

*This is an English translation of Independent Auditor's Report
originally issued in the Serbian language*

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF ERB LEASING a.d. BELGRADE - IN LIQUIDATION

Report on Financial Statements

We have audited the accompanying financial statements of Joint stock company for finance lease "ERB Leasing" a.d. Belgrade - in liquidation (hereinafter "the Company"), which comprise the balance sheet as of 31 December 2017, and the income statement, statement of other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting regulations prevailing in the Republic of Serbia and the basis of preparation of the financial statements disclosed in Note 2 to the financial statements, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Law on Auditing ("RS Official Gazette", no. 62/2013) and Standards on Auditing applicable in the Republic of Serbia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with the accounting regulations prevailing in the Republic of Serbia and the basis of preparation of the financial statements disclosed in Note 2 to the financial statements.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF ERB LEASING a.d. BELGRADE - IN LIQUIDATION
(Continued)

Report on Financial Statements (Continued)

Emphasis of Matter

We draw attention to Note 2 to the financial statements, which describes the basis of preparation of the accompanying financial statements. On 23 December 2017, the Shareholders' Assembly of the Company passed the Decision on termination of its operations and initiation of liquidation procedure pursuant to the provisions of the Law on Companies ("RS Official Gazette", no. 36/2011, 99/2011, 83/2014 and 5/2015) and Law on Bankruptcy and Liquidation of Banks and Insurance Companies ("RS Official Gazette", no. 14/2015). Subsequent to receiving the National Bank of Serbia's approval for initiating the procedure of voluntary liquidation, on 29 August 2017 the Company registered the Notification on the liquidation procedure initiation with the Serbian Business Registers Agency under no. BD72253/2017. Consequently, these financial statements have been prepared on a gone concern basis. Our opinion is not modified in respect of this matter.

Other Matters

The financial statements of the Company as of and for the year ended 31 December 2016 were audited by another auditor who expressed an unqualified opinion on those financial statements on 27 April 2017.

Report on Other Legal and Regulatory Requirements

Management of the Company is responsible for the preparation and fair presentation of the accompanying annual business report in accordance with the requirements of the Law on Accounting ("RS Official Gazette", no. 62/2013). Pursuant to the Law on Auditing ("RS Official Gazette", no. 62/2013), our responsibility is to express an opinion on the consistency of the Company's annual business report for the year ended 31 December 2017 with the audited financial statements for the same year. Our procedures in this regard were performed in accordance with the applicable Standard on Auditing 720 "The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements", and are only limited to the assessment of the consistency of financial information disclosed in the annual business report with the audited financial statements.

In our opinion, financial information disclosed in the Company's annual business report for the year ended 31 December 2017 is consistent, in all material respects, with the audited financial statements of the Company for the year ended 31 December 2017.

Belgrade, 27 February 2018


Ksenija Ristic Kostic
Certified Auditor



**ERB LEASING a.d. BELGRADE – IN
LIQUIDATION**

**Financial Statements as of and for
the Year Ended 31 December 2017**

and

Notes to the Financial Statements

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INCOME STATEMENT
For the Year Ended 31 December 2017
In RSD thousand

	Note	2017	2016
OPERATING INCOME AND EXPENSES			
Interest income	3.1, 5	2,217	9,964
Interest expenses	3.1, 6	(1,497)	(3,378)
Net Interest Income		720	6,586
Fee and commission income	3.1, 7	541	2,194
Fee and commission expenses	8	248	(966)
Net Income from Fees		293	1,228
Net foreign exchange gains/(losses) and effects of foreign currency clause	3.3, 9	(12,748)	(296)
Other operating revenues	10	3,893	3,950
Net impairment lossess from financial leasing activities	11	22,553	21,118
Net impairment lossess from repossessed assets	12	(2,372)	(2,772)
Total Operating Revenues		11,326	22,000
Salaries and other personnel costs	3.15, 13	(13,962)	(11,796)
Net impairment lossess from other non-financial assets		-	-
Deepreciation and amortizaton costs		(216)	(132)
Other expenses	14	(36,351)	(15,758)
PROFIT/(LOSS) BEFORE TAX		(38,190)	2,128
Current tax expense	3.13, 15	(8,056)	(297)
Deferred tax income	3.13, 15	(3,246)	(454)
PROFIT/(LOSS) AFTER TAX		(49,492)	1,377



Vladan Miljanovic

Legal representative

The notes on pages 9 to 43
are an integral part of these financial statements.

ERB LEASING a.d. BELGRADE- IN LIQUIDATION

BALANCE SHEET
As of 31 December 2017
In RSD thousand

	<u>Note</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
ASSETS				
Cash and cash equivalents	3.10., 16	159,955	124,087	109,784
Short-term financial placements	17	23,695	-	-
Receivables from financial leasing activities	3.6., 3.7., 18	2,161	72,273	245,266
Repossessed assets	3.8, 19	2,469	9,608	14,791
Leased assets		-	-	361
Intangible assets		-	-	-
Equipment	3.5	818	463	85
Receivables for overpaid income tax	3.13.	422	7,745	6,915
Deferred tax assets	15	-	3,246	3,700
Other assets	20	18,715	18,737	16,736
TOTAL ASSETS		<u>208,235</u>	<u>236,159</u>	<u>397,638</u>
EQUITY AND LIABILITIES				
Liabilities				
Long-term borrowings abroad	3.11., 21	73,679	88,513	248,708
Long-term provisions	3.14.	3,561	1,182	3,481
Other liabilities	3.12., 23	3,337	7,314	7,676
		<u>80,577</u>	<u>97,009</u>	<u>259,865</u>
Equity				
Share capital	24	118,200	80,200	80,200
Retained earnings		58,950	57,573	36,885
Current year profit/(loss)		(49,492)	1,377	20,688
		<u>127,658</u>	<u>139,150</u>	<u>137,773</u>
TOTAL LIABILITIES		<u>208,235</u>	<u>236,159</u>	<u>397,638</u>



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STATEMENT OF CHANGES IN EQUITY
For the Year Ended 31 December 2017
In RSD thousand

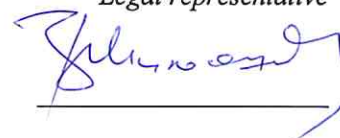
	<u>Share capital</u>	<u>Retained earnings</u>	<u>Total</u>
Balance as of 1 January 2016	80,200	57,573	137,773
Profit/(Loss) for the year	-	1,377	1,377
Balance as of 31 December 2016	80,200	58,950	139,150
Profit/(Loss) for the year	38,000	(49,492)	(11,492)
Balance as of 31 December 2017	118,200	9,458	127,658

STATEMENT OF COMPREHENSIVE INCOME
For the Year Ended 31 December 2017
In RSD thousand

	<u>2017</u>	<u>2016</u>
Profit/(Loss) for the period	(49,492)	1,377
Total comprehensive income/ (loss) for the year	(49,492)	1,377

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Legal representative




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STATEMENT OF CASH FLOW
For the Year Ended 31 December 2017
In RSD thousand

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash inflow from operating activities	83,985	216,525
Receipts from finance lease placements	75,169	202,367
Receipts and advances received from finance lease activities		2
Receipts from rent and sales and other advances received	7,375	757
Other receipts from operations	1,441	13,399
Cash outflow from operating activities	(49,663)	(38,065)
Payment of liabilities and advance payments in respect of finance lease activities	-	-
Other payments to suppliers and advances paid	(22)	(110)
Payments for salaries and other personnel costs	(11,370)	(11,576)
Income tax paid	733	1,128
Other public duties paid	199	-
Other outflows from operations	(37,339)	(25,251)
Net cash flows from operating activities	34,322	178,460
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash inflow from investing activities	2	-
Sale on intangibles and equipment	-	-
Other inflows from investing activities	-	-
Interests receipts from term deposits	2	-
Cash outflow from investing activities	24,840	-
Purchase of intangible assets, property, plant and equipment	-	-
Other financial placements (net outflows)	24,840	-
Net cash flows used in investing activities	24,838	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash inflow from financing activities	38,000	-
Proceeds from long-term and short-term borrowings (net outflows)	(11,615)	(164,157)
Net cash flows from financing activities	26,385	(164,157)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		
	35,869	14,303
Cash and cash equivalents, beginning of the year	124,087	109,784
Foreign exchange gains on translation of cash and cash equivalents	-	-
Foreign exchange losses on translation of cash and cash equivalents	-	-
CASH AND CASH EQUIVALENTS, END OF THE YEAR (Note 21)	159,956	124,087

The notes on pages 9 to 43
are an integral part of these financial statements.

STATISTICAL ANNEX
For the Year Ended 31 December 2017
In RSD thousand

I GENERAL CORPORATE INFORMATION

	<u>2017</u>	<u>2016</u>
Number of months of operations (1 to 12)	12	12
Size indication (1 to 4)	4	4
Ownership structure indication (1 to 5)	2	2
Number of foreign entities holding a share in capital	2	2
Average number of employees, based on the number at the end of each month (whole number)	4	4

II MOVEMENTS IN INTANGIBLE ASSETS, PROPERTY, PLANT AND EQUIPMENT

	<u>Cost</u>	<u>Accumulated depreciation/ amortization</u>	<u>Net book value</u>
1. Intangible assets			
Balance at the beginning of the year	5,244	(5,244)	-
Additions during the year	-	-	-
Disposals	-	-	-
Revaluation	-	-	-
Balance at end of year	<u>5,244</u>	<u>(5,244)</u>	<u>-</u>
2. Property, plant and equipment			
Balance at the beginning of the year	8,678	(8,215)	463
Additions during the year	570	-	570
Disposals	-	(215)	(215)
Revaluation	-	-	-
Balance at the end of the year	<u>9,248</u>	<u>(8,430)</u>	<u>818</u>

III INVENTORY STRUCTURE

	<u>2017</u>	<u>2016</u>
Inventories of materials used in the process of service delivery	-	-
Leased assets and other assets repossessed in exchange of uncollectible receivables	2,453	9,602
Leased assets	-	-
Non-current assets held for sale and assets from discontinued operations	-	-
Advances paid	16	6
Total	<u>2,469</u>	<u>9,608</u>

STATISTICAL ANNEX (Continued)
For the Year Ended 31 December 2017
In RSD thousand

IV CAPITAL STRUCTURE

	<u>2017</u>	<u>2016</u>
Share capital	118,200	80,200
Out of which: foreign capital	59,700	59,700
Stakes of a limited liability company	-	-
Out of which: foreign capital	-	-
Stakes of partnership or limited partnership	-	-
Out of which: foreign capital	-	-
Total	<u>118,200</u>	<u>80,200</u>

V SHARE CAPITAL STRUCTURE

	<u>2017</u>	<u>2016</u>
Ordinary shares		
Number of ordinary shares	1,182	802
Nominal value of ordinary shares – total	118,200	80,200
Preference shares	-	-
Number of preference shares	-	-
Nominal value of preference shares – total	-	-
Total – nominal value of shares	<u>118,200</u>	<u>80,200</u>

VI RECEIVABLES AND LIABILITIES

	<u>2017</u>	<u>2016</u>
Receivables during the year from insurance companies (credit turnover without opening balance)		
VAT paid for purchase of goods and services (debit turnover without opening balance)	2,154	3,523
Liabilities for net salaries and benefits (credit turnover without opening balance)	6,886	6,926
Liabilities for tax on salaries and benefits paid by employee (credit turnover without opening balance)	910	915
Liabilities for contributions on salaries and benefits paid by employee (credit turnover without opening balance)	1,866	1,884
Liabilities for dividends, share in profit and personal income of the employer (credit turnover without opening balance)	-	-
Liabilities to individuals in respect of contract fees (credit turnover without opening balance)	-	-
VAT payable (annual amount per Tax returns)	1,482	751
Control total	<u>13,298</u>	<u>13,999</u>

STATISTICAL ANNEX (Continued)
For the Year Ended 31 December 2017
In RSD thousand

VII OTHER COSTS AND EXPENSES

	<u>2017</u>	<u>2016</u>
Materials used in the process of service delivery, fuel and energy	187	235
Spare parts and tools	-	-
Transportation costs	262	310
Insurance premiums	75	103
Fairs exhibit costs	-	-
Advertising costs	7	7
Intellectual service costs	9,191	1,902
Representation costs	19	30
Bank charges	118	228
Membership fees	551	602
Rent	2,253	2,283
Rent of land	-	-
Maintenance costs	1,630	2,560
Research and development	-	-
Salaries and benefits (gross)	9,662	9,725
Taxes and contributions on salaries and benefits paid by employer	1,678	1,695
Compensations to individuals (gross) in respect of contracts	-	-
Compensations to the members of Board of Directors and Supervisory Board (gross)	-	-
Other personal expenses and compensations	160	155
Other taxes, contributions and customs	210	-
Interest on loans, rent and sales	-	-
Foreign exchange losses	739	5,893
Losses from foreign currency clause	38,027	20,954
Expenses arising from share in losses of subsidiaries and joint ventures	-	-
Expenses for humanitarian, cultural, health, educational, scientific and religious activities, environmental protections and sports activities	-	-
Control total	<u>64,769</u>	<u>46,682</u>

VIII OTHER INCOME

	<u>2017</u>	<u>2016</u>
Interest on loans, rent and sales	366	2,007
Foreign exchange gains	4,994	1,981
Gains from foreign currency clause	21,024	24,569
Dividends and income arising from share in profit of subsidiaries and joint ventures	-	-
Control total	<u>26,384</u>	<u>28,557</u>

ERB LEASING a.d. BELGRADE– IN LIQUIDATION

STATISTICAL ANNEX (Continued)
For the Year Ended 31 December 2017
In RSD thousand

IX OTHER INFORMATION

	<u>2017</u>	<u>2016</u>
Calculated customs and other import duties (total annual amount according to calculation)	-	-
State grants	-	-
Donations from abroad and other grants	-	-
Control total	-	-

Vladan Miljanovic

Legal representative



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The notes on pages 9 to 43
are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2017

1. CORPORATE INFORMATION

“ERB Leasing” a.d. Belgrade – in liquidation, is the joint stock company for finance lease (hereinafter: the “Company”). The Company was inscribed in the Serbian Business Registers Agency on 17 June 2006 under the number BD 121751/2006 and the name EFG Leasing a.d. Beograd. Pursuant to the Decision of the Serbian Business Registers Agency number 156311/2013 dated 13 December 2013 Company changed legal name to ERB Leasing a.d. Beograd.

The Company is registered in the Republic of Serbia for finance lease activities (code 6491) and it operates in accordance with the Law on Finance Lease.

On 29 August 2017 the Company registered the Notification on the liquidation procedure initiation with the Serbian Business Registers Agency under no. BD72253/2017 and changed the name to ERB leasing ad Belgrade – in liquidation.

The Company is founded by Eurobank a.d. Belgrade and Eurobank Ergasias S.A. Athens, Greece. Pursuant to the Decision of the Serbian Business Registers Agency number 134291/2007 dated 8 October 2007 a new shareholder - ERB New Europe Holding B.V., Amsterdam, the Netherlands, was registered. The new shareholder acquired a part of the Company’s shares after the III issue of shares.

As of 31 December 2017, the Company is domiciled in Belgrade, 10, Vuka Karadzica Street.

As of 31 December 2016, the Company had 4 employees (31 December 2016: 4 employees).

The Company’s tax identification number is 104466014. Its registration number is 20170859.

2. BASIS OF PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS

2.1. Basis of Preparation and Presentation of the Financial Statements

The Company has prepared these financial statements in accordance with the Accounting Law of the Republic of Serbia (hereinafter the "the Law") published in the Official Gazette of the Republic of Serbia no. 62/2013, which requires that financial statements are prepared in accordance with all IFRS translated to 31 July 2013.

The specific requirements of the Law depart from IFRS due to the fact that they adopted only translated standards so that these financial statements does nt include the effects of IFRS that have been issued from 31 July 2013. In addition to the above, the Law requires a particular presentation and a certain treatment of accounts and account status, which results in additional deviation from the IFRS as follows:

1. The Company has prepared these financial statements in format prescribed by the Ministry of Finance of the Republic of Serbia, which is not in accordance with the requirements of IAS 1 (revised) - "Presentation of Financial Statements" and IAS 7 - "Cash Flow Statement".

2. The decision of the Ministry of Finance of the Republic of Serbia no. 401-00-896 / 2014-16 dated 13 March 2014 (Official Gazette of the Republic of Serbia, no. 35/2014) stipulates that official standards constitute an official translation of International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) issued by the the international accounting standards Board (IASB) and interpretations issued by the Committee on international financial reporting interpretations (IFRIC) until 31 July 2013. Until the date of preparation of these financial statements any of amendments were not translated nor supplement of the existing or revised standards, as well as any new interpretations issued by the IASB and IFRIC after 31 July 2013.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2017

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

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

In addition, the accompanying financial statements have been prepared in accordance with the requirements of Decision on the chart of accounts and content of accounts for financial leasing companies (Official Gazette of the Republic of Serbia No. 87/2014) and the Decision on the content and form of financial statements for financial leasing (Official Gazette of the Republic of Serbia No. 87/2014 and 135/2014).

Those regulations governing the presentation of financial statements (Decision on the chart of accounts and content of accounts for financial leasing companies and the Decision on the content and form of financial statements for financial leasing) have priority over the requests defined by the IFRS.

Due to the above differences, these financial statements are not in accordance with IFRS.

The preparation of financial statements in accordance with the Accounting Law of the Republic of Serbia requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the application of accounting policies. The areas that require a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.17.

2.2. Going concern principle

a) Position of the group

In June 2016, Greece, after the completion of a number of key prior actions, has successfully concluded the first review of the Third Economic Adjustment Program (TEAP), which permitted the disbursement of € 10.3 bn from the second instalment of the European Stability Mechanism (ESM) loan that allowed the country to cover its debt servicing needs and clear a part of the state's arrears to the private sector.

In accordance with the agreement with the European partners, the authorities are committed to preserving sufficient liquidity in the banking system, as long as Greece meets its obligations under the ESM program.

The next key milestone for Greece is the timely and successful completion of the second review of the TEAP, currently in progress, which would help reinstating depositors' confidence and thus accelerate the return of deposits, it would facilitate the faster relaxation of capital controls and would allow for the participation in ECB's Quantitative Easing (QE) program, conditional on the decisions of the Institutions regarding the plan for the implementation of the medium-term debt relief measures.

Moreover, the reduction of the short term uncertainty along with, the decisive implementation of the reforms agreed in the context of the ESM program and the mobilization of European Union (EU) funding to support domestic investment and job creation, would facilitate the restoration of confidence in the prospects of the Greek economy and the further stabilization of the domestic economic environment, which are necessary conditions for the return of the country to a sustainable growth path.

NOTES TO THE FINANCIAL STATEMENTS**For the Year Ended 31 December 2017**

**2. BASIS OF PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS
(Continued)****2.2. Going concern principle (Continued)***a) Position of the Group (Continued)*

The main risks and uncertainties stem from the current macroeconomic environment in Greece and the further delays in the conclusion of the second review of the TEAP. In particular risks include (a) possible delays in the implementation of the reforms' agenda in order to meet the next targets and milestones of the TEAP, which in turn would lead to the delayed disbursement of the third instalment of the ESM loan of € 6.1 bn, (b) the impact on the level of economic activity from the uncertainty associated with the timing of the conclusion of the second review of the TEAP, (c) the impact on the level of economic activity from additional fiscal measures agreed under the first review of the TEAP, (d) the timing of a full lift of restrictions in the free movement of capital and the respective impact on the level of economic activity, (e) the possible acceleration of the deposits outflows observed in the first two months of 2017, and/or possible delays in the effective management of non-performing loans as a result of the continuing macroeconomic uncertainty, (f) a possible deterioration of the refugee crisis and its impact on the domestic economy and (g) the geopolitical conditions in the broader region and the external shocks from a slowdown in the global economy.

The Group, following the successful completion of its recapitalization in November 2015, exclusively from private sources, is focused on the organic strengthening of its capital position by the further expansion of pre-provision income while maintaining its robust risk management practices, and by proceeding to additional initiatives associated with the restructuring, transformation or optimization of operations, in Greece and abroad, that will generate or release further capital and/or reduce risk weighted assets. One of the key areas of focus is the active management of non-performing exposures at an accelerated pace, with the aim to substantially reduce their stock in accordance with the Eurobank Ergasias S.A. operational targets and taking advantage of the Group's internal infrastructure, the external partnerships and the important legislative changes that have taken or are expected to take place. The Group's Common Equity Tier 1 (CET1) ratio stood at 17.6% at the end of September 2016 and the net profit attributable to shareholders amounted to € 230 million for the period ended 30 September 2016.

b) Position of the Company

On 23rd June 2017 shareholder assembly passed the Decisions on the terminations of its operations and initiation of the liquidation procedure pursuant to the provisions of the Law on Companies.

After obtaining a consent on the opening of the voluntary liquidation by the National Bank of Serbia Company has been registered Decision on the entering in the liquidation procedure on 29th August 2017 within the Serbian Business Registers Agency under the number BD 72253/2017

Consequently, during preparation of the accompanying annual financial statements for the year 2017, the Company's management is aware of material uncertainties related to the ability of the Company to continue to operate permanently and thus assesses that these financial statements are compiled based on gone- concern principle.

The Company is not considered as a company that operates on an ongoing concern principle.

The management considers that it has sufficient liquidity to complete the liquidation proceedings.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2017

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1. Revenue recognition

Revenue includes the fair value of the received amount or the fair value of receivables arising from sale of goods and services in the Company’s ordinary course of business. Revenue is recognized without VAT, return of the goods, rebate and discounts.

The Company recognizes revenue when the amount of the revenue can be reliably measured, when it is likely the Company will have future economic benefit and when particular criteria for every activity of the Company, as stated in the text bellow, are met.

The amount of the revenue is not considered reliably measurable until all potential liabilities arising from the sale are resolved. The Company bases its estimates on the previous results taking into consideration the type of the buyer, the type of the transaction and specific characteristics of each transaction.

Income and expenses from services are recognized on the accrual basis when services are provided.

The recognition of interest income is based on a pattern reflecting a constant periodic rate of return on the lessor’s net investment in the finance lease.

3.2. Borrowing costs

Borrowing costs are recognized as an expense in the period in which they are incurred.

3.3 Foreign currency translation

Transactions occurred in foreign currencies are translated into RSD at official exchange rates, as determined at the Interbank Market, at the date of each transaction.

Assets and liabilities denominated in foreign currencies are translated into RSD at the official middle exchange rates prevailing at the balance sheet date.

Indexed receivables from finance lease are translated at contracted rate, which is by the Company’s policy selling rate of Eurobank a.d. Belgrade.

Foreign exchange gains or losses arising upon the translation of assets, liabilities and transactions are credited or debited as appropriate, to the income statement, within foreign exchange gains and losses, in the period in which they were incurred.

The official middle exchange rates for major currencies, determined at the Interbank Market, used in the translation of balance sheet items denominated in foreign currencies as of 31 December 2016 and 2015 into the functional currency (RSD) were as follows:

	31. decembar 2017.	In RSD 31. decembar 2016.
EUR	118.4727	123.4723
CHF	101.2847	114.8473

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2017

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.4. Intangible assets

As of 31 December 2017 intangible assets are stated at cost less the accumulated amortization. Intangible assets consist of computer software.

The amortization is computed on a straight-line basis in order to fully write off the cost of such assets over their estimated useful lives (rate 16.67%).

Costs associated with developing or maintaining computer software programs are recognized as an expense as incurred.

Costs that are directly associated with identifiable and unique software products controlled by the Company and will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Direct costs include the cost of the software development employees and an appropriate portion of relevant overheads.

3.5. Equipment

As of 31 December 2017 equipment is stated at cost less the accumulated depreciation. Cost includes invoiced value of purchased assets and any directly-attributable costs of bringing the asset to the location and working condition necessary for its intended use.

Calculation of depreciation of equipment is performed from the month following the date when the use of the asset begins. Depreciation of equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as presented in the following table:

Computer equipment	20.00% - 30.00%
Furniture and other equipment	12.50% - 25.00%
Vehicles	20.00%

Gains and losses on disposals are determined by comparing proceeds with the carrying amount of equipment and are included in the income statement.

Current maintenance costs are charged to the expenses in the period when incurred.

3.6. Receivables from finance lease

The Company, as a lessor, recognizes assets held under a finance lease in its balance sheet and presents them as receivables from finance lease at an amount equal to the net investment in the lease. The Company transfers all risk inherent to ownership when lease contract is signed.

Gross investment in the lease is the aggregate of: the minimum lease payments receivable by the lessor under a finance lease, and any unguaranteed residual value accruing to the lessor. Net investment in the lease is the gross investment in the lease less unearned finance income that is calculated using the interest rate defined in the finance lease agreement.

Finance income is recognized over the period of the lease on the basis of constant effective rate of return. Lease instalments that relate to the current period, excluding administrative costs, are recognized as a decrease of lease principals and unearned finance income.

NOTES TO THE FINANCIAL STATEMENTS**For the Year Ended 31 December 2017**

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**3.7. Impairment of financial assets**

In accordance with its internal policy, the Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Company uses to determine that there is objective evidence of an impairment loss include:

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower;
- Breach of contract covenants or conditions;
- Initiation of bankruptcy proceedings;
- Deterioration of the borrower's competitive position; and
- Deterioration in the value of collateral.

The Company firstly assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the income statement. If a receivable or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current interest rate determined under the contract.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e., on the basis of the Company's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the Company and historical loss experience for assets with credit risk characteristics similar to those in the Company. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

The internal Methodology for calculation of allowance for impairment and assumptions used for estimating future cash flows are reviewed regularly by the Company to reduce any differences between loss estimates and actual loss experience.

When a receivable is uncollectible, it is written off against the related allowance for impairment. Such receivables are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

NOTES TO THE FINANCIAL STATEMENTS**For the Year Ended 31 December 2017**

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**3.8. Repossessed assets**

Finance lease assets repossessed in exchange of uncollectible receivables are valued at the lower of carrying amount (net book value) and fair value less costs to sell (net selling value). Gains and losses on sale of repossessed assets are recognized in the moment of sale in net amount in the income statement.

3.9. Advances paid for leased assets

Advances paid to suppliers on the basis of finance lease contracts signed by lessees that are not activated (delivery did not take place yet, final invoice has not been raised etc.), are treated as financial assets and are indexed to the foreign currency, in accordance with IAS 32 “Financial instruments: Presentation”.

3.10. Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents include cash in hand, sight deposits held with banks, bank overdrafts and obligatory reserve in foreign currency.

3.11. Borrowings

Long-term borrowings are initially recognized at fair value of the inflow (determined by using the prevailing interest rate in the market for a similar instrument, if it significantly differs from the transaction price), not including incurred costs of transactions. After the initial recognition, liabilities are subsequently stated at amortized cost by using the effective interest rate method. Any difference between the fair value of the inflow (less cost of transaction) and repaid amount is recognized as interest expense during the life of the loan.

3.12. Accounts payable

Accounts payable and other current liabilities are measured at their nominal values.

3.13. Income taxes**Current income tax**

Current income tax is calculated and paid in accordance with the effective Law on Corporate Income Tax and by-laws.

Income tax is payable at the rate of 15% (2016: 15%) on the tax base reported in the annual corporate income tax return. The taxable base stated in the income tax return includes the profit shown in the statutory income statement, as adjusted for differences that are specifically defined under statutory tax rules.

The tax regulations in the Republic of Serbia do not envisage that any tax losses of the current period can be used to recover taxes paid within a specific previous period. Losses of the current period may be transferred to the account of profit determined in the annual tax return from the future accounting periods, but not longer than 5 ensuing years.

NOTES TO THE FINANCIAL STATEMENTS**For the Year Ended 31 December 2017**

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**3.13. Income taxes (Continued)****Deferred income tax**

Deferred income taxes are provided using the balance sheet liability method, for temporary differences arising between the tax bases of assets and liabilities and their carrying values in the financial statements. The currently-enacted tax rates or the substantively-enacted rates at the balance sheet date are used to determine the deferred income tax amount.

Deferred tax liabilities are recognized on all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, and the tax effects of income tax losses and credits are available for carry forward, to the extent that it is probable that taxable profit will be available, against which the deductible temporary differences and the tax loss/credits of the carry forwards can be utilized.

3.14. Provisions and Contingencies

Provisions are recognized and calculated when the Company has a pending, present legal or contractual obligation as a result of a past event, and when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount can be made.

Provisions for retirement benefits are measured at the present value of the estimated future cash outflows using interest rates of high-quality securities that are denominated in the currency in which the benefits will be paid (Note 3.15(c)).

Provisions for legal proceedings represent the Company management's best estimates of the expenditures required to settle such obligations (Note 25(b)).

Contingent liabilities are not recognized in the financial statements. They are disclosed (Note 25(b) and (c)) unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

3.15. Employee benefits**(a) Employee Taxes and Contributions for Social Security**

In accordance with the regulations prevailing in the Republic of Serbia, the Company has an obligation to pay tax and contributions to various state social security funds. These obligations involve the payment of contributions on behalf of the employee, by the employer in an amount calculated by applying the specific, legally-prescribed rates.

The Company bears the expenses of the employees' benefits such as health insurance, pension insurance, unemployment insurance and similar contributions. The Company is legally obligated to withhold contributions from gross salaries to employees, and on their behalf to transfer the withheld portions directly to the appropriate government funds.

These expenses are charged to the income statement as a part of salaries and other personnel costs (Note 13).

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2017

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**(b) Pension obligations**

In its ordinary course of business, the Company pays contributions to the Republic of Serbia's pension fund on a mandatory basis and on behalf of its employees. The Company operates according to a defined contribution pension plan of the Republic of Serbia. The contributions are recognized as employee benefit expense in the period in which they arise.

The Company has no other pension plan and no further payment obligations once the contributions have been paid. The Company has no legal obligation to pay further benefits to its current or former employees by the Pension Fund of the Republic of Serbia upon their retirement.

(c) Termination and retirement benefits

Termination and retirement benefits are payable when employment is terminated before the normal retirement date, upon regular retirement (retirement benefits) or whenever an employee accepts voluntary redundancy in exchange for these benefits.

The Company recognizes termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

The Company is also obliged to pay retirement benefits upon regular retirement equal to three average salaries of the employee at the moment of payment, while the retirement benefit cannot be lower than three average salaries per employee in the Company at the moment of payment i.e. three average salaries per employee in the Republic of Serbia, according to the latest published information of the competent state statistics office. There is no fund for these payments.

The provision for retirement benefits is charged to the income statement, based on the actuarial calculation. (Note 22.)

As of 31 December 2017, the provision for redundancy payment amounts RSD 2.461 thousand (31 December 2016: RSD 362 thousand).

(d) Bonuses

The Company recognizes the liability and expense for bonuses and profit-sharing based on the calculation of the profit for the year attributable to shareholders after certain adjustments.

3.16. Related party disclosures

For the purpose of these financial statements related legal entities are those entities when one legal entity has a possibility to control another entity or has the right to govern the financial and business operations of the entity, as defined by IAS 24 "Related Party Disclosures".

Relations between the Company and its related parties are regulated at contractual basis. Outstanding balances of receivables and liabilities at the reporting date, as well as transactions occurred during the reporting periods with related parties are separately disclosed in notes to the financial statements (Note 26).

NOTES TO THE FINANCIAL STATEMENTS**For the Year Ended 31 December 2017**

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**3.17. Critical accounting judgments and estimates**

Accounting estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. These estimates and related assumptions are based on information available as of the reporting date.

The Company makes estimates and assumptions concerning the future. Actual results could differ from those estimates. Accounting estimates and underlying assumptions are reviewed on an ongoing basis, and changes in estimates are recognized in the periods in which they become known. In the text below are listed the assumptions that have a certain risk that may result in adjustment to the carrying amounts of assets and liabilities within the next financial year.

Income tax

The Company is subject to income tax. The Company recognizes liabilities for anticipated tax issues arising from the audit, the assessment of whether there will be additional taxes. Where the final tax outcome of these matters in income tax is different from the amounts initially recorded, such differences will impact the current and deferred income taxes and the provision for deferred tax assets and liabilities in the period in which the differences found.

Pension Obligation

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying value of the pension obligations.

The Company determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Company considers the interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of maturity of the related pension liability.

Fair value of financial assets and liabilities

Fair value is defined as the amount for which an asset can be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

A market price, where an active market exists, is the best evidence of the fair value of a financial instrument. However, market prices are not available for a significant number of financial assets and liabilities held by the Company. Therefore, for financial instruments where no market price is available, the fair values of financial assets and liabilities are estimated using present value or other estimation and valuation techniques based on current prevailing market conditions.

In the Republic of Serbia, sufficient market experience, stability and liquidity do not exist for the purchase and sale of receivables and other financial assets or liabilities, for which published market prices are presently not readily available. As a result of this, fair value cannot readily or reliably be determined in the absence of an active market, as required by IFRS. The Company's management assesses its overall risk exposure, and in instances in which it estimates that the value of assets stated in its books may not have been realized, it recognizes a provision.

According to the management's opinion, the amounts of assets and liabilities presented in financial statements as at 31 December 2017 are the most reliable estimated values under the circumstances.

NOTES TO THE FINANCIAL STATEMENTS**For the Year Ended 31 December 2017**

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**3.17. Critical accounting judgments and estimates (Continued)****Fair value of financial assets and liabilities (Continued)**

The Company does not have financial assets or financial liabilities carried at fair value in the balance sheet. The fair values of short-term receivables from finance lease, other receivables from finance lease operations, short-term financial assets, cash and cash equivalents, short-term financial liabilities and other short-term liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The management of the Company believes that fair value of assets and liabilities which are stated at amortized cost do not differ significantly from their carrying value, as they mostly bear variable interest rates that are reflective of current market conditions.

In addition, the value of inventories - leased assets returned to the Company (repossessed assets), has been recorded at assessed market value based on a certified appraiser's assessment. In accordance with the principle of caution, losses identified by such assessments are recorded through profit and loss, while gains are recorded in the balance sheet as a liability.

4. FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks, and those activities require identification, measurement and estimation of the risk to which the Company is exposed to as well as managing those risks.

The Company has defined through its acts the procedures for risk identification, measurement and risk management in accordance with regulations, standards and best practice. The Company's risk management policies are designed to identify and analyze these risks, to set appropriate risk limits and controls, and monitor risks and adherence to limits by means of reliable and up-to-date information system. The Company's management is responsible for implementation of the adequate risk management system and its consistent application.

Types of risk

Owing to the nature of its activities, the Company is exposed to the following major risks:

- Credit risk;
- Market risks;
- Liquidity risk; and
- Other operating risks.

Market risks include:

- Currency risk – foreign exchange risk;
- Interest rate risk; and
- Other market risks

NOTES TO THE FINANCIAL STATEMENTS**For the Year Ended 31 December 2017**

4. FINANCIAL RISK MANAGEMENT (Continued)**4.1. Credit risk**

The Company is exposed to the credit risk to a significant degree. The Company has a determined credit policy in place to ensure that sales of products are made to customers with an appropriate credit history and creditworthiness. The credit policy defines the following:

- Goals of credit policy;
- Basic concepts of credit policy;
- Principles of credit policy;
- Organization of credit activities;
- Responsibility and decision making process;
- Procedure for approval of finance lease placements;
- Collaterals; and
- Collection procedure.

Provisions of the credit policy are following “four eyes principle”. When assuming credit risk, the Company applies the following fundamental rules:

- A prerequisite for every financing transaction is the understanding of the economic background of the transaction.
- A finance lease placement is granted only when the Company has sufficient information on the borrower’s creditworthiness. The Company will not approve a placement to a borrower who is unwilling or unable to provide sufficient information.
- The Company approves new lease placements based on the customer rating of the borrower and its development, as well as the estimation of the borrower’s payment capacity and the details and characteristics of the transaction.

The approval levels and limits are defined by the relevant Board of Directors’ Decision on approval levels.

In order to ensure the safety of the business operations, and based on the estimated risks of potential losses, the Company calculates and establishes provision, i.e. allowance for impairment, which arise from receivables and placements. Levels of provision are related to the risk grade of the placement. The internal rating system of the corporate clients comprised of 11 levels is based on weighted average of the following risk parameters on the client level (not individual contract level):

- Financial status;
- Industry;
- Management; and
- Business.

In addition to the above mentioned parameters, other factors such as borrower's character and payment record, changes in ownership structure, etc. can influence the overall credit rating of the client. The credit rating is based on detailed analysis of qualitative and quantitative factors.

Qualitative factors refer to management, industry, business conditions etc. Quantitative factors refer to profitability, leverage, liquidity and other parameters arising from financial statements of the client.

The retail rating system is based on number of days overdue and consists of 14 buckets, from placements with no overdue amounts up to placements with more than 360 days overdue.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2017

4. FINANCIAL RISK MANAGEMENT (Continued)

4.1. Credit risk (Continued)

Breakdown of the Company's **maximum exposure to credit risk** as of 31 December 2017 and 2016, without taking into account collaterals held, is presented in the table below:

	In RSD thousand	
	31. december 2017.	31. december 2016.
Receivables from finance lease (Note 18)	2,425	298,021
Other receivables	2,037	280,305
Short-term deposits with banks (Note 17)	23,695	-
Total	28,157	578,326

Breakdown of finance lease receivables and term deposits as of 31 December 2017 and 2016 is presented in the table below:

	In RSD thousand	
	31. december 2017.	31. december 2016.
Neither past due nor impaired	25,056	31,637
Past due but not impaired	391	3,335
Impaired	2,710	543,354
Total	28,157	578,326

An assessment of the portfolio quality of financial assets neither past due nor impaired is based on the Company's internal rating system in use.

As of 31 December 2017 and 2016, financial assets neither past due nor impaired include the receivables with the following rating:

	In RSD thousand	
	31. december 2017.	31. december 2016.
Satisfactory risk (rating from 1 to 6)	23,695	27,903
Watch list (rating 7)	-	-
No rating*	1,361	3,734
Total	25,056	31,637

*Retail clients, entrepreneurs and small business (small-size companies)

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2017

4. FINANCIAL RISK MANAGEMENT (Continued)

4.1. Credit risk (Continued)

The following table presents the ageing analysis of past due but not impaired receivables as of 31 December 2017:

	In RSD thousand		
	Retail, small business and entrepreneurs	Corporate clients	Total
Overdue up to 29 days	-	-	-
Overdue from 30 to 89 days	-	-	-
Overdue fro 90 days to 1 year	391	-	391
	391	-	391

The following table presents the ageing analysis of past due but not impaired receivables as of 31 December 2016:

	In RSD thousand		
	Retail, small business and entrepreneurs	Corporate clients	Total
Overdue up to 29 days	448	2,398	2,846
Overdue from 30 to 89 days	489	-	489
Overdue fro 90 days to 1 year	-	-	-
	937	2,398	3,335

As of 31 December 2017, impaired receivables relate to the following clients:

	In RSD thousand		
	Retail, small business and entrepreneurs	Corporate clients	Total
Individually impaired receivables, gross	2,710	-	2,710

As of 31 December 2016, impaired receivables relate to the following clients:

	In RSD thousand		
	Retail, small business and entrepreneurs	Corporate clients	Total
Individually impaired receivables, gross	110,806	432,548	543,354

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2017

4. FINANCIAL RISK MANAGEMENT (Continued)

4.1. Credit risk (Continued)

As of 31 December 2017 and 2016, all finance lease receivables refer to the clients domiciled on the territory of the Republic of Serbia.

The analysis of the Company's credit risk exposure as of 31 December 2017, grouped by sectors, is presented in the table below:

	In RSD thousand					
	Trade and services	Retail	Manufact uring	Construc tion	Other	Total
Retail client, small business and entrepreneurs	-	887	-	1,064	2,037	3,988
Corporate clients	-	-	-	-	23,695	23,695
	-	887	-	1,064	26,206	28,157

The analysis of the Company's credit risk exposure as of 31 December 2016, grouped by sectors, is presented in the table below:

	In RSD thousand					
	Trade and services	Retail	Manufact uring	Construc tion	Other	Total
Retail client, small business and entrepreneurs	23,666	6,658	3,126	11,436	48,590	93,476
Corporate clients	203,261	-	125,551	26,496	129,542	484,850
	226,927	6,658	128,677	37,932	178,132	578,326

4.2. Market risk

The Company is exposed to market risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

Market risks arise from open positions in interest rate and currency, all of which are exposed to general and specific market movements and changes of the interest rates and foreign exchange rates.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2017

4. FINANCIAL RISK MANAGEMENT (Continued)

4.1. Credit risk (Continued)

(a) Foreign exchange risk

Foreign exchange risk is the risk of adverse effects on the Company's financial result and equity due to changes in foreign exchange rates.

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to EUR and CHF. The Company agrees foreign currency clauses in rental contracts as protection from the foreign exchange risk, as well as daily monitoring of open position.

The management of currency risk is supplemented by monitoring the sensitivity of the Company's income statement to various foreign currency rate scenarios. The sensitivity of the income statement is the effect of the assumed changes in FX rate for one year.

An analysis of the Company's sensitivity to an increase in FX rates is as follows:

	In RSD thousand	
	2017.	2016.
Foreign exchange rate sensitivity +10% (RSD depreciation)	<u>1,638</u>	<u>(881)</u>

(b) Interest rate risk

The Company is exposed to interest rate risk in the market which can affect its financial position and cash flows.

As a result of these changes, the interest rate margin can be increased; however, the fall in interest margin or loss is also possible due to unexpected changes. The Company's interest rates are based on the market interest rates and the Company reviews them regularly.

The purpose of the risk management activities is to optimize the net interest income, and to maintain the market interest rate on a consistent level in accordance to the Company's business strategy.

The management of the Company manages maturities matching of the assets and liabilities' on the basis of: macro and micro economic estimations, estimations of the conditions for achieving liquidity, and the estimation of the interest rates' trends.

The risk management is conducted by the Company's Finance Department in accordance with the policies approved by the Board of Directors. The Company's Finance Department identifies and estimated finance losses and defines the ways to protect from risk in close cooperation with the Company's business units.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2017

5. FINANCIAL RISK MANAGEMENT (Continued)

4.2 Market risk (Continued)

(b) Interest rate risk (Continued)

An analysis of the Company's sensitivity to an increase in interest rates is as follows:

	In RSD thousand	
	2017.	2016.
Interest rate sensitivity increase +1 basis points	(2,533)	175

The exposure to interest rate risk depends on the ratio of the interest-sensitive assets and liabilities of the Company. Therefore, the Company controls the interest rate risk by monitoring the ratio of the interest-bearing assets, i.e., liabilities and the percentage thereof in the total asset, i.e., liabilities.

The following table shows the Reprising gap report, i.e. the Company's exposure to the interest rate risk as of 31 December 2017. The table includes the Company's assets and liabilities at their carrying amounts, categorized by the earlier of contractual re-pricing or maturity dates.

The Reprising gap report determines the difference between interest-sensitive assets and interest-sensitive liabilities for various time intervals in the future. Based on the determined gaps, profit and equity sensitivity analysis is carried out for certain changes in market interest rates.

The total cumulative gap of up to 1 year amounts to RSD 63,141 thousand, most of which relates to the borrowings from ERB New Europe Funding B.V., Holland, which have been invested into term deposits and finance lease placements and, therefore, the gap can be considered to be at an acceptable interest (no) matching level, considering the possibility of renewing term deposits and new placements in finance lease which could amortize the current periodical gap in the period from 6 to 6 months.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2017

4. FINANCIAL RISK MANAGEMENT (Continued)

4.2. Market risk (Continued)

(b) Interest rate risk (Continued)

	Up to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 12 to 18 months	From 18 months to 5 years	Over 5 years	Interest non- sensible	Total
ASSETS									
Cash and cash equivalents	-	-	-	-	-	-	-	159,955	159,955
Other assets and receivables	-	-	-	-	-	-	-	23,695	23,695
Receivables from finance lease	635	-	1,361	-	-	-	-	165	2,161
Trade receivables	-	-	-	-	-	-	-	2,469	2,469
Property, plant and equipment	-	-	-	-	-	-	-	818	818
Deferred tax assets	-	-	-	-	-	-	-	422	422
Other assets and receivables	-	-	8,480	-	-	-	-	10,235	18,715
TOTAL ASSETS	635	-	9,841	-	-	-	-	197,759	208,235
LIABILITIES AND EQUITY									
Borrowings	-	-	73,617	-	-	-	-	62	73,679
Provisions	-	-	-	-	-	-	-	3,561	3,561
Other liabilities	-	-	-	-	-	-	-	3,337	3,337
Total liabilities	-	-	73,617	-	-	-	-	6,960	80,577
Equity	-	-	-	-	-	-	-	127,658	127,658
TOTAL LIABILITIES AND EQUITY	-	-	73,617	-	-	-	-	134,618	208,235
Periodical GAP as of 31 December 2017	635	-	(63,776)	-	-	-	-	63,141	-
Cumulative GAP	635	635	(63,141)	(63,141)	(63,141)	(63,141)	(63,141)	-	-

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2016

4. FINANCIAL RISK MANAGEMENT (Continued)

4.3. Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its payment obligations which can have an adverse effect on the Company's financial results and equity.

The Company manages this risk by obtaining different long-term and short-term funding sources that include:

- borrowings within Eurobank Group, and
- permanent investments (share capital).

The Company monitors continuously liquidity risk by identifying and monitoring changes in the funding sources that are required for accomplishing business strategy of the Company.

The Company aims to provide enough sources to fulfil its obligations for payments and new business disbursement to its clients.

The Company manages the liquidity risk by constant monitoring of maturity mismatch of assets and liabilities by analyzing the projected cash flows in order to enable the Company fulfilling its obligations at any moment.

The table below presents the amounts disclosed in the table are contractual undiscounted cash flows.at the 31 December 2017.

	Up to 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	Total
Borrowings	-	2	73,677	-	73,679
Accounts payable	-	3,337	-	-	3,337
	-	3,339	73,677	-	77,016

The table below presents, the amounts disclosed in the table are contractual undiscounted cash flows at the 31 December 2016.

	Up to 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	Total
Borrowings	-	396	89,626	-	90,022
Accounts payable	-	3,353	-	-	3,353
	-	3,749	89,626	-	93,375

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2017

4. FINANCIAL RISK MANAGEMENT (Continued)

4.3. Liquidity risk (Continued)

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

	Up to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 12 to 18 months	From 18 months to 5 years	Over 5 years	Interest non-sensible	Total
ASSETS									
Cash and cash equivalents	159,955	-	-	-	-	-	-	-	159,955
Other assets and receivables	-	23,695	-	-	-	-	-	-	23,695
Receivables from finance lease	635	-	985	376	-	-	-	165	2,161
Trade receivables	-	-	-	-	-	-	-	2,469	2,469
Property, plant and equipment	-	-	-	-	-	-	-	818	818
Deferred tax assets	-	-	-	-	-	-	-	422	422
Other assets and receivables	-	238	-	-	-	-	-	18,477	18,715
TOTAL ASSETS	160,590	23,933	985	376	-	-	-	22,351	208,235
LIABILITIES AND EQUITY									
Borrowings	62	-	73,617	-	-	-	-	-	73,679
Provisions	-	-	-	-	-	-	-	3,561	3,561
Other liabilities	1,510	-	-	-	-	-	-	1,827	3,337
Total liabilities	1,572	-	73,617	-	-	-	-	5,388	80,577
Equity	-	-	-	-	-	-	-	127,658	127,658
TOTAL LIABILITIES AND EQUITY	1,572	-	73,617	-	-	-	-	133,046	208,235
Maturity mismatch as of:									
- 31 December 2017	159,018	23,933	(72,632)	376	-	-	-	(110,695)	-
- 31 December 2016	159,018	182,951	110,319	110,695	110,695	110,695	110,695	-	-

The Maturity mismatch report as of 31 December 2017 indicates the high level of liquidity..

NOTES TO THE FINANCIAL STATEMENTS**For the Year Ended 31 December 2017****4. FINANCIAL RISK MANAGEMENT (Continued)****4.4. Operational Risk**

Operational risk is the risk of adverse effects on the Company's financial result and equity due to failures in performance of operating activities, human mistakes, system errors and external factors influence.

The function of operational risk management process is to identify, assess, control and minimise the possibility of occurrence and effect of operational risks and net losses. The Company cannot eliminate all operational risks, but it is able to identify, through the processes of recording and analysing the operational risks, the failures in its processes, products and procedures the Company is able to decrease frequency as well as the negative influence of operational losses on its business and profitability.

An important aspect of the operative risk management is updating the management on significant operative risks in a timely manner, as well as permanent education of all employees involved in the process of collecting data on operational risks and comprehensive awareness development on the importance of identification, measurement, control and mitigation of operational risks.

Operational risks are traced through the "Red B" application. Identified events that cause the Company's operational risks is performed by operational risk monitoring coordinators. All situations that may result in some kind of loss are entered into the application (e.g., initiated litigations, engagement of agencies for the repossession of the subjects of lease, etc.).

The Company harmonized its policies and procedures with the new legislation relating to risk management defined by the Law on Financial Leasing. Company defined the system of internal controls in a manner that enables continued identification, measurement and assessment of risks which may have an adverse impact on its operations. The foregoing particularly relates to the credit risk, market risk, liquidity risk, compliance risk, risk of exposure (concentration) and operational risk. The Company will prescribe by its by-laws the procedures for risk identification, measurement and assessment, as well as risk management, in accordance with the regulations, standards and profession rules.

4.5. Capital management

The Company's objective when managing capital is to maintain its ability to conduct business operations for an unlimited period of time in the foreseeable future, so as to ensure the returns (profit) to the owners, and benefits to other interest parties, and to preserve an optimal capital structure with the aim of reducing capital expenses. In order to maintain or adjust the capital structure, the Company may consider the following options: to adjust the amount of dividends paid to shareholders, to return capital to shareholders, to issue new shares or to sell assets to reduce debts. The Company's strategy in respect of capital risk management has remained unchanged from the previous year.

In accordance with the Law on Finance Lease ("RS Official Gazette", no. 55/2003, 61/2005 and 31/2011), for the performance of finance lease transactions the object of which is a movable good, the pecuniary portion of the initial capital of the Company can not be lower than the dinar equivalent of EUR 500,000 at the official middle exchange rate of the National Bank of Serbia as at the payment date. For the performance of finance lease transactions the object of which is an immovable good, the pecuniary portion of the initial capital of the lessor can not be lower than the dinar equivalent of EUR 5,000,000 at the official middle exchange rate as at the payment date. The lessor is obliged to ensure that the pecuniary portion of the initial capital is always in an amount that is not lower than the amounts specified in the above paragraph, according to the official middle exchange rate as of the calculation day, depending on the leased assets.

As of 31 December 2017, the Company's share capital is above the prescribed minimum for the performance of finance lease transactions the object of which is a movable good.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2017

5. INTEREST INCOME

	In RSD thousand	
	For the Year Ended	
	31 December	
	2017.	2016.
Interest income from finance lease	1,069	5,796
Penalty interest	782	2,161
Interest income from deposits (Note 26)	366	2,007
Total	2,217	9,964

6. INTEREST EXPENSES

	In RSD thousand	
	For the Year Ended	
	31 December	
	2017.	2016.
Interest expenses on borrowings (Note 26)	1,497	3,378
Total	1,497	3,378

7. FEE AND COMMISSION INCOME

	In RSD thousand	
	For the Year Ended	
	31 December	
	2017.	2016.
Insurance fees	246	224
Finance lease origination fees	234	916
Administrative fees	-	692
Intercalary interest income	-	217
Income from issuance of warning letters for payments in delay	7	-
Re-invoiced income from inscription in registry	54	104
Other fees to customers	-	41
Total	541	2,194

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2017

8. FEE AND COMMISSION EXPENSES

	In RSD thousand	
	For the Year Ended	
	31 December	
	2017.	2016.
Insurance premiums	200	682
Collection agencies' fees	-	68
Registration fees for lease agreements	48	216
Total	248	966

9. NET FOREIGN EXCHANGE LOSSES AND EFFECTS OF FOREIGN CURRENCY CLAUSE

	In RSD thousand	
	For the Year Ended	
	31 December	
	2017.	2016.
Positive effects of currency clause	21,024	24,569
Positive exchange rate differences	4,994	1,981
	26,018	26,550
Negative effects of currency clause	(38,027)	(20,945)
Negative exchange rate differences	(739)	(5,892)
	(38,766)	(26,846)
	(12,748)	(296)

10. OTHER OPERATING REVENUES

	In RSD thousand	
	For the year ended	
	31 December	
	2017.	2016.
Reversal of long-term provisions	1,780	2,603
Gains from sale of repossessed assets	253	367
Rental income	-	92
Other revenues	1,860	888
	3,893	3,950

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2017

11. NET IMPAIRMENT GAINS/(LOSSES)

	In RSD thousand	
	For the Year Ended	
	31 December	
	2017.	2016.
Gains/(losses) from changes in value of receivables from finance lease	23,446	20,907
Impairment of receivables and assets – gains/(losses)	(893)	211
Net impairment gains/(losses)(Note 18(b))	22,553	21,118

12. NET IMPAIRMENT LOSSES FROM REPOSSESSED ASSETS

	In RSD thousand	
	For the Year Ended	
	31 December	
	2017.	2016.
Net Impairment losses from repossessed assets	(2,372)	(2,772)
Net losses	(2,372)	(2,772)

13. SALARIES AND OTHER PERSONNEL COSTS

	In RSD thousand	
	For the Year Ended	
	31 December	
	2017.	2016.
Net salaries	9,662	9,725
Taxes and contributions on salaries paid by the employer	1,678	1,695
Provisions for redundancy (Note 22)	2,461	-
Other personnel costs	161	155
Provision for unused vacations (Note 23)	-	221
Total	13,962	11,796

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2017

14. OPERATING EXPENSES

	In RSD thousand	
	For the Year Ended	
	31 December	
	2017.	2016.
Legal costs	16,485	2,575
Advisory services	8,968	1,603
Rent of office space (Nota 26)	1,814	2,283
Maintenance	1,589	2,560
Provisions for litigation cases (Nota 22)	1,100	820
Membership fees	547	603
Administration taxes and communal services	535	636
Communication and transport	262	310
Petrol costs	137	189
Insurance premiums	75	103
Office stationary and services	50	348
Provisions for litigation cases (Note 27b)	27	37
Fees and commissions		228
Other expenses	4,762	3,463
Total	36,351	15,758

15. INCOME TAXES

(a) Components of income taxes

Components of income tax expense are:

	In RSD thousand	
	For the Year Ended	
	31 December	
	2017.	2016.
Current tax expense	8,056	297
Deferred tax income	3,246	454
Total income tax expense	11,302	751

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2017

15. INCOME TAXES (Continued)

(b) Numerical reconciliation of income tax expense and profit before tax multiplied by the statutory income tax rate

	In RSD thousand	
	For the Year Ended	
	31 December	
	2017.	2016.
Profit/Loss before tax	(38,190)	2,128
Income tax at statutory rate of 15%	(5,728)	319
Tax effects of expenses		
not deductible for tax purposes	14,849	-
Losses carried forward	(1,065)	-
Deferred tax effects	3,246	454
Other	-	(22)
Income tax expense	11,302	751

(c) Deferred tax assets

Deferred tax assets entirely to the temporary differences arising between the carrying values of equipment and intangible assets and their tax base, and provision for retirement benefits and impairment of assets.

As at 31 December 2017, the Company performed reversal of previously calculated deferred tax assets.

	In RSD thousand	
	2017.	2016.
Balance as of 1 January	3,246	3,700
Effects of temporary differences credited to the income statement	(3,246)	(454)
Balance as of 31 December	-	3,246

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2017

16. CASH AND CASH EQUIVALENTS

	In RSD thousand	
	31 December 2017.	31 December 2016.
Current accounts:		
- in RSD	159,925	124,058
- in foreign currency	30	29
	159,955	124,087

During 2017 and 2016, the Company performed payment and settlement transactions in domestic and foreign currency through its accounts held with Eurobank a.d. Belgrade.

17. SHORT-TERM FINANCIAL PLACEMENTS AND DERIVATIVES

Other financial investments and derivatives at 31 December 2017 amounted to RSD 23,695 thousand and relate to short-term deposits with Eurobank ad Beograd.

As of 31 December 2016, the Company had no any short-term deposits with commercial banks.

18. RECEIVABLES FROM FINANCE LEASE

	In RSD thousand	
	31 December 2017.	31 December 2016.
Minimal finance lease payments	1,404	35,859
Minus: Accrued interest rate	(43)	(1,411)
	1,361	34,447
Overdue financial leasing placements	1,064	263,574
Other receivables from financial leasing activities	1,002	16,200
	3,427	314,221
Minus: Bad debt provisions	(1,266)	(241,948)
	2,161	72,273

Investments in finance lease include vehicles, equipment and house appliances held for lease for the period ranging from two to seven years, with down payment between 0% and 50%, at a nominal interest rate varying between 0% and 12% per annum and management (finance lease origination) fee between 0% and 2.5% of the net cost of the leased asset.

The Company uses a foreign currency clause as a protection against foreign currency risk, which is included in finance lease agreements.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2017

18. RECEIVABLES FROM FINANCE LEASE (Continued)

Net receivables from finance lease (both long-term and short-term) as of 31 December 2017 and 2016 are presented in the table below:

	In RSD thousand	
	31 December	31 December
	2017.	2016.
up to 1 year	376	61,859
from 1 to 5 years	1,785	10,414
	<u>2,161</u>	<u>72,273</u>

(a) Other receivables from financial leasing

	In RSD thousand	
	31 December	31 December
	2017.	2016.
Receivables for re-invoiced expenses	994	11,330
Penalty interest receivable	-	2,722
Intercalary interest receivable	-	281
Other	8	1,866
	<u>1,002</u>	<u>16,200</u>
Minus: Bad debt provisions	(837)	-
	<u>165</u>	<u>16,200</u>

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

	In RSD thousand
Balance as of 1 January 2016	258,943
Charge for the year (Note 11)	(21,118)
Foreign exchange losses	4,123
Balance as of 31 December 2016	241,948
Charge for the year (Note 11)	(22,553)
Foreign exchange losses	(7,876)
Write – off	(210,253)
Balance as of 31 December 2017	1,266

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2017

19. REPOSSESSED ASSETS AND ADVANCES

	In RSD thousand	
	31 December 2017.	31 December 2016.
Finance lease assets repossessed in exchange of uncollectible receivables	2,453	9,602
Advances paid	16	6
	2,469	9,608

As of 31 December 2017, finance lease assets repossessed in exchange of uncollectible receivables amounting to RSD 2,453 thousand are intended to for further selling.

The repossessed finance lease assets relate to 3 finance lease agreements. These inventories are carried at fair value assessed by authorized appraisers. The assessment takes into account market factors, depreciation, as well as the general and technical condition of the leased asset.

20. OTHER ASSETS

	In RSD thousand	
	31 December 2017.	31 December 2016.
Refund receivables	578	578
Claims arising from insurance costs	133	103
Claims for the sold repossessed assets	-	87,909
Receivables from insurance companies	-	9,314
Bad and doubtful debts	-	16,619
Claims after the sale of the repossessed assets	-	123,784
Other receivables	18,812	43,688
Gross receivables	19,528	281,995
<i>Minus:</i> Impaired receivables	(808)	(263,258)
	18,715	18,737

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2017

21. BORROWINGS

	In RSD thousand	
	31 December 2017.	31 December 2016.
Borrowings abroad	73,617	88,439
Current portion of long-term borrowings	62	74
	73,679	88,513

As of 31 December 2017, foreign borrowings relate to the credit lines extended by ERB New Europe Funding B.V. Amsterdam, Holland for financing of the Company's core business activity, with initial maturity of 48 months and annual interest rate of EURIBOR/LIBOR plus fixed margin.

The loans were due for payments on December 31st 2017 and repaid during January 2018.

22. PROVISIONS

	In RSD thousand	
	31 December 2017.	31 December 2016.
Provisions for redundancy and retirement	2,461	362
Provision for litigation	1,100	820
	3,561	1,182

23. OTHER LIABILITIES

	In RSD thousand	
	31 December 2017.	31 December 2016.
Accrued audit expenses	1,398	1,984
Liabilities for letters of guaranties (Note 26)	1,827	1,827
Accrued income from leasing fees	6	240
Advances received	2	300
Accrued bonuses	-	1,222
Accrued unused vacations (Note 13)	-	221
Other liabilities	104	1,520
	3,337	7,314

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2017

24. SHARE CAPITAL

Share capital of the Company is formed by the initial shareholders' payments and subsequent share issues. Nominal value of one share is RSD 100,000.

As of 31 December 2017 the pecuniary portion of the Company's share capital is in line with the requirement of the Law on Finance Lease (minimum EUR 500,000).

Shareholders Assembly adopted a decision to increase share capital of the Company on 4th May 2017 by issuing the fourth issue of ordinary shares without a public offer. 380 shares were issued with nominal value of RSD 100,000 per share, or RSD 38,000 thousand in total value. Consequently, the share in equity of the existing shareholder Eurobank ad Beograd was increased from 25.56% to 49.49%, as it is presented in the following table.

The Company's share capital structure at 31 December 2017 is presented in the table below:

	Number of shares	Amount of share capital in RSD 000	Interest in %	Number of votes
Eurobank Ergasias S.A. Athens, Greece	207	20,700	17,52	18
Eurobank a.d. Belgrade	585	58,500	49.49	49
ERB New Europe Holding B.V. Amsterdam, Holland	390	39,000	32.99	33
Total	1,182	118,200	100.00	100

The Company's share capital structure at 31 December 2016 is presented in the table below:

	Number of shares	Amount of share capital in RSD 000	Interest in %	Number of votes
Eurobank Ergasias S.A. Athens, Greece	207	20,700	25,81	26
Eurobank a.d. Belgrade	205	20,500	25.56	25
ERB New Europe Holding B.V. Amsterdam, Holland	390	39,000	48.63	49
Total	802	80,200	100.00	100

NOTES TO THE FINANCIAL STATEMENTS**For the Year Ended 31 December 2017**

25. COMMITMENTS AND CONTINGENT LIABILITIES**(a) Operating lease commitments**

The Company has entered into commercial operating leases on certain business premises in accordance with lease agreements.

As of 31 December 2017, the Company did not have obligations under the lease of business premises.

(b) Litigation

As of 31 December 2017, the Company acts as a defendant in four court cases. The total value of potential damage claim amounts to RSD 63,753 thousand (31 December 2016: RSD 963 thousand), excluding penalty interests that may arise with respect thereto.

From the aforementioned total value of the litigation claims, the most significant amount of 63,581 thousand dinars is related to the lawsuit filed by "GT COOP" GPZR Beograd, which was filed against the Company in December 2017. The management of the Company considers that this claim is entirely legally unfounded.

As of 31 December 2016 the Company recognized the amount of RSD 820 thousand (31 December 2015: RSD 3,120 thousand) for potential losses that might arise as a result of the aforementioned legal claims. The Company's management considers that no material liabilities will arise as a result of the remaining legal proceedings still in course, other than those provided for.

(c) Tax risks

Tax system in the Republic of Serbia is undergoing continuous amendments. Tax period in the Republic of Serbia is considered to be open in the five-year period. In different circumstances, tax authorities could have different approach to some issues, and could detect additional tax liabilities together with related penalty interest and fines. The Company's management believes that tax liabilities recognized in the accompanying financial statements are fairly presented.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2017

26. RELATED PARTY DISCLOSURES

The Company is a subsidiary of Eurobank Group. The related legal entities of the Company are , shareholders and other legal entities from the Eurobank Group

Transaction with the related parties, i.e. outstanding balances of receivables and liabilities as of 31 December 2017, as well as income and expenses earned/incurred during the year then ended are presented as follows:

	in RSD thousand			
	Eurobank a.d. Belgrade	ERB New Europe Funding B.V. Amsterdam	Eurobank Ergasias S.A. Athens	ERB Asset Fin d.o.o. Belgrade
Receivables				
Receivables from finance lease	-	-	-	-
Short-term financial placements (Note 17)	23,695	-	-	-
Cash and cash equivalents (Note 16)	159,955	-	-	-
	183,650	-	-	-
Liabilities				
Borrowings abroad (Note 21)	-	73,617	-	-
Interest payable (Note 21)	-	62	-	-
Liabilities for letters of guaranties (Note 26)	-	-	1,827	-
	-	73,679	1,827	-
Income				
Interest income (Note5)	366	-	-	-
	366	-	-	-
Expenses				
Interest expense (Note 6)	-	1,497	-	-
Services	90	-	-	-
Fees and commissions	118	-	-	-
Rent of office space (Note 14)	1,814	-	-	-
	2,022	1,497	-	-

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2017

26. RELATED PARTY DISCLOSURES (Continued)

Transaction with the related parties, i.e. outstanding balances of receivables and liabilities as of 31 December 2016, as well as income and expenses earned/incurred during the year then ended are presented as follows:

	in RSD thousand			
	Eurobank a.d. Belgrade	ERB New Europe Funding B.V. Amsterdam	Eurobank Ergasias S.A. Athens	ERB Asset Fin d.o.o. Belgrade
Receivables				
Receivables from finance lease	-	-	-	-
Short-term financial placements (Note 22)	-	-	-	-
Cash and cash equivalents	124,087	-	-	-
	124,087	-	-	-
Liabilities				
Long-term borrowings abroad (Note 21)	-	88,439	-	-
Interest payable (Note 21)	-	73	-	-
Liabilities for letters of guaranties (Note 26)	-	-	1,827	-
	-	88,512	1,827	-
Income				
Interest income	2,007	-	-	-
Fees and commissions	-	-	-	-
Rental income - office space	-	-	-	92
	2,007	-	-	92
Expenses				
Interest expense (Note 6)	-	3,378	-	-
Services	90	-	-	-
Fees and commissions	228	-	-	-
Rent of office space	2,283	-	-	-
	2,601	3,378	-	-

27. LEASED ASSETS INSURANCE

Considering the risk which the Company is exposed to, the Company pays special attention to insurance of leased assets. Therefore, the Company has signed contracts on business cooperation with insurance companies, in particularly with Delta Generali osiguranje a.d.o. Belgrade, Wiener Stadtische a.d.o. Belgrade, Dunav osiguranje a.d.o. Belgrade, DDOR Novi Sad a.d.o. Novi Sad and Uniqua a.d.o. Belgrade.

The subject of such contracts is business cooperation between the above mentioned companies and relates to insurance of new and used vehicles, as well as new and used equipment, for whose acquisition the Company signs contracts with lessees, retail or corporate customers, in accordance with the Company's business policy and in accordance with business policy acts of respective insurance companies with which the Company has signed the contracts on business cooperation.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2017

28. RECONCILIATION OF OUTSTANDING BALANCES WITH COUNTERPARTIES

In accordance with the Law on Accounting and Auditing, the Company performed the reconciliation procedure of receivables and payables with its debtors and creditors with the balance as of 30 November 2017, and it maintains credible documentation on the circularization process.

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

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

29. EVENTS AFTER THE REPORTING PERIOD

There were no significant events after balance sheet date that would require disclosure in the Financial Statements for the year 2017.

Belgrade, 21.02.2018

Jelena Moravcevic

Chief Accounting Officer



Vladan Miljanovic

Legal representative



