587.120</u>
LIABILITIES			
Share capital and interests	960.374	960.374	-
Profit	428.556	428.556	-
Reserves	809.469	809.468	-
Long-term financial liabilities	22.456.092	(9.914)	22.466.006
Short-term financial liabilities	7.850.961	(22.622)	7.873.583
Provisioning	7.856	7.856	-
Current tax liabilities	52.637	52.637	-
Other liabilities	<u>400.750</u>	<u>72.476</u>	<u>328.274</u>
TOTAL LIABILITIES	<u>32.966.695</u>	<u>2.298.832</u>	<u>30.667.863</u>
Net foreign exchange position 31 December 2023	<u>-</u>	<u>80.743</u>	<u>(80.743)</u>

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31. RISK MANAGEMENT (Continued)

31.3. Market risk (Continued)

31.3.2. Foreign exchange risk (Continued)

The following table shows the effect of exchange rate changes (dinar to EUR) to Company's performance:

<u>Scenario</u>	Effects on income statement <u>2024</u>	Effects on income statement <u>2023</u>
10% depreciation RSD	6.008	(8.074)
20% depreciation RSD	<u>12.016</u> <u>(16.149)</u>	

As shown in the previous table, in the case of the depreciation of the dinar exchange rate, the effect on the performance and capital of the Company would be positive, specifically in the case of a 10% depreciation amounting to RSD 6,008 thousand.

The foreign exchange risk indicator in the case of a 10% depreciation would be 3.01%, and in the case of a 20% depreciation, it would be 3.28%.

The instruments for managing the Company's foreign exchange position directly stem from the parameters of the foreign exchange position and, based on their operational relevance for the Company, can be sorted in the following order:

1. Borrowing / Repayment of indexed loans (foreign currency liabilities);
 2. Disbursement / Collection of indexed loans (foreign currency assets); and
 3. Buying and selling foreign currency for dinars.
1. Increasing indebtedness through dinar-indexed loans aligns the position opened by disbursing indexed loans, and vice versa.
 2. Disbursing the indexed loans creates a long position in the currency in which the loan is indexed, while collecting such loans shortens the position.
 3. The most operational foreign exchange position management instrument is the buying or selling of foreign currency for dinars. This enables the establishment of a balanced foreign exchange position on a daily basis. The transaction is executed by contacting dealers in the Treasury Department of Banca Intesa a.d. Beograd, who provide quotations for the desired type of transaction.

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31. RISK MANAGEMENT (Continued)

31.4. Operational risk

Operational risk is a risk of negative effects to financial performance and capital of the Company caused by omissions in performance of business activities, human errors, system errors and effects of external factors.

The role of the operational risk management process is to identify, assess, control, and reduce the likelihood and impact of operational risks and losses.

The Company cannot eliminate all operational risks, but through the process of recording and analysing operational losses, it can identify gaps in its processes, products, and procedures, and by improving them, reduce the frequency and negative impact of operational losses on the Company's business and profitability.

An important aspect of the operational risk management process is the timely reporting to management about significant operational risks, as well as continuous training for all employees involved in the process of collecting data on operational risks and the comprehensive development of awareness about the importance of identifying, measuring, controlling, and mitigating operational risks.

Operational risks include:

- (1) internal fraud and activities;
- (2) external fraud and activities;
- (3) employee relations and workplace safety;
- (4) damage to fixed assets;
- (5) business interruptions and system failures;
- (6) customers, products, and business practices; and
- (7) Execution, delivery and process management, etc.

During 2024, the recording of operational risks was carried out through the "BIBOp" application. The recording of detected events that cause operational risk was performed by the operational risk monitoring coordinators.

Data entry is done in real time, meaning the event can be entered immediately after it is detected. Coordinators enter the event no later than 48 hours from the date of detection. The event can be saved as a draft version, during which coordinators have access to the document.

Once all known data about the event is entered into the application, it becomes visible to the verifier, who is tasked with rechecking the event data and verifying it. The event must be verified within 48 hours.

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31. RISK MANAGEMENT (Continued)

31.4. OPERATED risk -(Continued)

In 2024, two operational risk events occurred, and they can be presented in the following table, with values in thousands of dinars:

Type of operational risk:

	<u>Number of cases</u>	<u>Potential damage in 000 RSD</u>
Disposition of assets under financial leasing	1	2.132
Errors during entry of data or execution	<u>3</u>	<u>9.145</u>
Total	<u><u>4</u></u>	<u><u>11.278</u></u>

The operational risk of asset alienating concerned a leasing customer who submitted a request for the payment of a disputed payments disputed transfer from an associated individual for whom we did not have a signed guarantee agreement. It was later determined that this was a fraudulent request and that the customer could not submit a request for the reimbursement of funds. The Company initiated court proceedings against this customer because it was later determined that the leasing customer had sold the leased asset to a third party, even though they had not fully repaid their leasing fees. The corrective measure for this operational leasing case is enhanced control of disputed payments and handling of reimbursement requests.

The second operational leasing case concerned errors during data entry and execution. The errors were related to the incorrect entry of a supplier into the system, incorrect monthly interest expense entries for loans, and the issuance of a supplier invoice with incorrect taxation, resulting in the creation of an incorrect financing type.

Corrective measures for these operational leasing cases include the introduction of additional controls in operational work.

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31. RISK MANAGEMENT (Continued)

31.5. Fair value of assets and liabilities

The Company's business policy is to disclose information about the fair value of financial assets and liabilities for which there are official market information and when the fair value significantly differs from the carrying value.

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 number of financial assets and liabilities that the Company holds. Therefore, when market prices of financial instruments are not available, the fair value of assets and liabilities is estimated using the present value or other valuation techniques based on the prevailing market conditions.

Based on detailed analyses, the Company's management believes that the fair value of the Company's financial assets and financial liabilities corresponds to their carrying amounts as of the reporting date.

The Company's financial instruments stated at amortized cost generally bear a variable interest rate that reflects current market conditions, except for securities.

The determination of the fair value of financial instruments stated at amortized cost must consider the criteria, principles, and hierarchy that comply with the fair value rules of the Intesa San Paolo Group.

The measurement of the fair value of financial instruments that are not recognised at amortized cost follows the hierarchy outlined below, which reflects the reliability of inputs used in determining fair value:

- Level 1: Inputs are quoted market prices (without adjustments) in an active market for identical instruments;
- Level 2: Inputs that are not quoted prices included in Level 1 but are either directly or indirectly (derived from prices) quoted in the market. This category includes: Market interest rates, market quotes for CDS (credit default swaps), market prices for bonds from primary auctions, or market exchange rates used in determining instrument values; and
- Level 3: Inputs for which market information is not available. This category includes all instruments for which input value information is not directly or indirectly measurable in the market.

The application of this hierarchy is mandatory, and the Company is not free in choosing the information it uses to determine the fair value of financial instruments that are not recognised at amortized cost, but must adhere to the above hierarchy.

Financial instruments recognised at fair value to which the fair value policy rules apply include:

- Government bonds of the Republic of Serbia, valued using the discounted cash flow technique, applying market risk-free yield curves adjusted for country risk (for euro-denominated bonds) or liquidity risk (for dinar-denominated bonds for which there is no direct quote) (Level 2); and investments in investment funds.

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31. RISK MANAGEMENT (Continued)

31.5. Fair value of assets and liabilities (Continued)

The following table presents the value of financial instruments measured at fair value in the Company's balance sheet as of 31 December 2024 and 2023, based on different inputs in accordance with hierarchies aligned with the fair valuation rules of the Intesa San Paolo Group:

<u>2024</u>	Level 1	Level 2	Level 3	Total fair value	Carrying value
Current financial assets					
Securities	-	-	-	-	-
Investment units	-	119.171	-	119.171	119.171
Total	-	119.171	-	119.171	119.171
<u>2023</u>	Level 1	Level 2	Level 3	Total fair value	Carrying value
Current financial assets					
Securities	-	-	-	-	-
Investment units	-	-	-	-	-
Total	-	-	-	-	-

In the opinion of the Company's management, the amounts presented in the accompanying financial statements reflect the most reliable and useful values for reporting purposes under the given circumstances.

The following tables present the fair values of financial instruments not measured at fair value in the Company's balance sheet as of 31 December 2024 and 2023, classified according to the appropriate levels of the fair value hierarchy:

<u>2024</u>	Level 1	Level 2	Level 3	Total fair value	Carrying value
Cash	-	1.055.986	-	1.055.986	1.055.986
Financial placements with banks	-	7.305.108	-	7.305.108	7.305.108
Financial lease receivables	-	-	31.454.149	31.454.149	31.745.652
Total assets	-	8.361.094	31.454.149	39.81.5243	40.106.746
Financial liabilities	-	35.285.654	-	35.285.654	37.781.024
Total liabilities	-	35.285.654	-	35.285.654	37.781.024
<u>2023</u>	Level 1	Level 2	Level 3	Total fair value	Carrying value
Cash	-	221.189	-	221.189	221.189
Financial placements with banks	-	4.666.938	-	4.666.938	4.666.938
Financial lease receivables	-	-	26.761.191	26.761.191	27.183.271
Total assets	-	4.888.127	26.761.191	31.649.318	32.071.398
Financial liabilities	-	30.595.444	-	30.595.444	30.293.088
Total liabilities	-	30.595.444	-	30.595.444	30.293.088

NOTES TO FINANCIAL STATEMENTS
for year ended 31 December 2024

Amounts are in RSD thousands, unless otherwise noted

31. RISK MANAGEMENT (Continued)

31.5. Fair value of assets and liabilities (Continued)

The fair values of cash and financial placements with banks are equal to their carrying amounts, as they represent short-term receivables contracted at interest rates that align with market conditions.

The fair value of financial lease placements and loan obligations is calculated using discounted cash flow techniques, applying market yield curves while considering maturity and market interest rates.

32. CAPITAL MANAGEMENT

The primary objective of the Company's capital management is to ensure that the Company maintains a strong credit rating and a healthy capital adequacy ratio to support its operations and maximize capital value.

in accordance with the Law on Financial Leasing («Official », Gazette of RS» No. 55/2003, 61/2005, 31/2011 and 99/2011), the monetary portion of the Company's founding capital for conducting financial leasing activities involving movable assets may not be less than EUR 500,000 in the RSD equivalent, based on the official middle exchange rate of the National Bank of Serbia applicable on the payment date.

For financial leasing activities involving immovable assets, the monetary portion of the leasing provider's founding capital may not be less than EUR 5,000,000 in the RSD equivalent, based on the official middle exchange rate applicable on the payment date. The Company has met the EUR 5,000,000 requirement and conducts real estate leasing financing.

The leasing provider must ensure that its monetary portion of the share capital always remains at or above the prescribed minimum amounts, calculated based on the official middle exchange rate of dinar applicable on the calculation date, depending on the object of leasing.

As of 31 December 2024, the Company's share capital amounts to RSD 960,374 thousand (31 December 2023: RSD 960,374 thousand), which is significantly above the prescribed minimum. The capital adequacy calculation, prepared for reporting to Intesa Sanpaolo Group, indicates that the capital is also significantly above the required minimum level.

On 28 August 2024, the Company's General Assembly adopted a Decision on the allocation of retained earnings from the previous year. In accordance with this decision, retained earnings from the previous year, totalling RSD 428,556 thousand, were allocated to reserves within the Company's capital. Given the Company's share capital level, this retained earnings allocation does not affect compliance with the capital requirement.

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33. RECONCILIATION OF RECEIVABLES AND PAYABLES

In accordance with provisions of Article 22 of the Law on Accounting the Company reconciled receivables and payables with its creditors and debtors as of 31 December 2024.

The reconciliation was conducted with 6,367 lessees, covering 13,286 financial leasing agreements. The total disputed receivables identified during the reconciliation amount to RSD 34,839 thousand. The analysis of disputed receivables determined that the causes of disputes were the failure to update records in accordance with the current repayment schedules by lessees, or the failure of lessees to properly record obligations and ancillary costs in their books. These lessees were provided with updated repayment schedules and payment breakdowns, along with accounting details, to enable corrections in their records.

As of 31 December 2024, the Company has also reconciled its payables with creditors.

In addition to the reconciliation performed as part of the financial statement preparation process, the Company has conducted continuous reconciliation with clients throughout the fiscal year.

34. MACROECONOMIC AND GEOPOLITICAL INSTABILITY AND ITS IMPACT ON BUSINESS/FINANCIAL REPORTING

To respond promptly to the expected adverse effects of the current economic crisis and uncertainties arising from the war in Ukraine, sanctions against Russia and Belarus, strong inflationary pressures, and the energy crisis, and to manage its credit portfolio prudently, the Company has conducted additional analyses and established additional criteria for assessing the impact of this crisis on expected credit losses. Based on the assessment of the crisis's impact on various industries and clients, the Company has increased expected credit loss provisions for certain credit portfolio positions, anticipating negative effects of the crisis. The primary reason for this approach is concern that the negative effects of this crisis will not be immediately recognized and accounted for using standard existing models and methodologies for calculating expected credit losses. Therefore, a prudent and conservative approach to assessing the quality of the credit portfolio and the adequacy of credit loss provisions is justified.

For legal entities, the Company has analysed the impact of the crisis on clients' financial positions based on projected revenue declines in the industries in which they operate. The analysis relied on the results of a credit risk management project led by the Parent Bank, which identified business sectors sensitive to the crisis. Based on estimated industry revenue declines, clients' financial positions and debt servicing capacities were assessed.

For individuals, two criteria were established to identify clients particularly vulnerable to the crisis: The first criterion was the level of indebtedness. The second criterion was the industry, primary business activity of the company, in which the individual is employed.

For all clients—both legal entities and individuals—who, based on the defined criteria, were classified as vulnerable to the crisis, the Company downgraded their credit ratings by one to two rating categories for the purpose of calculating expected credit losses and staging.

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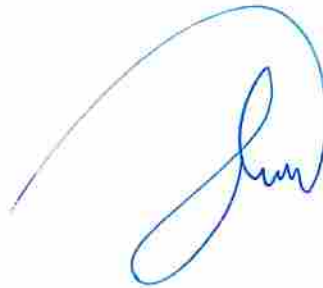
35. EVENTS AFTER THE REPORTING PERIOD

There were no significant events after the reporting period date that would require adjustments or disclosures in the notes to the accompanying financial statements of the Company for the year 2024 .

Belgrade, 25 February 2025

Report prepared by:

Predrag Topalović



Legal representatives

Nebojša Jančićević



Slavko Dukić



INTESA LEASING DOO BEOGRAD

2024 ANNUAL REPORT

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1. BUSINESS ACTIVITIES AND ORGANISATIONAL STRUCTURE

1.1. Business activities

Privredno društvo za finansijski lizing "Intesa Leasing" d.o.o. Beograd (hereinafter: "Company" and/or "Intesa Leasing") was founded by Decision of Commercial Court dated 3 September 2003 (previous name "Delta Leasing"). The Company was reregistered in the Register of Companies maintained by the Business Registers Agency on 25 July 2005 under decision no. 82785/2005

Intesa Leasing is engaged in financial leasing activities in accordance with the Law on Financial Leasing ("Official Gazette RS", No. 55/2003, 61/2005, 31/2001 and 99/2011), and its activity code assigned by the relevant authority is 6491.

The Company is involved in financing of: equipment, property, passenger and commercial vehicles. Sales channels are: direct sales channel (Intesa Leasing), sales channel through Banca Intesa a.d. Beograd and 77 external sales channels through intermediaries.

In accordance with the criteria set by the Law on Accounting ("Official Gazette RS", no. 62/2013), the Company has been classified as large legal entity for the preparation of financial statements for the year 2024.

Since 19 December 2011 Banca Intesa a.d. Beograd become 100% owner of the Company and holds a leading role in its management.

Registered offices of the Company are located in Belgrade, Milentija Popovića 7b.

Tax identification number of the Company is 103023875. Company registration number of

the Company is 17492713. In 2024, the Company achieved:

- growth of portfolio, total assets and new placements;
- improvement in the quality of the portfolio and assets;
- significant growth in ESG placements.

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1. BUSINESS ACTIVITIES AND ORGANISATIONAL STRUCTURE

1.2. Organisational structure

The Rulebook on Internal Organisation of the Company, as the main internal regulation, defines the main and smaller organisational units in the internal structure of the Company where leasing operations are conducted, level of management coordination, the list of main responsibilities by organisational units, and the other matters related to internal organisation.

In 2024 there were no changes to the organisational structure. The organisational structure of the Company consists of:

- Departments;
- Offices;
- Teams.

The governing bodies of the Company are:

- Assembly of the Company, which includes one representative from Banca Intesa a.d. Beograd.
- Board of Directors of the Company which consists of the President and two members of the Board of Directors from Banca Intesa a.d. Beograd.
- Executive Board of the Company (Top management): President and two members of Executive Board of the Company. The company is represented by the President of the Executive Board, in accordance with the law. Corporate Banking Products Department and Finance, Planning and Operations Department fall within the scope of the members of the Executive Board of the Company.

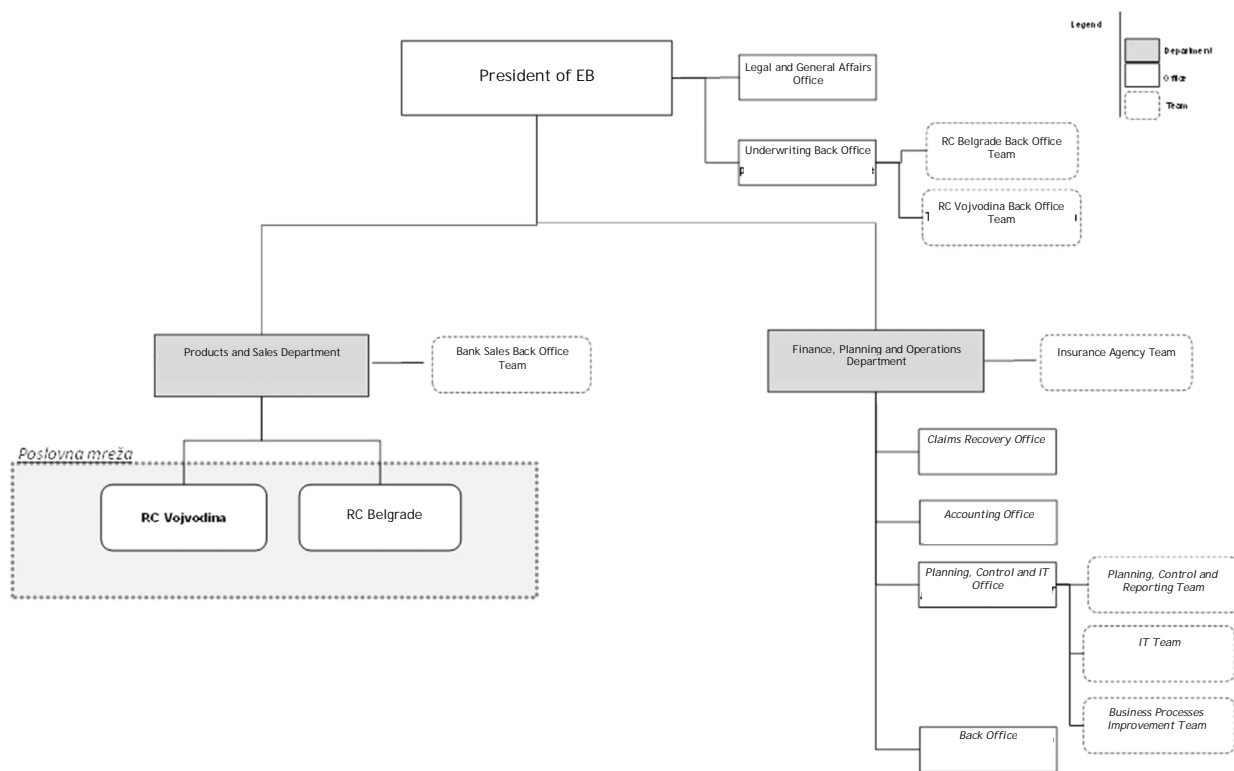
Other management of the Company includes:

- Middle management: Office Heads;
- Line management: Team leaders; and
- Specific organizational units that directly report to the President of the Executive Board and provide support to the President in managing the Company's operations, including: Legal and General Affairs Office and Underwriting Office.

1. BUSINESS ACTIVITIES AND ORGANISATIONAL STRUCTURE

1.2 Organizational structure (Continued)

Figure 1 Organisational chart of Intesa Leasing

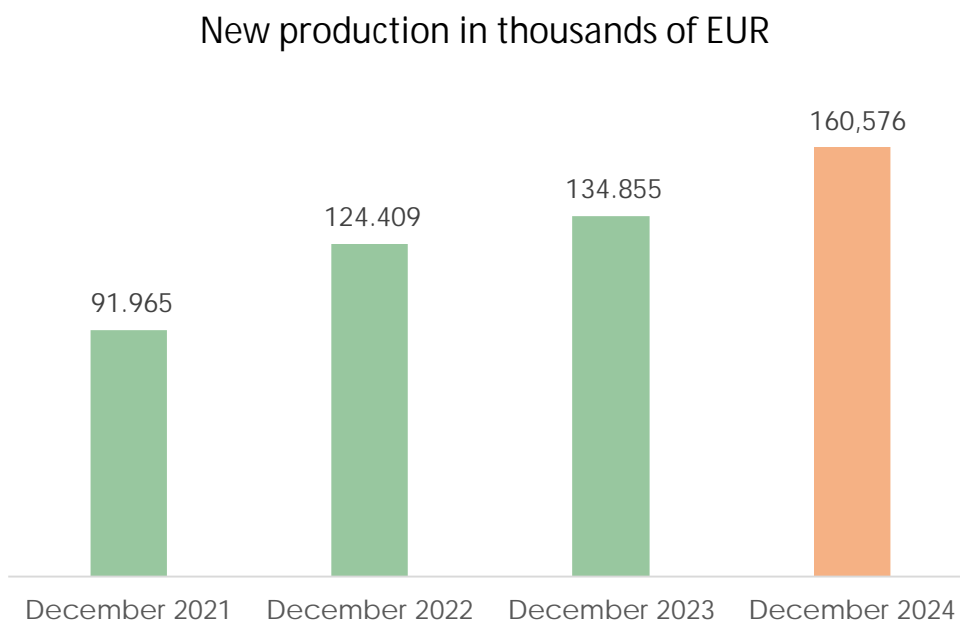


2. COMPANY'S OPERATIONS

2.1. Commercial activities

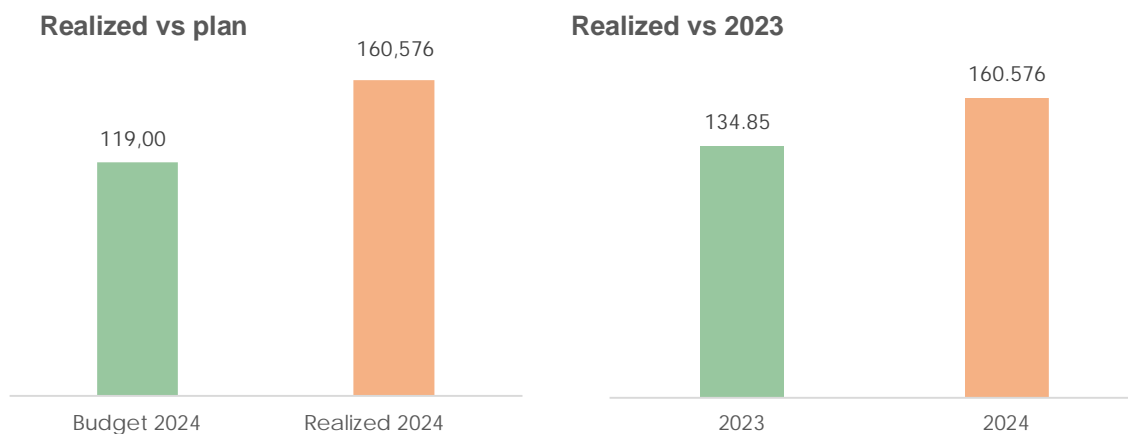
In 2024, Intesa Leasing made significant progress and achieved the best result in its history. During the period from 2021 to 2024, the Company recorded steady growth in sales. Compared to 2023, when the Company achieved its highest level of new production up to that point, in 2024, it experienced exceptional sales growth and surpassed all previous results. The level of new placements in 2024 amounted to EUR 160,576 thousand, or 4,301 new leasing contracts.

Figure 2 Financed value of new placements by year (in thousands of EUR)



Compared to the previous year, the Company recorded a growth rate of new placements of 19.1% (EUR 25,721 thousand). The financed value of placements achieved for 2024 amounted to EUR 160,576 thousand, which is 34.94% (EUR 41,576 thousand) significantly above the planned value for 2024 (EUR 119,000 thousand) and represents the highest level of placements in the Company's history.

Figure 3 Comparison of new placements realization against the plan for 2024 and 2023 (in thousands of EUR)



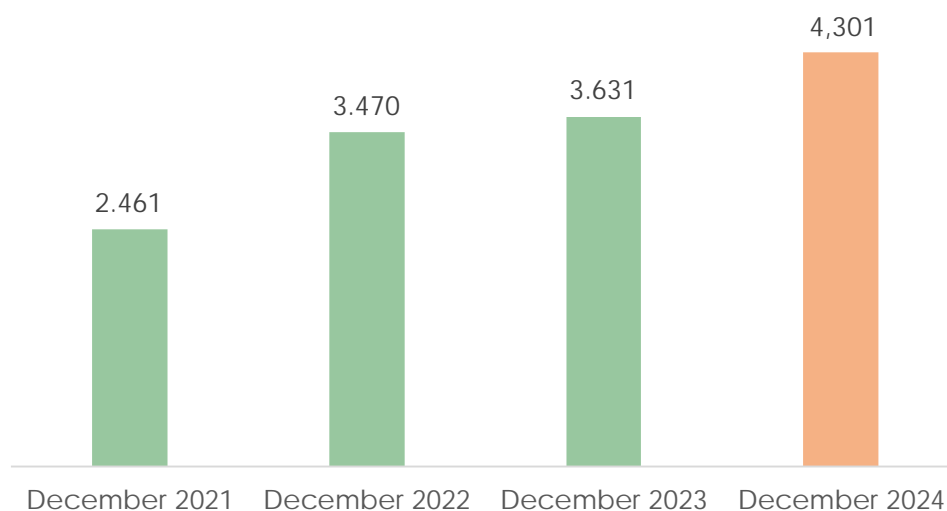
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2. COMPANY'S OPERATIONS (Continued)

2.1 Commercial activities (Continued)

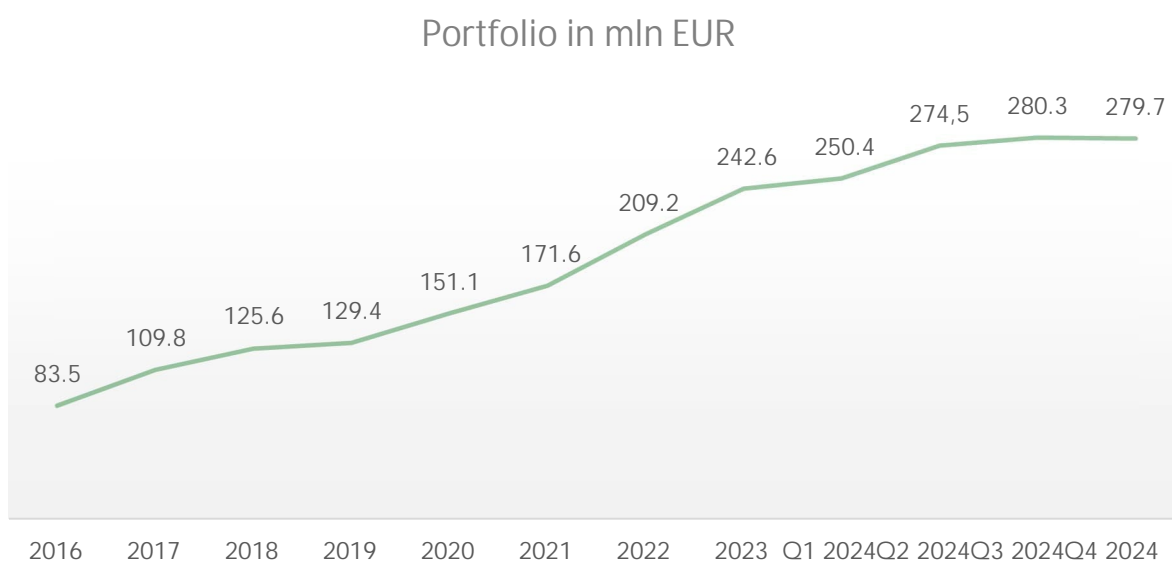
Total number of new contracts executed in 2024 is 4,301 which is by 670 more compared to 2023.

Figure 4 Comparing new contracts executed in 2024 and 2023



The Company has recorded continuous portfolio growth. In 2024, the Company achieved its highest level of placements in its history, amounting to EUR 279.7 million, which is an increase of 15.3%, or EUR 37.1 million, compared to 2023 (EUR 242.6 million).

Figure 5 Portfolio growth by year



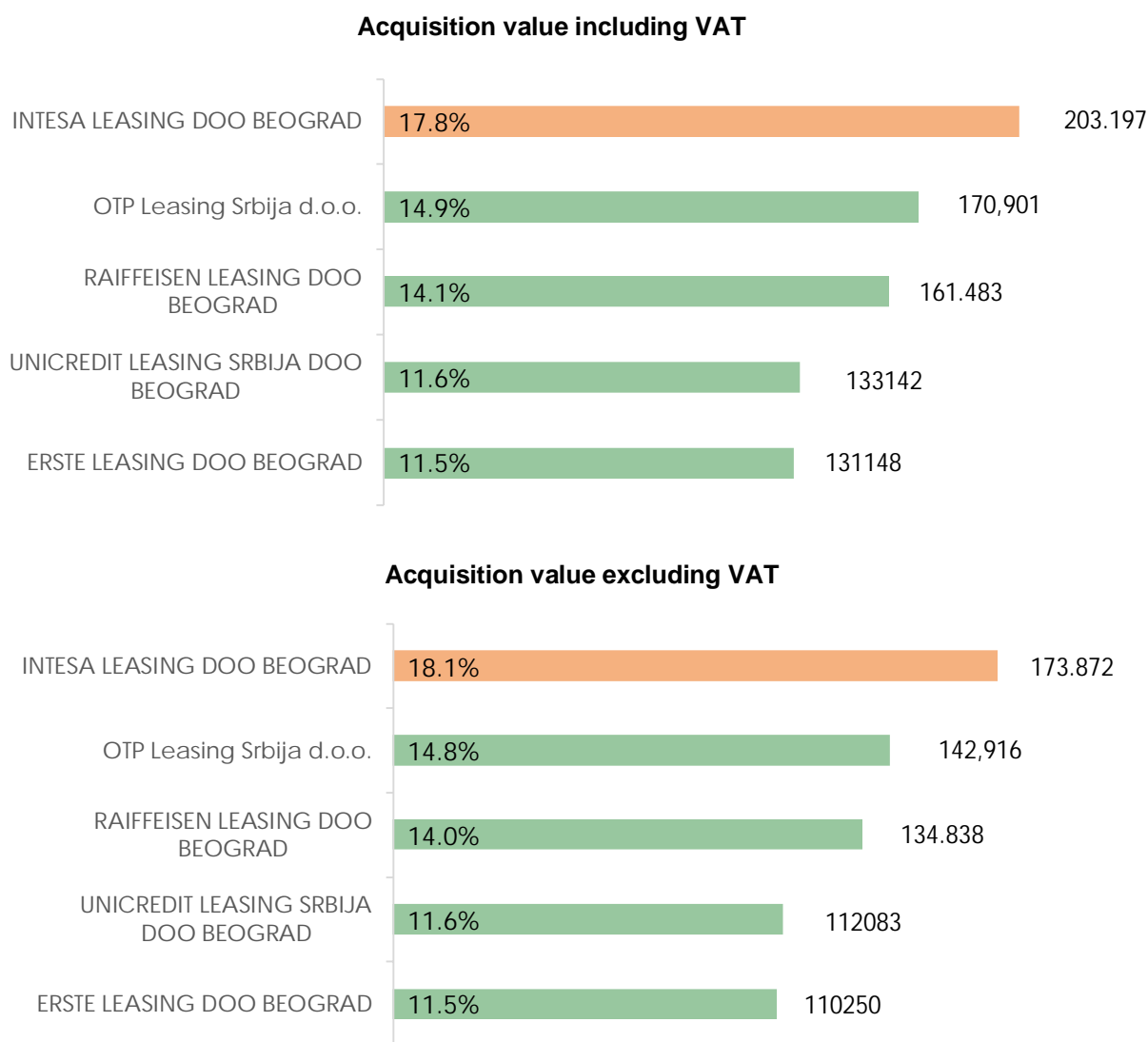
2 COMPANY’S OPERATIONS (Continued)

2.2. Market share

According to the data from *Association of Leasing Companies in Serbia (“ALCS”)* for 2024 the Company ranked first in the leasing market based on the indicators of the financed value of new placements, with a market share of 16.8%. It also ranked first based on the indicators of the acquisition value excluding VAT, with a market share of 18.1%, and the acquisition value including VAT, with a market share of 17.8%.

The following charts show the market share of the five largest leasing companies at the end of 2024, according to the criteria of new production: acquisition value including VAT, acquisition value excluding VAT and financed value. Values are in thousands of EUR.

Figure 6 Market share of the five largest leasing companies based on new production indicators: acquisition value including VAT and acquisition value excluding VAT (in thousands EUR)



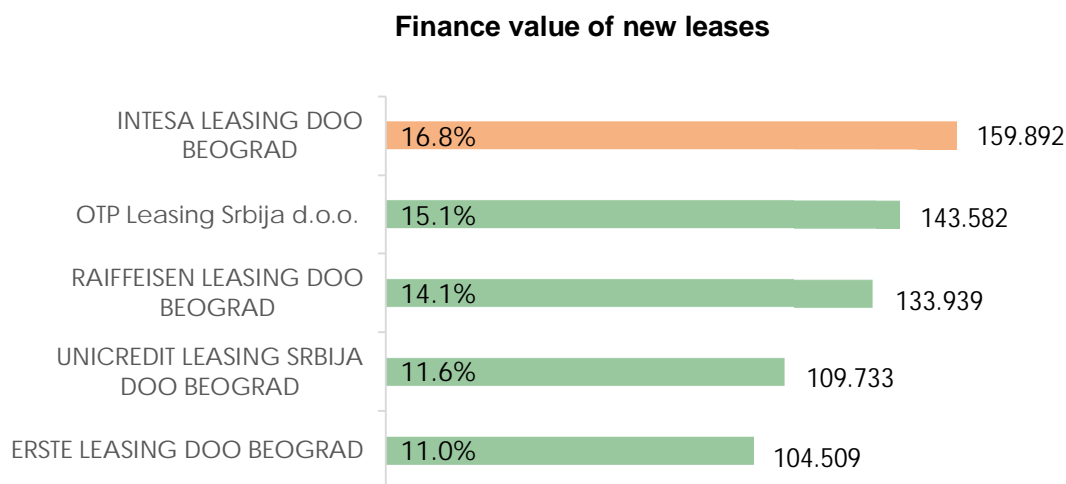
2 COMPANY’S OPERATIONS (Continued)

2.2. Market share (Continued)

Compared to the five largest leasing companies, the Company achieved a decisive first position in the market. The leasing market in 2024 experienced growth in new production by 28.2% compared to 2023.

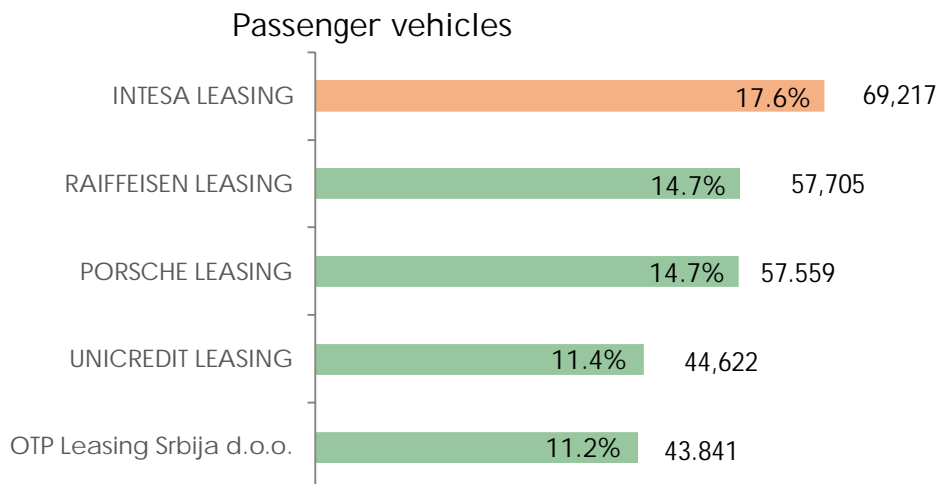
According to the financed value indicator, the Company ranked first with a 16.8% share of the total realized new placements in the leasing market in 2024. The total value of new leases in the leasing market at the end of 2024 was EUR 949.6 million, representing a growth of 28.2% compared to 2023.

Figure 7 Market share of the five largest leasing companies based on the financed value of new leases (in thousands of EUR)



At the end of 2024, the company ranked first in the passenger vehicle segment. In the commercial vehicle segment, the company ranked second, while in the equipment segment, it ranked fourth. The following charts show the market share of the five largest leasing companies at the end of 2024 based on new production by type of leasing product (in thousands of EUR):

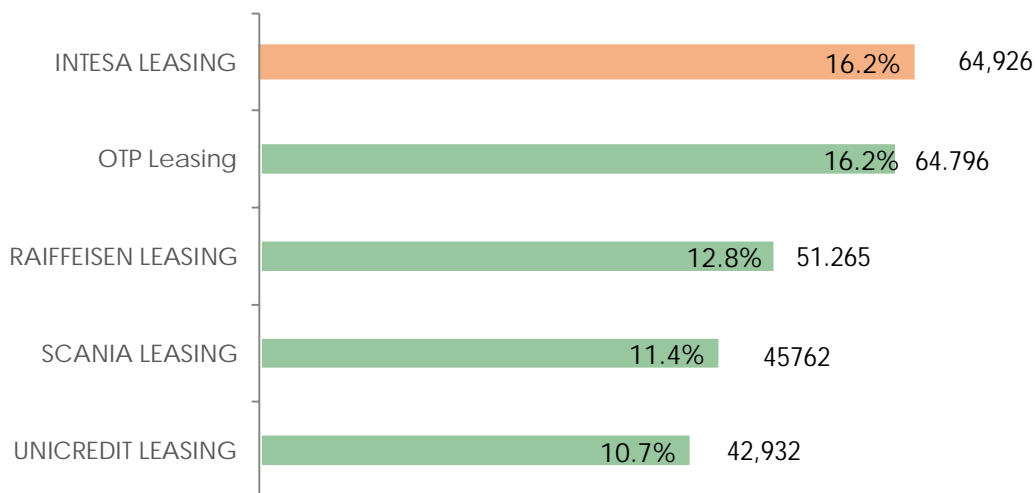
Figure 8 Market share of the five largest leasing companies by type of equipment (in thousands of EUR)



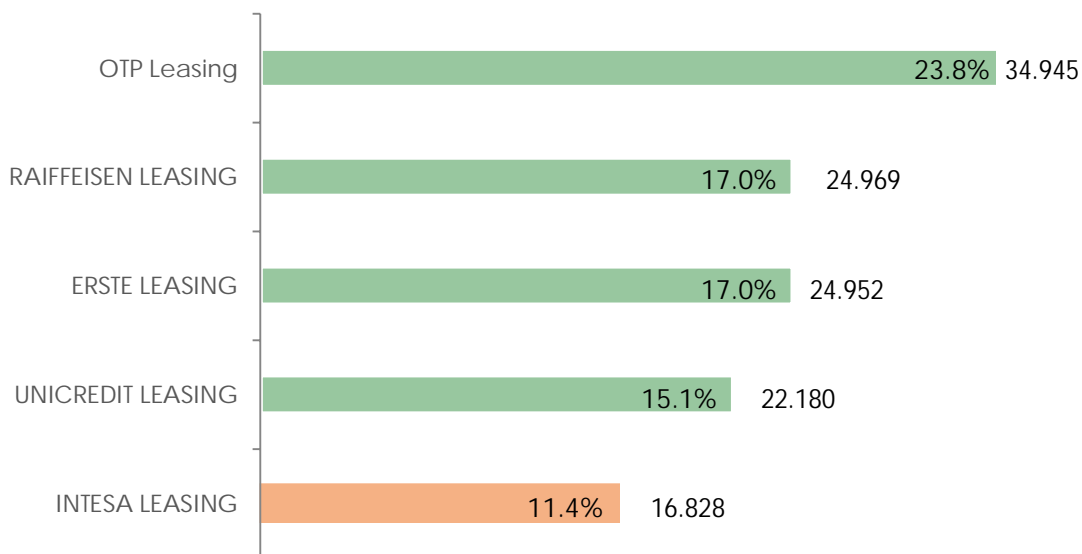
2. COMPANY'S OPERATIONS (Continued)

2.2. Market share (Continued)

Commercial vehicles



Equipment



At the end of 2024, in the passenger vehicle segment, the company maintained its first position with a market share of 17.6%. In the commercial vehicle segment, the company made progress from second place at the end of 2023 to first place at the end of 2024 with a market share of 16.2%. In the equipment segment, the company ranked fifth at the end of 2024 with a market share of 11.4%. The total financed value of real estate in 2024 was EUR 8.921 thousands.

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2 COMPANY’S OPERATIONS (Continued)

2.3. Financial position

At the end of 2024, the total balance sheet assets of the Company amounted to RSD 40,982,337 thousands. Compared to the previous year, when it was RSD 32,966,695 thousand, the balance sheet total increased by 24.31% (RSD 8,015,642 thousand).

The lease balance at the end of 2024 amounted to RSD 32,005,647 thousand, which is 15.95% (RSD 4,402,356 thousand) higher than last year’s level (RSD 27,603,291 thousand)

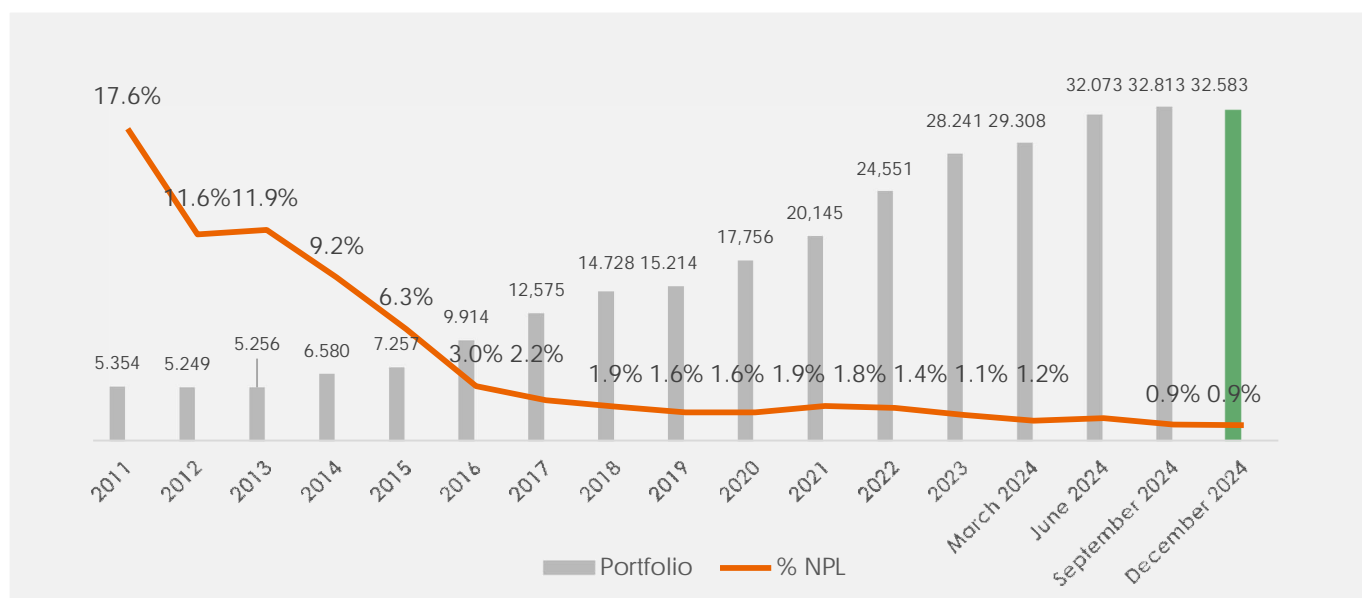
The Company has significantly improved the quality of its portfolio over the years. In 2024, the level of non-performing leases was lower than in 2023.

Portfolio quality indicators at the end of 2024 were as follows:

- The percentage of non-performing leases in total leases (% NPL) decreased to 0.9% at the end of 2024. At the end of 2023, the % NPL was 1.4%;
- The coverage ratio of non-performing leases with value adjustments was 64.85%, compared to 84.9% in the previous year.

Figure 9 Share of non-performing leases (NPL) in total leases value (gross long-term receivables - in millions of RSD)

Share of non-performing leases (NPL) in total leases ILB



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2 COMPANY'S OPERATIONS (Continued)

2.4. Operating results

The Company's profit at the end of 2024 amounted to RSD 500,018 thousand, which is RSD 71,462 thousand or 16.68% higher than the previous year's profit (RSD 428,556 thousand) and 53.8% above the budget. Provisioning expenses in 2024 were lower compared to the planned budget amount (RSD 118.9 million). Compared to the previous year, provisioning expenses were lower by RSD 137.1 million.

The Cost/Income ratio for 2024 was 37.3%, compared to 31% at the end of 2023. The actual Cost/Income ratio was 2.8% lower than the planned level and 6.4% higher than last year.

The number of employees increased compared to the end of 2023. As of 31 December 2024, the Company had 58 employees.

2.5. Internal audit

During 2024, two internal audits were carried out in accordance with the Company's Internal Audit plan in the following organizational departments: Finance, Planning and Operations Department, Corporate Banking Products Department, Underwriting Office, Legal and General Affairs Office and Information Technology Team in the following areas: approval of leases and ICT.

The goal of the audit was to review the existence and adequacy of the following processes:

- Managing business process controls, managing system architecture, managing service contracts, and managing collaboration with third parties.
- Approval of leases (Request and proposal, Approval and Realization of leases);
- Collateral management (Managing and monitoring guarantees and Managing appraisals);
- Performing leases (Credit monitoring and Proactive credit management);
- Non-performing leases (Past Due, Unlikely to Pay, and Doubtful) and
- Credit risk management and control (Capital requirements).

Residual risk has been assessed as "medium", since internal controls system has been assessed as "requiring improvement".

The main findings concern the need to:

- Provide NACE and Real NACE codes for leasing consumers;
- Establish a customer record for conducting regular annual audits;
- Define subjective impairment criteria and a list of negative symptoms and harmful events;
- Improve the record of exposures to clients who have settled all obligations;
- Align internal regulations with the regulator's decision on the conditions and methods for outsourcing activities related to the financial institution's information system to third parties;
- Adhere to deadlines for submitting documentation on outsourcing activities to the regulator;
- Monitor employee accounts from car dealerships collaborating with ILB and accessing ILB's information system;
- Update operational systems on computers within ILB.

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2 COMPANY'S OPERATIONS (Continued)

2.6. Tax control

During 2024 the Company was not subject to tax controls.

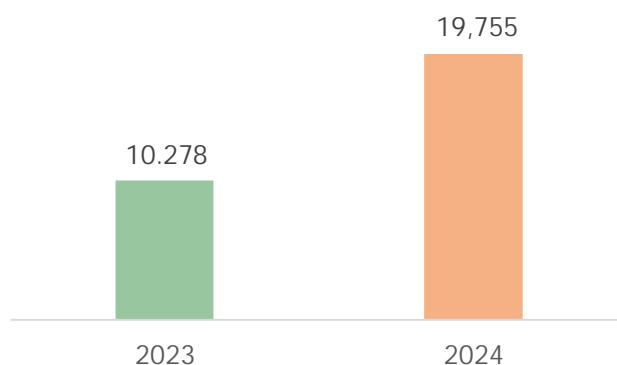
3. ENVIRONMENTAL PROTECTION

The company established environmental risk monitoring by the Procedure ESG Risks Management. Environmental risk represents the possibility that the activities of the Company's customers may directly or indirectly threaten the environment.

The procedure is applied to managing environmental risks associated with the activities of legal entities or entrepreneurs financed by the Company when approving new financing. The Company verifies whether the financing proposal relates to financing activities from the list of activities that the Company does not support. If the activity is listed, the decision is made to reject the request for financing.

In 2024, the Company significantly increased financing for objects that have a favourable impact on the environment. The net amount of financing for objects with a positive environmental impact, namely hybrid and electric vehicles, in 2024 amounted to EUR 19,755, which is significantly higher than in 2023 (EUR 10,278), an increase of EUR 9,477 or 92.2%. The Company will continue this trend in 2025.

Figure 10 *Financing new environmentally-friendly leasing objects 2024 vs 2023 (ESG)*



In 2024, the Company participated in the government subsidy program for the purchase of Environmental Friendly Vehicles, specifically electric and hybrid vehicles.

4. SIGNIFICANT EVENTS AFTER THE YEAR-END

No significant events occurred after the reporting period which would require any corrections or disclosures in the 2020 annual report of the Company.

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5. PLANNED FUTURE DEVELOPMENT

The Company has adopted a Strategic Plan for the period 2022-2025, within which the most significant strategic directions for development are as follows:

- To be the most successful leasing company in the Serbian leasing market, operating in a profitable and sustainable manner;
- Increase the share of financing for passenger vehicles in the total new production;
- Introduction of a new product, "Operating Lease";
- More favourable credit lines and achieving lower financing costs, leading to a better position in granting new leases and opening up opportunities for further portfolio quality improvement;
- Obtaining new favourable credit lines from international financial institutions and funds, which is essential for achieving strategic goals;
- Participation in government subsidy programs for equipment and construction machinery, Environmental Friendly Vehicles (electric vehicles, hybrids, etc.), and agricultural equipment;
- New ESG expenses in the period 2023-2025 as a strategic focus for the Group;
- Increase business performance and reduce the Cost/Income ratio by increasing operational revenues, continuous business efficiency growth, and reducing administrative and general costs;
- Improving operational efficiency and advancing and automating business processes.

6. RESEARCH AND DEVELOPMENT ACTIVITIES

The development activities within the Company are primarily focused on improving business processes and further developing Business Process Management (BPM).

Within the NOVA system, the following new tools have been developed and are being applied:

- During 2024, a Digital Signature Project was developed and fully implemented, covering the electronic signing of contractual documentation by all participants (Client, Supplier, Guarantor, ILB). Digital signing accelerates and simplifies the contract signing process, ensures paper savings, and significantly facilitates and speeds up the archiving process. All documents are stored in a certified archive and are available to the signatories at any time.

As part of the system, the development of new tools has begun:

- RPA (Robotic Process Automation) involves the development of robots that will replace employees in labour-intensive tasks. Currently, the robotic process automation is being developed for 6 business processes: Policy Renewal, Entry of new policies, Entry of status documentation, Archiving of contractual documentation, Expiration of contracts, and Recognition of QR codes on fiscal receipts. These robots will provide savings in terms of FTEs.
- Development of a web service for data exchange about policies with insurance companies allows policy data to be available at any time. It reduces the involvement of employees in entering new policies into the system and decreases the likelihood of errors that occur during manual entry. So far, a web service has been developed with 3 insurance companies, and development is ongoing with one more.

6. RESEARCH AND DEVELOPMENT ACTIVITIES (Continued)

- NOVA Online is a website where data on leasing agreements will be displayed, and users will be able to access them at any time. Through the website, users can also send notifications. This project ensures a reduced participation of employees after the activation of contracts.

7. REPURCHASE OF OWN SHARES

The Company did not repurchase own shares during 2024.

8. BRANCHES

The company has one registered branch in 2024, which is the branch office in Novi Sad.

9. FINANCIAL INSTRUMENTS

In 2024 the Company did not use financial instruments.

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10. FINANCIAL RISKS MANAGEMENT

Risk is an inherent part of the Company's operations and it is impossible to completely eliminate it. The Company manages risks in such a way that they are reduced to levels acceptable to all stakeholders: capital owners, leasing services provider, leasing consumers, regulators.

Risk management is a continuous process of identifying, assessing, measuring, monitoring, and controlling the Company's exposure to risks. An important part of the risk management process is reporting and mitigating risks. An adequate risk management system is a crucial element in ensuring the stability of the Company and the profitability of its operations.

Due to the nature of its business, the Company is exposed to the following major types of risks:

- credit risk,
- liquidity risk;
- market risk (interest rate risk, foreign exchange risk and other market risks); and
- operating risk.

The management is responsible for establishing an adequate risk management system and consistently implementing it in practice. Management defines procedures for identifying, measuring, and assessing risks and is responsible for establishing a unified risk management system within the Company and for supervising the system.

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

The Board of Directors analyses and approves the Company's policies and procedures related to risk management and the internal control system, which are submitted to the Board for consideration and approval. Additionally, the Board monitors and supervises the implementation and proper execution of the adopted policies and procedures for risk management and, if necessary, proposes ways to improve them.

The Company has developed a risk management system by implementing policies and procedures, as well as establishing limits for the levels of risk acceptable to the Company. Some risks, such as foreign exchange risk, are monitored on a daily basis, while other risks are tracked through monthly reports that monitor if limits have been reached.

On 28 December 2021, the Board of Directors adopted a Decision on adopting limits that define the Company's risk appetite (RAF limits) in order to further align with the parent bank's risk management rules (Banca Intesa a.d. Beograd) in accordance with regulations, standards, and professional rules Capital adequacy limits, liquidity limits, operational risk exposure limits (so-called "top of the house limits"), and specific limits for credit risk/concentration, currency, and interest rate risk have been established. By adopting this Decision, the previous decision adopted on 2 April 2019, ceased to be valid.

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10. FINANCIAL RISKS MANAGEMENT (Continued)

/i/ Credit risk

Credit risk is the risk that one contracting party will fail to fulfil its obligations, thereby causing a financial loss to the other party.

The Company, through its internal acts and procedures, creates a system for managing credit risk and reduces credit risk to an acceptable level.

The credit risk indicator can be presented through the following portfolio quality table, expressed in the value of net leases, i.e., receivables based on financial leasing, excluding other receivables based on financial leasing, pre-calculated interest, and excluding pre-collected administrative costs (with amounts shown in thousands of RSD):

	<u>2024</u>	Share in total net placements	<u>2023</u>	Share in total net placements
Performing	32.000.696	99.68%	27.616.864	99.78%
Past due	36.600	0.11%	34.045	0.12%
Unlikely to pay	32.288	0.10%	18.708	0.07%
Doubtful	<u>33.921</u>	<u>0.11%</u>	<u>8.977</u>	<u>0.03%</u>
Total	<u><u>32.103.505</u></u>	<u><u>100.00%</u></u>	<u><u>27.678.594</u></u>	<u><u>100.00%</u></u>

As can be seen from the previous table, the share of net non-performing placements for both observed years is at a low level - 0.32% for 2024 and 0.22% for 2023.

The Company continuously monitors and controls this risk. Compared to the previous year, the share of non-performing placements has slightly increased in 2024. Credit risk is at a satisfactory level relative to the set limits.

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10. FINANCIAL RISKS MANAGEMENT (Continued)

/ii/ Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations when due.

The Company's liquidity primarily depends on the maturity matching of its assets and liabilities, i.e., the alignment of cash inflows and outflows.

Liquidity risk can be shown through the following table for the gross amounts of assets and liabilities (with amounts presented in thousands of RSD):

	2024			2023		
	Assets	Liabilities	Cumulative matching	Liabilities	Assets	Cumulative matching
Gross exposure up to 30 days	2.689.535	878.726	1.810.809	3.008.267	682.056	232.6211
Gross exposure from 1 to 3 months	3.378.120	1.851.625	3.337.304	1.812.743	957.713	3.181.241
Gross exposure from 3 to 6 months	3.792.715	2.876.077	4.253.942	2.745.644	2.378.988	3.547.897
Gross exposure from 6 to 12 months	9.272.539	5.959.531	7.566.950	7.206.414	4.134.850	66.194.61
Gross exposure from 12 to 18 months	4.557.529	5.230.365	6.894.114	3.724.242	4.206.578	6.137.125
Gross exposure from 18 months to 5 years	16.183.345	19.996.194	3.081.265	14.040.218	18.025.390	2.151.953
Gross exposure more than 5 years	1.117.523	1.407.175	2.791.613	735.069	277.181	2.609.841
Gross amount without defined maturity	<u>656.759</u>	<u>2.782.644</u>	-	<u>429.633</u>	<u>2.303.939</u>	-
Gross exposure - total	<u>41.648.065</u>	<u>40.982.337</u>	<u>665.728</u>	<u>33.702.230</u>	<u>32.966.695</u>	<u>735.535</u>

As seen from the summary, the Company has a high level of liquidity matching, meaning it is capable of meeting its due obligations in all observed time periods.

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10. FINANCIAL RISKS MANAGEMENT (Continued)

/iii/ Interest rate risk

Interest rate risk is the risk of negative effects on the financial results and capital of the Company due to changes in interest rates.

The Company is exposed to the risk of interest rate changes, which affect its financial position and cash flows as a result of the mismatch between the maturity dates of assets and liabilities on which fixed interest rates are agreed.

Exposure to interest rate risk depends on the relationship between interest-sensitive assets and interest-sensitive liabilities of the Company. Thus, the Company controls interest rate risk by monitoring the relationship between interest-bearing assets and liabilities and their share in total assets and liabilities.

The calculated Repricing gap shows that a 2.00% change in interest rates in 2024 would have an effect of RSD 146,123 thousand on the Company's income, which is within the limit defined by the Decision on adopting limits that define the risk appetite (ILB - RAF limits).

/iv/ Foreign exchange risk

Foreign exchange risk is the risk of negative effects on the financial results and capital of the Company due to changes in exchange rates.

The Company's foreign exchange risk protection principle is to achieve and maintain a foreign currency asset at least equal to the amount of foreign currency liabilities. This relationship is also aligned in terms of the maturity of foreign currency claims and liabilities.

As of 31 December 2024, the Company had an open position of RSD 60,080 thousand, and the foreign exchange risk ratio was 2.73% in relation to the Company's capital, while on 31 December 2023, it was RSD 80,743 thousand, with the foreign exchange risk ratio at 3.67% of the Company's capital. Foreign exchange risk is within the established limit of EUR 1,000 thousand, converted at the middle exchange rate of the National Bank of Serbia applicable at the reporting date.

/v/ Operational risk

Operational risk is a risk of negative effects to financial performance and capital of the Company caused by omissions in performance of business activities, human errors, system errors and effects of external factors. The role of the operational risk management process is to identify, assess, control, and reduce the likelihood and impact of operational risks and losses.

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10. FINANCIAL RISKS MANAGEMENT (Continued)

Operational risks include:

- (1) internal fraud and activities;
- (2) external fraud and activities;
- (3) employee relations and workplace safety;
- (4) damage to fixed assets;
- (5) business interruptions and system failures;
- (6) customers, products, and business practices; and
- (7) Execution, delivery and process management, etc.

During 2024, the recording of operational risks was carried out through the "BIBOp" application. The recording of detected events that cause operational risk was performed by the operational risk monitoring coordinators.

Data entry is done in real time, meaning the event can be entered immediately after it is detected. Coordinators enter the event no later than 48 hours from the date of detection. The event can be saved as a draft version, during which coordinators have access to the document. Once all known data about the event is entered into the application, it becomes visible to the verifier, who is tasked with rechecking the event data and verifying it. The event must be verified within 48 hours.

In 2024, two operational risk events occurred, and they can be presented in the following table, with values in thousands of dinars:

	<u>Number of cases</u>	<u>Potential damage in 000 RSD</u>
Disposition of assets under financial leasing	1	2.132
Other inappropriate practices	<u>3</u>	<u>9.145</u>
Total	<u><u>4</u></u>	<u><u>11.278</u></u>

The operational risk of asset alienation concerned a leasing customer who submitted a request for the payment of a disputed transfer from an associated individual for whom we did not have a signed guarantee agreement. It was later determined that this was a fraudulent request and that the leasing customer could not submit a request for the reimbursement of funds. The Company initiated court proceedings against this leasing customer because it was later determined that the leasing customer had sold the leased asset to a third party, even though they had not fully repaid their leasing fees. The corrective measure for this operational risk case is enhanced control of disputed payments and handling of reimbursement requests.

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10. FINANCIAL RISKS MANAGEMENT (Continued)

The second operational leasing case concerned errors during data entry and execution. The errors were related to the incorrect entry of a supplier into the system, incorrect monthly interest expense entries for loans, and the issuance of a supplier invoice with incorrect taxation, resulting in the creation of an incorrect financing type. Corrective measures for these operational leasing cases include the introduction of additional controls in operational work.

The overall risk exposure assessment for the Company in 2024 indicates that all risk indicators are within established limits and, as such, are very effective in managing the Company, which is reflected in the overall business results achieved by the Company.

In Belgrade, 25 February 2025

Report prepared by:

Dragana Kovačević

Legal representatives

Nebojša Janičević

Slavko Đukić

