INTESA LEASING D.O.O. BEOGRAD

FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 DECEMBER 2022

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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 D.O.O. BEOGRAD

Opinion

We have audited the accompanying financial statements of Intesa Leasing d.o.o. Beograd (hereinafter: the Company), which comprise the balance sheet as at 31 December 2022, 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 2022, 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.

PIB: 101824091 • Matični broj: 17155270 • Upisan i unet osnovni kapital: 15.075,01 EUR
Registarski broj 47839 kod Agencije za privredne registre
Poslovni račun 160-0000000399176-13 kod Banca Intesa a.d. Beograd

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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, 24 February 2023

PREDUZEĆE ZA REVIZIJU Ernst & Young d.o.o. II BEOGRAD

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

Annex 1

To be filled in by the financial leasing provider		
ID number: 17492713	**Activity Code:** 6491	TAX ID: 103023875
Name: Intesa Leasing doo Belgrade		
Headquarters: Belgrade, Milentija Popovića 7b		

BALANCE SHEET
as of 31.12.2022.

(in thousands of dinars)

Account group, account	Position	AOP code	Note number	Amount of the current year	Amount of previous year	
					The final state	Initial state
1	2	3	4	5	6	7
	Assets					
24	Cash and cash equivalents	0001	15	247,050	171,874	
23 (except 237, as well as part of account 239), as well as part 289 and part of account 492 as a deductible	Short-term financial assets	0002	16	4,922,012	2,157,445	
10	Inventory	0003				
20 and 21, as well as parts of accounts 280 and 281 and part of account 492 as a deductible item	Short - term receivables from financial leasing	0004	18	8,309,295	7,012,887	
29 and part of the account 284	Operating lease receivables	0005				
01	Intangible assets	0006	19	25,387	23,268	
02 (except 024 and parts 027, 028 and 029), part 11, part 12 and part 13	Property, plant and equipment	0007	20	74,803	18,184	
05	Funds given in the law	0008				
06	Funds given in operating leases	0009				
04, as well as parts of accounts 280 and 281 and part of account 492 as a deductible item	Long-term receivables from financial leasing	0010	18	15,724,059	12,710,805	
03 (except 030, 031 and part of account 039), as well as part 289 and part of account 492 as a deductible item	Long-term financial assets	0011				
031 and part of account 039	Investments in associates and joint ventures	0012				
030 and part of account 039	Investments in subsidiaries	0013				

Account group, account	Position	AOP code	Note number	Amount of the current year	Amount of previous year	
					The final state	Initial state
1	2	3	4	5	6	7
024 and parts of accounts 027, 028 and 029 and parts of accounts 11, 12 and 13	Investment property	0014				
223	Current tax assets	0015				
288	Deferred tax assets	0016		1,452	3,030	
14	Fixed assets held for sale and assets of discontinued operations	0017				
15, 16, 22 (except 223), 25, 26, 27, 283, 285, 287 and part 289	Other assets	0018	22	128,060	109,480	
	TOTAL ASSETS (from 0001 to 0018)	0019		29,432,118	22,206,973	
	Liabilities					
30 and 00	CAPITAL Equity and shares	0401	26	960,374	960,374	
237	Own shares and shares	0402				
34	Gain	0403	28	241,733	163,010	
35	Loss	0404				
32 and 33 – demand balance	Reserves	0405	27	568,348	412,538	
32 and 33 – Debt Balance	Unrealized losses	0406				
41 (except 419), part 44, part 490 and part 282 as deductible	OBLIGATIONS Long-term financial liabilities	0407	23	20,480,327	16,518,008	
Section 44, Part 490 and Part 282 as deductible	Short-term financial liabilities	0408	23	6,922,977	3,953,038	
40	Reservations	0409	24	7,599	8,480	
467	Liabilities based on assets held for sale and assets suspended for sale	0410				
481	Current tax liabilities	0411		22,517	22,599	
498	Deferred tax liabilities	0412				
419, 43, 45, 46 (except 467), 47, 48 (except 481) и 491, 493, 494, 497 и 499	Other liabilities	0413	25	228,243	168,926	
	TOTAL LIABILITIES (from 0407 to 0413)	0414		27,661,663	20,671,051	
	Participation without the right of control	0415				
	TOTAL CAPITAL (0401 - 0402 + 0403 - 0404 + 0405 - 0406 + 0415) ≥ 0	0416		1,770,455	1,535,922	
	TOTAL LACK OF CAPITAL (0401 - 0402 + 0403 - 0404 + 0405 - 0406 + 0415)	0417				
	TOTAL LIABILITIES (0414 + 0416 - 0417)	0418		29,432,118	22,206,973	

In Belgrade,
on February 24, 2023

Intesa Leasing d.o.o. Beograd

Legal representative of the financial leasing provider

Anex 2

To be filled in by the financial leasing provider		
ID number: 17492713	Acivity code: 6491	TAX ID: 103023875
Name: Intesa Leasing doo Belgrade		
Headquarters: Belgrade, Milentija Popovića 7b		

INCOME STATEMENT

in the period from 01.01.2021. to 31.12.2022.

(in thousands of dinars)

Account group, account	Position	AOP code				Note number	Current year	Previous year
1	2	3				4	5	6
600, 650, 653 and 656	Interest income	1	0	0	1	5	760,883	532,579
50, 550, 553 and 556	Interest expenses	1	0	0	2	5	233,702	167,385
	Net interest income (1001 - 1002)	1	0	0	3		527,181	365,194
	Net interest expenses (1002 - 1001)	1	0	0	4			
61 + 62	Revenues from operating leases and rent	1	0	0	5			
Part of 514	Operating lease and rental expenses	1	0	0	6			
60, except 600	Other income from financial leasing	1	0	0	7	6	155,848	129,043
513, part of 514	Other expenses on the basis of financial leasing	1	0	0	8	6	95,792	64,945
63	Profit from sale of leased assets and other assets	1	0	0	9			
571	Losses from sale of leased assets and other assets	1	0	1	0			
(65 - 650 - 653 - 656 - 659 + 66) - (55 - 550 - 553 - 556 - 559 + 56)	Net income from exchange rate differences and the effects of the contracted currency clause	1	0	1	1			
(55 - 550 - 553 - 556 - 559 + 56) - (65 - 650 - 653 - 656 - 659 + 66)	Net expense from exchange rate differences and the effects of the agreed currency clause	1	0	1	2	7	2,819	3,361
(682 + 683 + део 688) - (582 + 583 + except 588)	Net income from impairment of receivables from leasing and financial assets	1	0	1	3			
(582 + 583 + part of 588) - (682 + 683 + part of 688)	Net expense from impairment of receivables on the basis of leasing and financial assets	1	0	1	4	8	66,808	54,620
(684 + 686 + 687 + part of 688) - (584 + 586 + 587 + part of 588)	Net income from impairment of assets leased out under operating leases and rent, leased assets and assets taken over in exchange for uncollected receivables and receivables from leases and sales	1	0	1	5			
(584 + 586 + 587 + part of 588) - (684 + 686 + 687 + part of 688)	Net expense on impairment of assets leased and rent, leased assets and assets taken in exchange for uncollected receivables and receivables on lease and sale	1	0	1	6	9	42,914	9,690
672 + 677 - 572 - 577	Net income from investments in subsidiaries, associates, joint ventures, securities and financial derivatives	1	0	1	7		1,173	

Account group, account	Position	AOP code				Note number	Current year	Previous year
1	2	3				4	5	6
572 + 577 - 672 - 677	Net loss on investments in subsidiaries, associates, joint ventures, securities and financial derivatives	1	0	1	8			
64 (except 642) + 67 (except 672, 674 и 677)	Other operating income	1	0	1	9	10	80,264	63,177
540 + 541	Depreciation	1	0	2	0	11	16,161	14,622
	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		539,972	410,176
	TOTAL NET OPERATING EXPENSES (1003 - 1004 + 1005 - 1006 + 1007 - 1008 + 1009 - 1010 + 1011 - 1012 + 1013 - 1014 + 1015 - 1016 + 1017 - 1018 + 1019 - 1020)	1	0	2	2			
52	Costs of salaries and other personal expences (gross)	1	0	2	3	12	152,665	132,848
642 + 659 + 674 + 680 + 681 + 685 + 689	Other income	1	0	2	4	13	6,517	3,115
51 (except 513 и 514) + 53 + 54 (except 540 и 541) + 559 + 57 (except 572 и 577) + 580 + 581 + 585 + 589	Other expenses	1	0	2	5	13	83,352	70,802
	PROFIT BEFORE TAX (1021 - 1022 - 1023 + 1024 - 1025) ≥ 0	1	0	2	6		310,472	209,641
	LOSS BEFORE TAX (1021 - 1022 - 1023 + 1024 - 1025) < 0	1	0	2	7			
721	Income tax	1	0	2	8	14	67,161	45,876
722	Profit from deferred taxes	1	0	2	9			
722	Deferred tax loss	1	0	3	0		1,578	755
	PROFIT AFTER TAX (1026 - 1027 - 1028 + 1029 - 1030) ≥ 0	1	0	3	1		241,733	163,010
	LOSS AFTER TAX (1026 - 1027 - 1028 + 1029 - 1030) < 0	1	0	3	2			
69 - 59	Net operating profit of discontinued operations	1	0	3	3			
59 - 69	Net operating loss of discontinued operations	1	0	3	4			
	RESULT OF THE PERIOD - PROFIT (1031 - 1032 + 1033 - 1034) ≥ 0	1	0	3	5		241,733	163,010
	RESULT OF THE PERIOD - LOSS (1031 - 1032 + 1033 - 1034) < 0	1	0	3	6			
	Profit belonging to the parent entity	1	0	3	7			
	Profit belonging to owners without control rights	1	0	3	8			
	Loss belonging to the parent entity	1	0	3	9			
	Loss belonging to owners without the right of control	1	0	4	0			

Account group, account	Position	AOP code				Note number	Current year	Previous year
1	2	3				4	5	6
	EARNINGS PER SHARE							
	Basic earnings per share (in dinars without money)	1	0	4	1			
	Reduced (diluted) earnings per share (in dinars without money)	1	0	4	2			

In Belgrade,
on February 24, 2023

Intesa Leasing d.o.o. Beograd

Legal representative of the financial leasing

Anex 3

To be filled in by the financial leasing provider		
ID number: 17492713	Activity code: 6491	TAX ID: 103023875
Name: Intesa Leasing doo Belgrade		
Headquarters: Belgrade, Milentija Popovića 7b		

OTHER COMPREHENSIVE INCOME
In the period from 01.01. to 31.12.2022.

(in thousands of dinars)

Account group, account	Position	AOP code				Note number	Current code	Previous year
1	2	3				4	5	6
	PROFIT FOR THE PERIOD	2	0	0	1		241,733	163,010
	LOSS OF THE PERIOD	2	0	0	2			
330	Other period result Components of other result that cannot be reclassified to profit or loss: 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	Actuarial gains	2	0	0	5			
333	Actuarial loss	2	0	0	6			
332	Positive effects of changes in the value of equity instruments that are measured at fair value through other results	2	0	0	7			
332	Negative effects of changes in the value of equity instruments that are measured at fair value through other results	2	0	0	8		7,200	11,621
338	Unrealized gains on instruments for hedging of equity securities measured at fair value through profit or loss	2	0	0	9			
338	Unrealized gains on instruments for hedging of equity securities measured at fair value through profit or loss	2	0	1	0			
338	Unrealized gains based on financial liabilities of financial leasing providers valued at fair value through income statement resulting from a change in the credit worthiness of a financial leasing provider	2	0	1	1			
338	Unrealized losses based on financial liabilities of financial leasing providers valued at fair value through the income statement resulting from a change in the credit worthiness of the financial leasing provider	2	0	1	2			

Account group, account	Position	AOP code				Note number	Current code	Previous year
1	2	3				4	5	6
338	Positive effects of value changes based on other components of other results that cannot be reclassified in gain or loss	2	0	1	3			
338	Negative effects of value changes based on other components of other results that cannot be reclassified in gain or loss	2	0	1	4			
332	**Components of other results that may be reclassified in gain or loss:** Positive effects of changing the value of debt instruments valued at fair value through other results	2	0	1	5			
332	Negative effects of changing the value of debt instruments that are valued at fair value through other results	2	0	1	6			
337	Gains on cash flow hedging instruments	2	0	1	7			
337	Losses from instruments intended to hedge against cash flow risks	2	0	1	8			
331	Unrealized gains on transactions and balances in foreign currencies and translation of results and financial positions of foreign operations	2	0	1	9			
331	Unrealized losses due to the calculation of transactions and balances in foreign currencies and the translation of results and financial positions of foreign operations	2	0	2	0			
336	Unrealized gains on instruments intended to hedge against the risk of net investment in foreign operations	2	0	2	1			
336	Unrealized losses on instruments intended to hedge against the risk of net investment in foreign operations	2	0	2	2			
339	Unrealized gains on other hedging instruments	2	0	2	3			
339	Unrealized losses on other hedging instruments	2	0	2	4			
339	Positive effects of changes in value based on other components of other results that may be reclassified to profit or loss	2	0	2	5			
339	Negative effects of changes in value based on other components of other results that may be reclassified to profit or loss	2	0	2	6			
33	Taxable profit relating to other results of the period	2	0	2	7			
33	Tax loss relating to other results of the period	2	0	2	8			
	Total positive other result of 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 negative other period result (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		7,200	11,621

Account group, account	Position	AOP code	Note number	Current code	Previous year
1	2	3	4	5	6
	TOTAL POSITIVE RESULT OF THE PERIOD (2001 - 2002 + 2029 - 2030) ≥ 0	2031		234,533	151,389
	TOTAL NEGATIVE RESULT OF THE PERIOD (2001 - 2002 + 2029 - 2030) < 0	2032			
	Total positive result of the period belonging to the parent entity	2033			
	Total positive result of the period belonging to owners without the right of control	2034			
	Total negative result of the period belonging to the parent entity	2035			
	Total negative result of the period belonging to owners without the right of control	2036			

In Belgrade,
on February 24, 2023

Intesa Leasing
d.o.o. Beograd

Legal representative of the financial leasing provider

ID number: 17492713	Activity code: 6491	TAX ID: 103023875
Name of financial leasing provider: Intesa Leasing d.o.o. Belgrade		
Headquarters of the financial leasing provider: Belgrade, Milentija Popovića 7b		

Annex 5

REPORT ON CHANGES IN EQUITY
in the period from 01.01. to 31.12.2022.

(in thousands of dinars)

Ordinal no.	DESCRIPTION	AOP	Equity and shares (group counts 30, except 302)	AOP	Own shares (account 237)	AOP	Emission premium (account 302)	AOP	Reserves (account group 32)	AOP	Revaluation reserves (group calculates 33 demand balances)	AOP	Revaluation reserves (group calculates 33 debt balances))	AOP	Profit (account group 34)	AOP	Loss (account group 35)	AOP	Participation without the right of control	AOP	Total(q. 2-3 + 4 + 5 + 6-7 + 8-9 + 10) ≥ 0	AOP	Total (q. 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 on January 1 of the previous year**	4001	960,374	4033		4065		4097	298,047	4129	19,433	4147		4165	106,679	4201		4237		4281	1,384,533	4287	
2	Effects of the first application of new IFRS – increase	4002		4034		4066		4098		4130		4148		4166		4202		4238		X	x	x	x
3	Effects of the first application of new IFRS - reduction	4003		4035		4067		4099		4131		4149		4167		4203		4239		X	x	x	x
4	Change in accounting policies and correction of material errors in the previous year - increase	4004		4036		4068		4100		4132		4150		4168		4204		4240		X	x	x	x
5	Change in accounting policies and correction of material errors in the previous year - reduction	4005		4037		4069		4101		4133		4151		4169		4205		4241		X	x	x	x
6	**Adjusted starting balance on January 1 of the previous year (ordinal number 1 + 2-3 + 4-5)**	4006	960,374	4038		4070		4102	298,047	4134	19,433	4152		4170	106,679	4206		4242		4282	1,384,533	4288	
7	Overall positive other result of the period	x	x	x	x	x	x	x	X	4135		4153		x	x	X	x	4243		X	x	x	x
8	Total negative other result of the period	x	x	x	x	x	x	x	X	4136	11,621	4154		x	x	X	x	4244		x	x	x	x
9	Profit for the current year	x	x	x	x	x	x	x	X	x	X	x	x	4171	163,010	X	x	4245		x	x	x	x
10	Loss for the current year	x	x	x	x	x	x	x	X	x	X	x	x	x	X	4207		4246		x	x	x	x
11	Transfer from reserves to results due to cancellation of reserves – increase	x	x	x	x	x	x	x	X	x	X	x	x	4172		x	x	4247		x	x	x	x
12	Transfer from reserves to results due to cancellation of reserves – reduction	x	x	x	x	x	x	x	x	x	x	x	x	x	X	4208		4248		x	x	x	x
13	Transactions with owners recorded directly in equity - increase	4007		4039		4071		4103		x	X	x	x	4173		4209		4249		x	x	x	x
14	Transactions with owners recorded	4008		4040		4072		4104		x	X	x	x	4174		4210		4250		x	x	x	x

Ordinal no.	DESCRIPTION	AOP	Equity and shares (group counts 30, except 302)	AOP	Own shares (account 237)	AOP	Emission premium (account 302)	AOP	Reserves (account group 32)	AOP	Revaluation reserves (group calculates 33 demand balances)	AOP	Revaluation reserves (group calculates 33 debt balances))	AOP	Profit (account group 34)	AOP	Loss (account group 35)	AOP	Participation without the right of control	AOP	Total(q. 2-3 + 4 + 5 + 6-7 + 8-9 + 10) ≥ 0	AOP	Total (q 2-3 + 4 + 5 + 6-7 + 8-9 + 10) < 0
	1		2		3		4		5		6		7		8		9		10		11		12
	directly in equity – decrease																						
15	Profit distribution – increase	4009		4041		4073		4105	106,679	x	X	x	x	4175		4211		4251		x	x	x	x
16	Distribution of profit, i.e. loss coverage – decrease	4010		4042		4074		4106		x	X	x	x	4176		4212		4252		x	x	x	x
17	Dividend payment	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	106,679	4215		4255		x	x	x	x
20	**Total transactions with owners (ordinal number 13-14 + 15-16-17 + 18-19) ≥ 0**	4014		4046		4078		4110	106,679	x	X	x	x	4180		4216		4256		x	x	x	x
21	**Total transactions with owners (ordinal number 13-14 + 15-16-17 + 18-19)**	4015		4047		4079		4111		x	X	x	x	4181	106,679	4217		4257		x	x	x	x
22	**Balance as at 31 December of the previous year (for columns 2,3,4,5,6,8 and 10 ordinal numbers 6 + 7-8 + 9-10 + 11-12 + 20-21; for column 7 ordinal number 6 + 8-7, for column 9 ordinal number 6 + 7-8 + 9 + 10 + 11-12 + 20-21)**	4016	960,374	4048		4080		4112	404,726	4137	7,812	4155		4182	163,010	4218		4258		4283	1,535,922	4289	
23	**Opening balance on January 1 of the current year**	4017	960,374	4049		4081		4113	404,726	4138	7,812	4156		4183	163,010	4219		4259		4284	1,535,922	4290	
24	Effects of the first application of new IFRS – increase	4018		4050		4082		4114		4139		4157		4184		4220		4260		x	X	x	x
25	Effects of the first application of new IFRS - reduction	4019		4051		4083		4115		4140		4158		4185		4221		4261		x	x	x	x
26	Change in accounting policies and correction of material errors in the previous year - increase	4020		4052		4084		4116		4141		4159		4186		4222		4262		x	x	x	x
27	Change in accounting policies and correction of material errors in the previous year - reduction	4021		4053		4085		4117		4142		4160		4187		4223		4263		x	x	x	x
28	**Corrected initial balance on January 1 of the current year (ordinal number**	4022	960,374	4054		4086		4118	404,726	4143	7,812	4161		4188	163,010	4224		4264		4285	1,535,922	4291	

Ordinal no.	DESCRIPTION	AOP	Equity and shares (group counts 30, except 302)	AOP	Own shares (account 237)	AOP	Emission premium (account 302)	AOP	Reserves (account group 32)	AOP	Revaluation reserves (group calculates 33 demand balances)	AOP	Revaluation reserves (group calculates 33 debt balances))	AOP	Profit (account group 34)	AOP	Loss (account group 35)	AOP	Participation without the right of control	AOP	Total(q. 2-3 + 4 + 5 + 6-7 + 8-9 + 10) ≥ 0	AOP	Total (q. 2-3 + 4 + 5 + 6-7 + 8-9 + 10) < 0
	1		2		3		4		5		6		7		8		9		10		11		12
	23 + 24-25 + 26-27)																						
29	Overall positive other result of the period	x	X	x	x	x	x	x	X	4144		4162		X	x	X	x	4265		x	X	x	x
30	Total negative other result of the period	x	X	x	x	x	x	x	X	4145	7,200	4163		X	x	X	x	4266		x	X	x	x
31	Profit for the current year	x	X	x	x	x	x	x	X	x	x	x	x	4189	241,733	X	x	4267		x	X	x	x
32	Loss of current year	x	X	x	x	x	x	x	X	x	X	x	x	X	X	4225		4268		x	X	x	x
33	Transfer from reserves to results due to cancellation of reserves - increase	x	X	x	x	x	x	x	X	x	x	x	x	4190		x	x	4269		x	X	x	x
34	Transfer from reserves to results due to cancellation of reserves - reduction	x	X	x	x	x	x	x	X	x	x	x	x	x	X	4226		4270		x	x	x	x
35	Transactions with owners recorded directly in equity - increase	4023		4055		4087		4119		x	x	x	x	4191		4227		4271		x	x	x	x
36	Transactions with owners recorded directly in equity - reduction	4024		4056		4088		4120		x	x	x	x	4192		4228		4272		x	x	x	x
37	Distribution of profit – increase	4025		4057		4089		4121	163,010	x	x	x	x	4193		4229		4273		x	x	x	x
38	Distribution of profits, i.e. loss coverage – decrease	4026		4058		4090		4122		x	x	x	x	4194		4230		4274		x	x	x	x
39	Dividend payment	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	163 010	4233		4277		x	x	x	x
42	**Total transactions with owners (ordinal number 35-36 + 37-38-39 + 40 + 41) ≥ 0**	4030		4062		4094		4126	163,010	x	x	x	x	4198		4234		4278		x	x	x	x
43	**Total transactions with owners (ordinal number 35-36 + 37-38-39 + 40 + 41)**	4031		4063		4095		4127		x	x	x	x	4199	163,010	4235		4279		x	x	x	x
44	**Balance as at 31 December of the current year (for columns 2,3,4,5,6,8 and 10 ordinal numbers 28 + 29-30 + 31-32 + 33-34 + 42-43; for column 7 ordinal numbers 28 + 30-29, for column 9 ordinal number 28 + 29-**	4032	960,374	4064		4096		4128	567,736	4146	612	4164		4200	241,733	4236		4280		4286	1,770,455	4292	

Ordinal no.	DESCRIPTION	AOP	Equity and shares (group counts 30, except 302)	AOP	Own shares (account 237)	AOP	Emission premium (account 302)	AOP	Reserves (account group 32)	AOP	Revaluation reserves (group calculates 33 demand balances)	AOP	Revaluation reserves (group calculates 33 debt balances))	AOP	Profit (account group 34)	AOP	Loss (account group 35)	AOP	Participation without the right of control	AOP	Total(q. 2-3 + 4 + 5 + 6-7 + 8-9 + 10) ≥ 0	AOP	Total (q. 2-3 + 4 + 5 + 6-7 + 8-9 + 10) < 0
	1		2		3		4		5		6		7		8		9		10		11		12
	30 + 31 + 32 + 33-34 + 42-43)																						

In Belgrade

on 24 February 2023

Intesa Leasing d.o.o. Beograd

Legal representative of the financial lessor

Anex 4

To be filled in by the financial leasing provider		
ID number: 17492713	Activity code: 6491	TAX ID: 103023876
Name: Intesa Leasing doo Belgrade		
Headquarters: Belgrade, Milentija Popovića 7b		

CASH FLOW STATEMENT
for the period from 01.01.2022. to 31.12.2022

(in thousands of dinars)

	POSITION	AOP code				Amount	
						Current year	Previous year
	1	2				3	4
A I	CASH FLOWS FROM OPERATING ACTIVITIES Cash inflows from operating activities (from 3002 to 3007)	3	0	0	1	15,372,606	12,396,578
1.	Inflows from placements in financial leasing	3	0	0	2	10,695,632	8,489,248
2.	Inflows from placements in operational leasing	3	0	0	3		
3.	Inflows from the sale of intangible property, real estate, plants and equipment leased and operational leasing	3	0	0	4		
4.	Inflows from advances	3	0	0	5	3,923,509	3,212,584
5.	Interest inflows	3	0	0	6	678,629	487,323
6.	Inflows from other business activities	3	0	0	7	74,836	207,423
II	Cash outflows from operating activities (from 3009 to 3015)	3	0	0	8	18,791,593	14,329,423
7.	Leasing outflows	3	0	0	9	34,600	7,740
8.	Outflows for the purchase of intangible assets, real estate, plant and equipment that are leased under operating leases	3	0	1	0		
9.	Advance outflows	3	0	1	1	18,537,285	14,089,530
10.	Interest outflows	3	0	1	2		
11.	Outflows from gross wages, salaries and other personal expenses	3	0	1	3	143,336	126,804
12.	Outflows from taxes, contributions and other charges on expenses	3	0	1	4	65,295	99,081
13.	Outflows from other operating expenses	3	0	1	5	11,077	6,268
14.	Decrease in financial resources and increase in financial liabilities	3	0	1	6		
15.	Increasing financial resources and decrease financial liabilities	3	0	1	7		
III	Net cash inflow from operating activities before income tax (3001 - 3008 + 3016 - 3017)	3	0	1	8		
IV	Net cash outflow from operating activities before income tax (3008 - 3001 + 3017 - 3016)	3	0	1	9	3,418,987	1,932,845
16.	Income tax paid	3	0	2	0	67,243	24,026
V	Net cash inflow from operating activities (3018 - 3019 - 3020)	3	0	2	1		
VI	Net cash outflow from operating activities (3019 - 3018 + 3020)	3	0	2	2	3,486,230	1,956,871
Б I	CASH FLOWS FROM INVESTING ACTIVITIES Cash inflows from investing activities (from 3024 to 3029)	3	0	2	3	1,661,441	27,602
1.	Inflows from investing in investment securities	3	0	2	4	619,285	27,285
2.	Inflows from the sale of investments in subsidiaries and associated societies and joint ventures	3	0	2	5	364,891	

POSITION		AOP code				Amount	
						Current year	Previous year
3.	Inflows from the sale of intangible assets, real estate, plants, equipment and other assets	3	0	2	6		
4.	Inflows from the sale of investment properties	3	0	2	7		
5.	Dividend inflows and profit earnings	3	0	2	8		
6.	Other inflows from investment activities	3	0	2	9	677,265	317
II	Cash outflows from investment activities (from 3031 to 3035)	3	0	3	0	4,818,548	385,371
7.	Outflows from investments in investment securities	3	0	3	1		
8.	Outflows for the purchase of investments in subsidiaries and associates and joint ventures	3	0	3	2		150,000
9.	Outflows for the purchase of intangible assets, real estate, plant and equipment	3	0	3	3	12,263	11.862
10.	Outflows from the acquisition of investment property	3	0	3	4		
11.	Other outflows from investment activities	3	0	3	5	4,806,285	223,509
III	Net cash flow from investment activities (3023 – 3030)	3	0	3	6		
IV	Net cash outflow from investment activities (3030 – 3023)	3	0	3	7	3,157,107	357,769
B I	CASH FLOWS FROM FINANCING ACTIVITIES Cash flows from financing activities (3039 to 3042)	3	0	3	8	11,683,734	13,579,065
1.	Inflows from capital increases	3	0	3	9		
2.	Inflows from loans taken out	3	0	4	0	11,683,734	13,579,065
3.	Inflows from the sale of their own shares and shares	3	0	4	1		
4.	Other inflows from funding activities	3	0	4	2		
II	Cash outflows from financing activities (3044 to 3047)	3	0	4	3	4,935,377	13,597,677
5.	Outflows from the purchase of their own shares and shares	3	0	4	4		
6.	Outflows based on loans taken out	3	0	4	5	4,927,278	13,589,923
7.	Dividend outflows and profit earnings	3	0	4	6		
8.	Other outflows from funding activities	3	0	4	7	8,099	7,754
III	Net cash flow from financing activities (3038-3043)	3	0	4	8	6,748,357	
IV	Net cash outflow from financing activities (3043-3038)	3	0	4	9		18,612
Г	CASH FLOWS (3001 + 3016 + 3036 + 3048)	3	0	5	0	28,717,781	26,003,245
Д	CASH OUTFLOWS (3008 + 3017 + 3020 + 3037 + 3049)	3	0	5	1	28,612,761	28,336,497
Ђ	NET INCREASE OF CASH (3051 – 3050)	3	0	5	2	105,020	
E	NET DECREASE OF CASH (3051 – 3050)	3	0	5	3		2,333,252
Ж	CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	3	0	5	4	171,874	2,508,871
3	EXCHANGE RATE GAINS	3	0	5	5	942	3,500
И	EXCHANGE RATE LOSSES	3	0	5	6	3,786	7,245
J	CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (3052 – 3053 + 3054 + 3055 – 3056)	3	0	5	7	274,050	171,874

In Belgrade,
on 24.03.2023.

Intesa Leasing d.o.o. Beograd

Legal representative of the financial leasing provider

INTESA LEASING D.O.O. BEOGRAD

NOTES TO THE FINANCIAL STATEMENTS
FOR 2022

LIST OF CONTENTS:

1. BACKGROUND INFORMATION ON INTESA LEASING D.O.O. BEOGRAD

The financial leasing company "Intesa Leasing" d.o.o. Beograd (hereinafter: the "Company") was established pursuant to the Decision of the Commercial Court of September 3, 2003 (former name "Delta Leasing"). The reregistration of the Company into the Register of Business Entities was carried out with the Business Registers Agency on July 25, 2005 pursuant to the Decision No. 82785/2005.

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

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

By the Decision of the National Bank of Serbia of January 24, 2006, the Company was granted permission to perform financial leasing activities, based on which lease activities were harmonized with the Law on Financial Leasing ("Official Gazette of the Republic of Serbia", no. 55/2003, 61/2005, 31/2011 and 99/2011).

Pursuant to the Decision of the Business Registers Agency no. 112635/2006 of March 27, 2006, the ownership shares of the founders were changed. The ownership share of the founder of Banca Intesa a.d. Beograd amounted to 51% in total capital, while the ownership share of the foreign founder CIB Leasing LTD, Budapest, Hungary amounted to 49% in total capital.

Pursuant to the Decision of the Business Registers Agency no. 254739/2006 of December 29, 2006, a capital increase in the Company was carried out. The share capital was increased to the amount of EUR 5,350,000.00, whereby the ratio of the founders' ownership shares remained the same.

Pursuant to the Decision of the Business Registers Agency no. 29167/2009 of March 31, 2009, a new capital increase in the Company was carried out. The share capital was increased to the amount of EUR 10,152,452.62, whereby the ratio of the founders' ownership shares was also changed so that the share of the founder Banca Intesa a.d. Beograd was increased to 98.7% in total capital, while the share of the foreign founder CIB Leasing LTD, Budapest, Hungary was reduced to 1.3% in total share capital.

In 2011, Banca Intesa a.d. Beograd acquired the share of the minority founder CIB Leasing LTD, Budapest. Pursuant to the Decision of the Business Registers Agency no. 155596/2011 of December 19, 2011, the founder was changed so that Banca Intesa a.d. Beograd ("Parent Bank") became the owner of 100% of ownership share in the Company.

The Company engages in financial leasing activities in accordance with the Law on Financial Leasing, and thus the Company's activity code has been defined by the competent authority as 6491.

On May 6, 2016, the Company received the Decision of the National Bank of Serbia with approval for insurance agency activities.

Pursuant to the Decision of the Business Registers Agency of February 11, 2016, the branch of the Company was registered in Novi Sad.

The Company operates as a subsidiary of the owner Banca Intesa a.d. Beograd. The ultimate owner, Intesa Sanpaolo S.P.A. regularly compiles and publishes consolidated financial statements in accordance with the International Financial Reporting Standards approved by the EU, and presents them on the official website of Intesa Sanpaolo Group: www.group.intesasanpaolo.com.

In accordance with the criteria prescribed by the Law on Accounting ("Official Gazette of the Republic of Serbia", no. 73/2019) the Company was classified into large legal entities.The registered office of the Company is in Belgrade, at 7b, Milentija Popovića Street.

1. BACKGROUND INFORMATION ON INTESA LEASING D.O.O. BEOGRAD (Continued)

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

As at December 31, 2022, the Company had 50 employees (December 31, 2021: 44 employees).

2. FRAMEWORK FOR THE PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS

2.1. Framework for the Preparation and Presentation of Financial Statements

The Company keeps records and compiles regular financial statements in accordance with the applicable Law on Accounting ("Official Gazette of the Republic of Serbia", no. 73/2019), the Law on Financial Leasing ("Official Gazette of the Republic of Serbia", no. 55/2003, 61/2005, 31/2011 and 99/2011) and other applicable legislation and by-laws in the Republic of Serbia.

For recognition, measurement, presentation and disclosure of positions in financial statements the Company has, as a large size legal entity, an obligation to apply International Financial Reporting Standards (IFRS) which in the sense of the Law on Accounting includes the following: Framework for Preparation and Presentation of Financial Statements, International Accounting Standards (IAS), International Financial Reporting Standards (IFRS) and related interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), subsequent changes of those standards and interpretations related to them, approved by the International Accounting Standards Board, which were translated and published by the ministry in charge of these affairs.

The translation of IFRS approved and published by the Ministry consists of basic IAS and IFRS texts issued by the International Accounting Standards Board, of interpretations issued by the International Financial Reporting Interpretations Committee in the form in which they are issued and it does not include bases for making conclusions, illustrative examples, directives, comments, adverse opinions, elaborated examples and other additional explanatory materials that can be adopted related to standards, i.e. interpretation, except if it is explicitly cited that it is a constituent part of a standard, i.e. interpretation.

The Ministry of Finance of the Republic of Serbia decision number 401-00-4980/2019-16 dated November 21, 2019, establishes the translation of International Financial Reporting Standards (IFRS), which comprise the Conceptual Framework for Financial Reporting ("Framework"), basic texts of the International Accounting Standards (IAS), basic IFRS texts as published by the International Accounting Standards Board (IASB), including interpretations issued by the International Financial Reporting Interpretations Committee in the form in which they are published and adopted, and which do not include basis for conclusions, illustrative examples, guidelines, comments, opposing opinions, developed examples and other additional explanatory materials which can be adopted in respect of the standards or interpretations, unless it is explicitly stated that they are integral to the standard or interpretation. The translated IFRS as established by decision number 401-00-4980/2019-16, were applied in the financial statements prepared on December 31, 2021.

The Company has applied IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers as of January 1, 2018 and IFRS 16 Leases as of January 1, 2019, in accordance with the Opinion of the Ministry of Finance, no. 011-00-1051/2016-16 of November 23, 2016. Namely, the Company has chosen to apply these standards voluntarily from the date on which they come into force, on January 1, 2018, and January 1, 2019 respectively, although it has not been translated into Serbian or published in the Republic of Serbia. Consequently, publication of translations of IFRS 9, IFRS 15 and IFRS 16 did not have any effect on the Company's accounting policies in 2022 compared to 2021.

These financial statements represent the individual financial statements of the Company. The Company has no investments in subsidiaries and related parties.

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

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

The attached financial statements are prepared in the format prescribed by the Decision on the Content and Format of the Financial Statement Forms for Financial Leasing Providers ("Official Gazette of the Republic of Serbia", no. 119/2021).

Given the above, as well as that certain laws and by-laws prescribe accounting procedures that in certain cases deviate from the requirements of IFRS, the accounting regulations of the Republic of Serbia may deviate from the requirements of IFRS, which may have an impact on the attached financial statements. Accordingly, the attached financial statements cannot be considered as financial statements drawn up in full compliance with IFRS in the manner defined in the provisions of IAS 1 "Presentation of Financial Statements".

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

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

The financial statements have been prepared in accordance with the going concern principle, which implies that the Company will continue to perform activities in the foreseeable future.

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

The attached financial statements of the Company for 2022 were approved for issuance by the President of the Executive Board on February 21, 2023.

2.2. Comparable Data

The comparative data consists of the annual financial statements of the Company for 2021, prepared in accordance with the accounting regulations in force in the Republic of Serbia and explained in Note 2.1, which were the subject of the audit.

The accounting policies and estimates concerning 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 2021.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1. Recognition of Income and Expenses

(a) Interest Income and Expenses

Interest income and expenses include contracted and default interest and are calculated on the accrual basis and in accordance with contractual terms defined by contracts between clients and the Company, or between the Company and the 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 the approval of placements based on financial leasing). The effective interest rate method is a method that calculates the depreciated value of a financial asset or financial liability and allocates the corresponding interest income/expense to the appropriate reporting period. The effective interest rate is the rate used to discount future cash flows over the repayment period of a financial instrument to its carrying amount

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

(b) Fee Income

Fee income includes income from fees for the approval of financial leasing placements charged to the lessee, re-invoiced costs to the lessee based on the registration of the contract in the register of financial leasing, insurance, registration and other costs, income from intercalary interest, income from the collection of costs for issuing warnings and other costs in case of non-settlement of the lessee's obligations.

Income from the financial leasing contract approval fees is calculated and charged in advance, and then accrued during the term of the financial leasing contract.

(c) Fee Expenses

Fee expenses consist of fees to banks for payment transactions and other banking services, as well as costs that are invoiced to the lessee for registration of the contract in the register of financial leasing, and costs of insurance, registration and other costs that are re-invoiced to the lessee. These costs shall be accrued and posted under expenses in the periods to which they relate.

(d) Other Expenses

Costs of materials, maintenance, repairs and replacement services are recorded in the income statement at the time they are incurred.

(e) Other Income

Other income mostly refers to income from agent's commission in insurance business and recognized in the income statement when occurred.

3.2. Foreign Currency Translation

The items included in the financial statements of the Company 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 functional and reporting currency of the Company.

Transactions reported in foreign currency are initially recorded in functional currency using the valid exchange rate at the date of the transaction.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2. Foreign Currency Translation (Continued)

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

Foreign exchange gains and losses arising from the translation of balance sheet positions expressed in foreign currency and from business transactions in foreign currency are reported in the Company's Income Statement as foreign exchange gains and losses and gains and losses arising from FX clause (Note 7).

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

For the translation of monetary assets and liabilities, the Company used the official middle exchange rates of the National Bank of Serbia ("NBS") prevailing at the balance sheet date:

in RSD	December 31, 2022	December 31, 2021
Currency		
- CHF	119.2543	113.6388
- EUR	117.3224	117.5821

Placements and liabilities related to basic contracts which are tied to a foreign currency (foreign currency clause) or another variable, are valued in accordance with contractual clauses. Valuation effects are recorded as foreign exchange gains/losses and gains/losses from currency clause.

During 2022, the Company translated receivables from financial leasing using the contracted exchange rates, recognizing the gains and losses in the Income Statement under the foreign exchange gains and losses and gains/losses from contracted currency clause.

3.3. Cash

Cash is presented in the Balance Sheet and includes cash balances in RSD accounts with banks. Cash is measured at depreciated value in the Balance Sheet.

A financial asset is measured at depreciated value if it is not indicated as measured at fair value through the Income Statement and meets the following criteria:

- the objective of the business model of the asset is to hold the asset in order to collect the contracted cash flows and
- contractual terms of the financial asset lead to cash flows that represent only payments of principal and interest on the balance of the principal on certain dates.

The Company performs RSD payment transactions through the current account with Banca Intesa a.d. Beograd.

The accounting policy for the calculation of impairment is explained in Note 3.7.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.4. Financial placements with banks

Financial placements of the Company held with banks include:

- foreign currency accounts and
- term deposits with banks.

Term deposits are initially measured at fair value. After initial recognition, they are measured at depreciated value.

A financial asset is measured at depreciated value if it is not indicated as measured at fair value through the Income Statement and meets the following criteria:

- the objective of the business model of the asset is to hold the asset in order to collect the contracted cash flows and
- contractual terms of the financial asset lead to cash flows that represent only payments of principal and interest on the balance of the principal on certain dates.

When the Company concludes short-term deposit agreements with a currency clause or foreign currency deposits, after the initial posting, gains/losses from the currency clause are calculated, as well as foreign exchange gains/losses that are recorded in the Income Statement under the income or expenses from exchange differences and gains/losses from the contracted currency clause.

The accounting policy for the calculation of impairment is explained in Note 3.7.

3.5. Other financial placements and derivatives

Other financial placements are placements in securities that are measured at fair value through other comprehensive income and investments in investment funds that are measured at fair value through Income Statement.

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

- the objective of the business model of the asset is to hold the asset in order to collect the contracted cash flows and for sales, and
- contractual terms of the financial asset lead to cash flows that represent only payments of principal and interest on the balance of the principal on certain dates.

Initially, they are measured at fair value, increased by costs directly attributable to the acquisition of the financial asset.

After initial recognition, financial assets are stated at fair value. The Company measures the fair value of securities and records the difference between fair value and carrying value as unrealized gains or losses from securities within the position Reserves, Revaluation Reserves and Unrealized Gains/Losses (Note 27).

Subsequent valuation of investments in investment funds is recognized in the income statement within the position Net Profit / (Loss) from other financial instruments at fair value through the Income Statement.

As at December 31, 2021, the Company has no financial derivatives.

The accounting policy for the calculation of impairment is explained in Note 3.7.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.6. Receivables from financial leasing

Financial leasing is a lease that substantially transfers all the risks and benefits arising from the ownership over the subject of the lease. At the end of the leasing period, the right of ownership may or may not be transferred.

Upon initial recognition, the Company as a lessor recognizes the assets held under finance lease in the Balance Sheet as financial placements equal to net investment in financial leasing.

The gross investment in the lease is the total amount of the minimum leasing installments and any unguaranteed residual value accruing to the benefit of lessor. Net investments in lease represent gross investments in lease discounted at the interest rate defined in the leasing agreement. Unearned financial income is the difference between gross and net investment in lease.

The interest rate which is contained in the lease is the discount rate which at the beginning of the lease term causes the total sum of the present value of the minimum lease installments and unguaranteed residual value to be equal to the sum of the fair value of the asset that is the subject of the lease and all the initial expenses of financial leasing.

Investments in leasing stated in the balance sheet as receivables from financial leasing are subsequently measured at depreciated value less the estimated value adjustment of receivables from financial leasing.

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

Other receivables from financial leasing are recorded and measured at invoice value less value adjustment of receivables.

Other receivables from financial leasing include:

- fees;
- Interest rates;
- costs transferred to lessees; and
- warnings.

The Company calculates indirect value adjustment of receivables from financial leasing in accordance with Receivables Classification Policy and records as income or expense of the period under the item Net income / (expenses) from impairment of receivables from financial leasing and financial assets.

Receivables from financial leasing agreements that include a contracted currency clause are initially stated at the counter value of foreign currency, applying the contracted exchange rate at the day of transaction. Effects of foreign currency clauses are determined, and recognized as income or expense for the period within the position Net income / (expenses) from exchange rate differences and currency clause effects, based on the effect of exchange rates changes from the date of transaction to the date of payment, as well as at each balance sheet date.

3.7. Impairment of Financial Assets

In accordance with the internal policy, on each reporting date, the Company calculates and recognizes a value adjustment equal to the expected credit losses over the lifetime for financial assets measured at depreciated value (which include lease receivables) and for debt financial assets recorded at fair value through other comprehensive income, except for those financial assets for which no significant increase in credit risk was recorded from the moment of initial recognition.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7. Impairment of Financial Assets (Continued)

The carrying amount of financial instruments measured at depreciated value is reduced by the amount of the value adjustment for expected credit losses.

Value adjustments for expected credit losses on debt financial assets measured at fair value through other comprehensive income are recognized through other comprehensive income and Income Statement, and the carrying amount in the Balance Sheet is not reduced.

The methodology for calculating value adjustments or impairment of financial assets is defined by the "Asset Classification Policy".

Impairment is calculated on one of the following grounds:

- 12-month expected credit losses – these are the expected credit losses that occur if default status occurs within 12 months after the reporting date; and
- lifetime expected losses – the stated credit losses are the result of possible events of default during the entire expected life of the financial instrument.

The lifetime expected losses are calculated if the credit risk of the financial asset at the reporting date is significantly increased compared to the initial date of recognition of that asset, while otherwise 12-month credit losses are calculated.

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

The criteria for the classification of receivables are:

a) An objective criterion for the classification of debtors is the delay in the settlement of obligations.
   The decision of the Management Board of the Company of February 27, 2020 defines a new delay calculation method. Calculation of days of delay is performed on a daily basis, whereby the balance on the last day of the month is taken into account for the purposes of classification and calculation of provisions.
   The delay is considered material if the amount of overdue receivables is more than 1% of balance receivables from the debtors, and more than RSD 10,000 for the debtor who is a legal entity or RSD 1,000 for the debtor who is a individual, entrepreneur or farmer. The number of days of delay at the client level is determined as a continuous number of days in delay beyond the materiality threshold. Subjective classification criteria include all other information that may indicate that the client is unlikely to fully perform its contractual obligations.
b) Economic group.
c) Contamination rule.

The classification of assets is based on the objective and subjective criteria specified in the Asset Classification Policy. The collateral or guarantee established as security instrument cannot affect the class of the client but only the level of accrued value adjustments.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7. Impairment of Financial Assets (Continued)

Receivables are classified into one of the following classes:

a) Non-performing receivables

Doubtful

The classification is based on the criteria for assessment of lessees that are aligned with the definition of lessees as truly insolvent. A “state of insolvency” means the structural and permanent inability to regularly fulfill obligations from regular sources, due to lack of liquidity and/or inability to access external financial resources (e.g. capital market) necessary to maintain / ensure the going concern status.

Unlikely to pay

Classification in the category of Unlikely to pay is the result of the assessment that the lessee is unlikely to fully fulfill its obligations (in terms of repayment of principal and/or interest) without resorting to activities such as the collection from security instruments/collaterals. Such an assessment shall be made regardless of the amount and number of days of delay. The Unlikely to pay class includes clients whose credit quality indicators are significantly deteriorated and where future cash flows are not expected to fully service their financial liabilities.

Past due

Clients who have temporary problems which can be overcome and conditions for the classification of debtors as Unlikely to pay or Doubtful are not met. The total exposure to the debtor will be classified under the category Past due if the delay is longer than 90 days in a material amount (the amount of matured debt exceeds 1% of the total debt more than 90 days in continuity, and amounts to more than RSD 10,000 for debtor that is a legal entity or RSD 1,000 for debtor who is an individual, entrepreneur or a farmer)

b) Performing receivables

This class includes all clients who are not classified in one of the non-performing classes and settle their liabilities towards the Company on a regular basis or with a delay of up to 90 days. Performing clients are clients who are not classified in one of the Non-performing classes and who regularly settle their obligations toward the Company.

Exposures with PM status - Watchlist

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

Exposures with PM status are exposures to clients who, due to their characteristics or for external reasons, face different degrees of (financial and/or business) difficulties with subsequent possible deterioration of their creditworthiness. Placements with PM status include exposures that are still considered as Performing, but which are not at a direct, but possible risk (of default) if certain measures are not taken in a timely manner. In other words, PM exposures include those that show the first signals of potential risk. In addition, all exposures where restructuring plans are in the negotiation process fall under this category.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7. Impairment of Financial Assets (Continued)

Forborne Exposure

Forborne exposure is “such exposure the initial contractual terms of which have been altered and/or the placement of which has been partially or fully refinanced due to financial difficulties that prevent the client from fulfilling its original contractual obligations.

Forbearance measures are concessions to a debtor who is facing or will face difficulties in fulfilling its financial obligations.

The term concession implies the following:

- amendments to previous contractual conditions that the debtor is not considered to be able to meet due to financial difficulties, in order to enable debtor’s sufficient ability to repay the debt, which would not have been approved if the debtor was not in financial difficulties;
- total or partial refinancing of the non-performing debt agreement that would not have been approved if the debtor was not in financial difficulties;
- contractual amendments that the debtor may request within the contract that has already been signed and approved by the Company, knowing that the debtor is in financial difficulties (the so-called “Embedded Forbearance Clauses”).

Minimum criteria for re-classification (return) to Performing

From the moment when the criteria that led the client to NPL are no longer active, a Probation Period of at least 90 days is initiated, during which the client remains in NPL status. If during the Probation Period the client is more than 5 days late with payment of a material amount, the counting of days in the Probation Period starts from the beginning. The Probation Period applies to all NPL clients, except for clients in Forborne status where the monitoring period lasts at least 12 months.

After the end of the Probation Period, the following should be considered for re-classification (return) of clients who were NPL to Performing clients:

a) regularity of settlement of obligations during the Probation Period;
b) financial situation of the debtor during the Probation Period;
c) if, after the Probation Period, it is determined that the debtor is likely to still be unable to pay its obligations in full, without resorting to the realization of collateral, the exposures should also be classified as NPLs until the Company assesses that the improvement of the quality of the placement is permanent.

The Probation Period of default status lasts 90 days starting from the point where the default status triggers are no longer active for the client.

The trial period shall be reset in case of occurrence of at least one of the following conditions:

- Both thresholds of materiality of the delay were exceeded for more than 5 days or
- A new subjective criterion has been identified.

Probation Period for Past Due Exposures

For clients who are in the Past due status, if there is no overdue exceedance beyond the materiality threshold (absolute or relative) for the duration of the Probation Period of 90 days, the client automatically returns from the status of Past due to Performing.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7. Impairment of Financial Assets (Continued)

Manual Return from Probation Period

If the client does not have a delayed exposure, the return to Performing from Unlikely to pay and Doubtful categories is based on a subjective assessment (taking into account all subjective classification criteria). A client is considered eligible for return to Performing after 90 days only if it has paid all due obligations. A client with no material delay in the past 90 days, but still is overdue in certain amount can not be transferred from the Unlikely to pay status until it pays the due liabilities.

For Non-Performing Forborne exposures, the application of a 12-month recovery period takes precedence over the Probation Period.

Calculation of Impairment

In addition to the classification of receivables to Performing, Past due, Unlikely to pay and Doubtful, the Company classifies receivables into the following impairment levels:

- Stage 1;
- Stage 2; and
- Stage 3.

Impairment levels determine the method of calculating expected credit losses. 12-month expected credit losses are calculated for receivables from Stage 1, while expected losses until the end of the lifetime of the financial instrument (Lifetime Expected Loss) are calculated for receivables from Stage 2 and Stage 3.

Stage 3 includes all Non-performing receivables, while Stage 1 and Stage 2 are “subclasses” within the Performing receivables. Stage 2 comprises Performing receivables in which there has been a significant increase in credit risk compared to the moment of initial recognition.

The Company uses the following criteria for the detection of receivables in which there has been a significant increase in credit risk (and consequently classifies them in Stage 2):

1. More than 30 days in delay – Receivables from clients who are overdue more than 30 days with a material amount.
2. PM (Proactive Management) status / EW (Early Warning) signals – clients assigned with orange, red or light blue color.
3. Forborne status.
4. Significant increase in the probability of going into default status (PD) from the moment of initial recognition – Relative change of PD (Lifetime PD) in relation to the moment of initial recognition, which is above the defined materiality threshold, leads to the classification of receivables into Stage 2. Thresholds for significant increase of PD for Corporate, SME Retail, Specialized lending and for individuals segments are defined internally by the Bank, while for other segments of the portfolio the thresholds are defined by the Parent Company.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7. Impairment of Financial Assets (Continued)

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

Stage 1	Stage 2	Stage 3
• Performing exposures up to 30 days in delay • Performing exposures with more than 30 days delay but below materiality threshold • Performing exposures in which there has been no significant increase in PD since the moment of initial recognition • Performing exposures that are not in Forborne status	• Performing exposures with more than 30 days of delay and beyond materiality threshold • Forborne Performing Exposures • Performing exposures with a significant increase in PD from the moment of initial recognition	• Exposures with more than 90 days of delay and beyond materiality threshold • Unlikely to Pay • Doubtful • NPL exposures in the Probation Period • Forborne NPL Exposures

In addition to the criteria defined above, in conditions of temporary crisis such as that caused by the COVID 19 pandemic, the Company may reclassify, for the purposes of classification and calculation of provisions for credit losses, those clients / exposures whose increased credit risk has been identified, to one rating class worse, or to Impairment Stage 2. The increase in credit risk can be determined on the basis of, for example: the client's affiliation with an industry that has been determined to be particularly negatively affected by the crisis, and / or based on the client's level of indebtedness, potential vulnerability to the negative effects of the crisis, etc.

Impairment based on credit losses is calculated on the basis of parameters obtained from internal models or by individual assessment (except for receivables from countries, local governments and banks where the parameters from the ISP model are used), and the expenses of value adjustments are recorded at the expense of the Income Statement.

Impairment based on credit losses (expected credit losses) is estimated on the basis of:

a) Collective assessments for all Performing Exposures, as well as Non-performing Exposures with a total exposure of less than EUR 150,000; and
b) Individual estimates for Non-performing Exposures with a total exposure of more than EUR 150,000.

Expected credit losses for clients who are not subject to individual assessment, are calculated depending on the Stage of impairment the receivable is classified into (Stage 1, 2 or 3) based on the criteria for determining the level of credit risk.

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 introduces “Add-on” into the calculation, as an adjustment of the level of provisions. “Add-on” is a measure of the future (expected) macroeconomic impact on the level of the LGD rate in the coming period.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7. Impairment of Financial Assets (Continued)

The impairment of assets, for clients who are not subject to individual assessment, is calculated depending on the level of impairment to which the receivable is classified (Stage 1, 2 or 3) based on the 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 an individual contract. In the context of the calculation of lifetime expected credit losses, a methodology for determining the EAD (Exposure at Default) has been developed for all periods until the final maturity of the financial instrument. For receivables from financial leasing that are depreciated and for which repayment plans are available, the future EAD is determined on the basis of repayment plans.

The probability of default (PD) is a probability that the performing receivable/debtor will go into default status.

- For clients in non-performing Stage 3 classes, the PD is 100%.
- For exposures belonging to Stage 1 and Stage 2 and relating to clients with an accrued internal rating, the appropriate value of the PD parameter is assumed depending on the rating and segment.
- For exposures of clients that do not have a rating on the reporting date and belong to the segments covered by the PD model, the default rate on the portfolio of unrated clients is determined, and then the first more conservative rating closest to the value obtained is assigned to the clients. After that, in accordance with the obtained rating, the exposures are assigned the appropriate PD parameter (Lifetime PD or 12-month PD) depending on the Stage to which the exposures belong (Stage 1 or Stage 2).
- For client exposures belonging to segments not covered by the PD model, PD is determined on the basis of historical default rates of a particular segment, which are further adjusted for macroeconomic impact projection using appropriate macroeconomic coefficients for different scenarios, in accordance with the requirements of IFRS 9.
- For exposures related to Intesa Sanpaolo Group members, the PD defined in the Banca Intesa's Manual for Calculation of IFRS 9 Lifetime PDs shall apply.
- For exposures belonging to the Bank, State, Central Bank and Local Self-Government segments, the PD values defined in the Banca Intesa's Manual for Calculation of IFRS 9 Lifetime PDs shall apply.

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

The LGD parameter is calculated on the basis of historical data analysis, separately for homogeneous portfolio segments. LGD is calculated separately for each of the 4 basic types of subject of leasing (passenger vehicles, commercial vehicles, equipment, real estate) that may be the subject of financing, based on the analysis of historical losses incurred by clients who were in the non-performing class at any time from January 1, 2011 to the moment of calculation. This calculated historical LGD for the basic types of subjects of leasing is applied to all subcategories of subjects within the basic type in the calculation of provisions.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7. Impairment of Financial Assets (Continued)

The rate of losses in case of default status (LGD) for each type of the subject of leasing is obtained as an average of all loss rates under individual leasing contracts that are the subject of analysis, while the individual rate per each of the leasing contracts is the result of the total loss recorded by the date of calculation. The individual LGD rate for each observed contract is obtained by putting into relation all losses under a given contract on the day of calculation and the current exposure towards the client when falling into default status. If the client has returned to the performing class, the LGD rate for all its contracts will be 0% because it is considered that by its transition to the performing class it has fulfilled all the conditions for this in accordance with the classification policy, that there are no losses under that contract and that the client continues to settle obligations on a regular basis.

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

When calculating provisions for credit losses, PD and LGD shall be applied to a base (EAD) equal to the gross exposure under each leasing agreement.

For exposures exceeding the materiality threshold (EUR 150 thousand) and relating to clients classified as Doubtful or Unlikely to Pay, the assessment is performed on an individual basis. It is based on an assessment of the client's financial situation and ability to pay taking into account the repayment capacity of the client (going concern) and / or collection based on the type and value of collateral (gone concern), while taking into account forward-looking information and macroeconomic expectations through the application of different scenarios. Provisions for credit losses are equal to the difference between the carrying value of receivables and the expected amount to be collected. The expected amount to be collected is the net present value of expected cash flows discounted by the effective interest rate of the contract (EIR).

The macroeconomic adjustment of PD is thus carried out by applying stress coefficients obtained from the EBA PD stress test model. The coefficients are submitted by the Parent Bank and define the change of PD parameter in relation to the baseline year for the redefined segment. EBA parameters are submitted only for the basic and unfavorable scenario, so the calculation of the favorable scenario is done separately, as a difference between the transformed values of the basic and unfavorable PD parameters added to the basic scenario. The transformation is carried out using the inverse standard normal distribution. The default rate of the Serbian banking sector on December 31, 2019 is used as the initial default rate in relation to which the change in the default rate based on the EBA stress test parameters for the Rest of the World is calculated, since the coefficients are not available for Serbia. The table below shows the contingent default rates applied to the migration matrix to include elements related to future events for the next 3 years from the reporting date:

			Conditional default rates - First group								
			Unfavorable			*Basis*			*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%*

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7. Impairment of Financial Assets (Continued)

				Conditional default rates - Second group								
				Unfavorable			*Basis*			*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%*
		Nivo2	*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 conditioning of LGD was performed using EBA coefficients in the absence of internally developed models (since EBA relies only on Basic and Unfavorable coefficients, the coefficients for the Favorable scenario were calculated internally based on the Group methodology prepared for this purpose). The "Forward-looking" elements were calculated for the next 3 years of remaining maturity in relation to the reporting date, so the risk parameters of the Basic scenario are adjusted for the "add-on" that takes into account all three scenarios. For the macroeconomic conditioning of LGD, EBA coefficients for the Rest of the World were used, since the coefficients are not available for Serbia. The value of the coefficients varies depending on the segment. The table below shows the coefficients used for macroeconomic conditioning of the LGD value as well as the value of the additional component (Add-on) obtained on the basis of all three scenarios:

	Best			*Basis*			*Unfavorable*			
Segment	*T*	*t+1*	*t+2*	*t*	*t+1*	*t+2*	*t*	*t+1*	*t+2*	Add on
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 (countries, local governments and banks), the parameters obtained by the internal models of Intesa SanPaolo are used, since the Company does not have enough historical data in this part of the portfolio to calculate them itself.

Projected cash flows are discounted at the effective interest rate and reduced to the present value. The level of impairment of leasing placements is determined by comparing the present value of expected cash flows with the gross carrying value of receivables.

The gross carrying value of assets is reduced using the value adjustment, and the expected credit losses arising from impairment of financial assets are recorded in the Income Statement as expenses of impairment of receivables from financial leasing and financial assets (Note 9).

If, during the subsequent period, there is a decrease in the amount of a recognized impairment loss arising as a result of an event occurring after a previously recognized impairment, a previously recognized impairment loss is reduced by adjusting the allowance account and the amount of the adjustment is recognized in the income statement as income from impairment of receivables based on financial leasing and financial assets (Note 9).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7. Impairment of Financial Assets (Continued)

Write-off of Receivables

Financial assets are written off in accordance with the User Guidelines for Write-off of Uncollectable Receivables. The subject of write-offs are receivables that meet the following conditions: there is a delay in the collection of a specific receivable; the Company has failed to collect the receivable despite the implementation of all collection activities defined by its policies and procedures; court proceedings were initiated for settlement of the receivables; the value of the receivables is fully covered by the value adjustment.

The Accounting Department proposes the write-off of receivables, while the Management Board or the Executive Board of the Company are in charge of approval.

The Executive Board of the Company is responsible for making decisions on the write-off of receivables up to the value of EUR 10,000, while the Management Board of the Company is responsible for making decisions on the write-off of receivables in excess of EUR 10,000.

3.8. Repossessed Leased Assets and Inventories

(a) Repossessed Leased Assets

In a situation of early termination of the finance lease contract, the leased asset will be repossessed, and the value of the financial placement or receivables will be recorded under Repossessed lease assets accepted in exchange for uncollected receivables that are measured initially and subsequently at the lower of: estimated value (fair value) or unamortized value of the financial investment (carrying amount).

Valuation of a repossessed lease asset is performed regularly by a certified appraiser, with any change in value due to significant changes in the market prices or changes in the physical condition of the asset, and at least once during the period of one year from the previous valuation. During the valuation, market factors, depreciation, as well as technical conditions of the lease asset are taken into consideration.

If the non-depreciated value of financial placement based on financial leasing contract (carrying amount) is greater than the appraised value of the subject of leasing, such a negative difference is recorded as a value adjustment of the subject of leasing in exchange for uncollected receivables, within the Repossessed Leased Assets and Inventories (Note 10).

If the non-depreciated value of financial placement based on financial leasing contract (carrying amount) is less than the appraised value of the subject of leasing, such a positive difference is recorded as off-balance item (memo account) until the moment of sale when that positive difference is realized when it is being transferred to the Balance Sheet.

(b) Inventories

The Company's inventories include:

- material consumed in the process of providing services;
- advances given for subject of leasing; and
- other advances given.

Inventories are initially recorded at cost. After initial recognition, these assets are measured at cost or net realizable value, whichever is lower.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9. Intangible assets

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

After initial recognition, intangible assets are disclosed at cost less accumulated depreciation and possible losses due to impairment of assets.

The Company's intangible assets consist of a license for computer software that is not an integral part of the hardware, but has subsequently been acquired.

The Company applies a proportional method of calculating the depreciation of intangible assets with a useful life of 5 years. The annual depreciation of intangible assets is 20%. During 2022, there were no changes in depreciation rates compared to the previous period.

The depreciation cost is recognized in the period in which it was incurred (Note 12).

Gains or losses based on the derecognition of an intangible asset, as the difference between the net sales value and the net carrying value, are recognized in the Income Statement when they arise.

Intangible assets are written off at the through expenses, when the Company estimates that this asset no longer provides benefits.

3.10. Property, plant and equipment

The Company's property, plant and equipment as at December 31, 2021 consists of equipment. The equipment is stated at cost, less the total accumulated depreciation and possible accumulated losses due to impairment. The cost consists of the invoice value, increased by all costs incurred until the asset is brought to the appropriate condition and location.

Depreciation is calculated evenly on the cost of fixed assets, using annual rates based on the remaining useful life of the assets, estimated by the Company's management, with the aim of fully writing off the assets during their useful life.

The accrued depreciation expense is recognized as an expense of the period in which it was incurred (Note 12).

The applied annual depreciation rates are:

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

The useful life of the asset is revised and, if necessary, adjusted at the each Balance Sheet date. The change in the expected useful life of the assets is included as a change in accounting estimates. During 2021, there were no changes in depreciation rates compared to the previous period.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.10. Property, Plant and Equipment (Continued)

The calculation of depreciation for tax purposes is carried out 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 Method of Classification of Fixed Assets by Groups and the Method of Depreciation for Tax Purposes ("Official Gazette of the Republic of Serbia", no. 116/2004; 99/2010 and 93/19), resulting in deferred taxes (Note 14).

3.11. Leased Assets

Starting from January 1, 2019, the Company applies the IFRS 16 Leasing.

When concluding a contract, the Company assesses whether the contract contains leasing components. A contract has a lease component if it transfers a right-of-use of the asset over a certain period of time in exchange for consideration. In order to assess whether the contract transfers this right, the Company uses the definition of leasing from IFRS 16 standard. This policy has been applied to contracts signed (or amended) starting from January 1, 2019, when the mentioned standard started to be applied.

The Company as a Lessee

When concluding a contract containing a leasing component, or at the time of its amending, the Company allocates the agreed compensation to each leasing component on the basis of the respective individual price of each component.

The Company recognizes the right-of-use asset and the corresponding leasing obligation at the beginning of the leasing agreement. The asset with the right of use is initially measured at cost, which includes the initial amount of the lease liability, adjusted for the lease payment made on or before the beginning of the lease, increased by the initial direct costs incurred and the estimated costs necessary to restore the asset to its original state in the case of lease of business premises.

In addition to the above, the cost of the asset with the right of use also includes:

- all payments under the lease made on or before the first day of the lease, less any incentives received in connection with the lease;
- all initial direct costs incurred by the lessee; and
- an estimate of the costs that the lessee will incur in disassembling and removing the subject property, restoring the location where the property is located or returning the property to the state as specified in the lease agreement itself. The obligation for the stated costs for the lessee arises on the first day of the lease term, or as a result of the use of the subject property over a certain period.

The right-of-use asset is subsequently depreciated using the linear method in the period from the beginning to the maturity of the contract. Also, it is periodically assessed whether this asset is impaired and, if so, its carrying amount is reduced by the amount of the estimated impairment, and the value of the lease liability is also adjusted.

As a lessee, the Company uses practical reliefs provided by the standard, so it does not recognize short-term leases (up to 1 year) and low-value leases (when the value of the new subject of leasing is less than EUR 5,000 excluding tax) as a right-of-use asset, and all payments arising from such leases are recognized as the cost of the period.

At the initial leasing date, the lease liability is measured at the present value of all future lease payments not made on that date. Future payments are discounted by applying the interest rate contained in the lease if this rate can be easily determined. When the interest rate cannot be easily determined, the incremental borrowing rate of the lessee valid on the day of the beginning of the lease is used.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.11. Leased Assets (Continued)

Payments for leasing included in the measurement of the leasing liability on the first day of its term, include the following payments for the right to use the subject property during the lease term, which were not settled on the first day of the lease term:

- fixed payments, less any incentives received in connection with the lease;
- variable payments that depend on a specific index or rate and that are initially measured according to that index or rate on the first day of the lease term;
- amounts expected to be payable by the lessee under residual value guarantees;
- the price of exercising the purchase option if the lessee is reasonably certain to exercise that option; and
- penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After initial recognition, lease liabilities are further measured by:

- increasing their carrying amount to reflect interest on the lease liability;
- reducing the carrying amount to reflect the lease payments made; and
- remeasuring the carrying amount to reflect any reassessment or lease modifications that are significant for its reassessment.

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

The lessee shall remeasure the lease liability by discounting the revised lease payments at the revised discount rate (for the remaining period) in the event of the occurrence of:

- changes in the lease term and
- change in the assessment of an option to redeem the subject property.

Lease Modifications

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

- this modification increases the scope of the lease by adding the right to use one or more underlying items of property; and
- the consideration for the lease increases proportionally to the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the specific contract.

For a lease modification that is not accounted for as a separate lease, at the effective date of the lease modification, activities are carried out as required by the standard to allocate the consideration in the modified contract, determine the lease term of the modified lease, and remeasure the lease liability by discounting the revised lease payments using a revised discount rate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.11. Leased Assets (Continued)

For a lease modification that is not accounted for as a separate lease, the remeasurement of the lease liability is calculated by:

- decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease. The lessee shall recognize in Income Statement any gain or loss relating to the partial or full termination of the lease; and
- making a corresponding adjustment to the right-of-use asset for all other lease modifications.

The Company presents the right-of-use asset within the Property, Plant and Equipment position, while the lease liability is presented within the position Other Financial Liabilities and Derivatives and refers to the lease of property and vehicles. The depreciation cost of the right-of-use asset is stated within the Depreciation Costs in the Income Statement, while the depreciation of the lease liability is stated within the item Interest Expense in the Income Statement. Costs arising from short-term leasing and low value leasing are stated within the position of Other Expenses.

3.12. Impairment of Non-financial Assets

In accordance with the adopted accounting policy, on the day of reporting, the Company's management analyzes the values at which the Company's intangible assets and equipment are presented. If there are indications that an asset is impaired, the recoverable amount of that asset shall be estimated, in order to determine the amount of the impairment.

If the recoverable amount of an asset is estimated as lower than the value at which that asset is presented, the existing value of that asset is reduced to the level of the recoverable value. The recoverable value of an asset or “cash generating unit”, if the asset does not generate cash flows independently, is the higher of the fair value less costs to sell and value in use. Impairment loss is recognized in the amount of the difference through expenses in accordance with IAS 36 “Impairment of Assets”.

Non-financial assets (other than goodwill for which impairment effects are not reversed) for which impairment has occurred are revised for each reporting period due to the possible elimination of impairment effects.

3.13 Financial Liabilities for Loans and Borrowings from Banks

All loans and borrowings taken are initially recognized at cost which is a fair value of the amount received less the amount of costs associated with the loan.

After the initial recognition of the liability for loans and borrowings from banks, they are subsequently measurd at depreciated value.

3.14. Provisions

Provisions are recognised when:

(a) the Company has an obligation (legal or actual) that arose as a result of a previous event;
(b) it is probable that an outflow of resources containing economic benefits will be required to settle the liabilities; and
(c) the amount of the liability can be reliably estimated.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.14. Provisions (Continued)

When an outflow of economic benefits is no longer probable, in order to settle a legal or derived obligation, the provision is reversed in favor of income. A provision is monitored by type and may only be used for expenditures for which it was originally recognized. Provision is not recognized for future operating losses.

The Company made provisions in accordance with IAS 19 "Employee Benefits" for retirement benefits and for unused days off (Note 24).

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

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 Law on Labor (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 severance pay to the employee upon retirement in the amount of two average salaries in the Republic of Serbia, according to the latest published data of the government body competent for statistics.

For employees who have acquired one of the conditions for voluntary retirement, the employer may determine a incentive severance pay in the amount higher than the one prescribed in the previous paragraph. There is no fund for these payments.

Provisions for these benefits and related costs are recognized in the amount of 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 the amount of 10% of the net defined benefit liability on that date. These gains and losses are recognized during the expected average remaining service of the employees participating in the plan.

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

Provisions for litigation are formed in an amount that corresponds to the best estimate by the Company's management of expenses that will be incurred when such obligations are settled.

The Company is a party in a small number of litigations arising from its day-to-day operations. The Company assesses the probability of a negative outcome of these issues, as well as the amounts of the probable or reasonably estimated losses. Reasonable estimates include judgment by the management 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 prior experience.

The provisions for litigation is formed when the occurrence of a liability is probable, the amount of which can be reliably estimated by due diligence. The required provision may change in the future due to new events or obtaining 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 likelihood of an outflow of resources containing economic benefits is very low.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.16. Employee Benefits

(a) Taxes and Contributions for Compulsory Social Security

In accordance with the regulations applied in the Republic of Serbia, the Company is obliged to pay taxes, as well as contributions to various social security funds owned by the state. These obligations include contributions at the expense of employees and at the expense of the employer in amounts calculated by applying the rates prescribed by law.

The Company has the legal obligation to deduce the calculated contributions from the gross salaries of employees and to transfer the deducted funds on their behalf, to the respective state funds. The Company has no legal obligation to pay further benefits to its employees upon their retirement, which fall within the responsibility of the Pension Fund of the Republic of Serbia.

Taxes and contributions at the expense of employees and at the expense of the employer are recognized within expenses in the period of their occurrence (Note 11).

(b) Liabilities for Other Benefits – Severance Pay on Retirement

The net defined benefit liability consists of the present value of the determined benefit liability less costs of previously performed work 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 use annual leave after one month of continuous work from the date of employment with the employer in the calendar year.

The employee may use the annual leave only with the employer with whom he/she has the right to annual leave, and in the event that the employee does not use it in full or in part, he/she is entitled to compensation for damage in accordance with the Law on Labor("Official Gazette of the Republic of Serbia", no. 24/2005, 61/2005, 54/2009, 32/2013 i 75/2014, 13/2017-CC Decision, 113/2017 and 95/2018-authentic interpretation).

Compensation for damage shall paid by the employer with whom the employee terminated his/her employment, and did not use the days of annual leave. It is possible to use the annual leave once or in several parts, with the first part lasting at least two weeks.

The Company has neither its own pension fund nor payment options for its employees in the form of shares and that is why it has no liabilities identified on this basis as on December 31, 2022.

3.17. Taxes and Contributions

Current Income Tax

Income tax is calculated and paid in accordance with the 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.

Income tax is calculated by applying the rate of 15% on the tax base stated in the tax balance, after which it can be reduced for the established tax credits. The basis for taxation consists of taxable profit, which is determined by adjusting the results (profit or loss) from the income statement, in the manner determined by this Law.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.17. Taxes and Contributions (Continued)

During the year, the Company pays income tax in the form of monthly advances, the amount of which is determined on the basis of the tax return for the previous year. The annual tax balance is submitted within 180 days from the date of expiry of the period for which the tax liability is determined, i.e. until June 30 of the following year.

Tax regulations in the Republic of Serbia do not allow tax losses from the current period to be used as the basis for the refund of taxes paid in a certain previous period.

Deferred Taxes

Deferred income taxes are calculated by applying the liability method to all temporary differences as at balance sheet date that result between the present value of assets and liabilities in the financial statements and their values for tax purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except when the deferred tax liability arises from:

(a) initial recognition of goodwill; or
(b) initial recognition of an asset or liability in a transaction other than a business combination and at the time of the transaction does not affect either accounting profit or taxable profit (tax loss).

However, for taxable temporary differences related to investments in subsidiaries, branches and affiliated entities and stakes in joint ventures, the deferred tax liability shall be recognized in accordance with paragraph 39 of IAS 12 “Income Taxes”.

Deferred tax assets are recognized for all taxable temporary differences and transfers of unused tax credits and tax losses up to the amount for which it is probable that taxable profit will be available against which carried forward unused tax credits and unused tax losses can be used.

In calculating deferred tax assets and liabilities, tax rates are used that will be effective in year of exercising the tax benefits or settlement of deferred tax assets, based on currently-enacted tax rates and regulations at or after the balance sheet date. The tax rate used for calculating deferred tax assets in 2021 was 15%, and is the same as in 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 taxes related to items that are recorded directly within equity are also recorded within equity.

Current Tax Assets/Liabilities

In accordance with the accounting regulations in force in the Republic of Serbia, if the amount of paid income tax for current and previous periods exceeds the amount due for collection for those periods, the surplus is recognized as a tax asset.

The Company has provided information on the current tax liability for 2022 and 2021 under Note 14.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.17. Taxes and Contributions (Continued)

Transfer Pricing

The tax balance for 2022 has not been submitted until the date of the financial statements of the Company, since the deadline for submission is 180 days from the date for which the tax is determined. The Company calculated the tax effects on the basis of the Law on Corporate Income Tax of the Republic of Serbia. The Company has not yet conducted a transfer pricing study, but the management believes that this will not have material effects on 2022 because so far it has not had any, and in 2022 there were no significant changes in types of services compared to the previous year.

Taxes and Contributions Not Related to Operating Results

Taxes and contributions not related to operating results include contributions to salaries charged to the employer, as well as other taxes and contributions that are paid in accordance with state and local tax regulations.

3.18. Other Assets and Other Liabilities

Other assets include receivables from the sale of seized lease items and other receivables, as well as prepaid costs and other accrued expenses and deferred income.

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

3.19. Disclosure of Relations with Related Parties

For the purpose of these financial statements, legal entities are treated as related if one legal entity has the ability to control the other or exerts significant influence on the financial and business decisions of the other, as defined in IAS 24 "Related Party Disclosures".

The relations between the Company and its related legal entities are regulated on a contractual basis and according to market conditions. Balances of receivables and liabilities on the reporting date, as well as transactions with related legal entities during the reporting periods, are disclosed separately in the notes to the financial statements (Note 30).

4. KEY ACCOUNTING ESTIMATES AND JUDGMENTS

Use of Estimates

The preparation and presentation of financial statements requires the Company's management to use the best possible estimates and reasonable assumptions, which have an effect on the stated values of assets and liabilities, as well as the disclosure of contingent receivables and liabilities on the date of preparation of financial statements, as well as revenues and expenses from the reporting period.

These estimates and assumptions are based on the information available at the date of preparation of the financial statements. Actual results may differ from the stated estimates. Estimates and assumptions are continuously reviewed, and when adjustments become necessary, they are disclosed in the Income Statement for the periods in which they became known.

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

4. KEY ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

Impairment of Financial Assets

The Company recognizes a value adjustment for expected credit losses for financial assets measured at depreciated value or for debt financial assets recorded at fair value through other comprehensive income.

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

Provisions for expected credit losses on debt financial assets measured at fair value through other comprehensive income are recognized through other comprehensive income and Income Statement, and the carrying amount in the Balance Sheet is not reduced.

After initial recognition, a provision for expected credit losses is calculated on each reporting date. The Company estimates, at each reporting date, the level of impairment of financial assets that are valued at depreciated value or at fair value through other comprehensive income (FVOCI), as well as on contractual assets. The Company assesses impairment based on the "forward-looking" model of expected losses in accordance with IFRS 9.

Impairment is measured on one of the following grounds:

- 12-month expected credit losses – these are the expected credit losses that occur if default status occurs within 12 months after the reporting date; and
- lifetime expected losses – the stated credit losses are the result of possible events of default during the entire expected life of the financial instrument.

The lifetime expected losses are measured if the credit risk of the financial asset at the reporting date is significantly increased compared to the initial date of recognition of that asset, while otherwise 12-month expected credit losses are measured. The Company may estimate that the credit risk of the financial asset is not significantly increased, if on the reporting date the asset has a low credit risk

The assumptions and estimates that the Company uses as input in the expected credit losses measurement model, as well as the evaluation of a significant increase in credit risk, are disclosed in Note 3.7.

Classification of Financial Assets

The Company assesses the business model within which financial assets are held. Also, the Company assesses whether the contracted cash flows of financial assets represent only payments of interest and principal.

Assessment of the Business Model

The Company analyzes business models at the level of financial assets portfolio, since it best reflects the way business and information are delivered to the management are managed.

The information under consideration relate to policies and strategies related to portfolios, as well as their application in practice. In particular, it is important whether the strategy of the management is based on contracted interest income, the adjustment of the lifetime of financial assets and obligations for which the funds are financed, or the strategy is based on the realization of cash flows through the sale of assets. Also, the Company considers information on the methods of evaluation and reporting on portfolio performance, and information about the risks that affect the performance of the portfolios and how they are managed. In addition, the Company considers the frequency, scope and timing of the sale of financial assets over the past periods, the reasons for the sale and plans for the sale of financial assets in the future period.

4. KEY ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

Assessment of Whether the Contracted Cash Flows Represent Solely Payment of Principal and Interest

For the purposes of the assessment, the "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 credit risk associated with the principal balance over a specific time period, as well as for other underlying credit risks (such as liquidity risk, administrative costs) and profit margin.

When assessing whether the contracted cash flows represent solely payment of principal and interest (SPPI), the Company considers the contracted terms of financial instruments and whether they contain provisions that could change the time or amount of contracted cash flows, which would result in a fair measurement of the instruments. The key contractual conditions considered in the assessment are: the leverage characteristics, the option of extension or early repayment, the characteristics that limit the Company's right to cash flows to the amount of the specific asset, as well as the characteristics that lead to a modification of the time value of money, such as periodic adjustment of interest rates for financial assets with a variable interest rate.

Useful Life of Intangible Assets and Property, Plant and Equipment

The useful life of property, plant and equipment is determined on the basis of previous experience with similar assets, as well as of the anticipated technical developments and changes that are influenced by a large number of economic or industrial factors.

The adequacy of a certain useful life is reviewed on an annual basis or whenever there is an indication that there have been significant changes in the factors that represented the basis for determining the useful life.

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

At the balance sheet date, the Company's management analyzes the values at which intangible assets and fixed assets are presented, as well as the repossessed leased assets and inventories.

If there are indications that an asset is impaired, the recoverable amount of that asset shall be estimated, in order to determine the amount of the impairment. If the recoverable amount of an asset is estimated as lower than the value at which that asset is presented, the existing value of that asset is reduced to the level of the recoverable value.

Impairment considerations require management to make subjective judgments regarding the cash flows, growth rates, and discount rates for the cash-generating units under consideration.

The Company's opinion is that there are no significant deviations in the carrying amount of assets from fair value that would have an impact on the financial statements.

Deferred Tax Assets

Deferred tax assets are recognized on all unused tax credits to the extent that it is certain that the level of expected future taxable gains is sufficient for unused tax credits to be used.

A significant assessment by the Company's management is necessary to determine the amount of deferred tax assets that can be recognized, based on the period of occurrence and the amount of future taxable gains and the tax policy planning strategy (Note 14(c)).

4. KEY ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

Severance Pay Upon Retirement

The costs of established employee benefits after termination of employment, i.e. retirement after fulfilling legal conditions, are determined by applying the actuarial assessment. Actuarial assessment includes an estimate of the discount rate, future salary trends, mortality rate and employee fluctuations.

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

Provisions for Litigations

The Company is a party in a number of litigations arising from day-to-day business and relating to commercial and contractual issues, which are resolved or considered in the ordinary course of business. The Company assesses the probability of a negative outcome of these issues, as well as the amounts of the probable or reasonably estimated losses.
Reasonable estimates include judgment by the management 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 prior experience.

The provisions for litigation is formed when the occurrence of a liability is probable, the amount of which can be reliably estimated by due diligence (Note 24). The required provision may change in the future due to new events or obtaining new information. Contingent liabilities, as well as items that do not meet the criteria for establishing provisions, are disclosed, unless the likelihood of an outflow of resources containing economic benefits is very low.

Leasing

The incremental borrowing rate, which is used as a discount rate for measuring the present value of leasing payments, is determined by analyzing internal sources of information on loans and corrected to reflect the contracted leasing terms and type of asset taken into leasing.

5. INTEREST INCOME AND EXPENSES

	2022	2021
Interest income		
Interest income from financial leasing	702,274	502,926
Income from default interest	4,443	2,983
Interest income – securities	5,284	26,385
Interest income from deposits	48,882	285
Total	760,883	532,579
Interest expense		
Interest expense for other loans from abroad	(203,140)	(91,897)
Interest expense for loans from related parties in the country	(29,731)	(75,232)
Interest expense for rental	(831)	(256)
Total	(233,702)	(167,385)
Profit from interest	527,181	365,194

Amounts are expressed in RSD thousand, unless otherwise stated

6. INCOME AND EXPENSES IN RELATION WITH FINANCIAL LEASING

	2022	2021
Fee and commission income		
Income from fees in relation with approval of leasing placements	84,301	69,469
Income from reminders/warnings	2,219	3,778
Income from intercalary interest	21,333	23,348
Income from costs recharged to clients	47,758	32,440
Other income from fees and commissions	237	8
Total	155,848	129,043
Fee and commission expenses		
Costs of insurance of leased assets	(280)	(248)
Costs of mediation in the placement of leased assets	(29,243)	(17,749)
Costs of repossession of leased assets	(2)	(210)
Costs of guarantees for loans	(16,453)	(13,906)
Expenses for costs recharged to clients	(48,114)	(31,935)
Other financial leasing expenses	(1,700)	(897)
Total	(95,792)	(64,945)
Profit from fees and commissions	60,056	64,098

7. NET EXPENSES FROM FOREIGN EXCHANGE LOSSES AND CURRENCY CLAUSE LOSSES

	2022	2021
Foreign exchange gains and currency clause gains		
Currency clause gains	12,777	6,573
Foreign exchange gains	75,565	8,288
Total	88,342	14,861
Foreign exchange losses and currency clause losses		
Currency clause losses	(54,662)	(5,008)
Foreign exchange losses	(36,499)	(13,214)
Total	(91,161)	(18,222)
Net expenses	(2,819)	(3,361)

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

	2022	2021
Net (impairment)/decrease of impairment of long-term receivables 60 days overdue	(56,567)	(3,559)
Net (impairment)/decrease of impairment of long-term receivables up to 60 days overdue and future receivables for financial leasing	(12,039)	(46,637)
Net (impairment)/decrease of impairment of short-term receivables 60 days overdue	(1,379)	(1,400)
Net decrease of impairment/(impairment) of short-term receivables up to 60 days overdue	(349)	(214)
Net (impairment)/decrease of impairment of other financial placements – securities	3,526	(2,810)
Net (expenses)/income	(66,808)	(54,620)

9. NET EXPENSES FOR IMPAIRMENT OF ASSETS LEASED OUT, LEASED ASSETS AND ASSETS TAKEN IN EXCHANGE FOR UNCOLLECTED RECEIVABLES

	2022	2021
Impairment of repossessed leased assets	(45,224)	(9,690)
Income from value adjustment of repossessed leased assets	2,310	-
Total	(42,914)	(9,690)

The impairment of the repossessed leased assets refers to the recorded impairment based on the assessments of authorized appraisers.

10. OTHER OPERATING INCOME

	2022	2021
Income from representation in insurance of leased subjects	74,280	55,736
Income from decrease in liabilities	113	3,255
Other operating income	5,871	4,186
Net (expenses)/income	80,264	63,177

11. DEPRECIATION COSTS

	2022	2021
Costs of depreciation of intangible assets (Note 19)	8,057	7,485
Costs of depreciation of property, plant and equipment (Note 20)	836	629
Costs of depreciation of right-of-use assets (Note 20)	7,268	6,508
Total	16,161	14,622

12. COSTS OF SALARIES, FRINGE BENEFITS AND OTHER PERSONAL EXPENSES

	2022	2021
Costs of gross salaries	108,099	97,692
Cost of accrued bonuses	16,600	14,102
Costs of taxes and contributions	16,216	15,107
Other personal expenses and benefits	2,567	3,861
Costs of temporary employment contracts	9,183	2,086
Total	152,665	132,848

13. OTHER INCOME AND OTHER EXPENSES

Other income

	2022	2021
Income from derecognition of provisions for litigations	6,517	3,115
Total	6,517	3,115

13. OTHER INCOME AND OTHER EXPENSES (continued)

Other expenses

	2022	2021
Maintenance costs (b)	19,349	16,599
Advertising costs	979	840
Costs of consulting services (a)	16,697	17,356
Rental costs	888	1,377
Costs of payment transactions	3,016	2,355
Costs of representation and team building	4,954	1,697
Services of youth and student cooperatives	1,549	2,897
Fuel costs	2,920	2,085
Costs of legal services	1,138	1,182
Costs of transport and postal services	2,691	2,131
Costs of materials	967	804
Costs of professional training and professional literature	984	686
Costs of spare parts and small inventory	1,347	882
Audit costs	3,599	3,339
Membership fees	1,480	1,451
Insurance premium costs	325	371
Costs of translation and similar services	632	196
Costs of taxes	3,524	1,882
Costs of litigations (d)	666	900
Provision expenses	6,343	6,625
Costs of other services	9,304	5,147
Total	83,352	70,802

a) The costs of consulting services are lower in the current year compared to the previous year, primarily due to the decrease in expenditures under the "*Service Level Agreement*" (SPA) with Banca Intesa a.d. Beograd, which in 2022 amounted to RSD 15,922 thousand (2021: RSD 16,579 thousand).

b) The increase of maintenance costs in the current year mostly refers to the increase in software maintenance service expenses, which in 2022 amounted to RSD 18,960 thousand (2021: RSD 16,360 thousand).

14. INCOME TAX

(a) Income tax components

Total tax expense consists of the following taxes:

	2022	2021
Income tax for the period	67,161	45,876
Deferred tax expenses of the period	1,578	755
Deferred tax income of the period	-	-
Total tax expenses of the period	68,739	46,631

(b) Reconciliation of the total amount of income tax stated in the Income Statement and the product of profit before tax and the prescribed tax rate

Reconciliation of tax expense calculated on profit before tax using the statutory income tax rate and tax expense using the effective tax rate of the Company, as at December 31, 2022 and 2021 is shown below:

	2022	2021
Profit before tax	310,472	209,641
Income tax at the official rate of 15%	46,571	31,446
Expenses not recognized for tax purposes	81	444
Value adjustment of receivables not recognized for tax purposes	21,979	20,418
Income from interest on securities – issuer Republic of Serbia, income adjustment	(793)	(3,958)
Expenses for impairment of assets not recognized in the tax period	4,575	1,041
Adjustment of income for previously unrecognised tax expenses	(5,253)	(3,517)
Total current income tax	67,161	45,875
Deferred tax income – tax depreciation	1,153	337
Deferred tax income – IAS 19	(34)	(40)
Tax effects of the first application of IFRS 9	459	459
Total deferred tax expenses/income	1,578	756
Total income tax recognized in the income statement	68,739	46,631
Effective tax rate	*22.22%*	*22.24%*

(c) Deferred tax assets

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

	2022	2021
Balance as of January 1	3,030	3,786
Effects of temporary differences credited/(charged) to the income statement	(1,578)	(756)
Balance as of December 31	1,452	3,030

14. INCOME TAX (Continued)

The following table shows the basis for recording deferred tax income/(expenses) and effects on the income statement for 2022 and 2021:

	Deferred tax assets 2022	Income statement 2022	Deferred tax assets 2022	Income statement 2022
Temporary differences between the carrying value of equipment and intangible assets and their tax base	1,248	1,153	2,401	337
Temporary differences based on the first application of IFRS 9 Financial Instruments	-	459	459	459
Provisional differences based on provisions under IAS 19 “Employee Benefits”	204	(34)	170	(40)
Total	1,452	1,578	3,030	756

(d) Current tax liabilities

	2022	2021
Balance as of December 31	(22,517)	(22,599)

The current tax liability arose as a difference between the calculated income tax for 2022 and the advance payment for income tax in 2022.

15. CASH AND CASH EQUIVALENTS

	2022	2021
RSD current accounts	164,924	171,848
Foreign currency accounts	82,126	26
Balance as of December 31	247,050	171,874

During 2022 and 2021, the Company performed RSD and foreign currency payment transactions through accounts opened with Banca Intesa a.d. Beograd.

16. SHORT-TERM FINANCIAL ASSETS

	2022	2021
Term deposits	4,804,317	1,058,356
State bonds of the Republic of Serbia	117,695	735,371
Financial assets – investment in investment funds	-	363,718
Balance as of December 31	4,922,012	2,157,445

The investment in investment funds refers entirely to the investment units of the related party Intesa invest a.d. Beograd.

17. OTHER FINANCIAL PLACEMENTS AND DERIVATIVES

Below is a comparative overview of investments in state bonds as of December 31, 2022 and 2021:

Description of the financial placement	Market value on 31/12/2022	Maturity of financial placement	Interest rate achieved on purchase
State bonds of the Republic of Serbia	117,695	January 2023	3.74% per annum
Total	117,695		

Description of the financial placement	Market value on 31/12/2021	Maturity of financial placement	Interest rate achieved on purchase
State bonds of the Republic of Serbia	614,075	January 2022	3.73% per annum
State bonds of the Republic of Serbia	121,296	January 2023	3.74% per annum
Intesa Invest – investment units	363,718	No defined maturity	-
Total	1,099,089		

The Company also calculated value adjustments for financial placements in accordance with the requirements of IFRS 9 Financial Instruments. Calculations of value adjustments during the year recorded in the Income Statement under the item Net income from reduction in impairment of receivables from financial leasing and financial assets.

Changes in value adjustments of investments in financial assets that are measured at fair value through other comprehensive income are given through the following overview:

	2022	2021
Balance as of January 1	(4,199)	(1,389)
Value adjustments during the year – increases	-	(2,812)
Value adjustments during the year - reductions	3,527	2
Balance as of December 31	(672)	(4,199)

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

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

	2022	2021
Due uncollected receivables from financial leasing	453,305	291,188
Receivables from financial leasing up to 1 year	8,175,179	7,004,232
Short-term receivables for leasing fee	18,514	16,833
Accrued interest income from financial leasing	44,775	28,671
Deferred income from fees based on the approval of financial leasing placements	(38,775)	(47,633)
Total short-term receivables from financial leasing	8,652,998	7,293,291
Less		
Correction of due uncollected receivables from financial leasing	(275,599)	(218,216)
Adjustment of receivables from financial leasing up to 1 year	(52,965)	(48,758)
Adjustment of short-term receivables	(15,139)	(13,430)
Total value adjustment of short-term receivables from financial leasing	(343,703)	(280,404)
Net short-term receivables from financial leasing	8,309,295	7,012,887

	2022	2021
Receivables from financial leasing from 1 to 5 years	15,275,252	12,248,371
Receivables from financial leasing over 5 years	637,361	601,301
Deferred income from fees based on the approval of financial leasing placements	(93,451)	(47,779)
Total long-term receivables from financial leasing	15,819,162	12,801,893
Less		
Adjustment of receivables from financial leasing from 1 to 5 years	(89,736)	(86,511)
Adjustment of receivables from financial leasing over 5 years	(5,367)	(4,577)
Total value adjustment of long-term receivables from financial leasing	(95,103)	(91,088)
Net long-term receivables from financial leasing	15,724,059	12,710,805

The Company's receivables from financial leasing as of December 31, 2022 amounted to RSD 24,033,354 thousand and increased by 19.30% compared to the previous year (December 31, 2021: RSD 20,145,092 thousand). Short-term receivables in relation with leasing fee refer to other receivables from the financial leasing activities: receivables from fees for the approval of requests, re-invoiced services, default interest, reminders/warnings and intercalary interest.

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

Accrued interest income from financial leasing refers to the proportional part of interest in leasing installments that are due in the following year, and refers to the period from the maturity of the previous installment to December 31 of the year for which the financial statements are prepared.

Deferred income from fees based on the approval of financial leasing placements was charged in advance for manipulative costs and is a deductible item to receivables from financial leasing in the amount of RSD 132,226 thousand for 2022, and RSD 95,413 thousand for 2021.

The residual risk management strategy for the rights retained by the Company in its assets includes any means to reduce that risk. Such assets are By-back contracts, residual value guarantees, sureties.

(a) The present and future value of receivables from minimum leasing installments as of December 31, 2022, without adjustment for short-term receivables of fee, accrued interest income from financial leasing and accrued pre-collected financial leasing origination costs, is shown in the following table:

	Net present value	Unearned income	Gross receivables
Up to 1 year and due	8,309,295	791,637	9,100,932
From 1 to 5 years	15,094,867	1,105,086	16,199,953
Over 5 years	629,192	66,473	695,665
Total	24,033,354	1,963,196	25,996,550

The present and future value of receivables from minimum leasing installments as of December 31, 2021, without adjustment for short-term receivables of fee, accrued interest income from financial leasing and accrued pre-collected financial leasing origination costs, is shown in the following table:

	Net present value	Unearned income	Gross receivables
Up to 1 year and due	7,295,420	442,626	7,738,046
From 1 to 5 years	12,248,371	579,343	12,827,714
Over 5 years	601,301	44,473	645,774
Total	20,145,092	1,066,442	21,211,534

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

(b) Changes in accounts of value adjustment of receivables from financial leasing during the year are shown as follows:

	2022	2021
Balance as of January 1	(371,492)	(348,578)
Value adjustments during the year – increases	(75,759)	(56,307)
Value adjustments during the year - reductions	5,374	4,540
Write-off of receivables – decrease	2,156	28,896
Exchange rate differences – increase	2,341	(142)
Exchange rate differences – decrease	(1,426)	99
Balance as of December 31	(438,806)	(371,492)

Changes by impairment stages can also be shown in the following table:

Balance of value adjustment	December 31, 2021	Increase/ decrease during the year	December 31, 2022
Stage 1	(64,694)	(1,804)	(66,498)
Stage 2	(21,887)	(18,237)	(40,124)
Stage 3	(284,911)	(47,273)	(332,184)
Total	(371,492)	(67,314)	(438,806)

(c) The value of receivables for minimum leasing installments, without adjustment for accrued financial leasing origination costs pre-collected and without short-term receivables and related adjustments, as of December 31, 2021 and December 31, 2020 and value adjustments of receivables by impairment levels is shown in the following overview:

	Value of receivables	Value adjustments of receivables	Net value of receivables
Impairment stage 1	21,878,550	(66,498)	21,812,065
Impairment stage 2	2,215,484	(40,124)	2,175,381
Impairment stage 3	447,063	(332,184)	130,042
Total as of December 31, 2022	24,541,097	(438,806)	24,117,488

	Value of receivables	Value adjustments of receivables	Net value of receivables
Impairment stage 1	18,773,327	(64,683)	18,708,644
Impairment stage 2	980,495	(21,870)	958,625
Impairment stage 3	391,270	(271,509)	119,761
Total as of December 31, 2021	20,145,092	(358,062)	19,787,030

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

ECL trends during 2022	Stage 1	Stage 2	Stage 3	Total
Opening balance - 01/01/2022	64,694	21,887	284,911	371,492
Transfer to Stage 1	-	(7,894)	(629)	(8,523)
Transfer to Stage 2	(5,931)	-	(295)	(6,226)
Transfer to Stage 3	(987)	(2,809)	-	(3,796)
Changes in ECL due to measurement change	(8,476)	21,298	41,997	54,819
New production	40,022	16,284	29,388	85,694
Collections	(22,824)	(8,642)	(21,051)	(52,517)
Write-offs	-	-	(2,137)	(2,137)
Balance as of December 31, 2022	66,498	40,124	332,184	438,806

(d) Financial leasing contracts in 2022 were concluded for a period of up to 10.5 years. The financial leasing contract transfers the economic benefits and risks to the lessee. In accordance with the contracts, the right of ownership is transferred to the lessee upon the agreed repayment of the leasing installment. In 2022, the fee for processing the request was calculated on average in the amount of 0.60% of the gross purchase value of the lease subject (2021: 0.54%).

As a hedge against foreign exchange risk, the Company uses a currency clause when concluding a financial leasing agreement.

The nominal interest rates for financial leasing contracts approved in 2022 ranged from:

Placements	From	To
Placements in EUR	1.70%	10.03%
Placements in RSD	3.13%	10.77%

The average rate of the clients’ participation in accordance with the lease agreements in 2022 was 16.53% of the net purchase value of the lease subject (2021: 20.93%).

19. INTANGIBLE ASSETS

	Licenses and software	Intangible assets under development	Total
COST			
Balance as of January 1, 2021	62,416	1,588	64,004
Increases during the year - new acquisitions	2,248	6,742	8,990
Transfer (from)/to	1,080	(1,080)	-
Disposals and write-offs	(80)	-	(80)
Balance as of December 31, 2021	65,664	7,250	72,914
Increases during the year - new acquisitions	6,373	3,803	10,176
Transfer (from)/to	6,101	(6,101)	-
Disposals and write-offs	-	-	-
Balance as of December 31, 2022	78,138	4,952	83,090
ACCUMULATED VALUE ADJUSTMENT			
Balance as of January 1, 2021	42,161	-	42,161
Depreciation (Note 11)	7,485	-	7,485
Balance as of December 31, 2021	49,646	-	49,646
Depreciation (Note 11)	8,057	-	8,057
Balance as of December 31, 2022	57,703	-	57,703
Carrying value as of:			
- December 31, 2022	20,435	4,952	25,387
- December 31, 2021	16,018	7,250	23,268

In 2022, the upgrade of the information system “Nova” continued with the upgrade of the existing modules, as well as investment in intangible assets under development, for a new process.

Based on the assessment of the Company's management, as of December 31, 2022, there are no indications that the value of intangible assets has been impaired.

20. PROPERTY, PLANT AND EQUIPMENT

	Vehicles	Vehicles and property, lease*	Other equipment	Lease subjects	Other acquired assets	Total
COST						
Balance as of January 1, 2021	9,263	22,483	4,061	72,103	597	108,507
Increases during the year – new acquisitions	-	11,355	897	185,148	-	197,400
Disposals and write-offs	-	(1,759)	(524)	(190,902)	-	(193,185)
Balance as of December 31, 2021	9,263	32,078	4,434	66,348	597	112,720
Increases during the year – new acquisitions	-	40,116	1,203	293,206	-	334,525
Disposals and write-offs	(4,131)	(10,811)	(867)	(240,784)	-	(256,593)
Balance as of December 31, 2022	5,132	61,383	4,770	118,770	597	190,652
ACCUMULATED VALUE ADJUSTMENT						
Balance as of January 1, 2021	9,263	12,600	2,096	56,034	-	79,993
Depreciation (Note 11)	-	6,508	629	-	-	7,137
Disposals and write-offs	-	(1,759)	(524)	-	-	(2,283)
Value adjustment increase/decrease	-	-	-	9,689	-	9,689
Balance as of December 31, 2021	9,263	17,349	2,201	65,723	-	94,536
Depreciation (Note 11)	-	7,268	836	-	-	8,104
Disposals and write-offs	(4,131)	(10,811)	(877)	-	-	(15,819)
Value adjustment increase/decrease	-	-	-	29,028	-	29,028
Balance as of December 31, 2022	5,132	13,806	2,170	94,741	-	115,849
Carrying value as of:						
- December 31, 2022	-	47,577	2,600	24,029	597	74,803
- December 31, 2021	-	14,729	2,233	625	597	18,184

* *The column Vehicles and property, lease, shows the value of the right-of-use assets in accordance with IFRS 16 Leasing.*

The Company has no restrictions on the ownership of equipment as of December 31, 2022 and no liens established as a guarantee of liabilities.

Based on the assessment of the Company's management, as of December 31, 2021, there are no indications that the value of equipment has been impaired.

21. IFRS 16 Leasing

Right-of-use assets, business premises and vehicles in 2022:

	Leased property	Leased passenger vehicles	Total
Balance as of January 1, 2022	7,339	7,390	14,729
Increases during the year	33,649	6,467	40,116
Depreciation during the year	(4,181)	(3,087)	(7,268)
Balance as of December 31, 2022	36,807	10,950	47,577

21. IFRS 16 Leasing (continued)

The amounts stated in the Income Statement relating to leases under IFRS 16 can be stated in the following overview:

	Leased property	Leased passenger vehicles	Total
Interest expense	683	148	831
Depreciation expense	4,181	3,087	7,268
Total	4,864	3,235	8,099

The amount stated in the Statement of Cash Flows at the position Cash outflows from financial activities can be shown in the following overview:

Outflow from property leasing	4,864
Outflow from passenger vehicles leasing	3,235
Total	8,099

22. OTHER ASSETS

	2022	2021
Receivables for representation in insurance	4,103	6,247
Receivables for VAT	26,403	6,320
Receivables for unconfirmed changes in tax bases	1,935	1,562
Other prepayments and accrued income	4,192	6,116
Prepaid expenses	47,185	27,285
Receivables from the sale of lease subjects	5,687	25,231
Advances paid	10,182	34,907
Receivables for interest on deposits	26,898	27
Other receivables	1,475	1,785
Balance as of December 31	128,060	109,480

The change in prepaid expenses in 2022 was mostly due to an increase in fees for representation in placements, paid during the year, and the expense is recorded by a degressive method during the term of the contract on financial leasing for which they were incurred. The value of this group of accrued costs as of December 31, 2021 amounted to RSD 26,522 thousand, while the balance as of December 31, 2022 amounted to RSD 46,275 thousand.

Receivables from interest on deposits refer to 16 deposit agreements on December 31, 2022, while on December 31, 2022 the data referred to one deposit agreement.

Regarding the advances paid, the largest part refers to advances for the procurement of lease subjects, as of December 31, 2022 in the amount of RSD 10,170 thousand (as of December 31, 2021: RSD 34,907 thousand).

23. LONG-TERM AND SHORT-TERM FINANCIAL LIABILITIES

Overviews of financial liabilities for funds borrowed from banks and other financial institutions are given below:

A) Long-term financial liabilities

Overviews of financial liabilities for funds borrowed from banks and other financial institutions are given below:

	2022	2021
Portion of liabilities for domestic long-term loans that is due in 1 to 5 years	464,790	766,682
Portion of liabilities for foreign long-term loans that is due in 1 to 5 years	19,360,799	14,133,627
Portion of liabilities for foreign long-term loans that is due in over 5 years	670,414	1,633,085
Total liabilities	20,496,003	16,533,394
Deferred costs of loan approval in the country	(492)	(1,197)
Deferred costs of loan approval abroad	(15,184)	(14,187)
Balance as of December 31	20,480,327	16,518,008

B) Short-term financial liabilities

	2022	2021
Liabilities for short-term loans in the country	3,280,837	1,238,442
Liabilities for interest on loans in the country	3,352	1,407
Liabilities for interest on loans abroad	-	3,067
Portion of liabilities for domestic long-term loans that is due within one year	300,198	300,863
Portion of liabilities for foreign long-term loans that is due within one year	3,326,631	2,406,197
Total liabilities	6,911,018	3,949,776
Accruals and deferred income from interest and guarantees for long-term loans	27,716	13,536
Deferred costs of loan approval in the country	(3,523)	(1,643)
Deferred costs of loan approval and guarantees for loans, abroad	(12,234)	(8,831)
Balance as of December 31	6,922,977	3,953,038

Financial liabilities for borrowings from banks are reduced by prepaid costs incurred for approval of disbursed loans that are deferred in the periods in which the loans are used.

Financial liabilities for borrowings from banks were increased by accrued interest and accrued costs of guarantees for disbursed loans.

23. LONG-TERM AND SHORT-TERM FINANCIAL LIABILITIES (continued

As of December 31, 2022, the Company did not have approved and unused loans.

The interest rate on long-term loans granted abroad ranges from 0.38% to 3.14% on an annual basis, depending on the maturity period, or depending on the period when the contracts were concluded.

The agreed repayment periods for long-term loans from abroad range from 5 to 11 years.

As of December 31, 2022, the Company did not break the limits from covenants under contracts with creditors where defined.

Financial Liabilities Towards Creditors

The following table shows the changes in the balance of liabilities for loans:

Creditor	Balance as of January 1, 2022 in RSD thousand	Balance as of January 1, 2022 in EUR	Withdrawals during the year in EUR	Repayment during the year in EUR	Balance as of December 31, 2022 in EUR	Balance as of December 31, 2022 in 000 RSD
Banca Intesa a.d. Beograd	2,305,987	19,611,717	34,500,000	(19,627,036)	34,484,681	4,045,826
VUB banka	2,351,642	20,000,000	30,000,000	-	50,000,000	5,866,120
European Investment Bank	6,987,659	59,427,912	-	(4,444,255)	54,983,657	6,450,815
KfW Entwicklungsbank	784,273	6,670,000	-	(3,334,000)	3,336,000	391,388
Banka Intesa Sanpaolo d.d.	5,408,777	46,000,000	30,000,000	(4,000,000)	72,000,000	8,447,213
European Bank for Reconstruction and Development	2,640,558	22,457,143	-	(3,685,714)	18,771,429	2,202,309
Total	20,478,896	174,166,772	94,500,000	(35,091,005)	233,575,767	27,403,671

The loan balance as of December 31, 2022 of RSD 27,403,671 thousand represents the amount of outstanding loan principal, i.e. financial liabilities for loans without interest liabilities, without accrued interest costs and guarantees and without deduction for deferred costs of approval.

24. PROVISIONS

Provisions for severance pay upon retirement of employees were formed on the basis of the report of the independent actuary with the balance as of December 31, 2022 and December 31, 2021 and they are stated in the amount of the present value of expected future payments. When determining the present value of expected outflows, a discount rate of 6.80% was used. The provision was determined on the basis of the Rules of Procedure of the Company and the assumption of an average increase in salaries of employees in Serbia of 8% per year and with an annual turnover of employees of 7.0%.

The provisions structure is shown in the following table:

	2022	2021
Long-term provisions for severance pay upon retirement	1,362	1,134
Provisions for litigations	6,237	7,346
Balance as of December 31	7,599	8,480

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

	2022	2021
Balance as of January 1	8,480	12,521
Long-term provisions for severance pay upon retirement (Note 11)	228	269
Provisions for litigations (Note 13)	(1,109)	(4,310)
Balance as of December 31	7,599	8,480

The assessment of the risk of loss in connection with litigations and provisions for contingent liabilities in the amount of RSD 6,237 thousand (2021: RSD 7,346 thousand) refer to two passive litigations initiated against the Company (as of December 31, 2021, three passive litigations were conducted).

Litigations in which the Company is the defendant were conducted due to non-compliance with EURIBOR, i.e. damage to insurance policies.

25. OTHER LIABILITIES

	2022	2021
Trade payables	25,237	27,045
Liabilities towards customers	127,816	105,740
Liabilities for unused annual paid leave	4,715	4,146
Other accruals and deferred income	4,706	3,255
Tax liabilities	104	86
Value added tax liabilities	-	-
Liabilities for salaries and fringe benefits	17,107	13,189
Liabilities from long-term lease	47,954	14,867
Other obligations	604	598
Balance as of December 31	228,243	168,926

Liabilities towards customers in the amount of RSD 127,816 thousand as of December 31, 2021 (December 31, 2021: RSD 105,740 thousand) mostly relate to prepaid installments by customers in the amount of RSD 87,722 thousand (2021: RSD 67,163 thousand).

We provide an overview of long-term lease liabilities below

	Liabilities for lease of business premises	Liabilities for lease of passenger vehicles	Total
Balance as of January 1, 2021	3,639	6,336	9,975
Increases during the year	8,153	3,202	11,355
Decrease – repayment during the year	(4,392)	(2,071)	(6,463)
Balance as of December 31, 2021	7,400	7,467	14,867
Increases during the year	33,563	6,452	40,015
Decrease – repayment during the year	(3,870)	(3,058)	(6,928)
Balance as of December 31, 2022	37,093	10,861	47,954

Future minimum payments of lease liabilities for concluded lease agreements are presented as follows:

	Present value	Contractual non-discounted cash flows
Up to 1 year	7,835	8,625
From 1 to 5 years	23,395	25,389
Over 5 years	16,725	17,303
Total as of December 31, 2022	47,954	51,317

26. SHARE CAPITAL – OWNERSHIP SHARES OF THE COMPANY

The capital structure of the Company, by shareholders as of December 31, 2022 and 2021, is shown below:

	2022	2021
Banca Intesa a.d. Beograd	960,374	960,374
Balance as of December 31	960,374	960,374

As of December 31, 2022, Banca Intesa a.d. Beograd is the sole owner of the Company with a 100% ownership share in its share capital.

Pursuant to the Decision of the Business Registers Agency no. 155596/2011 of December 19, 2011, the founder was changed so that Banca Intesa a.d. Beograd was registered as the sole owner of the Company's shares.

The subscribed, paid and registered share (monetary) capital of the Company with the Business Registers Agency amounts to EUR 10,152,453 on the day of payment.

The monetary part of the share capital of the Company on December 31, 2022 meets the minimum amount prescribed by 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).

27. RESERVES

The structure of the Company's reserves as of December 31, 2022 and 2021 is shown below:

	2022	2021
Unrealized gains converted to market value of securities	612	7,812
Other reserves - transferred profits	567,736	404,726
Balance as of December 31	568,348	412,538

Unrealized profit in 2021 is the result of the measurement of securities (Note 17) at market value (at the reporting date there is a loss in the amount of RSD 60 thousand; December 31, 2021: profit in the amount of RSD 3,614 thousand), as well as the calculation of the expected credit loss in accordance with the requirements of IFRS 9 Financial Instruments for Securities that the company had on December 31, 2022 in the amount of RSD 672 thousand (December 31, 2021: profit: RSD 4,198 thousand).

Other reserves refer to the profits transferred from previous years based on the decisions of the Company's bodies (Note 32).

28. PROFIT

The total retained profit of the Company as of December 31, 2022 amounts to RSD 241,733 thousand (December 31, 2021: RSD 163,010 thousand) and refers to the profit of the current year.

29. ASSUMED AND CONTINGENT LIABILITIES

(a) Litigations

As of December 31, 2022, two passive litigations are conducted against the Company. The total value of these litigations is RSD 6,237 thousand (December 31, 2021: RSD 7,346 thousand) and for these litigations, in the opinion of the management, the Company is expected to lose the provisions for contingent losses on this basis (note 24).

(b) Tax Risks

The tax system of the Republic of Serbia is under continuous review and subject to changes. The tax period in the Republic of Serbia is considered to be open for a five-year period, in accordance with the period of limitation defined by the Law on Tax Procedure and Law on Tax Administration. In different circumstances, tax authorities may have different approaches to certain issues and may determine additional tax liabilities along with subsequent default interest and penalties. The Company's management believes that the tax liabilities recorded in the attached financial statements are properly stated.

30. DISCLOSURE OF RELATIONS WITH RELATED PARTIES

In its regular operations, the Company carries out business transactions with its founder and other related parties.

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

	2022	2021
Guarantees of Intesa Sanpaolo S.p.A. Milano	7,677,268	9,235,816
Guarantees of Banca Intesa a.d. Beograd	3,677,268	1,941,600
Balance as of December 31	11,155,663	11,177,416

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

The balance of receivables and liabilities as at December 31, 2022 and 2021 arising from transactions with Banca Intesa a.d. Beograd, as well as income and expenses incurred during the year are presented as follows:

Receivables from Banca Intesa a.d. Beograd	2022	2021
Cash (Note 15)	247,050	171,874
Term deposits	4,804,317	1,058,356
Receivables from SLA contract	-	427
Receivables from interest on transaction deposits	26,898	27
Balance as of December 31	5,078,265	1,230,684

30. DISCLOSURE OF RELATIONS WITH RELATED PARTIES (Continued)

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

Liabilities towards Banca Intesa a.d. Beograd	2022	2021
Long-term financial liabilities (Note 23)	464,790	766,682
Short-term financial liabilities (Note 23)	3,581,065	1,539,305
Interest liabilities (Note 23)	3,352	1,407
Deferred costs of granting loans in the country (Note 23)	(4,015)	(2,840)
Liabilities for long-term lease (Note 25)	37,093	7,400
Other obligations	20,262	20,576
Balance as of December 31	4,102,517	2,332,530

Income from transactions with Banca Intesa a.d. Beograd	2022	2021
Interest income from deposits (Note 5)	48,882	285
Interest income - financial leasing	-	14
Fee and commission income	-	3
Net foreign exchange gains and income from effects of contracted currency clause	923	-
Total	49,805	302

Expenses for transactions with Banca Intesa a.d. Beograd	2022	2021
Interest expenses (Note 5)	29,731	75,232
Fee and commission expenses	6,022	4,516
Expenses for services under the SLA (Note 13(a))	15,922	16,579
Net foreign exchange losses and expenses due to effects of contracted currency clause	-	3,062
Other expenses	8,822	7,403
Total	60,497	106,792

The largest share in the structure of other expenses with the related party Banca Intesa a.d. Beograd, belongs to the commission expenses for the mediation in relation with financial leasing placements, and as of December 31, 2022, they amounted to RSD 4,377 thousand (as of December 31, 2021: RSD 3,874 thousand).

Income from Intesa Invest a.d. Beograd	2022	2021
Profit from investments	1,173	2,833
Total	1,173	2,833

30. DISCLOSURE OF RELATIONS WITH RELATED PARTIES (Continued)

(b) Transactions with other related parties

As of December 31, 2022 and 2021, the Company had the following receivables and liabilities towards other members of Intesa Sanpaolo Group - Intesa Sanpaolo S.p.A. Milano, as well as expenses during the year:

Receivables from Intesa Sanpaolo Group members	2022	2021
Intesa Invest a.d. Beograd: Financial assets - investment units	-	363,718
Intesa Sanpaolo S.p.A. Milano: Other assets	-	-
Balance as of December 31	-	363,718

Liabilities towards Intesa Sanpaolo S.p.A. Milano	2022	2021
Liabilities for accrued costs of guarantees	3,965	4,244
Other obligations	23	24
Balance as of December 31	3,988	4,268

Liabilities towards Banka Intesa Sanpaolo d.d. Kopar	2022	2021
Long-term financial liabilities (Note 23)	7,616,931	4,938,448
Short-term financial liabilities (Note 23)	830,282	470,328
Interest liabilities	-	3,067
Deferred costs of loan approval	(5,682)	(7,348)
Other obligations	-	-
Balance as of December 31	8,452,895	5,404,496

Liabilities towards VUB	2022	2021
Long-term financial liabilities (Note 23)	5,369,756	2,351,642
Short-term financial liabilities (Note 23)	496,364	
Deferred costs of loan approval	(5,764)	(1,423)
Balance as of December 31	5,871,884	2,350,219

Expenses from transactions with Intesa Sanpaolo Group members	2022	2021
Expenses for guarantee fees of Intesa Sanpaolo S.p.A. Milano.	10,431	9,391
Expenses for Banka Intesa Sanpaolo d.d. Kopar approval fees	3,939	1,782
Expenses for VUB approval fees	1,098	351
Interest expense in relation with Bank Intesa Sanpaolo d.d. Kopar	66,540	21,622
Interest expenses in relation with VUB	48,962	8,118
Expenses for guarantee fees of Intesa Sanpaolo S.p.A. Milano	23	24
Total	130,993	41,288

30. DISCLOSURE OF RELATIONS WITH RELATED PARTIES (Continued)

(c) Compensation to the Management of the Company

During 2022 and 2021, salaries in the following amounts were paid to the Company's management:

	2022	2021
Total gross salaries	30,311	29,035
Total net salaries	21,889	21,102

During 2022 and 2021, no compensation was paid to the members of the Management Board of the Company.

31. RISK MANAGEMENT

Risk is an integral part of the business of financial institutions 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 the limits acceptable to all interested parties: owners of capital, lessors, lessees, regulators.

Risk management is the process of continuous identification, assessment, measurement, monitoring and control of the Company's risk exposure. An important part of the risk management process is reporting and mitigating risks. An adequate risk management system is an important element in ensuring the stability of the Company and the profitability of its operations.

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

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

The management is responsible for establishing an adequate risk management system and its consistent application in practice. The management establishes procedures for the identification, measurement and assessment of risks, and is responsible for the establishment of a single risk management system in the Company and for the supervision of that system.

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

The Management Board of the Company analyzes and adopts the Company's proposed policies and procedures regarding risk management and the system of internal controls that are submitted to the Management Board for consideration and adoption. Also, the Management Board analyzes and supervises the use and adequate implementation of the adopted risk management policies and procedures and, if necessary, proposes measures for their improvement.

In addition to the Decision on the adoption of the limit defining the risk adjustment factor of the Company (RAF limits), as an umbrella document governing risk management, in order to apply a special and unique risk management system and ensure 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. Beograd are involved in the of risk management.

31. RISK MANAGEMENT (continued)

The Company signed a Risk Participation Guarantees with Banca Intesa a.d. Beograd for three clients which cover the Concentration limit per individual client or group of related parties.

The risk management process in the Company has been formalized through a set of procedures that are harmonized with the rules of Intesa SanPaolo Group and updated at least once every two years.

The risk management procedures are as follows:

- Exposure risk management procedure;
- Liquidity risk management procedure;
- Interest risk management procedure;
- Operational risks management procedure;
- Compliance risk management procedure;
- Foreign exchange risk management procedure;
- Credit risk management policy;
- Socio-ecological risks management procedure; and
- Information system management policy.

The bodies of the Company and Banca Intesa a.d. Beograd responsible for risk management, constantly monitor changes in legal regulations, analyze their impact on the level of risk at the level of the Company and take measures to harmonize operations and procedures with new regulations within the framework of controlled risk.

In addition, the introduction of new services was accompanied by the necessary market and economic analyses in order to optimize the ratio of revenues and provisions for the estimated actual risk.

31.1. Credit Risk

Credit risk is the risk that one party fails to fulfill its obligation and thus causes financial loss to the other party.

With its internal acts and procedures, the Company creates a system of credit risk management and reduces credit risk to an acceptable level.

Credit risk management includes the determination of credit risk level limits for one or more debtors.

Credit risk management is carried out at several levels, namely:

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

31. RISK MANAGEMENT (continued)

31.1. Credit Risk (continued)

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

- The Company collects all necessary documentation from clients that is necessary for the analysis of their creditworthiness.
- 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 client's creditworthiness analysis, regularity in settling obligations in the past and the analysis of the value of the offered hedging instruments are carried out.
- The Credit Management Department of Banca Intesa a.d. Beograd makes a recommendation on the approval of placement.
- The Credit Committee of the Company, consisting of the President and members of the Executive Board make a decision on placement on the basis of the recommendation on the approval of placement of the Credit Underwriting Department.

The credit process within the Company is governed by the Credit Risk Management Procedure starting from December 28, 2021 as follows:

The credit process for application approval within the Company consists of:

– an automated credit process for application approval
– accelerated credit process.

31. RISK MANAGEMENT (Continued)

31.1. Credit Risk (Continued)

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

Credit risk management is also carried out by accepting adequate security instrument for repayment of placements and determining an adequate price of placements that covers the risk of placements.

The total risk exposure towards an individual client or group of related parties regarding the exposure limit shall be considered and analyzed prior to the execution of the transaction.

Concentration risk is also monitored within the credit risk management. Concentration risk is the risk of loss due to an excessive volume of placements to a particular group of debtors.

Groups of debtors are defined according to various criteria, the most important of which are: by related parties, i.e. economic groups.

The conditions for securing each individual placement are determined by the client's creditworthiness, the type of exposure to credit risk, maturity of the placement and the amount of placement. The amount and type of collateral required of the client depend on the estimated credit risk.

Considering the essence of the financial leasing business, the basic security instrument/collateral is the subject of the lease. Standard security instruments taken from the client are, in addition to the subject of the lease itself, blank promissory notes.

Additional security instruments, depending on the assessment, may be: mortgages on immovable property, pledge on movable property, pledge on stakes or receivables, buy-back contracts with the supplier and contracting co-debtor status of another person who thus becomes a joint and several debtor, as well as a deposit as a guarantee for the settlement of obligations.

If a mortgage on immovable property or a pledge on movable property is established as an additional collateral for the client, the Company shall provide an appraisal of the value of the property made by an authorized appraiser in order to minimize the risk.

31. RISK MANAGEMENT (Continued)

31.1. Credit Risk (Continued)

Based on the Service Level Agreement, the Risk Management Department of Banca Intesa a.d. Beograd assesses the impairment of the Company's receivables from financial leasing.

When assessing the impairment of receivables from financial leasing, the following important factors are taken into account, such as: a delay in servicing the principal of the placement or interest due, observed weaknesses in the client's cash flows, non-compliance with the contractual terms and conditions and deterioration of the client's credit rating.

Impairment of Company's receivables from financial leasing is carried out by group assessment of value adjustments. Individual assessment is carried out for non-performing client exposures in excess of EUR 150,000. The impairment assessment is carried out once a month.

During 2022, the Non-performing Placements Management Board adopted a number of measures and activities to find the best possible solutions for these placements.

Company's total exposure to credit risk is shown in the following table:

	2022	2021
Cash	247,050	171,874
Financial placements with banks - deposits	4,804,317	1,058,356
Other financial placements and derivatives	117,696	1,099,089
Receivables from financial leasing	24,033,354	19,723,692
Other assets – receivables from the sale of subject of lease	20,294	26,231
Maximum exposure to credit risk	29,222,711	22,079,242

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, without short-term receivables, accrued interest and without pre-collected origination costs (Note 18) by type of placement, based on the Company's internal classification system and value adjustments of receivables, as of December 31, 2022:

	Performing	Past due	Unlikely to pay	Doubtful	Total 31/12/2022
Placements to customers					
Corporate placements	828,359	-	-	-	828,359
Medium-sized enterprises	5,323,459	-	5,628	26,167	5,355,254
Small enterprises	11,453,025	43,512	10,482	76,255	11,583,274
Micro enterprises	3,860,450	44,922	388	106,354	4,012,114
Entrepreneurs	2,260,622	5,735	13,803	31,421	2,311,581
Individuals	313,357	3,102	1,037	12,593	330,089
Farmers	8,025	-	4,772	60,892	73,689
Other customers	46,737	-	-	-	46,737
Total	24,094,034	97,271	36,110	313,682	24,541,097
Share in total gross placements	98.18%	0.40%	0.15%	1.27%	100.00%
Placements to customers					
Corporate placements	1,461	-	-	-	1,461
Medium-sized enterprises	12,722	-	1,082	26,167	39,971
Small enterprises	40,987	7,716	1,870	70,862	121,435
Micro enterprises	27,330	8,285	76	95,069	130,760
Entrepreneurs	22,433	1,181	2,559	27,083	53,256
Individuals	1,481	520	196	12,532	14,729
Farmers	40	-	931	60,891	61,862
Other customers	135	-	-	-	135
Total	106,589	17,702	6,714	292,604	423,609
Share in total value adjustments	25.16%	4.18%	1.58%	69.08%	100.00%

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, without short-term receivables, accrued interest and without pre-collected origination costs by type of placement, based on the Company's internal classification system and value adjustments of receivables, as of December 31, 2021:

	Performing	Past due	Unlikely to pay	Doubtful	Total 31/12/2021
Placements to customers					
Corporate placements	973,180	-	-	-	973,180
Medium-sized enterprises	4,738,541	-	-	-	4,738,541
Small enterprises	9,028,587	4,400	3,647	95,474	9,132,108
Micro enterprises	3,064,188	47,398	5,117	89,356	3,206,059
Entrepreneurs	1,619,404	25,161	23,239	23,595	1,691,399
Individuals	238,254	4,733	-	6,758	249,745
Farmers	35,709	-	-	62,393	98,102
Other customers	55,959	-	-	-	55,959
Total	19,753,822	81,692	32,003	277,576	20,145,093
Share in total gross placements	98.06%	0.41%	0.16%	1.38%	100.00%
Placements to customers					
Corporate placements	1,299	-	-	-	1,299
Medium-sized enterprises	8,878	-	1,151	-	8,878
Small enterprises	34,472	778	577	88,438	124,265
Micro enterprises	22,382	8,631	892	81,301	113,206
Entrepreneurs	18,045	6,614	4,235	10,437	39,421
Individuals	1,089	880	-	6,758	8,727
Farmers	202	-	-	61,851	62,053
Other customers	187	-	-	-	187
Total	86,554	16,903	6,855	248,785	358,036
Share in total value adjustments	24.17%	4.72%	1.62%	69.49%	100.00%

31. RISK MANAGEMENT (Continued)

31.1. Credit Risk (Continued)

(a) Portfolio Quality (Continued)

Below is an overview of gross placements by internal ratings:

Internal rating for 2022	Gross placements	Share of gross placements in total placements	Value adjustments	Share of adjustments in total value adjustments
Inter Company	-	0.00%	-	0.00%
A1	779,517	3.18%	123	0.03%
A2	1,686,293	6.87%	304	0.07%
A3	2,794,089	11.39%	835	0.20%
B1	4,118,993	16.78%	2,408	0.57%
B2	4,224,740	17.21%	6,988	1.65%
B3	3,528,341	14.38%	12,518	2.96%
B4	1,687,508	6.88%	12,473	2.94%
C1	1,699,111	6.92%	15,076	3.56%
C2	844,596	3.44%	11,092	2.62%
C3	277,304	1.13%	18,651	4.40%
D	447,063	1.82%	317,021	74.83%
S12	38,026	0.15%	85	0.02%
STRONG	353,342	1.44%	24,434	5.77%
Unrated	2,062,174	8.40%	1,601	0.38%
Total 31/12/2022	24,541,097	100.00%	423,609	100.00%

Internal rating for 2021	Gross placements	Share of gross placements in total placements	Value adjustments	Share of adjustments in total value adjustments
Inter Company				
A1	-	0.00%	-	0.00%
A2	396,864	1.97%	93	0.03%
A3	2,033,254	10.09%	464	0.13%
B1	3,177,343	15.77%	1,705	0.48%
B2	3,524,453	17.50%	3,373	0.94%
B3	2,765,044	13.73%	7,428	2.07%
B4	3,465,747	17.20%	12,278	3.43%
C1	1,666,584	8.27%	10,783	3.01%
C2	760,835	3.78%	9,708	2.71%
C3	353,503	1.75%	7,114	1.99%
D	201,244	1.00%	12,401	3.46%
S13	391,270	1.94%	271,482	75.83%
STRONG	55,230	0.27%	128	0.04%
Unrated	269,183	1.34%	786	0.22%
	1,084,539	5.38%	20,293	5.67%
Total 31/12/2021	20,145,093	100.00%	358,036	100.00%

31. RISK MANAGEMENT (Continued)

31.1. Credit Risk (Continued)

(a) Portfolio Quality (Continued)

The following tables show the quality of the portfolio for net placements, i.e. receivables from financial leasing, without short-term receivables, accrued interest and without pre-calculated manipulative costs by types of placements, based on the Company's internal classification system, as of December 31, 2021 and 2020:

	Performing	Past due	Unlikely to pay	Doubtful	Total 31/12/2022
Placements to customers					
Corporate placements	826,899	-	-	-	826,899
Medium-sized enterprises	5,310,737	-	4,547	-	5,315,284
Small enterprises	11,412,038	35,796	8,612	5,393	11,461,839
Micro enterprises	3,833,120	36,637	313	11,284	3,881,354
Entrepreneurs	2,238,188	4,555	11,245	4,339	2,258,327
Individuals	311,875	2,582	841	60	315,358
Farmers	7,985	-	3,840	-	11,825
Other institutions	46,602	-	-	-	46,602
Total	23,987,444	79,570	29,398	21,076	24,117,488
Share in total net placements	99.46%	0.33%	0.12%	0.09%	100.00%

	Performing	Past due	Unlikely to pay	Doubtful	Total 31/12/2021
Placements to customers	971,881	-	-	-	971,881
Corporate placements	4,729,664	-	-	-	4,729,664
Medium-sized enterprises	8,994,114	3,621	3,070	7,037	9,007,842
Small enterprises	3,041,806	38,767	4,226	8,055	3,092,854
Micro enterprises	1,601,359	18,547	18,914	13,158	1,651,978
Entrepreneurs	237,165	3,853	-	-	241,018
Individuals	35,507	-	-	541	36,048
Farmers	55,772	-	-	-	55,772
Other institutions					
Total	19,667,268	64,788	26,210	28,791	19,787,057
Share in total net placements	99.39%	0.33%	0.13%	0.15%	100.00%

31. RISK MANAGEMENT (Continued)

31.1. Credit Risk (Continued)

(a) Portfolio Quality (Continued)

Age Structure of Receivables

The age analysis of placements to customers as of December 31, 2022 is shown below:

	Up to 30 days	Overdue 31 to 60 days	Overdue more than 60	Not due	Total 31/12/2022
Placements to customers					
Corporate placements	74	37	-	828,249	828,360
Medium-sized enterprises	81,542	14,802	12,493	5,246,417	5,355,254
Small enterprises	41,397	6,396	60,432	11,475,048	11,583,273
Micro enterprises	35,618	14,416	76,706	3,885,375	4,012,115
Entrepreneurs	12,476	10,042	13,394	2,275,670	2,311,582
Individuals	3,714	334	7,818	318,223	330,089
Farmers	654	-	60,933	12,100	73,687
Other institutions	27	-	-	46,710	46,737
Total	175,502	46,027	231,776	24,087,792	24,541,097
Share in total due placements of high and standard level of quality	0.72%	0.19%	0.94%	98.15%	100.00%

The age analysis of placements to customers as of December 31, 2021 is shown below:

	Up to 30 days	Overdue 31 to 60 days	Overdue more than 60	Not due	Total 31/12/2021
Placements to customers					
Corporate placements	3,992	2,751	-	966,438	973,181
Medium-sized enterprises	9,497	2,513	-	4,726,531	4,738,541
Small enterprises	22,768	36,974	37,584	9,034,782	9,132,108
Micro enterprises	21,287	3,300	61,630	3,119,842	3,206,059
Entrepreneurs	8,729	1,689	8,166	1,672,816	1,691,400
Individuals	1,060	54	6,758	241,873	249,745
Farmers	716	-	61,719	35,665	98,100
Other institutions	1	-	-	55,958	55,959
Total	68,050	47,281	175,857	19,853,905	20,145,093
Share in total due placements of high and standard level of quality	0.34%	0.23%	0.87%	98.55%	100.00%

31. RISK MANAGEMENT (Continued)

31.1. Credit Risk (Continued)

(b) Maximum Exposure to Credit Risk

The structure of the maximum exposure of the Company to credit risk, expressed in the value of gross placements, i.e. receivables from financial leasing, without short-term receivables and without pre-collected origination costs (Note 18) as of December 31, 2022, by geographic areas, is given in the following table:

Geographic area	Placements to customers	Value adjustments of placements	Net 31/12/2022	% Share in net placements
Vojvodina	8,653,562	(142,197)	8,511,365	35.29%
Beograd	11,268,740	(159,018)	11,109,722	46.07%
Southern and Eastern Serbia	1,135,405	(49,222)	1,086,183	4.50%
Šumadija and Western Serbia	3,483,390	(73,172)	3,410,218	14.14%
Total	24,541,097	(423,609)	24,117,488	100.00%

The structure of the maximum exposure of the Company to credit risk, expressed in the value of gross placements, i.e. receivables from financial leasing, without short-term receivables and without pre-collected origination costs (Note 18) as of December 31, 2021, by geographic areas, is given in the following table:

Geographic area	Placements to customers	Value adjustments of placements	Net 31/12/2021	% Share in net placements
Vojvodina	7,316,833	(99,743)	7,217,090	36.47%
Beograd	8,943,304	(148,280)	8,795,024	44.42%
Southern and Eastern Serbia	922,505	(46,491)	876,014	4.43%
Šumadija and Western Serbia	2,962,451	(63,522)	2,898,929	14.65%
Total	20,145,093	(358,036)	19,787,057	100.00%

The analysis of the Company's exposure to credit risk, by sectors, i.e. types of subjects of lease, is expressed at the carrying value of net placements, i.e. receivables from financial leasing without other receivables from financial leasing, accrued interest and no pre-collected origination costs. The largest share is occupied by the Transport and Storage sector; Information and Communications with 27.51%; the largest increase in share in the portfolio was achieved by the Other Activities sector of 2.08% compared to 2021; the largest decrease in share was recorded by the Transport and Storage sector; Information and Communications of 2.77% compared to 2021.

31. RISK MANAGEMENT (Continued)

31.1. Credit Risk (Continued)

(b) Maximum Exposure to Credit Risk (Continued)

The analysis as of December 31, 2022 and 2021 is presented in the following tables:

Structure by sectors	Maximum exposure 2022	Percentage of exposure 2022	Maximum exposure 2021	Percentage exposure 2021
1 Agriculture, forestry and fishery	991,631	4.11%	1,167,932	5.90%
2 Mining; Processing industry; Water supply, wastewater management and similar activities	3,234,058	13.41%	2,500,777	12.64%
3 Supply of electricity, gas, steam and air conditioning	36,201	0.15%	52,887	0.27%
4 Construction	3,955,499	16.40%	3,153,942	15.94%
5 Wholesale and retail trade; repair of motor vehicles, motorcycles	2,718,283	11.27%	2,057,335	10.40%
6 Transport and storage; Information and communication	6,634,233	27.51%	5,991,935	30.28%
7 Accommodation and catering services	443,287	1.84%	272,978	1.38%
8 Financial and insurance activities	74,019	0.31%	30,566	0.15%
9 Health and social care	178,237	0.74%	169,284	0.86%
10 Other activities	5,852,040	24.26%	4,389,421	22.18%
Total	24,117,488	100.00%	19,787,057	100.00%

Exposure by the subject of lease	Maximum exposure 2022	Percentage of exposure 2022	Maximum exposure 2021	Percentage exposure 2021
1 Production machinery and equipment	54,311	0.23%	78,030	0.39%
2 Construction machinery and equipment	2,997,972	12.43%	2,463,701	12.45%
3 Agricultural machinery and equipment	773,325	3.21%	968,217	4.89%
4 Freight vehicles, minibuses and buses	10,027,487	41.58%	8,591,499	43.42%
5 Passenger vehicles	7,600,741	31.52%	5,276,572	26.67%
6 Railway vehicles, vessels and aircrafts	16,191	0.07%	19,321	0.10%
7 Household appliances	-	-	-	-
8 Machinery and equipment for the provision of services	-	-	-	-
9 Other movable items	977,650	4.04%	1,048,655	5.30%
10 Commercial immovable assets	1,598,539	6.62%	1,236,509	6.39%
11 Other immovable assets	71,272	0.30%	77,553	0.39%
Total	24,117,488	100.00%	19,787,057	100.00%

Freight vehicles and buses have the largest share of 41.58% with a decrease in share in the structure of 1.84% compared to 2021, which is also the largest decrease in share in the exposure structure during the year. The maximum exposure by type of the subject of lease is 55% of the value of the total exposure. In the observed periods, the Company did not exceed the exposure limit by type of the subject of lease. During the year, the largest increase in exposure was in the case of passenger vehicles of 4.85% compared to 2021.

31. RISK MANAGEMENT (Continued)

31.1. Credit Risk (Continued)

(b) Maximum Exposure to Credit Risk (Continued)

Exposure Risk

The Company monitors and measures exposure to one person or group of related parties and takes into account the compliance of exposure indicators when making decisions on the approval of placements.

Exposure to one person or to a group of related parties is monitored through the following reports:

– Exposures to clients with individual gross placement amount greater than 10% in relation to the Company's capital.

The risk of exposure to the client is measured in relation to the Company's capital. As of December 31, 2022, 13 clients had an individual exposure greater than 10% in relation to the Company's capital (2021: 15 clients).

The decision on the adoption of limits defining the risk adjustment factor of Intesa Leasing d.o.o. Beograd (RAF limits) for individual clients or groups of related parties, defines a maximum exposure of 30% in relation to the capital of the Company. At the date of preparation of the financial statements, the Company had no exposure to an individual client (group of related parties) above the established limit.

As a protection against credit risk, the Company established collaterals for certain placements, namely mortgages, dedicated term deposits of clients and subjects of lease.

The effect of collaterals (except for the subjects of lease) on the calculation of value adjustments of receivables from financial leasing without included receivables for damage after the sale of the subject of lease and deduction for pre-collected origination costs is shown in the following table:

	2022	2021
Carrying amount of value adjustments of receivables	423,609	358,036
Amount of value adjustments of receivables without collateral	425,744	360,266
Effect on the calculation of value adjustments of receivables	2,135	2,230
Effect on the calculation of collective adjustments	2,135	2,230
Effect on the calculation of individual adjustments	-	-

The amounts expressed as an effect on the calculation of the value adjustment of receivables explain how much the calculation of the value adjustment of receivables would be higher in the event that collateral is not used in the calculation.

31. RISK MANAGEMENT (Continued)

31.1. Credit Risk (Continued)

(b) Maximum Exposure to Credit Risk (Continued)

Analysis of Security Instruments/Collaterals

The analysis of the portfolio by security instruments (collaterals) as of December 31, 2021 and 2020 is given in the following overview:

	2022		2021	
	Gross placement	Total value of collateral	Gross placement	Total value of collateral
Placements to legal entities	21,690,292	20,002,448	18,059,299	17,181,647
Secured by mortgage	10,693	8,133	51,495	44,653
Secured by deposit and guarantee	3,348,425	1,663,141	1,844,417	1,117,526
Secured by the subject of lease	18,331,174	18,331,174	16,163,387	16,019,387
Unsecured by collateral	-	-	-	-
Placements to entrepreneurs, individuals and farmers	2,715,358	2,568,943	2,039,243	1,898,802
Secured by mortgage	-	-	5,267	5,267
Secured by deposit	998	207	1,742	208
Secured by the subject of lease	2,714,360	2,568,736	2,032,236	1,893,327
Unsecured by collateral	-	-	-	-
Placements to banks	-	-	-	-
Secured by mortgage	-	-	-	-
Secured by deposit	-	-	-	-
Secured by the subject of lease	-	-	-	-
Unsecured by collateral	-	-	-	-
Placements to the state and local self-government	135,447	130,832	46,549	46,310
Secured by mortgage	-	-	-	-
Secured by deposit	-	-	-	-
Secured by the subject of lease	135,447	130,832	46,549	46,310
Unsecured by collateral	-	-	-	-
Total as of December 31	24,541,097	22,702,223	20,145,093	19,126,759

The value of collateral is shown up to the amount of receivables. The mortgage as a collateral must additionally meet the following conditions: that it is entered in the appropriate register, that for the subject property there is an appraisal of the value performed by the authorized appraiser not older than 3 years, that the owner of the property is not bankrupt, that the estimated value of the property less the amount of all claims with a higher right of priority is not less than the value of receivables and that the receivables secured by the mortgage are settled with a delay of no longer than 720 days.

31. RISK MANAGEMENT (Continued)

31.1. Credit Risk (Continued)

(b) Maximum Exposure to Credit Risk (Continued)

Analysis of Security Instruments/Collaterals (Continued)

The overview of the ratio of placements and value of the collateral (loan-to-value (LTV) ratio) as of December 31, 2022 and 2021 is given below:

LTV Ratio	2022 Value of placements	LTV Ratio	2021 Value of placements
<50%	1,785,431	<50%	1,502,784
51% - 70%	4,810,987	51% - 70%	3,711,710
71% - 90%	7,320,065	71% - 90%	5,144,034
91% - 100%	3,787,817	91% - 100%	3,196,260
>100%	6,836,798	>100%	6,590,305
Total	24,541,097	Total	20,145,093

LTV ratio in the range of 51% - 70% and 91% - 100% in 2022 had the largest increase due to the increase in new placements during the business year.

(c) Assessment of Impairment of Financial Assets

The structure of impairment of financial assets, i.e. receivables from financial leasing, without short-term receivables, without accrued interest and without accrued income from receivables, as of December 31, 2021 and 2020 is shown below:

2022	Gross receivables from financial leasing	Value adjustment	Net receivables from financial leasing
Corporate placements	828,359	(1,461)	826,899
Medium-sized enterprises	5,355,254	(39,971)	5,315,284
Small enterprises	11,583,274	(121,435)	11,461,839
Micro enterprises	4,012,114	(130,760)	3,881,354
Entrepreneurs	2,311,581	(53,256)	2,258,327
Individuals	330,089	(14,729)	315,358
Farmers	73,689	(61,862)	11,825
Other institutions	46,737	(135)	46,602
Total	24,541,097	(423,609)	24,117,488

31. RISK MANAGEMENT (Continued)

31.1. Credit Risk (Continued)

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

2021	Gross receivables from financial leasing	Value adjustment	Net receivables from financial leasing
Corporate placements	973,180	(1,299)	971,881
Medium-sized enterprises	4,738,541	(8,878)	4,729,664
Small enterprises	9,132,108	(124,265)	9,007,843
Micro enterprises	3,206,059	(113,206)	3,092,853
Entrepreneurs	1,691,399	(39,421)	1,651,978
Individuals	249,745	(8,727)	241,018
Farmers	98,102.	(62,053)	36,049
Other institutions	55,959	(187)	55,771
Total	20,145,093	(358,036)	19,787,057

The structure of impairment of financial assets according to the model of calculation of adjustments as of December 31, 2022 and 2021 can be seen from the following tables:

2022	Gross receivables from financial leasing	% of gross receivables	Value adjustment	% of total adjustments
Collective adjustment	24,521,942	99.92%	(413,913)	97.71%
Individual adjustment	19,155	0.08%	(9,696)	2.29%
Total	24,541,097	100.00%	(423,609)	100.00%

2021	Gross receivables from financial leasing	% of gross receivables	Value adjustment	% of total adjustments
Collective adjustment	20,106,752	99.81%	(325,367)	90.88%
Individual adjustment	38,341	0.19%	(32,669)	9.12%
Total	20,145,093	100.00%	(358,036)	100.00%

Off-balance sheet exposure of receivables that were derecognized in 2022 amounts to RSD 3,255 thousand, but they are still subject to collection techniques. Receivables for damage after the sale of repossessed subjects of lease are also included in the derecognition during 2022.

31. RISK MANAGEMENT (Continued)

31.1. Credit Risk (Continued)

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

The Company carried out a credit risk assessment for the position Other Financial Placements for Securities Measured at Fair Value through other comprehensive income.

Changes in securities impairment are shown in the following tables:

	2022	2021
Balance as of January 1	4,199	1,389
Increases during the year	-	2,812
Decreases in accruals during the year	(3,527)	(2)
Balance as of December 31	672	4,199

31.2. Liquidity Risk

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

The management of the Company controls the maturity of receivables and liabilities and performs daily and weekly projections of cash flows arising from operations.

The liquidity management objectives include:

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

Liquidity risk is measured by continuously monitoring and analyzing the matching of assets and liabilities through the preparation of appropriate reports and indicators and reports on the Maturity Mismatch.

The Finance and Operations Department is responsible for measuring and monitoring the liquidity situation, as well as for the regular preparation of reports showing the impact of trends of different categories of assets and liabilities of the Company on the liquidity position.

The projections of inflow and outflow take into account and calculate the historical percentage of collectability of receivables (behavior coefficient), both those that are due in the future period, and due and uncollected receivables.

The Company also has contractual long-term loan facilities, as a liquidity management instrument as of December 31, 2022.

The table below shows an analysis of the maturities of the Company's assets and liabilities based on the agreed payment terms. The agreed maturities of assets and liabilities are determined on the basis of the remaining period on the balance sheet date in relation to the agreed maturity period. The column Gross Amount in the tables, shows the total amounts of positions of assets and liabilities without deduction for value adjustments.

31. RISK MANAGEMENT (Continued)

31.2. Liquidity Risk (Continued)

Periodic GEP is negative for a period of over 18 months due to the fact that during that period more loan liabilities mature for payment than the placements. The Company plans to correct this GEP by withdrawing new long-term loans.
The cumulative GEP is adjusted for the entire analysis period.

Amounts are expressed in RSD thousand, unless otherwise stated

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 over 18 months To 5 years	Gross amount over 5 years	Gross amount without defined maturity*
ASSETS										
Cash	247,050	247,050	247,050	-	-	-	-	-	-	-
Short-term financial assets	4,922,012	4,922,012	3,550,816	-	-	550,000	821,256	-	-	(60)
Short-term receivables, financial leasing	8,309,295	8,636,434	1,325,717	1,578,959	2,010,598	3,715,160	-	-	-	6,000
Intangible assets	25,387	83,090	-	-	-	-	-	-	-	83,090
Property, plant and equipment	74,803	208,207	-	-	-	-	-	-	-	208,207
Long-term receivables, financial leasing	15,724,059	15,835,725	-	-	-	-	3,390,575	11,901,240	637,361	(93,451)
Deferred Tax Assets	1,452	1,452	-	-	-	-	-	-	-	1,452
Other assets	128,060	194,282	28,292	32,287	2,697	7,896	12,779	-	-	110,331
TOTAL ASSETS	29,432,118	30,128,252	5,151,875	1,611,246	2,013,295	4,273,056	4,224,610	11,901,240	637,361	315,569
LIABILITIES										
Share capital and ownership interests	960,374	960,374	-	-	-	-	-	-	-	960,374
Profit	241,733	241,733	-	-	-	-	-	-	-	241,733
Reserves	568,348	568,348	-	-	-	-	-	-	-	568,348
Long-term financial liabilities	20,480,327	20,480,327	-	-	-	-	2,514,586	17,311,003	670,414	(15,676)
Short-term financial liabilities	6,922,977	6,922,977	3,228,174	571,703	994,129	2,144,727	-	-	-	(15,756)
Provisions	7,599	7,599	-	-	-	6,237	-	-	-	1,362
Current tax liabilities	22,517	22,517	-	-	22,517	-	-	-	-	-
Other obligations	228,243	228,243	114,775	9,065	18,991	3,934	3,286	15,893	20,941	41,358
TOTAL LIABILITIES	29,432,118	29,432,118	3,342,949	580,768	1,035,637	2,154,898	2,517,872	17,326,896	691,355	1,781,743
Maturity mismatch as of December 31, 2022		696,134	1,808,926	1,030,478	977,658	2,118,158	1,706,738	-5,425,656	-53,994	-1,466,174
Cumulative mismatch		696,134	1,808,926	2,839,404	3,817,062	5,935,220	7,641,958	2,216,302	2,162,308	-

* *The amounts shown in the column Gross Amount without defined maturity represent non-financial assets or liabilities.*

Amounts are expressed in RSD thousand, unless otherwise stated

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 over 18 months To 5 years	Gross amount over 5 years	Gross amount without defined maturity*
ASSETS										
Cash	171,874	171,874	171,874	-	-	-	-	-	-	-
Short-term financial assets	2,157,445	2,157,445	617,937	-	-	1,058,356	113,820	-	-	367,332
Short-term receivables, financial leasing	7,012,887	7,285,755	973,079	1,366,415	1,757,249	3,207,975	-	-	-	(18,963)
Intangible assets	23,268	72,914	-	-	-	-	-	-	-	72,914
Property, plant and equipment	18,184	112,719	-	-	-	-	-	-	-	112,719
Long-term receivables, financial leasing	12,710,805	12,809,428	-	-	-	-	2,771,876	9,484,030	601,301	(47,779)
Deferred Tax Assets	3,030	3,030	-	-	-	-	-	-	-	3,030
Other assets	109,480	163,259	20,449	12,608	7,190	4,000	410	52	-	118,550
TOTAL ASSETS	22,206,973	22,776,424	1,783,339	1,379,023	1,764,439	4,270,331	2,886,106	9,484,082	601,301	607,803
LIABILITIES										
Share capital and ownership interests	960,374	960,374	-	-	-	-	-	-	-	960,374
Profit	163,010	163,010	-	-	-	-	-	-	-	163,010
Reserves	412,538	412,538	-	-	-	-	-	-	-	412,538
Long-term financial liabilities	16,518,008	16,518,008	-	-	-	-	1,485,383	13,414,926	1,633,084	(15,385)
Short-term financial liabilities	3,953,038	3,953,038	320,256	617,665	1,096,508	1,929,083	-	-	-	(10,474)
Provisions	8,480	8,480	-	-	-	7,347	-	-	-	1,133
Current tax liabilities	22,599	22,599	-	-	22,599	-	-	-	-	-
Other obligations	168,926	168,926	95,051	5,170	844	14,817	1,713	6,338	3,433	41,560
TOTAL LIABILITIES	22,206,973	22,206,973	415,307	622,835	1,119,951	1,951,247	1,487,096	13,421,264	1,636,517	1,552,756
Maturity mismatch as of December 31, 2021		569,451	1,368,032	756,188	644,488	2,319,084	1,399,010	-3,937,182	-1,035,216	-944,953
Cumulative mismatch		569,451	1,368,032	2,124,220	2,768,708	5,087,792	6,486,802	2,549,620	1,514,404	-

* *The amounts shown in the column Gross Amount without defined maturity represent non-financial assets or liabilities.*

31. RISK MANAGEMENT (Continued)

31.3. Market Risk

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

In its daily operations, the Company is exposed to changes in market variables that can positively or negatively affect the financial result, and they include:

- Interest rate risk;
- Foreign exchange risk; and
- Risk of changes in the price of goods.

The risk of changing prices of goods is significant, since the subjects of lease can be used as collateral in the event of termination of the leasing contract.

Almost all types of the subject of lease record a decline in value, both due to market and technological reasons.

31.3.1. Interest Rate risk

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

The Company is exposed to the risk of changes in interest rates, which, through the effects of changes in the level of market interest rates, affect its financial position and cash flows, as a result of the mismatch between the maturities of assets and liabilities for which fixed interest rates have been agreed.

Exposure to interest rate risk depends on the ratio of interest-sensitive assets and liabilities of the Company. Therefore, the Company controls interest rate risk by monitoring the ratio of interest-bearing assets, i.e. liabilities and their share in total assets, i.e. liabilities.

The following table shows the Company's exposure to the interest rate risk (Repricing Gap) as of December 31, 2022. Assets and liabilities are presented by the date of re-determination of interest or maturity date, whichever comes earlier. The table also contains non-financial assets and liabilities (positions: Repossessed subjects of lease and inventories, Intangible assets, Property, plants and equipment, Deferred tax assets, Provisions, Current tax liabilities) for the purpose of completeness of the overview and comparability with the Balance Sheet.

The Repricing Gap report identifies the difference between interest-sensitive assets and interest-sensitive liabilities for different time intervals in the future. Based on the established gaps, an analysis of the sensitivity of the Company's profit and capital to certain changes in market interest rates is performed.

NOTES TO THE FINANCIAL STATEMENTS
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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 over 18 months To 5 years	Over 5 years	Interest-insensitive
ASSETS									
Cash	247,050	247,050	-	-	-	-	-	-	-
Short-term financial assets	4,922,012	617,756	-	-	3,483,060	821,256	-	-	(60)
Intangible assets	25,387	-	-	-	-	-	-	-	25,387
Property, plant and equipment	74,803	-	-	-	-	-	-	-	74,803
Short-term and long-term receivables from financial leasing	24,033,354	511,211	14,922,622	1,053,648	1,559,646	1,330,159	4,514,312	649,498	(507,742)
Deferred Tax Assets	1,452	-	-	-	-	-	-	-	1,452
Other assets	128,060	15,000	-	-	-	11,898	-	-	101,162
TOTAL ASSETS	29,432,118	1,391,017	14,922,622	1,053,648	5,042,706	2,163,313	4,514,312	649,498	-304,998
LIABILITIES									
Share capital and ownership interests	960,374	-	-	-	-	-	-	-	960,374
Profit	241,733	-	-	-	-	-	-	-	241,733
Reserves	568,348	-	-	-	-	-	-	-	568,348
Long-term and short-term financial liabilities	27,403,304	3,368,148	11,439,961	2,096,954	763,190	1,103,186	8,300,376	335,207	(3,717)
Provisions	7,599	-	-	-	-	-	-	-	7,599
Current tax liabilities	22,517	-	-	-	-	-	-	-	22,517
Other obligations	228,243	-	-	-	-	-	-	-	228,243
TOTAL LIABILITIES	29,432,118	3,368,148	11,439,961	2,096,954	763,190	1,103,186	8,300,376	335,207	2,025,097
Maturity mismatch as of December 31, 2022		-1,977,131	3,482,661	-1,043,306	4,279,516	1,060,127	-3,786,064	314,291	-2,330,095
Cumulative mismatch		-1,977,131	1,505,530	462,225	4,741,741	5,801,868	2,015,803	2,330,095	-

NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2022

Amounts are expressed in RSD thousand, unless otherwise stated

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 over 18 months To 5 years	Over 5 years	Interest-insensitive
ASSETS									
Cash	171,874	171,874	-	-	-	-	-	-	-
Short-term financial assets	2,157,445	617,937	-	-	1,058,356	113,820	-	-	367,332
Intangible assets	23,268	-	-	-	-	-	-	-	23,268
Property, plant and equipment	18,184	-	-	-	-	-	-	-	18,184
Short-term and long-term receivables from financial leasing	19,723,692	318,502	12,851,565	1,038,866	1,271,261	1,128,826	3,108,158	427,914	(421,400)
Deferred Tax Assets	3,030	-	-	-	-	-	-	-	3,030
Other assets	109,480	-	-	-	-	-	-	-	109,480
TOTAL ASSETS	22,206,973	1,108,313	12,851,565	1,038,866	2,329,617	1,242,646	3,108,158	427,914	99,894
LIABILITIES									
Share capital and ownership interests	960,374	-	-	-	-	-	-	-	960,374
Profit	163,010	-	-	-	-	-	-	-	163,010
Reserves	412,538	-	-	-	-	-	-	-	412,538
Long-term and short-term financial liabilities	20,471,046	541,779	9,484,066	2,102,637	769,359	587,785	6,148,539	849,204	(12,323)
Provisions	8,480	-	-	-	-	-	-	-	8,480
Current tax liabilities	22,599	-	-	-	-	-	-	-	22,599
Other obligations	168,926	-	-	-	-	-	-	-	168,926
TOTAL LIABILITIES	22,206,973	541,779	9,484,066	2,102,637	769,359	587,785	6,148,539	849,204	1,723,604
Maturity mismatch as of December 31, 2021		566,534	3,367,499	-1,063,771	1,560,258	654,861	-3,040,381	-421,290	-1,623,710
Cumulative mismatch		566,534	3,934,033	2,870,262	4,430,520	5,085,381	2,045,000	1,623,710	-

31. RISK MANAGEMENT (Continued)

31.3. Market Risk (Continued)

31.3.1. Interest Rate Risk (Continued)

The total cumulative GAP up to 18 months as of December 31, 2022 is RSD 1,060,186 thousand (December 31, 2021: RSD 654,861 thousand) and can be considered an acceptable level of interest matching.

The interest rate risk is also monitored by analyzing the scenario, i.e. by observing the impact of interest rate changes on the Company's income and expenses.

The risk of interest rate changes can also be shown through the following overviews:

	Total	0-18 months	18 months – 3 years	3 – 5 years	5 – 10 years
Total	23,135	(114,766)	45,059	77,516	15,326
EUR	42,499	(103,063)	49,233	81,003	15,326
RSD	(19,364)	(11,703)	(4,174)	(3,487)	-

By changing the interest rate by 2.00%, the effect on the Company's income or expenses would amount to RSD 23,135 thousand, which is less than the limit of 15% in relation to capital, which is RSD 265,568 thousand. The percentage of use of the limit is 13.95% for a change of -2%, or 10.04% for a change of +2%.

The interest rate risk limit is a measure of acceptable risk to which the Company may be exposed. The limit is measured according to the change in the net asset value when the interest rates change by +200 b.p. and must not exceed 20% of the Company's regulatory capital. The Company regularly measures and reports to the Parent Bank on the exposure to interest rate risk. In the event of exceeding the permitted limit, it is necessary to adopt measures to eliminate it as soon as possible.

The forms of risk that may be subject to monitoring are:

- the risk of time mismatch of the maturity of the interest rate repricing (Repricing Risk). In the case of interest-sensitive positions with a fixed interest rate, the risk arises from mismatched maturities of asset and liability positions, and in the case of positions with a variable interest rate, the risk arises due to the difference in time of repricing of the interest rate between asset and liability;
- yield curve risk is the risk of change in the form of yield curve;
- basis risk is the risk of exposure according to different reference interest rates for interest-sensitive positions with similar characteristics in terms of maturity and repricing; and
- optionaly risk, the risk of repricing the interest rate after the realization of contractual provisions for interest-sensitive positions (e.g. early repayment risk).

The Company measures and reports the interest rate risk arising from the repricing of interest rates (Repricing Risk). The interest rate risk arising from the change in the yield curve, basis risk and optionaly risk, is intangible.

31. RISK MANAGEMENT (Continued)

31.3. Market Risk (Continued)

31.3.1. Interest Rate Risk (Continued)

Attached is an overview of the market risk related to Securities held for sale:

Sensitivity of the net value of the portfolio Securities held for sale	200bp increase	200bp decrease
2022		
As of December 31	- 185	322
Average of the period	- 1,338	2,213
Maximum of the period	- 185	3,463
Minimum of the period	- 2,259	322
2021		
As of December 31	(4,216)	5,056
Average of the period	(10,782)	13,404
Maximum of the period	(15,611)	21,890
Minimum of the period	(4,216)	5,056

31.3.2. Foreign Exchange Risk

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

The principle of protection against foreign exchange risk of the Company is to realize and maintain foreign currency assets at least in the amount of foreign currency payables, i.e. foreign currency liabilities. Also, this ratio is harmonized from the aspect of maturities of foreign currency receivables and foreign currency liabilities.

In order to manage the risk of currency exchange rates changes, the Company contracts the financial leasing placements in EUR, whereby annuities are paid in RSD at the applicable agreed exchange rate. Leasing financing in different currencies conditions exposure to fluctuations in exchange rates of multiple currencies. In accordance with the internal policy of the Company and the Decision of the Management Board of the Company, the limit of the open position was defined, up to EUR 1 million, which was valid during 2022.

The Company measures foreign exchange risk on a daily basis according to the methodology established by the Foreign Exchange Risk Management Procedure based on the methodology of the National Bank of Serbia through the Report on Foreign Exchange Risk Indicator.

During 2022, the Company was monitoring the observance of foreign exchange risk indicators, and no exceeding of the limit was recorded.

The total open foreign exchange position as of December 31, 2022 amounted to RSD 2,361 thousand, while the foreign exchange risk indicator amounted to 0.13% of capital, and as of December 31, 2021 it amounted to RSD 65,948 thousand, while the foreign exchange risk indicator amounted to 4.29% of the Company's capital.

31. RISK MANAGEMENT (Continued)

31.3. Market Risk (Continued)

31.3.2. Foreign Exchange Risk (Continued)

The Company's exposure to foreign exchange risk as of December 31, 2022 can be seen from the following table:

	Carrying value	RSD	EUR
ASSETS			
Cash and cash equivalents	247,050	164,924	82,126
Short-term financial assets	4,922,012	1,167,696	3,754,316
Short-term receivables from financial leasing	8,309,295	158,122	8151.173
Intangible assets	25,387	25,387	-
Property, plant and equipment	74,803	53,800	21,003
Long-term receivables from financial leasing	15,724,059	145,584	15,578,475
Deferred Tax Assets	1,452	1,452	-
Other assets	128,060	102,154	25,906
TOTAL ASSETS	29,432,118	1,819,119	27,612,999
LIABILITIES			
Share capital and ownership interests	960,374	960,374	-
Profit	241,733	241,733	-
Reserves	568,348	568,348	-
Long-term financial liabilities	20,480,327	(15,676)	20,496,003
Short-term financial liabilities	6,922,977	(15,757)	6,938,734
Provisions	7,599	7,599	-
Current tax liabilities	22,517	22,517	-
Other obligations	228,243	52,342	175,901
TOTAL LIABILITIES	29,432,118	1,821,480	27,610,638
Net FX position - December 31, 2022	-	(2,361)	2,361

The table also contains non-financial assets and liabilities (positions: Repossessed subjects of lease and inventories, Intangible assets, Property, plants and equipment, Deferred tax assets, Provisions, Current tax liabilities) for the purpose of completeness of the overview and comparability with the Balance Sheet.

31. RISK MANAGEMENT (Continued)

31.3. Market Risk (Continued)

31.3.2. Foreign Exchange Risk (Continued)

The Company's exposure to foreign exchange risk as of December 31, 2021 can be seen from the following table:

	Carrying value	RSD	EUR
ASSETS			
Cash and cash equivalents	171,874	171,848	26
Short-term financial assets	2,157,445	1,099,089	1,058,356
Short-term receivables from financial leasing	7,012,887	99,632	6,913,255
Intangible assets	23,268	23,268	-
Property, plant and equipment	18,184	17,558	625
Long-term receivables from financial leasing	12,710,805	55,092	12,655,713
Deferred Tax Assets	3,030	3,030	-
Other assets	109,480	55,901	53,580
TOTAL ASSETS	22,206,973	1,525,418	20,681,555
LIABILITIES			
Share capital and ownership interests	960,374	960,374	-
Profit	163,010	163,010	-
Reserves	412,538	412,538	-
Long-term financial liabilities	16,518,008	(15,385)	16,533,393
Short-term financial liabilities	3,953,038	(10,474)	3,963,512
Provisions	8,480	8,480	-
Current tax liabilities	22,599	22,599	-
Other obligations	168,926	50,224	118,702
TOTAL LIABILITIES	22,206,973	1,591,366	20,615,607
Net FX position - December 31, 2021	-	(65,948)	65,948

31. RISK MANAGEMENT (Continued)

31.3. Market Risk (Continued)

31.3.2. Foreign Exchange Risk (Continued)

The following table shows the impact of changes in the exchange rate (RSD compared to EUR) on the Company's result:

Scenario	Effect on the Income Statement 2022	Effect on the Income Statement 2021
10% depreciation RSD	2,597	6,595
20% depreciation RSD	2,833	13,189

As shown in the previous table, in case of depreciation of the RSD exchange rate, the effect on the result and on the capital of the Company would be positive, and in case of depreciation of the exchange rate by 10% it would amount RSD 2,597 thousand.

The foreign exchange risk indicator in the event of a 10% exchange rate depreciation would be 0.15%, and in the event of a 20% exchange rate depreciation it would be 0.16%.

The instruments of managing the Company's foreign exchange position are derived directly from the parameters of the foreign exchange position, and according to the degree of operability for the Company, they can be sorted in the following order:

1. Borrowing / Repayment of indexed loans (foreign currency liabilities);
2. Reimbursement / Collection of indexed placements (foreign exchange assets); and
3. Purchase and sale of foreign currency for RSD.

a) By increasing indebtedness related to RSD indexed loans, the position opened by reimbursing indexed placements is adjusted, and vice versa.

b) The reimbursement of indexed placements creates a long position in the currency in which the loan is indexed, and the collection of such a loan shortens the position.

c) The most operative instrument for managing the foreign exchange position is the purchase or sale of a foreign currency for RSD. This can establish an adjusted foreign exchange position on a daily basis. The transaction is executed by contacting the dealer in the Treasury Department of Banca Intesa a.d. Beograd, who provides a quotation for the required type of transaction.

31. RISK MANAGEMENT (Continued)

31.4. Operational risk

Operational risk is the risk of negative effects on the financial result and capital of the Company, due to failures in the performance of business activities, human errors, system errors and the effect of external factors.

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

The Company cannot eliminate all operational risks, but through the process of recording and analyzing operational losses it can identify deficiencies in its processes, products and procedures and by improving them reduce the frequency as well as the negative impact of operational losses on the operations and profitability of the Company.

An important aspect of the operational risk management process is the up-to-date reporting of significant operational risks to management, as well as the continuous training of all employees involved in the operational risk data collection process and the comprehensive development of awareness of the importance of identifying, measuring, controlling and mitigating operational risks.

31. RISK MANAGEMENT (Continued)

31.4. Operational Risk (Continued)

Operational risks include:

a) Internal fraud and activities;
b) External fraud and activities;
c) Relations with employees and safety at the workplace;
d) Damage to fixed assets;
e) Business interruption and system failure;
f) Clients, products and business practices; and
g) Execution, delivery and management of processes, etc.

During 2022, the records of operational risks were kept through the *"BIBOp"* application. Recording of observed events that cause operational risks in the Company is carried out by operational risk monitoring coordinators.

Data entry is done in real time, which means that the event can be entered immediately after its detection. The coordinators shall enter the event no later than 48 hours from the date of its detection. The event can be saved in the draft version and during this period the coordinators have access to the document.

When all known event data is entered into the app, it becomes visible to the verifier who has the task of reviewing the event data and verifying it. The event should also be verified within 48 hours at the latest.

During 2022, two cases of operational risk occurred and they can be presented by the following table, in which the values are in RSD thousand:

Type of operational risk:

	Number of cases	Potential damage in RSD thousand
Disposal of assets under financial leasing	2	17,961
Total	2	17,961

After a potential fraudulent act was observed, the financial leasing agreement was terminated, the subject of lease was repossessed by the Company and receivables under the agreement were collected through sale of the subject of lease.

The corrective action for fraudulent acts of this type is that in the future, in cases where the user makes a payment through the exchange offices or bank counters, it will not be treated as correct until it is recorded on the Company's current account statement.

31. RISK MANAGEMENT (Continued)

31.5. Fair Value of Assets and Liabilities

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

Market price, where there is an active market, is the best evidence of the fair value of a financial instrument. However, market prices are not available for a range of financial assets and liabilities of the Company. Therefore, when the market price of financial instruments is unavailable, the fair value of assets and liabilities is determined using present value or other measurement methodologies based on the current state of the market.

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

The Company's financial instruments at depreciated value generally bear a variable interest rate reflecting current market conditions, except for Securities.

Determination of the fair value of financial instruments that are expressed at depreciated value must respect the criteria, principles and hierarchy, which is aligned with the fair valuation rules of Intesa San Paolo Group.

Measurement of the fair value of financial instruments that are not expressed at depreciated value follows the following hierarchy that reflects the credibility of the inputs used in determining fair value:

- Level 1: inputs are quoted market prices (without adjustments) in the 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 on the market. This category includes: market interest rates, CDS market quotes (credit default swap), market prices of bonds from primary auctions or market exchange rates when determining the value of instruments; and
- Level 3: inputs for which no information is available from the market. This category includes all instruments for which input value information is not directly or indirectly measurable on the market.

The application of the aforementioned hierarchy is mandatory and the Company cannot freely choose the information it uses to determine the fair value of financial instruments that are not expressed at depreciated value, but must respect the aforementioned hierarchy.

Financial instruments that are presented at fair value to which the rules of the Fair Value Policy apply are:

- Government bonds of the Republic of Serbia that are measured by applying the technique of discounting future contracted cash flows, applying market risk-free curve yields adjusted for the country risk (in the case of bonds denominated in EUR) or liquidity risk (in the case of RSD bonds for which there is no direct quotation) (Level 2) and investments in investment funds.

31. RISK MANAGEMENT (Continued)

31.5. Fair Value of Assets and Liabilities (Continued)

The following table shows the value of financial instruments at fair value in the Company's balance sheet as of December 31, 2022 and 2021, measured on the basis of different information in accordance with the hierarchies harmonized with the fair valuation rules of the Intesa San Paolo Group:

2022	Level 1	Level 2	Level 3	Total fair value	Carrying value
Short-term financial assets					
Securities	-	117,696	-	117,696	117,696
Investment units	-	-	-	-	-
Total	-	117,696	-	117,696	117,696

2021	Level 1	Level 2	Level 3	Total fair value	Carrying value
Short-term financial assets					
Securities	-	735,371	-	735,371	735,371
Investment units	-	363,718	-	363,718	363,718
Total	-	1,099,089	-	1,099,089	1,099,089

In the opinion of the Company's management, the amounts in the attached financial statements reflect the value that is most credible and useful for reporting purposes in the given circumstances.

The following tables show the fair values of financial instruments that are not valued at fair value in the Company's balance sheet as of December 31, 2022 and 2021 and are distributed according to the appropriate levels of the fair valuation hierarchy:

2022	Level 1	Level 2	Level 3	Total fair value	Carrying value
Cash	-	247,050	-	247,050	247,050
Financial placements with banks	-	4,886,443	-	4,886,443	4,886,443
Receivables from financial leasing	-	-	23,535,031	23,535,031	24,033,354
Total assets	-	5,133,493	23,535,031	28,668,524	29,166,847
Financial Covenants	-	26,418,382	-	26,418,382	27,403,304
Total liabilities	-	26,418,382	-	26,418,382	27,403,304

31. RISK MANAGEMENT (Continued)

31.5. Fair Value of Assets and Liabilities (Continued)

2021	Level 1	Level 2	Level 3	Total fair value	Carrying value
Cash	-	171,874		171,874	171,874
Financial placements with banks	-	3,186,423	-	3,186,423	3,186,423
Receivables from financial leasing	-	-	17,175,027	17,175,027	19,723,692
Total assets	-	3,343,690	17,175,027	20,518,717	20,717,669
Financial Covenants	-	18,968,439	-	18,968,439	20,471,046
Total liabilities	-	18,968,439	-	18,968,439	20,471,046

The fair value of cash and financial placements with banks are equal to the carrying value, since these are short-term receivables that are contracted at interest rates that correspond to market conditions.

The fair value of financial leasing placements and the fair value of loan liabilities were calculated using the techniques of discounting future cash flows by applying market yield curves, taking into account 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 as a support to business and maximizing the value of capital.

In accordance with the Law on Financial Leasing ("Official Gazette of the Republic of Serbia", no. 55/2003, 61/2005, 31/2011 and 99/2011), for the performance of financial leasing activities, where the subject of lease is movable property, the monetary part of the share capital of the Company may not be less than EUR 500,000 in RSD countervalue, according to the official middle exchange rate of the National Bank of Serbia on the day of payment.

For the performance of financial leasing activities, where the subject of lease is immovable property, the monetary part of the share capital of the lessor may not be less than EUR 5,000,000 in RSD counter value, according to the official middle exchange rate on the day of payment. The Company has fulfilled the census of EUR 5,000,000 and performs activities of financing of immovable property leasing.

In its operations, the lessor is obliged to ensure that its monetary part of the share capital is always in the amount not less than the stated amounts, according to the official middle exchange rate of the RSD on the day of calculation, depending on the subject of lease.

As of December 31, 2022, the Company's share capital is RSD 960,374 thousand (December 31, 2021: RSD 960,374 thousand) and is significantly above the prescribed minimum. The calculation of capital adequacy performed for the purposes of reporting to Intesa Sanpaolo Group shows that the capital level is also significantly above the envisaged minimum level.

On March 25, 2022, the Assembly of the Company adopted the Decision on the Distribution of Retained Profit from the previous year. In accordance with the decision of the Assembly of the Company, the retained profit from the previous year in the total amount of RSD 163,010 thousand is allocated to reserves within the Company's capital. Given the amount of the Company's share capital, the aforementioned distribution of retained profit does not affect the meeting of the capital census.

33. RECONCILIATION OF RECEIVABLES AND LIABILITIES

The Company has, in accordance with the provisions of Article 22 of the Law on Accounting, performed the reconciliation of liabilities and receivables with its creditors and debtors as of December 31, 2022.

The reconciliation was carried out with 4,494 lessees. The total receivables disputed by the lessees during reconciliation, amounts to RSD 4,027 thousand. The analysis of disputed receivables showed that the cause of disputes are data which were not updated in accordance with the current repayment plans by the lessee, i.e. the lessee did not apply exchange rates to liabilities in its records. These lessees were provided with current repayment plans in order to make adjustments in their records.

As of December 31, 2022, the Company also reconciled its liabilities with the creditors.

In addition to the reconciliation on the day of preparation of the financial statements, the Company carried out continuous harmonization with clients during the financial year.

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

In order to react in a timely manner to the expected negative effects of the current economic crisis and uncertainties caused by the war in Ukraine, as well as sanctions against Russia and Belarus, strong inflationary pressures and energy crisis, and in order to carefully manage the credit portfolio, the Company conducted additional analyses and established additional criteria for assessing the impact of this crisis on expected credit losses. Based on the assessment of the impact of the crisis on various industries and clients, the Company increased the expected credit loss for certain positions of the credit portfolio, based on the anticipated negative effects of the crisis. The main reason for this approach is the concern that the negative effects of this crisis will not be immediately recognized and calculated by simply applying the existing models and methodologies for calculating expected credit losses. Therefore, it is justified to resort to a cautious and conservative approach when assessing the quality of the credit portfolio and the adequacy of provisions for credit losses.

In the case of legal entities, the Company has performed an analysis of the impact of the crisis on the financial position of clients based on the estimated decline in turnover in the industries of the clients. The results of the project related to credit management, led by the Parent Bank, which identified business activities sensitive to the crisis, were used. Based on the estimated decline in industry revenues, the financial position of clients and their debt servicing capacity were estimated.

In the case of individuals, two criteria have been established to identify clients particularly vulnerable to the crisis. The first criterion is the level of indebtedness. The second criterion is the industry, i.e. the primary business activity of the legal entity in which the individual is employed.

For all clients, legal and individuals who are assessed as vulnerable to the crisis based on the defined criteria, a deterioration of the rating for one to two rating categories is carried out, for the purposes of calculating the expected credit loss and staging.

35. EVENTS AFTER THE REPORTING PERIOD DATE

There were no significant events after the reporting period date that would require adjustments or disclosure in the notes to the attached financial statements of the Company for 2022.

Disruptions in the market of components installed in vehicles had an impact on the volume of placements in 2022 and it is expected that this impact will remain to a lesser extent in 2023. These are mostly delays in the delivery of parts for the automotive industry that led to disruption in the operation of car factories that reduced the production volume. The demand for new vehicles is constant and is higher than the current offer. Due to the slow delivery of vehicles, the Company did not realize part of the already agreed placements in 2022, primarily to lessees engaged in vehicle rental activities, and the slow realization of these placements is also expected in 2023.

The Covid-19 epidemic had no significant impact on business in 2022, so no significant changes and impacts are expected in 2023.

Belgrade, February 21, 2023

Report prepared by		Legal Representative
Predrag Topalović	Intesa Leasing d.o.o. Beograd	Nebojša Janićijević

INTESA LEASING D.O.O. BEOGRAD

2022 ANNUAL REPORT

CONTENTS

1. BUSINESS ACTIVITIES AND ORGANISATIONAL STRUCTURE

1.1. Business activities

"Intesa Leasing" d.o.o. Beograd, a financial leasing company (hereinafter: "Company" or "Intesa Leasing") was established upon the Decision of the Commercial Court, dated 3 September 2003 (previous name: "Delta Leasing"). The Company was re-registered in the Business Entities Register on 25 July 2005 upon Decision no. 82785/2005.

Intesa Leasing is in the financial leasing business, in compliance with the Financial Leasing Act ("Official Gazette of RS," no. 55/2003, 61/2005, 31/2001, and 99/2011), hence the competent authority determined the Company's business activity code as 6491.

The Company provides funds for: equipment, real estate, passenger, and commercial vehicles. Sales channels are: a direct sales channel (Intesa Leasing), Banca Intesa a.d. Beograd sales channel, and 41 external sales channels through intermediaries.

Pursuant to the criteria of the Accounting Act ("Official Gazette of RS," no. 62/2013), the Company was defined as a large legal person for the purpose of compiling 2022 financial statements.

As of 19 December 2011, Banca Intesa a.d. Beograd became the owner of 100% share in the Company and has the leading role in the Company management.

The Company's headquarters are located at Milentija Popovića 7b, Belgrade.

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

In 2022, the Company achieved:

- Stable and sustainable growth in portfolio, total assets, and new placements;
- Portfolio and assets quality improvement;
- More favourable financing sources.

1. BUSINESS ACTIVITIES AND ORGANISATIONAL STRUCTURE (Continued)

1.2. Organisational structure

The Rulebook on the Company's Internal Organisation, as the main internal regulatory document, governs the main and specific organisational units within the Company's internal structure where leasing activities, the level of management coordination, listing the main responsibilities by organisational units, and other internal organisation issues are dealt with.

In 2022, no organisational changes took place.

The Company's organisational structure consists of:

- Departments;
- Offices; and
- Teams.

The Company management bodies are:

- General Assembly of the Company which includes one representative from Banca Intesa a.d. Beograd.

- Board of Directors of the Company which includes the President and two members of Banca Intesa a.d. Beograd Board of Directors.

- Executive Board of the Company (Top Management): the President and two members of the Executive Board of the Company. The President of the Company's Executive Board represents the Company, in compliance with the law. The Department for Product Management and Sales and Department for Finances, Planning, and Operations are within the competence of the members of the Company's Executive Board.

Other management personnel of the Company are:

- Middle Management: Office Directors;

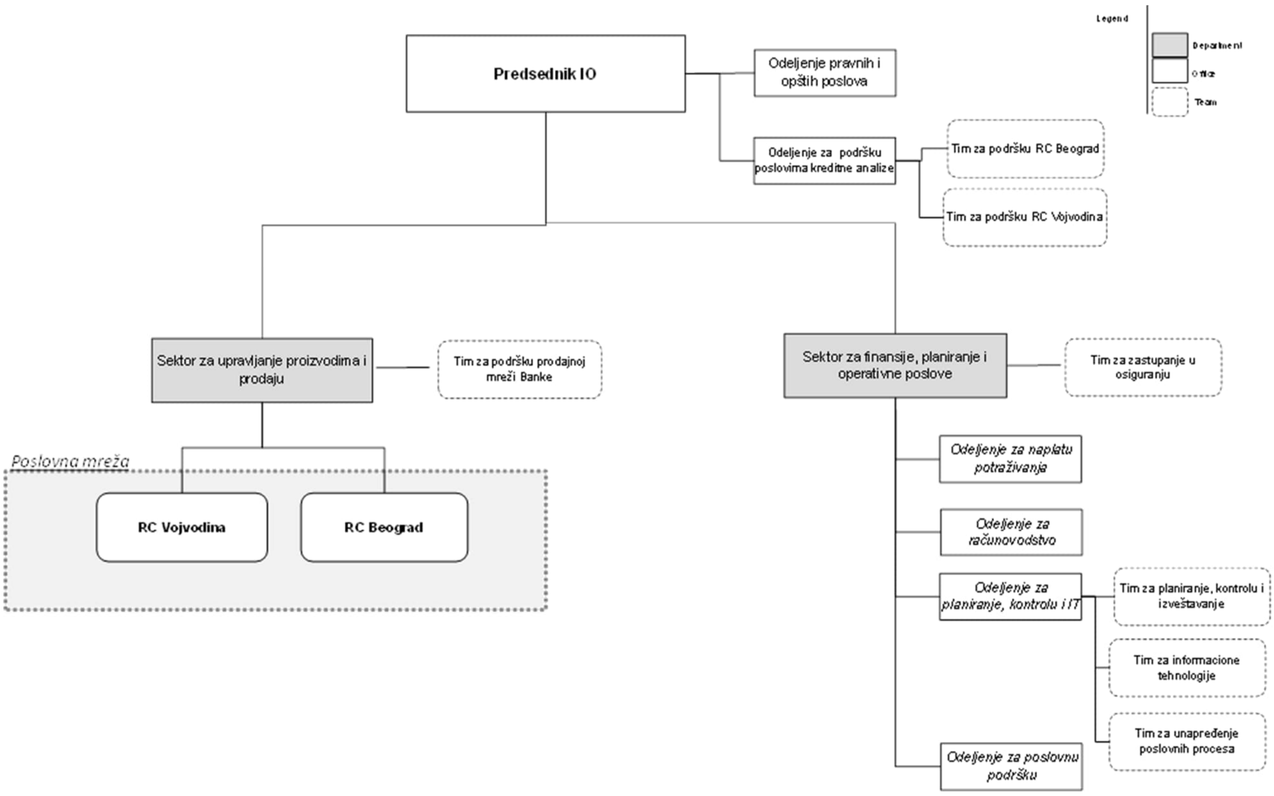
- Line Management: Team Leaders; and

- Special organisational units directly responsible for their work to the President of the Executive Board and providing support to the President of the Executive Board in managing the Company's business operations, as part of their responsibilities, are: Legal and General Affairs Office and Credit Analysis Support Office.

1. BUSINESS ACTIVITIES AND ORGANISATIONAL STRUCTURE (Continued)

1.2. Organisational structure (Continued)

Figure 1. Intesa Leasing Organisational Chart



Translation of the text: President of the Executive Board Legal and General Affairs Office

Credit Analysis Affairs Support Office RC Beograd Support Team

RC Vojvodina Support Team

Product Management and Sales Department/ Bank Sales Network Support Team/ Finance, Planning and Operations Department /Insurance Representation Team Receivables Collection Office

Business network Accounting Office

RC Vojvodina RC Beograd Planning, Control and IT Office Planning, Control and Reporting Team

Information Technologies Team

Business Process Improvement Team

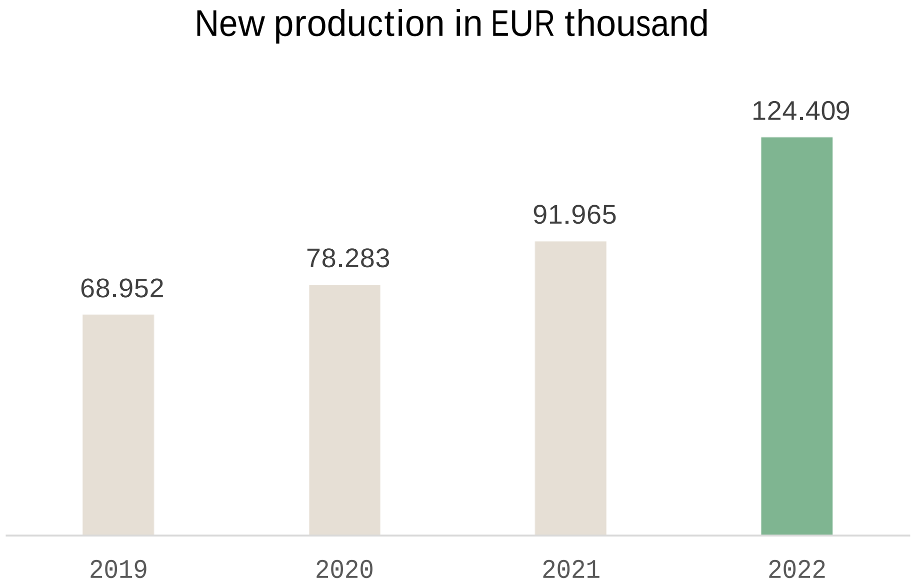
Business Support Office

2. COMPANY'S BUSINESS OPERATIONS

2.1. Commercial activities

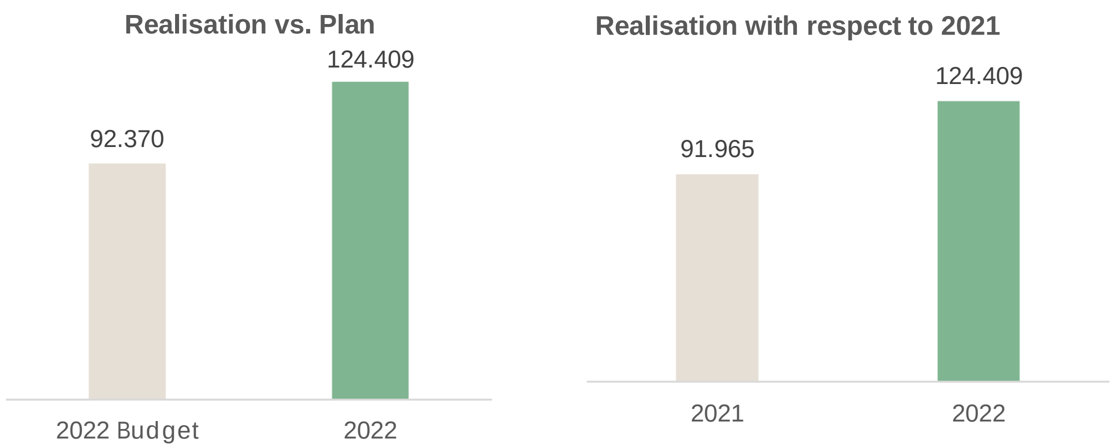
In 2022, Intesa Leasing unstoppably moved forward and achieved the best result in the history of its business. During the observed period, from 2019 to 2022, the Company recorded continuous growth in sales results. With respect to 2021, when the Company reached the highest level of new production, in 2022, it achieved exceptional sales growth and exceeded all previous results. The level of new placements realised in 2022 amounted to EUR 124.409 thousand, i.e., 3,470 new lease agreements.

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



With respect to the previous year, the Company recorded new placement growth rate of 35.28% (EUR 32.444 thousand). The achieved financial value of the placements for 2022 amounted to EUR 124.409 thousand, i.e., 34.69% (EUR 32.039 thousand) considerably above the planned value for 2022 (EUR 92.370 thousand), and it represents the highest placement level in the history of the Company.

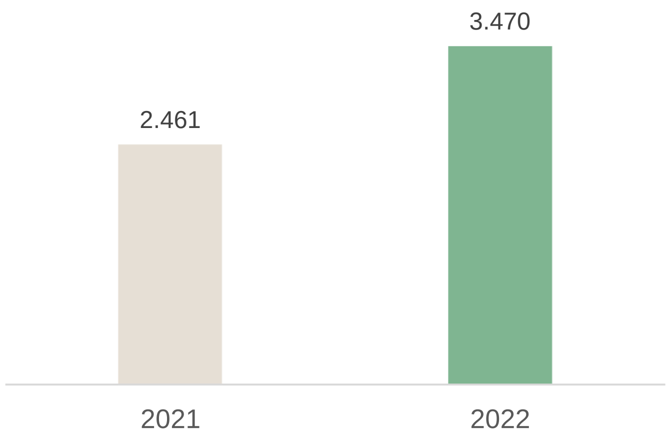
Figure 3. Comparison between the realisation of new placements and the plan for 2022 and 2021 (in EUR thousand)



2.1 Commercial activities (Continued)

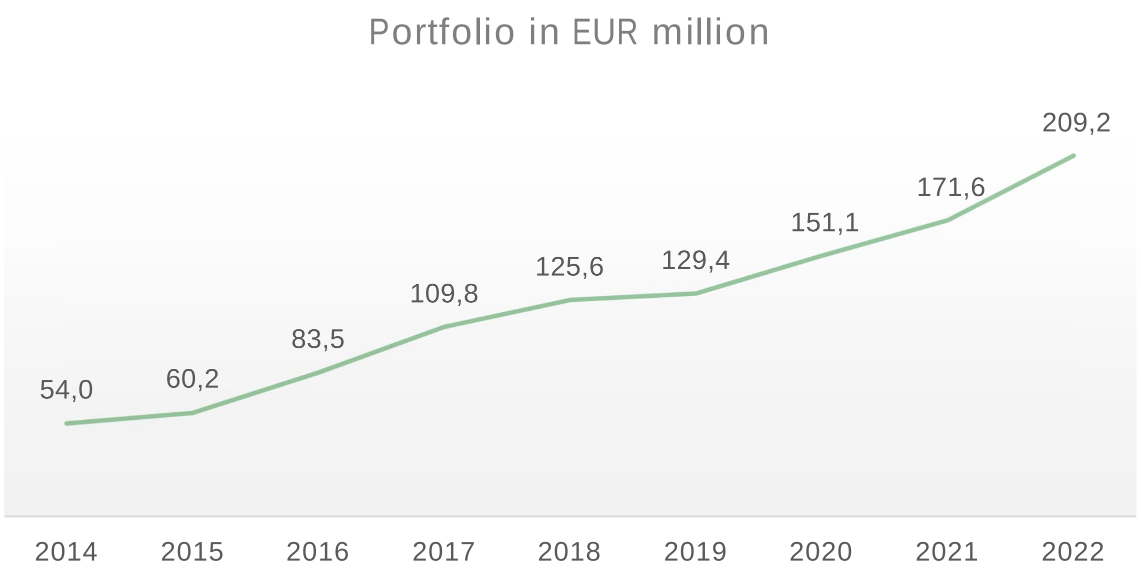
The total number of new agreements implemented in 2022 is 3,470, which represents a growth of 1,009 as compared to 2021.

Figure 4. Comparison between the realisation of new agreements for 2022 and 2021



The Company records continuous portfolio growth. In 2022, the Company reached the highest level of placements since its establishment, i.e., EUR 209.2 million, which is by EUR 37.6 million higher value than the value in 2021 (EUR 171.6 million).

Figure 5. Portfolio growth by year

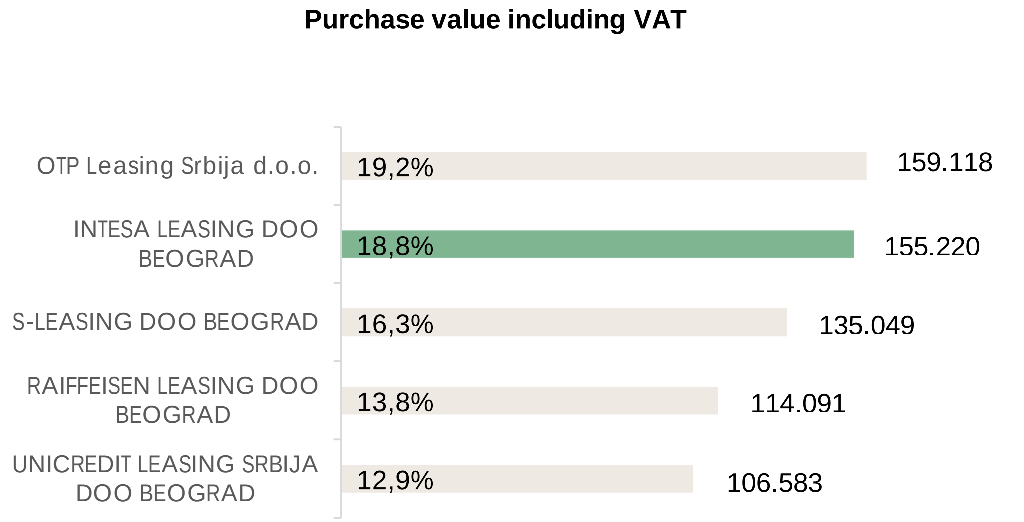


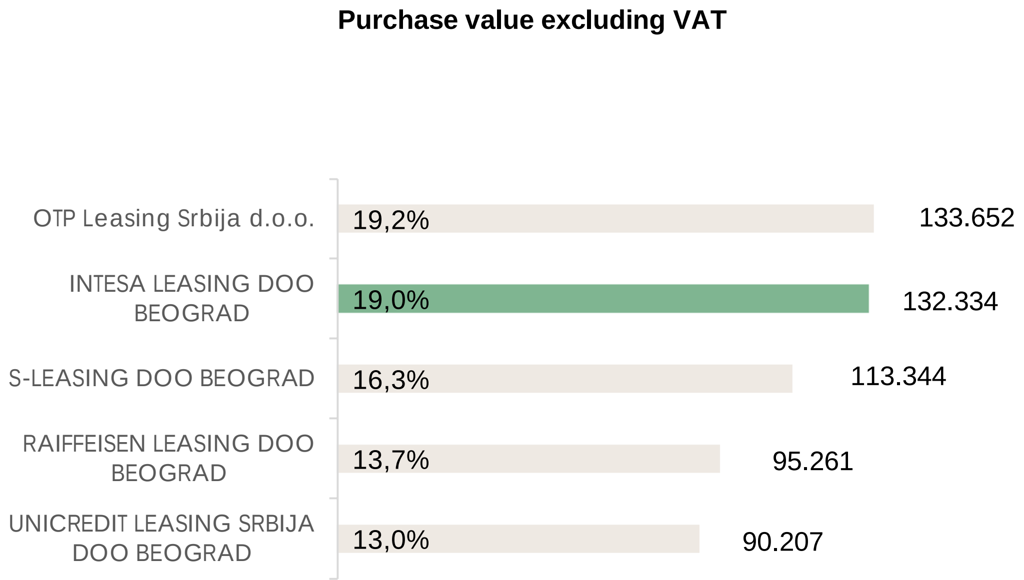
2.2. Market share

According to Q3 2022 data of the *Association of Leasing Companies of Serbia ("ALCS")*, the Company took second place on the leasing market according to the indicators of new placements: purchase values excluding VAT with 19.0% market share, purchase values including VAT with 18.8% market share, and financed values with 18.4% market share.

The charts below show market shares of five largest leasing companies at the end of Q3 2022 according to the criterion of new production: purchase values including VAT, purchase values excluding VAT, and financed values. The values are given in EUR thousand.

Figure 6. Market shares of five largest leasing companies according to new production indicators: purchase value including VAT and purchase value excluding VAT *(in EUR thousand)*



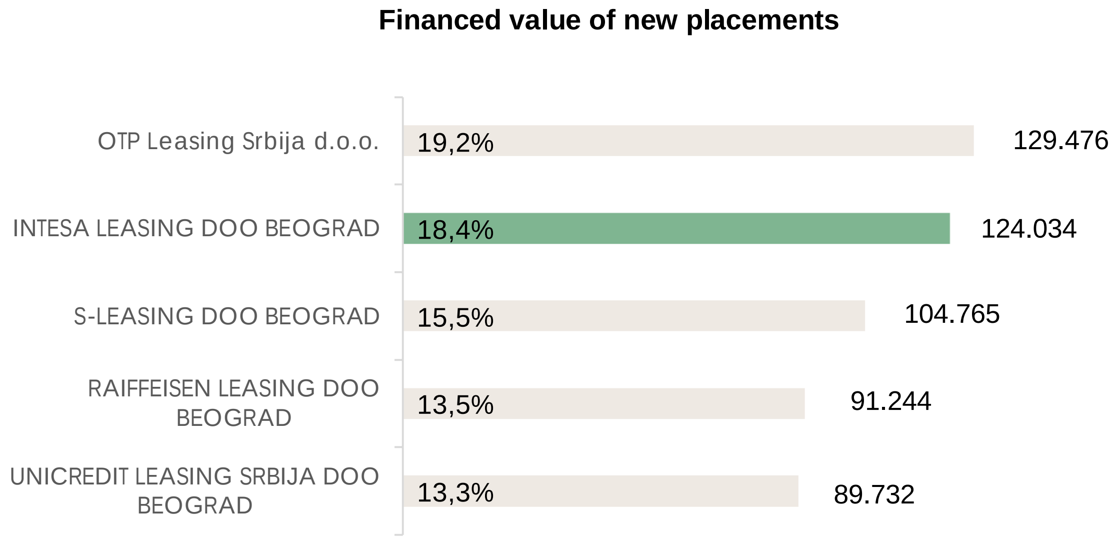


2. COMPANY'S BUSINESS OPERATIONS (Continued)

In comparison to five largest leasing companies, the Company took stable second position on the market. In 2022, the leasing market achieved considerable growth in new production, as much as 21.8% with respect to 2021.

According to the financed value indicator, the Company took second place with 18.4% share in the total realisation of new placements on the leasing market in 2022. The total value of leasing placements on the leasing market at the end of 2022 amounted to EUR 675.5 million, which represents a growth of 21.8% as compared to 2021.

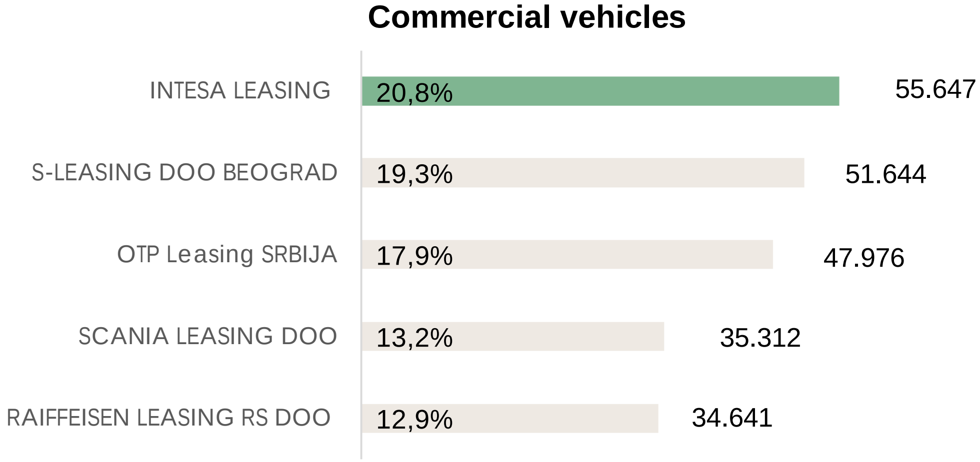
Figure 7. Market share of five largest leasing companies according to the financed value indicator for new placements (in EUR thousand)



At the end of 2022, the Company took first place in the commercial vehicles segment. In the segment of passenger vehicles, the Company took third place, while in the equipment segment, it took the fifth place.

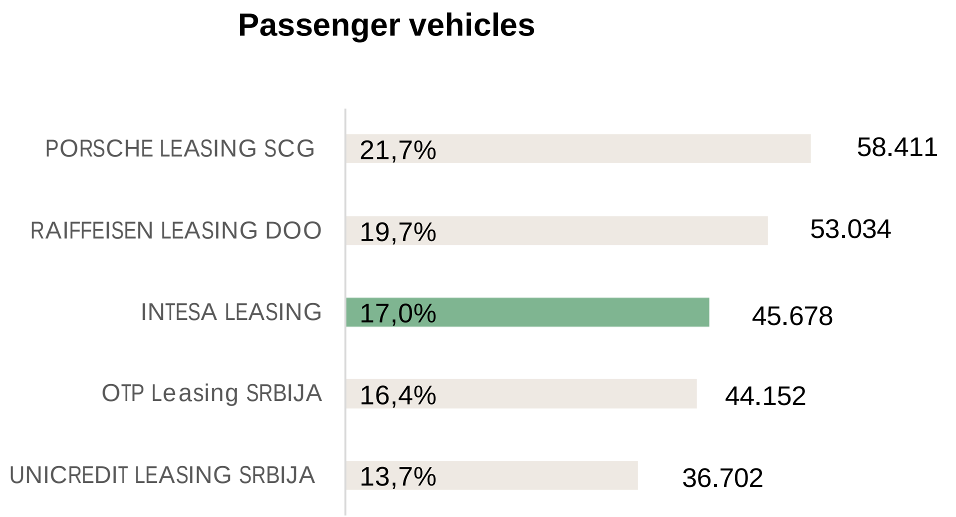
The charts below illustrate market shares of five largest leasing companies at the end of 2022 according to the criterion of new production by type of leasing products (in EUR thousand):

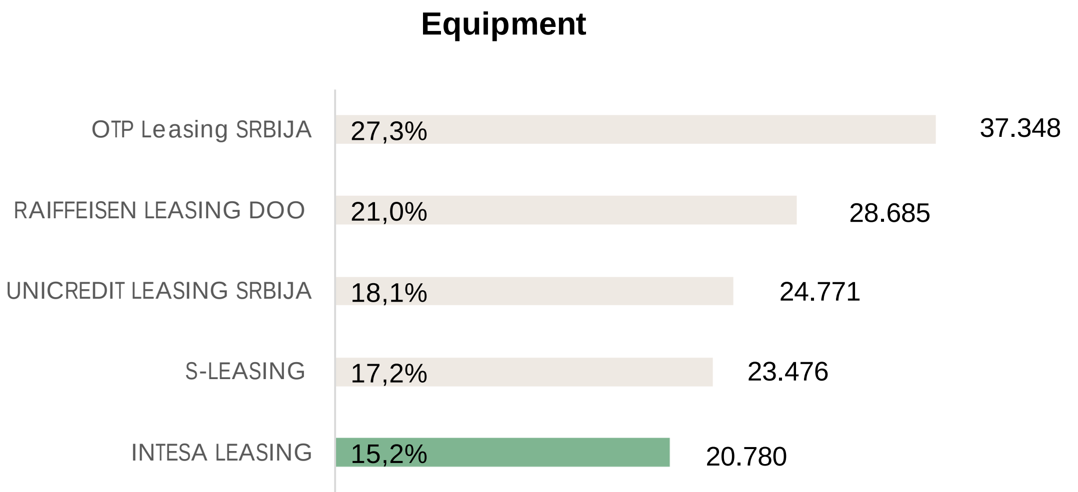
Figure 8. Market shares of five largest leasing companies by equipment type (in EUR thousand)



2. COMPANY'S BUSINESS OPERATIONS (Continued)

2.2. Market share (Continued)





In 2022, the Company also made progress in the market share by equipment groups. In the segment of commercial vehicles, the Company took first place. In the segment of passenger vehicles, the Company improved by moving from the fourth place at the end of 2021 to the third place at the end of 2022. In the segment of equipment, the Company took fifth place. The total financed value of real estate in 2022 was EUR 5.4 million.

2. COMPANY'S BUSINESS OPERATIONS (Continued)

2.3. Financial position

At the end of 2022, the total balance sheet assets of the Company amounted to RSD 29.432.118 thousand. Upon comparison with the previous year, when it amounted to RSD 22.206.973 thousand, a growth in the balance sum amounting to 32.54% (RSD 7.225.145 thousand) was recorded.

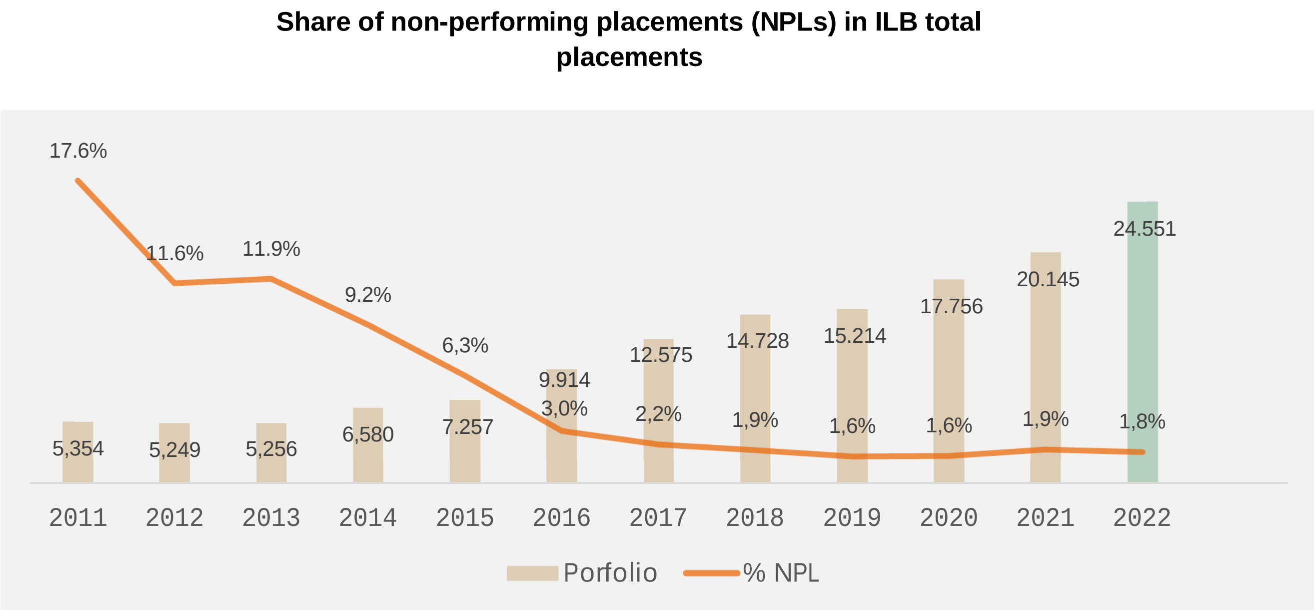
The balance of placements at the end of 2022 amounted to RSD 24.033.354 thousand, which is higher than the balance from the previous year (RSD 19.723.692 thousand) by 21.85 % (RSD 4.309.662 thousand).

Over the years, the Company significantly improved the portfolio quality. In 2022, the level of non-performing investments was lower than the level of non-performing placements in 2021.

Portfolio quality indicators at the end of 2022 are as follows:

- The share of non-performing placements in the total placements (% NPL) had been decreasing and at the end of 2022, it amounted to 1.82%, which is considerably lower that the planned level (0.63%). At the end of 2021, % NPL amounted to 1.9%;
- Upon provision, the coverage ratio for non-performing placements amounted to 70.9%, and in the previous year, it amounted to 69.38%.

Figure 7. Share of non-performing placements (NPLs) in the total value of placements (gross long-term receivables – in RSD million)



2. COMPANY'S BUSINESS OPERATIONS (Continued)

2.4. Business results

The realised profit of the Company at the end of 2022 amounted to RSD 241.733 thousand, which was higher than the profit level in the previous year (RSD 163.010 thousand) by RSD 78.723 thousand or 48.3%, and 41.2% higher than the budget. Costs of provisions in 2022 were lower than the budgeted amount (RSD 7.019 thousand). In comparison to the previous year, the costs of provisions were considerably lower, i.e., lower by RSD 18.469 thousand.

Cost/Income Indicator (Cost/Income Ratio) for 2022 amounted to 36.4% with respect to the end of 2021, when it amounted to 42.8%. The realised Cost/Income Ratio was lower than the planned level by 4.6%, i.e., lower than the Cost/Income Ratio in the previous year by 6.4%.

In comparison to the end of 2021, the number of employees increased. By and including 31 December 2022, the Company had 50 employees.

2.5. Internal Audit

During 2022, two internal audits were conducted, in compliance with the Company's Internal Audit Plan, in the following organisational units of the Company: Department for Product Management and Sales and Department for Finances, Planning, and Operations.
The goal of the audit was to establish the existence and compliance of the following processes:

- Management strategies, planning, and control;
- Service and business models;
- Financial reporting management;
- Entrusting activities to third parties;
- Purchasing goods and services;
- Compliance with local laws and rules, as well as ISP Group and Banca Intesa ad standards and policies;
- Risk appetite framework (RAF limits);
- Interrelated activities (Complaint Management);
- Legal consulting and disputes (Legal Consulting Management and Civil and Criminal Disputes);
- Accounting and reporting (Reporting to Regulatory Bodies);
- Corporative Management (transactions with affiliated companies/entities and obligations of management body members and key managers).

The residual risk was rated as "moderate", because the internal audit system was rated as "improvements required".

The main findings indicate the necessity to:

- Update internal regulations that specify the implementation of criteria in the process of lease placement approval;
- Implement the procedure for hiring and monitoring of sales agents;
- Provide required information on complaint submission on the Company's internet page;
- Provide full information about persons related to the members of the Company's Executive Board to the Bank;
- Specify and monitor the work of external lawyers.

The rest of the unapplied recommendations of the Internal Audit will be applied according to specified activity plans in the first half of 2023.

2.6. Tax inspection

In 2022, no tax inspection was conducted in the Company.

3. ENVIRONMENTAL PROTECTION

By the Socio-Environmental Risk Management procedure, the Company has established risk monitoring in the area of environmental protection.
Environmental risk refers to the possibility that the activity of the Company's clients may directly or indirectly endanger the environment.

The procedure is applied to the management of environmental risks associated with the activities of clients, legal entities or entrepreneurs financed by the Company, particularly when approving new funds. The Company checks whether the proposal for financing refers to the financing of activities from the List of Activities Not Supported by the Company, and if the activity is listed, it makes a decision to reject the request for financing.
In 2022, the Company significantly increased the financing of items that have a favourable impact on the environment. While in 2021 the Company financed only 4 items, which were hybrid and electric vehicles, in 2022 the number of financed electric and hybrid vehicles was 92. In addition to vehicles, in 2022 the Company also financed solar panels whose total financed value amounted to EUR 1.2 million. The company continues this trend in 2023.

4. SIGNIFICANT EVENTS AFTER THE YEAR END

No significant events occurred after the date of the reporting period which would require corrections or disclosure in the 2022 Annual Report of the Company.

5. PLANNED FUTURE DEVELOPMENT

The Company has adopted 2022-2025 Strategic Plan where the following strategic directions of development are highlighted:

- To become the most successful leasing company on the Serbian leasing market through profitable and sustainable business operations;
- To increase the share of passenger vehicle financing in the total new production;
- To introduce a new product: “Operating Lease”;
- To ensure more favourable loan facilities and lower financing costs leading to a better position when approving new placements and providing a possibility to further improve the portfolio quality;
- To obtain new more favourable loan facilities from international financial institutions and funds, which is significant for the accomplishment of strategic goals;
- To participate in government subsidy programmes for equipment and construction machines, Environment-Friendly Vehicles (electric, hybrid vehicles, etc.), and agriculture equipment;
- New 2023-2025 ESG cost as a strategic focus of the Group;
- To increase the business performance and reduce the Cost/Income Indicator (Cost/Income Ratio), through the increase in operating income and continuous growth in the business efficiency, and reduction in administrative and general expenses; and
- To improve operating efficiency and improve and automate business processes.

6. RESEARCH AND DEVELOPMENT ACTIVITIES

The Company's development activities are primarily focused on the improvements in business processes and further improvements in Business Process Management (BPM).

The following new tools have been developed and applied in the NOVA System:

- E-invoices represent the automated process of sending and receiving all invoices via the e-Fakture Portal. The process development was initiated and conditioned by the adoption of the new Electronic Invoicing Act. In the first phase of the process, the process of sending outgoing invoices to public sector companies as well as legal entities that are VAT payers and users of the Electronic Invoice System was developed.

- APR Web Service includes the process which enables electronic deregistration of contracts in the Business Registers Agency (APR). The process involves filling out an electronic application with the existing information stored in the system. This process has considerably contributed to time and work savings as the entire contract registration and deregistration process in the Business Registers Agency had been manual, starting from application completion and submission of documents to submission of paper documentation in person at the Business Registers Agency service desk.

- E-authorisations represent a project where registration authorisations are electronically sent to lessees. Registration authorisations are digitally signed and as such sent to the Business Registers Agency, and thereafter, through the Ministry of Interior to MOT. The entire process of sending authorisations to clients can be completed without hard copies, client's visit to obtain the authorisation, sending the authorisation via the Post Office, and without waiting.

The development of new tools in the system has been initiated:

- Pricing Calculator includes fully automated provision of offers to interested client with all requirements and approved discounts. The conditions to be offered to the client, depending on the rating, potential, and the leased item will be specified in the process. Approved discounts are currently manually defined and recorded.

- E-invoices represent the automated process of all invoice receipt via the e-Fakture Portal. In the second phase of the process, the process of receiving incoming invoices, as well as importing them to the system will be developed. This automation will contribute to the considerable improvement in invoice posting and sending processes, which provides an opportunity for additional improvements in the work process.

- Digital signatures represent the continuation and upgrade of the process which is developed and widely internally applied in signing the decisions of the Credit Committee. The goal of this process development is to enable digital signing of the entire contract documentation, which would significantly expedite the process of contract registration and deregistration in the Lease Register of the Business Registers Agency. The goal is to ensure a simpler and faster digital flow of documentation between Intesa Leasing and stakeholders.

7. OWN SHARE REPURCHASE

The Company did not repurchase own shares in 2022.

8. EXISTENCE OF BRANCHES

The Company registered one branch in 2022 and that was a branch in Novi Sad.

9. FINANCIAL INSTRUMENTS

In 2022, the financial instruments that the Company used were securities, i.e., long-term government bonds of the Republic of Serbia. The market value of these financial instruments as at 31 December 2022 was RSD 117.696 thousand.

10. FINANCIAL RISK MANAGEMENT

Risk is an integral part of the Company's business operations and it is not possible to fully eliminate it. The Company manages risks so as to reduce them to limits acceptable to all stakeholders: equity holders, lessors, lessees, regulators.

Risk management is the process of continuous identification, assessment, valuation, monitoring and control of the Company's exposure to risks. An important part of the risk management process is risk reporting and mitigation. A proper risk management system is an important element in securing the stability of the Company and the profitability of its business.

Due to the nature of its business activity, the Company is exposed to the following most significant types of risks:

- Credit risk;
- Liquidity risk;
- Market risk (risk of interest rate fluctuation, foreign exchange risk, and other market risks); and
- Operational risk.

Management is responsible for establishing an adequate risk management system and its consistent application in practice. Management establishes procedures for risk identification, valuation, and assessment, and it is responsible for the establishment and monitoring of a unique risk management system in the Company.

The management is responsible for identification, assessment, and valuation of risks to which the Company is exposed in its operations and it applies the risk management principles approved by the Company's Board of Directors.

The Management Board of the Company analyses and adopts proposals for the Company's policies and procedures related to risk management and the system of internal controls, which are submitted to the Management Board for consideration and adoption. In addition, the Board analyses and supervises the application and proper implementation of the adopted policies and procedures for risk management and, if necessary, proposes ways to improve them.

10. FINANCIAL RISK MANAGEMENT (continued)

The Company has developed a risk management system by introducing policies and procedures, as well as by establishing limits for risk levels that are acceptable for the Company. Certain risks, such as foreign exchange risk, are monitored by the Company on a daily basis, while monthly reports are prepared for other risks, which are monitored in the form of reaching the limits.

On 28 December 2021, the Board of Directors adopted the Decision on the Adoption of Limits Defining the Company's Risk Appetite (RAF Limits) to ensure additional compliance with the rules for risk management of the parent bank (Banca Intesa a.d. Beograd) in accordance with the regulations, standards and rules of professional conduct. Limits of capital adequacy, liquidity, operational risk exposure (the so-called “top of the house limits”), and specific limits of credit risk/concentration, foreign exchange and interest rate risk have been established. With the adoption of this Decision, the previous decision adopted on 2 April 2019 ceased to be effective.

/i/ Credit risk

Credit risk is the risk that one party might fail to meet its obligation, thus causing a financial loss to the other party.

By its internal regulatory documents and procedures, the Company creates its risk management system and lowers the credit risk to an acceptable level.

The credit risk indicator may be illustrated by the following table of portfolio quality, shown in the net placement value, i.e., financial leasing receivables, excluding other financial leasing receivables, previously calculated interest, and handling costs charged in advance (where the amounts are given in RSD thousand):

	2022	Share in total net placements	2021	Share in total net placements
Performing	23,987,444	99.46%	19,667,268	99.39%
Past due	79,570	0.33%	64,788	0.33%
Unlikely to pay	29,398	0.12%	26,210	0.13%
Doubtful	21,076	0.09%	28,791	0.15%
Total	24,117,488	100.00%	19.787.057	100.00%

As shown in the table, the share of net non-performing placements in both observed years was low - in 2022, it amounted to the total of 0.54%, and in 2021 to 0.61%.

11. RISK EXPOSURE

By continuous monitoring, the Company managed to reduce the share of non-performing placements in 2022 with respect to the previous year. The credit risk is at a satisfactory level with respect to the specified limits.

/ii/ Liquidity risk

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

The Company's liquidity is primarily subject to maturity structure of its assets and liabilities, i.e., the structure of funds inflows and outflows.

The liquidity risk may be illustrated by the following table for gross amounts of assets and liabilities (with amounts given in RSD thousand):

	2022			2021		
	Assets	Liabilities	Cumulative mismatch	Assets	Liabilities	Cumulative mismatch
Gross exposure up to 30 days	5,151,875	3,342,949	1,808,926	1,783,339	415,307	1,368,032
Gross exposure from 1 to 3 months	1,611,246	580,768	2,839,404	1,379,023	622,835	2,124,220
Gross exposure from 3 to 6 months	2,013,295	1,035,637	3,817,062	1,764,439	1.119,951	2,768,708
Gross exposure from 6 to 12 months	4,273,056	2,154,898	5,935,220	4,270,331	1.951,247	5,087,792
Gross exposure from 12 to 18 months	4,224,610	2,517,872	7,641,958	2,886,106	1.487,096	6,486,802
Gross exposure from 18 months to 5 years	11,901,240	17,326,896	2,216,302	9,484,082	13.421,264	2,549,620
Gross exposure over 5 years	637,361	691,355	2,162,308	601,301	1.636,517	1,514,404
Gross exposure without specified maturity	315,569	1,781,743	-	607,803	1.552,756	-
Gross exposure - total	30,128,252	29,432,118	696,134	22,776,424	22,206,973	569,451

As provided in this overview, the Company has high liquidity consistency, i.e., it is able to meet its due obligations in all observed periods.

/iii/ Interest rate risk

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

11. RISK EXPOSURE (Continued)

/iii/ Interest rate risk (continued)

The company is exposed to the risk of changes in interest rates, which, through the effects of changes in market interest rate levels, affect its financial position and cash flows, as a result of a mismatch between the maturity dates of assets and liabilities for which fixed interest rates have been agreed on.

Exposure to interest rate risk depends on the ratio of interest rate sensitive assets and interest rate sensitive liabilities of the Company. Therefore, the Company controls interest rate risk by monitoring the ratio of interest-bearing assets, i.e., liabilities, and its share in total assets, i.e., liabilities.

The calculated Repricing Gap Indicator shows that, in case of a change in the interest rate of 2.00%, the effect on the Company's income in 2022 would have been RSD 23.135 thousand, which was within the limit provided by the Procedure for the Interest Rate Risk Management.

/iv/ Foreign exchange risk

Foreign exchange risk is the risk of possible negative effects on the Company's financial result and capital due to a change in the foreign exchange rate.

The principle of the Company's protection against foreign exchange risk is to realise and maintain foreign-currency assets at least to the extent of foreign-currency payables, i.e., foreign-currency liabilities. This relationship is also made consistent from the point of view of the maturity dates of foreign-currency receivables and foreign-currency liabilities.

On 31 December 31 2022, the Company achieved an open position of RSD 2.361 thousand, which was 0.13% of the Company's capital. The foreign exchange risk is within the established limit of EUR 1.000 thousand converted by applying the middle exchange rate of the National Bank of Serbia on the reporting date.

/v/ Operational risk

Operational risk is the risk of negative effects on the Company's financial result and capital, due to omissions in business operations, human errors, system errors, and the influence of external factors. The role of the operational risk management process is to identify, assess, control and reduce the possibility of occurrence and impact of operational risks and losses.

Operational risks include:

(1) Internal frauds and activities;
(2) External frauds and activities;
(3) Relations with employees and occupational safety;
(4) Fixed assets damages;
(5) Business interruption and system failure;
(6) Clients, products, and business practice; and
(7) Process performance, delivery, and management, etc.

11. RISK EXPOSURE (Continued)

In 2022, operational risk records were kept through the "*BIBOp*" application. Records of observed events that cause the Company's operational risks were maintained by operational risk monitoring coordinators.

Data entry is performed in real time, which means that an event can be entered immediately after it has been observed. Coordinators enter the event no later than 48 hours from the date of its detection. The event can be saved in a draft version and during that period the coordinators may access the document. Once all known event data has been entered into the application, the event becomes visible to a verifier who shall recheck the event data and verify it. In addition, the event should be verified no later than 48 hours.

In 2022, two cases of operational risk occurred and they may be shown in the following table where the values are given in RSD thousand.

	Number of cases	Potential savings in RSD 000
Alienation of property under financial leasing	2	17,961
Total	2	17,961

After the potential fraudulent act had been detected, the financial lease contract was terminated, the leased item was taken over by the Company, and the claims under the contract were collected by selling the leased item.

The corrective action for fraudulent actions of this type is that in the future, in cases where the lessee makes a payment through exchange offices or bank service desks, such payment will not be considered correct until the moment it is recorded in the Company's current account statement.

The overall assessment of the Company's exposure to risks for 2022 indicates that all risk indicators are within the set limits and as such are very effective for the Company's management, which is also evidenced by the overall results of the Company's operations.

Belgrade, 24 February 2023

Prepared by	Legal representative
Dragana Radivojević	Nebojša Janićijević

Intesa Leasing d.o.o. Beograd