ERB LEASING a.d. BELGRADE - IN LIQUIDATION

Financial Statements as of and for the Year Ended 31 December 2019

and

Independent Auditor's Report

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This is an English translation of Independent Auditor’s Report and 2019 Financial Statements originally issued in the Serbian language

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the 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 2019 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 the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with the regulations prevailing in the Republic of Serbia and the basis of preparation of the financial statements disclosed in Note 2 to the financial statements.

Basis for Opinion

We conducted our audit in accordance with Law on Audit and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in *the Republic of Serbia*, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 2.2(b) to the financial statements, which describes the basis of preparation of the accompanying financial statements. On 23 June 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 Company Law ("RS Official Gazette", no. 36/2011, 99/2011, 83/2014, 5/2015, 44/2018, 95/2018 and 91/2019) and Law on Bankruptcy and Liquidation of Banks and Insurance Companies ("RS Official Gazette", no. 14/2015 and 44/2018). 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. BD 72253/2017. The liquidation procedure is still underway. Consequently, these financial statements have been prepared on a gone concern basis. Our opinion is not modified in respect of this matter.

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements (Continued)

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

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

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

Report on Other Legal and Regulatory Requirements

Management of the Company is responsible for the preparation and fair presentation of the annual business report in accordance with the requirements of the Law on Accounting. Pursuant to the Law on Audit, our responsibility is to express an opinion on the consistency of the Company's annual business report for the year ended 31 December 2019 with the audited financial statements for the same year. Our procedures in this regard were 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 2019 is consistent, in all material respects, with the audited financial statements of the Company for the year ended 31 December 2019.

Belgrade, 6 April 2020

Ksenija Ristic Kostic
Certified Auditor

INCOME STATEMENT
For the Year Ended 31 December 2019
In RSD thousand

	Note	2019	2018
OPERATING INCOME AND EXPENSES			
Interest income	3.1, 5	178	211
Interest expenses	3.1, 6	-	(43)
Net interest income		**178**	**168**
Fee and commission income	3.1, 7	-	32
Fee and commission expenses	8	-	(27)
Net fees and commission income		**-**	**5**
Net foreign exchange losses and effects of foreign currency clause	3.3, 9	(126)	(515)
Other operating revenues	10	187	4,226
Net impairment gains from finance lease activities	16(b)	375	-
Total operating revenues		**436**	**3,711**
Salaries and other personnel costs	3.15, 11	(5,557)	(8,857)
Depreciation and amortization costs		(175)	(218)
Other expenses	12	(3,425)	(9,354)
LOSS BEFORE TAX		**(8,543)**	**(14,545)**
INCOME TAXES	3.13, 13		
Current tax expense		-	-
Deferred tax expense		-	-
LOSS FOR THE YEAR		**(8,543)**	**(14,545)**

The notes on pages 9 to 41
are an integral part of these financial statements.

These financial statements were authorized for issue on 3 April 2020 and were signed by:

Vladan Miljanovic

Legal Representative

STATEMENT OF OTHER COMPREHENSIVE INCOME
For the Year Ended 31 December 2019
In RSD thousand

	2018	2017
Loss for the year	**(8,543)**	**(14,545)**
Other comprehensive income	**-**	**-**
Total comprehensive loss for the year	**(8,543)**	**(14,545)**

The notes on pages 9 to 41
are an integral part of these financial statements.

Erb Leasing A.D. U LIKVIDACIJI Beograd

Vladan Miljanovic

Legal Representative

BALANCE SHEET
As of 31 December 2019
In RSD thousand

	Note	2019	2018
ASSETS			
Cash and cash equivalents	3.10, 14	65,509	73,681
Short-term financial placements	15	23,519	23,639
Receivables from finance lease activities	3.6, 3.7, 16	3	888
Repossessed lease assets	3.8, 17	-	-
Equipment	3.5	261	600
Receivables for overpaid income tax	3.13.	422	422
Other assets	18	19,980	19,622
TOTAL ASSETS		**109,694**	**118,852**
EQUITY AND LIABILITIES			
Liabilities			
Long-term borrowings from banks	3.11., 19	-	-
Long-term provisions	3.14, 20	2,840	2,841
Other liabilities	3.12., 21	2,282	2,896
		5,122	**5,737**
Equity			
Share capital	22	118,200	118,200
Retained earnings		58,950	58,950
Accumulated loss		(72,578)	(64,035)
		104,572	**113,115**
TOTAL EQUITY AND LIABILITIES		**109,694**	**118,852**

The notes on pages 9 to 41
are an integral part of these financial statements.

Vladan Miljanovic

Legal Representative

STATEMENT OF CHANGES IN EQUITY
For the Year Ended 31 December 2019
In RSD thousand

	Share capital	Retained earnings	Accumulated loss	Total
Balance as of 1 January 2018	**118,200**	**58,950**	**(49,490)**	**127,660**
Profit/(Loss) for the year	-	-	(14,545)	**(14,545)**
Balance as of 31 December 2018	**118,200**	**58,950**	**(64,035)**	**113,115**
Profit/(Loss) for the year	-	-	(8,543)	**(8,543)**
Balance as of 31 December 2019	**118,200**	**58,950**	**(72,578)**	**104,572**

The notes on pages 9 to 41
are an integral part of these financial statements.

Vladan Miljanovic

Legal Representative

STATEMENT OF CASH FLOWS
For the Year Ended 31 December 2019
In RSD thousand

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash inflow from operating activities	**2,082**	**6,399**
Receipts from finance lease placements	1,253	1,320
Receipts from rent and sales and other advances received	79	858
Other receipts from operations	750	4,221
Cash outflow from operating activities	**(10,256)**	**(18,473)**
Other payments to suppliers and advances paid	(779)	(19)
Payments for salaries and other personnel costs	(5,528)	(9,288)
Other public duties paid	-	(217)
Other outflows from operations	(3,949)	(8,949)
Net cash used in operating activities	***(8,174)***	***(12,074)***
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash inflow from investing activities	**2**	**2**
Interests receipts from term deposits	2	2
Net cash from investing activities	***2***	***2***
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash inflow from financing activities	**-**	**-**
Proceeds from long-term and short-term borrowings (net outflows)	-	(74,203)
Net cash used in financing activities	***-***	***(74,203)***
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(8,172)**	**(86,275)**
Cash and cash equivalents, beginning of the year	73,681	159,956
CASH AND CASH EQUIVALENTS, END OF THE YEAR (Note 14)	**65,509**	**73,681**

The notes on pages 9 to 41
are an integral part of these financial statements.

Vladan Miljanovic

Legal Representative

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 no. 156311/2013 dated 13 December 2013 Company changed legal name to ERB Leasing a.d. Belgrade.

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 2019, the Company is domiciled in Belgrade, 10, Vuka Karadzica Street.

As of 31 December 2019, the Company had 1 employees (31 December 2018: 2 employees).

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

2. BASIS OF PREPARATION AND PRESENTATION OF THE FINANCIAL STATEMENTS

2.1. Basis of Preparation and Presentation of the Financial Statements

The accompanying financial statements have been prepared in accordance with the Law on Accounting ("RS Official Gazette", no. 73/2019), as well as the applicable provisions of the previous Law on Accounting ("RS Official Gazette", no. 62/2013 and 30/2018) (hereinafter referred to as "the Law") and other applicable laws and regulations in the Republic of Serbia.

For the recognition, measurement, presentation and disclosure of positions in the financial statements, the Company is required to apply International Financial Reporting Standards ("IFRS"), which, within the meaning of the above Act, constitute the Conceptual Framework for Financial Reporting, International Accounting Standards - IAS and International Standards Financial Reporting - IFRSs issued by the International Accounting Standards Board, and related interpretations issued by the Accounting Standards Board, translated and published by the Ministry of Finance (the "Ministry").

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

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

Decision of the Minister of Finance of the Republic of Serbia on determining translation of International Financial Reporting Standards no. 401-00-4980 / 2019-16 dated 21 November 2019 ("RS Official Gazette", no. 92/2019), the official translation of IFRS was established. The IFRS translation established and published by the Ministry consists of the Conceptual Framework for Financial Reporting, IAS Basic Texts, IFRS basic texts issued by the International Accounting Standards Board ("IASB"), as well as interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"). in the form in which they have been issued or adopted and which do not include reasoning, illustrative examples, guidelines, comments, dissenting opinions, elaborated examples and other supplementary explanatory material that may be adopted in connection with standards or interpretations, unless does not explicitly state that it is an integral part of the standard, or interpretation.

These IFRSs, in accordance with the aforementioned Minister of Finance's Decision, will apply from the financial statements prepared for the year ended 31 December 2020, and may be applied when preparing the financial statements for the year ended 31 December 2019 (with disclosure of relevant information in the notes to the financial statements). The Company has decided to apply those IFRSs when preparing its financial statements for the year ended 31 December 2020.

The aforementioned IFRS translation includes all revised and new IASs, IFRSs and interpretations, effective for annual periods beginning on or after 1 January 2018 and earlier, as applicable from the financial statements prepared for the year ended 31 December 2018.

Amended and new IASs, IFRSs and interpretations issued by the IASB and IFRIC, effective after this date, have not been officially translated and published in the Republic of Serbia.

The amounts in the accompanying financial statements of the Company are stated in thousands of dinars, unless otherwise stated. Dinar (RSD) represents the functional and reporting currency of the Company. Amounts stated in RSD are rounded to the nearest thousand, unless otherwise stated.

The accounting policies and estimates used in the preparation of these financial statements are consistent with the accounting policies and estimates used in the preparation of the Company's 2018 annual separate financial statements.

The accompanying financial statements have been prepared in accordance with the requirements of the Decision on the Chart of Accounts and the Contents of the Accounts in the Chart of Accounts for Financial Leasing Providers ("RS Official Gazette", no. 87/2014) and the Decision on the Content and Form of Financial Statements for Financial Leasing Providers ("RS Official Gazette", no. 87/2014 and 135/2014).

The aforementioned decisions governing the presentation of the financial statements take precedence over the requirements defined by IFRS in this regard, which have been published by the Ministry of Finance.

In view of the above discrepancies, the accompanying financial statements cannot be considered as financial statements prepared in accordance with IFRS.

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

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

The accompanying financial statements of the Company have been prepared in accordance with the "gone-concern" principle, that is, on the basis of the concept of discontinuance and liquidation value given that the Company is in the process of being extinguished, as explained in more detail in Note 2.2 (b).

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

The Group operates in an environment of positive growth rates both in Greece (Group's main market) and the other countries, in which it has a substantial presence. Specifically, Greece's 2019 real GDP growth was at 1.9% according to the Hellenic Statistical Authority (ELSTAT) data (2018: 1.9%), while it was estimated at 2.4% in 2020, according to the European Commission's 2020 winter forecasts. The unemployment rate in December 2019 was at 16.3% (December 2018: 18.5%) based on ELSTAT data. On the fiscal front, according to the 2020 Budget, the primary surplus of Greece for 2019 is estimated at 3.7% of GDP, while the respective forecast for 2020 was estimated at 3.6% of GDP. However, the recent coronavirus outbreak is very possible to slash the above forecasts for 2020. In the context of the Enhanced Surveillance (ES), the first four consecutive quarterly reviews were successfully completed by December 2019, while the conclusion of the fifth review is expected by mid-March 2020. The capital controls imposed in July 2015 were fully abolished from 1 September 2019 onwards. On the back of this environment, the Greek state in 2019 managed to normalize and achieve continuous market access with the issuance of four bonds of various maturities. In January 2020, the Greek government issued a 15-year bond of € 2.5 billion at a yield of 1.9%. The yield of the 10-year benchmark bond was at 1.46% on 31 December 2019, compared to 4.40% on 31 December 2018. Additionally, according to the ECB's decision notified to the Bank on 6 March 2020, it has been concluded that the reasons to impose sovereign limits on the Greek banks' (including Eurobank) exposure towards the Hellenic Republic have ceased to exist and therefore its previous decision on those limits shall be repealed.

Regarding the outlook for the next 12 months, the major macroeconomic risks and uncertainties in Greece are associated with (i) the implementation of the reforms and privatizations' agenda in order to meet the ES targets and milestones, (ii) the implementation of the Public Investments Program according to the respective 2020 Budget targets, (iii) the attraction of new investments in the country and (iv) the geopolitical and macroeconomic conditions in the near or in broader region, including the impact of a persistent low/negative rates' environment and the external shocks from a slowdown in the regional and/ or global economy. A major challenge for the international community is the recent coronavirus outbreak whose economic effect is mainly related with the disruption of trade and global supply chains and the risks that it might create for the world growth for 2020. In case of a global slowdown in economic activity, an adverse impact on certain industries of the Greek economy, such as tourism, manufacturing sector and shipping cannot be ruled out. Materialization of those risks would have potentially adverse effects on the fiscal planning of the Greek sovereign and on the liquidity, solvency and profitability of the Greek banking sector, as well as on the realization of their NPE's reduction plans.

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

2.2. Going Concern Principle (Continued)

(a) Position of the Group (Continued)

The Group monitors closely the developments in the Greek and regional macroeconomic environment taking into account its direct and indirect exposure to sovereign risk.

The merger with Grivalia completed in May 2019 has further enhanced Eurobank's capital with the total CAD and the CET1 ratios amounting to 19.2% and 16.7% respectively as at 31 December 2019. The net profit attributable to shareholders amounted to € 127 million (€ 257 million net profit from continuing operations before € 66 million restructuring costs after tax and € 62 million goodwill impairment) for the year ended 31 December 2019. Furthermore, the Bank has eliminated the use of ELA as of end January 2019. As at 31 December 2019, the Group deposits have increased by € 5.7 billion (out of which € 1.1 billion is associated with the acquisition of Piraeus Bank Bulgaria) to € 44.8 billion (2018: € 39.1 billion), improving the Group's (net) loans to deposits (L/D) ratio to 83.2% as at 31 December 2019 (2018: 92.6%). In the context of the internal liquidity stress test framework, which is part of the 2019 ILAAP (Internal Liquidity Adequacy Assessment Process), the results of the short and medium term liquidity stress tests indicate that the Bank has adequate liquidity buffer to withstand to all of the stress test scenario effects.

In 2019, the Group, after completing in September the sale of 95% of the mezzanine and junior notes of a securitization of a residential mortgage loan portfolio with a gross book value of ca. € 2 billion (project Pillar comprising primarily NPEs) and executing its organic NPE reduction strategy, managed to decrease its NPEs at amortised cost by € 3.7 billion to € 13.0 billion, driving the NPE ratio to 29% (2018: 37%).

The Greek government in order to support the reduction of non-performing loans (NPL) of banks designed an asset protection scheme ('APS'), approved by European Commission in October 2019, to assist them in securitizing and moving non-performing loans off their balance sheets. In December 2019 the Bank, following the enactment of the 'APS' law and its decision to opt-in for all the senior notes of the Cairo transaction, has entered into binding agreements for: a) the sale of 20% of the mezzanine and the minimum required percentage (as per 'APS') of junior notes of a securitization of a mixed assets portfolio with a gross book value of ca. € 7.5 billion (project Cairo comprising primarily NPEs) and b) the sale of a majority stake in Financial Planning Services S.A. (FPS), the licensed 100%-owned loan servicer of Eurobank (project Europe). The above projects are a key component of the Group's frontloaded NPE reduction plan for the achievement of the targeted NPE ratio of ca. 16% in the first quarter of 2020 and a single digit ratio by 2021.

In response to the coronavirus outbreak, on 12 March 2020, the ECB announced a number of temporary capital and operational relief measures to ensure that its directly supervised banks can continue to fulfil their role in funding the real economy. Banks will be allowed to use capital and liquidity buffers and cover Pillar 2 requirements with other than CET 1 instruments. On the same date the EBA decided to postpone the EU-wide stress test exercise to 2021 to allow banks to focus on and ensure continuity of their core operations, including support for their customers. The ECB stated that it supports the above EBA decision and will extend the postponement to all banks (including Eurobank) subject to the 2020 stress test. In addition, the EBA stated that there is flexibility in the implementation of the EBA Guidelines on management of non-performing and forborne exposures and called for a close dialogue between supervisors and banks, also on their non-performing exposure strategies, on a case by case basis.

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

2.2. Going Concern Principle (Continued)

(b) Position of the Company

On 23 June 2017, the Shareholder's 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, the Company registered the Decision on the entering in the liquidation procedure on 29 August 2017 with the Serbian Business Registers Agency under the number BD 72253/2017.

Consequently, when preparing the annual financial statements starting from 2018, 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 the 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.

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.

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 2019 and 2018 into the functional currency (RSD) were as follows:

		In RSD
	31 December 2019	**31 December 2018**
EUR	117.5928	118.1946
CHF	108.4004	104.9779

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.4. Intangible Assets

As of 31 December 2019 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 2019 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 Activities

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.

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.

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". Advances paid are presented within Repossessed assets.

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 and bank overdrafts.

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 subsequently measured at amortized cost, being the nominal value due to the short-term nature of these liabilities.

3.13. Income Taxes

Current Income Tax

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

Current income tax is payable at the legally prescribed rate of 15% (31 December 2018: 15%) on the taxable income determined and reported in the annual corporate income tax return, which includes the profit/(loss) before taxation reported in the statutory statement of income, as adjusted for differences that are specifically defined under the above Law, less any prescribed tax credits.

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.

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

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 (Note 20).

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 23(b)).

Contingencies

Contingent liabilities are not recognized in the financial statements. They are disclosed (Note 23(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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 11).

(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. As of 31 December 2019, the provision for retirement benefits amounts RSD 1,935 thousand (31 December 2018: RSD 1,935 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 24).

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 are identified.

Retirement Benefits

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 of maturity approximating the terms of maturity of the related pension liability.

Provisions for Litigations

When assessing and recognizing provisions and determining the level of exposure to contingent liabilities related to existing litigation, the Company's management makes certain estimates. Reasonable estimates include judgments made by management after considering information including notifications, settlements, estimates performed by legal department, available facts, identification of other potentially responsible parties and their ability to contribute to resolution, and prior experience.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.17. Critical Accounting Judgments and Estimates (Continued)

Provisions for Litigations (Continued)

A provision is recognised when it is probable that there is a liability whose amount can be reliably estimated by careful analysis (Note 20). The required provision may change in the future due to new developments and new information becoming available.

Matters that are either possible obligations or do not meet the recognition criteria for a provision are disclosed (Note 23 (b) and (c)), unless the possibility of transferring economic benefits is remote.

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 2019 are the most reliable estimated values under the circumstances.

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 analyse 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.

Given the Company's limited operations in 2019, there were no changes in risk management policies.

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

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.

4. FINANCIAL RISK MANAGEMENT (Continued)

4.1. Credit Risk (Continued)

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.

4. FINANCIAL RISK MANAGEMENT (Continued)

4.1. Credit Risk (Continued)

Breakdown of the Company's **maximum exposure to credit risk** as of 31 December 2019 and 2018, without taking into account collaterals held, is presented in the table below:

	31 December 2019	31 December 2018
		In RSD thousand
Receivables from finance lease (Note 16)	3	888
Other receivables	422	646
Short-term deposits with banks (Note 15)	23,519	23,639
Total	**23,944**	**25,173**

Breakdown of finance lease receivables and term deposits as of 31 December 2019 and 2018 is presented in the table below:

	31 December 2019	31 December 2018
		In RSD thousand
Neither past due nor impaired	23,519	23.639
Past due but not impaired	422	422
Impaired	3	1.112
Total	**23,944**	**25,173**

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 2019 and 2018, *financial assets neither past due nor impaired* include the receivables with the following rating:

	31 December 2019	31 December 2018
		In RSD thousand
Satisfactory risk (rating from 1 to 6)	23, 519	23,639
Watch list (rating 7)	-	-
No rating*	-	-
Total	**23,519**	**23,639**

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

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 2019**:

In RSD thousand

	Retail, small business and entrepreneurs	Corporate clients	Total
Overdue up to 29 days	-	-	-
Overdue from 30 to 89 days	-	-	-
Overdue from 90 days to 1 year	422	-	422
	422	**-**	**422**

The following table presents the ageing analysis of *past due but not impaired receivables* as of **31 December 2018**:

In RSD thousand

	Retail, small business and entrepreneurs	Corporate clients	Total
Overdue up to 29 days	-	-	-
Overdue from 30 to 89 days	-	-	-
Overdue from 90 days to 1 year	422	-	422
	422	**-**	**422**

As of **31 December 2019**, *impaired receivables* relate to the following clients:

In RSD thousand

	Retail, small business and entrepreneurs	Corporate clients	Total
Individually impaired receivables, gross	**3**	**-**	**3**

As of **31 December 2018**, *impaired receivables* relate to the following clients:

In RSD thousand

	Retail, small business and entrepreneurs	Corporate clients	Total
Individually impaired receivables, gross	**1.112**	**-**	**1,112**

4. FINANCIAL RISK MANAGEMENT (Continued)

4.1. Credit Risk (Continued)

As of 31 December 2019 and 2018, 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 2019**, grouped by ***sectors***, is presented in the table below:

In RSD thousand

	Trade and services	Retail	Manufacturing	Construction	Other	Total
Retail client,						
small business	-	-	-	3	-	3
and entrepreneurs	-	-	-	-	422	422
Corporate clients	-	-	-	-	23, 519	23, 519
	-	**-**	**-**	**3**	**23,941**	**23,944**

The analysis of the Company's credit risk exposure as of **31 December 2018**, grouped by ***sectors***, is presented in the table below:

In RSD thousand

	Trade and services	Retail	Manufacturing	Construction	Other	Total
Retail client,						
small business	-	-	-	1.112	-	1.112
and entrepreneurs	-	-	-	-	422	422
Corporate clients	-	-	-	-	23,639	23,639
	-	**-**	**-**	**1.112**	**24,061**	**25,173**

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.

(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.

4. FINANCIAL RISK MANAGEMENT (Continued)

4.2. Market Risk (Continued)

(a) Foreign Exchange Risk (Continued)

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	
	2019	**2018**
Foreign exchange rate sensitivity +10% (RSD depreciation)	**132**	**57**

(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.

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

The following table shows the Reprising gap report, i.e. the Company's exposure to the interest rate risk as of 31 December 2019. 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.

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	-	-	-	-	-	-	-	65,509	65,509
Other assets and receivables	-	-	-	-	-	-	-	23,519	23,519
Receivables from finance lease activities	-	-	-	-	-	-	-	3	3
Property, plant and equipment	-	-	-	-	-	-	-	261	261
Deferred tax assets	-	-	-	-	-	-	-	422	422
Other assets and receivables	-	-	-	-	-	-	-	19.980	19.980
TOTAL ASSETS	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**109,694**	**109,694**
LIABILITIES AND EQUITY									
Provisions	-	-	-	-	-	-	-	2,840	2,840
Other liabilities	-	-	-	-	-	-	-	2,282	2,282
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**5,122**	**5,122**
Equity	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**104,572**	**104,572**
TOTAL LIABILITIES AND EQUITY	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**109,694**	**109,694**
Periodical GAP as of 31 December 2019	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
Cumulative GAP	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	

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 analysing the projected cash flows in order to enable the Company fulfilling its obligations at any moment.

The Company had no contractual financial obligations to other persons as of 31 December 2019 and 2018.

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	65,509	-	-	-	-	-	-	-	65,509
Other assets and receivables	-	-	23,519	-	-	-	-	-	23,519
Receivables from finance lease activities	-	-	-	-	-	-	-	3	3
Property, plant and equipment	-	-	-	-	-	-	-	261	261
Deferred tax assets	-	-	-	-	-	-	-	422	422
Other assets and receivables	-	-	-	-	-	-	-	19,980	19,980
TOTAL ASSETS	**65,509**	**-**	**23,519**	**-**	**-**	**-**	**-**	**20,666**	**109,694**
LIABILITIES AND EQUITY									
Provisions	-	-	-	-	-	-	-	2,840	2,840
Other liabilities	-	2,282	-	-	-	-	-	-	2,282
Total liabilities	**-**	**2,282**	**-**	**-**	**-**	**-**	**-**	**2,840**	**5,122**
Equity	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**104,572**	**104,572**
TOTAL LIABILITIES AND EQUITY	**-**	**2,282**	**-**	**-**	**-**	**-**	**-**	**107,412**	**109,694**
Maturity mismatch as of:									
- 31 December 2019	**65,509**	**(2,282)**	**23,519**	**-**	**-**	**-**	**-**	**(86,746)**	
- 31 December 2018	**73,681**	**(2,896)**	**23,519**	**-**	**-**	**-**	**-**	**(94,424))**	

The Maturity mismatch report as of 31 December 2019 indicates the high level of liquidity, especially in the period up to 30 days, and thereafter in the period from 3 to 6 months, while the slight maturity mismatch is present in the period from 1 to 3 months.

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. Recording of identified events that cause the Company’s operational risks is performed by operational risk monitoring coordinator. 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 Finance Lease. The 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 has 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 cannot 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 cannot 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 in 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 2019, the Company’s share capital is above the prescribed minimum for the performance of finance lase transactions the object of which is a movable good.

5. INTEREST INCOME

	In RSD thousand For the Year Ended 31 December	
	2019	**2018**
Interest income from finance lease	-	6
Interest income from deposits (Note 24)	178	205
Total	**178**	**211**

6. INTEREST EXPENSES

	In RSD thousand For the Year Ended 31 December	
	2019	**2018**
Interest expenses on borrowings (Note 24)	-	43
Total	**-**	**43**

7. FEE AND COMMISSION INCOME

	In RSD thousand For the Year Ended 31 December	
	2019	**2018**
Insurance fees	-	25
Finance lease origination fees	-	6
Re-invoiced income from inscription in registry	-	1
Total	**-**	**32**

8. FEE AND COMMISSION EXPENSES

	In RSD thousand For the Year Ended 31 December	
	2019	**2018**
Insurance premiums	-	25
Registration fees for lease agreements	-	2
Total	**-**	**27**

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

	In RSD thousand For the Year Ended 31 December 2019	2018
Positive effects of currency clause	67	372
Positive exchange rate differences	-	1
Total gains	**67**	**373**
Negative effects of currency clause	-	(374)
Negative exchange rate differences	(193)	(514)
Total losses	**(193)**	**(888)**
Net exchange gains	**(126)**	**(515)**

10. OTHER OPERATING REVENUES

	In RSD thousand For the Year Ended 31 December 2019	2018
Gains from sale of repossessed assets	186	216
Other revenues	1	4,010
Total	**187**	**4,226**

11. SALARIES AND OTHER PERSONNEL COSTS

	In RSD thousand For the Year Ended 31 December 2019	2018
Net salaries	4,820	7,440
Taxes and contributions on salaries paid by the employer	701	1,280
Other personnel costs	36	137
Total	**5,557**	**8,857**

12. OPERATING EXPENSES

	In RSD thousand For the Year Ended 31 December	
	2019	**2018**
Legal costs	670	410
Rent of office space (Note 24)	184	1,766
Maintenance	870	914
Provisions for litigation cases	536	906
Litigation expenses	157	-
Administration taxes and communal services	25	892
Communication and transport	-	275
Petrol costs	15	77
Insurance premiums	40	137
Other expenses	928	3,977
Total	**3,425**	**9,354**

13. INCOME TAXES

Due to incurred losses for the years ended 31 December 2019 and 2018, in accordance with the effective tax regulations, the Company did not calculate and report current and deferred income taxes.

Numerical Reconciliation of Income Tax Expense and Loss before Tax multiplied by the Statutory Income Tax Rate

	In RSD thousand For the Year Ended 31 December	
	2019	**2018**
Loss before tax	**(8,543)**	**(14,545)**
Income tax at statutory rate of 15%	**(1,281)**	**(2,182)**
Tax effects of expenses not deductible for tax purposes	1,281	2,182
Losses carried forward	-	-
Deferred tax effects	-	-
Other		
Income tax expense	**-**	**-**
Effective tax rate	-	-

14. CASH AND CASH EQUIVALENTS

	In RSD thousand 31 December 2019	31 December 2018
Current accounts:		
- in RSD	65,478	73,650
- in foreign currency	31	31
Balance as of	**65,509**	**73,681**

During 2019 and 2018, the Company performed payment and settlement transactions in domestic and foreign currency through its accounts held with Eurobank a.d. Belgrade.

15. SHORT-TERM FINANCIAL PLACEMENTS

Other financial investments as of 31 December 2019 amount to RSD 23,519 thousand (31 December 2018: RSD 23,639 thousand) and relate to short-term deposits placed with the shareholder - Eurobank a.d. Belgrade.

16. RECEIVABLES FROM FINANCE LEASE ACTIVITIES

	In RSD thousand 31 December 2019	31 December 2018
Minimal finance lease payments	-	-
Less: Accrued interest rate	-	-
	-	-
Overdue financial lease placements	-	1,102
Other receivables from finance lease activities (a)	843	1,002
Gross finance lease receivables	**843**	**2,104**
Less: Allowance for impairment (b)	(840)	(1,216)
Balance as of	**3**	**888**

The Company did not enter into new finance lease contacts during 2019 and 2018. Investments in finance lease, based on the existing contract, 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 used a foreign currency clause as a protection against foreign currency risk, which was included in finance lease agreements.

16. RECEIVABLES FROM FINANCE LEASE ACTIVITIES (Continued)

(a) Other Receivables from Financial Lease Activities

In RSD thousand

	31 December 2019	31 December 2018
Receivables for re-invoiced expenses	840	994
Other	3	8
Gross other receivables	**843**	**1,002**
Less: Allowance for impairment	(840)	(837)
Balance as of	**3**	**165**

(b) Movements in the Allowance for Impairment of Receivables from Finance Lease Activities during the Year

	In RSD thousand
Balance as of 1 January 2018	**1,266**
Foreign exchange differences, net	(50)
Balance as of 31 December 2018	**1,266**
Reversal of provisions	(375)
Other movements	(1)
Balance as of 31 December 2019	**1,216**

17. REPOSSESSED LEASE ASSETS

As of 31 December 2019 and 2018, the Company had no finance lease assets repossessed in exchange of uncollectible receivables that are intended for the further selling.

18. OTHER ASSETS

	31 December 2019	31 December 2018
	In RSD thousand	
Refund receivables	578	573
Claims arising from insurance costs	100	453
Other receivables	20,111	19,399
Gross receivables	**20,789**	**20,430**
Less: Allowance for impairment	(808)	(808)
Balance as of	**19,980**	**19,622**

19. BORROWINGS

In January 2018 all credit lines approved by ERB New European Funding B.V. Amsterdam, Netherlands, for the purpose of financing the Company's leasing activities were repaid.

As of 31 December 2019 the Company had no loans in use.

20. PROVISIONS

	31 December 2019	31 December 2018
	In RSD thousand	
Provisions for retirement benefits	1,935	1,935
Provision for litigations	905	906
Balance as of	**2,840**	**2,841**

21. OTHER LIABILITIES

	31 December 2019.	31 December 2018.
	In RSD thousand	
Accrued audit expenses	94	745
Liabilities for letters of guaranties (Note 24)	1,827	1,827
Other liabilities	361	324
Balance as of	**2,282**	**2,896**

22. 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 2019 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).

On 4 May 2017, the Shareholders' Assembly passed the Decision on share capital increase by issuing ordinary shares of the IV issue without public offer. The Company issued 380 shares with nominal value of RSD 100 thousand per share, i.e. total value of RSD 38,000 thousand. On this way, the equity shareholding of the existing shareholder Eurobank a.d. Belgrade in the Company's capital increased from 25.56% to 49.49%, as presented in the table below.

The Company's share capital structure at 31 December 2019 and 31 December 2018 is presented in the following table:

	Number of shares	Amount of share capital in RSD 000	Interest in %	Number of votes
Eurobank a.d. Beograd	585	58,500	49.49	49
ERB New Europe Holding B.V. Amsterdam, the Netherlands	390	39,000	32.99	33
Eurobank Ergasias S.A. Athens, Greece	207	20,700	17.52	18
Total	**1,182**	**118,200**	**100.00**	**100**

23. COMMITMENTS AND CONTINGENT LIABILITIES

(a) Operating Lease Commitments

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

As of 31 December 2019, the Company did not have obligations under the uncancellable lease of business premises.

(b) Litigation

As of 31 December 2019, the Company acts as a defendant in four court cases. The total value of potential damage claim amounts to RSD 80,584 thousand (31 December 2018: RSD 80,756 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 on 4 December 2017. The management of the Company considers that this claim is completely legally unfounded.

As of 31 December 2019 the Company recognized the provision of RSD 905 thousand (31 December 2018: RSD 906 thousand) for potential losses that might arise as a result of the aforementioned legal claims (Note 20). 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.

23. COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

(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.

24. RELATED PARTY DISCLOSURES

The Company is a subsidiary of Eurobank Group. The related legal entities of the Company are shareholders (Note 22) 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 2019, 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	Be-Business Exchanges S.A.
Receivables				
Cash and cash equivalents (Note 14)	65,509	-	-	-
Short-term financial placements (Note 15)	23,519	-	-	-
	89,028	**-**	**-**	**-**
Liabilities				
Liabilities for letters of guaranties (Note 21)	-	-	1,827	-
	-	**-**	**1,827**	**-**
Income				
Interest income (Note 5)	178	-	-	-
	178	**-**	**-**	**-**
Expenses				
Services	66	-	-	-
Fees and commissions	28	-	-	-
Rent of office space (Note 12)	184	-	-	-
	278	**-**	**-**	**-**

24. RELATED PARTY DISCLOSURES (Continued)

Transaction with the related parties, i.e. outstanding balances of receivables and liabilities as of 31 December 2018, 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	Be-Business Exchanges S.A.
Receivables				
Cash and cash equivalents (Note 14)	73,681	-	-	-
Short-term financial placements (Note 15)	23,639	-	-	-
	97,320	**-**	**-**	**-**
Liabilities				
Liabilities for letters of guaranties (Note 21)	-	-	1,827	-
	-	**-**	**1,827**	**-**
Income				
Interest income (Note 5)	205	-	-	-
	205	**-**	**-**	**-**
Expenses				
Interest expense (Note 6)	-	43	-	-
Services	66	-	-	119
Fees and commissions	81	-	-	-
Rent of office space (Note 12)	1,766	-	-	-
	1,913	**43**	**-**	**119**

25. EVENTS AFTER THE REPORTING PERIOD

As disclosed in Note 2.2 (a) to the accompanying financial statements, the major challenge for the international community is the recent outbreak of the Coronary Virus Epidemic (Covid-19), whose worldwide expansion is expected to have a negative transient impact on the global economy. The effects of the Covid-19 pandemic on economic activity will largely depend on the extent of its possible spread around the world and the timing of its suppression. Countries around the world, including Serbia, have already taken measures to combat the spread of the virus (e.g. travel restrictions, quarantine measures), as well as to mitigate the negative impact on the economy of supply and demand through various fiscal measures.

On 15 March 2020, the Decision on the Declaration of Emergency in the Territory of the Republic of Serbia was issued due to the epidemic of the Covid-19 virus.

On 17 March 2020, the National Bank of Serbia issued a Decision on interim measures to preserve the stability of the financial system, under which commercial banks are obliged to offer debtors a deadlock in the repayment (moratorium) of their obligations to banks for the duration of a state of emergency.

25. EVENTS AFTER THE REPORTING PERIOD (Continued)

On 20 March 2020, the Government of the Republic of Serbia adopted the first set of tax measures, namely the Decree on Emergency Tax Measures, to mitigate the economic consequences resulting from Covid-19.

The Company's management has taken all the necessary measures based on the recommendations of the Ministry of Health and the Government of the Republic of Serbia and continuously monitors all activities and guidelines of the competent state bodies. The virus corona pandemic is expected to have some negative economic impact in the first and second quarters of 2020, and possibly until the end of 2020, after which relative economic stabilization is expected.

The said event has no effect on the future operations of the Company, since the Company is in the process of voluntary liquidation, the completion of which is expected in 2020.

Apart from the foregoing, there were no other significant events after the reporting period that would require disclosure in the notes to the accompanying financial statements of the Company for 2019.

Belgrade, 3 April 2020

Vladan Miljanovic

Legal Representative

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