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INTESA LEASING D.O.O. BEOGRAD

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

LIST OF CONTENTS

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INDEPENDENT AUDITOR'S 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 include the Balance Sheet as of **31 December 2023,** the Income Statement, the Statement of Other Comprehensive Income, the Statement of Changes in Equity and the Cash Flow Statement for the year ended on that date, as well as an overview of significant accounting policies and other notes to the financial statements.

In our opinion, the financial statements present the financial condition of the Company as at 31 December 2023 and the results of its operations and cash flows for the year ended on that date in an objective and true manner, in accordance with the Law on Accounting and the regulations of the National Bank of Serbia governing the financial reporting of financial lessors in the Republic of Serbia.

Basis for Opinion

We have conducted our audit in accordance with the audit standards applicable in the Republic of Serbia. Our responsibilities under those standards are described in more detail in our independent auditor's report in the section on auditor's responsibilities in auditing financial statements. We are independent from the Company in accordance with the International Code of Ethics for Professional Accountants (including the International Standards of Independence) (IESBA Code) and the ethical requirements relevant to our audit of 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 Contained in the Annual Report on the Company's Operations

Other information refer to those contained in the Annual Business Report, but does not include the financial statements and the auditor's report on them. The Company's management is responsible for preparing other information in accordance with the regulations of the Republic of Serbia.

Our opinion on the financial statements does not cover other information. In connection with the audit of the financial statements, it is our responsibility to read the other information and thus determine whether the other information is consistent in all material respects with the financial statements and our insights acquired during the audit or otherwise appear to be materially false. In addition, we have performed assessment whether other information has been prepared, in all material respects, in accordance with the Law on Accounting of the Republic of Serbia, in particular whether other information in formal terms is in accordance with the requirements and procedures for the preparation of other information prescribed by the Law on Accounting of the Republic of Serbia in the context of materiality, i.e. whether any non-compliance with these requirements could affect the judgments made on the basis of this other information.

Other Information Contained in the Annual Report on the Company's Operations (continued)

Based on the procedures implemented, to the extent to which we are able to evaluate them, we hereby report the following:

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

In addition, it is our responsibility, based on the knowledge and insights in relation with the Company, acquired during the audit, to report whether other information contains material misstatements. Based on the procedures we have carried out in relation with the other information obtained, we have not identified material misstatements.

Responsibility of the Management for the Financial Statements

The management of the Bank is responsible for the preparation and fair presentation of these financial statements in accordance with the Law on Accounting and regulations of the National Bank of Serbia governing financial reporting of financial lessors, as well as for internal controls, determined by the management as necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

When preparing financial statements, the management shall make an assessment of the Company's ability to continue as a going concern, disclosing, if necessary, issues relating to the going concern and application of the going concern principle as an accounting basis, unless the management either intends to liquidate the Company or to discontinue operations, or has no realistic alternative but to do so.

Auditor's Responsibility for the Audit of Financial Statements

Our goal is to obtain reasonable assurance that the financial statements, taken as a whole, do not contain material misstatements, resulting from a fraud or error; and to issue an auditor's report containing the auditor's opinion. Reasonable assurance means a high level of assurance, but does not constitute a guarantee that an audit conducted in accordance with the Audit Standards applicable in the Republic of Serbia will always detect material misstatements if such statements exist. Misstatements may arise from a fraud or error and are considered material if it is reasonable to expect that they will, individually or collectively, influence the economic decisions of their users made on the basis of these financial statements.

As part of the audit in accordance with the Audit Standards applicable in the Republic of Serbia, we exercise professional judgment and maintain professional skepticism during the audit. Also, we:

- Identify and assess the risks of material misstatements in the financial statements, resulting from a fraud or error; design and perform audit procedures appropriate to those risks; and obtain sufficient appropriate audit evidence to provide a basis for the auditor's opinion. The risk that material misstatements resulting from fraudulent activity will not be identified is higher than for misstatements resulting from error, because fraudulent activity may involve association, falsification, intentional omissions, misrepresentation or circumvention of internal control.

Auditor's Responsibility for the Audit of Financial Statements (continued)

- Gain an understanding of the internal controls that are relevant to the audit in order to design audit procedures that are appropriate in the given circumstances, but not in order to express an opinion on the effectiveness of the Company's internal control system.

- Evaluate the accounting policies applied and the extent to which the accounting estimates and related disclosures made by management are reasonable.

- Adopt conclusion on the appropriateness of the application of going concern principle as an accounting basis by the management and, based on the collected audit evidence, whether there is material uncertainty regarding events or conditions that may cause significant doubt as to the Company's ability to continue its operations in accordance with the going concern principle. If we conclude that there is material uncertainty, we are obliged to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are not appropriate, 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 result in the Company ceasing to operate in accordance with the going concern principle.

- Evaluate the overall presentation, structure and content of the financial statements, including disclosures, and whether the financial statements reflect the transactions and events on which they are based in a manner that enables fair presentation.

We communicate with management regarding, among other things, the planned scope and timing of the audit and important audit findings, including findings regarding significant deficiencies in internal controls that were discovered during our audit.

In Belgrade, 21 February 2024

(Signature: illegible) *(Round stamp: Audit Company Ernst & Young LLC Belgrade, II)*

Nikola Ribar
Certified auditor
Ernst & Young d.o.o. Beograd

To be completed by the financial lessor		
Registration number: 17492713	Activity code: 6491	TIN: 103023875
Name: Intesa Leasing d.o.o. Beograd		
Headquarters: Belgrade, 7b, Milentija Popovića St.		

BALANCE SHEET
as at 31/12/2023

(In RSD thousands)

Group of accounts, account	ITEM	ADP	Note number	Amount in the current year	Amount in the previous year	
					Closing balance	Opening balance
1	2	3	4	5	6	7
	ASSETS					
24	Cash and cash equivalents	0001	15	221,189	247,050	
23 (except 237, as well as part of account 239), as well as part of 289 and part of account 492 as a deductible item	Short-term financial assets	0002	16	4,666,938	4,922,012	
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 leases	0004	18	9,403,500	8,309,295	
29 and part of the account 284	Receivables from operating leases	0005				
01	Intangible assets	0006	19	31,147	25,387	
02 (except 024 and parts of 027, 028 and 029), part of 11, part of 12 and part of 13	Property, plant and equipment	0007	20	86,791	74,803	
05	Assets leased	0008				
06	Assets given under operating leasing	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	18,199,791	15,724,059	
03 (except 030, 031 and part of account 039), as well as part of 289 and part of account 492 as a deductible item	Long-term financial assets	0011				
031 and part of the account 039	Investments in affiliates and joint ventures	0012				
030 and part of the account 039	Investments in subsidiaries	0013				
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		2,486	1,452	
14	Fixed assets held for sale and assets from discontinued operations	0017				

Group of accounts, account	ITEM	ADP	Note number	Amount in the current year	Amount in the previous year	
					Closing balance	Opening balance
1	2	3	4	5	6	7
15, 16, 22 (except 223), 25, 26, 27, 283, 285, 287 and part of 289	Other assets	0018	22	354,853	128,060	
	TOTAL ASSETS (from 0001 to 0018)	0019		32,966,695	29,432,118	
	LIABILITIES					
30 and 00	CAPITAL Share capital and ownership interests	0401	26	960,374	960,374	
237	Own shares and ownership interests	0402				
34	Profit	0403	28	428,556	241,733	
35	Loss	0404				
32 and 33 - credit balance	Reserves	0405	27	809,469	568,348	
32 and 33 - debit balance	Unrealized losses	0406				
41 (except 419), part of 44, part of 490 and part of 282 as a deductible item	LIABILITIES Long-term financial liabilities	0407	23	22,456,092	20,480,327	
42, part of 44, part of 490 and part of 282 as a deductible item	Short-term financial liabilities	0408	23	7,850,961	6,922,977	
40	Provisions	0409	24	7,856	7,599	
467	Liabilities for assets held for sale and assets from discontinued operations	0410				
481	Current tax liabilities	0411		52,637	22,517	
498	Deferred tax liabilities	0412				
419, 43, 45, 46 (except 467), 47, 48 (except 481) and 491, 493, 494, 497 and 499	Other liabilities	0413	25	400,750	228,243	
	TOTAL LIABILITIES (from 0407 to 0413)	0414		30,768,296	27,661,663	
	Non-controlling ownership interest	0415				
	TOTAL CAPITAL (0401 - 0402 + 0403 - 0404 + 0405 - 0406 + 0415) ≥ 0	0416		2,198,399	1,770,455	
	TOTAL CAPITAL SHORTAGE (0401 - 0402 + 0403 - 0404 + 0405 - 0406 + 0415) <0	0417				
	TOTAL LIABILITIES (0414 + 0416 - 0417)	0418		32,966,695	29,432,118	

Legal representative of the financial lessor

In Belgrade,
on 21 February 2024

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To be completed by the financial lessor

Registration number: 17492713 Activity code: 6491 TIN: 103023875

Name: Intesa Leasing d.o.o. Beograd

Headquarters: Belgrade, 7b, Milentija Popovića St.

INCOME STATEMENT
for the period from 1 January 2023 to 31 December 2023

(in RSD thousands)

Group of accounts, account	ITEM	ADP				Note number	Current year	Previous year
1	2	3				4	5	6
600, 650, 653 and 656	Interest income	1	0	0	1	5	1,583,940	760,883
50, 550, 553 and 556	Interest expense	1	0	0	2	5	803,662	233,702
	Net interest income (1001 - 1002)	1	0	0	3		780,278	527,181
	Net interest expense (1002 - 1001)	1	0	0	4			
61 + 62	Income from operating leases	1	0	0	5			
part of 514	Expenses from operating leases	1	0	0	6			
60, except 600	Other income from financial leases	1	0	0	7	6	232,274	155,848
513, part of 514	Other expenses from financial leases	1	0	0	8	6	142,791	95,792
63	Profit from the sale of leased assets and other assets	1	0	0	9			
571	Losses on 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 FX gains and 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 FX losses and effects of the contracted currency clause	1	0	1	2	7	2,871	2,819
(682 + 683 + part of 688) - (582 + 583 + part of 588)	Net income from decrease of impairment of receivables from leasing transactions and financial assets	1	0	1	3			
(582 + 583 + part of 588) - (682 + 683 + part of 688)	Net expense from impairment of receivables from leasing transactions and financial assets	1	0	1	4	8	157,264	66,808
(684 + 686 + 687 + part of 688) - (584 + 586 + 587 + part of 588)	Net income from decrease of impairment of assets given under operative lease, leased assets and assets acquired in exchange for uncollected receivables and receivables from leases and sale	1	0	1	5		32,038	
(584 + 586 + 587 + part of 588)	Net expense from impairment of assets given under operative lease, leased assets and assets acquired in	1	0	1	6	9		42,914

Group of accounts, account	ITEM	ADP				Note number	Current year	Previous year
1	2	3				4	5	6
(684 + 686 + 687 + part of 688)	exchange for uncollected receivables and receivables from leases and sale							
672 + 677 - 572 -577	Net profit from investments in subsidiaries, affiliates, joint ventures, securities and financial derivatives	1	0	1	7			1,173
572 + 577 - 672 -677	Net loss from investments in subsidiaries, affiliates, joint ventures, securities and financial derivatives	1	0	1	8			
64 (except 642) + 67 (except 672, 674 and 677)	Other operating income	1	0	1	9	10	108,147	80,264
540 + 541	Depreciation and amortisation expense	1	0	2	0	11	18,196	16,161
	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		831,615	539,972
	TOTAL NET OPERATING EXPENSE (1003 - 1004 + 1005 - 1006 + 1007 - 1008 + 1009 - 1010 + 1011 - 1012 + 1013 - 1014 + 1015 - 1016 + 1017 - 1018 + 1019 - 1020) < 0	1	0	2	2			
52	Costs of salaries, fringe benefits and other personal expenses	1	0	2	3	12	185,743	152,665
642 + 659 + 674 + 680 + 681 + 685 + 689	Other income	1	0	2	4	13	1	6,517
51 (except 513 and 514) + 53 + 54 (except 540 and 541) + 559 + 57 (except 572 and 577) + 580 + 581 + 585 + 589	Other expenses	1	0	2	5	13	101,720	83,352
	PROFIT BEFORE TAX (1021 - 1022 - 1023 + 1024 - 1025) ≥ 0	1	0	2	6		544,153	310,472
	LOSS BEFORE TAX (1021 - 1022 - 1023 + 1024 - 1025) < 0	1	0	2	7			
721	Income tax	1	0	2	8	14	116,631	67,161
722	Profit from deferred taxes	1	0	2	9		1,034	
722	Loss from deferred taxes	1	0	3	0			1,578
	PROFIT AFTER TAX (1026 - 1027 - 1028 + 1029 - 1030) ≥ 0	1	0	3	1		428,556	241,733
	LOSS AFTER TAX (1026 - 1027 - 1028 + 1029 - 1030) < 0	1	0	3	2			
69-59	Net profit from discontinued operations	1	0	3	3			
59-69	Net loss from discontinued operations	1	0	3	4			
	RESULT OF THE PERIOD - PROFIT (1031 - 1032 + 1033 - 1034) ≥ 0	1	0	3	5		428,556	241,733
	RESULT OF THE PERIOD - LOSS (1031 - 1032 + 1033 - 1034) < 0	1	0	3	6			

Group of accounts, account	ITEM	ADP				Note number	Current year	Previous year
1	2	3				4	5	6
	Profit attributable to the parent entity	1	0	3	7			
	Profit attributable to non-controlling owners	1	0	3	8			
	Loss attributable to the parent entity	1	0	3	9			
	Loss attributable to non-controlling owners	1	0	4	0			
	EARNINGS PER SHARE							
	Basic earnings per share (in RSD rounded to a whole number)	1	0	4	1			
	Reduced (diluted) earnings per share (in RSD rounded to a whole number)	1	0	4	2			

In Belgrade,
on 21 February 2024

Legal representative of
the financial lessor

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	To be completed by the financial lessor	
Registration number: 17492713	Activity code: 6491	TIN: 103023875
Name: Intesa Leasing d.o.o. Beograd		
Headquarters: Belgrade, 7b, Milentija Popovića St.		

STATEMENT OF OTHER
COMPREHENSIVE INCOME
for the period from 01/01/ to 31/12/2023

(In RSD thousands)

Group of accounts, account	**ITEM**	**ADP**				**Note number**	**Current year**	**Previous year**
1	2	3				4	5	6
	PROFIT OF THE PERIOD	2	0	0	1		428,556	241,733
	LOSS OF THE PERIOD	2	0	0	2			
330	Other result of the period **Components of other comprehensive 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	Decrease in revaluation reserves based on intangible assets and fixed assets	2	0	0	4			
333	Actuarial gains	2	0	0	5			
333	Actuarial losses	2	0	0	6			
332	Positive effects of changes in the value of equity instruments valued at fair value through other comprehensive result	2	0	0	7			
332	Negative effects of changes in the value of equity instruments valued at fair value through other comprehensive result	2	0	0	8		612	7,200
338	Unrealized gains from instruments intended for hedging against risk of equity securities that are valued at fair value through other comprehensive result	2	0	0	9			
338	Unrealized losses from instruments intended for hedging against risk of equity securities that are valued at fair value through other comprehensive result	2	0	1	0			
338	Unrealized gains from financial liabilities of the financial lessor valued at fair value through income statement, resulting from a change in the creditworthiness of the financial lessor	2	0	1	1			
338	Unrealized losses from financial liabilities of the financial lessor valued at fair value through income	2	0	1	2			

Group of accounts, account	ITEM	ADP	Note number	Current year	Previous year
1	2	3	4	5	6
	statement, resulting from a change in the creditworthiness of the financial lessor				
338	Positive effects of changes in value from other components of other comprehensive result that cannot be reclassified to profit or loss	2013			
338	Negative effects of changes in value from other components of other comprehensive result that cannot be reclassified to profit or loss	2014			
332	**Components of other comprehensive result that can be reclassified to profit or loss:** Positive effects of changes in the value of debt instruments valued at fair value through other comprehensive result	2015			
332	Negative effects of changes in the value of debt instruments valued at fair value through other comprehensive result	2016			
337	Gains from instruments intended for hedging against cash flow risks	2017			
337	Losses from instruments intended for hedging against cash flow risks	2018			
331	Unrealized gains from the calculation of transactions and balances in foreign currencies and translation of results and financial position of foreign operations	2019			
331	Unrealized losses from the calculation of transactions and balances in foreign currencies and translation of results and financial position of foreign operations	2020			
336	Unrealized gains from instruments intended for hedging against the risk of net investments in foreign operations	2021			
336	Unrealized losses from instruments intended for hedging against the risk of net investments in foreign operations	2022			
339	Unrealized gains from other hedging instruments	2023			
339	Unrealized losses from other hedging instruments	2024			
339	Positive effects of changes in value from other components of other comprehensive result that can be reclassified to profit or loss	2025			
339	Negative effects of changes in value from other components of other comprehensive result that can be reclassified to profit or loss	2026			
33	Profit from tax related to other comprehensive result of the period	2027			
33	Loss from tax related to other comprehensive result of the period	2028			

Group of accounts, account	ITEM	ADP				Note number	Current year	Previous year
1	2	3				4	5	6
	Total positive other comprehensive income 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 comprehensive income 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	3	0		612	7,200
	TOTAL POSITIVE RESULT OF THE PERIOD (2001 - 2002 + 2029 - 2030) ≥ 0	2	0	3	1		427,944	234,533
	TOTAL NEGATIVE RESULT OF THE PERIOD (2001 - 2002 + 2029 - 2030) < 0	2	0	3	2			
	Total positive result of the period attributable to the parent entity	2	0	3	3			
	Total positive result of the period attributable to the non-controlling owners	2	0	3	4			
	Total negative result of the period attributable to the parent entity	2	0	3	5			
	Total negative result of the period attributable to the non-controlling owners	2	0	3	6			

In Belgrade,
on 21 February 2024

Legal representative of
the financial lessor

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Registration number: 17492713	Activity code: 6491	TIN: 103023875
Business name: Intesa Leasing d.o.o. Beograd		
Headquarters of the financial lessor: : Belgrade, 7b, Milentija Popovića St.		

STATEMENT OF CHANGES IN EQUITY

in the period from 01/01/ to 31/12/2023

(In RSD thousands)

No.	DESCRIPTION	ADP	Share capital and ownership interests (account groups 30 (except 302) and 00)	ADP	Own shares and ownership interests (account 237)	ADP	Share premium (account 302)	ADP	Reserves (group of accounts 32)	ADP	Revaluation reserves (group of accounts 33 credit balance)	ADP	Revaluation reserves (group of accounts 33 debit balance)	ADP	Profit (group of accounts 34)	ADP	Loss (group of accounts 35)	ADP	Non-controlling ownership interests	ADP	Total (col. 2-3+4+5+6-7+8-9+10) ≥ 0	ADP	Total (col. 2-3+4+5+6-7+8-9+10) < 0
	1		2		3		4		5		6		7		8		9		10		11		12
1	Opening balance as at 1 January of the previous year	4001	960,374	4033		4065		4097	404,726	4129	7 812	4147		4165	163,010	4201		4237		4281	1,535,922	4287	
2	Effects of the first application of IFRSs - increase	4002		4034		4066		4098		4130		4148		4166		4202		4238		X	X	X	X
3	Effects of the first application of IFRSs - decrease	4003		4035		4067		4099		4131		4149		4167		4203		4239		X	X	X	X
4	Change in accounting policies and correction of material errors from 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 from the previous year - decrease	4005		4037		4069		4101		4133		4151		4169		4205		4241		X	X	X	X
6	Adjusted opening balance as at 1 January of the previous year (no. 1+2-3+4-5)	4006	960,374	4038		4070		4102	404,726	4134	7 812	4152		4170	163,010	4205		4242		4282	1,535,922	4288	
7	Total positive other comprehensive income 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 comprehensive income of the period	X	X	X	X	X	X	X	X	4136	7,200	4154		X	X	X	X	4244		X	X	X	X
9	Profit in the current year	X	X	X	X	X	X	X	X	X	X	X	X	4171	241,733	X	X	4245		X	X	X	X
10	Loss in 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 result due to reversal of reserves - increase	X	X	X	X	X	X	X	X	X	X	X	X	4172		X	X	4247		X	X	X	X

No.	Description	ADP	Share capital and ownership interests (account groups 30 (except 302) and 00)	ADP	Own shares and ownership interests (account 237)	ADP	Share premium (account 302)	ADP	Reserves (group of accounts 32)	ADP	Revaluation reserves (group of accounts 33 credit balance)	ADP	Revaluation reserves (group of accounts 33 debit balance)	ADP	Profit (group of accounts 34)	ADP	Loss (group of accounts 35)	ADP	Non-controlling ownership interest	ADP	Total (col. 2-3+4+5+6-7+8-9+10) ≥ 0	ADP	Total (col. 2-3+4+5+6-7+8-9+10) < 0
	1		2		3		4		5		6		7		8		9		10		11		12
12	Transfer from reserves to result due to reversal of reserves - decrease	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 on equity - increase	4007		4039		4071		4103		X	X	X	X	4173		4209		4249		X	X	X	X
14	Transactions with owners recorded directly on equity - decrease	4008		4040		4072		4104		X	X	X	X	4174		4210		4250		X	X	X	X
15	Profit distribution - increase	4009		4041		4073		4105	163,010	X	X	X	X	4175		4211		4251		X	X	X	X
16	Distribution of profit, i.e. coverage of loss - 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	163,010	4215		4255		X	X	X	X
20	Total transactions with owners (no. 13-14+15-16-17+18-19) ≥ 0	4014		4046		4078		4110	163,010	X	X	X	X	4180		4216		4256		X	X	X	X
21	Total transactions with owners (no. 13-14+15-16-17+18-19) < 0	4015		4047		4079		4111		X	X	X	X	4181	163,010	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, no. 6+7-8+9-10+11-12+20+21; for column 7, no. 6+8-7; for column 9, no. 6+10-12+20-21)	4016	960,374	4048		4080		4112	567,736	4137	612	4155		4182	241,733	4218		4258		4283	1,770,455	4289	
23	Opening balance as at 1 January of the current year	4017	960,374	4049		4081		4113	567,736	4138	612	4156		4183	241,733	4219		4259		4284	1,770,455	4290	
24	Effects of the first application of new IFRSs - increase	4018		4050		4082		4114		4139		4157		4184		4220		4260		X	X	X	X

No.	DESCRIPTION	ADP	Share capital and ownership interests (account groups 30 (except 302) and 00)	ADP	Own shares and ownership interests (account 237)	ADP	Share premium (account 302)	ADP	Reserves (group of accounts 32)	ADP	Revaluation reserves (group of accounts 33 credit balance)	ADP	Revaluation reserves (group of accounts 33 debit balance)	ADP	Profit (group of accounts 34)	ADP	Loss (group of accounts 35)	ADP	Non-controlling ownership interest	ADP	Total (col. 2-3+4+5+6-7+8-9+10) ≥ 0	ADP	Total (col. 2-3+4+5+6-7+8-9+10) < 0
	1		2		3		4		5		6		7		8		9		10		11		12
25	Effects of the first application of new IFRSs - decrease	4019		4051		4083		4115		4140		4158		4185		4221		4261		X	X	X	X
26	Change in accounting policies and correction of material errors from 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 from the previous year - decrease	4021		4053		4085		4117		4142		4160		4187		4223		4263		X	X	X	X
28	Adjusted opening balance as at 1 January of the current year (no. 23+24-25+26-27)	4022	960,374	4054		4086		4118	567,736	4143	612	4161		4188	241,733	4224		4264		4285	1,770,455	4291	
29	Total positive other comprehensive income 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 comprehensive income of the period	X	X	X	X	X	X	X	X	4145	612	4163		X	X	X	X	4266		X	X	X	X
31	Profit in the current year	X	X	X	X	X	X	X	X	X	X	X	X	4189	428,556	X	X	4267		X	X	X	X
32	Loss in the 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 result due to reversal 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 result due to reversal of reserves - decrease	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 on equity - increase	4023		4055		4087		4119		X	X	X	X	4191		4227		4271		X	X	X	X
36	Transactions with owners recorded directly on equity - decrease	4024		4056		4088		4120		X	X	X	X	4192		4228		4272		X	X	X	X
37	Profit distribution - increase	4025		4057		4089		4121	241,733	X	X	X	X	4193		4229		4273		X	X	X	X

No.	Description	ADP	Share capital and ownership interests (account groups 30 (except 302) and 00)	ADP	Own shares and ownership interests (account 237)	ADP	Share premium (account 302)	ADP	Reserves (group of accounts 32)	ADP	Revaluation reserves (group of accounts 33 credit balance)	ADP	Revaluation reserves (group of accounts 33 debit balance)	ADP	Profit (group of accounts 34)	ADP	Loss (group of accounts 35)	ADP	Non-controlling ownership interest	ADP	Total (col. 2-3+4+5+6-7+8-9+10) ≥ 0	ADP	Total (col. 2-3+4+5+6-7+8-9+10) < 0
	1		2		3		4		5		6		7		8		9		10		11		12
38	Distribution of profit, i.e. coverage of loss - 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	241,733	4233		4277		x	x	x	x
42	Total transactions with owners (no. 35-36+37-38-39+40-41) ≥ 0	4030		4062		4094		4126	241,733	x	x	x	x	4198		4234		4278		x	x	x	x
43	Total transactions with owners (no. 35-36+37-38-39+40-41) < 0	4031		4063		4095		4127		x	x	x	x	4199	241,733	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, no. 28+29-30+31-32+33-34+42-43; for column 7, no. 28+30-29; for column 9, no. 28+32-34+42-43)	4032	960,374	4064		4096		4128	809,469	4146		4164		4200	428,556	4236		4280		4286	2,198,399	4292	

In Belgrade

On 21 February 2024

Legal representative of the financial lessor

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Appendix 4

To be completed by the financial lessor		
Registration number: 17492713	Activity code: 6491	TIN: 103023875
Name: Intesa Leasing d.o.o. Beograd		
Headquarters: Belgrade, 7b, Milentija Popovića St.		

CASH FLOW STATEMENT
for the period from 01/01/ to 31/12/2023

(In RSD thousands)

ITEM		ADP				Amount	
						Current year	**Previous year**
1		2				3	4
A I	CASH FLOWS FROM BUSINESS OPERATIONS Cash inflows from business operations (from 3002 to 3007)	3	0	0	1	18,638,419	15,372,606
1.	Inflows from placements in financial leases	3	0	0	2	12,267,808	10,695,632
2.	Inflows from placements in operating leases	3	0	0	3		
3.	Inflows from the sale of intangible assets, property, plant and equipment given under leasing and operating leasing	3	0	0	4		
4.	Advance inflows	3	0	0	5	4,832,477	3,923,509
5.	Interest inflows	3	0	0	6	1,432,663	678,629
6.	Inflows from other business operations	3	0	0	7	105,471	74,836
II	Cash outflows from business operations (from 3009 to 3015)	3	0	0	8	21,038,796	18,791,593
7.	Outflows from business operations	3	0	0	9	36,273	34,600
8.	Outflows for the purchase of intangible assets, property, plant and equipment given under operating leasing	3	0	1	0		
9.	Advance outflows	3	0	1	1	20,473,237	18,537,285
10.	Interest outflows	3	0	1	2		
11.	Outflows for gross salaries, fringe benefits and other personal expenses	3	0	1	3	172,688	143,336
12.	Outflows for taxes, contributions and other duties charged to expenses	3	0	1	4	346,870	65,295
13.	Outflows for other operating expenses	3	0	1	5	9,728	11,077
14.	Decrease in financial assets and increase in financial liabilities	3	0	1	6		
15.	Increase in financial assets and decrease in financial liabilities	3	0	1	7		
III	Net inflow of cash from business operations before income tax (3001 - 3008 + 3016 - 3017)	3	0	1	8		
IV	Net outflow of cash from business operations before income tax (3008 - 3001 + 3017 - 3016)	3	0	1	9	2,400,377	3,418,987
16.	Paid income tax	3	0	2	0	86,511	67,243
V	Cash inflow from business operations (3018 - 3019 - 3020)	3	0	2	1		
VI	Net cash outflow from business operations (3019 - 3018 + 3020)	3	0	2	2	2,486,888	3,486,230
B I	CASH FLOWS FROM INVESTING Cash inflows from investing (from 3024 to 3029)	3	0	2	3	4,998,510	1,661,441
1.	Inflow from investments in investment securities	3	0	2	4	118,085	619,285
2.	Inflow from the sale of investments in subsidiaries and affiliates and joint ventures	3	0	2	5		364,891

ITEM		ADP				Amount	
						Current year	Previous year
3.	Inflow from the sale of intangible assets, property, plant, equipment and other assets	3	0	2	6		
4.	Inflow from the sale of investment property	3	0	2	7		
5.	Dividend and profit-sharing inflows	3	0	2	8		
6.	Other inflows from investing	3	0	2	9	4,880,425	677,265
II	Cash outflows from investing (from 3031 to 3035)	3	0	3	0	4,692,824	4,818 548
7.	Outflows from investments in investment securities	3	0	3	1		
8.	Outflows for purchase of investments in subsidiaries and affiliates and joint ventures	3	0	3	2		
9.	Outflows for the purchase of intangible assets, property, plant and equipment	3	0	3	3	25,251	12,263
10.	Outflows for the purchase of investment property	3	0	3	4		
11.	Other outflows from investing	3	0	3	5	4,667,573	4,806,285
III	Net cash inflow from business operations (3023 - 3030)	3	0	3	6	305,686	
IV	Net cash outflow from business operations (3030 - 3023)	3	0	3	7		3,157,107
C I	CASH FLOWS FROM FINANCING Cash inflows from financing (from 3039 to 3042)	3	0	3	8	21,157,033	11,683,734
1.	Inflows from capital increase	3	0	3	9		
2.	Inflows from loans taken	3	0	4	0	21,157,033	11,683,734
3.	Inflows from the sale of own shares and interests	3	0	4	1		
4.	Other inflows from financing	3	0	4	2		
II	Cash outflows from financing (from 3044 to 3047)	3	0	4	3	19,026,079	4,935,377
5.	Outflows for the purchase of own shares and interests	3	0	4	4		
6.	Outflows for loans taken	3	0	4	5	19,016,118	4,927,278
7.	Dividend and profit-sharing outflows	3	0	4	6		
8.	Other outflows from financing	3	0	4	7	9,961	8,099
III	Net cash inflow from financing (3038 - 3043)	3	0	4	8	2,130,954	6,748,357
IV	Net cash outflow from financing (3043 - 3038)	3	0	4	9		
D	TOTAL CASH INFLOWS (3001 + 3023 + 3038)	3	0	5	0	44,793,962	28,717,781
E	TOTAL CASH OUTFLOWS (3008 + 3020 + 3030 + 3043)	3	0	5	1	44,844,210	28,612,761
F	NET INCREASE IN CASH (3050 - 3051)	3	0	5	2		105,020
G	NET DECREASE IN CASH (3051 - 3050)	3	0	5	3	50,248	
H	CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	3	0	5	4	274,050	171,874
I	FX GAINS	3	0	5	5	5,283	942
J	FX LOSSES	3	0	5	6	7,896	3,786
K	CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (3052 - 3053 + 3054 + 3055 - 3056)	3	0	5	7	221,189	274,050

In Belgrade,

on 21 February 2024

Legal representative of the financial lessor

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INTESA LEASING D.O.O. BEOGRAD

NOTES TO THE FINANCIAL STATEMENTS
FOR 2023

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 31 December 2023, the Company had 56 employees (31 December 2020: 50 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 items 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 31 December 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 were prepared in accordance with the going concern principle, which implies that the Company will continue to perform its 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 2023 were approved for issuance by the President of the Executive Board on 19/02/2024.

2.2. Comparable Data

The comparative data consists of the annual financial statements of the Company for 2022, 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 2022.

3. SUMMARY OF 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 and commission 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 and commission 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 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 items 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	**31 December 2023**	**31 December 2022**
Currency		
- CHF	125.5343	119.2543
- EUR	117.1737	117.3224

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 2023, 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 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 items Reserves, Revaluation Reserves and Unrealized Gains/Losses (Note 27).

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

As at 31 December 2023, the Company has no financial derivatives.

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

3. SUMMARY OF 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 amounts 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;
- interests;
- 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 item 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 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 amounts 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 natural person, 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 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 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 probation 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 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 cannot 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;
- 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 natural persons 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 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 more than 30 days overdue beyond materiality threshold • Forborne Performing Exposures • Performing exposures with a significant increase in PD from the moment of initial recognition • PM (Proactive Management) Status / EW (Early Warning) Status	• Exposures more than 90 days overdue beyond materiality threshold • Unlikely to Pay • Doubtful • NPL exposures in the Probation Period • Forborne NPL Exposures

In addition to the criteria defined above, 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 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 Rulebook 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 Rulebook 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 1 January 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 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 31 December 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			*Basic*			*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 ACCOUNTING POLICIES (Continued)

3.7. Impairment of Financial Assets (Continued)

				Conditional default rates - Second group								
				Unfavorable			*Basic*			*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			***Basic***			***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).

During 2023, the Asset Classification Policy was supplemented by introducing an additional criterion for ECL calculation due to the effects of the current crisis for rated clients and the introduction of PM status as a criterion for Stage 2.

3. SUMMARY OF ACCOUNTING POLICIES (Continued)

3.7. Impairment of Financial Assets (Continued)

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 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 2023, 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 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 31 December 2023 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)	Rate of depreciation
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 each Balance Sheet date. The change in the expected useful life of the assets is included as a change in accounting estimates. During 2023, there were no changes in depreciation rates compared to the previous period.

3. SUMMARY OF 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), Rulebook on the Method of Classification of Fixed Assets by Groups and the Method of Determining Depreciation for Tax Purposes ("Official Gazette of RS", no. 116/2004; 99/2010 and 93/19), resulting in deferred taxes (Note 14).

3.11. Leased Assets

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.

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 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
- changes in the assessment of the subject property redeem option.

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.

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.

3. SUMMARY OF ACCOUNTING POLICIES (Continued)

3.11. Leased Assets (Continued)

The Company presents the right-of-use asset within the Property, Plant and Equipment item, while the lease liability is presented within the item 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 item 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 measured 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.

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 recognised 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.

3. SUMMARY OF ACCOUNTING POLICIES (Continued)

3.14. Provisions (Continued)

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 an 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 are 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 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 and 75/2014, 13/2017-CC Decision, 113/2017 and 95/2018-authentic interpretation).

Compensation for damage shall be 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 31 December 2023.

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 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 taxable temporary differences, 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 2023 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 2023 and 2022 under Note 14.

3. SUMMARY OF ACCOUNTING POLICIES (Continued)

3.17. Taxes and Contributions (Continued)

Transfer Pricing

The tax balance for 2023 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 2023 because so far it has not had any, and in 2023 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. 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 key 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 amounts 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 is managed and information which is delivered to the management.

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 intangible assets and 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 are 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

	2023	2022
Interest income		
Interest income from financial leasing	1,456,882	702,274
Income from default interest	9,780	4,443
Interest income – securities	329	5,284
Interest income from deposits	116,949	48,882
Total	**1,583,940**	**760,883**
Interest expense		
Interest expense for other loans from abroad	(682,529)	(203,140)
Interest expense for loans from related parties in the country	(120,140)	(29,731)
Interest expense for rental	(993)	(831)
Total	**(803,662)**	**(233,702)**
Profit from interest	**780,278**	**527,181**

6. INCOME AND EXPENSES IN RELATION WITH FINANCIAL LEASING

	2023	2022
Fee and commission income		
Income from fees in relation with approval of leasing placements	112,256	84,301
Income from reminders/warnings	1,124	2,219
Income from intercalary interest	38,189	21,333
Income from costs recharged to clients	80,705	47,758
Other income from fees and commissions	-	237
Total	**232,274**	**155,848**
Fee and commission expenses		
Costs of insurance of leased assets	(221)	(280)
Costs of mediation in the placement of leased assets	(42,137)	(29,243)
Costs of repossession of leased assets	(33)	(2)
Costs of guarantees for loans	(17,124)	(16,453)
Expenses for costs recharged to clients	(81,346)	(48,114)
Other financial leasing expenses	(1,930)	(1,700)
Total	**(142,791)**	**(95,792)**
Profit from fees and commissions	**89,483**	**60,056**

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

	2023	2022
Foreign exchange gains and currency clause gains		
Currency clause gains	5,020	12,777
Foreign exchange gains	51,486	75,565
Total	**56,506**	**88,342**
Foreign exchange losses and currency clause losses		
Currency clause losses	(35,429)	(54,662)
Foreign exchange losses	(23,948)	(36,499)
Total	**(59,377)**	**(91,161)**
Net expenses	**(2,871)**	**(2,819)**

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

	2023	2022
Net (impairment)/decrease of impairment of long-term receivables 60 days overdue	(8,317)	(56,567)
Net (impairment)/decrease of impairment of long-term receivables up to 60 days overdue and future receivables from financial leasing	(148,871)	(12,039)
Net (impairment)/decrease of impairment of short-term receivables 60 days overdue	(56)	(1,379)
Net decrease of impairment/(impairment) of short-term receivables up to 60 days overdue	(692)	(349)
Net (impairment)/decrease of impairment of other financial placements – securities	672	3,526
Net (expenses)/income	**(157,264)**	**(66,808)**

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

	2022	2022
Impairment of repossessed leased assets	(1,068)	(45,224)
Income from value adjustment of repossessed leased assets	33,106	2,310
Total	**32,038**	**(42,914)**

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

10. OTHER OPERATING INCOME

	2023	2022
Income from representation in insurance of leased assets	103,143	74,280
Income from reduction of liabilities	1,152	113
Other operating income	3,852	5,871
Total other income	**108,147**	**80,264**

11. DEPRECIATION COSTS

	2023	2022
Costs of depreciation of intangible assets (Note 19)	8,265	8,057
Costs of depreciation of property, plant and equipment (Note 20)	964	836
Costs of depreciation of right-of-use assets (Note 20)	8,967	7,268
Total	**18,196**	**16,161**

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

	2023	2022
Costs of gross salaries	129,931	108,099
Cost of accrued bonuses	20,858	16,600
Costs of taxes and contributions	18,043	16,216
Other personal expenses and benefits	5,107	2,567
Costs of temporary employment contracts	11,804	9,183
Total	**185,743**	**152,665**

13. OTHER INCOME AND OTHER EXPENSES

Other income

	2023	2022
Income from derecognition of provisions for litigations	1	6,517
Total	**1**	**6,517**

13. OTHER INCOME AND OTHER EXPENSES (Continued)

Other expenses

	2023	2022
Maintenance costs (b)	22,046	19,349
Advertising costs	8,199	979
Costs of consulting services (a)	20,611	16,697
Rental costs	906	888
Costs of payment transactions	3,783	3,016
Costs of representation and team building	5,010	4,954
Services of youth and student cooperatives	4,584	1,549
Fuel costs	3,456	2,920
Costs of legal services	1,600	1,138
Costs of transport and postal services	3,716	2,691
Costs of materials	2,201	967
Costs of professional training and professional literature	1,380	984
Costs of spare parts and small inventory	1,039	1,347
Audit costs	4,122	3,599
Membership fees	1,624	1,480
Insurance premium costs	163	325
Costs of translation and similar services	259	632
Costs of taxes	4,252	3,524
Costs of litigations (d)	212	666
Provision expenses	722	6,343
Costs of other services	11,845	9,304
Total	**101,720**	**83,352**

(a) The costs of consulting services are higher in the current year compared to the previous year, primarily due to the increase in expenditures under the "*Service Level Agreement*" (SPA) with Banca Intesa a.d. Beograd, which in 2023 amounted to RSD 19,816 thousand (2022: RSD 15,922 thousand).

(b) The increase of maintenance costs in the current year mostly refers to the increase in software maintenance service expenses, which in 2023 amounted to RSD 21,559 thousand (2022: RSD 18,960 thousand).

14. INCOME TAX

(a) Income tax components

Total tax expense consists of the following taxes:

	2023	2022
Income tax for the period	116,631	67,161
Deferred tax expenses of the period	-	1,578
Deferred tax income of the period	(1,034)	-
Total tax expenses of the period	**115,597**	**68,739**

(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 31 December 2023 and 2022 is shown below:

	2023	2022
Profit before tax	**544,153**	310,472
Income tax at the official rate of 15%	**81,622**	**46,571**
Expenses not recognized for tax purposes	(96)	81
Value adjustment of receivables not recognised for tax purposes	42,606	21,979
Income from interest on securities – issuer Republic of Serbia, income adjustment	(49)	(793)
Expenses for impairment of assets not recognized in the tax period	-	4,575
Adjustment of income for previously unrecognised tax expenses	(7,452)	(5,253)
Total current income tax	**116,631**	**67,161**
Deferred tax income – tax depreciation	(1,005)	1,153
Deferred tax income – IAS 19	-	(34)
Tax effects of the first application of IFRS 9	(29)	459
Total deferred tax expense/income	**(1,034)**	**1,578**
Total income tax reported in the income statement	115,597	68,739
Effective tax rate	***21.24%***	***22.22%***

(c) Deferred tax assets

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

	2023	2022
Balance as of 1 January	1,452	3,030
Effects of temporary differences credited/(charged) to the income statement	1,034	(1,578)
Balance as of 31 December	**2,486**	**1,452**

14. INCOME TAX (Continued)

The following table shows the basis for recording deferred tax income/(expenses) and effects on the income statement for 2023 and 2022:

	Deferred tax assets 2023	Income statement 2023	Deferred tax assets 2022	Income statement 2022
Temporary differences between the carrying value of equipment and intangible assets and their tax bases	2,253	1,005	1,248	1,153
Temporary differences based on first application of IFRS 9 Financial Instruments	-	-	-	459
Temporary differences due to provisions under IAS 19 "Employee Benefits"	233	29	204	(34)
Total	**2,486**	**1,034**	**1,452**	**1,578**

(d) Current tax liabilities

	2023	2022
Balance as of 31 December	**(52,637)**	**(22,517)**

The current tax liability arose as a difference between the calculated income tax for 2023 and the advance payment for income tax in 2023.

15. CASH AND CASH EQUIVALENTS

	2023	2022
RSD current accounts	216,344	164,924
Foreign currency accounts	4,845	82,126
Balance as of 31 December	**221,189**	**247,050**

During 2023 and 2022, the Company performed RSD and foreign currency payment transactions through accounts opened with Banca Intesa a.d. Beograd.

16. SHORT-TERM (CURRENT) FINANCIAL ASSETS

	2023	2022
Term deposits	4,666,938	4,804,317
State bonds of the Republic of Serbia	-	117,695
Balance as of 31 December	**4,666,938**	**4,922,012**

The total amount of term deposits was termed with Banka Intesa a.d. Beograd for a period of up to one year.

17. OTHER FINANCIAL PLACEMENTS AND DERIVATIVES

Below is a comparative overview of investments in state bonds as of 31 December 2023 and 2022:

Description of the financial placement	Market value 31 December 2023	Maturity of financial placements	Interest rate achieved on purchase
State bonds of the Republic of Serbia	-		
Total	**-**		

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

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:

	2023	2022
Balance as of 1 January	(672)	(4,199)
Value adjustments during the year – increases	-	-
Value adjustments during the year – reductions	672	3,527
Balance as of 31 December	**-**	**(672)**

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

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

	2023	2022
Due uncollected receivables from financial leasing	422,080	453,305
Receivables from financial leasing up to 1 year	9,321,196	8,175,179
Short-term receivables for leasing fee	20,118	18,514
Accrued interest income from financial leasing	77,471	44,775
Deferred income from fees based on the approval of financial leasing placements	(48,112)	(38,775)
Total short-term receivables from financial leasing	**9,792,753**	**8,652,998**
Less		
Correction of due uncollected receivables from financial leasing	(290,805)	(275,599)
Adjustment of receivables from financial leasing to 1 year	(88,731)	(52,965)
Adjustment of short-term receivables	(9,717)	(15,139)
Total value adjustment of short-term receivables from financial leasing	**(389,253)**	**(343,703)**
Net short-term receivables from financial leasing	**9,403,500**	**8,309,295**

	2023	2022
Receivables from financial leasing from 1 to 5 years	17,762,988	15,275,252
Receivables from financial leasing over 5 years	735,069	637,361
Deferred income from fees based on the approval of financial leasing placements	(114,543)	(93,451)
Total long-term receivables from financial leasing	**18,383,514**	**15,819,162**
Less		
Adjustment of receivables from financial leasing from 1 to 5 years	(173,208)	(89,736)
Adjustment of receivables from financial leasing over 5 years	(10,515)	(5,367)
Total value adjustment of long-term receivables from financial leasing	**(183,723)**	**(95,103)**
Net long-term receivables from financial leasing	**18,199,791**	**15,724,059**

Receivables of the Company from financial leasing as at 31 December 2023 amount to RSD 27,603,291 thousand and have been increased by 14.85% compared to the previous year (31 December 2022: RSD 24,033,354 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 31 December 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 162,655 thousand for 2023, and RSD 132,226 thousand for 2022.

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 **31 December 2023,** 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	9,403,500	1,392,135	10,795,635
From 1 to 5 years	17,478,052	1,923,328	19,401,380
Over 5 years	721,739	117,814	839,553
Total	**27,603,291**	**3,433,277**	**31,036,568**

The present and future value of receivables from minimum leasing installments as of **31 December 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**

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:

	2023	2022
Balance as of 1 January	(438,806)	(371,492)
Value adjustments during the year - increases	(164,026)	(75,759)
Value adjustments during the year - reductions	29,605	5,374
Write-off of receivables - decrease	25	2,156
Exchange rate differences - increase	(46)	2,341
Exchange rate differences - decrease	272	(1,426)
Balance as of 31 December	**(572,976)**	**(438,806)**

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

Balance of value adjustment	31 December 2022	Increase/ decrease during the year	31 December 2023
Stage 1	(66,498)	(34,922)	(101,419)
Stage 2	(40,124)	(78,838)	(118,962)
Stage 3	(332,184)	(20,411)	(352,595)
Total	**(438,806)**	**(134,170)**	**(572,976)**

(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 31 December 2023 and 31 December 2022 and value adjustments of receivables by impairment levels is shown in the following overview:

	Value of the receivables	Adjustments of the receivables	Net value of the receivables
Impairment stage 1	24,995,551	(101,380)	24,894,171
Impairment stage 2	2,841,269	(118,577)	2,722,691
Impairment stage 3	404,513	(342,782)	61,732
Total as of 31 December 2023	**28,241,333**	**(562,739)**	**27,678,594**

	Value of the receivables	Adjustments of the receivables	Net value of the 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 31 December 2022	**24,541,097**	**(438,806)**	**24,117,488**

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

ECL trends during 2023	Stage 1	Stage 2	Stage 3	Total
Opening balance - 1/1/2023	**66,498**	**40,124**	**332,184**	**438,806**
Transfer to Stage 1	-	(19,381)	(5,583)	(24,964)
Transfer to Stage 2	(7,928)	-	(2,314)	(10,242)
Transfer to Stage 3	(1,707)	(3,495)	-	(5,202)
Changes in ECL due to measurement change	7,403	78,935	60,878	147,216
New production	58,739	37,470	52,476	148,685
Collections	(21,586)	(14,691)	(65,418)	(101,695)
Write-offs	-	-	(19,629)	(19,629)
Balance as of 31/12/2023	**101,419**	**118,962**	**352,595**	**572,976**

(d) Financial leasing contracts in 2023 were concluded for a period of up to 10 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 installments. In 2023, the fee for processing the request was calculated on average in the amount of 0.64% of the gross purchase value of the lease subject (2022: 0.60%).

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 2023 ranged from:

Placements	From	To
Placements in EUR	2.99%	11.88%
Placements in RSD	6.99%	10.70%

The average rate of the clients' participation in accordance with the lease agreements in 2023 was 15.74% of the net purchase value of the lease subject (2022: 16.53%).

19. INTANGIBLE ASSETS

	Licenses and software	Intangible investments under development	Total
COST			
Balance as of 1 January 2022	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)	-
Balance as of 31 December 2022	**78,138**	**4,952**	**83,090**
Increases during the year - new acquisitions	10,101	3,924	14,025
Balance as of 31 December 2023	**88,239**	**8,876**	**97,115**
ACCUMULATED VALUE ADJUSTMENT			
Balance as of 1 January 2022	49,646	-	49,646
Depreciation (Note 11)	8,057	-	8,057
Balance as of 31 December 2022	**57,703**	**-**	**57,703**
Depreciation (Note 11)	8,265	-	8,265
Balance as of 31 December 2023	**65,968**	**-**	**65,968**
Net carrying value as at:			
- 31 December 2023	**22,271**	8,876	**31,147**
- 31 December 2022	**20,435**	**4,952**	**25,387**

In 2023, 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 31 December 2023, there are no indications that the value of intangible assets has been impaired.

20. PROPERTY, PLANT AND EQUIPMENT

	Vehicles	Vehicles and real estate lease*	Other equipment	Leased assets	Other acquired assets	Total
COST						
Balance as of 1 January 2022	**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 31 December 2022	**5,132**	**61,383**	**4,770**	**118,770**	**597**	**190,652**
Increases during the year – new acquisitions	5,007	12,432	1,850	416,264	-	435,553
Disposals and write-offs	(1,479)	(84)	(410)	(508,291)	-	(510,264)
Balance as of 31 December 2023	**8,660**	**73,731**	**6,210**	**26,743**	**597**	**115,941**
ACCUMULATED VALUE ADJUSTMENT						
Balance as of 1 January 2022	**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 31 December 2022	**5,132**	**13,806**	**2,160**	**94,751**	**-**	**115,849**
Depreciation (Note 11)	41	8,967	964	-	-	9,972
Disposals and write-offs	(1,478)	-	-	-	-	(1,478)
Value adjustment increase/decrease	-	-	(483)	(65,723)	-	(66,206)
Balance as of 31 December 2023	**3,695**	**22,773**	**2,682**	-	**-**	**29,150**
Net carrying value as at:						
- 31 December 2023	**4,965**	**50,958**	**3,528**	**26,743**	**597**	**86,791**
- 31 December 2022	**-**	**47,577**	**2,600**	**24,029**	**597**	**74,803**

* *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 31 December 2023 and no liens established as a guarantee of liabilities.

Based on the assessment of the Company's management, as of 31 December 2023, 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:

	Real estate leased	Passenger vehicles leased	Total
Balance as at 1 January 2023	36,807	10,770	47,577
Increases during the year	-	12,348	12,348
Depreciation during the year	(4,181)	(4,786)	(8,967)
Balance as of 31 December 2023	32,626	18,332	50,958

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:

	Real estate leased	Passenger vehicles leased	Total
Interest expense	614	379	993
Depreciation expense	4,180	4,788	8,968
Total	**4,794**	**5,167**	**9,961**

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

Outflow from property leasing	4,794
Outflow from passenger vehicles leasing	5,167
Total	**9,961**

22. OTHER ASSETS

	2023	2022
Receivables for representation in insurance	9,533	4,103
Receivables for VAT	6,498	26,403
Receivables for unconfirmed changes in tax bases	2,631	1,935
Other prepayments and accrued income	-	4,192
Prepaid expenses	63,248	47,185
Receivables from the sale of leased assets	21,342	5,687
Advances paid	179,322	10,182
Receivables for interest on deposits	68,747	26,898
Other receivables	3,532	1,475
Balance as of 31 December	**354,853**	**128,060**

The change in prepaid expenses in 2023 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 at 31 December, 2023 amounted to RSD 62,076 thousand, while the balance as at 31 December, 2022 amounted to RSD 46,275 thousand.

Receivables from interest on deposits refer to 15 deposit agreements as at 31/12/2023, while as at 31/12/2022 the data referred to 16 deposit agreements.

Regarding the advances paid, the largest part refers to advances for the procurement of leased assets, namely as at 31 December 2023 in the amount of RSD 179,322 thousand (as at 31 December 2022: RSD 10,170 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:

	2023	2022
Portion of liabilities for domestic long-term loans that is due in 1 to 5 years	2,955,950	464,790
Portion of liabilities for foreign long-term loans that is due from 1 to 5 years	19,249,579	19,360,799
Portion of liabilities for foreign long-term loans that is due in over 5 years	260,477	670,414
Total liabilities	22,466,006	20,496,003
Deferred costs of loan approval in the country	(658)	(492)
Deferred costs of loan approval abroad	(9,256)	(15,184)
Balance as of 31 December	**22,456,092**	**20,480,327**

B) Short-term financial liabilities

	2023	2022
Liabilities for short-term loans in the country	585,869	3,280,837
Liabilities for interest on loans in the country	12,666	3,352
Liabilities for interest on loans abroad	143	-
Portion of liabilities for domestic long-term loans that is due within one year	1,472,628	300,198
Portion of liabilities for foreign long-term loans that is due within one year	5,768,585	3,326,631
Total liabilities	**7,839,891**	**6,911,018**
Accruals and deferred income from interest and guarantees for long-term loans	33,060	27,716
Deferred costs of loan approval in the country	(3,187)	(3,523)
Deferred costs of loan approval and guarantees for loans, abroad	(18,803)	(12,234)
Balance as of 31 December	**7,850,961**	**6,922,977**

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 at 31 December 2023, the Company had one approved and unused loan in the amount of EUR 5 million.

The interest rate on long-term loans granted abroad ranges from 0.38% to 7.25% 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 at 31 December 2023, 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 at 1 January 2023 in 000 RSD	Balance as at 1 January 2023 in 000 EUR	Withdrawals during the year in EUR	Repayment during the year in EUR	Balance as at 31 December 2023 in EUR	Balance as at 31 December 2023 in 000 RSD
Banca Intesa a.d. Beograd	4,045,826	34,484,681	58,900,000	50,589,698	42,794,983	5,014,446
VUB banka	5,866,120	50,000,000	25,000,000	4,230,765	70,769,235	8,292,294
European Investment Bank	6,450,815	54,983,657	-	8,253,779	46,729,878	5,475,513
KfW Entwicklungsbank	391,388	3,336,000	10,000,000	3,336,000	10,000,000	1,171,737
Banka Intesa Sanpaolo d.d.	8,447,213	72,000,000	10,000,000	7,076,923	74,923,077	8,779,014
European Bank for Reconstruction and Development	2,202,309	18,771,429	-	5,457,143	13,314,286	1,560,084
Total	27,403,671	233,575,767	103,900,000	78,944,308	258,531,458	30,293,088

The loan balance as of 31 December 2023 of RSD 30,293,088 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 31 December 2023 and 31 December 2022 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:

	2023	2022
Long-term provisions for severance pay upon retirement	1,554	1,362
Provisions for litigations	6,302	6,237
Balance as of 31 December	**7,856**	**7,599**

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

	2023	2022
Balance as of 1 January	**7,599**	**8,480**
Long-term provisions for severance pay upon retirement (Note 13)	192	228
Provisions for litigations (Note 13)	65	(1,109)
Balance as of 31 December	**7,856**	**7,599**

The assessment of the risk of loss in connection with litigations and provisions for contingent liabilities in the amount of RSD 6,302 thousand (2022: RSD 6,237 thousand) refer to two passive litigations initiated against the Company (as at 31 December 2022, two passive litigations were under way).

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

	2023	2022
Trade payables	30,807	25,237
Liabilities towards customers	277,163	127,816
Liabilities for unused annual paid leave	4,893	4,715
Other accruals and deferred income	13,197	4,706
Tax liabilities	120	104
Liabilities for salaries and fringe benefits	22,338	17,107
Liabilities from long-term lease	51,635	47,954
Other obligations	597	604
Balance as of 31 December	**400,750**	**228,243**

Liabilities towards customers in the amount of RSD 277,163 thousand as at 31 December 2023 (31 December 2022: RSD 127,816 thousand) mostly relate to prepaid installments by customers in the amount of RSD 145,318 thousand (2022: RSD 87,722 thousand).

25. OTHER LIABILITIES (Continued)

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 1 January 2022	**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 31 December 2022	**37,093**	**10,861**	**47,954**
Increases during the year	-	12,394	12,394
Decrease – repayment during the year	(3,975)	(4,738)	(8,713)
Balance as of 31 December 2023	**33,118**	**18,517**	**51,635**

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

	Current value	Contractual undiscounted cash flows
Up to 1 year	8,491	9,644
From 1 to 5 years	30,725	33,141
Over 5 years	12,419	12,739
Total as at 31 December 2023	**51,635**	**55,524**

26. SHARE CAPITAL – OWNERSHIP SHARES OF THE COMPANY

The capital structure of the Company, by shareholders as of 31 December 2023 and 2022, is shown below:

	2023	2022
Banca Intesa a.d. Beograd	960,374	960,374
Balance as of 31 December	**960,374**	**960,374**

As at 31 December 2023, 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 31 December 2023 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 31 December 2023 and 2022 is shown below:

	2023	2022
Unrealized gains from conversion to market value of securities	-	612
Other reserves - transferred profits	809,469	567,736
Balance as of 31 December	**809,469**	**568,348**

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 31 December 2023 amounts to RSD 428,556 thousand (31 December 2022: RSD 241,733 thousand) and refers to the profit of the current year.

29. ASSUMED AND CONTINGENT LIABILITIES

(a) Litigations

As at 31 December 2023, two passive litigations are under way against the Company. The total value of these litigations is RSD 6,302 thousand (31 December 2022: RSD 6,237 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:

	2023	2022
Guarantees of Intesa Sanpaolo S.p.A. Milano	7,517,390	7,677,268
Guarantees of Banca Intesa a.d. Beograd	4,674,088	3,677,268
Balance as of 31 December	**12,191,478**	**11,354,563**

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

The balance of receivables and liabilities as at 31 December 2023 and 2022 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	2023	2022
Cash (Note 15)	221,189	247,050
Term deposits	4,666,938	4,804,317
Receivables from liquidated damages	37	-
Receivables from interest on transaction deposits	68,748	26,898
Balance as of 31 December	**4,956,912**	**5,078,265**

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	2023	2022
Long-term financial liabilities (Note 23)	2,955,950	464,790
Short-term financial liabilities (Note 23)	2,058,497	3,581,065
Interest liabilities (Note 23)	10,422	3,352
Domestic accrued costs of loan approval (Note 23)	(3,845)	(4,015)
Long-term lease liabilities (Note 25)	33,118	37,093
Other liabilities	26,937	20,262
Balance as at 31 December	**5,081,079**	**4,102,547**

Income from transactions with Banca Intesa a.d. Beograd	2023	2022
Interest income from deposits (Note 5)	**116,949**	**48,882**
Other income	**37**	**-**
Net foreign exchange gains and income from effects of contracted currency clause	-	923
Total	**116,986**	**49,805**

Expenses for transactions with Banca Intesa a.d. Beograd	2023	2022
Interest expense (Note 5)	120,140	29,731
Expenses from fees	**8,523**	**6,022**
Expenses for services under the SLA agreement (Note 13(a))	19,816	15,922
Net foreign exchange losses and expenses from effects of contracted currency clause	203	-
Other expenses	8,698	8,822
Total	**157,380**	**60,497**

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 31 December 2023, they amounted to RSD 4,082 thousand (as of 31 December 2022: RSD 4,377 thousand).

Income from Intesa Invest a.d. Beograd	2023	2022
Profit from investments	-	1,173
Total	**-**	**1,173**

30. **DISCLOSURE OF RELATIONS WITH RELATED PARTIES (Continued)**

(b) Transactions with other related parties

As at 31 December 2023 and 2022, the Company had the following liabilities towards other members of Intesa Sanpaolo Group - Intesa Sanpaolo S.p.A. Milano, as well as expenses during the year:

Liabilities towards Intesa Sanpaolo S.p.A. Milano	2023	2022
Liabilities for accrued costs of guarantees	1,666	3,965
Other obligations	23	23
Balance as of 31 December	**1,689**	**3,988**

Liabilities towards Banka Intesa Sanpaolo d.d. Kopar	2023	2022
Long-term financial liabilities (Note 23)	6,582,758	7,616,931
Short-term financial liabilities (Note 23)	2,196,256	830,282
Interest liabilities	143	-
Deferred costs of loan approval	(7,248)	(5,682)
Balance as of 31 December	**8,771,909**	**8,441,531**

Liabilities towards VUB	2023	2022
Long-term financial liabilities (Note 23)	6,940,291	5,369,756
Short-term financial liabilities (Note 23)	1,352,003	496,364
Deferred costs of loan approval	(3,464)	(5,764)
Balance as of 31 December	**8,288,830**	**5,860,356**

Expenses from transactions with Intesa Sanpaolo Group members	2023	2022
Expenses for guarantee fees of Intesa Sanpaolo S.p.A. Milano.	9,710	10,431
Expenses for Banka Intesa Sanpaolo d.d. Kopar approval fees	4,496	3,939
Expenses for VUB approval fees	1,675	1,098
Interest expense in relation with Bank Intesa Sanpaolo d.d. Kopar	196,596	66,540
Interest expenses in relation with VUB	279,979	48,962
Expenses for guarantee fees of Intesa Sanpaolo S.p.A. Milano	23	23
Total	**492,479**	**130,993**

(c) Compensation to the Management of the Company

During 2023 and 2022, salaries in the following amounts were paid to the Company's management:

	2023	2022
Total gross salaries	31,867	30,311
Total net salaries	22,957	21,889

During 2023 and 2022, 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 appetite 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.

The Company signed a Risk Participation Guarantees with Banca Intesa a.d. Beograd for five clients covering the Concentration Limit for an 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.

31. RISK MANAGEMENT (Continued)

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.

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 underwriting process for application approval
- accelerated underwriting 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 2023, 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:

	2023	2022
Cash	221,189	247,050
Financial placements with banks - deposits	4,666,938	4,804,317
Other financial placements and derivatives	-	117,696
Receivables from financial leasing	27,603,291	24,033,354
Other assets – receivables from the sale of leased assets	21,342	20,294
Maximum exposure to credit risk	**32,507,915**	**29,222,711**

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 at **31 December 2023**:

	Performing	Past due	Unlikely to pay	Doubtful	Total 31/12/2023
Placements to customers					
Corporate placements	953,517	-	-	-	953,517
Medium-sized enterprises	5,716,386	-	-	5,272	5,721,658
Small enterprises	12,594,468	27,300	5,997	131,738	12,759,503
Micro enterprises	4,996,499	7,217	13,340	116,081	5,133,137
Entrepreneurs	3,166,126	4,860	4,938	19,913	3,195,837
Individuals	374,076	4,058	-	6,943	385,077
Farmers	1,484	-	-	56,856	58,340
Other customers	34,264	-	-	-	34,264
Total	**27,836,820**	**43,435**	**24,275**	**336,803**	**28,241,333**
Share in total gross placements	**98.57%**	**0.15%**	**0.09%**	**1.19%**	**100.00%**
Placements to customers					
Corporate placements	1,994	-	-	-	1,994
Medium-sized enterprises	28,282	-	-	5,272	33,554
Small enterprises	102,058	6,074	1,418	128,005	237,555
Micro enterprises	51,179	1,432	2,972	114,176	169,759
Entrepreneurs	35,217	1,068	1,176	16,572	54,033
Individuals	1,108	816	-	6,943	8,867
Farmers	3	-	-	56,856	56,859
Other customers	118	-	-	-	118
Total	219,959	9,390	5,566	327,824	562,739
Share in total value adjustments	**39.08%**	**1.67%**	**0.99%**	**58.26%**	**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 **31 December 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)

Below is an overview of gross placements by internal ratings:

Internal rating for 2023	Gross placements	Share of gross placements in total placements	Adjustments of value	Share of adjustments in total adjustments of value
Inter Company	-	0.00%	-	0.00%
A1	561,053	1.99%	194	0.03%
A2	1,836,840	6.50%	654	0.12%
A3	3,227,448	11.43%	1,632	0.29%
B1	1,768,963	6.26%	1,853	0.33%
B2	4,629,149	16.39%	6,662	1.18%
B3	1,749,816	6.20%	5,639	1.00%
B4	1,932,221	6.84%	12,054	2.14%
C1	514,428	1.82%	7,406	1.32%
C2	2,012,695	7.13%	35,772	6.36%
C3	623,391	2.21%	35,103	6.24%
D	404,513	1.43%	342,781	60.91%
S12	23,237	0.08%	50	0.01%
STRONG	138,893	0.49%	130	0.02%
Unrated (Stage 1 and 2)	8,818,686	31.23%	112,809	20.05%
Total 31/12/2023	**28,241,333**	**100.00%**	**562,739**	**100.00%**

Internal rating for 2022	Gross placements	Share of gross placements in total placements	Adjustments of value	Share of adjustments in total adjustments of value
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%
S13	38,026	0.15%	85	0.02%
STRONG	353,342	1.44%	24,434	5.77%
Unrated (Stage 1 and 2)	2,062,174	8.40%	1,601	0.38%
Total 31/12/2022	**24,541,097**	**100.00%**	**423,609**	**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 31 December 2023 and 2022:

	Performing	Past due	Unlikely to pay	Doubtful	Total 31 December 2023
Placements to customers					
Corporate placements	951,522	-	-	-	951,522
Medium-sized enterprises	5,688,104	-	-	-	5,688,104
Small enterprises	12,492,413	21,226	4,579	3,731	12,521,949
Micro enterprises	4,945,320	5,785	10,367	1,905	4,963,377
Entrepreneurs	3,130,909	3,792	3,762	3,341	3,141,804
Individuals	372,969	3,242	-	-	376,211
Farmers	1,481	-	-	-	1,481
Other institutions	34,146	-	-	-	34,186
Total	**27,616,864**	**34,045**	**18,708**	**8,977**	**27,678,594**
Share in total net placements	**99.78%**	**0.12%**	**0.07%**	**0.03%**	**100.00%**

	Performing	Past due	Unlikely to pay	Doubtful	Total 31 December 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%**

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 31 December 2023 is shown below:

	Overdue up to 30 days	**Overdue 31 to 60 days**	**Overdue more than** 60 days	**Undue**	**Total 31/12/2023**
Placements to customers					
Corporate placements	44	-	-	953,472	953,516
Medium-sized enterprises	9,470	877	5,272	5,706,039	5,721,658
Small enterprises	94,741	15,850	57,045	12,591,867	12,759,503
Micro enterprises	52,822	7,061	84,437	4,988,816	5,133,136
Entrepreneurs	15,323	4,752	9,488	3,166,275	3,195,838
Individuals	926	50	7,011	377,090	385,077
Farmers	24	20	56,858	1,439	58,341
Other institutions	9	-	-	34,255	34,264
Total	**173,359**	**28,610**	**220,111**	**27,819,253**	**28,241,333**
Share in total due placements of high and standard quality	**0.61%**	**0.10%**	**0.78%**	**98.51%**	**100.00%**

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

	Overdue up to 30 days	**Overdue 31 to 60 days**	**Overdue more than 60 days**	**Undue**	**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 quality	**0.72%**	**0.19%**	**0.94%**	**98.15%**	**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 **31 December 2022**, by geographic areas, is given in the following table:

Geographic area	Placements to clients	Adjustment of value of placements	Net 31/12/2023	% Share in net placements
Vojvodina	9,414,433	(157,934)	9,206,499	33.44%
Belgrade	13,409,808	(258,220)	13,151,588	47.52%
Southern and Eastern Serbia	1,390,834	(67,081)	1,323,753	4.78%
Šumadija and Western Serbia	4,026,258	(79,504)	3,946,754	14.26%
Total	**28,241,333**	**(562,739)**	**27,628,594**	**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 **31 December 2022**, by geographic areas, is given in the following table:

Geographic area	Placements to clients	Adjustment of value of placements	Net 31/12/2022	% Share in net placements
Vojvodina	8,653,562	(142,197)	8,511,365	35.29%
Belgrade	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 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 27.02%, the largest increase in the portfolio share was achieved by the Wholesale and Retail of 0.91% compared to 2022, and the largest decrease in share was recorded by the Agriculture, Forestry and Fishery sector of 1.01% compared to 2022.

31. RISK MANAGEMENT (Continued)

31.1. Credit Risk (Continued)

(b) Maximum Exposure to Credit Risk (Continued)

The analysis as of 31 December 2023 and 2022 is presented in the following tables:

Structure by sectors	Maximum exposure 2023	Exposure percentage 2023	Maximum exposure 2022	Exposure percentage 2022
1 Agriculture, forestry and fishery	857,793	3.10%	991,631	4.11%
2 Mining; Manufacturing; Water Supply, Wastewater management and similar activities	3,410,727	12.32%	3,234,058	13.41%
3 Electricity, gas and steam supply and air conditioning	42,621	0.15%	36,201	0.15%
4 Construction	4,413,675	15.95%	3,955,499	16.40%
5 Wholesale and retail trade; repair of motor vehicles, motorcycles	3,370,011	12.18%	2,718,283	11.27%
6 Transport and storage; Information and communication	7,478,576	27.02%	6,634,233	27.51%
7 Accommodation and catering services	515,304	1.86%	443,287	1.84%
8 Financial activities and insurance activities	77,231	0.28%	74,019	0.31%
9 Health and social care	173,517	0.63%	178,237	0.74%
10 Other activities	7,339,139	24.52%	5,852,040	24.26%
Total	27,678,594	100.00%	24,117,488	100.00%

Exposure by the subject of lease	Maximum exposure 2023	Exposure percentage 2023	Maximum exposure 2022	Exposure percentage 2022
1 Production machinery and equipment	30,708	0.11%	54,311	0.23%
2 Construction machinery and equipment	3,070,505	11.09%	2,997,972	12.43%
3 Agricultural machinery and equipment	610,928	2.21%	773,325	3.21%
4 Freight vehicles, minibuses and buses	10,858,239	39.23%	10,027,487	41.58%
5 Passenger vehicles	10,542,875	38.09%	7,600,741	31.52%
6 Rail vehicles, vessels and aircrafts	29,052	0.10%	16,191	0.07%
7 Household appliances	-	-	-	-
8 Machinery and equipment for the provision of services	-	-	-	-
9 Other movable items	721,542	2.61%	977,650	4.04%
10 Commercial immovable property	1,744,219	6.30%	1,598,539	6.62%
11 Other movable items	70,526	0.25%	71,272	0.30%
Total	27,678,594	100.00%	24,117,488	100.00%

Freight vehicles and buses have the largest share of 39.23% with a decrease in share in the structure of 2.35% compared to 2022, 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 6.57% compared to 2022.

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 31 December 2023, 18 clients had an individual exposure greater than 10% in relation to the Company's capital (2022: 13 clients).

The decision on the adoption of limits defining the risk appetite 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:

	2023	**2022**
Carrying amount of value adjustments of receivables	562,739	423,609
Amount of value adjustments of receivables without collateral	570,170	425,744
Effect on the calculation of value adjustments of receivables	**7,431**	**2,135**
Effect on the calculation of collective adjustments	**7,431**	2,135
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 at 31 December 2023 and 2022 is given in the following overview:

	2023		2022	
	Gross placement	Total value of collateral	Gross placement	Total value of collateral
Placements to legal entities	**24,496,690**	**22,298,516**	**21,690,292**	**20,002,448**
Secured by mortgage	6,472	6,472	10,693	8,133
Secured by deposit and guarantee	4,667,817	2,469,683	3,348,425	1,663,141
Secured by the subject of lease	19,822,361	19,822,361	18,331,174	18,331,174
Unsecured by collateral	-	-	-	-
Placements to entrepreneurs, individuals and farmers	**3,639,255**	**3,546,094**	**2,715,358**	**2,568,943**
Secured by mortgage	-		-	-
Secured by deposit	-		998	207
Secured by the subject of lease	3,639,255	3,546,094	2,714,360	2,568,736
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	**105,428**	**104,767**	**135,447**	**130,832**
Secured by mortgage	-	-	-	-
Secured by deposit	-	-	-	-
Secured by the subject of lease	105,428	104,767	135,447	130,832
Unsecured by collateral	-	-	-	-
Total as at 31 December	**28,241,333**	**25,949,377**	**24,541,097**	**22,702,223**

The value of collateral is shown up to the amounts 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 31 December 2023 and 2022 is given below:

LTV Ratio	2023 Amount of placements	LTV Ratio	2022 Amount of placements
<50%	2,215,622	<50%	1,785,431
51% - 70%	6,272,294	51% - 70%	4,810,987
71% - 90%	11,268,433	71% - 90%	7,320,065
91% - 100%	3,755,358	91% - 100%	3,787,817
>100%	4,729,626	>100%	6,836,798
Total	**28,241,333**	**Total**	**24,541,097**

LTV ratio in the range of 51% - 70% and 71% - 90% in 2023 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 31 December 2023 and 2022 is shown below:

2023	Gross receivables from financial leasing	Adjustment of value	Net receivables from financial leasing
Corporate placements	953,517	(1,994)	951,522
Medium-sized enterprises	5,721,658	(33,554)	5,688,104
Small enterprises	12,759,501	(237,557)	12,521,947
Micro enterprises	5,133,137	(169,759)	4,963,378
Entrepreneurs	3,195,838	(54,033)	3,141,805
Individuals	385,078	(8,866)	376,211
Farmers	58,340	(56,858)	1,481
Other institutions	34,264	(118)	34,146
Total	**28,241,333**	**(562,739)**	**27,678,594**

31. **RISK MANAGEMENT (Continued)**

31.1. Credit Risk (Continued)

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

2022	Gross receivables from financial leasing	Adjustment of value	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**

The structure of impairment of financial assets according to the model of calculation of adjustments as of 31 December 2023 and 2022 can be seen from the following tables:

2023	Gross receivables from financial leasing	% of gross receivables	Adjustment of value	% of the total adjustments
Collective adjustment	28,241,333	100.00%	(562,739)	100.00%
Individual adjustment	-	0.00%	-	0.00%
Total	**28,241,333**	**100.00%**	**(562,739)**	**100.00%**

2022	Gross receivables from financial leasing	% of gross receivables	Adjustment of value	% of the 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%**

Off-balance sheet exposure of receivables that were derecognized in 2023 amounts to RSD 80,637 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.

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

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

Changes in securities impairment are shown in the following tables:

	2023	2022
Balance as of 1 January	**672**	**4,199**
Increases during the year	-	-
Decreases in accruals during the year	(672)	(3,527)
Balance as of 31 December	**-**	**672**

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 31 December 2023.

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 items 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 12 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.

31 RISK MANAGEMENT (Continued)

31.2. Liquidity Risk (Continued)

	Carrying value	Gross amount total	Gross amount 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 up to 5 years	Gross amount over 5 years	Gross amount without defined maturity*
ASSETS										
Cash	221,189	221,189	221,189	-	-	-	-	-	-	-
Short-term financial assets	4,666,938	4,666,938	1,343,464	-	300,000	3,023,474	-	-	-	-
Short-term receivables from financial leasing	9,403,500	9,791,281	1,370,485	1,796,407	2,431,598	4,163,432	-	-	-	29,359
Intangible assets	31,147	97,115	-	-	-	-	-	-	-	97,115
Property, plant and equipment	86,791	115,943	-	-	-	-	-	-	-	115,943
Long-term receivables from financial leasing	18,199,791	18,384,986	-	-	-	-	3,724,242	14,040,218	735,069	-114,543
Deferred tax assets	2,486	2,486	-	-	-	-	-	-	-	2,486
Other assets	354,853	422,292	73,129	16,336	14,046	19,508	-	-	-	299,273
TOTAL ASSETS	**32,966,695**	**33,702,230**	**3,008,267**	**1,812,743**	**2,745,644**	**7,206,414**	**3,724,242**	**14,040,218**	**735,069**	**429,633**
LIABILITIES										
Share capital and ownership interests	960,374	960,374	-	-	-	-	-	-	-	960,374
Profit	428,556	428,556	-	-	-	-	-	-	-	428,556
Reserves	809,469	809,469	-	-	-	-	-	-	-	809,469
Long-term financial liabilities	22,456,092	22,456,092	-	-	-	-	4,202,392	18,003,136	260,477	-9,913
Short-term financial liabilities	7,850,961	7,850,961	502,391	944,808	2,301,967	4,124,417	-	-	-	-22,622
Provisions	7,856	7,856	-	-	-	6,302	-	-	-	1,554
Current tax liabilities	52,637	52,637	-	-	52,637	-	-	-	-	-
Other liabilities	400,750	400,750	179,665	12,905	24,384	4,131	4,186	22,254	16,704	136,521
TOTAL LIABILITIES	**32,966,695**	**32,966,695**	**682,056**	**957,713**	**2,378,988**	**4,134,850**	**4,206,578**	**18,025,390**	**277,181**	**2,303,939**
Maturity mismatch as at 31 December 2023		**735,535**	**2,326,211**	**855,030**	**366,656**	**3,071,564**	**-482,336**	**-3,985,172**	**457,888**	**-1,874,306**
Cumulative mismatch		**735,535**	**2,326,211**	**3,181,241**	**3,547,897**	**6,619,461**	**6,137,125**	**2,151,953**	**2,609,841**	**-**

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

31 RISK MANAGEMENT (Continued)

31.2. Liquidity Risk (Continued)

	Carrying value	Gross amount total	Gross amount 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 up 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 from 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 from 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 liabilities	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 at 31 December 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.*

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 at 31 December 2023. 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 (items: 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.

31. RISK MANAGEMENT (Continued)

31.3. Market Risk (Continued)

31.3.1. Interest Rate Risk (Continued)

	Carrying value	Gross amount 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 up to 5 years	Over 5 years	Interest-insensitive
ASSETS									
Cash	221,189	221,189	-	-	-	-	-	-	-
Short-term financial assets	4,666,938	1,343,464	-	300,000	3,023,474	-	-	-	-
Intangible assets	27,603,291	648,276	14,134,032	1,178,349	2,216,358	1,927,311	7,204,134	932,872	-638,041
Property, plant and equipment	31,147	-	-	-	-	-	-	-	31,147
Short-term and long-term receivables from financial leasing	86,791	-	-	-	-	-	-	-	86,791
Deferred tax assets	2,486	-	-	-	-	-	-	-	2,486
Other assets	354,853	38,723	-	13,148	16,876	-	-	-	286,106
TOTAL ASSETS	**32,966,695**	**2,251,652**	**14,134,032**	**1,491,497**	**5,256,708**	**1,927,311**	**7,204,134**	**932,872**	**-231,511**
LIABILITIES									
Share capital and ownership interests	960,374	-	-	-	-	-	-	-	960,374
Profit	428,556	-	-	-	-	-	-	-	428,556
Reserves	809,469	-	-	-	-	-	-	-	809,469
Long-term and short-term financial liabilities	30,307,053	535,036	16,992,684	2,981,800	1,625,925	1,520,308	6,650,142	-	1,157
Provisions	7,856	-	-	-	-	-	-	-	7,856
Current tax liabilities	52,637	-	-	-	-	-	-	-	52,637
Other liabilities	400,750	-	-	-	-	-	-	-	400,750
TOTAL LIABILITIES	**32,966,695**	**535,036**	**16,992,684**	**2,981,800**	**1,625,925**	**1,520,308**	**6,650,142**	**-**	**2,660,799**
Maturity mismatch as at 31 December 2023		**1,716,616**	**-2,858,652**	**-1,490,303**	**3,630,783**	**407,003**	**553,992**	**932,872**	**-2,892,310**
Cumulative mismatch		**1,716,616**	**-1,142,037**	**-2,632,340**	**998,443**	**1,405,446**	**1,959,438**	**2,892,310**	**-**

31. RISK MANAGEMENT (Continued)

31.3. Market Risk (Continued)

31.3.1. Interest Rate Risk (Continued)

	Carrying value	Gross amount 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 up 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 liabilities	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 at 31 December 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**	**-**

31.3.1. Interest Rate Risk (Continued)

The total cumulative GAP up to 18 months as of 31 December 2023 is RSD 1,405,446 thousand (31 December 2022: RSD 1,060,186 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	**(191,342)**	**(65,449)**	**(44,682)**	**(70,630)**	**(10,581)**
EUR	(162,541)	(48,363)	(38,119)	(65,478)	(10,581)
RSD	(28,801)	(17,086)	(6,563)	(5,152)	-

By changing the interest rate by 2.00%, the effect on the Company's revenues or expenditures would amount to RSD
191,342 thousand, which is less than the limit of 15% of the capital, which is RSD 329,760 thousand. The limit utilization percentage is 62.75% for a change of -2%, i.e. 58.02% 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
- optionality 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 optionality risk, is insignificant.

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 of securities held for sale	**Increase of 200bp**	**Decrease of 200bp**
2023		
As at 31 December	-	-
Average of the period	-	-
Maximum of the period	-	-
Minimum of the period	-	-
2022		
As at 31 December	- 185	322
Average of the period	- 1,338	2,213
Maximum of the period	- 185	3,463
Minimum of the period	- 2,259	322

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 2023.

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 2023, the Company paid attention to the reconciliation of foreign exchange risk indicators, and in two days the limit was exceeded. In both cases, the limit was exceeded due to the postponement of the realization of placements, and the foreign exchange risk position was brought within the limits during the next working day.

The total open foreign exchange position as at 31 December 2023 amounted to RSD 80,743 thousand, while the foreign exchange risk indicator amounted to 3.67% of capital, and as at 31 December 2022 it amounted to RSD 2,361 thousand, while the foreign exchange risk indicator amounted to 0.13% 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 **at 31 December 2023** can be seen from the following table:

	Carrying value	RSD	EUR
ASSETS			
Cash and cash equivalents	221,189	216,344	4,485
Short-term financial assets	4,666,938	1,550,000	3,116,938
Short-term receivables from financial leasing	9,403,500	171,963	9,231,537
Intangible assets	31,147	31,147	-
Property, plant and equipment	86,791	60,047	26,744
Long-term receivables from financial leasing	18,199,791	174,454	18,025,337
Deferred tax assets	2,486	2,486	-
Other assets	354,853	173,133	181,720
TOTAL ASSETS	32,966,695	2,379,574	30,587,121
LIABILITIES			
Share capital and ownership interests	960,374	960,374	-
Profit	428,556	428,556	-
Reserves	809,469	809,468	-
Long-term financial liabilities	22,456,092	(9,914)	22,466,006
Short-term financial liabilities	7,850,961	(22,622)	7,873,583
Provisions	7,856	7,856	-
Current tax liabilities	52,637	52,637	-
Other obligations	400,750	72,476	328,274
TOTAL LIABILITIES	32,966,695	2,298,832	30,667,863
Net FX item - 31 December 2023	-	80,743	(80,743)

The table also contains non-financial assets and liabilities (item: 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 **at 31 December 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 item - 31 December 2022	-	(2,361)	2,361

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 income statement 2023	Effect on income statement 2022
10% depreciation RSD	(175,953)	2,597
20% depreciation RSD	(193,880)	2,833

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 negative, and in case of depreciation of the exchange rate by 10% it would amount to RSD 175,953 thousand.

The foreign exchange risk indicator in the event of 10% exchange rate depreciation would be 8.00%, and in the event of a 20% exchange rate depreciation it would be 8.82%.

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.

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

2. 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.

3. 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.

Operational risks include:

(1) Internal fraud and activities;
(2) External fraud and activities;
(3) Relations with employees and safety at the workplace;
(4) Damage to fixed assets;
(5) Business interruption and system failure;
(6) Clients, products and business practices; and
(7) Execution, delivery and management of processes, etc.

During 2023, 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.

31. RISK MANAGEMENT (Continued)

31.4. Operational Risk – continued

During 2023, 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 000 RSD
Disposal of assets under financial leasing	**1**	**52,142**
Other inadequate practices	**1**	**29,762**
Total	2	**81,904**

The operational risk of disposed of assets referred to one lessee who is also the supplier of these items when the user sold vehicles owned by Intesa Leasing Beograd. The loss on this risk did not occur because the beneficiary paid off the leased assets immediately after the event was observed. The corrective measure is enhanced monitoring over the leased asset.
The second case of operating leasing was related to the failure to activate the financial leasing contract for the user who was also the supplier of the asset. The leased assets were paid in advance to the supplier who faced import problems and there was a delay in the activation of the contract with the possibility of failure to import the leased assets. There was no damage in this case because it is a long-term partner with which the Company has good cooperation and the case has been resolved, i.e. the financial leasing contracts have been activated.

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:

- State bonds of the Republic of Serbia that are measured by applying the future contracted cash flows discounting method, 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 31 December 2023 and 2022, measured on the basis of different information in accordance with the hierarchies harmonized with the fair valuation rules of the Intesa San Paolo Group:

2023	Level 1	Level 2	Level 3	Total fair value	Carrying value
Short-term financial assets					
Securities	-	-	-	-	-
Investment units	-	-	-	-	-
Total	-				

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**

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 31 December 2023 and 2022 and are distributed according to the appropriate levels of the fair valuation hierarchy:

2023	Level 1	Level 2	Level 3	Total fair value	Carrying value
Cash	-	**221,189**	-	**221,189**	**221,189**
Financial placements with banks	-	**4,666,938**	-	**4,666,938**	**4,666,938**
Receivables from financial leasing	-	-	**26,761,191**	**26,761,191**	**27,183,271**
Total assets	-	**4,888,127**	**26,761,191**	**31,649,318**	**32,071,398**
Financial Covenants	-	30,595,444	-	30,595,444	30,293,088
Total liabilities	-	**30,595,444**	-	**30,595,444**	**30,293,088**

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)

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 at 31 December 2023, the Company's share capital is RSD 960,374 thousand (31 December 2022: 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 23 August 2023, 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 241,733 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 31 December 2023.

The reconciliation was carried out with 5,413 lessees. The total receivables disputed by the lessees during reconciliation, amounts to RSD 418 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 and did not kept the records of incidental costs. These lessees were provided with current repayment plans and summaries of payments with bookkeeping analytics in order to make adjustments in their records.

As at 31 December 2023, the Company also reconciled its liabilities with 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 natural persons, 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 natural person is employed.

For all clients, legal and natural persons 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 2023.

Belgrade, 21 February 2024

Report prepared by	Legal Representatives
(Signature: illegible)	*(Signature: illegible)*
Predrag Topalović	Nebojša Janićijević
	(Signature: illegible)
	Slavko Dukić

(Round stamp)

INTESA LEASING D.O.O. BEOGRAD

ANNUAL BUSINESS REPORT FOR 2023

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1. BUSINESS ACTIVITIES AND ORGANIZATIONAL STRUCTURE

1.1. Business activities

The financial leasing company **“Intesa Leasing” d.o.o. Beograd** (hereinafter: the “Company” or “Intesa Leasing”) was established pursuant to the Decision of the Commercial Court of 3 September 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 25 July 2005 pursuant to the Decision no. 82785/2005.

Intesa Leasing deals with financial leasing in accordance with the **Law on Financial Leasing** (“Official Gazette of RS”, no. 55/2003, 61/2005, 31/2001 and 99/2011), and thus the Company's activity code was defined by the competent authority as 6491.

The Company is engaged in the financing of: equipment, real estate, passenger and commercial vehicles. The sales channels are: direct sales channel (Intesa Leasing), sales channel of Banca Intesa a.d. Beograd and 61 external sales channel through intermediaries.

In accordance with the criteria of the Law on Accounting (“Official Gazette of RS”, no. 62/2013), the Company was classified into large legal entities for the needs of preparation of financial statements for 2023.

Since 19 December 2011, Banca Intesa a.d. Beograd has become a 100% owner of ownership interests in the Company and has a leading role in the management of the Company.

The registered office of the Company is in Belgrade, at 7b, Milentija Popovića Street.

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

In 2023, the Company achieved the following:

- stable and sustainable growth of the portfolio, total assets and new placements;
- portfolio and assets quality improvement;
- more favorable sources of financing.

1.2. Organizational Structure

The Rulebook on the Internal Organization of the Company, as a basic internal act, governs the division to main and more specific organizational units within the internal structure of the Company in which leasing activities are performed, the management coordination level, the list of main responsibilities by organizational units and other issues in the field of internal organization.

In 2023, there were no changes in the organizational structure.

The organizational structure of the Company consists of:

- Departments;
- Offices; and
- Teams.

The governing bodies of the Company are:

- **Assembly** of the Company, with one representative from Banca Intesa a.d. Beograd.

- **The Management Board/Board of Directors of the Company** consists of the President and two members of the Management Board from Banca Intesa a.d. Beograd.

- **Executive Board of the Company (Top Management)**: President and two members of the Company's Executive Board. The Company is represented, in accordance with the Law, by the President of the Executive Board of the Company. The **members** of the Executive Board of the Company are in charge of the Product Management and Sales Department and the Finance, Planning and Operational Affairs Department.

Other management staff of the Company includes:

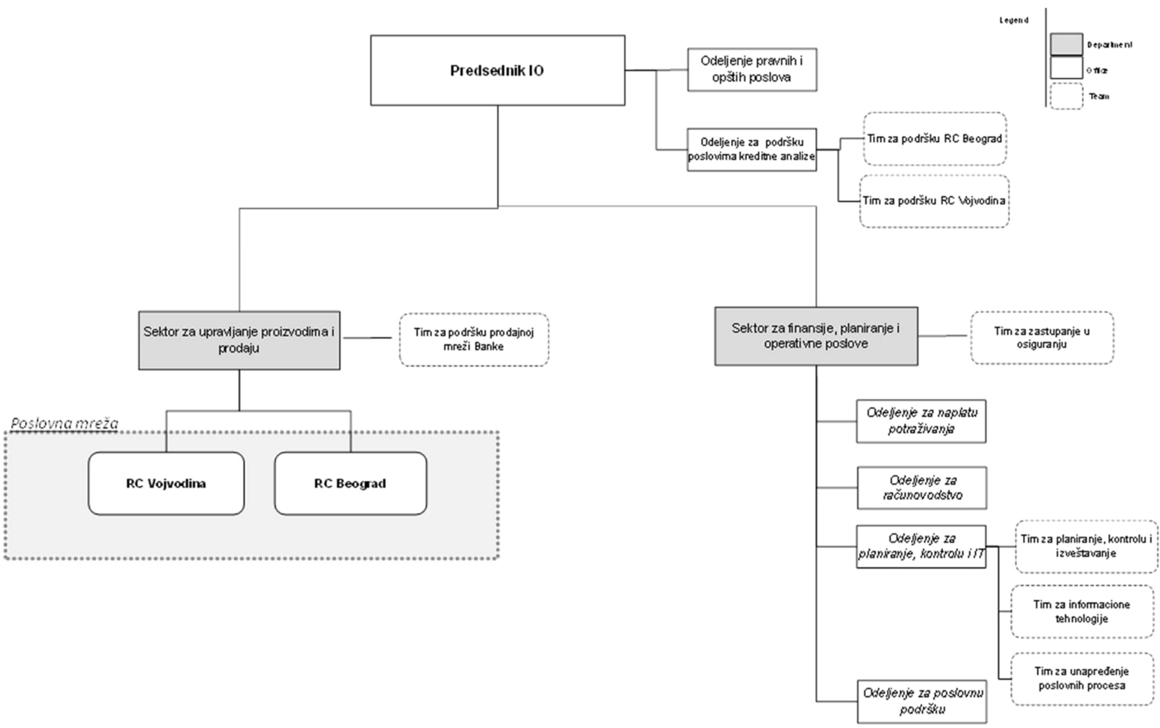
- Middle Management: Heads of Offices;

- Line Management: Team Leaders; and

- Special organizational units that are directly responsible to the President of the Executive Board for their work and which, in the domain of their competencies, provide support to the President of the Executive Board in the management of the Company's operations, namely: Legal and General Affairs Office and Credit Analyses Support Office.

1.2. Organizational Structure (Continued)

Figure 1. Organizational chart Intesa Leasing



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

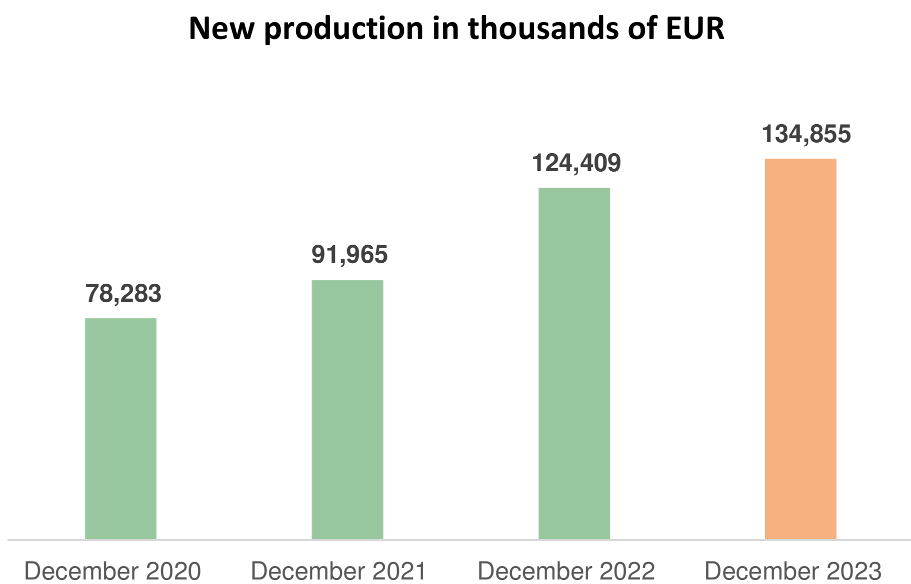
Business Support Office

2. OPERATIONS OF THE COMPANY

2.1. Commercial Activities

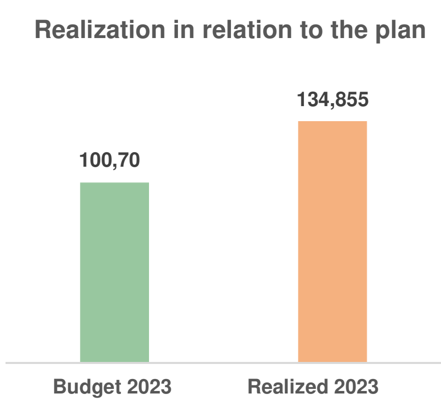
In 2023, Intesa Leasing made unstoppable progress and achieved the best result in the history of its business. During the observed period from 2020 to 2023, the Company recorded a steady growth in sale volumes. Compared to 2022, when the Company reached the highest level of new production so far, in 2023 it achieved exceptional sales growth and surpassed all the results achieved so far. The level of new placements realized in 2023 amounts to EUR 134,855 thousand, i.e. 3,631 new leasing contracts.

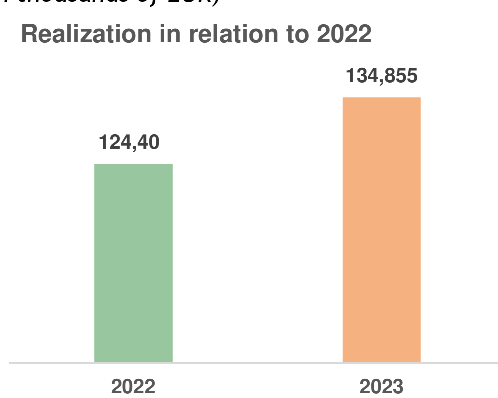
Figure 2. Financed value of new placements by years (in thousands of EUR)



Compared to the previous year, the Company recorded a growth rate of new placements of 8.4% (EUR 10,446 thousand). The realized financed value of placements for 2023 amounted to EUR 134,855 thousand, which is 33.92% (EUR 34,155 thousand) significantly above the planned value for 2023 (EUR 100,700 thousand) and represents the highest level of placements in the history of the Company.

Figure 3. Comparison of the realization of new placements with the plan for 2023 and 2022 (in thousands of EUR)

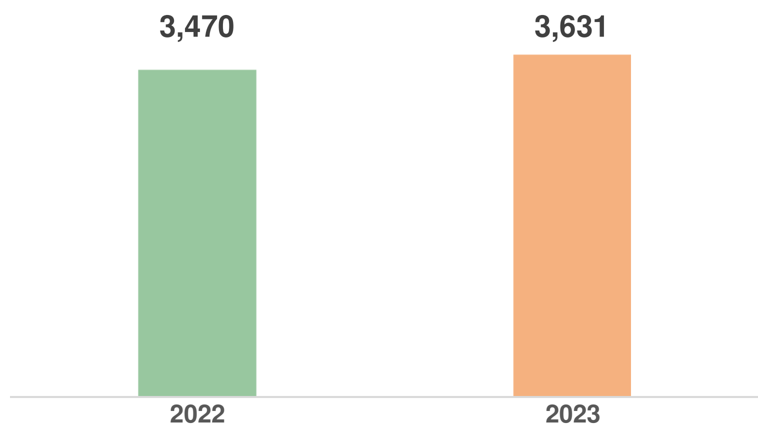




2.1 Commercial Activities (Continued)

The total number of new contracts realized in 2023 amounts to 3,631, which is an increase of 161 compared to 2022.

Figure 4. Comparison of the realization of new contracts for 2023 and 2022



The Company records continuous portfolio growth. In 2023, the Company achieved the highest level of placements since its existence, i.e. EUR 242.6 million, which is EUR 33.4 million higher than in 2022 (EUR 209.2 million).

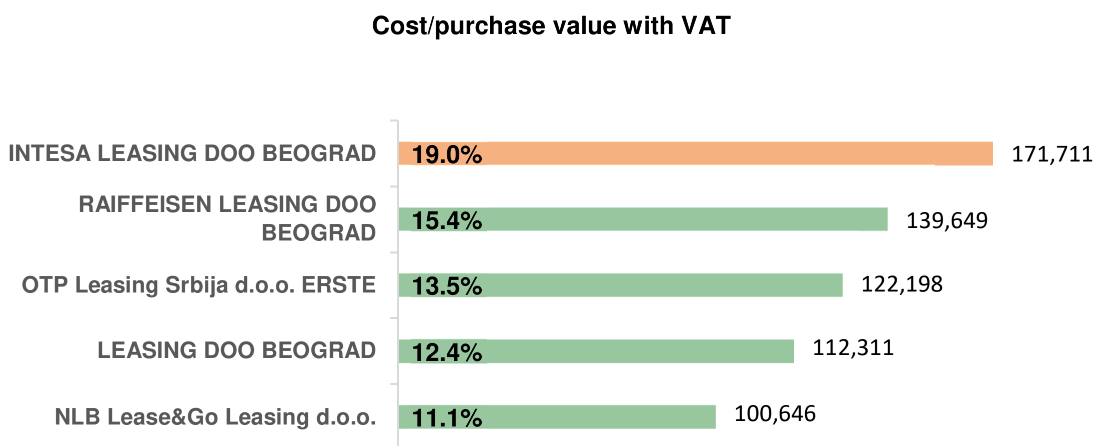
Figure 5. Portfolio growth by year

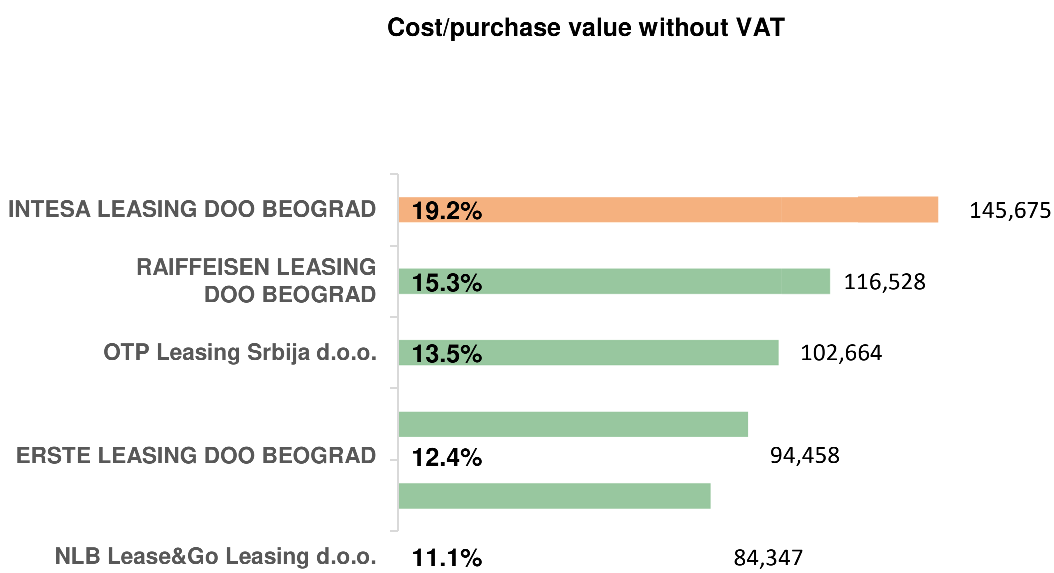
2.2. Market Share

According to the data *of the Association of Leasing Companies of Serbia ("ALCS")* for 2023, the Company ranked first in the leasing market according to the indicators of the financed value of new placements with a market share of 18.2%, as well as according to the indicators of the cost/purchase value without VAT with a market share of 19.2% and the cost/purchase value with VAT with a market share of 19%.

The following charts show the market share of the five largest leasing companies at the end of 2023 according to the criterion of new production: cost/purchase value with VAT, cost/purchase value without VAT and financed value. The values are given in thousands of EUR.

Figure 6. Market share of the five largest leasing companies according to new production indicators: cost/purchase value with VAT and cost/purchase value without VAT (in thousands of EUR)



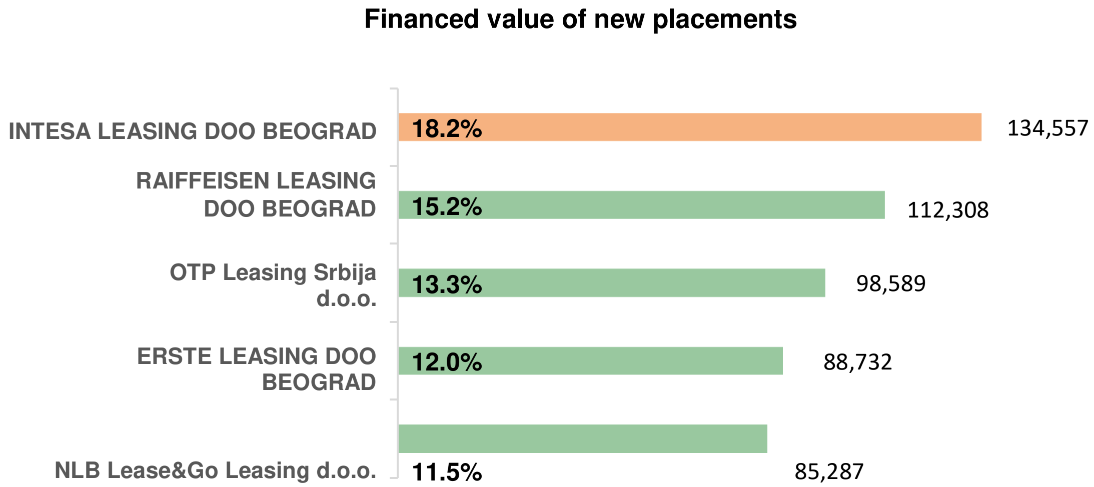


2. OPERATIONS OF THE COMPANY (Continued)

Compared to the five largest leasing companies, the Company holds a convincing first position on the market. In 2023, the leasing market grew in terms of new production by 9.7% compared to 2022.

According to the indicator of the financed value, the Company took the first place with a share of 18.2% in the total realization of new placements on the leasing market in 2023. The total value of new leasing market placements at the end of 2023 amounted to EUR 740.8 million, which represents a growth of 9.7% compared to 2022.

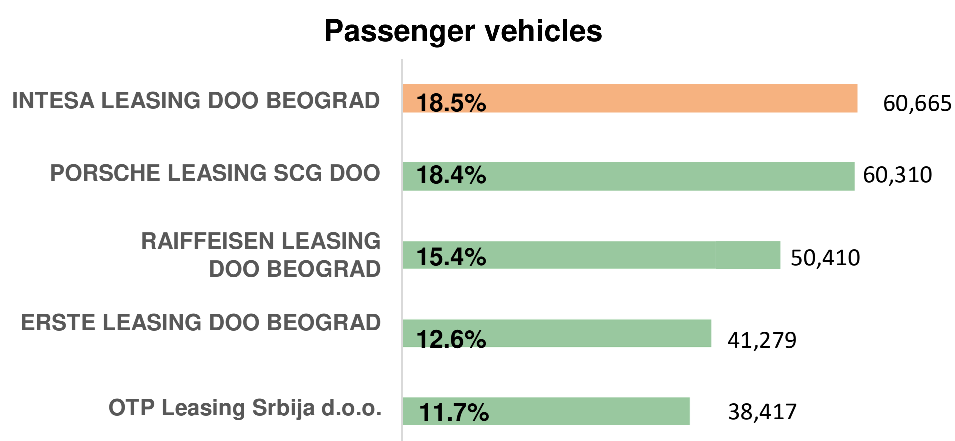
Figure 7. Market share of the five largest leasing companies according to the indicator of financed value of new placements (in thousands of EUR)



At the end of 2023, the Company took the first place in the passenger vehicle segment. In the segment of commercial vehicles, the Company took the second place, while in the segment of equipment it took the fourth place.

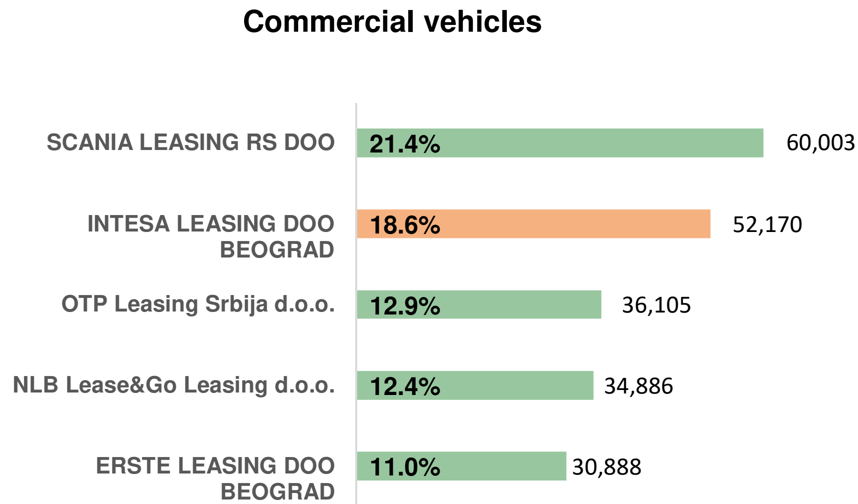
The following charts show the market share of the five largest leasing companies at the end of 2023 according to the criterion of new production by leasing product types (in thousands of EUR):

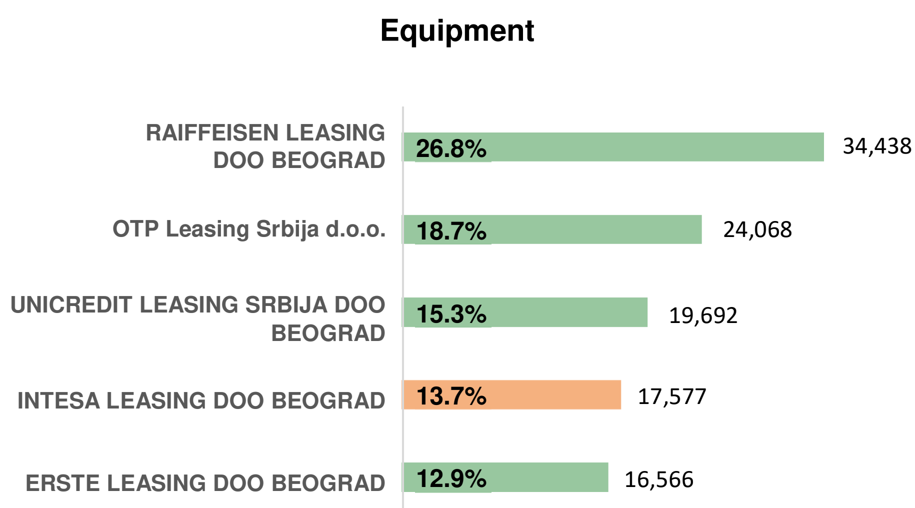
Figure 8. Market share of the five largest leasing companies by type of equipment (in thousands of EUR)



2. OPERATIONS OF THE COMPANY (Continued)

2.2. Market Share (Continued)





In 2023, the Company also made progress in market share by equipment groups compared to 2022. In the passenger vehicle segment, the Company made progress from third place at the end of 2022 to first place at the end of 2023. In the segment of commercial vehicles, the Company took second place. In the equipment segment, the Company made progress from fifth place at the end of 2022 to fourth place at the end of 2023. The total financed value of real estate in 2023 was EUR 1.3 million.

2. OPERATIONS OF THE COMPANY (Continued)

2.3. Financial Position

At the end of 2023, the total balance sheet assets of the Company amounted to RSD 32,966,695 thousand. Compared to the previous year, when it amounted to RSD 29,432,118 thousand, there was an increase in the balance sheet total of 12.01% (RSD 3,534,577 thousand).

The balance of placements at the end of 2023 amounted to RSD 27,603,291 thousand, which is above last year's level (RSD 24,033,354 thousand) by 14.85% (RSD 3,569,937 thousand).

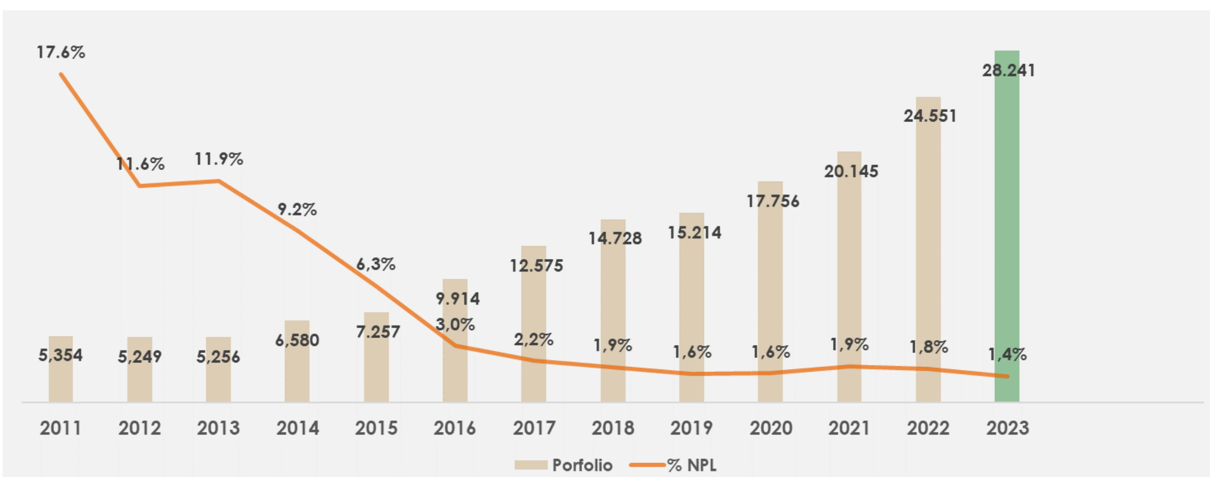
Over the years, the Company has significantly improved the quality of the portfolio. In 2023, the level of non-performing placements was lower than in 2022.

The portfolio quality indicators at the end of 2023 are as follows:

- the percentage of non-performing placements in total placements (% of NPL) is declining and at the end of 2023 it amounted to 1.4%. At the end of 2022, the % NPL was 1.8%;
- the ratio of coverage of non-performing placements by value adjustments is 84.9%, and in the previous year it amounted to 70.9%.

Figure 9. Share of non-performing placements (NPLs) in the total value of placements (gross long-term receivables - in millions of RSD)

Share of non-performing placements (NPLs) in total ILB placements



2. OPERATIONS OF THE COMPANY (Continued)

2.4. Operating Result

The realized profit of the Company at the end of 2023 amounted to RSD 428,556 thousand, which is above last year's profit level (RSD 241,733 thousand) by RSD 186,823 thousand or 77.28% and above the budget by 77.5%. The costs of provisions in 2023 are lower than the amount planned by the budget (RSD 21,234 thousand). Compared to last year, the costs of provisions are significantly higher, i.e. higher by RSD 87,602 thousand.

The Cost/Income ratio for 2023 was at 31% compared to the end of 2022 when it was 36.4%. The achieved Cost/Income ratio is lower than the planned level by 7.2%, i.e. lower than last year by 5.4%.

Compared to the end of 2022, the number of employees increased. As at 31 December 2023, the Company had 56 employees.

2.5. Internal Audit

During 2023, two internal audits were conducted in accordance with the Company's Internal Audit Plan in the following organizational parts: Legal and General Affairs Office, Credit Analyses Office, Product Management and Sales Department and Finance, Planning and Operational Affairs Department in the following areas: anti-money laundering (AML) management and placement approval.
The aim of the audit was to examine the existence and adequacy of the following processes:

- Knowing and keeping track of clients;
- Reporting and communication obligations;
- Client monitoring;
- Preventing financing of terrorism and managing relations with sanctioned countries;
- Anti-money laundering roles and management functions;
- Approval of placements including: request and proposal, approval and realization of leasing products.

Residual risk was assessed as "medium", because the internal control system was assessed as "requires improvement".

The main findings relate to the need for:

- Defining the competencies and responsibilities of all participants in the process of preventing money laundering and terrorist financing and knowing and keeping track of clients;
- Mutual harmonization of internal regulations regarding the establishment/continuation of a business relationship with medium- and high-risk clients;
- Preparation of AML scoring results and Official Note for joint debtors – legal entities;
- Defining all criteria for client risk assessment, increasing the number of points for individual activities and providing application support;
- Conducting timely monitoring;
- Timely implementation of the Bank's principles related to the level of risk of joint clients;
- Adequate allocation of the unique key and the number of points per country;
- Ensuring compliance of reports in the field of prevention of money laundering and terrorist financing with legal regulations;
- Providing data on the date or month and year of manufacture of the leased asset;
- Adoption of the decision relating to the modification/increase of the initially approved net financing amount/gross value.

The remaining unresolved recommendations of the Internal Audit will be implemented according to the defined activity plans in the first half of 2023.

2. OPERATIONS OF THE COMPANY (Continued)

2.6. Tax Control

During 2023, the Company did not implement a tax control.

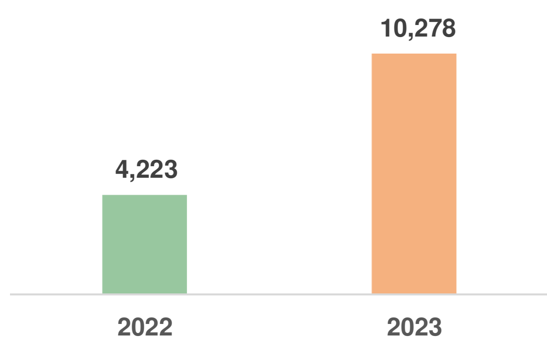
3. ENVIRONMENTAL PROTECTION

Through the Socio-Ecological Risks Management procedure, the Company has established risk monitoring in the field of environmental protection.
The environmental risk is the possibility that the activity of the Company's clients directly or indirectly endangers the environment.

The procedure applies to the management of environmental risks associated with the activity of clients, legal entities or entrepreneurs financed by the Company, when approving new financing. The Company checks whether the financing proposal relates to the financing of activities from the list of activities not supported by the Company and, if the activity is on the list, it decides to reject the financing application.

In 2023, the Company significantly increased the financing of assets that have a beneficial impact on the environment. The net amount of financing of assets with a favourable environmental impact, i.e. vehicles with hybrid and electric drive, in 2023 amounts to EUR 10,278, which is significantly more than in 2022 (EUR 4,223) i.e. by EUR 6,055 or 143.4%. The Company continues this trend in 2024.

Figure 10. *Comparison of financing of new leased assets that have a favourable environmental impact for 2023 and 2022 (ESG)*



During 2023, the Company participated in the state subsidy program for the procurement of Environmental Friendly Vehicles, i.e. electric and hybrid vehicles.

4. SIGNIFICANT EVENTS AFTER THE END OF THE YEAR

There were no significant events after the reporting period date that would require adjustments or disclosure in the annual business report of the Company for 2023.

5. PLANNED FUTURE GROWTH

The Company has adopted the Strategic Plan for the period 2022-2025, which highlights the following as the most important strategic directions of development:

- to become the most successful leasing company on the Serbian leasing market operating in a profitable and sustainable manner;
- increase in the share of financing of passenger vehicles in the total new production;
- introduction of a new “Operating Leasing” product;
- more favorable loan facilities and achieving lower financing costs, which leads to a better position when approving new placements and opens the possibility of further improving the quality of the portfolio;
- obtaining new favorable loan facilities from international financial institutions and funds, which is important for the achievement of strategic goals;
- participation in state subsidy programs for equipment and construction machinery, Environmental Friendly Vehicles (electric vehicles, hybrid, etc.) and agricultural equipment;
- New **ESG** cost in the period 2023 – 2025 as a strategic orientation of the Group;
- increasing business success and reducing the Cost/Income ratio, through increasing operating revenues and continuous improvement of business efficiency and reduction of administrative and general costs; and
- improving operational efficiency and improving and automating business processes.

6. RESEARCH AND DEVELOPMENT ACTIVITIES

Development activities within the Company are primarily aimed at improving business processes and further development of the Business Process Management (BPM).

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

- **E-invoices** represent the process of automated sending and receiving of all invoices through the eFakture portal. The development of the process was initiated and conditioned by the adoption of the new Law on Electronic Invoicing. The process of sending outgoing invoices to public enterprizes as well as to legal entities that are VAT taxpayers and users of the Electronic Invoices System, was developed in the first phase. In the second phase, the process of receiving incoming invoices as well as importing them into the system was developed. This automation will contribute to a significant improvement in the process of posting and sending invoices, which opens up opportunities for additional improvements in the work process.

- The **APR web service** implies a process that enables the electronic deregistration of contracts with the APR (Business Registers Agency).
  The process includes completion of an electronic application with existing data from the system. This process significantly contributed to savings in time and work due to the fact that the entire process of registration and deregistration of contracts with the APR was performed manually, starting from completion of requests/applications, submission of documentation, to the personal submission of documentation in paper form at the APR counter.

- **The automated AML Monitoring process is a** process that allows automatic verification of the change of relevant partner data and updates the changed data in the system. Also, the development of this process enabled the automatic completion of the KYC questionnaire, which further enabled KYC clients to sign the questionnaire digitally and thus reduce the use of paper, while accelerating the entire process.

6. RESEARCH AND DEVELOPMENT ACTIVITIES (Continued)

The development of new tools has started in the system:

- **Pricing Calculator** implies fully automated submission of offers to interested clients with all conditions and approved discounts. The process will define the conditions that will be offered to the client depending on the rating, potential and subject of leasing. Currently, the approved discounts are manually defined and manually recorded.

- **Digital signatures** continuation and upgrade of the developed process and is widely applied internally in signing credit committee decisions. The goal of the development of this process is to enable the digital signing of the entire contractual documentation, which would significantly accelerate the process of registering and deregistering the contract in the leasing register at the Business Registers Agency. The aim is to enable a simpler and faster digital flow of documentation between Intesa Leasing and stakeholders.

7. REPURCHASE OF OWN OWNERSHIP INTERESTS

The Company did not repurchase its own ownership interests during 2023.

8. NETWORK OF BRANCHES

The Company has one registered branch in 2023 and it is a branch in Novi Sad.

9. FINANCIAL INSTRUMENTS

During 2023, the Company did not use financial instruments.

10. FINANCIAL RISK MANAGEMENT

Risk is an integral part of the operations of the Company and it is impossible to completely eliminate it. The Company manages risks in such a way that they are reduced to the limits acceptable to all stakeholders: 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 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.

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 to the Company. Some 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 limit realization.

On 28 December 2021, the Management Board adopted the decision on the adoption of a limit which defines the Company's risk appetite (RAF limits) for the purpose of further harmonization with the risk management rules of the parent bank (Banca Intesa a.d. Beograd) in accordance with the regulations, standards and rules of the profession. Limits on capital adequacy, liquidity, exposure to operational risk (the so-called "*top of the house limits*") and specific limits on 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 valid.

/i/ Credit Risk

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

10. FINANCIAL RISK MANAGEMENT (Continued)

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

The credit risk indicator can be presented through the following portfolio quality table presented through the value of net placements, i.e. receivables from financial leasing without other receivables from financial leasing, accrued interest and without prepaid service costs (with amounts shown in thousands of RSD):

	2023	**Share in total net placements**	**2022**	**Share in total net placements**
Performing	27,616,864	99.78%	23,987,444	99.46%
Past due	34,045	0.12%	79,570	0.33%
Unlikely to pay	18,708	0.07%	29,398	0.12%
Doubtful	8,977	0.03%	21,076	0.09%
Total	**27,678,594**	**100.00%**	**24,117,488**	**100.00%**

As can be seen from the previous table, for both observed years, the share of net non-performing placements is at a low level - for 2023 a total of 0.22%, and for 2022 0.54%.

By continuously monitoring this risk, the Company managed to reduce the share of non-performing placements in 2023 compared to previous years. Credit risk is at a satisfactory level in relation to the set limits.

10. FINANCIAL RISK MANAGEMENT (Continued)

/ii/ 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.

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

	2023			2022		
	Assets	Liabilities	Cumulative mismatch	Assets	Liabilities	Cumulative mismatch
Gross exposure up to 30 days	3,008,267	682,056	2,326,211	5,151,875	3,342,949	1,808,926
Gross exposure from 1 to 3 months	1,812,743	957,713	3,181,241	1,611,246	580,768	2,839,404
Gross exposure from 3 to 6 months	2,745,644	2,378,988	3,547,897	2,013,295	1,035,637	3,817,062
Gross exposure from 6 to 12 months	7,206,414	4,134,850	6,619,461	4,273,056	2,154,898	5,935,220
Gross exposure from 12 to 18 months	3,724,242	4,206,578	6,137,125	4,224,610	2,517,872	7,641,958
Gross exposure from 18 months to 5 years	14,040,218	18,025,390	2,151,953	11,901,240	17,326,896	2,216,302
Gross exposure over 5 years	735,069	277,181	2,609,841	637,361	691,355	2,162,308
Gross amount without defined maturity	429,633	2,303,939	-	315,569	1,781,743	-
Gross exposure - total	**33,702,230**	**32,966,695**	**735,535**	**30,128,252**	**29,432,118**	**696,134**

As can be seen from the overview, the Company has high degree liquidity matching, i.e. it is able to fulfill its due liabilities in all observed time periods.

10. FINANCIAL RISK MANAGEMENT (Continued)

/iii/ 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 interest-sensitive 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 calculated *Repricing gap* indicator shows that in the case of change of interest rate by 2.00% effect on revenues of the Company in 2023 would be RSD 191,342 thousand, which is within the limit prescribed by the Procedure for interest rate risk management.

/iv/ 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.

As at 31 December 2023, the Company achieved an open position of RSD 80,743 thousand, which is 3.67% of the Company's capital, and as at 31 December 2022 it amounted to RSD 2,361 thousand, while the foreign exchange risk indicator amounted to 0.13% of the Company's capital. Foreign exchange risk is within the established limit of EUR 1,000 thousand translated at 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 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.

Operational risks include:

(1) Internal fraud and activities;
(2) External fraud and activities;
(3) Relations with employees and safety at the workplace;
(4) Damage to fixed assets;
(5) Business interruption and system failure;
(6) Clients, products and business practices; and
(7) Execution, delivery and management of processes, etc.

10. FINANCIAL RISK MANAGEMENT (Continued)

During 2023, 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 2023, two cases of operational risk occurred and they can be presented by the following table, in which the values are given in RSD thousands:

	Number of cases	Potential damage in 000 RSD
Disposal of assets under financial leasing	1	**52,142**
Other inadequate practices	1	**29,762**
Total	2	**81,904**

The operational risk of disposed of assets referred to one lessee who is also the supplier of these items when the user sold vehicles owned by the Company. The loss on this risk did not occur because the beneficiary paid off the leased assets immediately after the event was observed. The corrective measure is enhanced monitoring over the leased asset.

The second case of operating leasing was related to the failure to activate the financial leasing contract for the user who was also the supplier of the asset. The leased assets were paid in advance to the supplier who faced import problems and there was a delay in the activation of the contract with the possibility of failure to import the leased assets. There was no damage in this case because it is a long-term partner with which the Company has good cooperation and the case has been resolved, i.e. the financial leasing contracts have been activated.

The overall assessment of the Company's exposure to risks for 2023 indicates that all risk indicators are within the established limits and as such are very effective in managing the Company, as evidenced by the total achieved results of the Company's operations.

Belgrade, 21 February 2024

Report prepared by	Legal Representatives
(Signature: illegible)	*(Signature: illegible)*
Dragana Radivojević	Nebojša Janićijević
	(Signature: illegible)
	Slavko Dukić

(Round stamp)